

SEMINAR PRESENTATION:
THE INTERANTIONALISATION OF
THE TELEVISION PROGRAMME MARKET-
MEDIA IMPERIALISM OR INTERNATIONAL
DIVISION OF LABOR?

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the Television Programme
Market-Media Imperialism
or International Division of
Labor

by Richard Collins

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THE INTERNATIONAL MARKET IN FILM AND TELEVISION PRODUCT
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THE INTERNATIONALISATION OF THE TELEVISION PROGRAMME MARKET
MEDIA IMPERIALISM OR INTERNATIONAL DIVISION OF LABOUR?

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Media Imperialism or International Division of Labour

THE INTERNATIONALISATION OF THE TELEVISION PROGRAMME MARKET

Internationalisation of information markets is far from a new phenomenon. The communications industries we know as the mass media owe their existence to the economies of scale that different technologies of reproduction and distribution have brought to the marketing of information. To realise the potential economies of scale markets must be extended in time or space or, preferably, both.

Gutenberg's development of printing with moveable types rapidly conjured into existence a European market for printed books stretching from Riga to Naples and beyond. But in recent years a pervasive alarm at the dissolution of national cultural and communication unities has taken television as its stimulus and 'Wall to wall Dallas' is now an accepted shorthand for the baleful results attributed to this process. Internationalisation of television is nothing new, though a long standing flow of television across national borders has been amplified by technological change. The 'coca-cola' satellites 'attacking our artistic and cultural integrity' (as Jack Lang the former minister of culture of France put it Financial Times 30 4 84 p3) have been pre-echoed in the customary prominence in the prime time schedules of UK (and other national) television of imported programming. The BBC (British Broadcasting Corporation) used thirty five Canadian television dramas in the mid 1950s in order to win back audiences it had lost to ITV (Independent Television

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- the newly introduced commercial channel) and its 1984 screening of THE THORN BIRDS (a US mini series) was used by the Corporation to boost its ratings (the screening of the eighth and final episode achieved for the BBC its biggest audience for more than two years).

Within media and communication studies these processes of internationalisation have been understood largely through the notion of media imperialism. Schiller's (1969) path breaking MASS COMMUNICATIONS AND AMERICAN EMPIRE established an enormously influential paradigm which with few exceptions (see in particular Lealand 1984, Lee 1980 and Ravault 1980 and 1986) has provided the optic through which the international flows of information have been understood by academics. This powerful thesis is hard to capture in a single citation, but its essence is contained here:

'Free trade is the mechanism by which a powerful economy penetrates and dominates a weaker one, the 'free flow of information', the designated objective incidentally of UNESCO, is the channel through which life styles and value systems can be imposed on poor and vulnerable societies'.
(Schiller 1969 p8/9).

A distinctive feature of international information trade is its dual impact in the economic and cultural spheres. Thus

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establishing, if it could be established, that economic welfare was maximised by a division of labour and international trade in television programmes would not be sufficient to challenge the objections to such trades and specialisations based on assessment of the cultural impact of consumption of foreign television.

The classical paradigm employed in trade theory is that of division of labour on the basis of comparative advantage, (and Schiller's argument is explicitly directed against this dominant paradigm). Aggregate welfare is maximised if producers A & B specialises in producing what each of them does best and trading with each other in order to secure supply of the whole range of products produced between them. The comparative advantage model is derived from just such trades in agricultural products in which static attributes of climate and soil fertility clearly promote specialisation by producers in certain products and trade between them. The model is widely applied to trades in manufactured goods and services but its application to secondary and tertiary production is often challenged on the grounds that the major factors of production required in these sectors are not static.

It has been established to the general satisfaction of the academic community that the international flows in television programme trades are unequal and dominated by exports from the United States and, some way behind, the United Kingdom

