A SURVEY OF THE LANDSCAPES AND POLITICAL POLICIES OF THE EUROPEAN COMMUNITY CANDIDATE COUNTRIES IN THE BROADCASTING INDUSTRY

EXECUTIVE REPORT

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1. Introduction

From an initial beginning of 6 member countries, the EU successfully expanded to include 9,10,12 and then 15 member states/countries. Currently unprecedented growth is proposed, enrolling an additional 13 countries, 10 of whom will enter during May 2004.

On 9th October 2002, a Commission report, ratified between the 12th and 13th of December by the Copenhagen European Council, presented the 10 countries proposed for EU admission on 1st May 2004, permitting them to participate in the June 2004 European Parliamentary elections. The 10 new countries comprise, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, The Czech Republic, Slovakia and Slovenia. It is anticipated that Romania and Bulgaria will join the EU during 2007. With regard to Turkey's entry, currently no date has been set.

The historical significance of this growth spurt has been appropriately emphasised by many. The political and economic aspects of a Europe with 25 countries have been extensively analysed; cultural aspects have received less attention, while broadcasting-related issues have not even come up in discussions.

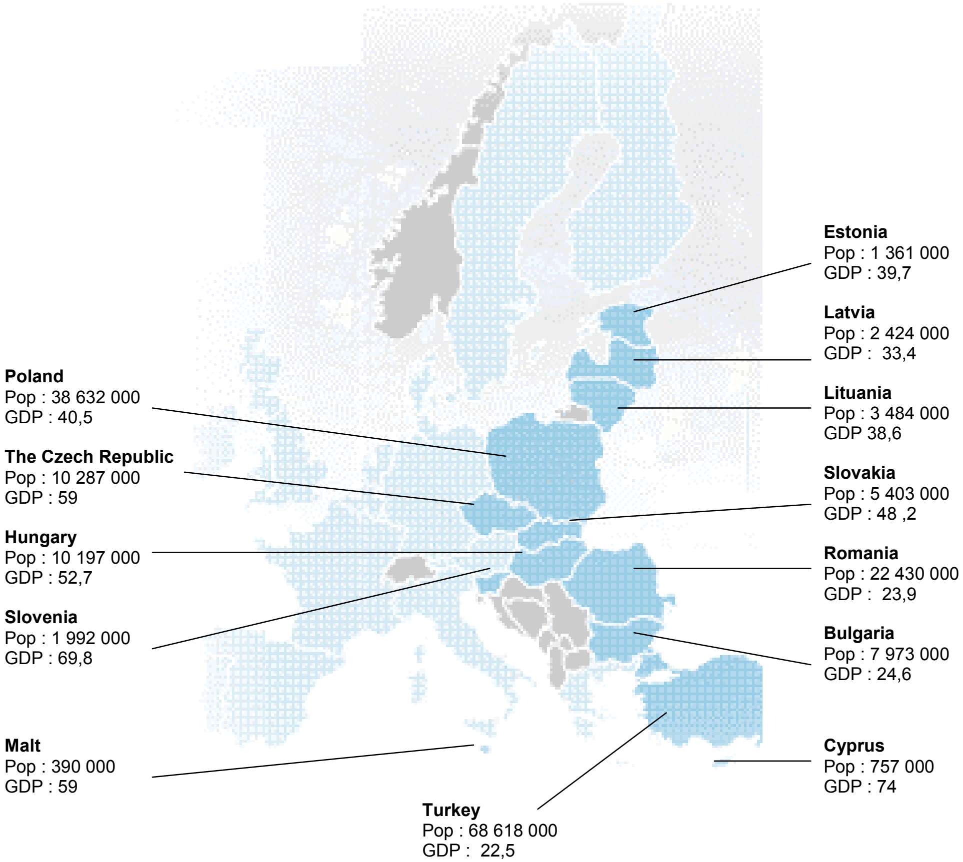
In fact, the 10 new member Countries, and those that follow, are going to bring new television services to the common European cultural heritage, along with movie and other broadcasting production capacities, talents and renewed traditions, new areas for financial investment and new investment capacities, all of which will contribute to a new European cultural identity.

The economical and cultural implications of establishing a common broadcasting market are substantial.

In consideration of this, the European Commission would wish to enhance it's understanding of the individual, existing broadcasting formats operated within each of the 13 states/countries, in addition to the public policies under which they operate. To successfully integrate these countries within the EU, it is imperative to understand the implications in so-far as community resources are concerned, where the individual parties stand and their potential influence. This understanding will permit the anticipation of future discussions as well as the economic and political implications on the broadcasting industry as a whole.

2. The broadcasting industry economy of the candidate countries

GDP index (index of 100 = the average of the 15-Member State Europe) per inhabitant



2.1. General factors of the economic development of the candidate countries

2.1.1. Market sizes and smaller, unevenly distributed populations

The primary determining factors of all economic analysis of EU candidate countries are quite simply size and level of development.

With the exception of Turkey, which differs substantially from the other states/countries, the new EU member states/countries generally have smaller populations than those found within existing EU countries. Furthermore, the average revenues per head of population within these countries are lower, representing between 25 to 75% of the average index of the 15 existing member countries.

The most substantial and developed market within the new members countries is Poland, which incidentally has a smaller population than that of Spain. The two additional stronger markets are those of the Czech Republic and Hungary which have comparable populations to those of Belgium and Portugal.

