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LIBERATING EUROPEAN
COMMUNICATIONS:

towards a global media industry?

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Western Europe in 1990 is clearly a major force on the world media scene - with for example some 45 national TV channels, and 33 satellite to-cable channels. It spends some \$50 billion annually on advertising. Yugoslavia and Turkey already belong to several West European communications groupings.⁽¹⁾ If one includes these and the six other former Communist states of Eastern Europe, media Europe will have a population of over 540 million people.

But does the recent vogue for media deregulation indicate a massive open market or is Europe retaining protectionism in a continental form? Are we facing an American/Japanese/European convergence or increased divergence? Do these European events herald media globalization or the emergence of more minority and local media?

Most of these big questions can receive "Yes and No" answers. European Community policy is intended to strengthen media trade within Europe; but in fact new television channels have sucked greater quantities of American programming into Europe.

Between the US, Japan and Europe, there is convergence at some levels, notably ownership. However there is also divergence.

Global brand images and global marketing do exist, but on a limited basis. Inhibitions to global branding include major national variations in law, regulation, media practice, consumer habit, market position, culture and language. There is an established type of media organisation which efficiently handles this infinitely varied local detail. It is the international

(1) EBU, CEPT and EUTELSTAT.

advertising agency.

The media industry is highly volatile in terms of regulation and technology. For example will a Japanese version of HDTV prevail or perhaps a European-American version led by GE-NBC and the French Thomson company? Will ISDN ensure that all things audio and visual go down the same single fibre optic pipeline?

National monopoly laws - and their international linkages - are another area pregnant with unintended consequences. Companies' diversification strategies are shaped by anti-trust restrictions. European companies - blocked from further expansion at home - buy American media properties. American companies - blocked by the Justice Department and the FCC - go shopping in Europe. At present American telephone companies and Cable MSOs, denied from domestic invasion of each others' territory, are buying into cable in Europe, especially in Britain. If and when the domestic regulatory vetoes are changed, the foreign acquisition strategy may be reversed.

Exactly how much of Hollywood is foreign owned seems to vary almost daily. Three of the world's five leading recorded music companies are owned in Europe, one in Japan, and only one (Warner) in the US. About a quarter of US book publishing is foreign owned. The international advertising agency scene is now less American dominated - of the five leading groupings two are owned in New York, two in London, one in Tokyo. Media industry international expansion has occurred in parallel with the expansion of new financial service companies and activities. The targetting of media as a growth area

has possibly led to unwise acquisitions. The consequent high levels of debt then add another element of validity.

National media industries are blessed with trade associations skilled at arguing that while we are community conscious and competitive, they are monopolistic and protectionist. The Motion Picture Association of America (MPAA) and its export branch (MPEA) have put on many bravura performances not only in Washington but in London, Paris and Brussels. One of the most successful lobbies is EAT (European Advertising Tripartite). But hype also invades much of the major terminology and debate on these issues. "Synergy" for example sounds different from "dominance" or "monopoly". In this atmosphere, companies seek to persuade their domestic anti-trust regulators that the national interest requires them to be top ten players bravely confronting the top foreign players.

Also contributing to the prevailing uncertainty and validity is the media's high degree of cultural ambiguity. Long-term cultural or political consequences are in the eye of the beholder. For example many nations have adopted American programming formats such as the soap opera and the game show. How much cultural influence is involved in an imported game show format fleshed out with local contestants performing in the local language?

Even the basic statistics about how much US programming appears on European TV screens allow highly contrary interpretations:

- About 25-30% of all national network TV time in Western Europe is American material, mainly fictional series and movies. Some of these are placed in prime time, but more are out of prime time and on lesser audience channels.

- New commercial channels use the most US material. When a country doubles its number of channels, it may quadruple its US imports. But a nation like Britain - with only one new channel in the last 25 years - had only one US show among its most popular fifty series in late 1989.

- New conventional and satellite channels have hugely increased the prices paid for US movies and series in Europe. This shows sincere demand but it will also stimulate the home production of alternatives.

- Smaller countries (such as Greece and Portugal) are only now making their great leaps into new commercial channels; this is increasing their US imports. Larger countries - Italy, France and Germany (with SAT-1 and RTL-plus) - have made their great leaps, and imports are now declining.

Politicians, knowing the sensitivity of media decisions, often deliberately seek ambiguity. Recently the Spanish government have added to the three public channels three new national commercial TV networks. Non-Spanish European parties were prominent in all three winning consortia; but the consortium which included Rupert Murdoch was refused. Was this anti-Americanism? Or was it some European camouflage drawn across the basic fact that the three new commercial channels represented a move to US media values in general and would result in increased Spanish imports of US programming in particular?

