

A European View of Competition and Control in a Multimedia Society

HELMUT SCHÄFER

Europe is presently undergoing a revolution in the field of television. Its major component is the remarkable and rapid success with which the video cassette recorder (VCR) is penetrating the European consumer market. The revolution is also characterized by the rapid growth of cablecasting—although not as rapid as optimists predicted—and will soon also include satellite TV. These developments confront politicians with a number of serious problems; problems which were not even foreseen a few years ago.

Experts in the Federal Republic of Germany and other European countries argued for years about cablecasting, pay-TV, and direct satellite broadcasting, and about the pros and cons of the theoretically increased choice of programs that these technologies offer to the consumer. And politicians did likewise, if only because the experts failed to supply alternative scenarios. West Germany, for example, is only starting to test the viability of TV cablecasting, eight years after an original recommendation to do so was made. Of the four cities for which pilot projects are planned, only two have started to operate them by mid 1984.

This is the result of an ideological debate, itself based on historical experience. Whereas the Anglo-American tradition of freedom of the press, and by extension freedom of information, is a long one, it is relatively new to Germany. The misuse to which the information media were put during the fascist era resulted in a search for a system in which political extremism could no longer get a foothold. Because of the technical and financial restrictions on the number of channels available for broadcasting purposes, particularly in television, a concept of

“balance” was introduced in postwar West Germany which would not allow any single school of opinion or interest group to dominate. This situation has been radically changed by the availability of more channels in the form of cablecasting networks and, in the near future, of satellite broadcasting systems.

The German Left wished to preserve the status quo which had proved its worth—hence the delay in the introduction of new broadcasting technology. It also feared extensive control by newspaper owners, the only group initially interested in the new media. Furthermore, there was a feeling that new developments would be to the detriment of quality, for instance in the form of more light entertainment and less cultural programs. Traditionally in Germany, information has not been considered a consumer good; it has been regarded as a public service with an educational bias.

The force of necessity, however, has recently led to a fundamental change. The increased number of channels have reduced the opportunity for manipulation. The interests of German industry are also at stake. If Germany does not take a lead, foreign enterprise will certainly take over, even to the extent of supplying German households with programs, via direct broadcasting satellites. The only dispute that now remains is whether to establish a coaxial broadband cable network or to wait for optical fiber technology when it becomes an economically viable proposition a few years from now.

The relevance of cablecasting projects has, at least in part, been overtaken by events. The VCR-boom was not foreseen, even as late as 1980. A number of German experts even attribute its success to the failure to innovate in the TV field until it was too late. One commentator has described the present state of affairs with the following observation, applicable to other countries as well: “It is not unusual for a group of people to spend all day discussing satellite and cable, which they do not watch, and then to go home and watch video, which they do not discuss.”

The impact of VCRs exceeds that of the greater choice offered by cablecasting and direct satellite broadcasting, at least until well into the 1990s. The impact of VCR is not a passing phenomenon, mainly due to the fact that the present TV networks throughout most European countries do not provide for a greater choice in entertainment. VCRs have

already fundamentally affected the economics of both cable and satellite TV in ways many advocating both do not yet realize.

A few facts and figures: an estimated 20 percent—perhaps even more—of West German TV households already have VCRs; this percentage is one of the highest in Europe—with the notable exception of the United Kingdom with more than 30 percent—and far greater than in the United States. VCR penetration in Western Europe as a whole will probably be 50 percent by 1986. An interesting aside: the country with the greatest TV choice in Europe—Italy—also has the lowest VCR penetration within the European community—barely 2 percent of all TV households.

Is this VCR revolution the result of shortcomings in media policy? In the past German surveys have frequently pointed out that there is yet relatively little public interest in the new media or in greater choice in TV programming (this is, however, probably the result of a lack of information about what such media will actually be like and how high their costs will be). And yet the public is obviously buying VCRs to satisfy demand for something that broadcasting services are not providing or cannot provide. Every day nearly 40 percent of VCR households watch videocassettes either through rentals or by broadcast programs recorded for later viewing.

Where do we go from here?—in a situation in which the public is increasingly enthusiastic about VCRs while policy makers are still primarily concerned with regulating TV cablecasting and satellite broadcasting? What does or should a media policy in Europe aim at?