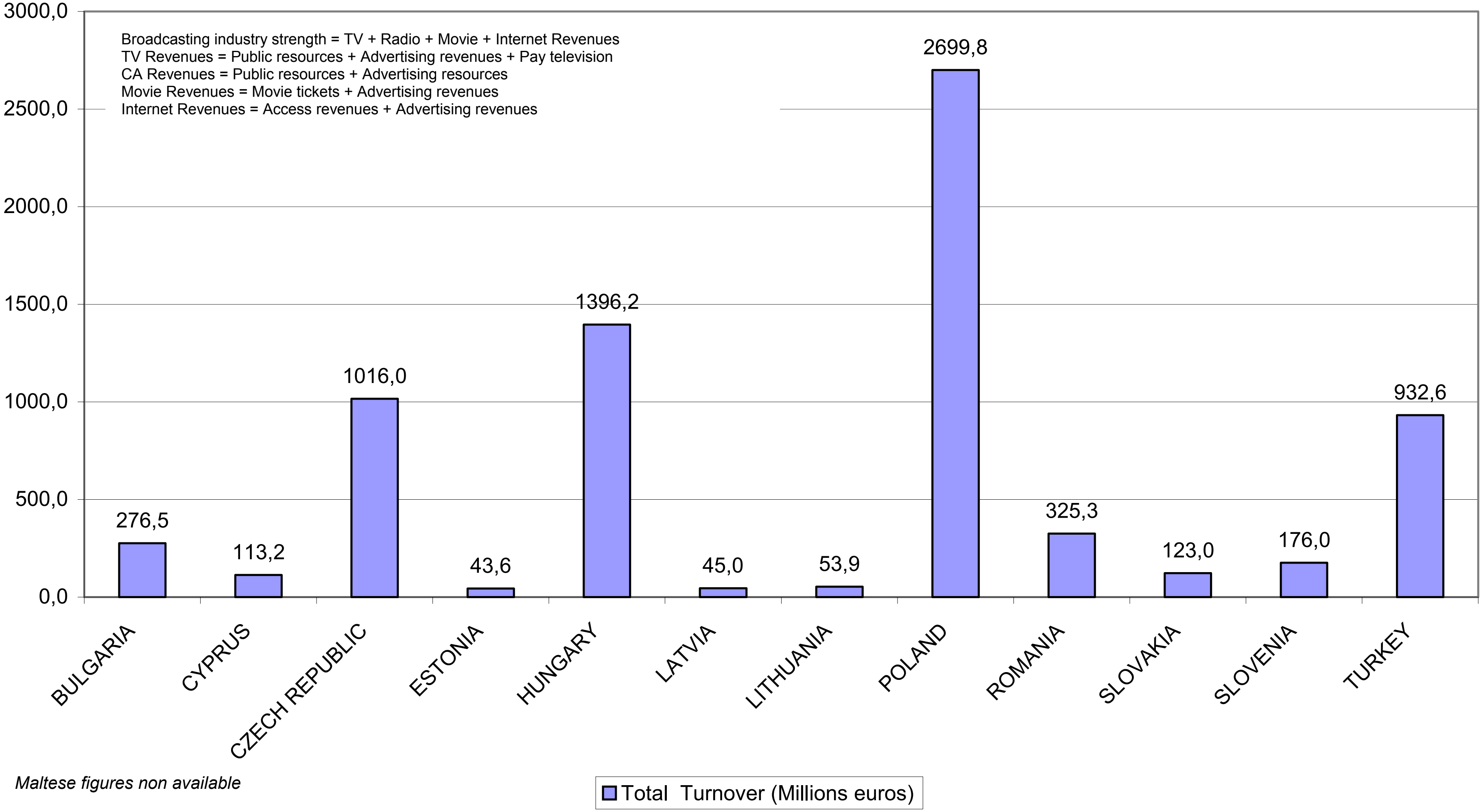
Cyprus, Estonia, Latvia, Lithuania, Malta and **Slovenia** each have populations of under 4 million inhabitants, placing them amongst the **smallest countries within the new, enlarged 25 member Europe**.

Romania and Bulgaria, whilst both being medium-sized countries, have extremely weak economies with a GDP per inhabitant which is approximately 25% of the EU average.

With the exception of the **Czech Republic, Hungary and Poland**, the **candidate countries are below or at best of a critical size** to attract significant investments to finance real competition within the broadcasting industry markets, highlighting strong local backing when it comes to creating and producing.

Audiovisual sector total turnover in 2002

Source : Carat



Maltese figures non available

These inequalities are found in the general broadcasting economy where it can be seen that the turnover in countries like Poland, Hungary, the Czech Republic, and Turkey are largely superior to those of the 10 other countries. With the exception of Malta, the three Baltic countries appear to have the most limited economies within the candidate-country broadcasting industry.

2.2. How the medias are structured

2.2.1. Television leads

Television is by far the strongest medium within the broadcasting industry. It represents up to 92% of the entire broadcasting economy in Romania, and around 60% in the Baltic countries, where its market share is the lowest. It is prudent to observe however, that the medium of television is traditionally weaker in Northern European countries, including those within the existing EU. **Other categories of medium** (radio, films, Internet) **are for the most part, negligible.**

The television advertising market is what drives the broadcasting economy in the candidate countries. Advertising investments are massively concentrated on this media, and absorb, depending on the country, between 66.5% and 93.2% of all media investments, excluding the written press and posters.

In all the countries, the public broadcasting industry has had to endure the crumbling state monopolies at the beginning of the 1990's. In the countries within the communist sector, the then State media was then transformed into public media.

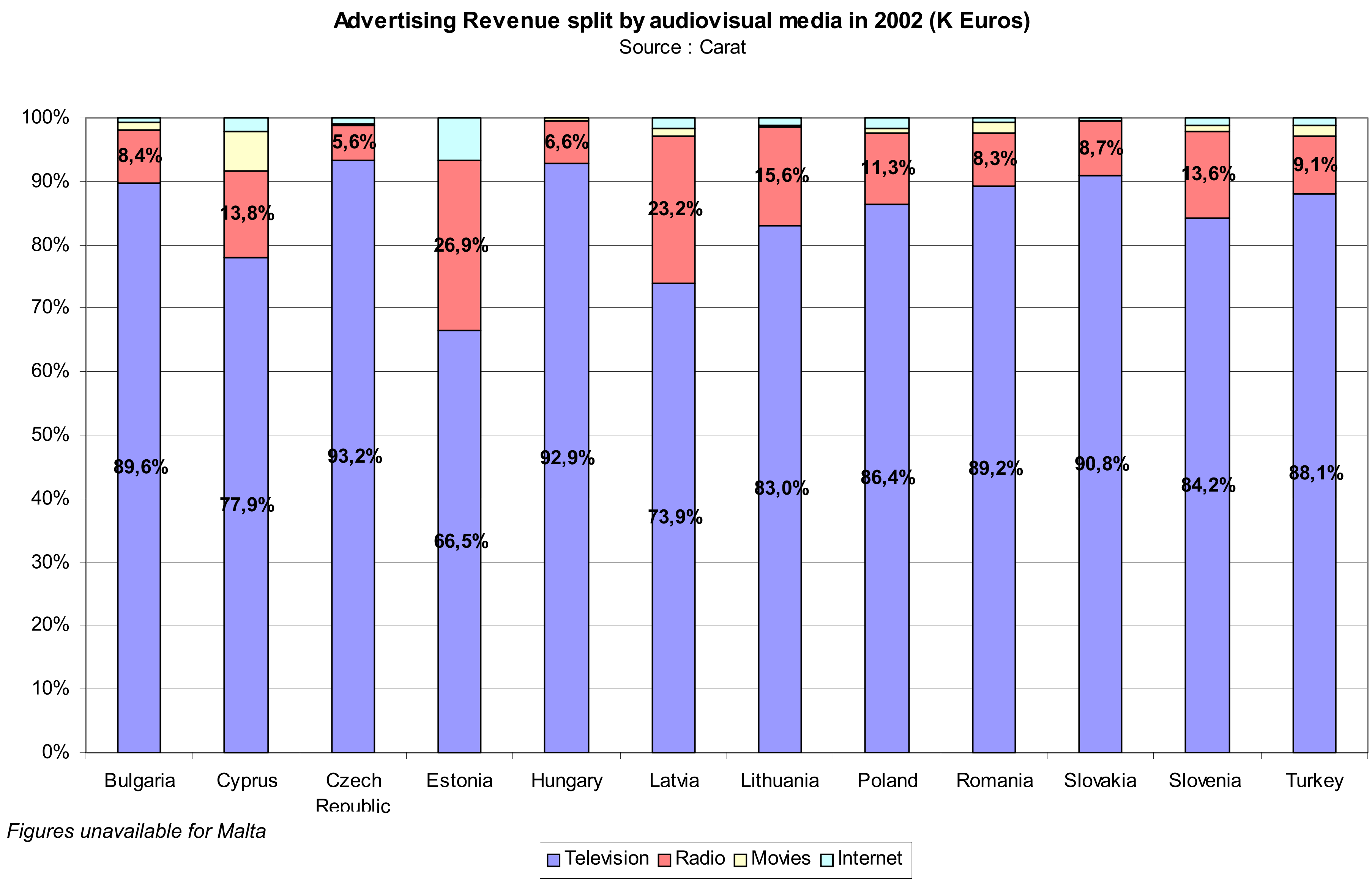
With the exception of Poland, where the public sector enjoys a certain number of competitive advantages and manages to maintain and even strengthen its dominant position with respect to audiences as well as the advertising market, there is a **general tendency, among the candidate countries, of private television networks –** which emerged in the early 1990s-

