Center On Strategies For Public And Civil Entrepreneurs

Public Broadcasting in International Perspective

National systems and organizational strategies

Utrecht, 23 January 2005

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Executive summary

In this report we deal with the future role and strategy for public service broadcasting in an international perspective, and draw lessons from two scans of Public Service Broadcasting systems and organizations in other countries. This survey was conducted as a part of a bigger assignment of the Public Broadcast Association of the Netherlands to help them develop their strategy and a new vision on Public Service Broadcasting in the Netherlands.

<u>Our main findings are:</u>

The challenge for future arrangements is building pluralistic competition into the current institutional arrangements in order for multiple public broadcasters to compete *and* collaborate to empower a healthy civil society in the digital information age.

The future form and strategy of a public service broadcaster depends on the market type and environment of the country it operates in, outlined by the industry of content packaging, content distribution and content diffusion.

While the boundaries in the audiovisual industry start fading, the domains for public broadcasters slowly changes from a functional divisions (TV / Radio) to the diffusion and delivery of appropriate combinations of images, sound and text, independent from markets and governments. The focus shifts away from scarcity in distribution methods towards the aim and function of public service broadcasting.

Even while services get more interactive and personal, broadcasting institutions are irreplaceable in producing public service broadcasts. In fact the role of public service broadcasting keeps increasing and existing media will only partially and gradually be replaced.

Three conclusions can be made from our two scans of broadcasting funding, market structures and organizational development:

- Broadcasting systems evolve in the direction of multiple competing public broadcasters, and a revenue structure that is largely public (civic and governmental) and partly (public entrepreneurial-) commercial;

- Due to the blurring of old distinctions by technology and market developments, there is increasing attention for the governance structures for public service broadcasters and the role, relations and contribution of the public service broadcaster(s) in the community;

- The introduction of commercial players into the public service broadcasting system could take the form of a tender to run a competing PSB for a certain period or contestable funding of programs.

These conclusions are based on literature and the scans of seven countries, of which four cases are presented in this report to draw further lessons from.

Belgium teaches us how a broadcaster can creatively bypass the ban of commercials on their national channels by introducing new types of commercial revenues.
The case of the CBC in Canada shows us two examples of organizations that are built to endure the extremely competitive broadcasting arena.
In New Zealand we witness a system of a separation of funding and provider where 85% of all funding (from licence fees) goes to individual producers and programs rather than broadcasters.

The last system we thoroughly investigate is that of the United Kingdom. The first common mistake we draw attention to is that public service broadcasting in the UK is not about the renowned BBC but about the ingenious system in which it is embedded: in the UK there are five public service broadcasters and we discuss three of them: the commercial local broadcaster ITV, the innovator Channel4 and their big brother the BBC. We describe the problems of the BBC, their commercial activities and the future of the broadcasting system. The new independent regulator OFCOM announced a new public service broadcaster for the digital age, the Public Service Publisher.

1. An Outlook on Public Service Broadcasting

1.1 Introduction

During the last decade all European Public Service Broadcasters have been struggling with their identity and role in a rapidly changing media ecology. This chapter describes the evolution of Public Service Broadcasters (PSB) and attempts to categorize the different PSB's. Moreover, it tries to explain the current debate and issues in the light of the unique characteristics of public broadcasting. In dealing with these issues we shall explore the future of the audiovisual market, the role of institutions and we shall attempt to answer the question what the surplus value of public service broadcasting can or should be in Europe.

1.2 Evolution and upcoming markets

Europe is the heartland of Public Service Broadcasting. Contrary to the USA, where broadcasting was considered to be a commercial venture, in Europe the supply of radio (±1920) and TV (±1950) was considered to be of public interest. Consequently, radio and television were produced and distributed by institutions and mechanisms guaranteed by the state. Up until the early 1980s, public broadcasting dominated in the 17 countries of Western Europe (Brants & De Bens, 2000). There were only four commercial channels in three countries against some 40 public channels.

But when is a broadcaster providing public services? Why are there so many PSB's in Europe? Since there is no simple dictionary definition, we can only describe PSB historically as a distinctive institutional form that combines three elements: publicly owned (often not-for-profit) organizations, a monopoly of service provision and a strong normative programming policy emphasizing national and high cultural themes (Collins, 2003). All European public broadcasters developed along a path that show strong national peculiarities that reflect the characteristics of the different television markets as well as the institutional configuration of the country (Gambaro, 2004). This culturally embedded configuration makes PSB typical European but also complicates the comparison. One characteristic that most PSB's do have in common is their dominant position, sometimes even in spite of the commercial operators. As a result most countries have a television market showing strong oligopolistic characteristics. Single operators have strong economic and political bargaining powers and are capable of influencing the institutional debate affecting them. Let us take a look at the current problems and characteristics.

1.3 characteristics and problems

Although technologies and businesses are increasingly overlapping and merging to give rise to new possibilities, PSB is still exactly the same as before the era of digitalization and commercialization. Public service broadcasting still exists by the grace of a few principles. These essential principles are *universality*, ensuring access to all citizens, *diversity*; in the programs offered, the audience targeted and the topics discussed, *independence*; as a forum where ideas should be expressed freely and information, opinions and criticism circulate, and it should be *distinctive*, in quality and character of its programs. The emphasis on distinctiveness rose by the introduction of commercial competitors (World Radio and Television Council, 2000). Public Broadcasters must give these principles meaning, reinterpret them for their own specific place and time and then stipulate their strategy for the new challenges of media fragmentation. This *raison d'être* of public service broadcasting was never questioned until the rise of commercial television. Therefore we need to look at the future and ask ourselves whether there is a role for PSB.

Is public service broadcasting indispensable?

The 'Institut für Rundfunkökonomie'(IfR, 2001) tells us that there is a important role for public service broadcasting, and, more interestingly, that this role will only *increase* over time. Due to globalization, market criteria and processes are increasingly dominating all spheres of society, including those spheres that cannot be adequately shaped by the market mechanism. Therefore social and cultural achievements are jeopardized. These include cultural heritage, traditional social values, political awareness, participation and systems of a non-market provision of goods and services. PSB, especially in Europe, can create public consciousness for these achievements. This counterweight will become more, not less important in a society increasingly divided into those who can pay and those who cannot pay or better yet, those with access and those without. This function of PSB is summarized in a nutshell in the titles of PSB reports like 'Building public value' (BBC, 2004) or 'Our cultural sovereignty' (SCCH, 2003) This is what distinguishes European broadcasters from the American, but also, much more subtle, what distinguishes a Flanders Public broadcaster from a Walloonian in a small country like Belgium.

Problems in mandate

Now that we established the role of PSB as increasingly important, why then are PSB's under pressure? The problem lies in the definition of their mandate. Public broadcasters have an intractable problem: their mandates provide that they should lead, rather than follow public and popular taste. Yet their social productivity and institutional legitimacy depends on the degree to which their programmes and services are used and valued by the public. IN other words: market share versus distinctiveness (McKinsey, 1999). In 2004 the same company also gave three intervention approaches that governments apply in encouraging PSB's for either the market share approach or the distinctiveness approach: minimalistic, the cultural exception or broad PSB programming (McKinsey, 2004). One has to make a clear choice for emphasizing the one or the other.

