

BROADCASTING IN ITALY: AN OVERVIEW

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Italy is at the forefront of European media change. Although there is little cable television or satellite penetration in Italy, there have been hundreds of commercial television stations on the air since 1976. Its experience is unique because the transformation from state-run to privately owned TV was not the result of government policy, but the consequence of the entrepreneurial initiatives of broadcast "pirates" whose efforts were later sanctioned by the nation's courts.

Underlying the change was dissatisfaction with the state-run TV monopoly Radiotelevisione Italiana (RAI) and the party politics which surrounded it. Once changes began to occur, the Italian political system was unwilling and unable to respond; consequently, there was virtually no government regulation of local Italian television for a full decade. This extreme laissez-faire is unlikely to be emulated elsewhere even in the United States where a fairly strong regulatory apparatus keeps the industry in check.

Italian commercial TV rapidly evolved into an astonishingly concentrated industry in which construction magnate Silvio Berlusconi established control of the three major TV networks. Critics of the concept of private television point to the

potential dangers of a media empire such as Berlusconi's, but unless one believes that private markets invariably lead to monopoly control, such a criticism is overly pessimistic. It is unlikely that monopoly would normally result from liberalization, except in a country where, like Italy, antitrust enforcement is largely non-existent. The development of Italian broadcasting provides less of a generally applicable precedent than a case study of the revolutions that can happen in the absence of reform and institutions of transition.

THE HISTORY OF ITALIAN TELEVISION

The main broadcasting organization in Italy, RAI, dates back to 1910 when a Royal Law gave the state the monopoly for all wireless and radio communications (McCavitt, 1981).

[McCavitt, _____, 1981, Broadcasting Around the World, Blue Ridge Summit.] In 1924, during the Fascist era, the privately owned Italian Radio Union (URI) obtained a six-year, renewable monopolistic concession on broadcasting, subject to government censorship. URI was financed through fees paid by radio set dealers.

In 1929, once radio proved its popularity, URI was transformed into EIAR, a semi-governmental company, supervised by the state and by local Fascist "vigilanza" organizations. After 1931 EIAR was put under the control of the Societa Idroelettrica Piemontese (SIP), then an electric utility.

During World War II, government control was tightened. In 1944, RAI was founded as a southern counter-broadcaster to EIAR,

which was still controlled by Mussolini. After 1945, RAI was left with exclusive broadcast rights. In 1952, ownership relations were reorganized, and SIP transferred 75% of its RAI ownership to the Istituto per la Ricostruzione Industriale (IRI), the government holding company for industrial enterprises. In 1964, SIP divested its remaining interest to IRI.

RAI's monopoly on radio broadcasting was extended to television in 1952. Regular TV transmission began in 1954, supported by license fees, and, since 1957, by advertising revenues (Raven, 1980). [Raven, Birgid, 1980, "Italienischer Privatfunk: Vom Wellensalat Zum Wohlgeordneten Geschäft," Media Perspektiven, June.] Through the 1950s and 1960s the popularity of Italian television grew significantly.

The ruling Christian Democratic party used RAI extensively as a propoganda instrument. As a result of the pro-church party's domination of Italian politics through most of the post-war period, RAI's programs tended to be relatively straight-laced. This tradition partly explains the later success of sexually explicit programs on private television.

A few years after the onset of public television, a private consortium, Il Tempo, initiated private broadcasting. The ruling Christian Democrats subsequently blocked these efforts (Sasson, 1985). [Sasson, Donald, 1985, "Political and Market Forces," West European Politics 8, no.2., April.] In 1960 the Italian Constitutional Court upheld the legitimacy of the state monopoly, justifying its decision by pointing to the shortage of broadcast

frequencies available to the country. However, both the court ruling and mounting public pressures indicated that more program diversity was necessary. Consequently a second channel, RAI-2, was launched in 1961 to provide a wider menu of cultural programs.

The Christian Democratic Party maintained severe political control of RAI. It was not until 1963 that a leader of the Communist Party, the country's second largest, appeared on an interview program. RAI's Director General from 1961 to 1974, Ettore Bernebei, consolidated his power by providing broadcasting jobs to members of the Christian Democrats' new coalition partner, the Socialist Party. He also silenced critical intellectuals by providing a wide array of freelance and consulting jobs, retainer relations, and other bonuses.

