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The future of the European TV is hybrid, convergent and less public

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Abstract: Europe's public service television is losing strength and influence in the communication policies of the second decade of the 21st century, in its own financing means, in the fight for audiences and in the broadcasting technologies against the new hybrid and convergent TV models led by the operators of cable, satellite and internet TV. To cope with the fragmentation of the audiences and the weakening of the traditional financing models (advertising, fees, subsidies), television companies concentrate their dissemination strategies in the scale and club economies through duopolies and integrated market platforms.

Keywords: communication policies; Digital Agenda for Europe; Audiovisual Media Services Directive; concentration; pluralism; public TV; connected TV

Contents:

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1. Introduction

In the last five years the management trends in the European audiovisual media sector have been influenced by the economic and financial crisis that started in 2007 and the technological changes produced by the digital convergence. These trends have revolved around the restructuring of public television, the concentration of operators of digital services through terrestrial broadcasting, cable and satellite technologies, and the new orientation of policies that support cinema as part of the generic field of the cultural and creative industries.

While most of the first decade of the 21st century was expansionist for the audiovisual sector, the transition and continuity to the second decade has been characterised by

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stagnation and concentration. Trend changes are conditioned by the fragmentation of the supply and demand, the new forms of consumption, the alteration of the financing systems and new business models. To face the dynamics of the increasing market competitiveness, corporations adopt corresponding defensive strategies while politicians and governments are forced to adapt the public policies to these strategies.

In the new European policies the concept of television has been replaced with the concept of audiovisual services. However, not all of these audiovisual services are of general economic interest, as it was the case with traditional broadcasting, because the technological convergence and the new communication networks have opened borders that are more flexible to the EU regulations. In general, the industrial, economic and symbolic dimension of the audiovisual sector are contemplated and guided through the strategies and policies that the EU has developed through the TV Without Frontiers Directive of 1989, and the Audiovisual Media Services Directives of 2007 and 2010, the MEDIA Programme, the Creative Europe Programme, the Digital Agenda for Europe 2010-2020 and other directly or indirectly related guidelines.

2. Background and methodology

This work analyses the evolution of the structure and management of the audiovisual communication system in Europe during the past five years, taking into account the foundations of the EU policies and their transposition to the national legal systems of the Member States as well as the coverage, audiences, revenues, profits and losses, workforce size, and nature of the different audiovisual companies operating in Europe. This analysis is based on the classical paradigm of the "real sequence" (baseline conditions, structures, strategies and profits and losses of the sector) but also takes into account feedback phenomena involved in the games of competition, as pointed out by Miguel-de-Bustos (1993), and of action/reaction (influence) in relation to the audiovisual policies.

EU audiovisual policies, which apply to all the Member States, regulate the evolution of the structure of the audiovisual sector but are conditioned by the effects of the economic crisis, the digital technological convergence, and the fierce competition between the global mega-platforms of direct distribution and provision of content (Google, Yahoo, Facebook, YouTube, Amazon, etc.). In fact, the direct distribution of content is a strategy used by global operators that try to evade EU regulations in one way or another.

In recent years, the conflicts related to intellectual property protection and the difficulty of consolidating new sustainable business models of digital distribution have been added to the problems involved in the traditional regulation of the audiovisual

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sector, which is based on the dual harmonisation of the local and intra-community markets as well as on the coexistence of the public and private sectors and on the aids to European productions to protect them against the penetration of foreign, mainly American, cinema. In fact, the regulation of the intellectual property has also become the mother of all new battles, particularly in relation to the global operators.

This is why the strategies and development of European television focus on the payment-based networks (cable, satellite, IPTV and mobile telephony) to the detriment of free terrestrial broadcasting, namely digital terrestrial television (DTT). The radio spectrum space is a scarce public good whose free availability for the universal basic services of general-interest open-to-air TV is decreasing as its privatisation increases through the digital dividend. The radio spectrum is being reorganised to make room for telephony and other contents of greater added value in mobile communications. The original radio spectrum assigned for the terrestrial broadcasting of television, as a public service of general interest, is increasingly overexploited, privatised and reduced.

In terms of telecommunications and infrastructure, the broadband networks, which are the main priority in the 2010-2020 Digital Agenda for Europe, are designed for multiple digital services of telephony, Internet and television. This is the new profile of the convergent communications and content operators that currently compete with traditional television groups. They seek to integrate the business of connectivity, information, knowledge and entertainment services. All these measures aim to strengthen the integrated-communications business model and to reduce free public services.

But the strategy of the telecommunications policy –to extend the coverage, capacity, accessibility, mobility and security of the broadband network- is clearer than that of the contents policy. Uncertainty surrounds the future of the new version of the MEDIA Programme, called Creative Europe for 2014-2020; the regulation and management of digital copyrights; and the sustainability of public television.

This research aims to identify, through the analytic and synthetic method, the trends that are shaping the current audiovisual landscape of the digital transition. This article contrasts the changes in national and EU communication policies with data from the European Audiovisual Observatory (hence OBS) about each of the main countries and their major operators. The hypothesis is that hybrid TV in Europe will be increasingly more convergent with telephony and Internet (multi-play), more connected (IPTV), less public and more dependent on payment-systems.

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3. TV coverage and penetration in Europe

The analysis of the coverage, penetration and structure of television in Europe is based on the examination of the television networks operating in the 20 most important countries in the European audiovisual markets. These data were taken from the OBS (2011). Together, the 20 countries listed in the following table represent a population of about 500 million inhabitants and 176.6 million households in which TV penetration reaches 92.61%. In quantitative terms, of the total sample of TV channels, less than 15% are public; 10% are international, 75% are private.

Table 1. **TV COVERAGE IN EUROPE**

Country	Population	Households with TV	% TV Penetration	% of DTT	% of Cable	% of Satellite	% of IPTV	Number of channels			
								Total	Public	Private	Inter.
Austria	8404	3623	95.3	4	37	51.7	4.3	152	20	132	6
Germany	81752	39616	95.2	6.2	48.2	40.6	3.3	413	58	355	92
Belgium	10918	4622	98.6	4.9	76.8	7.1	17.1	63	19	57	40
Denmark	5561	2847	95.3	13.2	58.8	12.3	8.7	201	30	171	60
Spain	46172	17172	100	65.4	8.6	13.8	5	869	163	706	42
Finland	5372	2765	97	26.5	50.3	6.7	1.7	93	8	85	48
France	65075	28088	96	33.2	13.9	28.1	19.1	587	142	445	54
Greece	11330	4357	99	17.6	-	12.3	3.4	193	9	184	17
Hungary	9986	3785	97	4.3	56	25.1	4	579	135	444	17
Ireland	4481	1666	99	-	29.4	40.5	1.0	24	8	16	19
Italy	60626	24883	99	58.3	-	27	2.7	1091	52	1039	30
Luxemburg	512	205	97	5.4	65.9	18.5	5.4	55	7	48	-
Holland	16655	7336	98.7	12.2	72.7	9.4	6.2	473	244	229	48
Norway	4920	2202	98	19.5	42.5	34	7.9	75	20	55	66
Poland	38200	13319	97.3	0.5	37.7	57.7	1.4	305	27	278	111
Portugal	10637	3942	99.3	13.5	36.1	19.5	15.3	90	12	78	56
Czech Rep.	10533	3942	97.2	30.1	18.3	40.3	3.8	206	6	200	51
U.K.	62436	4423	97.2	34.8	14	38.4	2.1	1356	68	1288	15
Sweden	9416	4244	97.5	21	56.4	20.1	11.1	291	21	270	70
Switzerland	7866	3599	93	3.1	81.1	8.2	12	116	12	104	-
Total & average	470852	176636	92.61	19.46	42.62	23	6.56	7232	1061	6184	842

Source: author's own creation based on data from the OBS.
Population and "households with TV" are expressed in thousands.