Problems in definition

This choice of definition will primarily be made by European legislative bodies. They should decide whether we define PSB along the lines of 'what the public wants' or 'for the public interest'. This choice is described by Richard Collins (2003) as the conceptual struggle between defining PSB by what it is (the 'ises') or by what it should be (the 'oughts'). Decision makers should be careful in releasing ties or setting regulatory frameworks and interventions before this question is properly addressed and purposes are ranked. Arguments like 'this station is dumbing down the public', TV should be made 'bottom up', 'we should give the public what it wants', 'we need to educate the mass' or 'selling audiences to advertisers' are to simple arguments in the discussion about important cultural institutions of the European public sphere. Serious debate is crucial. For example how rating obsession influences editorial policy, creative freedom and consequently the outputs of public service broadcasters is a crucial question that needs to be further explored (Padovani & Tracey, 2003). The key for the preservation of the European public broadcasting model of governance is that certain institutions are granted privileges as reimbursement for the provision of a certain level of diversity and quality that society expects from them (Price & Raboy, 2001). In the era of European convergence towards one market and commercialization, Europe has to decide when and how broadcasters are granted certain privileges.

Problems in the industry

Besides defining their mandate, all public service broadcasters face the same problems and challenges: the downfall of protected environments, new technologies, pressures on government grants and license fee systems, an expanding audiovisual industry with many newcomers, more channels and declining audiences (Price & Raboy, 2001). How can we ensure public programming in this arena? One way to relieve the pressure is by empowering the historical PSB with new or more privileges. Another way would be to distribute public service obligations to the private broadcasters like in the UK by government policy or in Germany by the Constitutional Court (Price & Raboy, 2001). In the long run the evolution from monopolistic broadcasters to a competitive multi-player world market of producers, suppliers and distributors requests a real strategic reorientation for public service broadcasters. We will try to outline this future playing field.

1.4 New strategies for public service broadcasters

Developments in the environment

Prosperity and technology speed up everything and the boundaries between newspapers, television and radio blur when we can watch TV on our mobile phone, listen to the radio on the internet or read the papers on our PDA or even on our Playstation. In the Netherlands the Social and Cultural Planning Office (SCP, 2004) foresees a new model for media policy that doesn't divide media into a functional distinction (e.g. radio or TV) but in the form of information: images, sound and text. These are used to inform, connect, cultural integrate or amuse us. This type of helicopter view of the audiovisual industry is necessary because as we said earlier, when the boundaries fade we are all in each other's business (look at Vodafone selling TV on your cell phone or the BBC acting as an internet provider). Subsequently the public broadcasting business should provide us with combinations of text, images and sound, independent from time, place and device. This means that PSB's should overlook the whole of the audiovisual industry and their impact for new strategies.

The growth of the television market, increased competition and the diversification of suppliers have changed the environment of the old monopolist public broadcaster in a fast pace (Gambaro, 2004). The EU-countries can roughly be classified. Taking into account the size and revenue potential, the dominant market model in the country and the main distribution and reception mode we are able to make five subgroups in the European audiovisual industry (Andersen, 2002). Firstly, there are the 'large markets' like France, the UK and Germany. Secondly, the 'commercial markets' like Portugal and Greece. Thirdly, the largest group of 'mixed model countries' like Belgium, Sweden, Finland or The Netherlands. Fourthly, the 'monopolistic markets' like Austria and Denmark but also Ireland before 1998. And, finally, the last category of 'importers' with small countries like Luxembourg and Lichtenstein. We will not take this classification into further detail (for details see Andersen, 2002), but this industry classification is useful for it not only encompasses the different environments the public service broadcasters operate in but also makes comparison easier. A further framework was developed for the audiovisual industry, identifying eight roles grouped in three categories that are relevant for all broadcasters:

- *content production*, which includes:
    - rights owners
    - rights dealers
    - content producers

- *content packaging*, which includes:
    - programme packagers (programme packagers are responsible for the acquisition and aggregation of content into channels; this activity is only a part of the current activities of broadcasters)
    - aggregators (aggregators are responsible for the acquisition and aggregation of channels into (digital or pay-TV) bouquets; this activity is currently almost never done as a stand-alone but often associated with the role of access provider)

- *content diffusion*, which includes:
    - access providers (also called platform operators or gateways)
    - networks
    - customer premises equipment (CPE) vendors

When we realize that the walls between different types of media and different markets of audiovisual players are falling down, the result is that we are all working in each other's businesses. In this particular case the whole of the audiovisual industry encompassing all three categories and the eight different roles mentioned above. Within these typology of countries and these categories, the future form and activities of the public service broadcasters need to be outlined.

The likely future of audiovisual technology (up to 2010) balances between the scenarios of 'interactivity' and of 'full personalization'. The 'interactivity scenario' is articulated on the rapid development of new interactive services and the 'personalization scenario' is based on the development of personalized offering of existing audiovisual services (Andersen, 2002). The key in these scenarios is to predict audience behaviour. Their behaviour varies from households that regularly use new services, households that have access but don't use the services and households that don't have access. But will access and use also replace the existing media?

Institutional form

Media which have proven successful adapt to new circumstances and new functions, and the media constellation evolves quite fluidly through time. Research shows that old media will only 'gradually and partially' be replaced by new alternatives, and the functional specialization within media changes as well (SCP, 2004). Therefore the adoption of new media will be equally gradual, both by the public as well as by the broadcasters.

This brings us to the question whether institutions matter for the institutional form of public service broadcasting? The answer is yes. There are strong arguments for taking the current form of broadcasting institutions seriously. These institutions constitute and sustain creative clusters, socialize personnel and may allow some space for thinking beyond the next project. They also contribute in a diffuse as well as a direct way to the establishment of a common culture both within the production community and the wider public. The outcome of an alternative institutional order is still vague but whatever emerges will need to be tested for its capacity to meet public service broadcasting objectives. An important issue is whether to leave public service production largely or exclusively limited to one institution. This has a number of undesirable effects like the tendency to be identified with what that one institution produces. So there is a plea to abolish those (monopolistic) institutions and introduce new redistributive or contestable elements for all commercial and public broadcasters.

A key element that will affect the outcome is whether a new redistributive arrangement will be adopted within the existing institutions (Schlessinger, 2004). Handling new arrangements within and with the existing institutions is a method used in both the UK and the Netherlands. Both countries have pluralistic competition built into their system of public broadcasters and combine a competitive market of national broadcasters with an important role for their regional broadcasters. Different cultural heritage resulted in alternative solutions but both countries succeeded in building a resistant framework that can serve as best practice (in its system arrangements) for other European countries.

Surplus value of public service broadcasting

Within this kind of institutional framework the future role of public service broadcasting can be articulated. What is the surplus value for any special privilege for the public service broadcaster?