But in the early 1970s, the Christian Democrats and the Italian government had lost their traditional authority and stature. After protracted political battles, control of RAI was transferred in 1975 from cabinet to parliamentary supervision. Forty members of Parliament, appointed on the basis of their party's relative strength within the law-making body, were to supervise RAI in order to assure political pluralism and diversity. The parliamentary overseers were also granted the power to appoint ten members to RAI's 16-man board of governors. The remaining six were appointed by "shareholders," that is by IRI and, thus, indirectly by the incumbent government. This system still assured control by the ruling government coalition.

but it allowed some influence by the opposition, primarily the Communist party, western Europe's largest.

(Insert:) Commenting on the politicization of RAI, one author observed, "in the end it was the company that suffered. Its whole hierarchy became politicized. Many employees were already politically committed before joining, while others became so in order to compete for jobs. Every problem and every undertaking was treated in terms of political categories. Petty struggles for the control of offices or programs were ennobled by the skillful flying of ideological banners. Everyone hid behind the shield of ideology and politics. Personal independence, freedom, and respect for the public-- values which ought to have taken precedence-- had little chance of gaining currency. Efficiency and professionalism suffered too. In order to be accepted, all plans and projects needed a political or ideological justification" (Cavazza, 1979). [Cavazza, Fabioluca, 1979, "Italy: From Party Occupation to Party Partition," in Anthony Smith, Ed., Television and Political Life: started in Six European Countries, London: MacMillan.] (end insert)

A secret agreement between the Christian Democrats and the Socialists to divide control of the two RAI channels between themselves accompanied the Reform Law 103 of 1975. The first channel retained its distinctly Christian Democratic flavor, while the Socialists dominated RAI-2. A similar partisan division occurred among the various radio channels. Virtually all jobs in Italian broadcasting, from top management and

editorial positions down to the most junior messenger girls, were held by members of the various parties.

According to 1983 newspaper compilations, the party affiliations of editors of RAI-1 news programs were as follows: Christian Democrats 63%, Socialists 11%, and Communists 7%. The party affiliation of editors of RAI-2 news programs were Socialists 36%, Christian Democrats 35%, and Communists 19%. In comparison, the share of Christian Democratic parliamentary seats, which reflects national voting patterns, was about 31%. Thus, Christian Democrats (and Socialists) were grossly over-represented, while Communists remained significantly under-represented among news editors (Grizaffi, 1983: p.397)

[Grizaffi, Giuseppe, 1983, "Privatfernsehen in Italien," Rundfunk und Fernsehen, 31.]

A third RAI channel was created in 1979 largely to provide local programming for Italy's 20 regions. RAI-3 was, however, not successful in terms of audience penetration, partly because private broadcasting began to make inroads at the time of its inception. RAI also operates three national radio networks plus German, French, and Slovene language programs and regional radio. In that field too, it faces the onslaught of hundreds of private broadcasters.

THE DEMISE OF THE STATE MONOPOLY

RAI's bureaucratic waste was legendary in Italy. In 1983, the organization had 14,000 employees and a \$37 million deficit. Viewer dissatisfaction with the quality and service of the

monopoly's broadcasts was widespread. Until 1977 there was no color transmission. Within RAI's staff there was great unhappiness about the lack of management professionalism. In one telling instance, the anchorman of a national news program and his entire news staff staged a walkout when their nightly current affairs show started 32 minutes late because the preceding program, a game show, had run over schedule. Over a stretch of 50 consecutive nights, the news program was aired on schedule only eight times.

One study in the 1970s, commissioned by the Council of Europe and echoing the prevailing public sentiment, took the RAI monopoly to task: "Indeed, the most impartial observers say that such flagrant unscrupulousness is rarely displayed by any Western democracy as that witnessed in Italy in regard to the information broadcast by the RAI-TV" (Faenza, 1977). [Faenza, Roberto, 1977, "The Radio Phenomenon in Italy," Council for Cultural Corporation, Council of Europe, Strasbourg.]

In all fairness, RAI did demonstrate an impressive record of self-produced programs, cultural programs, and broadcast hours devoted to news. But the network had been so discredited and politicized that it could marshal little support when its monopoly position began to be challenged.

COMPETITION FOR RAI

The only traditional alternatives to RAI lay across the border: Monaco's Tele-Montecarlo, a private, primarily French-language broadcaster, and the Yugoslavian Tele Capodistria with

programs originally designed for Italian language minorities in Yugoslavia.