Cable technology is traditionally the most predominant TV distribution system in Europe. This technology predominates in the major and most-populated urban cities and is typical of the pay-TV model that converges with telecommunications. Cable penetration in the sample of countries exceeds 42%, almost half, of the market. However, Cable TV is not a totally dominant model because its development is very poor in some countries, like Italy and Greece, and its penetration is very low in some other countries, like Spain, France and the UK.

Cable networks –mainly those of optical fibre which are already dominant– provide the infrastructure for the provision of communications, telephony, Internet and

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television services (both free and subscription-based). The capacity and flexibility of this communications network allow cable operators to develop an added services-pack business model, the so-called triple-play or multi-play. The improvement and strengthening of this infrastructure, which is essential for the improvement of the society of information and knowledge, is one of the main priorities of the Digital Agenda for Europe.

The broadcasting of television through cable networks, which dates back to the 1970s, has been expanding in the USA to improve or expand the reception of terrestrial television in poorly accessible territories and also to evade the distribution monopoly of the three main terrestrial channels (ABC, CBS and NBC). Cable facilitates access to television in communities whose terrain complicates the coverage of terrestrial broadcasters. These cable networks were built by small American local companies seeking to facilitate or improve the reception of channels and at the same time to sell more TV sets.

However, some TV historians, like Southwick (cited by Fernández-Peña, 1999), point out that the place the transmission of moving image via cable originated in the late 1930s and early 1940s in the United Kingdom, as a technology used by the BBC to test transmissions. In the United States the pioneers were John Walson and Torlton, who carried out cable transmission tests in Astoria, in 1948, and in Lansford, in 1950, respectively. The subscription fee of cable services, in contrast to the free nature of the distribution through the radio spectrum space, is the origin of pay television.

From 1955 cable networks began to multiply but it was not until the 1970s when they started a second stage of development: the production of their own programming, which was distinct from that of terrestrial television. The expansion of cable TV reached Europe in the 1960s through the Netherlands, Sweden and Belgium. In fact, the Belgian government was the first to oblige cable networks to integrate open and free television in their distribution systems. The *vídeo comunitario* (broadcast of domestic videos/movies by repeater TV stations) appeared in Spain in the 1970s whereas the first cable-only TV channel appeared in the United States in November, 1972: Home Box Office, HBO, which presented movies and major sporting events.

The average penetration of satellite broadcasting in Europe is 23%. The country with the highest satellite penetration is Poland, with 57.7%, followed by Austria (51.7%), Germany (40.6%), Czech Republic (40.3%), United Kingdom (38.4%) and Norway (34%). The countries with the lowest satellite penetration are Belgium (7.1%), Switzerland (8.2%), the Netherlands (9.4%), Denmark (12.3%), and Spain (13.8%).
Satellite broadcasting, which started at the beginning of the 1960s, is a system of signal distribution with three main capabilities: the widest international and

geographic coverage, connection to cable head-ends, and direct access to households. The first satellite television signal was transmitted by the Telstar 1 in 1962.

Distribution through the radio spectrum was the original model of public service broadcasting and the original model to use a scarce resource that had to be regulated and controlled by the national governments. Then expansion of television continued through cable and satellite technologies and later once again through terrestrial broadcasting. The expansion of mobile telephony in the 1990s continued forcing terrestrial analogue television to look for alternatives to digital compression to achieve a more efficient exploitation of the spectrum.

The objective was to free up radio spectrum space for new mobile communications and to expand the models of television. The European Union chose the DVB-T model and in 2005 began the transition from analogue to digital, which was preceded by pioneering television experiences in the United Kingdom, Spain and Sweden, which resulted in notable failures (*Quiero TV*, in the Spanish case). The EU scheduled the digital switch-over to start in 2005 and to be completed by 2012, which was the deadline for final blackout in all countries. However, some countries, like Poland, failed to meet the deadline.

The start of the digital migration coincided with the expansionist period of the European economy and the explosion of demand for new television channels. The digital terrestrial television models of Europe, in general, and Spain, in particular, were planned to the limit of their technical and economic possibilities, with an absolute absence of foresight about their future sustainability. These models were based on the false assumption that the technical possibility of the plurality of channels would favour pluralism and diversity, without taking into account that the first condition to ensure compliance with those qualities is to make their sustainability possible.

The eventual result has been the absolute failure of the model: many channels did not even manage to start transmissions, others went bankrupt, then merged and the final balance was more concentration and much less diversity. Digitisation increases the privatisation of the public space –and this process will intensify throughout this decade–, weakens the positioning of public operators, increases communicative fragmentation and commercial exploitation (Zallo, 2011: 186) and does not benefit production or the new sustainable demands of quality, at least in the short term.

In reality, DTT, which is the third broadcasting distribution system in Europe, is a model of transition to the digital convergence and high definition television (HDTV). Its average penetration in Europe does not exceed 19.46%. However, in some

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countries, like Spain and Italy, the system is predominant, with penetrations shares of 65.4% and 58.3% respectively. Other countries with a high penetration of DTT are the United Kingdom with 34.8%, France with 33.8%, Czech Republic with 30%, Finland with 26.5%, Sweden with 21% and Norway with 19.5%.

The countries where DTT had the lowest penetration levels by 2011 are Poland with 0.5% (and a delayed digital switchover scheduled for after 2013); Switzerland with 3.1%; Austria with 4%; Belgium with 4.9%; Luxembourg with 5.4%; Germany with 6.8%; Netherlands with 12.2%; and Portugal with 13.5% (and also a delayed digital switchover). Some countries with a low penetration of DTT were, however, also the first to make the digital transition. This is the case of Luxembourg (2006), Netherlands, Finland, Sweden and Switzerland in 2007.

DTT transition in Spain, a European leader in this broadcasting system, was positive for telecommunications but negative for the consolidation of new models of television and content production. The 13-year development of DTT implantation in Spain (1999-2011) was marked by two distinct stages which correspond to two governments that had different political affiliations (led by Aznar and Rodríguez Zapatero) but failed similarly. From 1999 to 2005 the *Quiero TV* payment platform went bankrupt and from 2005 to 2010 concessions for unsustainable channel multiplied. This culminated with the merger of Cuatro-Digital + with Telecinco and Sexta with Antena 3, and the closing of CNN+, Veo, 10TV and others.

The arguments in favour of the digital transition are of technical nature and are based on the success of the migration that enabled the digital switchover without major problems on 4 April, 2010, two years ahead of the deadline set by the European Union. The digital transition was presented as the revitalisation of the national telecommunications industry: manufacturers, installers, engineers and consumer electronics retailers. The Spanish Government’s estimates, contained in reports by the Telecommunications Market Commission (González-Rodríguez, 2010), considered that the so-called digital switchover mobilised about 12,000 million euro from 10,000 companies and about 40,000 jobs.