First of all as independent source in the information society. Independence is one of the main surplus values of PSB in that it should be independent from governmental and commercial influence. The main issue here is that a public broadcaster (as non-governmental non-profit organization) applies a mixture between the markets de-central and horizontal decision rules and the governments central and vertical decision rules. People are engaged in such organizations neither mainly for money nor as a result of governmental directives, but mainly to satisfy intrinsic motivations, like cultural, artistic, religious, charity or educational targets (IfR, 2001).

The surplus value lies, as stated earlier, not only in its independence but also in the universality and distinctive nature, combined with the cultural role of PSB. More specific: ‘The purposes of PSB lie in underpinning an informed society, reflecting and strengthening our cultural identity, stimulating our appetite for knowledge, and in building a tolerant, inclusive society (Ofcom, 2004a, 2004b)’. In the digital age its role should be defined in terms of social purposes and necessary characteristics, rather than in terms of specific types of programs or the output of certain institutions. It should aim to ensure that TV continues to provide high quality material of a kind and on a scale which the market, left to itself, would not provide (Ofcom, 2004b). The surplus value of a public broadcaster in the digital information age lies in its role in and contribution to the civil society, independent from markets and governments, in order for every citizen to arrive at rational decision making about where he or she stands in society.

2 Cross-national lesson drawing

In this chapter we discuss different countries with different policies, institutions and regulatory frameworks, asking ourselves questions whether those policies elsewhere can be used to draw lessons from. The question is the following: ‘Under what circumstances and to what extend can a programme that is effective in one place transfer to another?’ Rose (1991) gives two criteria for decision makers: whether it’s practical, being an expert judgment, and whether it’s desirable, being the judgment of the policy maker. Those lessons can be found by searching across time and space. Specific characteristics of national systems influence success or failure of policy approaches. Attention should be drawn to the historically grown configuration of institutions and culture that makes certain approaches acceptable in some countries but hopeless in others (Kümpers et al., 2002).

Lesson drawing though is about generalizing and the creation of new practices is best considered as a creative act, rather than a process of copying. In this chapter we highlight a few of the practices that are scanned, and used as lessons in our main report. The reader can use these scans to build models, compare their own system to the examples and evaluate whether a programme is practical or desirable in its outcome if it would be transferred to his own situation. The cross-national comparison of policy approaches can be used to draw lessons to different extends:

- *Copying.* Adopting more or less intact of a practice already in effect in another jurisdiction.
- *Emulation.* Adoption, with adjustments for different circumstances, of a practice already in effect in another jurisdiction.
- *Hybridization.* Combining elements of practices from two different places.
- *Synthesis.* Combining familiar elements from practices in effect in three or more different places.
- *Inspiration.* Practices elsewhere used as intellectual stimulus for developing a novel practice without an analogy elsewhere.

Decision- and policymakers can use these five extents as a practical guide for interpretation when reading the next chapter of cross national comparisons and best practices.

2.1 An overview of Public Service Broadcasting

In this study we performed two scans, a broad and a precise one. The first broad scan of countries had to result in picking the cherries for further research. In this first scan we encountered big broadcasters, small broadcasters, publicly and commercially funded broadcasters; governmental governance and intermediate institutional governance, but also interesting cases such as the (German) Constitutional courts restraining commercial broadcasters with output obligations for the rationale of 'the potentially dangerous power and influence of broadcast'(Price & Raboy, 2001). In this chapter we discuss four cases or 'cherries' of our research, two special organizational cases (Belgium and Canada) and two broadcasting systems (the UK and New Zealand).

Much can be learnt from the two scans. If you want to see the effect of Americanization and life and death commercial competition takes a look at Canada and if you want to see negative effects of the European Unions 'open sky' policy takes a look at Ireland, where broadcasting signals bleed across the national borders between the UK and Ireland. Looking for creativity in sponsorship and alliances? Take a look at Belgium. A closer look in the kitchen of the BBC teaches us that PSB's are crucial in creating public value by empowering civil society and helping to build communities and interact with them. If you want to see how multiple broadcasters work together on one station take a look at ITV in the UK or the ARD in Germany. Curious at the possible landscape if a country would separate funding from providing and 85% of all funding goes to individual producers? Take a look at New Zealand. The Dutch model of public service broadcasting is unique in the world for its ingeniously built-in competition and pluriformity: a concession to a public party that oversees multiple private non-profit parties that cooperate and compete on three different TV-channels.

In the period of the digital switchover, blurring lines and increased competition between content producers, content providers and content diffusion devices there is a pattern that emerges in remodelling Public Service Broadcasting. The starting point is the dominant model of public broadcasting: the old-monopolist-broadcaster, accompanied by an independent public regulatory body, erected by the government and overseeing public and commercial broadcasters. This model is increasingly under pressure. The reason is that 'in many walks of life there has been a deliberate move away from an approach where institutions were run on the basis of unchallenged trust and informal understandings (IPCR, 2004a)'. The gap is filled by modern concepts like the emphasis on openness and transparency, competition and public governance that are all being introduced in the broadcasting system by public consultations and new intermediate institutions like OFCOM. Commercial and regional broadcasters are being introduced in the model and discussions concerning governance structure, public values and the influence of the government are conducted in public hearings about the future of PSB. In these reviews and public consultations, as we described in chapter one, new ways are being explored to protect PSB against commercial parties and state influence by, for example, regulating the entry market per distribution channels, stipulating new program obligations for the commercial broadcasters, or by the European Union scrutinizing the national models of pulic service broadcasting for its effects on competition.

With a sharp but creative mind there are lessons to be learned for everyone, big or small, commercial or public. Again, the next chapter and the appendix of countries are meant to give an overview of possibilities, not a detailed description. In the first two paragraphs we will try to give a short overview of funding methods and different broadcasting systems.

2.1.1 Revenue structures

One of the most important features of the public broadcasters is its independence from market and state. Therefore, it is important to look at the hand that feeds PSB. The revenue structures of different countries are combinations of three types: civic financing, governmental financing and commercial financing. It is often thought that civic financing methods are the best or preferred solution for financing a PSB whereas commercial funding is commonly viewed to be the worst solution (IfR, 2001).

Civic

Civic funding methods comprise voluntary contributions (cash donations, membership fees or in kind services), compulsory license fees and grants. Voluntary contributions have the benefit of being intrinsically motivated A clear drawback is the lack of predictability regarding the availability and amount of yearly revenue. The license fee could be classified as a good public funding solution: It does not provide the independence of donations, but the fees´ higher risk to be influenced by government can be justified by the higher abundance. These licence fees could be decided upon and allocated by separate nongovernmental public institutions (see New Zealand). The more direct the licence fee is allocated to the broadcaster(s) the better. This means that *licence fees can be a civic or governmental* method: if the licence fee is allocated by the government and only *in*directly to a public broadcaster (e.g. via lump sum budgets) it should be considered a governmental funding method).