In the mid-1970s, these stations were relayed into the heart of Italy. At the same time, the French government decided to establish a strong transmitter on Corsica that would also cover a large part of Italy. Some foreign stations were available, but native Italian programming remained limited. It was not surprising, therefore, that domestic mavericks began to challenge RAI's exclusivity.

In 1972, the tiny cable operator Tele-Biella launched the first notable challenge to RAI, providing programs to about 100 subscribers in Biella near Turin. Its programs, not available over the air, were intended to "better inform" the local audience during elections and to counter the entrenched local political hierarchy. When the government attempted to close the system down, a local judge ruled in Tele-Biella's favor, finding that the station fulfilled a local information function that RAI had not addressed.

The Italian government, despite the ruling, moved to shut down Tele-Biella and what had by then become an association of 18 similar cable stations. The case went before the Italian Constitutional Court, which in its 1973 Judgement 226 permitted the stations to continue operating.

After the Tele-Biella case, Italian Law 103 of 1975 liberalized private cable television and radio restrictions in extraordinary fashion. Every Italian or European Community

citizen, after payment of a relatively minor fee, could provide local cable services, through rules against networking and interconnections were very restrictive. Cable systems, many with leftist political sentiments, were instrumental in ending the governmental monopoly. As local broadcasting became widely available, however, the need for the costlier cable transmission technology declined. By 1980, hardly any of the hundreds of private television stations were transmitting via cable. Ironically, cable television, which had provided the opening wedge for private media, played no role in subsequent Italian television development.

By mid-1975 there were 35 private TV and 150 private radio stations operating illegally in Italy, opting to pay fines and then appeal their cases to the courts. In the historic 1976 Judgment Number 202, the Italian Constitutional Court, in a case involving the Florence station "Teleibra Firenze," held the RAI monopoly unconstitutional with respect to local broadcasting. Immediately, dozens more small private broadcasters and cable companies started low-power local operations.

Judgment 202 freed up local broadcasting in principle, but there was no subsequent legislation, regulatory system, or licensing provisions. To speak of an "allocation" of channel frequencies for the private broadcasters would be a considerable exaggeration; frequencies not used by RAI were simply occupied, largely on a first-come, first-served basis. Latecomers were assigned a "waiting frequency," essentially the right to

broadcast if and when the particular frequency was vacated by its earlier holder. Some broadcasters simply used frequencies during hours when the primary assignees did not use them.

For more than a decade after the emergence of private stations, until the government's 1985 bill, there was no regulatory mechanism or agency involved in as basic a task as issuing licenses for different frequencies. The absence of legislation did not necessarily indicate an absence of policy. The rapid breakdown of the monopoly spawned a system of deregulation by default. The fast-paced growth of television and radio stations and the lack of government regulations which would slow or obstruct that trend indicated at least tacit agreement by several of the major political parties.

This was not surprising. The Christian Democrat's control over RAI was diminished through the reform legislation of 1975 (Silj, 1981). [Silj, Alessandro, 1981, "Italy's First Few Years of Private Television Broadcasting," *Intermedia*, 9, no.5: 12-25, Sept.] The Christian Democrats supported a governmental system as long as they controlled RAI; when their hold over the public network diminished, their interest shifted toward the private sector, where their position was much stronger. The party regarded the emergence of private broadcasting favorably, and was pleased when the unconstitutionality of the RAI monopoly with respect to local broadcasting was upheld. The weakening of the Christian Democrats, who for the first time in their post-war history had to cede the Prime Ministership to a coalition party

in 1982 was a factor. They felt that in the long run the private sector would be more sympathetic to their concerns than a politicized broadcasting network.

From 1976 until the 1985 bill, the government provided virtually no regulatory function, not even over the general structure of the industry. These conditions led to the essential monopoly over private networking by Silvio Berlusconi.

The fast-paced growth of television and radio stations and the lack of government regulations which might have slowed or obstructed that trend indicate at least tacit agreement by several of the major political parties. Once Italian audiences tasted television other than RAI, it became politically unpopular to advocate restrictions on the new viewing options. The leading press publishers, who once stood to lose advertising revenue with the advent of public broadcasting, were now largely in favor of it since many of them had also entered broadcasting. And the smaller political parties viewed private broadcasting as an opportunity to get their message on the airwaves for the first time. Even the Communists set up a chain of radio and television stations in the major cities.