rising up over public television networks. Only on the narrower, less developed markets like those in Bulgaria, Romania, Slovenia or Malta is the public television pole still strong.
In several cases, public television saw its audiences collapse only to find itself in a vicious circle of insufficient means that impoverished program offerings. Such is the case in Bulgaria, Estonia, Hungary, Lithuania, and Slovakia. Nevertheless, there is a degree of recovery in Lithuania and Slovakia. In Latvia, audiences and advertising market shares remain stable, but financial means and missions are regularly questioned.

Among the private networks, the prime locations are both rare and expensive. In fact, despite the growing number of television networks, only one or two private channels manage to emerge from the industry and develop in each country.

Development of the broadcasting markets, especially costly national over-the-air television, **was only able to take place with the help of foreign investments**. In eight of the thirteen countries, the leading private television network is owned and controlled by foreign groups. The five other cases are, on the one hand, Cyprus, Malta and Turkey and on the other hand, Poland, the Czech Republic, the latter case being rather specific since Nova was indeed created with American capital. **American capital** (SBS and CME) **is largely dominant,** controlling the leading private television networks in Bulgaria, Hungary, Romania, Slovakia and Slovenia and the strong implantation of HBO. We must also cite the role of UPC in the cable distribution industry. Swedish and Polish capital are both present in the Baltic States. The RTL Group is also present in this zone.

Finally, **pay television is relatively well developed in candidate countries**, as the strong rates of cable subscriptions testify, in the order of 35 to 40% on the average. Nonetheless, this figure hides an uncertain profit earning capacity (see point 3.1.2.)


Advertising Revenue split by audiovisual media in 2002 (K Euros)
Source : Carat
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
8,4%
89,6%
13,8%
77,9%
5,6%
93,2%
26,9%
66,5%
6,6%
92,9%
23,2%
73,9%
15,6%
83,0%
11,3%
86,4%
8,3%
89,2%
8,7%
90,8%
13,6%
84,2%
9,1%
88,1%
Bulgaria
Cyprus
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Poland
Romania
Slovakia
Slovenia
Turkey
Figures unavailable for Malta
Television
Radio
Movies
Internet

2.2.2. Radio's limited influence

The radio industry represents a wholly dissimilar case. It is often a medium with little strength, representing between 4 to 8% of the entire broadcasting economy in the majority of the key countries within this area. Most notably radio must confront the supremacy of television on the advertising market front.

The private radio industry, whilst often flourishing, does not have the same stature as the television industry, and must be contented with lighter formats that most often attract much smaller audiences than state-owned stations, the only ones that really offer quality information on a national scale.

However, Public radio is in a much better situation than state-owned television. Generally speaking, **it is better financed**, technically well implanted throughout the territory and offers a wide variety of programs. Frequently their private competitors prefer to position themselves on the most profitable time slots – for they are less costly and more promising as advertising support – thematic radio programs (musicals or news and talk shows) and **public radio does not have to face a strong competition in the area of generalist formats**. Thus, it keeps its place as **leader with respect to audiences in the large majority of countries**, even if this audience is for the most part aging, a preoccupying matter for the future.

2.2.3. The cinema and the broadcasting industry: what are the perspectives for development?

The movie industry was particularly hit by the upheavals during 1989 and the following years. The dismantling of government-run production and distribution monopolies, the privatising of studios and government-run production structures, the collapse of government grants, the lack of alternative financing, the desertion and closing of movie theatres, etc.

After the initial years of chaos, we began to see private structures emerge, foreign investors arrive and new legal and institutional frameworks set up.

Today we can see this industry in a new light as it has become somewhat stabilised and new developments are not only possible but frequently in the making, as much in the way the industry operates, as in production.

Moviegoers, if not increasing, are at least, no longer decreasing in the majority of the countries. In this medium, there is an average 0.9 ticket sales per inhabitant per year compared to 2.5 ticket sales for existing EU countries. This figure, which remains a little low, can be explained by the **competition of new media**, especially the television. Prices are also a reason for this: taking the standard of living in this zone into account, the price of a movie ticket is in fact 60 to 80% higher in real terms than that found in France or Germany.

Although proper financing is arguably lacking, **movie production** is consistent on the most significant markets (Hungary, Poland, the Czech Republic, averaging about 20 films annually) and it is a **politically important theme** throughout the vast majority of countries. For the other countries, **movie production remains low**, less than 10 films per year. The avenues of distribution and projection are largely dominated by American films, which make up 70% of the films shown in movie theatres, compared to 50% in the EU.