Governmental

Governmental financing includes those license fees that go straight into governmental budgets, or governmental grants. The method of license fees, and especially those who go to government budgets, is far from perfect because it requires a governmental decision to allocate the yields, a properly functioning and dedicated state administrative apparatus to collect and redistribute the fees. Moreover, it allows the government leverage over the, supposedly independent, public broadcaster. Grants or subsidies from governmental budgets are worse yet, because they can be easily varied or even rejected totally.

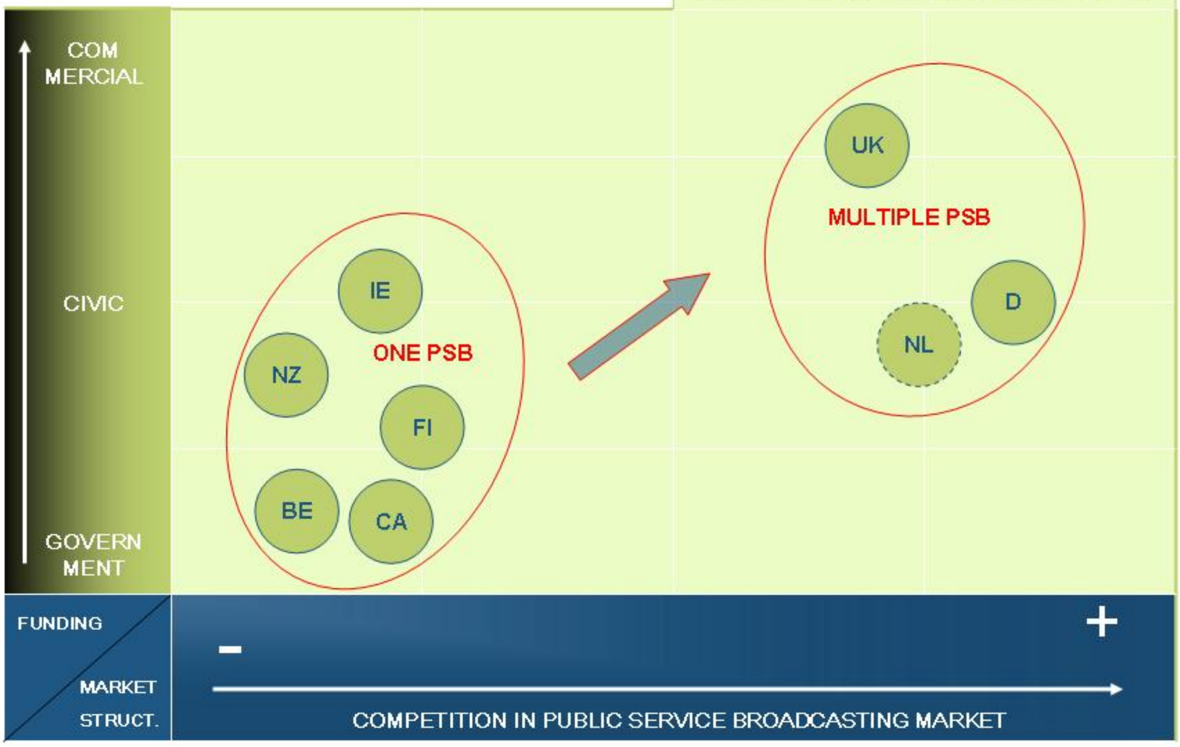
Commercial

Commercial financing methods include advertising, sponsoring, merchandising, programme sale and subscriptions, in pay per channel or per view. The customers of the broadcasting companies for ‘subscriptions’ are viewers and listeners paying directly for the service, whereas the customers for the other commercial methods are the advertising companies. This undermines the independence, universality, diversity and distinctiveness of a broadcaster.

2.1.2 Public Service broadcasting systems

With Canada and New Zealand in our first scan the horizon was broadened outside the European systems. An overview of public service broadcasters can be roughly divided in different systems of public service broadcasting, depending upon the funding and the market structure. The funding can be governmental, civic, mixed or commercial. The market structure either has one or more public broadcasters, and prerequisites or no prerequisites for commercial players. This means that the entry on the different platforms may be regulated for commercial players or prerequisites like programme categories are set, or the combination of those two. The following picture can be drawn upon our broad scan of the seven countries; Belgium, Canada, Germany, Finland, Ireland, New Zealand and the United Kingdom:

FIG 1: FUNDING AND MARKET STRUCTURE OF PSB



Research shows that a system with multiple *public* broadcasters is superior to a system with one single broadcaster because competition results in better public programmes (IfR, 2001). Many countries have a system with one strong national public broadcaster. Multiple types of competition, internal comparisons and/or forced cooperation can be built into a market with two or more players. Examples of this internal competition between PSB's are on quality, cost efficacy, distinctiveness or audience shares.

In addition, providing privileges to commercial players to meet certain goals of public broadcasting is also superior to providing no privileges for them at all, or even ban them out of the system. This brings the competition (for producing public programmes) to the internal *and external* level, resulting in better public programmes, in some cases paid by commercial broadcasters. We see that Germany, The Netherlands and the United Kingdom all have multiple public service broadcasters: In Germany and the Netherlands multiple PSB's collaborate and compete on different channels (see also ITV in the UK). In Germany the

Broadcasters are mainly regional and represent the values and culture of the regional population and in the Netherlands the broadcasters are all representing a different movement in society. Furthermore Germany also highly regulates the entry market for commercial players and sets prerequisites for their output. The broadcasting system of the UK consists of five different public broadcasters all with a different purpose. Three of them are commercially funded, and they all compete in attracting audiences for public program categories (see § 2.5). All three countries found their way to *cooperate and compete* in delivering public service programmes, and all three have a *build in mechanism of pluriformity and diversity* of program content.

Now we have established that systems with multiple public service broadcasters with prerequisites or privileges for commercial players will probably deliver better public programmes, let us look at the hand that feeds, or the funding. As we said in § 2.1.1, the preferred funding is civic revenues, because it keeps the broadcaster independent from governmental or commercial influence. But an extra remark on independency must be made: ultimately the problem of advertising as a revenue is not the source of the tension but it is the linkages of advertising to 'ownership and / or control' of the system that brings tension (Padovani & Tracey, 2003). So advertising and / or commercial revenues are not the source of the tension and we can see this in the UK where public and private broadcasters go hand in hand in delivering public service programmes. Ultimately, as advertising will be spread over the various diffusion devices (internet, cell phone etc.) the trend for public service broadcasters is towards expanding services and pumping the revenues from commercial sources into the "core services."(Padovani & Tracey, 2003). The assortment of commercial services is of course very large and can be united with the role of public broadcasters in society, exploiting their unique position and institutional brand in a positive manner. We can witness this direction (again) in the UK where 'hard' commercial businesses of the BBC are being downsized but the (social entrepreneurial) role in society and the community partnerships are promising for the extended role and new sources of revenues for PSB's. The systems in the three vanguard countries are good examples of establishing competition and pluriformity. Two countries are even increasing competition and shaking up the status quo with the creation of a new Public Service Provider in the UK and the recent admittance of two new public broadcasting associations in the Netherlands.