The deployment of DTT in Spain, as in the rest of the European countries, has allowed the reuse of the electromagnetic spectrum space freed for other communication services, mainly mobile telephony. This is known as the recycling of the digital dividend, whose first section was already auctioned in Spain in 2011 at 1,820 million euro to the three telephone operators. 2015 is the beginning of the second digital transition and the liberalisation of the channels 60-69 for new mobile technologies (like 3G and wiMax.). This transition undermines TV operators, which will have to change signal transmitters and reposition their frequencies, and users, who have to

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cover the cost of retuning antennas and receivers. This second DTT transition will push users to new systems and may leave the poorest users in the shade. DTT is not nor will be the hegemonic TV system in Europe. The future is much more hybrid, convergent and interactive. The European Parliament itself (Cavada, 2012) encourages all television operators to be present in all platforms. That is the reason for the development of the Internet Protocol Television (IPTV), based on video-streaming, which allows the convergence of the Internet, on-demand TV and the metamorphosis of the five screens: television, computer, console, mobile phone, and home cinema. The average penetration of IPTV in Europe is still low as it does not exceed 6.56%, but in France, Belgium and Portugal it already reaches 19.1%, 15.3% and 17.1%, respectively.

4. TV models and revenues in Europe

The analysis of the economic evolution of the television operators of the major European countries, from 2007 to 2010, is based on three TV models: the public model, the traditional private-capital model, and the convergent model (is part of the activity of the telecommunication companies involved in this market). The European broadcasting system is traditionally characterised by its public and private duality, but increasingly also by the *triality* formed by the traditional public and private television systems and the recent convergence of TV with the telecom networks.

Table 2. **TV REVENUES IN EUROPE from 2007 to 2010**

Countries	PUBLIC TV				PRIVATE TV				TELECOM CONVERGENCE			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Austria	985	1045	971	971	46	29	26	23	6888	6482	5311	4783
GE Zdf	1927	1922	2065	1965	9783	9329	8547	5193	69341	70199	65598	65417
GE Ard	5241	5215	5420	5391								
BE-Rtbf	311	317	314	312	684	738	722	785	10973	10987	11251	8284
BE-Vrt	462	458	450	448								
Denmark	851	854	871	902	206	245	250	249	6848	7180	6818	5594
ES Rtve	1184	1143	1164	1136	4107	3994	3320	3617	38019	37709	35545	25796
ES Forta	884	1018	943	1400								
Finland.	409	397	411	420	421	428	390	396	3995	4046	3937	4006
France	3548	3435	3813	4056	5813	5669	5852	5973	52101	52084	4539	52325
Greece	540	374	353	341	967	946	833	299	6655	6428	6207	5640
Hungary	134	143	146	111	300	325	273	300	3160	3330	3246	2569
Ireland	441	441	375	371	232	70	54	53	2419	2352	2214	-
Italy	3290	3314	3208	3039	6674	7819	7404	8150	52624	52530	49904	41669
Luxemburg	-	-	-	-	5810	5900	5537	5693	-	-	-	-
Holland	842	821	829	857	405	437	303	251	17114	19710	18340	17561
Norway	524	569	597	635	463	520	462	508	13838	14597	14710	14434
Poland	450	523	419	425	596	710	716	438	9218	9790	9402	7033
Portugal	315	304	324	308	531	563	508	547	10397	11434	11435	8456
Czech R.	277	311	292	286	602	422	647	182	2838	2969	2797	362
UK	6360	6636	6705	7073	6282	6589	6449	6700	52054	53377	52349	54316
Sweden	452	443	427	467	875	915	900	952	8821	8681	9254	9744
Switzerland	1350	1348	1331	1376	-	-	-	-	14025	13604	12719	-
Total	30777	31031	31428	32290	44797	45648	43193	40309	381328	387489	325576	327989

Source: author's own creation based on data from the OBS (2011).
Data are expressed in million euro.

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The period under analysis covers the greatest economic crisis registered since the beginning of the last century. In fact, based solely on economic figures, the effects of the recession have been more visible in private than in public channels and this is due to the origin of their main sources of financing. Public television budgets are based mainly on public financing, through fees or governmental aids, while private television depends on the evolution of advertising and consumers' spending capacity. Overall, the economic activity in this sector in Europe exceeds 400 billion euro.

If we analyse private TV based on the 15 major audiovisual groups we can see that the total amount and the trend is totally different. Firstly because part of the revenues of these multinational groups come from a greater number of countries in which they operate and, secondly, because in the last five years their development has been positive both in terms of turnover and net income, albeit with some fluctuation in 2008 and 2009. These 15 groups control more than 250 channels.

The two largest European private television groups are RTL, owned by the German Bertelsmann group, and the platforms Sky from the United Kingdom, Italy, Austria and Germany, owned and led by News Corporation, of the Murdoch family.

Table 3. **PRIVATE EUROPEAN AUDIOVISUAL GROUPS**

GROUP AND COUNTRY		TURNOVER (million euro)				PROFITS AND LOSSES (million euro)				EMPLOYEES	
		2007	2008	2009	2010	2007	2008	2009	2010	2007	2010
BSkyB	GB	6,490	5,231	6,498	7,169	191	155	314	1,064	16,439	16,500
RTL	LU	5,707	5,774	5,156	5,591	-583	194	257	611	10,500	9,191
Antena 3	ES	802	767	703	807	-16,7	14,7	64	109	2,273	1,942
M6	FR	1,500	1,359	1,376	1,462	100	138	139	157	1,850	1,806
Vivendi	FR	21,657	25,392	27,132	28,878	2,832	2,735	2,585	2,698	45,208	51,000
Mediaset	IT	4,082	4,199	3,883	4,292	506	459	272	352	6,260	6,000
Telecinco	ES	1,081	981	656	855	353	211	114	68	1,195	1,100
PRISATV	ES	2,106	2,169	1,771	1,372	-	192	180	108	5,295	4,300
ProSieben	DE	2,710	3,054	2,761	3,000	89	-129	147	313	4,852	4,100
TF1	FR	3,798	2,739	2,595	2,365	228	164	114	229	3,768	3,038
ITV Plc	UK	2,524	2,460	2,278	2,502	232	-3,243	128	327	4,000	3,026
MTG	ES	1,287	1,493	1,607	1,485	230	294	218	267	3,341	3,070
SKY Dt,	DE	902	941	902	979	-52	-269	-677	-407	1,700	1,420
TVN	PL	345	421	470	554	107	140	136	91	4,000	3,500
CME	BR	570	724	498	737	60	-233	-38	-100	4,900	3,500
Sanoma	FI	2,926	3,030	2,768	2,761	243	116	105	299	20,000	15,405
Total		**57,406**	**59,753**	**60,398**	**63,954**	**4,166**	**728**	**3,944**	**6,118**	**134,386**	**128,898**

Source: author's own creation. CME operates in Eastern Europe but its headquarters are located in Hamilton-Bermuda. Telecinco's data are consolidated in the account of Mediaset Italy.

The British Sky Broadcasting (BSkyB) group, which was formed in 1990 by the equal merger of British Satellite Broadcasting (1986) and Sky TV plc (1989), is controlled by Murdoch (39.4% of the capital) with the support of venture capital funds (The

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Capital Management Group, Brandes and Legal). This group has more than nine million subscribers and a growing profitability which made it the main object of desire for the Murdoch family, which wanted to become the majority shareholder, against the suspicion of important British media and political sectors. The battle for the control of BSkyB is behind the complaints about the telephone hacking and scandals in the tabloids of the Murdoch family.