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(Nordenstreng & Varis 1974, Varis 1985). Though Chapman's (1987 p10) identification of the 'overall paucity of what has been produced' is one I endorse. But there seem no reasons to doubt the pre-eminence of the world's two largest Anglophone states in the international programme trade. Whence comes this pre-eminence? From a classic comparative advantage? What then are the factors exclusively or pre-eminently possessed by UK and US and are they actually or potentially contestable by other producers? If so under what conditions could the US and UKs pre-eminence be successfully challenged? Among the pertinent factors that contribute to the success of the US and UK in the international trade in television programmes are language (English being the most 'international' of world languages), the size and structure of domestic markets, the possession of a creative 'critical mass' of personnel competent in acting, makeup, videotape editing, an infrastructure of prop, set and costume renters and makers, ready availability of financial services such as insurance, manufacturers of electronic and cinematographic equipment, processing laboratories and electronic services such as video standard conversion, image manipulation etc. Some of these - such as language - could be defined as attributes of a classical comparative advantage, others, such as the availability of a pool of actors and efficient financial services are probably better defined as competitive advantages. However for most purposes such distinctions are more theological than real. There is in production centres such as New York, Los

Angeles and London factors of production that to create elsewhere would require enormous and comprehensive investment. Such investments have been applied in a variety of locations in order to establish national production industries. Such development policies often, but do not necessarily, go hand in hand with import controls, through mechanisms such as quotas. But the effect of quotas is to deny consumers foreign products that they would otherwise have consumed because of their superior price/performance characteristics relative to domestically produced products. Consumer interests are thus, at least in the short and possibly in the long term, subordinated to those of producers. The economic rationale (and it is important to recognize that the economic rationale is not the only one) for such policies is that of establishing an infant industry which will, when mature, be able to compete internationally unprotected by subsidy, quota or whatever and make a return to investors whether directly or through taxation or both. Such policies do not seem to have been particularly successful. Hoskins and McFadyen (1986) have described the operation of Canada's national television programme promotion policy which principally consists of a subsidy of 49% of the costs of qualifying productions. They cite the judgement of the Government of Canada's Nielsen report (1986) that public support has: 'only a modest impact on income, tax revenue productivity and the balance of payments'; and that: 'although the economic benefits may exist, they are unlikely to be as high as for other economic investments'.

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There are then two possible rationales for the subsidy policy, that there are positive externalities realised (i.e. non-economic benefits) and protection of an infant industry which may, once up and running, be internationally competitive. However the infant industry rationale is one that applies only to temporary subsidy if long term or permanent subsidy is maintained then it has to deliver the positive externalities, social or cultural benefits that would not otherwise be enjoyed, to justify subsidy.

Mobile capital in Canada does not seem to have been attracted to the putatively infant industry which suggests that the Nielsen judgement that returns are unlikely to be as high in TV production as in other economic investments was justified. The positive externalities remain as the justification for state subsidy of TV production in Canada (and here we suggest the case and experience of Canada is representative of other nations).

It is important to make clear that the high profitability of Canadian broadcasters does not contradict this argument. These profits come from the sale of advertising time and not from programme production and sale.

The lack of success in establishing competitive suppliers of television programming outside the UK and USA can be explained in a variety of ways. The US and UK markets are the worlds largest Anglophone markets - each are resistant to penetration by imported television programmes (the UK because of regulation the US because of the perception of audiences by broadcasters and

advertisers as uninterested in foreign programmes) and US & UK producers are therefore able to recoup much if not all of their production costs in their home markets and sell into foreign markets confident that however low the price secured from a programme sale the marginal cost of production (little more than the cost of an extra film print or video tape) will be amply exceeded. Nevertheless the rising costs of TV programming is encouraging international co-productions which both spreads costs and guarantees market access.

In economic terms it is therefore a rational choice for broadcasters in importing countries to import at close to marginal cost foreign programming that enjoys acceptability with domestic audiences rather than produce indigenous products. Since television programmes are relatively imperishable and not exhausted in consumption consumers across the world are potentially able to benefit from the low marginal cost of production of television programmes and enjoy cheap high budget products from the existing dominant producers.

The US and UK though dominant are not omnipotent; there are important niches in the international market where they have no presence or a weak presence. Japan has been able to successfully occupy one such niche by producing computerised animations (mostly for children) and others exist. (A BBC source stated that there is a world under supply of live action location

based dramas for children). And there is a demand for programming in languages other than English that cannot be met by Anglophone producers (even in dubbed or sub-titled form) and that reflects the experience of regions and cultures other than North Atlantic. Mexico, for example, has been able to establish itself as an important regional and Spanish language producer in spite of its proximity to the United States.