Most of the countries are developing an active policy for the delivery of services and film shooting set ups. In fact, they can frequently take advantage of a **strong movie-making tradition** that imparted them with the expertise, studios, qualified personnel and suitable equipment. The fact that the means and skills exist is a positive element for the future, and this will ensure successful integration of their movie industry within the European market.

Local production, film admissions, and market shares according to the geographic origin of the films

Country	Number of films produced nationally in 2002	Ticket sales per inhabitant	GDP locale	GDP Europe	GDP USA
Bulgaria (2001)	3	0,25	0,5%	8,7%	86,4%
Cyprus	0	1,19	0,0%	7,0%	92,9%
Estonia	4	1,14	10,7%	8,6%	73,2%
Hungary	24	1,32	7,8%	15,2%	70,6%
Latvia	1	0,46	0,6%	19,8%	79,4%
Lithuania	40	0,55	0,2%	17,2%	82,2%
Malta	NA	2,70	NA	NA	NA
Poland	25	0,67	17,8%	8,6%	65,2%
The Czech Republic	21	1,04	13,0%	15,1%	71,0%
Romania	9	0,24	9,8%	6,7%	82,7%
Slovakia	5	0,54	NA	NA	NA
Slovenia	9	1,39	5,5%	16,3%	75,8%
Turkey	9	0,34	7,4%	9,8%	82,1%
Candidate average	**12,5**	**0,9**	**6,7%**	**12,1%**	**78,3%**
15-UE average	**31,5**	**2,5**	**-**	**27,9%**	**70,5%**

Source: The European Audiovisual Observatory
Malta and Slovakia: Market share info unavailable, Malta: local production info unavailable
Estonia: Data on German. British. French and Italian films unavailable

As far as broadcasting production is concerned, **few countries have the means** to develop regular programs. Thus European production quotas lie largely within studio programs. For all other types, **radio broadcasters are very dependent on imported programs**; those coming from zones outside the EU, usually less expensive, generally correspond more closely to their economic model.

In this area, competition remains the best way, in the long run, of ensuring that a local independent program industry emerges. In fact, the experience of developing broadcasting economies shows that television audiences, from all countries, favoured national contents over imported programs, and that competition encourages the players to rival each other in order to attract local audiences by offering them more and more local-oriented programmes, which therefore favours original productions.

However, to date, the **national broadcasting production** industry remains fractioned and in the process of being restructured, whilst the concept of independence still has a very limited meaning.

Generally speaking, **local production should benefit from the development of co-productions and European support, as well as from consolidation of local support systems** (whether institutions or funding.)

2.2.4. The weak aspects in new technologies

At the heart of candidate countries, the Internet sometimes has a rather significant bearing but it remains a technology and not exactly a medium in the true sense of the word, as the weak number of advertising investments dedicated to it testify.

Internet access is still rare in the private sector (the penetration rate is about 12% on the average, compared to 33% for the 15 countries within the EU,[1]) whilst operators revenues remain particularly linked to professional connections.

With respect to **the distribution of physical support contents, for example, video, CD, DVD, the market is still under developed**. This is the result of several factors:

- the **rate at which households adopt these new technologies**, except in the richest countries, is much lower than in the existing EU. Only an average of 40% have video cassette recorders and less than 5% have DVD players (compared to 30% in Great Britain and 25% in France,);
- the **prices** of these products are very often comparable to what they cost on western markets;
- **pirated copies**: **sale of pirated products in fact continues to be a major phenomenon throughout the vast majority of countries.** While the prices of support equipment mentioned earlier are high, those of the tools necessary to make illegal reproductions - comparatively accessible – are not at all dissuasive for pirates.

[1] Sources: ITU, Point-Topic, Nielsen//NetRatings - T3 2002

2.3. *Structure per funding source*

2.3.1. Advertising, main growth driver

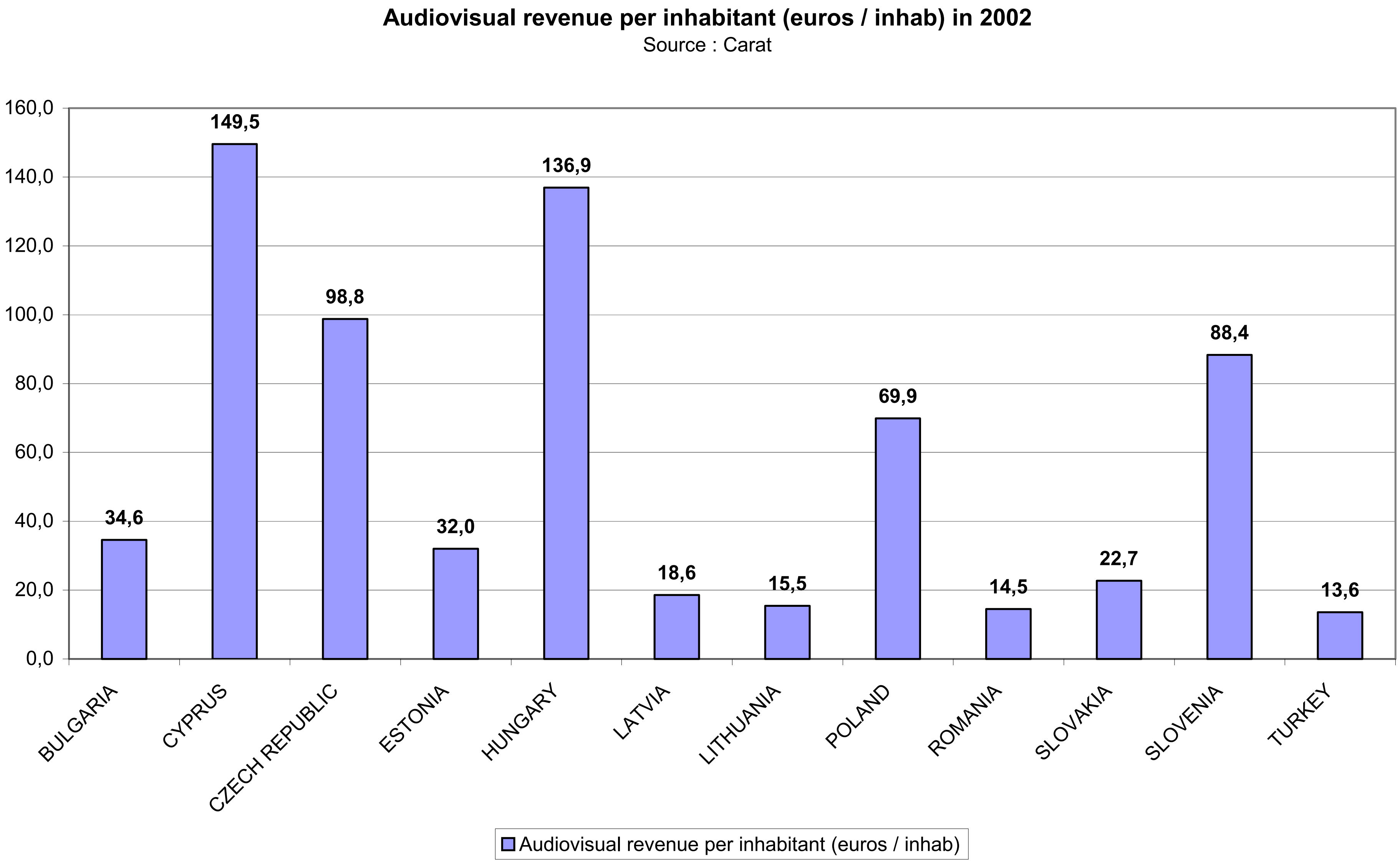
Advertising is the main source of revenues for broadcasting budgets. If we take into account the fact that broadcasting revenues come from three main sources - advertising, public budgets, and directly from the consumer, essentially from subscriptions to pay television services or movie tickets - advertising is in fact the **leading source of financing in all the countries but four** (Slovenia, Poland, Romania, and the Czech Republic.)