Sky Italy is a digital satellite television network launched by News Corp. in 2003. It resulted from the merger of Tele+ (Canal + France) and Stream TV (Murdoch and Telecom Italy), which aimed to compete with Berlusconi's Mediaset empire. It is similar to the British model consisting of 8 basic channels, 3 optional channels, and 37 high definition and 3D channels.

Murdoch holds 49% of the capital of Sky Deutschland AG which was created in 1991, as Premiere AG, and operates in Germany and Austria. Premiere AG began broadcasting movies and Bundesliga football matches but its model was not sustainable due to the bankruptcy of the Kirch Group, one of its founding groups along with Bertelsmann and Canal Plus (France). After a complicated and controversial auction process, this media platform was bought by Permira and Murdoch groups.

The Permira group is another crossed model of investment funds and conglomerate capital resources that controls Germany’s Prosieben SAT. From Sweden, Permira coordinates the dozen and a half funds that sustain the Modern Times Group (MTG). ViaSat is the platform of MTG that transmits television from London to the Nordic and Baltic countries. Sanoma is the main family-owned multimedia emporium (Erkko Aotos) in the Nordic countries, with headquarters in Helsinki. Sonoma has stakes in press, magazines, digital media, books, television, online games and e-commerce platforms. Bonnier is a diversified multimedia family company also from Sweden that operates across the Nordic countries. Boxer is the main Swedish operator of DTT channels.

The Polish audiovisual group TVN is owned by ITI, a private media consortium created in 1984 by Mariusz Walter, who manages television channels, advertising agencies, cinemas, etc. Central European Media Enterprise (CEME) is the broadcasting and cinema group from Bulgaria, Czech Republic, Ukraine, Romania, and Slovakia, founded in 1994 by Ronald Laudar and his Slavic partners (Adrian Sarbu, from Media Pro). CEME has its tax residence in Hamilton (Bermuda), despite the fact that it operates in Eastern Europe, and is listed on the Prague Stock Exchange and the NASDAG. Ronald Laudar, President of the Jewish National Fund and family shareholder of Estée Lauder, was Deputy Assistant Secretary of Defense for European and NATO affairs in 1984, Ambassador to Austria until 1987 and

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connoisseur of countries linked to the former USSR. This group is linked to Time Warner and the Swedish AB Modern Times Group (Viasat-Metro) through CTC Media.

Founded in 1970 by Silvio Berlusconi, Mediaset is the leading private television company in Italy and Spain, and competes with the public television networks and the satellite television channels of Sky and Antena 3 (from the Spanish-Italian group Planeta DeAgostini and RTL of Bertelsmann). Its merger in Spain with the open-to-air channel *Cuatro* and the satellite pay-TV platform of Digital Plus (owned by the Prisa TV Group), makes Mediaset the third most important European audiovisual group. In the Mediaset alliance also participate Telefónica of Spain and Golmand Sachs, which handed over the leadership and management of the production company Endemol.

Resulting from the merger between Granada and Carlton, ITV operates twelve of the fifteen British regional channels. Owned by BSkyB and Virgin, ITV survived the confrontations and tensions between Murdoch and Richard Branson, the main shareholders of the aforementioned groups. Virgin Media emerged in 2006 from the merger of NTL and Teleinvest with Richard Branson's Virgin Mobile. This group uses the optical fibre network of the United Kingdom to offer quadruple play services. With headquarters in North America, Liberty Global is another large international cable operator in Europe.

In France, Vivendi was created by the Compagnie Générale des Eaux. After a complicated process of growth, Vivendi overcame the difficulties that emerged during the stage of leadership of Jean-Marie Messier (2002) and proceeded to undertake a financial restructuring that consolidated it as an operator of telecommunications, television, music (Universal Music), cinema (NBC Universal), video games (Blizzard) and telephony (SFR) in France, Brazil and Africa. In 2011, Vivendi sold NBC Universal to Comcast and General Electric. Its subsidiary television company, Canal Plus, is another of the main European operators of satellite and digital television. The Boygues family leads the French group TF1, with the backing of the Rothschild banking company and other industrial investors.

Numericable is the optical fibre operator of France, created by the water company of Lyon. It absorbed the Suez Group, which was a strong competitor of Canal Plus since the 1980s. Numericable’s leadership was developed by Patrick Drahi, one of the richest persons in France, with capital from YPSO, British investors, the American Carlyle Group and the Luxembourg operator Altice. France’s M6 group, which was created in 1987 by Jean Drucker as Société Métropole Telévision, is currently owned by RTL (48.42%), Compagnie Nationale á Portefeuille (7.10%) and floating stock capital.

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Table 4. **MAIN CONVENTIONAL AND CONVERGENT TV COMPANIES**

		CONVENTIONAL TV (public and private)					TV CONVERGENT WITH TELCOM					
Country	Companies	2007	2008	2009	2010	10/9	Company	2007	2008	2009	2010	10/09
AT	ORF (pb)	952	943	892	949	6.3%	Telekom	4919	5170	4889	4742	-3.2%
	ATV (pr)	-	29	26	35	29.5	Austria					
BE	VRT (pb)	453	449	450	448	-0.5	Belgacom	6065	5986	6064	7039	16.1
	RTBF (pb)	311	317	314	312	-0.5						
	BRF (pb)	5.7	6	6.4	6.3	-1.6						
	VMM (pr)	272	281	276	304	10.2						
CH	SSR (pb)	1325	1348	1327	1378	3.4	Swisscom	9556	10495	9955	9945	0.1
	Tele 1 (pr)	-	6.6	4.4	6.6	48.1						
CZ	CT (pb)	239	260	267	267	0.0	Telefónica	2531	2569	2355	-	-
	CET21(pr)	470	463	465	-	-	O2					
DE	ARD (pb)	6075	6043	6165	6261	1.6	Deutsche	64161	63137	66106	63919	-3.3
	ZDF (pb)	1927	1922	2065	1965	-4.8	Telekom					
	ProSiebem	2702	3054	2760	3000	8.7						
DK	DR (pb)	483	489	506	519	2.6	TDC A/S	5289	5221	4834	3519	-27.2
	TV2 (pb)	298	291	273	289	5.8						
	Viasat (pr)	106	107	108	94	-12.6						
ES	RTVE (pb)	1184	1143	1143	1136	-0.6	Telefónica	20683	20838	19703	18711	-5.0
	Forta (pb)	884	1018	943	1400	40	of Spain					
	T5 (pr)	913	822	536	692	29.3						
	A3 (pr)	900	722	604	657	8.8						
	Digital+	1809	1869	1524	-	-						
FI	YLE (pb)	409	397	411	420	2.2	Telia	1676	1638	1579	1583	0.2
	MTV (pr)	247	231	193	214	11.1	Sonera					
FR	FTV (pb)	3047	2870	3118	3256	4.4	France	25236	25657	25024	25290	1.1
	TF1 (pr)	2763	2718	2474	2802	13.3	Télécom					
	M6 (pr)	1377	1368	1388	1479	6.6						
	C+ (pr)	1740	1813	1775	1787	0.7						
GB	BBC (pb)	5253	5546	5700	5491	4.2	BT Group	24342	25053	25857	25274	-5.5
	CHF (pb)	1124	1072	988	1112	12.6						
	BSKB (pr)	-	5892	6377	6709	15.6						
	ITV (pr)	2477	2414	2236	2456	9.8						
GR	ERT (pb)	540	374	354	341	-3.7	Hellenic	2683	2590	2415	2183	-9.6
	A.E. (pr)	173	157	135	-	-	Telecom.					
HU	MTV (pb)	105	113	111	75	-32	Magyar	1778	1801	1707	1633	
	MRTL (pr)	121	129	107	100	-6.0	Telekom					
IE	RTÉ (pb)	441	441	375	372	-0.9	Vodafone	1252	1192	1088	-	-
	TV3 (pr)	62	62	52	53	3.1	Ireland					
IT	RAI (pb)	3290	3314	3208	3039	-5.2	Telecom					
	Mediaset	4105	4199	3882	4295	10.6	Italia					
	Reti (pr)	2577	2725	2707	2936	8.5						
LU	RTL (pr)	5768	5811	5455	5643	3.4	Consolidated data of the RTL group of other countries					
NL	NPO (pb)	843	821	829	857	3.4	KPN	12775	14602	13509	13398	-0.8
	SBS (pr)	105	200	196	198	0.9						
NO	NRK (pb)	523	567	595	634	6.4	Telenor	12058	12674	12733	12367	-2.9
	TV2(pr)	285	315	278	312	12.6						
PL	TPL (pb)	499	499	419	425	1.5	TP SA	4398	4355	3918	3719	-5.1
	TVN (pr)	325	395	407	407	0.0						
PT	RTP (pb)	315	304	324	309	-4.7	Portugal	6148	6734	6785	-	-
	SIC (pr)	185	174	157	172	12	Telecom					
	TVI (pr)	159	168	157	160	1.5						
SE	STV (pb)	451	433	426	466	9.3	Teliasonera	3792	3245	3320	3395	2.3
	TV4 (pr)	298	311	276	326	17.9	Sverige AB					