By looking at this picture and the literature of broadcasting systems, we conclude that national 'broadcasting systems evolve in the direction of multiple cooperating and competing public broadcasters, sometimes with prerequisites for commercial broadcasters and a revenue structure that is largely public and civic and partly commercial'.

Let us take a look at some specific cases of funding, systems and organizations that helped us in drawing this conclusion.

2.2 Organizations. The case of Belgium: Sharp profile and creative sponsorships

The government of Belgium abolished the license fee system and forbids commercials on public television stations. How then does it pay for the programmes and broadcasters? The funding originates from three sources: governmental grant (donation), advertisement and sponsorship. For the last two categories the VRT (public service broadcaster of the Flemish part of Belgium) founded a special company called the VAR or the 'Vlaamse Audiovisuele Regie'. Its legal structure is that of a 'naamloze vennootschap' and it has special programmes for long-term alliances and commercial and non-commercial bill boarding around radio and TV programmes. This can be seen as innovative ways of public funding. We present three of them here.

The VAR can be seen as the commercial branch of the VRT and is very creative in its services, since the TV station of the VRT is not allowed to broadcast any commercials. One of its creative inventions is the 'Open Scherm Service' that allows non-commercial parties to rent program space(VAR a, 2003). You make the program and the VRT makes sure it gets broadcasted on one of the two main channels. In order to bypass the restrictions on commercials, the website and brochure of the VAR tell us that the service cannot be used for commercial purposes but it can be used for communication with your personnel, information to your dealer network, services and education from government(s), programs of your union or charity, etc. There are even special discount packages and specific sectoral discounts.

In addition to renting program space it is also possible to buy a 'Boodschap van Algemeen Nut' (a message of general interest) that gives the possibility to public parties to billboard around the programs of the VRT (VAR b, 2003). These BAN- messages are also not commercial and meant for unions, social groups, government(s) or humanitarian organizations. It is intended to educate viewers on the policy of an institution, with aims like creating goodwill, changing attitudes, building your reputation, fundraising and informing the public.

Besides these two options, the VAR also offers commercial parties a long-term partnership contract to sponsor special packages of programs. All other commercial activities for the VRT are accommodated by the VAR, including the selling of programs and radio commercials.

Two other interesting Belgian examples are the SPORZA channel and the successful sharp profile of a public service broadcaster. During the last Olympic Games in Athens the VRT experimentally erected the special sport channel SPORZA. The goal was twofold: increase the amount of sport for the public and stop interrupting in the programming of the two regular channels of the VRT for sport. The project was a huge success and is currently under review. The last interesting detail about the Flanders public service broadcaster is that it succeeds in attracting more viewers than the commercial stations because it has implemented a razor-sharp profile of the different stations. In their contract with the government the VRT describes a group of viewers (24%) that consider television to be an 'exclusive diverting instrument'. The VRT agreed with the government to do no (priority) programming for this group.

The most important lessons from Belgium is the no-nonsense sharp public broadcaster profile, concentrating on its core business and the innovative ways of funding their programmes by creative new public-commercial revenues.

2.3 Organizations. The case of Canada: The Fund & Shared Services Organization

'The only thing worse than the CBC? No CBC.' Those are the mixed feelings of Gregory Boyd Bell in eye magazine (Bell, 1999) about the CBC's private pleasures, the discussion on the ownership of the airwaves, unfair subsidies and CBC's pretty plans to 'serve Canadians effectively'. However, in her fifty years of broadcasting the CBC is still a highly respected cultural institution, trying to survive in the increasingly competitive broadcasting arena of Canada. Audience fragmentation and media concentration are the main challenges for the future of the CBC (CBC / Radio Canada, 2004a). The Standing Committee on Canadian Heritage summarized two years of review and its 900 pages thick report with the simple sentence: 'the only thing constant in broadcasting is change' (SCCH, 2003). And so it is, especially in Canada. Let us take a look at two specifics of the Canadian broadcasting system that tries to anticipate on those changes: The Canadian Television Fund and the plans for the Shared Service Organization.

The Canadian Television Fund ("CTF" or "the Fund") can be seen as an ingenious system of funding programs. It was created in 1996 as a public-private initiative (UNESCO, 2000). Since that time, the CTF has been composed of two funding programs: the Equity Investment Program ("EIP") administered by Telefilm Canada, and the License Fee Program ("LFP"). The Fund supports a high volume of distinctively and identifiably Canadian broadcast programming, reflecting Canadian culture, stories and themes(CTF, 2004). As a private, not-for-profit corporation, the Fund is responsible for funding contributed by the Department of Canadian Heritage, the Canadian cable industry, the direct-to-home satellite industry, broadcast distribution undertakings, and Telefilm Canada. CTF funding can be accessed through one of three streams. Applications for funding must be submitted to the appropriate stream: The English-Language Drama Stream, the Broadcaster Performance Envelope Stream or the Special Initiatives Stream. A project applying to the Fund must have a current license from a Canadian broadcaster licensing the right to broadcast the production in Canada. The Fund contributions are made either as license fee top-ups, equity investments or a combination of the two.

The CBC / Radio Canada is a very fragmented organization serving their audience in three different languages using many small departments. In October 2003, following extensive review, CBC announced the creation of their Shared Services Organization (SSO) as the new strategy to cope with future broadcasting environment(CBC / Radio Canada, 2004b). This means reorganization by innovative and collaborative ways of working by centralizing tools, technology, training and expertise. Typically, shared services organizations are created to encompass the high volume, frequently repeated activities of support services such as human resources, information technology, and finance & administration departments. A good example of how an SSO appears to the customer is internet banking, backed by call centers. The SSO will come into effect in 2005. The appearance of an SSO in a fragmented broadcasting industry like that of Canada will be useful to monitor for new lessons.

2.4 Systems. The case of New Zealand: separating funding and provider

New Zealand's current scheme of broadcast regulation is the product of a complete policy overhaul undertaken in the late 1980s and early 1990s, which saw a dramatic restructuring of broadcast ownership, funding and supervision (Mendel, 1999). The new model of public broadcasting in New Zealand is based on the separation of funding programs on the one hand and providing those programs on the other. This year's reform and refocus of Television New Zealand (TVNZ) was completed to make it behave more like a public broadcaster. In the old days TVNZ operated more like a profitable business on the basis of commercial performance, paying hundred of millions of dividend to various government (Norris, 2004).