But though aggregate economic welfare may be maximised by a trade regime that permits economies of scope and scale to be realised and the average price of programme products more and more closely approximate to marginal cost as markets are extended the distribution of the maximised welfare may be profoundly unequal. If, for example, world television production were to be concentrated in New York (or even in a variety of locations), it is quite possible for programme supply to be performed internationally at very low cost but the benefits of such a regime to be pre-eminently experienced in New York. Jobs, revenue and tax generating power, would tend to be decanted from the rest of the world into New York and unless the other world locations from which television production had been decanted were able to specialise in the production of other products which could be successfully traded on 'equal' terms of trade with New York they would be disadvantaged and impoverished. This is a calculus that is almost impossible to perform. In theory (again given the condition that economic criteria are the only relevant

ones) everyone would be better off if, say, Canadians produced wheat and hydro-electricity, Jamaicans bananas, Brazilians coffee and New Yorkers television and traded these products freely between themselves. But few producers would voluntarily stake their existence on a single product and the successful maintenance of international free trade and there are significant intervening political and cultural variables that make such a regime simply fantastic.

I turn now to these variables that are as significant structuring features of the international trade in television programmes as the economic factors considered above.

A particularly strong imperative that militates against the international organization of television production on a basis of comparative advantage and free trade is concern among non Anglophones for the survival of their languages. This concern is particularly marked among, though not peculiar to, Francophones and a major initiative La Francophonie was launched by the Mitterand socialist government to consolidate the French language community around the world. Though within the French language community there are complaints from the smaller nations that France has created a less than perfectly competitive regime. Quebecois television producers are unable to establish a dubbing industry in Montreal because it is only programmes dubbed in France that are acceptable to French quota administrators. And

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the African film SARRAOUNIA experienced curtailed exhibition in France for its allegedly anti French qualities. But survival of national languages is a powerful reason adduced by governments for promoting (via subsidy, tax breaks, public sector institutions) indigenous production and restricting consumption of programmes in other languages.

Finally there are cultural, moral and religious criteria exercised for the promotion of indigenous production and restriction of consumption of foreign programmes.

But the cultural, moral and religious alarm at the consumption of international television programming is a conservative alarm based on a prior assumption that the national cultural, religious and moral order prior to exposure to non-national television programming was superior and change was for the worse. It seems very unlikely that the effect of foreign television will invariably be either negative or positive. At the macro level maintenance of national political sovereignty and national identity is becoming increasingly precarious and hard to sustain as the unities of economic and cultural production and consumption become increasingly transnational. And it is an open question whether the reharmonisation of political economic and cultural institutions (if to be sought and performed at all) should be performed by a more insistent nationalisation of the economic and cultural or by an internationalisation of the

political. At the micro level there are very many cases in which the freedom, welfare and contentment of individuals is sustained and extended by the contestation of the authority and hegemony of the nation state and the national culture.

The threat to communications sovereignty latent since the beginning of the 20th Century and slowly actualised in North America (Canadian subordination to US broadcasting remains the classic, even though earliest, instance) has with the triple impact of new distribution technologies, new ideologies of deregulation, and the accelerating demand for quantities of high-budget but low-cost software, become a matter of general concern. In Western Europe, national governments have lost confidence in their ability to maintain communications sovereignty buttressed by national newspaper and publishing industries and state control of broadcasting. Italy's experience, following the Tele-Biella judgement, of the national broadcasting monopoly's vanishing access to the Italian people in favour of unregulated private broadcasters distributing largely US programming is exemplary. Moreover, the critique of the loss of communications sovereignty customarily runs in harness with a qualitative judgement that the new order and its product is inferior to the old. The concept of cultural imperialism or media imperialism is dependent on qualitative and quantitative judgements. The conditions of quantitative subordination are economic and organisational, the conditions of qualitative

subordination are cultural and aesthetic.

It is an enduring European trope to hold up a mirror to US chauvinism. In the UK critical concern focuses on the proliferation of US-style hamburger outlets not on the proliferation of Turkish, Greek and Lebanese kebab houses, or French, Italian, Indian and Chinese restaurants. The productivity of US cultural influence are very quickly forgotten e.g. the appropriation of its practices by modernist artists such as Brecht and Grosz, the impact of Hollywood cinema on the Nouvelle Vague, the New German Cinema, or on Italian film-makers like Sergio Leone or, as has recently been claimed, Gianni Amelio.