Source: author's own creation. Figures in million euro. Abbreviations: AT: Austria. BE: Belgium. CH: Switzerland. CZ: Czech Republic. DE: Germany. DK: Denmark. ES: Spain. FI: Finland. FR: France. GB: Great Britain. GR: Greece. HU: Hungary. IE: Ireland. IT: Italy. LU: Luxembourg. NL: Netherlands. NO: Norway. PL: Poland. PT: Portugal. SE: Sweden. Pb: public. Pr: private.

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ONO is the main cable operator in Spain, along with other local and smaller operators (Group R in Galicia). Its capital is owned by a consortium of more than a dozen investment funds, including: CCMP Advisor, Thomas H.Lee Partners, Providence Equity Partners, Multitel, Quadrangle Capital Partners, GE Capital, Caisse du Québec, Val Telecomunicaciones, Ontario Teachers' Pension Plan, Sodintelco, Bregal, Nortwestern and its own shares. Zon Multimedia is a satellite, cable and IPTV operator that emerged as a spin-off of Portugal Telecom in 1994.

Telia Sonera is the dominant mobile operator in Sweden and Finland. It resulted from the merger of the telephone companies of these two countries in 2002. It has strongly established itself in the Baltic countries, the European countries bordering with Asia, Russia, Turkey, and Spain (through Telvent and Yoigo). Founded in 1855, Telenor is a Norwegian telephone company that has extended its operations to the Baltic countries, Russia, Serbia, Montenegro, Macedonia, Thailand, Bangladesh and Pakistan.

The large European multinational telephone and telecommunications companies –BT Group, Telefónica, France Telecom, Vodafone, Deustche Telecom– compete with or share equity participation in other medium-sized companies –KPN, Telia Sonera, Telenor, Portugal Telecom– and television operators (traditional or IPTV). Audiovisual contents are an important added value of the communications services to which telephone companies increasingly pay more attention. The economies generated by their triple-play and multi-play packages are the most successful example of those competition policies.

5. Restructuring of public television

The television landscape in Europe is not homogenous but exhibits fairly uniform trends. These trends include the gradual loss of strength and influence of public television due to the strong private competition, the greater dynamism of private television and the legal and organisational difficulties faced in the restructuring of public TV networks. A review of the TV landscape in each of the major countries confirms these trends but also the uniqueness of the two great models of public television: national television (in terms of nature and coverage) and regional television (in terms of linguistic and cultural identity).

Since 2006 the ORF of Austria has lost ten points of audience while the German private TV broadcasters have increased their penetration in that territory. In 2009 the ORF was questioned by the EU about the compatibility of its financing system. In July, 2010, the Austrian national legislation was adapted to the 2007 European Media Services Directive, which made it obligatory to subject new services to the public value test, under the supervision of Austria's independent regulator, Komm.

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Belgium is the prototype model of public audiovisual media, which responds to its three distinct linguistic and cultural communities: French, Walloon and German. For each of these communities there is a public broadcasting company: RTBF (French), VRT (Flemish) and BRF (German). The first company dominated the market but it underwent a strong restructuring in 2010. In 2009, the Flemish and French communities adapted their regional legislations to the Directive 2007/65/EC of the *Services de Médias Audiovisuels* (SMA). The Belgian legislation of the French community does not distinguish between open and restricted broadcasting platforms (technological neutrality of obligations) nor includes the substitution of the prior authorisation system for that of the notification of start of transmissions.

Table 5. **RESOURCES AND PROFITS OF EUROPEAN PUBLIC TV COMPANIES**

EUROPEAN TV		2007		2008		2009		2010		Fee in 2010	
TV	Country	Budget	Profits	Budget	Profits	Budget	Profits	Budget	Profits	Country	Fee
ARD	Germany	6,324		6,350		6,370		6,449		AL	215.8
ZDF	Germany	1,972	87	1,927	-37	2,961	75	1,966	-23.5		
ORF	Austria	985	-12.2	985	-104.4	971	65.8	971	2.5	UK	169.8
RTBF	Belgium	311	-6.8	311	-0.6	314	-112	312	8.4		
VTR	Belgium	462	11.8	462	-6.7	450	-0.17	448	-4.4	FR	123
CyBC	Cyprus	33	-2.6	33	-12.2	36	-4.1	-	-		
DR	Denmark	482	-11	482	3.7	505	-17	519	2	IT	109
STV	Slovakia	66	-	66	-13	71	-	-	-		
Rtvslo	Slovenia	114	3.5	114	0.1	117	0.1	123	0.2	BE	100
RTVE	Spain	1,184	12.9	1,184	-70.2	1,144	1.4	1,128	-47.1		
ERR	Estonia	28	1	28	1.1	30	0.2	28	0.4	PO	21
YLE	Finland	409	-6.6	409	0.7	411	1.9	420	6.5		
FT	France	3,047	22.2	3,047	-78.4	3,118	19.7	3,256	12.8	AU	264
ERT	Greece	-	-		-3.1	354	-18.2	341	24.3		
MTV	Hungary	97	0.3	97	0.5	102	0.9	69	40.1	IR	160
RTE	Ireland	441	26.6	441	0.0	375	-27.8	372	-40.7		
RAI	Italy	1,895	-4.9	1,895	-7.1	1,804	-61.8	3,040	-98.2	SE	230.7
Lnrt	Lithuania	24	-	24	-	19	-	-	-		
NL	Holland	843	58.3	843	-46.8	829	3,8	857	8.9	DR	303.2
TVP	Poland	489	19.03	489	22.2	392	-45.5	397	1.77	FL	231.1
RTP	Portugal	315	-36.1	315	-46.9	306	4.2	309	15.1	PL	47.4
BBC	United K.	4,879	70.9	4,879	118.8	5,434	284.8	5,595	569.3	CH	64
CT	R Czech	270	0.0	270	0.0	285	0.0	279	0.0	ESLV	56
TVR	Romania	120	-6.75	120	-12.3	131	-11	131	-37.1	ESL	144
SVT	Sweden	431	0.1	431	0.6	407	0.5	445	1	GR	51
Total		25,221	226.6	25,202	-291	26,936	160.7	27,455	442.2	143,125	

Source: author's own creation based on data from the OBS (2011). Budgets and profits are expressed in million euro and the fee in gross numbers.