European broadcasting systems see themselves primarily as public services under public law. This is true whether they are financed by advertising revenue (for instance, the Independent Broadcasting Authority in the United Kingdom), by license fee revenue, or by both. This self-perception, which the various broadcasting laws and regulations have enforced or at least promoted, has entailed restrictions on the time available to advertisers including many cases of an outright ban on advertising and control of content. Perhaps most important of all, it has led to a balance of programming both in political terms and in terms of content (in Germany this is the ruling of the supreme court). This balance frequently means that 40 percent or more of total programming time is devoted to nonentertainment fare, much to the discontent of TV

viewers. These might find that at certain points in the evening they do not have a choice between informational and entertainment programs but between informational and cultural, social or political discussion programs.

With VCRs in the home, any attempts by broadcasters, private or public, to balance their programming, as legally required, or to dictate viewer choices at any particular time, become a farce. When 50 or more percent of European TV households have VCRs (as will soon be the case), what can the broadcasting authorities do? Those dependent on income from commercials cannot continue to assume enough people will be watching at peak viewing hours to make TV advertising an attractive proposition to the consumer goods industry more or less irrespective of what is shown. If people can switch on their VCRs when they are not interested in what is being broadcast the TV advertising market might decline significantly. To state the problem differently: programmers will face a hitherto unaccustomed pressure to fill their peak viewing hour schedules with mass entertainment. This will come at the expense, perhaps, of quality, but certainly of diversity as far as the major broadcast channels are concerned.

I believe that people should be able to choose what they want. I also believe in the citizen's ability to decide for himself, better than political rivals on the left and right could. But I also believe in promoting minority rights and interests, and here new developments are worrying. There are many minority interests. Every TV viewer is part of both a mass audience and of a program minority audience in accordance with his interests. Here politicians have a major responsibility: to ensure that, in the spectrum of video/TV services available, such interests are provided for. And free market mechanisms can achieve this.

Europeans should consider structural changes at the regulatory level now, before it is too late. VCRs are here to stay, and traditional TV may well decline in its relative importance. Economically this is already being manifest in the difficulties broadcasters are experiencing in purchasing movie material in the face of competition from videocassette distributors. Videocassette distributors in Germany are already paying at least \$200,000 for the right to distribute a good movie. It is here, and not in the field of video material for minority audiences, that distributors are finding a lucrative market, to the detriment of broadcasters.

We should begin to reorganize the traditional broadcasting authorities so that they are given the prime responsibility for catering to program minorities in addition to their role in news and sports—which they will not lose. The British system with its minority channels BBC2 and Channel 4, provides a good example of the kind of direction in which the rest of Europe could go.

Progress in the field of cable TV in Europe will continue to be relatively slow, even now that in a number of West European countries the PTT authorities are making great efforts to provide a comprehensive cable distribution network as quickly as possible. Recent market research suggests that at best only 19.5 percent of West European households will have cable TV in 1992; a pessimistic forecast suggests only 13 percent. Income from cable TV fees in Western Europe will amount to \$2.6 billion in that year, compared to only \$475 million from advertising. The lesson to be drawn, as far as cable enthusiasts are concerned, is to prepare for low-cost budgeting in cablecasting production. The lavish standards set by the traditional TV broadcasters would, if adopted by cablecasters, jeopardize their own existence and allow for only a bare minimum of original production.

The idea of opening the field of television to increase program choice is a good one. Television in Europe does not yet fully serve all interests. Most of the time it only caters to the “average man.” Of course, there are exceptions in the form of minority channels, but no one would claim that more could not be done. The only question is whether sufficient revenue can be raised for it. This is the question behind perhaps the most interesting cablecasting project in Europe: in Ludwigshafen, a project which, besides the three usual TV services (ARD, ZDF, and the local Third Program) supplies the viewer with additional out-of-area Third Programs, foreign TV programs and, when and if all those who expressed their interest become active, eight further *original* services, including an open channel.

The same applies to satellite television: within the European Community, direct satellite broadcasting technology opens up the prospect of European television, with its inherent advantages for furthering the European idea, European understanding, and language teaching. Indeed, an initiative has been launched to establish a “European” service over and above the various national TV services that would be transmit-

ted via satellite. In 1982, the report of the Committee on Youth, Culture, Education, and Information to the European Parliament, proposing an all-European community television service in order to improve citizens' knowledge of European affairs and promote a greater sense of European commitment, was endorsed by all political groups within the European Parliament. The European Commission and European Parliament proposed that the respective fifth channels of domestic direct broadcasting satellites be devoted to transmitting such a service. Rather than establish a separate new European TV authority, however, both community institutions want to use the long-established European Broadcasting Union, which successfully tested the viability of a Euro-program in late 1982.