The shift in film and television production (though as indicated above, a shift that is far from total), from an artisanal mode of production where products are strongly marked by an authorial signature, whether that of director or scriptwriter, to series production in which it hardly makes sense to ask who is the author of DALLAS or CORONATION STREET, is customarily deplored as a particularly insidious form of cultural imperialism. Yet this seems no more cultural imperialism than the adoption in Britain of the electrical engineering manufacturing techniques of Halske and Siemens, Pascalian mathematics or the astronomical theories of Copernicus and Galileo. US television series production techniques have dominated television in Britain since the '60s,

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co-existing with (some would claim making possible) British television's substantial dominance of the UK audience ratings.

It is in this complex ensemble of political cultural and economic forces that the international trade in television programmes is caught. None of the forces in play operate singly. The low marginal cost of production of television programme products will tend to call into existence markets that are widely extended in time and space. Political and cultural forces for the preservation of national language and culture will tend to inhibit these kinds of extension. This ensemble of forces has been, imperfectly, understood largely in terms of two contradictory paradigms: those of media imperialism and international division of labour on the basis of comparative advantage. Neither paradigm is adequate; the comparative advantage paradigm is questionable in its economic analysis and for its neglect of political, linguistic and cultural criteria. The media imperialism paradigm for its lack of recognition that imported programmes may be important sources of diversity and quality in television programme schedules and its flawed thesis that: 'most countries are passive recipients of information' (Varis 1984 p152). A contention that is hard to reconcile with the evidence of Katz and Liebes (1985 and elsewhere) that different national and ethnic groups make highly differentiated use of that quintessentially international programme DALLAS.

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Ravault (1980) has pointed out how imperfect are the linkages between cultural production and consumption and trade and other political economic forces (he pertinently contrasts the US and UK's success in international media markets with the decline in their political, economic and military power and observes that West Germany among other states successfully reconciles importation of information goods with increased power in other arenas).

The UK's place in these processes is contradictory and little understood. The transnational cultural and economic unity that UK information producers have customarily inhabited is that of the international Anglophone (predominantly North Atlantic) community. But since the UK's accession to the European Economic Community the political unity it inhabits is increasingly European: a unity that is now (see inter alia the Commission of the European Communities' TELEVISION WITHOUT FRONTIERS 1984) attempting to Europeanise the cultural and economic activities of the UK (and other member states) in the information sector. In a plethora of instances the UK is having to choose Atlanticist or European solutions.

And though the empirical studies of Nordenstreng and Varis (1974) and Varis (1985) concluded 'that there were two indisputable trends: (1) a one way traffic from the big exporting countries to the rest of the world and (2) a predominance of entertainment

material in the flow' (Varis 1985 p53), Varis further recognised that there is considerable variety in the extent to which these trends were experienced:

'In all parts of the world there are countries which are heavily dependent on foreign imports in their programming but also countries with relatively low figures for imported material (Varis 1985 p53).

Paterson, for example, observes of Brazil:

'The development of an indigenous television puts into question Schiller's thesis about the inevitability of traditional drama and folk music retreating before the likes of PEYTON PLACE and BONANZA (Paterson 1982 p2)

There is, then, no stable interpretative paradigm available which can act as an initial guiding hypothesis. The evidence of international television programme trades can only with selective appropriation be made to fit available paradigms of media imperialism or division of labour on the basis of comparative advantage. My view is that what relations exist are highly context dependent and that market structures - rapidly changing in an international broadcasting order where new technologies and ideologies are exercising their power - are the most important determinants of international information flows.

The UK television programme production industry has reached a stable modus vivendi with other forces in the international market place. This could not have been anticipated given the vulnerability of UK film producers to competition from the United States. The factors that give the US movie majors dominance remain; a shared language, US economic power and ability to amortise high production costs in the domestic market, and the fundamental attractiveness of US product to audiences. But the vertical integration of producers and distributors in television, the successful imposition of quota restrictions on imports, the limitation of distribution capacity (all functions of state regulation) have enforced a different regime in television. But these conditions of existence for television programme production in the UK are all changing as national communication sovereignty declines. But changes in the market structure of UK trade partners - notably the United States - mean that their producers are also vulnerable to competition in the new television order. The decline in advertising revenue and network audience share create in the United States conditions more favourable to import penetration and less favourable to high budget domestic production than before.