Following the 1976 Italian Constitutional Court decision, the Socialist Party launched an initiative to reform the broadcasting system by establishing a fourth RAI channel under the control of private publishers, following the British ITV model. Other proposals by the government were also advanced, but all were outpaced by the rapid business developments.

In opposing private television, the Socialist Party would have contradicted its strategy of becoming the party of a new, technically oriented, and professional middle class, and a defender of civil liberties (Sasson, 1985). Bettino Craxi, the Socialist leader and Prime Minister after 1982, developed close personal ties with Silvio Berlusconi, the emerging czar of Italian private television. The Socialists even opposed the application of anti-trust legislation to broadcasting.

The Communist opposition to private broadcasting was also mild. The party's position was essentially reformist, and it introduced a regulatory proposal to extend private local broadcasting into regional networks, with licensing and anti-trust provisions to limit the number of stations. Under this plan a regulatory authority would have been set up, and private stations would have to self-produce at least 30% of their own programs; one private national news program could be broadcast. In Northern Europe, where a more dogmatic stance in media issues is taken, such proposals-- advanced in Italy by the communist party-- would be a heresy even for moderate Social Democrats.

This is not to say that television became totally unrestricted in Italy. Networking, the electronic link-up of several stations, was not permitted because Judgement 202 referred specifically to local rather than to national broadcasting. Private broadcasters were still prohibited from showing national news programs, partly to prevent a private firm from establishing undue power over public opinion and partly to

maintain political control over the existing news distribution. In 1980, Rizzoli, the largest Italian publisher and owner of the prestigious Italian newspaper Corriere della Sera and of a TV network, began broadcasting hour-long news shows and rapidly attained a high viewing share. RAI went to court to prevent such live news broadcasting as a violation of the earlier judgement. In 1981, RAI won in the Italian Constitutional Court Judgement 148. This decision was peculiar. The state monopoly and its supporters for years disdainfully pointed to the frequently abysmal quality of private broadcasters, many of whose programs were violent or obscene. The court did not interfere with these programs; but when it came to news programs, the public had to be protected.

REFORM LEGISLATION

Eventually, the need for a legal framework became more pressing. In particular, the question of national networking of local stations had to be resolved. Late in 1984, the Italian Ministry of Post and Telecommunications prepared a bill that would permit private television stations to broadcast the same program simultaneously throughout the country, i.e., to create some form of network. This was not permitted in the past, and programs frequently had to be physically moved to stations, even if these stations were under common ownership. The bill still prohibited private national news programs, but permitted local and regional news.

As the legislation inched its way through parliament,

outside events escalated. In late 1984, judges and magistrates in three regions shut down the three major and unofficial private networks for violating a 1977 court ruling that gave RAI the exclusive right to transmit national network signals. This action, undertaken in the midst of the pre-Christmas advertising peak, infuriated many Italians who were denied their accustomed programs. The government responded by approving an emergency decree overturning the magistrates' order. These actions raised significant constitutional issues about the role of the judiciary. In that atmosphere, the government again proposed legislation to address the status of private broadcasting. In the meantime, the broadcasters had to operate under a governmental emergency decree known as the "Decreto Berlusconi."

By law, the initial decree had to be ratified by legislation within two months. The government, however, did not reach agreement and the magistrates closed the stations again. This led to a second decree and a government promise to introduce and pass general broadcasting legislation. By now, it seemed that the magistrates' actions were, in fact, helping Berlusconi and other private broadcasters by forcing the issue.

There was much agitation within the government coalition and even within the party of the Prime Minister; Craxi had to ask for a vote of confidence. This forced the coalition to close ranks, and the decree was approved but only due to the support of the neo-fascist opposition party MSI.

In February of 1985, the government proposed a bill, drafted

by PTT minister Antonio Gava, "for organic regulation of the broadcasting system" (MPT, 1985). [Italian Ministry of Post and Telecommunications, 1985, Unpublished materials clarifying the 1985 broadcasting bill.]

A related 1985 bill ratified what is now the existing dual system of public and private broadcasting. The public system is run by a state concessionary company (i.e., RAI). For the private stations, foreign as well as domestic, regulations were imposed to prevent monopoly or oligopoly, to insure the transparency of ownership, and to regulate advertising.

The public broadcasting service must serve the entire country and insure a balanced and complete program mix of culture, entertainment, and education. It also has to guarantee an adequate share of Italian programs. Private broadcasting stations need a license which entitles them to operate in a discrete region. These stations can enter into network agreements among themselves, but nationwide networks require special authorization. There must be an adequate number of frequencies for private stations to insure a pluralism of broadcasters. Two regulatory bodies were introduced, one for frequency licensing, the other to enforce content regulations.