Of course direct satellite broadcasting has great potential, particularly for West Germany, for increasing the free flow of information between Eastern and Western Europe in accordance with the aims set out in the third basket of the Final Act of the Conference for Security and Cooperation in Europe in 1975. The technical conditions today already permit the television programs of the two German states to be received in the territory of both. DBS could make such coverage complete.

Further interesting possibilities abound. For instance, both the ZDF and a private German consortium have received channels on the European Communication Satellite. The latter will be recruited from those interests already participating in the cablecasting project in Ludwigshafen, and the objective of the project will be to test the viability of a combined satellite-cable service.

We have to accept the possibility that within the next decade a radically new concept of financing traditional TV broadcasting will have to be devised. If there are competing media in the field of TV, the slice of the advertising revenue cake made available will be smaller in real terms for each entity involved in that competition. It is entirely conceivable that video distributors, faced with rising costs and the kind of cut-throat competition that is already beginning to arise (in Germany it is often possible to rent a movie tape for as little as a dollar a day), might resort to inserting commercials into the prerecorded tapes they offer to the public.

The present concepts for cablecasting and DBS are little more than to retransmit what is available elsewhere; there is yet relatively little ex-

perimentation with new types of programs, even in cablecasting pilot projects in Germany, where pay TV has yet to be introduced. Furthermore, community programming—one of the opportunities cable TV offers—has failed in many instances. And the U.K.'s community cable TV ventures have not proved very successful. Another point with respect to satellite TV and cablecasting: technically and *solely* for the purpose of television, another technology for distributing the same programs already being distributed over the air is not really necessary. Finally, in terms of advertizing revenue, the trend—if existing services could be established on a European-wide basis—will be to the detriment of certain national broadcasters, especially those with few resources at their disposal. This is a problem that the European community, the European Commission in particular, is looking at at the moment, especially with respect to the European community policy of internal free trade in goods and services. In summary, the economics of new services are shaky, and if one particular service is feasible, it will be to the detriment of others!

Establishing a nationwide broadband cable network—as Germany is doing—is unnecessarily expensive if it is used only for television. However, this is *not* the only reason why Germany is installing cable. As far as television is concerned, the decision was taken rather late, but now that the decision has been taken, it is difficult to see that cheaper alternatives such as MDS (multiple distribution services) will play an important role in the future.

To conclude, as far as Germany is concerned, regulation of the new media will most probably follow three lines:

- The German PTT authorities will remain in control of the cable network which is presently being installed: cable and satellite networks will continue to be planned and organized under monopoly conditions in order to maintain so called “network neutrality” with its inherent advantages in terms of standardization and maintenance of a comprehensive and unbiased technical service for its customers.
- Private, commercial, and public cablecasting services and programmes will be controlled by nongovernmental boards under public law. Their purpose will be, as in the case of the present public broadcasting authorities, to guarantee the neutrality and political balance in programming.
- There will be a certain control over video producers and distributors so as to tackle the present problem of the enormous number of cassettes devoted to

horror and brutality which concerns the nation as a whole, at present. In doing this we have to avoid censorship on the one hand but at the same time it is also necessary to limit total free access to such productions, particularly in the case of young people.

Perhaps this is to propose new regulation, but a liberal broadcasting policy cannot promote diversity, true diversity—minority programming and the like—necessary elements of what we regard to be a pluralist society, without any sort of regulation. Perhaps it sounds paradoxical to say this but regulation and the right to freedom of information or the right to communicate go hand in hand, if regulation is designed to promote these rights. Market forces left to themselves have yet to demonstrate that they can meet such requirements.

Some of the phenomena discussed above are not restricted only to Western industrialized countries. VCRs have made a highly successful start in all of the Arab countries, parts of Latin America, and even some of the least economically developed countries such as India and Pakistan.

The UNESCO-inspired discussion on how to promote development in the field of communication without irreparable cultural damage to smaller and less advantaged countries in particular has not yet taken this phenomenon into account. I am referring to the many efforts to establish a so-called New World Communication and Information Order. The report of the MacBride Commission published in 1980 failed to mention VCRs as a consumer media; perhaps it could not foresee the phenomenon.

With VCR sales making such great inroads, TV broadcasting policies are being questioned. Why have television programs aimed at development support (if the idea was ever feasible) when there is little or no captive audience left? Pakistani and Sudanese migrant workers in the Gulf states buy, among other things, precisely such consumer goods for their families at home. But home video is not on the developmental policy agenda yet, and I fear it will not be until new structures have been firmly established. Of course there are advantages in this. Most developing countries have highly authoritarian political structures, and television was accordingly conceived to serve such structures. Traditional television allows itself to be used for nondemocratic purposes.