Even more than its impact, **advertising's dynamics make it key to the development of the broadcasting industry** in the candidate countries.

Advertising investments are closely related to a market's competitive edge. This question even becomes central when dealing in the economies of countries such as Poland, Hungary or the Czech Republic. These three markets are in fact experiencing an imbalance between increasingly strong demand for ad space on the part of the advertisers, and a reduced availability offered on the part of television networks.

Despite a certain slump, advertising remains the main driving force on the broadcasting economy in these countries, with significant growth perspectives in both middle and long term.

From an advertiser's viewpoint, some markets appear more attractive, and should develop with strength when the legal framework (competition, etc.) has been better stabilised within Hungary, Poland, the Czech Republic.


Audiovisual revenue per inhabitant (euros / inhab) in 2002
Source : Carat
160,0
140,0
120,0
100,0
80,0
60,0
40,0
20,0
0,0
34,6
149,5
98,8
32,0
136,9
18,6
15,5
69,9
14,5
22,7
88,4
13,6
BULGARIA
CYPRUS
CZECH REPUBLIC
ESTONIA
HUNGARY
LATVIA
LITHUANIA
POLAND
ROMANIA
SLOVAKIA
SLOVENIA
TURKEY
Audiovisual revenue per inhabitant (euros / inhab)

2.3.2. The sale of goods and services is slowed in its development

When it comes to the sale of goods and services, **the strong penetration of cable television** in candidate countries in fact hides a **reduced profitability and a tighter market potential.**

Direct revenues from consumers cannot claim strong middle term **growth:** these countries in fact, are still experiencing a relatively **low standard of living**, with a rather restricted financially well off class and a middle class with revenues still too limited to enable significant purchase of secondary broadcasting industry-related goods and services. Digital pay television offers are going to collide with each other all the more because television audiences in these countries are culturally not used to paying to receive television channels.

2.3.3. Stagnant public budgets that are disputed

Public resources devoted to the broadcasting economy are generally meagre. The most extreme case of this is found in Hungary, where public resources only account for 6% of all the resources, which greatly explains the weakness of the public broadcasting pole there. Poland, with 17% of the broadcasting economy financed by public funds, could find itself in a similar situation if access to public television was not open to advertising in the way it is, structuring the market in an opposite fashion to that of Hungary, with public television strongly dominating its private competitors.

Financing public broadcasting is a recurring problem and subject of discussion amongst the candidate countries. **With the exception of Estonia**, where advertising was recently removed from public television screens, **the public sector relies on mixed funding in all the other countries,** collecting both private and public funds. Most often public sectors are under funded. Private operators moreover, ardently contest this share of private funding in the large majority of cases.

In any event, the financial difficulties with which these countries are confronted make it very probable that there will shortly be an increase in the public budgets dedicated to the public broadcasting sector.

Funding, discussions, and reforms in the public broadcasting industry

Country	Total budget of the public group (Millions of euros)	Share of public resources	Share of other resources	Television Tax	Discussion taking place and planned reforms
Bulgaria	Not available	50 M euros		No	Effective initiation of the tax on TV sets; public and private resources in financing public broadcasting. Changing the radio and television network administrative system
Cyprus	38,9	85%	15%		Changing the government office that oversees public radio-television Changing the method for appointing management teams
Estonia	17	90%	10%	No	Suppressing advertising from public radio Merging public radio and television companies
Hungary	113	67%	33%	Suppressed in 2002	Changing the administration system of public broadcasting companies Discussion of funding and the boundaries of public television
Latvia	20,4	54%	46%	No	Creation of the tax on TV sets Changing public radio-television administration structures
Lithuania	15	80%	20%	No	Creation of the tax on TV sets; drop in advertising revenues
Malta		50%	50%	Yes	Public television's independence with respect to authorities
Poland	755	60%	40%	Yes	Methods for collecting the tax on TV sets and consolidating state funding for public radio-television broadcasting Missions and boundaries of the public broadcasting industry
The Czech Republic	162	65%	35%	Yes	Moderate increase in the tax on TV sets and advertising revenues for public television or strong increase of the tax on TV sets and suppression of advertising Changing the way Czech radio and television Council members are appointed, to guarantee their independence
Slovakia	77,9	79%	21%	Yes	Method of appointing the management of public broadcasting networks Increasing the television tax and getting rid of state funding Organisation of network management Defining public service missions
Slovenia	61	77%	23%	Yes	Reforming management and changing the groups statute
Turkey	112,6	69%	31%	Yes	Rationalisation of the public pole's management

Other resources: mainly advertising and other sales-related resources

3. Public Policies

3.1. An unstable legal framework

Implementation of the legal framework for the new pluralist broadcasting industry took place between 1991 and 1998 depending on the countries, while the directive *Television without frontiers* was transposed between 2000 and 2002.

This legal framework is neither stabilised nor complete in any of the countries. Important aspects of the framework are being discussed in numerous States, to the point that new broadcasting laws are being drawn up despite the wait-and-see policy that seems to be prevalent with respect to EU admission. The public sector – its funding and structures, media copyrights, movie industry backing, organisation of regulatory powers and authorities, among other subjects, are at the heart of discussion. It goes without saying that the up and coming political choices to be made are going to be decisive for the future of these markets.