BRITISH PROGRAMME TRADES

The OECD (Organisation for Economic Cooperation and Development) estimates that the volume of audio visual production in OECD

member states is about \$26 billion (of which almost half is earned by United States firms). Of this total no more than \$1 billion is traded internationally and of that \$400 million is TV programmes and videofilms. In 1980 \$350 million of trade in tele-films emanated from the United States with the United Kingdom, the second biggest exporter, exporting \$22 million in telefilms (OECD Observer No 141 July 1986 pp 23 & 25).

However the DTI (Department of Trade & Industry) publication BRITISH BUSINESS states the overseas receipts of the BBC and ITV programme contractors in 1980 to be £50 million (British Business 19 9 86 p 42). Though to compare the DTI and OECD figures is not to compare precisely like with like (for the DTI figures embrace world trades denominated in sterling and the OECD only OECD trades in US dollars) there is an uncomfortably large discrepancy between them. A discrepancy that is symptomatic of the uncertainty of the data available on these trades and the tradeable information sector generally. But though it is difficult to establish the volume of trades authoritatively, there is no reason to doubt the OECD's definition of United States domination of international markets and the United Kingdom's second place.

In a survey of services in the UK economy (p404-414 BANK OF ENGLAND QUARTERLY BULLETIN SEPTEMBER 1985) the Bank of England comments:

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"Earnings from film and television amounted to 2.8% of exports and 3.5% of imports of financial and 'other' services in 1984 and showed a surplus of £131m.

Real growth in this sector has been strong but somewhat erratic, in recent years." (p413).

and displays the exports, imports and the real balance of trade thus:

Figure I

Films & television: UK service earnings and payments

It is important to note that the Bank of England Quarterly does not disaggregate films and television. There are difficulties in doing so - many programmes produced and traded internationally for exhibition on television are recorded on film and may also be exhibited theatrically. Similarly films may be distributed on video cassettes and be consumed through exhibition on a domestic television set whether the signal originates from a terrestrial or satellite broadcast, cable or from a domestic video cassette recorder.

The last eight years (to 1985) has been one of an increased volume of trade between the UK and the rest of the world in television programmes. Both imports and exports of programmes have grown, though imports have (particularly in the last five

years) tended to grow more rapidly than exports. In the period 1976-80 the average positive trade balance in television programmes was £12 m p a; since 1980 the positive balance of trade has declined. Though in 1985 a very strong positive balance of trade was re established (of £28 m).

Transactions of the BBC & ITV Programme Contractors, 1978/85:
 Analysis by Area
Receipts (millions of £)

Year	EEC	Other W Europe	USA & CAN.	Other Devlpd	Rest World	Total	USA & CAN share	Balance of Trade (£M)*
1978	6	3	17	6	5	37	46%	15
1979	10	4	18	7	3	42	43%	14
1980	8	3	30	6	3	50	60%	19
1981	10	4	21	8	4	47	45%	10
1982	11	3	35	9	5	63	56%	8
1983	11	2	47	11	6	77	61%	8
1984	15	4	51	14	7	91	56%	1
1985	14	6	65	16	9	110	59%	28

*Receipts less expenditure

(Figures taken from British Business dated 16.9.83, 5.10.84, 30.8.85-5.9.85, 19.9.86. Other developed countries comprise Australia, New Zealand, Japan and South Africa).

In the period 1968-76 receipts from the trade in television programmes more than trebled, from £5m to £18m; and doubled (from £18m to £36m) between 1976-77. Expenditure on overseas programming more than quadrupled between 1968 and 1976, from £4m to £18m, fell slightly in 1977 and grew at an increasing rate to the mid 80s and fell in 1985. Movements in the volume of trade

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are not regular either on a year to year basis or in terms of the geographical area in which the trading partner is located.

However it is clear that North America (of which the United States is by far the most significant market component: with about ten times the population of Canada) is by far the most important single market. Accounting for between 43% (1979) and 61% (1983) of the export market for British television programmes and between 43% (1977) and 71% (1984) of the imports of programming into the UK by value. The substantial improvement in the balance of trade in 1985 was principally due to increased receipts and decreased expenditure in North America.