EUROPEAN MEDIA POLICY

The European Community's Directive on broadcasting was agreed in October 1989. The aspect which attracted most American attention was the European production quota - 50% of all programming (with some exceptions) to be made in Europe. Even this remarkably low European-required level was to be voluntary. The Directive also covers a wide range of other aspects - a maximum 9 minutes of advertising per hour, certain types of advertising are banned, copyright changes to encourage transborder transmission, a required technical standard for satellite-to-home ("MAC packet") and support for independent production.

As with other EC Directives, this one operates on a basis of very protracted previous discussion, compromise, and lowest common demonimator consensus. But governments are required to incorporate

most of these points into national legislation. The Directive establishes the approach of seeking to bring national policies and EC broadcasting policy gradually into line. In the short-term the EC Directive amounts to very little, since it largely incorporates the existing position. The policy also implies a concern with transborder satellite transmission which reflects the concerns of the early 1980's rather than the 1990's. The lesson of the 1980's is that satellite services are only viable in the receiving audience's first language.

This European policy will have only modest consequences because it ignores two fundamental facts. One fact is that Western Europe is dominated by four large countries; France, Britain, West Germany and Italy make up 70% of EC population and account for 70% of EC advertising expenditure. Spain is an intermediate size. The remaining seven - Belgium, Netherlands, Luxembourg, Denmark, Ireland, Greece and Portugal make up only 16% of the EC population. The Big Four (average population 58 million) behave quite differently from the seven small countries (average population = 8 million) in terms of programming imports. Broadly speaking the Big countries will only import from the US; the small countries will import from the US and from their particular big brother neighbour - Ireland from Britain, French Belgium from France. German speaking populations - in Switzerland and Austria - import from West Germany. This pattern applies broadly to all media - print and electronic, and it applies equally to imports shown on domestic TV channels, to satellite-to-cable, and to national conventional channels carried across borders onto cable.

Cable in Western Europe is largely a means for small countries to import programming from larger neighbours; thus cable is strong in small countries like Belgium, Netherlands, Luxembourg, Denmark, Switzerland, Ireland and Austria. There is almost no cable in France, Britain and Italy because demand for available cable channels is very weak. West Germany is a potential exception; but even in this complex case the cable demand is for German not foreign satellite-to-cable offerings. Because the EC policy has to treat all its member nations equally it cannot get to grips with this reality of large and small nations.

Secondly, the EC policy to date is weak because it focuses entirely upon "broadcasting" - in practice mainly conventional television - and this is an area which national governments continue to guard jealously. In my view television is a "cash flow" media business, as are newspapers. These two sectors attract the bulk of both national and local advertising, in addition to other revenues. Daily newspapers in north America and northern Europe are profitable businesses (or "cash cows") both because they are often monopolies and because they receive two strong flows of cash - advertising and consumer repeat purchases or subscriptions. Conventional television - as the dominant video medium - also receives very strong flows of cash. Cable's great financial attraction (apart from its tax loss potential) is its status as the cash flow star among the newer media. These cash flow media activities are characteristically also of special interest to policymakers; they are subject to national legislation, as well as general regulation and anti monopoly law.

Foreign ownership is minimal. Many television and press organizations have traditional "special relationships" (of highly varied kinds) with governments and/or political parties. Governmental concern with television was indeed behind the EC's early 1980's interest in transborder and satellite offerings.

Italian events had by 1983 made clear the radical possibilities in the field of additional terrestrial TV channels. This was the Berlusconi phenomenon. Within a few years Italy went from three "public service" highly regulated RAI channels to not so much a North American, as a South American, pattern. Silvio Berlusconi and his Fininvest company acquired control of three new national channels; over another 5 semi-national channels Berlusconi acquired considerable advertising, programming and financial influence. Within an even shorter space of years (1984-7) France went from 3 public service channels to 2 public service and 4 commercial.

Germany and Britain moved in the same direction, but with agonising slowness compared with Italy and France. Meanwhile the migration of policy leadership from Northern to Southern Europe was assisted by the EC entry of Spain, Portugal and Greece - all three of which are broadly following the Italian-French lead. This "Southern European" group of Italy, France, Spain, Portugal and Greece contains over 52% of the total EC population.

Italy in the 1980's itself demonstrated - and led other European nations towards - a new pattern of broadcasting. Multi-channel competition was perhaps the key innovation. Greatly

increased reliance on importing programming from Hollywood was especially evident from the late 1970's to the mid 1980's. Berlusconi and RAI began to buy up virtually the entire annual prime-time output of Hollywood; as a result prices increased. As the 1980's continued Berlusconi's initial near total reliance on Hollywood programming was somewhat reduced. Gradually Berlusconi used more Italian programming, especially on his most popular channel, Canale-5.

In addition to direct imports, much of the home-made or in-house programming was based on local versions of American game-shows. One Berlusconi innovation was to schedule on Canale-5 a long daily sequence of Italian versions of such American favourites as Family Feud, The Dating Game, Blockbusters, The Price is Right, The Newly Wed Game and Hollywood Squares.