Currently, funding for public interest broadcasting is made available on a contestable basis through NZ On Air, the broadcasting commission of New Zealand. As the funding body it is independent from any broadcaster and responsible for the collection and disbursement of the broadcast fee charged to all New Zealanders. Under the Broadcasting Act, when examining a proposal for the funding of a television program, NZ On Air is required to take into account the potential size of the audience likely to benefit from the program. NZ on Air must also make sure that proposed projects comply with prevailing broadcasting standards, and must receive undertakings from broadcasters to this affect before releasing any funds. It is specifically prohibited from attempting to direct, influence or otherwise interfere with the editorial content of any programme or production which it has funded. In practice, this means that NZ On Air funding has been used mainly for programmes that have an undertaking to be broadcast by a nationwide broadcaster (TV One, TV2 or TV3). While the regulatory framework states that NZ on Air has to fund typical New Zealand programs, it also states that TVNZ has to produce, buy and air typical New Zealand programs. A neat solution. Almost all funding (85%) is allocated by NZ on Air to individual producers rather than to the broadcasters. For TVNZ there have been thresholds and program categories set (IPCR, 2004b; NZ on Air, 2003).

The Television New Zealand Act 2003 requires TVNZ to keep a balance between giving effect to public broadcasting objectives and maintaining its commercial performance. At the same time, government and the public are in a new accountability relationship with TVNZ by different public consultations. The trend of public consultation is also seen in country like the UK, Ireland and Germany. The new Charter also grants direct funding to TVNZ for Charter purposes, including in areas for which NZ On Air funding is not normally available such as the purchase of overseas programmes, or expenditure unrelated to individual programmes (NZ on Air, 2003).

The government of New Zealand wants to promote contestable funding. This seems to offer a number of advantages over the continuation of a license fee system. Competitive neutrality and greater competition between broadcasters; The state broadcaster need not be disadvantaged by the costs of carrying certain programmes which other broadcasters did not face; The clear targeting of assistance to particular social groups; Flexibility in mechanisms for delivery of public service programmes; and costs kept down. Few programmes are completely non-commercial and advertising revenue can be topped up with grant funding. The proof of the pudding of this system will be in the eating.

2.5 Systems. The case of the United Kingdom: More than the BBC

> *Public service broadcasting, in the 'golden age' of television was characterized by two main networks – the BBC and ITV – with the funding, ethos and defined genres that lead to competition for quality. Absent of other competition, regulation as much as shareholder pressure determined output. The BBC kept ITV honest; ITV kept the BBC on its toes. Channel 4 energized the mix, bringing in a whole new group of independent producers.*
>
> *(OFCOM, 2004)*

So, who are those rivals of the world renowned BBC? Who can possibly be a rival of a company with such an extraordinary reach in the world and a value of the BBC-brand that many private companies envy? The weekly reach of the BBC far exceeds the annuals exposure of the British population to such brands as Kellogg's, Heinz and Coca Cola (!) One of the most important reasons we can learn from this system is the participation of commercially funded and commercially owned companies in the *public* broadcasting arena. This is why before we take a look at their big brother BBC, let us first take a look at ITV and Channel 4, two companies that are smaller than their brother, but equally unique in the world.

2.5.1 ITV – (Channel 3)

ITV is the largest commercial television channel in the UK. ITV is a federation of 15 regional licenses, and transmits programmes through 15 ITV-franchises on several channels. It employs 5500 people. ITV is funded by its shareholders and advertising income. The franchises operate on a regional so called 'channel 3 licenses'. ITV plc holds 12 (93%) of the 15 licenses, and is the result of a merger between Carlton Television and Granadamedia in February 2004. SMG plc, Ulster Television plc and Channel Television Limited own the remaining licenses. The main channels are ITV 1 and GMTV, the network breakfast television. ITV2 is wholly owned by ITV plc. . ITV1's net advertising revenue in the 12 months ended 30 September 2003 was approximately £1.6 billion, or about 51% of the UK television advertising market. Its audience share is close to four times the size of its nearest commercial television rival, Channel 4. The newest addition to ITV's channel portfolio, ITV 3 was launched 1st November 2004 on digital terrestrial television, digital cable and digital satellite, and will focus showcase contemporary British drama. It will be broadcast to around 13 million homes (ITV a, 2004; ITV b, 2004).

The charter commits ITV to produce programmes in the region, for the ITV network schedule and, more important, for the regions itself. ITV is committed to extensive regional and sub-regional news coverage. Access to peak time and near peak slots for regional programmes is guaranteed in the charter. It also commits ITV to independent producers and productions in the regions, contributing to regional economy and local communities, guidelines for local accountability, ancillary services, co-productions etc.

ITV is the biggest rival of the BBC and its impact in the broadcasting ecology of the United Kingdom is often underrated especially by those who only look at the BBC as The Public Service Broadcaster. The OFCOM stated that 'The BBC kept ITV honest; ITV kept the BBC on its toes' and that public service broadcasting in the 'golden age' of television was characterized by these two main networks. In the future the central components of public service broadcasting delivery on ITV1 should be news, regional news and original UK production; the aspects that have high audiences, that are valued highly by the public, and that can be effectively mandated (Ofcom, 2004a). Though declining, ITVs audience share has been above that of the renowned BBC1 since 2001(!). Though regional programming was one of the founding reasons for ITV, in the recent years the audience shares for regional programs have been declining (even below the share of the BBC) and that of the BBC have been relatively stable. OFCOM review of public service broadcasting states that ITV's contribution to public service purposes is sustained today in the wealth of original UK programming, particularly in drama, entertainment and factual programming, as well as its commitment to news, regional news and production outside London. The privileges of broadcasting free-to-air and universally availability in exchange for public service broadcasting obligations will also in the future be maintained.

2.5.2 Channel 4

Channel 4 is a commercial broadcaster launched in 1982 and dependent on advertising revenues and commercial activities, thus not receiving any public funding like the BBC. It transmits across the whole of the UK and is available on all platforms (terrestrial, digital and cable), digitals and analogue. The corporation is publicly owned and its board is appointed by OFCOM, in agreement with the Secretary of State for Culture Media and Sports.

Channel 4 is required to demonstrate innovation, experimentation and creativity, should appeal to the tastes and interests of a culturally diverse society and include programs of an educational nature. Last but not least the Communications Act (HMSO, 2003) requires Channel 4 to exhibit a distinctive character. Channel 4 is a so-called publisher/broadcaster. It does not produce its own programmes but commissions them from more than 300 independent production companies right across the UK, making it the major stimulus and outlet for Britain's (highly successful) independent production sector. It invests heavily in training and talent development throughout the industry. The Channel Four Group also operates pay channels, entertainment channels, three film channels and of course the Channel 4 service. More than three-quarters of the UK's population watch Channel 4 services in the course of an average week. The Channel viewing share (or audience share) in the UK has been steady for more than 10 years at about 13%.

At the heart of Channel 4 is the Research and Insight department that should connect the Channel with its viewers. The Research and Insight department was set up to learn more about the prevailing lifestyle and attitudes of the viewers and their relationship with television and programmes. It consists of five sub departments: Strategic Planning, Commissioning, Program Planning and Strategy, 4 ventures and Marketing (Channel4, 2004; FOIA, 2004):

Strategic Planning - carrying out analysis that ensures a clear understanding of the core viewers and providing input to business decisions that strengthen the Channel 4 brand.
Commissioning - providing feedback on programme performance, and undertaking ad-hoc qualitative research to improve the understanding of a programme's strengths and weaknesses.
Programme Planning & Strategy - giving guidance and audience analysis to the Scheduling team through detailed knowledge of the programmes and those of competitive channels.
4 Ventures – the holding company for all Channel 4's businesses outside the main Channel, undertaking research to measure the performance and ongoing development of new channels

such as E4 and FilmFour, and commissioning research to test the market for new channel concepts and new business opportunities.
Marketing - carrying out research to track the image of Channel 4 and providing measures to evaluate the effectiveness of our media strategy.