The situation is different for home video. It is next to impossible for governments to control the VCR revolution, both with respect to im-

porting such consumer goods and, more importantly, with respect to controlling the cassettes that are circulated. Competition occurs in the media field whether governments like it or not. This is actually an opportunity for introducing democracy in such countries.

The TV authorities in Third World countries are faced with two problems: either TV has to compete and thus become highly irrelevant to the development needs of the country; or it can carry on as before, but without an incentive to improve its attractiveness because nobody watches anyway. Are there alternative policies?

In view of the situation in many Third World countries we need new ideas on how to bring the development message across effectively. This is a classical UNESCO task. I wonder whether the organization will do so, particularly without the membership of the USA. Europeans won't have as much of a voice as Europeans and Americans could have together!

Such future-oriented research is sadly lacking. A new enterprising spirit is needed. Perhaps those involved in communication and development should encourage research for this very purpose.

There are, of course, many other serious problems that the Third World faces in the field of broadcasting. The situation is such that television in many such countries is there to stay, even if often restricted only to the élites. The overall gap in broadcasting technology between the First and Third Worlds is widening, however. Media diversity in the field of television does not exist in the hardware sphere to the extent that it does in the West and is not likely to in the near future, simply because of the costs involved (with the exception of basic traditional television and the VCR inroads that have been referred to).

The important problem, over and above the software problem, is that of access. In many countries television can still only be watched in urban areas and the provinces, as it is still too expensive for the overwhelming majority. Methods to ease the situation, for instance by community viewing facilities, remain to be explored fully. In some countries, such as India and Indonesia, the use of satellites to create a nationwide infrastructure for television broadcasting rather than a terrestrial transmission system is a cost-effective policy. Of course, it could be said that the VCR dispenses with the need for transmission facilities completely, but it should also be remembered in this connection that the broadcasting media in many Third World countries also have a nation-building function.

Communications policy in many countries is simply the result of almost arbitrary decisions taken by the former colonial powers; a sense of inner cohesion still has to develop. The broadcasting media are one of the very few tools available for this purpose. Research in the media field should include developing new strategies for increasing access with such requirements in view.

Unfortunately, development assistance in the field of broadcasting, as in the telecommunications field as a whole, still ranks low in the list of priorities of both donor and recipient nations. UNESCO's International Programme for the Development of Communication is both fragmentary and short term in character. Unfortunately, there are too few organizations worldwide (such as the Friedrich Naumann Foundation) which provide long-term media assistance including specialized training in the audiovisual field appropriate for a particular country on a six- to eight-year basis. Efforts in the field, if one starts from scratch, can only be successful if they are conceived on a long-term basis. A complicated technology cannot be mastered with pitiful sums and through three-month courses.

Most developing countries advocate protective measures in the media field mainly as a result of a sense of inadequacy in broadcasting. This may certainly be true of the efforts in trying to obtain acknowledgement of the principle of prior consent in the field of direct satellite broadcasting, which affects Western countries that traditionally advocate free flow of information. Although not legally binding, the new United Nations' resolution on the matter makes things more difficult for those who, like myself, advocate free flow.

In conclusion, it is important to focus on something that affects everyone whether in the so-called "First" or "Third" World. It is a question frequently lost sight of. All the different forms of transmitting or distributing film or video material, whether VCR, DBS, MDS, SMATV, cable, or whatever, all depend on the same basic software (which movie film distributors and broadcasters have discovered to their great horror). Our most serious difficulties—and this applies to smaller countries in particular—are not in the hardware but in the software field. It is only necessary to look at the incredible worldwide dependence on the USA and, to a certain extent, on the U.K. for TV program material to realize this fact. Who else has the resources to produce *Dallas*, *Dynasty*, and *Falcon Crest*? What is the effect of such

material on an Asian or a Latin American? What kind of values are being transmitted? Sales of such program material should not be restricted, but more should be done to encourage the production of attractive alternatives at home.

The most effective way of doing this is by investing in manpower and not in technology. Journalists and creative personnel are the basic ingredients of success in the media field. A bad actor, a bad singer, a dull newscaster do not become more attractive with stereo-sound TV. For the particular benefit of Third World partners, efforts must be made to think of ways and means of cutting production costs while maintaining quality. Public funds in broadcasting should be targeted to fund those interests that commercial sources cannot or will not provide for, e.g., minority programming. U.S. television enterprises might even look into the possibility of producing TV products specifically designed to cater to the needs of developing countries rather than supplying them with programs having great mass appeal but irrelevant to such needs.