As the EC policy moved forward between 1983 and 1984, in the minds of increasing numbers of European policymakers, Italy was a terrible warning - worse than the US example itself. But the EC Directive as agreed did little to harm Berlusconi. Indeed the EC emphasis on transborder transmission, and its acceptance of advertising (not license fees) to finance new channels, helped Berlusconi in his successful attempts to gain ownership footholds in France, Western Germany and Spain.

EUROPE, THE USA, AND THE WORLD

It is not in the "cash flow" fields that the major action - especially cross-national ownership action - has taken place. Television and newspapers (and "mature" cable systems) produce strong strong cash flows, nationally-based ownership and control and national regulatory discouragement of foreigners.

What I call the "one off" media are quite different. These are such areas as recorded music, books, magazines, and the theatrical showing of movies. Despite attempts to introduce subscription elements, customers are fickle; these media focus on star performers who may be great successes one year and financial failures the next. A classic example are the Hollywood movie studios - whose individual success varies sharply from year to year.

It is these "one off" areas and also in "service" areas of the media (notably advertising agencies) that not only volatility, but foreign ownership, has been longest established. It is of course in these very areas that most of the recent foreign acquisitions have occurred. Sony has purchased the CBS music interests and Columbia Pictures. Bertelsmann bought the RCA music interests, and various book and magazine properties. The Murdoch News company is a partial exception - but it initially acquired several unpromising second newspaper titles and its first big US successes were with magazines and the Fox studio. Rupert Murdoch had to become a US citizen to get deeply into the "cash flow" areas with the then Metromedia TV station group.

What is new about this is that it is foreigners buying into the US. Previously it was the other way around. Hollywood exported to the world, owned key "showcase" theatres, made movies in foreign facilities. The J. Walter Thompson company, recently bought by WPP of Britain had begun to build its international network early in the century. American magazine companies and others had followed. All of these "international" activities have had two things in common; they are outside the secure "cash flow" fields and they attract relatively little regulatory or political interest.

International trade in film and video entertainment has long involved an element of cultural deference. The larger European nations have since about 1920 paid deference to Hollywood as the mecca of popular culture; the smaller nations of Europe have paid double deference - not only to Hollywood but to their particular big brother neighbours.

Europe's (popular) cultural deference to Hollywood has, however, been combined with an opposing strain of disdain. Deference is paid to Hollywood's usually reliable entertainment, its "production values", and the apparently universal appeal of its silent films, its action-adventure shows and its comedies; Hollywood has also been seen in Europe as the bearer of the glad tidings about new consumer and social trends. However there has long also been an element of disdain for Hollywood's slickness, superficiality and commercialism. Nowhere has such disdain been more strongly felt than in Europe's public broadcasting organizations; these publicly funded broadcasters in the past used their monopoly position to

acquire expensive productions at low prices. This enabled public service broadcasters habitually to regard Hollywood as "cheap" in several senses - a quick way of providing low-cost entertainment to large audiences. Similar attitudes have been common amongst policy-makers and regulators across Europe and have been reflected in unsound policies over the decades.

Hollywood itself now is more powerful, and less American, than ever before. On the one hand it now has a very much wider range of audio and video products and of technologies (or windows) through which to market them. On the other hand Hollywood is less American because important elements of the hardware, the software and the company ownership are now foreign.

The newer media technologies and market windows, rely heavily on the old form of feature film. And this is an area of continuing, indeed increased, Hollywood dominance in Europe. All of the West European feature film industries have become more closely involved with television finance. Most European feature films are now small budget efforts and not easily distinguished from made-for-TV-movies. Only the US now makes a large number of biggish budget movies each year. These dominate European theatrical release and video sales and rental; they are extremely important in the finances of all satellite offerings in Europe.

GLOBAL AND LOCAL ACCOMMODATIONS

As some recent American research has shown, multi-channel offerings produce complex audience behaviour and require more sophisticated research. In Europe there are the added complexities of language and numerous small nations.

Another difficulty is to ensure that internationally one is comparing like with like. American concepts such as "TV network" or "local station" lack exact European equivalents. Another difficulty is the number and definition of levels on the international/national/local dimension. I suggest at the bottom end distinctions between regional, local and community; markets and regulations certainly exist at several levels below the national media level. West Germany has its regional broadcasting, and Belgium has two language-regional broadcasting systems. There is local regulation - for example the City of Amsterdam made life difficult, if not impossible, for Mr. Murdoch's multi-national Sky satellite service. There is also a super-local "community" level especially in radio.