3.2. Generally, a liberal system

Generally speaking, the sector's legal system is liberal in inspiration, which means few constraints with respect to market access or program contents.

Foreign investment restrictions in the sector exist only in Hungary (in a rather formal manner), Poland, Turkey and Cyprus. In addition, there is total freedom for receiving and retransmitting in all countries with, the exception, of course, of Turkey.

As regards program content, we have noticed few regulations that are more restrictive than those within the European directive; however several countries have adopted **measures to preserve their culture and/ or their national language**, via “national production quotas”, namely Bulgaria, Estonia, Hungary, Latvia, Poland, Romania, Slovenia, and Turkey. Specific programs related to minority languages and ethnic groups are also planned.

Protection of minors was most often taken into account in the texts while methods for upholding this vary from one country to another. The tendency has been to develop classification systems to signal appropriate age groups for the programs, however implementing such systems relies largely on auto-regulation.

As far as advertising, sponsorship and tele-shopping are concerned, national legislations stick closely to the directive. They are practically identical with respect to the length of adverts (for private channels) and programming screens and messages; they are sometimes stricter when it comes to ethics, child protection and advertising for alcohol.

3.3. An application that is still imperfect

3.3.1. Lack of transparency

On the theme of market organisation, **transparency is often lacking**. This is due to: the true nature of capitalistic structures, the effective criteria for obtaining licenses, etc. especially in central and eastern European countries. Upstream, it is the choices that influenced the outlines and boundaries of the broadcasting industry, particularly with respect to national television networks, that are not always the result of clear motives.

Generally, this problem is not specific to the broadcasting industry and it is more or less accentuated depending on whether the overall economy suffers on the account of more or less developed **corruption**.

3.3.2. <u>The existing Union institutions and programs: their gradual implementation</u>

If the ***Television without frontiers* directive** is transposed almost entirely in all the countries except Turkey, **its effective application will need more time**. The themes that have the most difficulty being enforced are:

- standards with respect to advertising and sponsorship,
- child protection,
- European work quotas

First and foremost, this results in the hesitation of operators, who are themselves tied to economic consideration, and the insufficient means to control programs. The tendency is however improving and should continue within the context of the rather conservative positions held by the candidate countries dealing with the European directive.

3.4. Regulatory authorities that should back each other

3.4.1. <u>Recently created institutions with power and means that vary</u>

Creating regulatory authorities in the broadcasting industry coincided with developing competition within the broadcasting sector. With the exception of Malta, **they were all created between 1992 and 1998. Globally, these regulatory authorities are still very much in their infancy.**

However today, these authorities come with varying power and means and are **still fragile institutions**.

Therefore, only some of these authorities have, at the same time, the necessary prescriptive power, an experience in attributing licenses, or the power to control public and private sectors, with power enough to enforce (Hungary, Poland, Romania, Turkey.)

When these authorities theoretically control the public operators but co-habit with the Council members that ensure supervision, their effective power over the operators is limited. Such is the case in the Czech Republic and in Slovakia.

3.4.2. Recurring debates

The authorities' independence is always the subject of debate. The situation is rarely clearly defined. In most cases, the statute of the authority formally guarantees its independence: this is established by law, or possibly a constitutional amendment; members are irrevocable and subject to a number of incompatible charges; (despite written texts that are sometimes ambiguous.) In reality however, the authority's **independence will often depend on the members' character and on the way they run their offices**. It is still never really acquired due to the lack of sufficient anchoring on the part of the public institutions, and broadcasting industries of the candidate countries. The Polish and Czech authorities, involved in economic and political scandals, are extremely fragile at the moment.

Morevoer, the debate over convergence and their consequences at an institutional level are developing. A convergent authority now exists: the Telecommunications Agency of broadcasting and the post office in Slovenia; the debate is open in Lithuania, Malta, and Slovakia and can begin in other countries in a round about way of solving other problems coming from regulatory authorities, such as in Latvia and Poland.

The overall tendency is rather towards the reinforcement of these authorities' powers and means and to developing their role within the sector. However, they are still fragile and none are safe from being fundamentally put into question, during one affair or another, or when the political orientation changes.

The authorities must still confirm their legitimacy. Consolidating regulations and their enforcement, particularly in the areas of controls and sanctions, appear to be of the utmost importance in effectively applying the existing Union institutions and programs.

3.5 Rather reserved public policies

If we consider the **traditional instruments of public intervention** in the broadcasting industry:

- limited foreign investments in the capital of industry networks,
- public funding of national radio and television,
- backing movie production and broadcasting in general,
- regulation with respect to the program contents,

and **their implementation in the candidate countries,** we notice that overall **they lead to rather reserved public policies**.

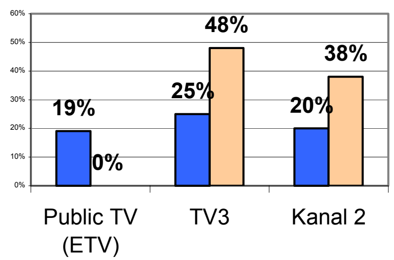
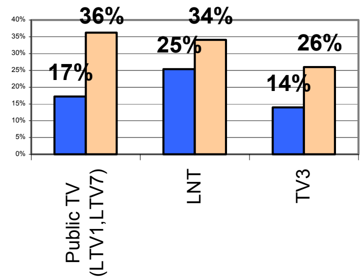
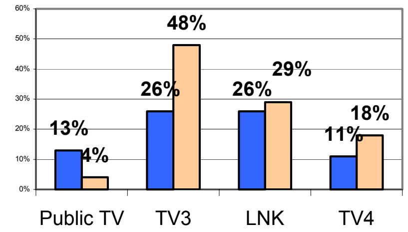
The dominant political orientation **is one of confidence when it comes to the market economy and the natural development of the industry**. From the moment a pluralist and competitive broadcasting landscape exists, the essential is in place.

The lack of public political weight can be explained by the **weakness of the public institutions at the government level**. Very often the ministerial "teams" in charge of broadcasting policies, are only made up of a few people and no specific structure is dedicated on a permanent basis to the industry.

This situation has historical causes: **freedom of expression is still so recent that all public intervention with respect to the media is perceived with distrust**.