In its review of 2003 Channel 4 stated that one of the strongest themes that emerge from their in-depth research is that viewers think of Channel 4 as prepared to push boundaries, and it "moves television on", and "gets under the skin" or even "They make you see life a bit differently". This emphasizes the particular role Channel4 fulfils in experimenting, innovating and being 'the creative one' in the public broadcasting arena of the UK. OFCOM underlines the critical part Channel 4 plays, given the desire for originality and innovation. Channel 4 has extended the principles of 'event TV' to restructure schedules into themed days, seasons or campaigns with a public service purpose, such as *Your NHS* or *The Drug Laws Don't Work*. The ratings for such experiments have not always been high, compared to the mainstream programming they replace. However, as with interactive entertainment formats, they are often very well supported by web content, and are still reaching significant numbers of people.

Though it has financial difficulties OFCOM does not support the privatization of Channel 4, but rather considers other remedies like a share of the license fee (self-help must be the starting point however). The channel should remain primarily not-for-profit oriented, providing the basis for Channel 4's unique contribution to public service broadcasting.

2.5.3 The Office Of Communications: OFCOM

Before we dive into the BBC we need to explain the important role of the OFCOM, a modern type of independent regulatory body for all matters of communication. The Office of Communications was set up in 2003 in accordance with the Communications Act 2003. OFCOM inherited the duties of five (!) existing regulators it will replace – the Broadcasting Standards Commission, the Independent Television Commission, Oftel, the Radio Authority and the Radio Communications Agency. Its principal duties are to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. OFCOM's specific duties fall into six areas (Ofcom c, 2004):

- Ensuring the optimal use of the electro-magnetic spectrum;
- Ensuring that a wide range of electronic communications services - including high speed data services - is available throughout the UK;
- Ensuring a wide range of TV and radio services of high quality and wide appeal;
- Maintaining plurality in the provision of broadcasting;
- Applying adequate protection for audiences against offensive or harmful material;
- Applying adequate protection for audiences against unfairness or the infringement of privacy.

As a result the OFCOM is charged with regulating the public and commercial television broadcasters on all delivery platforms. It issues operating licenses and monitors the content of broadcasters to ensure programme guidelines are being complied with. All terrestrial broadcasters have positive and negative programme obligations.

2.5.4 The BBC

The BBC should always be judged in its relation to all the other public service broadcasters in the UK, their role and their revenue structure. It is evident that the BBC wouldn't be this big and legendary or wouldn't always be set as an example for other public service broadcasters in the world if it hadn't evolved in its unique broadcasting system (or in the spirit of Clinton's oneliner: its not the BBC, it is the system, stupid!). The ecology consists of five different public service broadcasters with each unique characteristics and own service requirements:

- BBC: state-owned, funded by the license fee, no payment for spectrum, governed by its Charter and License Agreement
- Channel 4: state-owned, no payment for spectrum, remit for innovation and diversity laid down by Parliament, public service requirements laid down by OFCOM.
- ITV: second largest national and regional broadcaster, public service requirements laid down by OFCOM as a condition of its licenses.
- Five: (relatively new), public service requirements laid down by OFCOM as a condition of its licenses.
- S4C: has a particular responsibility to provide Welsh language programming.

The BBC acts on a Royal Charter that defines its purposes and remit and powers; the Agreement between the BBC and the government that sets out its public obligations and a Funding Settlement (For more details see Appendix two). The BBC uses the BARB (Broadcasters Audience Research Board) framework for classifying programmes into genres, and its direct independent regulator is the in 2003 erected Office of Communication, in short OFCOM. The current BBC divisional structure, her channels and TV division structure can be observed in Appendix one. The income of license fees in 2003 is £2,798.1m, the commercial revenues £645,6m and the Grand-in-Aid (World services) is £220,1m. The BBC employs 28000 people and the overhead of the company is £320m. The result of 2002/2003 was £315 million deficit and the result of 2003/2004 was £249 million deficit.

The BBC gains praise from around the world for its particular form of broadcasting. It is even said that the influence of the BBC, in producing cultural hegemony and dictating and forming the public opinion and social attitudes, is of a globalizing scale. Positive or negative, there are enough problems in the British media ecology and also some specifically concerning the BBC. For one, the British Broadcasting Corporation has proven to be surprisingly poor at reflecting the local, linguistic, racial, cultural, and religious differences throughout the United Kingdom (Creeber, 2004) and the perception continues that the BBC is arrogant and inaccessible, despite the fact that BBC programmes and services generally remain high in the public's affection. Moreover the BBC has a serious problem with their programming: there have been declines on both BBC One and BBC Two in new programming in peaktime and the audience is down significantly; the amount of Current Affairs programming in peak-time has fallen by 9% on BBC One and Two, whilst ITV1's peak-time Current Affairs programming has doubled; the BBC should raise the amount of Serious Factual programming and is ordered to increase the amount of Art and Current Affairs (Ofcom, 2004a, 2004b). Many genuine friends of the BBC's public service purpose have expressed concerns about the system of governance. Some have argued that the Governors are confused about whether they are regulators or non-executive directors of the BBC. Others have said that the Governors should be merged with the Executive Committee to create a single board at the BBC. It has also been suggested that the regulatory functions of the Board should be shifted, in their entirety, to OFCOM. It's frequently claimed that this radical step is necessary to create 'a level playing field' between the BBC and the rest of the industry (IPCR, 2004a). In the line of this suggestion of a level playing field for all (public) broadcasters was also the idea of measuring the value of the BBC in the broadcasting system by its 'net public value', as stated in the Independent Review of BBC's Digital TV Services (DCMS, 2004). The size and impact of the BBC do have their negative side, because the BBC is potentially 'crowding out' the commercial players from the market. Those players could have contributed in some public service broadcasting categories and they wouldn't cost any public money. In consequence the 'net public value' of the services of the BBC should be the public value after allowing for market impact.

> *When I arrived a number of senior people told me that the BBC was a very complex organization and that it would take me a long time to understand it. Coming from the private sector, I told them it sounded pretty straightforward to me. Every year we collect £2.5 billion, which I spend. In most organizations it's raising the £2.5 billion that makes it complicated….* *(from: Speech by Grey Dyke, former director general of the BBC)*

We now Zoom in on a few of the interesting details of the BBC: it's commercial activities, its positive role in the community and the future role and media landscape in the United Kingdom, seen through the eyes of the independent regulator OFCOM.