Transactions of the BBC & ITV Programme Contractors:
 Analysis by Area
Expenditure (millions of £)

Year	EEC CAN	Other	USA & W Europe	Other CAN.	Rest Devlpd	Total World	USA &
							share
1978	4	2	12	1	3	22	55%
1979	6	2	15	1	4	28	54%
1980	5	4	18	1	3	31	58%
1981	11	2	19	1	4	37	51%
1982	9	4	36	1	5	55	65%
1983	12	4	47	1	5	69	68%
1984	16	3	64	2	5	90	71%
1985	13	4	56	4	5	82	68%

(Figures taken from British Business dated 16.9.83, 5.10.84, 30.8.85-5.9.85, 19.9.86. Other developed countries comprise: Australia, New Zealand, Japan & South Africa)

BRITISH TELEVISION COMPANIES AND FOREIGN CO-PRODUCTIONS

Direct programme sales to overseas markets is not the only form of trading or production relation between British television companies and overseas markets. There are a variety of co-productions concluded either under co-production treaties whereby the programme or series produced counts as a domestic product in the home market of each co-production partner or in a less formal arrangements such as that between BBC's HORIZON

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documentary programme and the equivalent NOVA series produced by WGBH in Boston for PBS in the United States. The arrangement is one in which the BBC and WGBH exchange a number of programmes each year.

Co-producers contributions to BBC programme production is stated as

Year	1978/9	1979/80	1980/1	1981/2	1982/3	1983/4
	£5.5 m	£2.9 m	£2.7 m	£4.6 m	£4.6 m	£5.9m

(Source BBC Facts and Figures, 1980-85)

The production of Central TV's KENNEDY, LWT's (London Weekend Television) DEMPSEY AND MAKEPEACE and Thames Television's REILLY: ACE OF SPIES were all done on the basis of a pre-sale agreement with a United States client. REILLY had, for British television, a high production budget of £4.5m (11 episodes of 52 minutes one of 75 minutes) i.e. about £370,000 per programme hour. And this exceptional commitment (which required authorisation by the main board of Thames Television) was made possible by a pre-sale agreement with Mobil Oil of \$100,000 per programme hour. DEMPSEY AND MAKEPEACE was pre-sold to the Chicago Tribune group for an estimated \$100,000-200,000 per programme hour (P Stoddart, in Sunday Times, London, 20.1.85 p.38). An interview with Herb Schmerz, the Vice President of Mobil Oil responsible for Mobil Oil's sponsorship of PBS (Public Broadcasting Service) television drama (14.2.85), established an average range of between \$100,000 and \$200,000 per programme hour as the acquisition

cost of 'quality' television drama for exhibition on PBS.

The term 'co-production' describes a wide range of collaborative activities concerned with the finance and actual production of television material. Rarely do co-productions involve a 50/50 share of funding, production and distribution responsibilities between partners on an equal basis. Most co-productions represent the collaboration of a project initiating company with a funding and/or facilities partner. In addition the nature of such financial collaboration is such that there is an increasing 'blurring' between the boundaries of co-production and pre-sales activities.

BBC Co-productions

The BBC has a long established tradition of co-production activities, particularly with the (anglophone) Commonwealth. Such co-productions have typically concerned programmes of the Documentary/Wildlife/Travelogue/Cultural/Location Historical Drama variety. In such productions the BBC has traditionally been both the dominant partner in creative terms and usually the sole beneficiary of subsequent international programme sales.

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BBC Enterprises: Co-producers' Contributions to
Programme Production/Foreign Programme Sales
(Millions of £)

Co-production	Foreign Sales contributions	
78/79	5.5	7.6
79/80	2.9	8.5
80/81	2.7	9.7
81/82	4.6	15.7
82/83	4.6	12.4
83/84	5.9	17.4

(Source: BBC Facts and Figures booklets 1980 to 1985)

Note: Foreign sales figures include programme pre-sales income.