We also need, I think, to look at some of the major forms of cross-alliance. The Frenchman Jacques Arlandis sees companies as having "Alliance Portfolios", these portfolios can include very different kinds of alliances - "co-productions" of several kinds, joint-ventures, marketing agreements, consortia and so on. At the small end we see the co-production of a particular television mini-series, which may be little more than pre-selling the national market rights. At a larger level Reg Grundy, for example, produces

game shows and soap operas not just for, but also in Australia, Los Angeles, London, Paris and Munich. This middle level may become typical of an emerging world production industry which will be more finely tuned to the differing tastes and languages of different national markets.

But there is also the larger scale international alliance such as Disney's new project being built 20 miles east of Paris. This seems to be an alliance of not just Disney and European banks but also the French (Socialist) government of President Mitterrand.

WHAT HAPPENS NATIONALLY REMAINS DECISIVE

In Europe, as elsewhere in the world, the media remain national in several important respects. France is rightly regarded as the most influential force in most fields of European Community policy. My colleague and co-author Michael Palmer in our book Liberating Communications shows how France has combined government and private enterprise in telecommunications. In broadcasting France's pattern of six nationally available TV channels has included consortium-participation by Italian, British and Belgian-Luxembourg interests. France's space effort is also vital to Europe's successful space policy. But France, while pioneering at the European level, remains vigorously nationalistic as well.

The national level is still, even in Western Europe, where most power remains. This is where the "cash flow" media of TV and newspapers still reside. National boundaries and language

boundaries - while not completely identical - support each other.

Elements of public service broadcasting remain - substantial quantities of non-entertainment material are still available in prime time on major national channels. This is important because it indicates a significant remaining foothold for regulation even in commercial channels.

European channels have many options of which increased imports are only one. For example Europe still focuses on mini-series; popular mini-series could have more extended seasons, while popular 2 and 3 day a week shows can be extended to 5 days a week.

Western Europe has also to date not matched the US in developing a secondary programming market - the syndication of accumulated episodes for stripping on independent stations and cable. European stations - as part of the public service pattern - have concentrated on production and primary showings. The new channels have lacked sources of syndicated national materials and have turned to US series, cheaply available in convenient hundreds.

European nations are recognising this pattern - even if reluctantly. Gradually national domestic re-showings will become more prevalent; and first run production will take forms - such as longer runs of popular series - which are more suitable for subsequent stripping. This in turn may mean down-grading the requirements of celebrity writers and star actors who prefer the 8 hour mini-series to the 100 hour treadmill.

EURO-MEDIA POLICY : ONLY THE BEGINNING

The EC Broadcasting Directive of 1989 does not amount to much; but it is only the beginning. It introduces a new regulatory level, in addition to the existing national and sub-national levels of regulation. The early steps in coal, steel and agriculture were modest and unsophisticated; the later results were not.

European consciousness is very slowly growing, and European policy also grows by accretion. Traditional deference to American popular culture is probably diminishing. Subsidies to various Euro-media hardware and software projects will have a gradually increasing impact.

Even though the Economic Community in the 1980's was both late and inept at developing an international media policy, it was in some respects ahead of the United States. For example 1989 lobbying by US Trade Representative Carla Hills - singing the MPAA's song - was probably counter-productive. Belligerent American opposition to such a transparently ineffective quota regulation can only encourage Brussels to take its media policies more seriously.

GLOBALIZATION : MORE AND LESS

Media globalization in general, and major multi-national expansion of US Media companies in particular, may not happen. The best globalization prospects - news agencies and movies - were evident from the early days of those industries.

Buying television channels or new national newspapers will not be easy in Europe. Such transborder ownership of newspapers as exists in Europe - in Belgium, Austria and Britain - is largely within the same language community. Rupert Murdoch will find it hard to buy such media anywhere in Europe, and the British Labour party plans to prohibit newspaper ownership by non-EC citizens. Hostile takeovers of any kind are virtually unknown in continental Europe.

Thus I predict that trans-Atlantic media purchases will continue to be confined mainly to one-off media such as books, magazines and movies. The history of the recorded music industry would suggest continuing volatility, company takeovers and cross-national ownership.

At the programming level it is far from certain that exports will increase. In terms of national audience share, they will more probably decrease. As particular channels get more popular they come under added regulatory pressure towards domestic production and their success provides the necessary finance.

Another trend is the strength of South American programming - for example from Globo of Brazil - especially in Southern Europe. To

globalization then, then add both ozification and Globo-ization.

The changes of the 1980's which some have called "globalization" depended heavily on the explosion of conventional TV channels in Europe. This explosion is now nearly complete.

I have argued elsewhere that new American media have repeatedly invaded the world, reached a peak, and then subsided to a lower level. I believe that we may have already pushed the present peak.

Whether globalization is to make a greap leap forward now partially depends upon what happens to ISDN and HDTV combined. And any effective international explosion of these two at the household level is probably years - if not decades - away.