Aside from the Ministry of PTT, three institutions govern the operations of broadcasting. First, the previously existing Parliamentary Supervisory Commission formulates general guidelines on the management of public broadcasting, establishes the maximum yearly revenue allowed from advertising for public

broadcasting, and nominates its board of management.

In addition, two regulatory bodies were added. The first is the National Private Broadcasting Supervisory Commission, composed of five members nominated by the cabinet. The chairman and two members are chosen from the disciplines of law, business, and economics. They hold a full-time office for a single seven year term. The commission assure the observance of regulations, independence, competition, and plurality. It can investigate the companies, have access to their financial documents, and even control the measures for collecting audience ratings.

The second new institution is a National Broadcasting Committee within the PTT ministry. It is composed of the minister, two ministry officials, appointees of the two chambers of the Italian Parliament, six members of the cabinet, and four of the Interregional Commission. The National Broadcasting Committee functions essentially as a licensing board, deciding on issuance and revocation of licenses. But all of its decisions must be ratified by the Ministry of PTT. It can undertake investigations of private broadcast stations.

Certain production quotas are mandated: local stations must produce at least 10% of their programs; national concessions, i.e. networks, must self-produce at least 20%; and the public corporation must self-produce at least 50%.

In order to protect movie theaters, films cannot be shown within a year of their first public theatrical showing in Italy. At least a quarter of the films must be of Italian or EEC origin.

The broadcasting of films that have been banned for juveniles under 18 can lead to a closing of the station for up to ten days.

For private broadcasters, licenses are not transferrable. Authorizations for local stations last nine years, and the concession for national networks is 12 years. To receive a concession for a nationwide television network, companies must be of a minimum size in terms of capital. The National Broadcasting Committee publishes the number of concessions which can be issued, thus limiting the number of networks. However, concessions for simultaneous transmission of programs remain, permitting the previous type of informal networking.

Network concessions are based on applications that must specify the percentage of self-produced programs, the amount of Italian content, technical standards, and other criteria. The previous experience of the ownership group is an important factor. No individual can directly or indirectly control more than two such networks. (In other words, Berlusconi would have to divest itself of one network unless his lawyers found a way around this stipulation.)

Advertising on private stations cannot exceed 16% of total broadcasting time on average, or 20% of any given hour. There are limitations on the share of network advertising in order to protect local stations' access to their own lucrative local ad market. Stations can sell broadcast time for parties in election periods, but they cannot discriminate among parties and cannot allocate more than 20% of election transmission time to one

party.

In order to prevent concentration, the bill also provides anti-monopoly regulations, which the national Private Broadcasting Supervisory Commission monitors. The rules attempt to make transparent the ownership, inter-corporate arrangements, and transfer of control. Fees for local television authorizations range between 5 million to 20 million lire annually; for national television concessions, they are 27 million liras for each "catchment" area.

The positions of the various Italian parties on the bill were generally favorable. Members of the governing coalition (Christian Democrats, Socialists, Republicans, Social Democrats, and Liberals) stressed the need for anti-monopoly provision. The Liberals called for restrictions of the state's role in managing RAI and for frequency allocations by a special judicial body. Both the opposition Communists and Neo-Fascists also supported the mixed system. The Communists favored limiting network interconnection to six hours a day, restriction of exclusive advertising contracts, and higher local content.

THE MARKET FOR PRIVATE BROADCASTING

During the RAI monopoly days, the average Italian household watched three hours of TV a day; with the proliferation of new private offerings, viewing time increased by 50%.

In 1976, there were 90 broadcast stations in Italy. By 1977, the number had grown to 264; by 1978 there were 305, and by

1979, 537 (Media Perspectives, 1984). [Media Perspectives, 1984, 855-861, Nov.] In September 1983, there were 700 to 800 private TV and 6,000 to 8,000 private radio stations, according to RAI (Sasson, 1985). In mid-1985, there were an astonishing 1,319 private television stations in operation, 123 in Sicily, 160 in Lombardi, 83 in the Rome area and 60 in Tusconi. With one television station per 10,000 households, Italy boasts the world's greatest density of broadcasters.