4. Summary presentation of the broadcasting industry by country

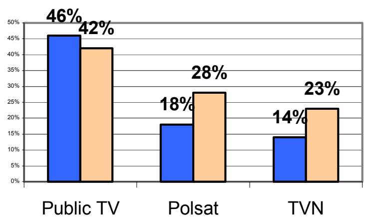
Markets that are developing, but are limited in size

TELEVISION	Estonia	Latvia	Lithuania
Number of public networks	1	2	2
Comparison of audience shares with market shares of public and private (the main) television networks			
Market characteristics	- Concentrated advertising market - Dominates the four private networks - Advertising forbidden on public network	- Harsh competition between the public group and the two foreign operators, Polsat and MTG. - No significant local, private player	- Fierce competition- Market dominated by networks belonging to foreign groups. - These networks represent ¾ of the audiences and almost all the advertising investments.
Prominent traits of public policies	- Regulatory authority only controls public sector - Minister of Culture plays important role in attributing licenses, and controlling programs on private networks - On the public network, 51% of the programs must be broadcast on Estonian- Voluntarist poli	- Extensive Regulatory authorities back each other - Safeguard of Latvian and minority languages	- Differences in level of control in public and private sectors - Legal and institutional framework not very legible nor stabilised - The child protection system is complicated
Problems and trends	- After 3 hectic years then a stabilisation of the landscape, the TV advertising market could experience strong growth in the years to come - Regulatory organisation unique with respect to the broadcasting and telecoms sectors	- Debate around the television tax - Private players contest advertising's domination of public networks (dumping?) - Difficulty to enforce advertising regulations amongst private players	- Debates around the public network's mission and funding, which has serious financial problems at present - Introduction of the television tax is also a subject of debate - What is the future of the regulatory authority?

Significant and developed markets

TELEVISION	Poland	Hungary	the Czech Republic
Number of public networks	3	3	2

Comparison of audience shares with market shares of public and private (the main) television networks



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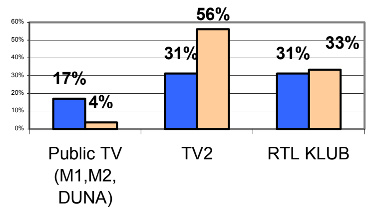
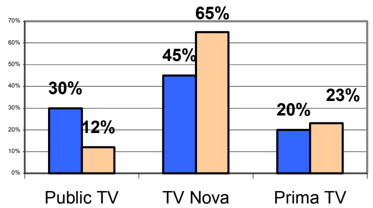
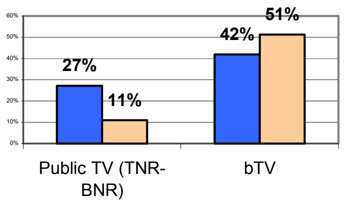
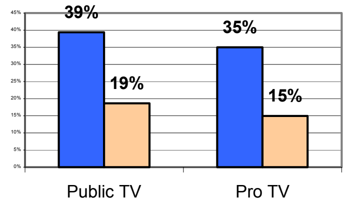
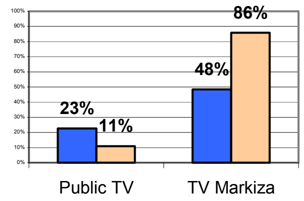


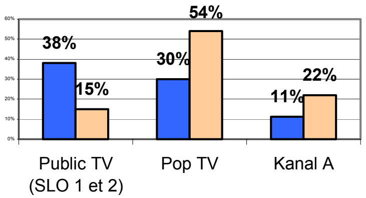
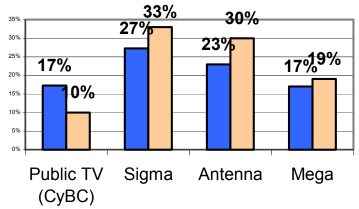
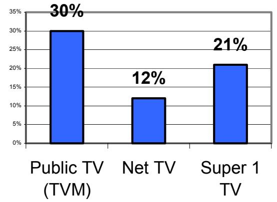


	Poland	Hungary	the Czech Republic
Market characteristics	Domination of local groups and of the public group that were able to resist the introduction of private networks	- Market dominated by 2 private networks controlled by foreign groups - Collapse of public television - Few significant, local players	- Concentrated market (NOVA monopoly) - Advertising share limited to 1% of broadcasting time on public networks - Prima TV constantly progressing
Prominent traits of public policies	Cultural policy determined by : - Restricted foreign investments - Polish production broadcast quotas - Strong public broadcasting industry- Imposed obligations for funding and production - Regulatory authority in crisis	Voluntarist cultural policy : - Quotas for Hungarian programs and investment obligations - Active policy and public support for production - Specific system for radio broadcasting (of public interest) - National minorities and ethnic groups taken into consideration	- Very strict anti-concentration regulations - Voluntarist movie policy - Transparency problems
Problems and trends	- The weight of The local players is beginning to reinforce itself with the disengagement of (The French) Canal + and (The British) UPC. - Renewed public support for production - public television funding and boundaries defined	- How to balance the public and private sectors? - The public group must be reorganised - The regulatory authority's political dependence - Advertising under-financing	- Upcoming television tax increase and allotted time for advertising on public networks - The regulatory authority's politicization, and inability to effectively control public broadcasters - How to induce more competition?

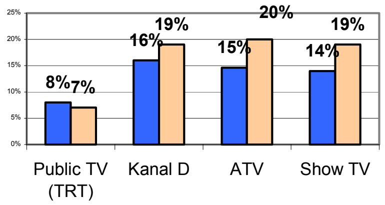
Markets where the development of broadcasting industry is still weak

TELEVISION	Bulgaria	Romania	Slovakia
Number of public networks	1+1	2	2
Comparison of audience shares with market shares of public and private (the main) television networks			
Market characteristics	- Since it appeared in 2000 the private network, bTV has dominated the market - The rest of the market is very fragmented	- Very competitive market (6 different networks of national scope)	- Exceptional concentration of advertising market, controlled by an Americano-Slovakian network
Prominent traits of public policies	- Recent legal framework (1998) - The system for attributing licenses does not function - No formal child protection measures	- Anti-concentration system - Linguistic minorities given attention - Obligations to broadcast Romanian programs	- Preservation of national language - Anti-concentration mechanism - programs destined for minorities - Willingness to integrate into The European broadcasting Culture
Problems and trends	- Public television is experiencing major financial challenges - Launching a second national, private network could help diversify offering - Regulatory authority only has limited power over private broadcasters	- Can economic growth drive the broadcasting market? - How are public television's independence and mission defined?	- Reorganisation of The public network is taking place and could make it progress at the expense of its competitors - How will The television tax be increased in The future?