Switzerland has a similar model because it integrates a federation of 26 cantons and four national languages: German, French, Italian and Romansh. The SRG-SSR, which comprises twelve networks broadcasting in the four languages, approved a strategic plan for 2010-2014 to freeze its spending and investment. Germany has a broadcast system that is administratively similar to the Spanish system, in which a national broadcaster (ZDF) coexists with the network of regional stations (ARD) that serve the

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federal subdivisions/ provinces (*Länder*), similar to the Spanish model of RTVE and FORTA (the Federation of Regional Radio and Television Organisations). The adaptation of the 2007 European Directive to the German legislation also involved the introduction of the public value test that public operators have to take before introducing a new channel.

The transposition of the EU legislation to the Spanish legislation resulted in the creation of the 2010 Law on Audiovisual Communication (Ley 7/2010), preceded by the RTVE Corporation Law (Ley 17/2006) and the Financing of Spanish Radio and Television Law (Ley 8/2009). This last modification on the financing of public broadcasting suppressed the transmission of advertising from 2010 onwards and established a direct compensation from the government, a tax on the use of the radio spectrum space, and the payment of a fee by open and restricted commercial television channels and mobile operators. The last change has been appealed against and over-ruled by Brussels and is currently awaiting a ruling from the European Court of justice that will take place in 2013.

The adoption of the 2012 Law on Management Relaxation for Regional TV Channels (Ley 6/2012) and the Decree-Law on the Governance of RTVE (Decreto-Ley 15/2012) in Spain substantially changed the 2010 law on Audiovisual Communication and caused a rupture (Campos, 2012: 166) in the Spanish system of national and regional public television: the privatisations and employment regulations in the channels associated to FORTA (Murcia, Balearic Islands, Valencia, Madrid, Canary Islands), the suppression of the unborn National Audiovisual Media Council (CEMA), the funding crisis, and the loss of political consensus in the election of the president and the board of directors of the RTVE Corporation.

The new financing model of the Spanish public broadcasting system was copied from France, which initiated the reform of its model in 2009, but delayed the implementation of the complete abolition of advertising until 2016. The French model has also been appealed against by telecom operators in the EU. The reform affected the restructuring of France TV, its new legal statute and editorial charter. In that period the French public television also lost its leadership to the private channel TF1.

The BBC is governed by the Royal Charter of 2006 (until 2016), through the supervision of the independent regulator OFCOM (Office of Communications), the BBC Trust, which is its governing body, and the Executive Board. The management is determined by the previous framework and the strategic and operational plans of the BBC, which has subject new broadcasting services to the public value test before their introduction.

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The stability of its financing system, through an annual licence fee of 169.8 euro per household, guarantees its independence and managerial capacity to maintain its quality and credibility. However, the BBC is not immune to the effects of the global economic crisis or the pressures of the private press and audiovisual media groups. Some of the consequences, in this sense, have been noted in the review of the last 2011-2016 strategic plan, in which the BBC has been forced to reduce its budget by 25% due to the freezing of the licence fee and to cancel investments in its websites to avoid harming the regional and local press. In 2012 the credibility of the BBC was affected to such a degree that it had to replace its director-general George Entwistle with Tony Hall, due to the Saville and McAlpine scandals.

The Italian Radiotelevisione is regulated by the Law 112 of 3 May, 2004, and the new statute of the RAI. This public audiovisual group competes vigorously with the private duopoly formed by Mediaset and Sky Italy. It has taken advantage of the strong Italian strategic commitment to deploy DTT, which was considered illegal by the European Court of Justice –case T-177/07– which considered that the direct subsidy to the DTT encoders and receivers favoured private TV operators (Mediaset and Sky).

Denmark, with two public broadcasters (DR and TV2), has also been subjected to inspection and sanction by the EU due to its state aid regime. TV2 was forced to refund state aids in 2003 and 2008. The Danish Government, after a first privatisation attempt in 2003, agreed, in 2009, to transform TV2 into a pay-TV system from 2012 onwards to resolve its funding crisis. In 2010 Denmark also reached an agreement between the government and political parties to ensure quality and diversity in television programmes.

The Dutch public broadcasters (Ned 1 and 2) also faced the proceedings and sentence of the European Court of Justice in 2008 for the incompatibility of the state aids, which involved the reimbursement of 76.3 million euro. The new Czech audio-visual regulation, approved in September 2011, established limitations to the transmission of advertising on public television and devoted part of these revenues to the funding of national cinema, culture and sports activities.

In 2010 Finland adapted its national legislation to the 2007 European Audiovisual Directive by imposing more protection on copyrights and broadcasting rights. The public operator of this country (YLE) still controls about 50% of the national audiovisual market and will adopt a new funding model in 2013. The public networks of NRK of Norway not only resist the competition but have been increasing their audience ratings –by more than four points– in recent years. Its public broadcasting network has managed to consolidate a successful strategy of collaboration with private operators for the deployment of DTT and other transmissions.

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The situation is not as positive in those countries that have been intervened by the European Union. Greece adopted the European audiovisual policy through the presidential decree 109 of 5 November, 2010, and reduced the public broadcasting channels as part of the first measures to fight against the crisis that led the EU to intervene its economy.

The reform of the Portuguese RTP was made after the adoption of the Law of 4 February, 2011, and the entrance of the new government of Coelho, who has had to negotiate with the European "troika" the community intervention to his country’s economy. The new Portuguese Government announced that in 2013 the second network will be privatised and advertising will be abolished, at the same time that it faces the digital switchover. In Ireland the main audiovisual player is its public operator, RTE, for which a new law of governance and an independent regulator were created in 2009. RTE, however, has also been affected by the crisis of its national economy.

The effects of the crisis, in general, are noticed in the workforce and ratings reduction as a consequence of the loss of economic resources to produce competitive programming. It could be argued that the inflection point of the restructuring and the beginning of the adjustment policies in public television started in 2008, when the balance of their financial results was significantly negative as a whole. From 2008 governments began to undertake measures while parliaments began to transpose the 2007 Audiovisual Media Services Directive to their national legislations.

The Polish public broadcasting organisation (TVP) lost about five points of audience from 2006 to 2010. The new Polish audiovisual law, passed in August 2010, modified the operation of the institutions that manage the public audiovisual media and their control process. In 2011 the Polish broadcasting organisation undertook a reduction of thematic channels and 520 jobs.

On 1 August, 2010, Sweden put into effect a new law to regulate its public broadcasting organisation (SVT) and its independent regulator. Like Spain, in March, 2011, Sweden auctioned its digital dividend at a cost of 233 million Euro.