Although Italy has a higher density of broadcasting than the United States, the prevalence of multi-channel cable television in the US (with many non-broadcast program channels) makes the comparison somewhat misleading. In 1987, more than half of US households were connected to cable television, and the channel offerings were typically in the 24-35 range.

About half of the Italian population is able to receive between 7 and 11 television channels during most of the day. In most cities, program choices range up to 20 channels, with border areas also enjoying access to broadcasts from adjacent countries.

There is great turnover in station ownership. In 1980, almost one third of the stations in Rome changed either ownership or their political affiliation (Grizzaffi, 1981). Six stopped broadcasting altogether, while five new ones started up and two merged.

Despite the numbers cited above, it has never been possible to precisely count television stations, since many come and go rapidly. In 1990, the Ministry of PTT took a census which found

872 private television stations. However, many interested parties reported broadcasting activities in order to establish grandfather rights. The actual figure, according to a survey by the Friedrich Naumann Foundation/ International Institute of Communications, was between 350 and 400 stations (Silj, 1981). (Silj, Alessandro, 1981, "Italy's First Few Years of Private Television Broadcasting," *Intermedia*, vol.9, no. 5.) The fluidity of numbers has often been cited by orderly minds as evidence for the "chaos" in Italian broadcasting. Such a view assumes that simplicity in media is a virtue. But exactly how many magazines are there in a country at any given time?

A PANORAMA OF PROGRAMMING

As a result of private television, Italy has become by far the largest European market for television programs -- whether from the United States or from other countries. Many of the programs shown in Italy are American and, increasingly, Brazilian films. In 1981, Italian television companies imported 2,369 films along with 2,043 made-for-TV films and episodes of television serials, mostly American in origin (Sasson, 1981).

There is a widespread, if exaggerated, view in the rest of Europe that Italian television is infested by pornography. One survey found that on the 30 television channels available in Rome in August of 1980, only 146 minutes of pornographic programming was available daily, or less than five stations carried some pornography, none more than 45 minutes per day, and mostly after

midnight.

Despite of the customary association between commercial television and private ownership, independent broadcasting in Italy has not been solely the province of business enterprise. The Communist Party operates its own broadcasting organization, the network Nuova Emittenza Televisiva (NET). NET has a two-part program schedule, one national and one regional. In order to offset the pervasive presence of American programming, NET's program supply is frequently imported from Eastern Europe and the Soviet Union. NET operates its own production facility, and produces original TV films as well as current affairs programs. Movies, game shows and entertainment make up 60% of broadcast time of Teleregione, the Communists' station in Florence (Raven, 1980). Ten percent of programming is in sports, 10% falls under the non-news information heading, and 20% is Teleregione's own productions. NET claims it receives no direct funding from the Italian Communist Party, relying instead on advertising.

NETWORK CONCENTRATION ITALIAN STYLE

The primary rule that initially molded private broadcasting in Italy was the prohibition of national networking among stations. The economic incentives for networking, however, proved too strong to be contained. The advantages of networking lie in the economies of scale which are possible when obtaining, producing, and promoting programs for a national rather than a

local audience and when offering a national audience to advertisers.

Media entrepreneurs quickly undercut the network prohibition through the creation of de facto networks which broadcast pre-recorded material simultaneously from their various stations across the country.

Three major private networks emerged from the fray: Canale-5, Italia-1, and Rete-4, all three of which were controlled by one man, Silvio Berlusconi. In addition, there were also so-called "circuiti," cooperative agreements among groups of broadcasters. These include Euro-TV, TV-Port, STP-RV, and DPM -- some of which are linked through cross-ownership.

A special role is played by the so-called "concessionaries," advertising companies which sell program packages, including pre-inserted commercials, to various individual stations. The concessionaries, similar to "barter" program syndicators in the US, have provided in effect "tape networks" across Italy, making it possible for a small station to have a steady supply of programming and advertising.

Another wrinkle on the Italian scene are the "service networks" (consorzi) which function as a purchasing and administrative agents for a number of broadcasters, thus achieving economies of scale in purchases and management.

THE BERLUSCONI EMPIRE

Silvio Berlusconi is perhaps the most interesting, and

certainly the most powerful, of the new television moguls in Europe, a figure in the mold of Sarnoff, Paley and Murdoch.

Berlusconi, sarcastically referred to by the Italian press as "Sua Emittenza," is the son of a Milan bank director. At the age of 14, he allegedly stopped accepting parental financial support. At 16, he entered the world of entertainment as a part-time performer on a tourist ship. He studied law and wrote a doctoral dissertation on advertising. When he was 25, he began a construction company in Milan with support from a bank in which his father was an executive.