For programmes not simply requiring a specific foreign locale and/or on screen talent, co-production partners are sought for purely financial purposes. Co-production finance is looked for firstly from BBC Enterprises (the business arm of the BBC) then by international shopping around. Byron Parkin (Deputy Managing Director of BBC Enterprises) outlined the process as follows:

"When programmes are offered to the controllers of BBC1 and BBC2, often they don't have sufficient money to take the more prestigious ones and so they tell the producers that the balance will have to be found from outside co-producing partners. The co-production department makes a list of all those programmes looking for co-production money and their first port of call is Enterprises. We say we'll put so much into that one and so on. After they've had

our answer they go round the world trying to find the outstanding sums. For THE LIVING PLANET we put a substantial amount of money in and then we went out to try to pre-sell it. All of that pre-sale money comes back to us. On big productions pre-selling is very important and necessary to re-coup the large amounts of up-front money. It's a growing trend".

(Wade 1985 p 45)

As Parkin describes the relationship foreign co-production partners are passive providers of finance to the BBC. Research interviews and Trade Press reports do however indicate a growing resistance to this approach on the part of foreign television companies (particularly given the increasing range of players in this area) - Inta Janovskis (Director of Programme Development, Canadian Broadcasting Corporation) singling out the lack of production consultation and zero profit share in subsequent sales in particular as major shortcomings in BBC co-production deals. If this resistance becomes more pronounced it seems likely that the BBC will look to more 'co-production' deals with non-producing TV operations such as the American Worldwide Holding Corporation (a US syndication company), where the 'co-pro' arrangement is effectively a high price pre-sale which gives the US co-producer rights to US syndication.

The area of high budget drama production is a particular one which has seen the BBC altering its traditional approach to

co-productions. The case of TENDER IS THE NIGHT in particular illustrates how the high production costs of prestige drama increasingly requires the BBC to take major co-production partners who have a significant role in both funding and creative decision making.

Channel 4/European Co-productions

Joint productions with European partners have been an established aspect of British Television co-production activities for some time, but recent developments have led to increased activity of this kind; the significant factor has been the introduction of Channel Four with its specific cultural programming brief. The similarity of its programming policies to other European broadcasters such as ZDF's (Zweites Deutscher Fernsehen) DAS KLEINE FERNSEHSPIEL has been an obvious incentive to co-production.

Channel Four has actively pursued European co-productions since its introduction in 1982, (e.g. its £1m input into the C4/RTE/Astramead series, THE PRICE). In addition to collaboration in TV drama co-production a second area of co-production is coming to assume increasing prominence, that of Cultural, Documentary and TV feature film co-productions involving a number of European partners (though it should be noted that only one or two of the partners involved in such

multi-partner co-productions usually control production decisions -- the others characteristically provide 'pre-sale' type finance).

Justin Dukes (Business Manager Channel 4) has emphasised the potential long term importance of European co-productions to minimise the duplication of European production around common European interests (e.g. Cultural anniversaries, performance events etc.); and has further predicted that up to 15% of future C4 production could derive from such arrangements (thus freeing around 40% of the notional cost of a similar domestic production for other production activities).

Additional interest in the area of multi-partner European co-production has arisen from the publication of the Commission of the European Communities Green Paper, Television Without Frontiers (1984 Command (84) 300 final), and the ensuing debate. The EBU (European Broadcasting Union) canvassed a European production fund (which was one of the measures referred to in the Commission Green Paper). But it is significant however that (even given the acknowledged importance of such production activities) European broadcasters have largely rejected plans for the provision of an EEC (European Economic Community) administered European co-production fund of \$20 million. The BBC observations are representative: 'The BBC is sceptical about the usefulness of a fund but it all depends on what it is for.

In principle the BBC would oppose any initiative which brought Government or EEC involvement in editorial decisions.

Co-production projects are already made in reasonable numbers in Europe and extra money alone is unlikely to significantly increase such co-productions. The BBC therefore would ask what purpose a fund might serve' (House of Lords Select Committee on the European Communities 1985 p70).

This rejection follows lengthy discussions between representatives of European broadcasting companies and their reluctance to collaborate with a funding source which requires executive supervisory powers over productions funded by it.

ITV Co-productions

Though information on the annual income from ITV company co-production deals is unavailable, Trade Press reports indicate that in addition to co-productions with European and Commonwealth partners, the ITV companies are attempting to increase and diversify their co-production activities with a range of US partners. There has also been greater willingness to work with foreign partners in a genuinely collaborative manner, e.g. the Yorkshire Television/Alan Landsburg co-production of GLORY BOYS which was produced in separate versions for the UK and US markets (see p.12-14 TV World August 1985).