There are also countries, like Hungary, that have been the protagonists of important controversies caused by the new legislative adaptations. Hungary's new general media law (2010) caused alarm across Europe and led to inspections due to its increase of government intervention and impairment of freedom of expression. This market is dominated by foreign private networks (RTL and Prosieben Sat), to the detriment of the public stations (M1 and M2).

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Table 6. **Evolution of the workforce and audience of public TV**

EUROPEAN TV		WORKFORCE EVOLUTION			EUROPEAN PUBLIC TV		AUDIENCE IN 2010	
TV	Country	2007	2008	2010	Country	Consumption	Primetime	Daytime
ARD	Germany	21,554	21,748	21,468	Germany	223	43.4 %	48.6
ZDF	Germany	3,630	3,586	3,608	Austria	152	43.7	38.8
ORF	Austria	3,616	3,465	3,225	Belgium (F)	203	23.9	21.2
VRT	Belgium	2,974	2,933	2,811	Belgium (Fl)	174	44.7	42.5
STV	Slovakia	968	-	-	Bulgaria	241	11.5	10.3
KALIN	Slovenia	2,018	1945	-	Cyprus	184	18	19.7
RTVE	Spain	6,371	5,791	5,865	Denmark	201	70.4	62.9
ERR	Estonia	713	667	678	Slovenia	192	33	17.5
YLE	Finland	3,247	3,307	3,180	Slovakia	204	17.4	30.9
FT	France	8,942	8,963	8,837	Spain	234	21.5	22.6
ERT	Greece	2,402	2,402	3,322	Estonia	235	19.4	17.4
MTV	Hungary	1,783	1581	2,490	Finland	172	43.3	45.1
RTE	Ireland	2,307	2,214	2,151	France	212	35	33.2
RAI	Italy	9,889	9,953	10,055	Greece	274	14.3	15
LTV	Latvia	549	459	434	Hungary	284	13.5	13.2
LRT	Lithuania	675	579	560	Ireland	196	42.4	35.2
PBS	Malta	69	69	69	Italy	246	43.5	41.3
DVT	Poland	4,676	4,350	4,012	Lithuania	207	10.9	13.6
RTP	Portugal	2,301	2,255	2,194	Latvia	215	15.4	12.1
BBC	R United	20,315	17,238	17,242	Holland	191	38.9	36.5
CT	R Czech	2,813	2,896	2,825	Poland	245	42.2	39.8
TVR	Romania	3,262	3,247	3,247	Portugal	210	23.7	25.4
SVT	Sweden	2,552	2,140	2,053	R United	242	37.9	36.9
Average		4,679	4,627	4,574	R Czech	191	27.8	26.3
Total		107,626	101,788	91,489	Sweden	166	40.9	35.2

Source: author’s own creation based on data from the OBS (2011) about public TV daily consumption (in minutes) and audience levels in Europe in 2010.

Public television is a fundamental part of the EU audiovisual policy but its current strategic position is stagnant or retrograde due to diverse and complex causes: the lack of receptiveness of the new audiovisual policies of the EU and the Member States; the financial difficulties; the lack of flexibility and adaptation to rapid changes in the environment; the excessive heaviness and obsoleteness of the structures; the difficulties to face the challenge of the Internet and the Web 2.0; and the strong competition and greater dynamism of the private operators. Public television is losing ground against private television and, above all, against the new convergent operators of telecommunications, Internet and the Web 2.0.

According to Maria Michalis, a professor from the University of Westminster (United Kingdom), the last two European audiovisual media services directives, of 2007 and 2010, maintain the philosophy of balance between the public and private models but give in "to the demands of the large commercial interests in the hope that the private sector can fill the emptiness left by the reduction of the public sector".

In a speech given in 2011 at the University of Santiago de Compostela, Michalis concluded that "the EU has struggled to reconcile the democratic and cultural values

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with the economic, industrial and commercial aspects of broadcasting. Any substantial change to the fields of social and cultural welfare is less likely to originate at the community level and more likely to originate within the national framework, within the European and international constraints. But taking into account the difficulty of current times, I am rather pessimistic about the possibility of this eventuality" (Michalis, 2011: 45).

Public service television in Europe is financed by the licence fees paid by viewers, the taxes on commercial operators, the direct aids granted by the national governments or other bodies, and by advertising. The crisis has taken away most of the commercial resources of public television, through legal impositions or the market downturn, while the recession has forced the member states to drastically reduce their subsidies to public television. The funding rate recommended by the European Broadcasting Union for public television is between 17% and 19% of the GDP of each country.

The budgets assigned to the operation of the major public television organisations exceed 32 billion euro per year while their direct employment has decreased from 107,626 to 91,489 jobs in the past three years. The market of conventional private television and the activity of the main operators of audiovisual telecommunications is close to 400 billion euro, the world's second largest market after the USA.

But the digital revolution is changing the rules of the game, the profile of operators, the business models, and the field of intellectual property. Traditional public and private media are no longer complete without the digital ecosystem. As of March, 2011, Europe registered more than 363 million regular Internet users, with a daily use of about 50 minutes per person versus the 222 minutes that viewers dedicated to watch TV in Europe in 2009 (conScore, 2011 and ACT, 2011, respectively). The countries with the highest number of Internet users are Germany, Russia, France, United Kingdom and Italy, although it is in the Netherlands where users spend more time on the Internet.

Among Europeans Google is the leading search engine while Facebook is the most popular online social network, with about 234 million users in Europe in 2011 (conScore, 2011). With the exception of Yandex, the search engine created by the Russian Arkadi Volozh and Ilya Segolovich, the largest search engines and content aggregators (websites that aggregates a specific type of information from multiple online sources) are American. Of the thirty most-visited websites in Europe, only six are European (Axel Springer, Dailymotion, Orange, Deutsche Telekom, BBC and Schibsted) and three are Russian (Campos, 2011).

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The strategic imbalance of the audiovisual industry is forcing the EU to protect –a debate that lies at the epicentre of the European Digital Agenda– content production and telecom networks from the their inconsiderate use by the global operators. The measures affect the protection of intellectual property in the digital space, the taxation to expand broadband telecommunications networks, and the support to the uniqueness of cultural diversity.

6. Policies in support of the audiovisual sector

EU policies in support of the audiovisual sector fit within the Digital Agenda for Europe, which is one of the seven initiatives of the Europe 2020 strategy. In particular this occurs through the Television Without Frontiers and Audiovisual Media Services directives, the replacement, in 2013, of the MEDIA Programme with the Creative Europe programme which will integrate the cultural and audiovisual industries from 2014 to 2020. The joint aim is the transformation and adaptation to a single digital market, preserving the values of the genuine cultural identities and diversity of the European countries. The goal is ambitious and attractive but its achievement is complex.

The last EU report, of 2009, on the audiovisual sector and television in Europe reveals little progress with respect to the previous report, of 2005. Essentially, these reports evaluate the implementation of the recommendations of the Television Without Frontiers (1989) and Audiovisual Media Services (2007) directives about the need to devote at least 50% of TV transmissions to European productions and 10% to investments in European independent productions.

The last report (Final Study Report, 2009) is based on surveys to the regulatory bodies of a sample of 11 countries, the most representative of the European audiovisual market. The report's data are too obsolete but are the only official data available about this group of countries. The report recognises that national legislations general apply the recommendations set by the European directives, although with varying degrees of rigour in comparison to the rules of the European Union.