Within 15 years, he became the leading construction entrepreneur in northern Italy and, five years later established himself as the dominant force in Italian private television. The Berlusconi empire, controlled through the holding company Fininvest, includes hundreds of firms connected to each other in complex ways. Broadcasting activities account for more than half of Berlusconi's revenues. He also owns the right-wing Milan newspaper, Il Giornale, and the largest television program guide magazine, which can be helpful to his broadcast stations by creating viewer interest. Other media-related properties include a technical center, an advertising company, and a financial firm, in addition to his involvement in video production, satellite dish manufacturing, music and records, the Milan soccer club, computer software concerns, a theater, a transportation company, hotels, an insurance company, and 25% of the privately held French TV channel, La Cinq. The Berlusconi group's total 1985

revenues were about \$1.3 billion.

Berlusconi was not a pioneer of Italian commercial television; he entered only after the tumultuous "wildcat" phase of private broadcasting dwindled to a handful of weakened competitors whom he managed to buy, hire, or outmaneuver. The "wildcat" period of Italian television was between 1972, when pirate broadcasting began in earnest, and 1980, when the large publishing houses entered the field. By 1982, almost one half of the stations that were active only three years earlier had been sold or closed down. Berlusconi entered broadcasting in 1980, buying up stations and setting up Canale-5 in Milan as his flagship operation, which he expanded by acquiring other stations and forming a national network. The other major networks at the same time were Rete-Europa, owned by the Italian publishing house Rizzoli; Italia-1, owned by Rusconi; and Rete-4, owned by Mondadori.

From the start, Berlusconi's operation was marked by a free-spending vision. He spent the most money on stars and technology, and established an outstanding reputation for anticipating audience tastes. He was particularly effective in paying attention to the details which improved his market position. For example, he entered into contracts with numerous independent antenna installers whom he paid to insure that the signals from his channels would be technically well-received. He also kept advertisers happy with low rates, and wooed viewers by offering less ad time per hour than on other channels. Once his

audiences increased, economies of scale allowed him to turn a handsome profit while still carrying fewer ads at a lower cost per thousand viewers.

Berlusconi also charged advertisers in unusual ways. In many instances, advertising rates were pegged to the market success of the product that was advertised. This was attractive to small and medium-sized sponsors who had previously assumed greater risk by paying a flat rate for the advertising time. It also permitted him to act as a price discriminator between low-value and high-value advertising. Often, he granted free advertising time as an incentive to new customers.

The Mondadori group, a powerful publishing house, differed from Berlusconi by favoring regulation, and provided more news and information on its Rete-4 network than any other network (Doglio, 1985). [Doglio, Daniele, 1985, "What is Happening in the Italian Media?" Intermedia: 33-36, Jan.] However, it got into financial trouble, and negotiations failed with several other partners, including American broadcasters ABC and Metromedia.

Mondadori then turned to Carlo De Benedetti, managing director of the office and computer equipment manufacturer Olivetti. De Benedetti, however, was out of favor with much of the Italian business establishment as he was leading Olivetti into an internationally widespread role, while at the same time establishing a personal business empire involving food, finance, automobile parts, and electronics. He was accused of being too

pro-American, and at the same time, on too good relations with the Communist Part. Given this opposition, De Benedetti did not get very far in his interest in television. Most of all, he was not part of the traditional business establishment.

Mondadori's Director General Piero Ottone described what happened: "The turning point in our venture, which had been successful that far, came when Rusconi (in the summer of 1982) decided that television was too risky for his company and offered (his network) Italia Uno to us. We were negotiating the deal (aiming to merge Rete Quattro and Italia Uno) when Berlusconi moved in and bought Italian Uno from Rusconi for a very good price. From that moment the fight became very uneven: two networks, Canale Cinque and Italia Uno, against one, Rete Quattro. That progressively weakened our position until we decided to sell Rete Quattro. Berlusconi bought it, thereby becoming practically the only private television in Italy. His surviving competitors are much smaller -- and not doing well" (Ottone, 1986). [Ottone, Piero, 1986, Letter to the Author, April, 8.]

Ottone gives three reasons for the failure of Italian publishers like himself in television: lack of television know-how, inability to interconnect, and inadequate financial resources. "Berlusconi has invested very lavishly," he said, "and partly raised his money by selling shares door to door, a very dubious procedure which we have always refused to adopt, and have fought against in our publications, because it gives

investors no protection" (Ottone, 1984).