One of the problematic discussion points about the future of the BBC is the fact that the commercial activities of the BBC are all paid by public money. The solutions are provided by OFCOM in its second review of public service broadcasting (Ofcom, 2004b):

- BBC's other activities, including commercial activities, studio and other production resources, and indeed production should be reviewed carefully against their distinctive contribution to public service broadcasting purposes;
- the BBC does not envisage any growth in the breadth of its services and is rightly committed to further efficiency savings;
- the Government should consider the case for the BBC to supplement its income with limited subscription services to fund any future expansion;
- In future, any BBC plans for new services should be subjected to a rigorous independent evaluation to ensure that they add public value and would not unduly displace commercial activities;

So if a Public Service Broadcaster envisages new services (commercial or non commercial) they should all be evaluated by independent panels, a trend that we see more and more in the landscape of public broadcasting. Examples are New Zealand, Ireland (roadshows) or Germany (historically) where public hearings and reviews are becoming more and more common.

The downsizing of some commercial activities has already begun, starting with the announcement on 1 July 2004 of the closure of Vecta Ltd. The commercial activities are organized in the two commercial branches BBC WorldWide Ltd (02/03 sales £657 m) and BBC Ventures Group (03/04 sales: £468 m). BBC WorldWide exploits a profitable set of TV Channels all over the word: BBC World; BBC America; BBC Canada; BBC Food; BBC

Kids (Canada); BBC Prime; Animal Planet, etc. The other activities of BBC WorldWide are for example over 40 Magazines; Children DVD & Video's; Digital and Interactive Media; UK number one Audiobook publisher; Broadband partnerships; beeb.net (Internet Service Provider) TeachandLearn.net; Language learning products; Business Solutions; Worldwide Interactive Learning; Music Publishing & Partnerships and Record labels. This shows the wide variety of possible commercial activities for a broadcaster.

The Other commercial branch of the BBC is its Ventures Group that consists of four ventures. BBC Broadcast Ltd is the first and offers the complete range of services required to launch, promote, play-out and manage channels. The second is BBC Technology Holdings Ltd that designs, builds and operates systems for managing and distributing content on multimedia platforms. This venture was sold on the first of October 2004 to Siemens Business Services. Third, the BBC Resources Ltd, one of the largest production facilities and creative services providers in the UK, consisting of four ventures: BBC Outside Broadcasts, BBC Studios, BBC Post Production, and BBC Costume & Wigs. The last venture is BBC Vecta Ltd and this venture makes media innovations commercially available, so that the broader media world can benefit from proven products. An overview of these activities can also be seen in Appendix one.

One of the most positive and promising projects of the BBC is its community involvement program. The Community Involvement Guidelines set out the framework for the co-ordination of all BBC's ethical, community, environmental and social activities. Within these guidelines the BBC develops Relations with Charities, takes on businesses in the community, launched a Corporate Social Responsibility Plan and sets environmental protection goals. By this the BBC tries to connect to its old and new audiences and communities in other ways than traditional. It al grew out of this initial idea: 'Can we use the brand of the BBC for greater benefits in our society, without of course getting involved in party political matters which would undermine our independence and impartiality?(BBC, 2003)'. Three examples within this project are:

- *Open Centres:* in the north of England the BBC converted some of their local radio stations into what they call open centres which, as well as broadcasting, offer people internet access and IT training. Each centre is designed to make the BBC more open and accessible and, through educational partnerships, bring learning opportunities to local communities.
- *All Together Now* was the winner of the Sony Gold award 2003 for community action and highly commended by Business in the Community this year. Its aims were to reach people of all ages in areas of social deprivation who might have little contact with the BBC. To give them a voice, to present their views, to challenge stereotypes, to offer educational and learning opportunities and to raise expectations. The BBC generated 25 community projects, which ranged from transforming the physical environment to introducing new learning and skills. Local people made radio programmes and web pages about their lives and BBC Radio Leeds helped them create broadcast events.
- *Community partnerships:* The BBC operates a number of community partnerships, actively seeking out opportunities to join with other local organizations to improve conditions in the communities in which they operate. Through these partnerships, the BBC is able to extend the value of its social action programmes and gain greater access to charities, specialist organizations and difficult to reach audiences, thereby contributing to a more informed and inclusive society.

The regulator OFCOM underlines that the BBC will remain the icon and the cornerstone of British Public Service Broadcasting in the next charter period. The BBC, working under its current charter is under three different reviews at the same time, which must all be completed before 2006. It is expected to be the deepest and most wide-ranging in the BBC's 80-year history and has been signalled as a "root and branch" review of the BBC's purpose and funding, but with a guarantee that its independence from government will be preserved. The Culture Secretary has outlined the key question for the review:

> *"I want this Charter Review to be characterised by vigorous and open debate about the kind of BBC we want for the future. The BBC is paid for by the British people and it belongs to them. We need to ask ourselves what we want and expect the BBC to deliver; what range and scale of services it should provide; how it should be positioned in relation to the market; how it should be funded and regulated; and whether it delivers good value for money." (Jowel 2003)*

In parallel with the governmental review of the charter, the Communications Act requires OFCOM, as the independent regulator, to conduct a review intended to maintain and strengthen public service broadcasting. According to the CEO, Stephen Carter, it will be a holistic view across all the public service broadcasters, including the BBC, which will effectively draw up the first "written constitution" for public service broadcasting in the UK.

2.5.5 New Competition: The Public Service Publisher

The most remarkable outcome of the review process so far is the introduction of a new public broadcaster, the 'Public Server Publisher' or PSP. This PSP should challenge the BBC and shake up the market. The right to set up and run the PSP would be awarded after competition (tender) between rival organizations.

OFCOM recognized that the growth of broadband internet services has opened another important channel for receiving public service broadcasting content, whether watching or listening at a moment of choice or being able to go deeper into areas and issues that attract attention and interest. This will be one of the challenges for the Public Service Publisher. The question here is why would the regulator erect another public broadcaster if there are already five others? As we discussed in chapter one its all about maintaining plurality and competition in the digital world. The advantage is that it can start from scratch providing content which meets public service broadcasting purposes and characteristics in a digital world. Other advantages are according to OFCOM (2004a):

- the competitive process for choosing the PSP, which could help the best ideas to get funded, and could open up the process to the possibility of tenders from many different organisations, ranging from other broadcasters, to producers, other media publishing companies, and other creative organisations;
- as there could be a periodic competition to run the PSP, there could be a process of continuous renewal of public service broadcasting, and it could ensure an effective discipline on performance;
- the PSP system could maintain the existing funding arrangements in existing TV channels and would not risk changing their culture adversely; and

- the competitive process for choosing the PSP could help to mitigate serious European state aid concerns which could arise if explicit funding were offered to an existing player.

The PSP could be funded by tax revenues, an enhanced licence fee or a special tax on the turnover of the UK licensed broadcasters. The ideal public service broadcaster for OFCOM (2004a) is likely to have to deploy a creative approach, which blends public purposes and popularity, that is serious in intent but accessible in style, and that finds new ways of leading audiences to interesting and challenging material.

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