The report indicates that the severity of the penalties for non-compliance is very different across countries. These penalties range from warnings and fines to the possibility of suspending the broadcasting license. The regulations of almost all countries include the obligation to meet the EU broadcasting quotas, which is a specific feature for the cultural and linguistic realities of the respective communities.

The report confirms that in Europe there is a high vertical integration in the value chain in audiovisual industry: the networks offer 57% of domestic productions (public television channels one percentage point more) and have large subsidiary production

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companies (RTL has UFA and Fremantle while Mediaset has Endemol) and other smaller companies in each of the countries they operate. Despite the fact that 2009 was deadline for the member states to incorporate the regulation of the requirements for non-linear services (on-demand TV and video), the report does not show significant advances in that aspect.

According to the 2009 report, of the TV programming broadcast in 2007, 62.4% were European productions and 31% were independent productions. The study also points out that in recent years there has been a growing trend to import TV productions, and that over half of those productions come from North America and about 25% from other European countries. The low internal circulation of the European audiovisual market contrasts with the sustained demand for American cinema, which is still seen as a guaranteed audience magnet.

The EU policies of the contents industry and the audiovisual sector have been materialised in at least seven areas: through the sectoral EU directives and communications of compulsory transposition to the respective national legislations; through the direct aids to production and distribution through the MEDIA Programme and other bodies; in the institutional framework in charge of the European Audiovisual Observatory (OBS) and the Education, Audiovisual and Culture Executive Agency (EACEA); in the protection and surveillance of the competition markets; at the technical level through convergence rules and deadlines for the digital migration (DTT); in the intellectual sphere through the new regulation of intellectual property rights; and in the defence of the philosophy of democratic and socio-cultural pluralism.

In the European audiovisual space –if such a description can be allowed– there are two angular regulations on the financing framework of its peculiar dual model: the Protocol of the Amsterdam Treaty of 1997, which safeguards the governmental funding of public broadcasting under three conditions (it has to guarantee pluralism, to have democratic control, and to promote socio-cultural values of the country); and the EU Communications of 2001/2009 (C320/5 of 15-11-2001 and C257/01 of 27-10-2009) about the conditions of governmental aid to public broadcasting.

At the same time, the EU has conducted its own MEDIA Programme for 20 years. This programme has invested more than 1.8 billion euro in aid to the screenwriting, production, distribution, exhibition, digital conversion and international circulation of European television. From 2014 to 2020 the MEDIA Programme will be merged with the Culture Programme and will be named Creative Europe, with a budget of 1.8 billion euro destined to support funding and entrepreneurship (900 million for the audiovisual sector and 500 million for cultural activities).

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According to a report written by Susan Newman-Baudais (2011) for the OBS, European countries annually invest in the audiovisual sector more than 2 billion euro (in the form of in aids), with a strong impetus between 2005 and 2007. However, the effects of the crisis can be noticed since 2008, with just 0.7% of growth in 2009.

The KORDA database of the OBS, an official agency created in 1992 with headquarters in Strasbourg, identifies more than 600 programmes (run by EU, national, regional and local governments) offering 170 different types of direct and indirect public aids (grants, loans, venture capital, tax relief, etc.). Aids from national governments are accepted by the EU provided they do not violate the competition markets. The aids are very diverse as it is the taxation system in the cultural sector, which is another form of indirect support, but with fragmentation problems and aimed to form a single digital market.

European film production reached a new high in Europe in 2009 with a total of 1,168 films. Nonetheless, American cinema continues to achieve the best box-office results. In 2009 the box-office film revenues in Europe amounted to 6.271 million euro, 12% more than in 2008, corresponding to almost a million tickets, according to data from the European Audiovisual Observatory.

In 2011, cinema attendance fell 0.4% in Europe in comparison to the previous year: it went from 964 million to 960 million tickets, although the evolution varied across countries. Cinema attendance decreased in twelve markets and increased in ten. The fastest growing markets were France (+4.2%), Germany (+2.4) and the United Kingdom (+1.4), in contrasts to the decreases in Italy (-7.9%) and Spain (-7.1%). This year was also a good for domestic films, whose premieres registered increased attendance rates in fourteen markets. And the same can be said about the digitisation of cinema auditoriums, which in the last three years went from 4% to 52%: 18,500 auditoriums transformed by 2011.

7. Conclusions

The future of television and the audiovisual sector in Europe is hybrid, convergent, connected, interactive and increasingly based on payment systems. In terms of broadcasting systems, cable is currently the dominant system, with a market penetration of almost 50% and with high possibilities of growth; followed by satellite and DTT, with 23% and 20% of participation, and the vigorous emergence of IPTV, with 6.56% penetration at the European level. The latest rends point to the future development of the IPTV and the replacement of terrestrial broadcasting networks, the

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traditionally guarantors of the universal and free broadcasting, with mobile telephone communications (digital dividend) to the detriment of television itself.

The cross-alliances of traditional media operators are concentrated in satellite broadcasting platforms (Murdoch-Sky-Permira-Viasat-CTC and Vivendi-Canal Plus-RTL-Mediaset); the interests of North-American and European groups are concentrated in the cable ecosystem (Liberty Global, Virgin Media, Numericable, ONO); and the big telephone operators (BT Group, Telefónica, Vodafone, Deustche Telekom, Telia Sonera, KPN, and Portugal Telecom) are concentrated in the IPTV platform. The European market for these broadcast networks is dominated by duopolies and monopolies at the national level.

Public television has already lost a share of its audience but now is also losing its structure and programming opportunities. The EU and the member states, for necessity and/or conviction, no longer hesitate to admit that private organisations can also fulfil the public service broadcasting function and be more efficient than public organisations. Examples of this new attitude are the changes in communications policies in more than half a dozen countries (France, Spain, Denmark, the Netherlands, United Kingdom, Italy and Hungary) and the proceedings recently started by the EU about some financing schemes.

The four main challenges about European public television in the second decade of the 21st century are: to obtain enough funding to ensure its viability; to be present in all possible broadcast platforms and especially on the Internet; to advance and succeed in the restructuring processes without damaging the general quality principles of public service; and to maintain its credibility through the improvement of its management. In this regard, in December, 2012, the Parliamentary Assembly of the Council of Europe publicly expressed its support to the European Broadcasting Union (EBU) to counter political interference occurring in several public television management systems, like those of Hungary, Bosnia, Croatia, Italy, Romania, Slovakia, Serbia, Spain and Ukraine.

Despite the crisis, television and the audiovisual sector continue to be the dynamic engines of Europe's cultural and creative industries. The crisis has affected the whole audiovisual industry in business terms but –with occasional exceptions– it has not affected its consumption and growth. Family TV consumption has continued to increase in Europe (it went from 222 minutes in 2009, to 228 minutes in 2010, and 235 minutes in 2011). The number of TV channels has also increased in Europe (8,900 in 2011, according to the MAVISE database of the OBS).

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While the consumption and growth of television has not decreased, there has been a fragmentation of consumption and a concentration of supply, about which several scholars warned in an international conference carried out in November 2012 in the Council of Europe in Strasbourg. This conference about the media concentration in the digital era had the participation of leading specialists and researchers, such as Bernard Miyet, André Lange, Susanne Nikoltchev, Ben Keen, Bernd Malzanini, Roberto Mastroianni and Andrei Richter.

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