Another rebuff of De Benedetti occurred when, in a second attempt at broadcasting, he sought to acquire the prestigious Italian publishing house of Angelo Rizzoli. Rizzoli was involved in the scandal surrounding the secret Lodge P2 which included many influential political and business figures. When details became public, the Italian government fell. Rizzoli's ambitions were felled by entanglement in the bankruptcy of Banco Ambrosiano in late 1981. One member of P2, Roberto Calvi, director of the Banco Ambrosiano, who had been instrumental in his bank's purchase of the majority of Rizzoli, was found hanging by his neck from the Blackfriar's Bridge in London. Rizzoli was taken over by an establishment consortium representing forces joined together to stop De Benedetti, and some of the stations were sold to Berlusconi.

Where four networks existed only a few years before, three of them were now owned and controlled by Silvio Berlusconi, while the fourth, Rete-Europe, was liquidated, with some of its stations going to Berlusconi. Even some of the smaller, remaining networks -- Rete-A and Euro-TV -- declared their readiness to join a single holding company with Berlusconi. (Eventually, however, Tele-Montecarlo acquired by Brazil's TV Globo, established a national presence.) Meanwhile, on the legislative front, Berlusconi's goal of electronically interconnected networks was in sight, though it also seemed likely that he would have to divest one of his three chains.

Berlusconi's influence grew enormously. In 1985, his domestic production budget accounted for 60% of all Italian films and features (Variety, 1986: p.146). [Variety, 1986, Oct. 15.]

When the legal situation permitted, Berlusconi began moving into production of a national news program. This is a necessary ingredient for credibility and respectability as a full-fledged broadcaster, but it also makes economic sense because of the advertiser interest in the large audience that news draws. Canale-5 first entered into public affairs coverage by covering elections during local and regional campaigns moderated by prestigious journalists.

Even though personally, Berlusconi leans discretely toward right-of-center politically, he is reputed to be a close friend of Prime Minister Bettino Craxi, a Socialist. Thus, Berlusconi is acceptable to the moderate right and left of the Italian political spectrum. His Socialist political connections have also helped in France, where President Mitterand permitted him to participate in launching the new commercial channel, La Cinq, in 1986.

Ultimately, the owner's political views make little difference, unless he or she is willing to subsidize them (as Springer did in his papers). No commercial broadcaster can afford to alienate large segments of the potential viewer population by straying from the center. Thus, the admission of "moderate" entrepreneurs makes less difference than politicians believe. This is not to say that commercial television is not political;

its underlying themes are unavoidably the encouragement of consumption and the simple resolutions to problems. But this is independent of ownership. In any event, one should not exaggerate the commitment of any new media moguls to the political left. In the final analysis, Berlusconi's allegiance is to his economic interests.

A NEW WIND BLOWING

In 1966 the three commercial networks together held about half of the total Italian audience; RAI, with its three channels, accounted for only one-third of the audience share. In less than ten years time, the monopoly position of the state broadcast institution had vanished.

Total television viewing also increased: primetime adult audience in 1979 was 16 million; by 1983, viewership had grown to 18.6 million.

The ensuing TV advertising increase also benefitted the private sector far more than RAI. The private broadcasting share of total national advertising revenues grew from virtually nothing in 1972 to more than 32% in 1984. RAI's share of the growing total advertising pie declined slightly from 15.4% to 14.4% over the same period.

Although total advertising expense as a percent of Italian GNP has grown from .38% to .53% in the 1974-84 decade, the total share of GNP is still only one-third of the US' 1.56%, indicating that the Italian ad market, fueled by television, has growth

potential remaining.

Italy's experience with commercial TV and the stunning success of Berlusconi's own progress, may not be repeated in other European nations where commercial television is now evolving at a slower, more regulated pace. But Berlusconi himself, with ambitions to perlay his Italian stronghold into an international media empire through recent inroads in France and Spain, believes that the Italian model may indeed find fertile ground across the continent.

"It is certain," he has said, "that nobody can disregard our know-how. When other countries are ready, we need only to wait (and choose) which partner is most agreeable to us. I believe this will come because the wind of commercial television blows now from Italy over all of Europe. This is one of the few winds that blows from the south to the north" (Radke and DiLaurenzo, 1995: p.128).

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