Markets that are prosperous, westernized, but limited in size

TELEVISION	Slovenia	Cyprus	Malt
Number of public networks	2+1	2	2
Comparison of audience shares with market shares of public and private (the main) television networks			*Source : Broadcasting authority Malta* 
Market characteristics	- Public group and CME (Pop TV and Kanal a) dominate	- Market relatively balanced between private networks and public group	- The public group dominates the Market - Each of The two main political parties own a private network
Prominent traits of public policies	The cultural policy is determined by : - the high level of public funding of the public broadcasting industry - the category of radio stations with special statutes- quotas for both Slovenian radio and television programs	- Foreign investments are limited - There is funding for productions - Preservation of a strong public sector - The authority, because it is recent, does not yet control the public sector	- Previously established Regulatory authority that carries much power - Well established Legal framework - protection of minors required - The Prime Minister has much power over broadcasting industry
Problems and trends	- Evolution in the organisation and the funding of public TV is necessary - Only one regulatory authority exists for the two sectors, whose function is complex	- Private players may leave the market because it is so restricted - Reinforcement of the authority's power and control of the public sector	How can the media avoid being politicized?

Turkey, a special case

TELEVISION	**Turkey**
Number of public networks	**5**
Comparison of audience shares with market shares of public and private (the main) television networks	
Market characteristics	Rich and balanced broadcasting landscape: the 3 private networks that dominate the market are equally strong
Prominent traits of public policies	- The Turkish system lags behind standards required for the media's democratic function - Freedom of the press - in a general way, remains restricted - The Turkish law does not have any mechanisms for promoting European productions
Problems and trends	How is the market going to evolve with European integration?

5. Conclusion

5.1. Descriptive summary

5.1.1. The market

The EU candidate countries mostly have **limited sized markets and even lower standards of living** than the present members of the European Union (15), which are determining factors of the broadcasting industry economy. Poland, Hungary, the Czech Republic and Turkey aside, the candidate countries are below or at least at a critical size for attracting significant investments to finance real competition in the broadcasting industry markets and support creation.

The broadcasting economy of the candidate countries is driven by the **television** advertising market: this media is by far the strongest on the broadcasting industry landscape, while other categories of resources are, for the most part, very limited. Private operators, with the noteworthy exception of Poland, dominate today's television-related market. However, **radio broadcasting**, on the contrary, is more often dominated **by public operators.** The radio media is generally not very strong and is characterised by **relatively weak equipment rates, and by limited advertising revenues**.

The development of broadcasting markets, in particular terrestrial television, being very costly, was only able to take place with the **help of foreign investments**. The public broadcasting industry nevertheless holds a determining place on the broadcasting landscapes of candidate countries: **its objective weight and its competitive positioning linked to its funding and its audiences** have an impact on the entire industry. Legislative debates on the restructuring of the public pole (statutes, management, funding and missions) take place on an ongoing basis.

In some cases, especially in radio broadcasting, there are **too many players** with respect to market capacity. On the other hand, in other cases, **competition does not have a strong enough role**, which impedes market growth.

For the forthcoming years, we can foresee growth in pay television as well as sales on products like DVD players; the market being rather handicapped at the moment by the **spread of piracy**. On the other hand, it is not very likely that public finances in these countries will allow a real increase in public funding. Likewise, the new media still have limited economic weight.

After having reached a low point a couple years ago, **movie ticket sales have begun to pick up**. While at the same time movie making is low on funding, it is consistent on the most important markets and a significant political theme throughout practically all the countries. As for **the national broadcasting production** industry, it is fragmented and in the process of being restructured, while the concept of independence still has a rather limited significance.

These markets, which were opened up to private companies twelve years ago still have not reached maturity. **In addition, it is essentially on the** growth of the advertising market, **which itself is closely tied to economic growth, that development in the industry lies.**

5.1.2. Legal and regulatory framework

Implem**entation of the legal framework of new pluralist broadcasting sectors took place between 1991 and 1998**. This legal framework is neither complete, nor stable: amendments were still being added in 2003. It is based on a liberal inspiration: few constraints with respect to market access, or the program contents. The ***Television without Frontiers*** **directive** is transposed almost entirely throughout the countries with exception of Turkey, but **putting it into effect will take more time**. Reinforcing the **roles of the regulatory authorities**, institutions that are still fragile and which exercise varying degrees of power, appears to be one of the main conditions of implementing the existing Union institutions and programs.

Candidate countries implement **public policies** that are globally somewhat **reserved** in the broadcasting industry. Prominent traits in these countries' policies are confidence in the **market economy** and in the **natural development of the sector** and, due to their history, non-coercive intervention when it comes to the media.

5.1.3. Is it possible to group the countries homogenously?

Even if the country groups vary according to the thematic viewpoint considered, in the end it is market size, along with level of development that prove to be the most determining criteria.

Thus the following groups form, with varying complementary tones: **Hungary, Poland and the Czech Republic**, significant and developed markets with the means to support their local production; **Bulgaria, Romania and Slovakia** that need to deal with economic and social problems and in which the development of the broadcasting industry is still weak; **Cyprus, Slovenia and Malta** on a lower scale, rather prosperous markets, very westernised, but of limited size**; Estonia, Latvia and Lithuania** with very liberal markets, developing, but handicapped by their restricted sizes.

Lastly, it must be noted that Turkey is difficult to integrate within a group as it is at a much less advanced stage of Europeanization. Is Europeanization a word? Perhaps European intergradation?

5.2. Prospective Summary: candidate countries confronted with entering the European Union

5.2.1. What they expect from the EU

Market players, and more specifically foreign investors, expect o**ne of the main consequences of entering the Union** to be an acceleration of normalisation of practices and **greater legal security**; they request more **transparency and stability**, and hope that adhesion to Europe will induce increased political pressure that will enable this to take place.

The development of the advertising market, via the arrival of new investors, is also at the heart of the local player's expectations.

The movie and production sectors expect the development of **international co-productions** and **European funding** to flourish.

5.2.2. What they fear

In the short term, the candidate countries will probably have to deal with a period of shock stemming from the opening of borders and an adaptation period will undoubtedly be necessary for an effective and stable implementation of legislation and practices.

The more pessimistic crowd will see this as simply an opportunity to attract western investments, the final step toward a market economy after a decade of adaptation.

In the middle term, some also fear seeing their own decision-making centres gradually leave their own countries, moving "toward London."

At the level of the TWF directive, some countries are showing particular **distrust with respect to some of these aspects** which deal with the support of local and independent production in the markets that do not have the industrial material, and even less, the financial means necessary to establish a real production policy of their own works.

5.2.3. What they will add to the EU

On the one hand, the markets that the new European Union members represent, of course, will offer new openings for foreign investors. Additionally, their wealth and their cultural diversity also represent enormous assets for the new Europe.