Co-production deals encompass a wide range of financial arrangements and production responsibilities and such arrangements often overlap with 'pre-sales' (i.e. the purchase of a product prior to its production or completion). The growing importance of such deals has led in some cases to the pre-sale purchaser being able to dictate script modifications and approve casting (e.g. LWT's (London Weekend Television's) DEMPSEY & MAKEPEACE pre-sale deal with the Chicago Tribune group), and thereby produce British (ostensibly) domestic market programming tailored to the American market.

British Television companies' production and pre-sale of programme material specifically developed by independent agents for American network transmission also blurs the co-production/pre-sale boundaries. HTV (Harlech Television) has been particularly active in this field, with a number of major deals with CBS and NBC. Deals such as that struck with CBS for the production of the TV film ARCH OF TRIUMPH have seen the US partner supplying over 50% of the production budget via its pre-sale licence fee (and resulted in allegations from within the industry of HTV simply acting as a 'facilities house' for foreign production. See Broadcast 20.4.84 p. 48).

ITV company subsidiaries such as Central's Zenith have also involved themselves in similar activities, co-producing properties specifically for the US market e.g. the MTM (Mary Tyler

Moore Productions developed FINNEGAN BEGIN AGAIN starring Mary Tyler Moore, directed by Joan Micklin Silver and shot entirely on location in the USA) which have been subsequently broadcast by the parent company in the UK (subsidiaries of ITV companies such as Zenith and Euston Films have an advantage over ITV parent companies in that their residuals are calculated on the anomalous basis of them being film production companies rather than television producers and are consequently smaller). The question of residual payments to creative personnel following sale of a property in additional markets is an important influence on ITV company strategy and has led to the anomalous situation of the BBC receiving a fee for the relay of its programmes by cable in Belgium and the ITV companies declining to accept a fee because of their consequential liability to pay residuals.

Programme Format Sales

Thames Television has developed further methods of exploiting its intellectual property assets. The BENNY HILL SHOW, a product that has enjoyed considerable longevity in Britain (and of which therefore, there is an extensive archive) is re-edited into 22 1/2 minute units and sold to the US syndication market for stripping. New BENNY HILL SPECIALS produced in and for the UK are sold to Home Box Office for its satellite/cable pay TV service on an exclusive basis for 18 months. The rights then revert to Thames Television, the shows are re-edited into a

different time format and are sold to the syndication market for stripping. The US syndication market demands high volumes of programmes so that a stable schedule can be constructed and audiences know that, for example, M*A*S*H* will be screened at 7pm on Thursday evenings. British programming is characteristically not made in sufficient volume for 'stripping' in this way and however high the quality of individual programmes or short series their lack of volume makes them unattractive in the most important US markets. Thus a series such as FAWLTY TOWERS made in a dozen episodes is attractive only to PBS in the United States.

Thames has developed further successful strategies for exploiting its intellectual property in the US Television market and has sold a series of 'formats' to US producers. The original British situation comedies KEEP IT IN THE FAMILY, MAN ABOUT THE HOUSE, ROBIN'S NEST and GEORGE & MILDRED have been transmuted for the US market into new sitcoms TOO CLOSE FOR COMFORT, THREE'S COMPANY, THREE'S A CROWD and THE ROPERS which have enjoyed considerable success. THREE'S COMPANY being the most successful comedy in syndication topping the sweeps in February, May, July, November 1984 and in February 1985. The success of the American format clones has provoked Thames to sell the British original versions of the sitcoms to US broadcasters under the title, THE THAMES COMEDY ORIGINALS, which are advertised as: '156 half-hours for strong, cost effective stripping'. Thames has also established

a Californian production company; Grand Central Productions as a 50/50, joint venture with its long standing US distributor, D. L. Taffner. Grand Central Productions proposes to make programmes for six principal US buyers; Home Box Office, Showtime, the syndication market and the commercial networks ABC, CBS and NBC. Thames explicit equity stake in Grand Central Productions is a novel initiative in its North American operations which have customarily been through companies in which it takes no equity but a share of profit.

The Profitability of Overseas Sales

Sales to overseas markets is likely to continue as an important element of British television companies' activities. The BBC is unable to continue its existing activities and levels of employment at the current levels of its licence fee revenue and is actively pursuing revenue raising activities including publishing, the sale of information from its archive a more vigorous exploitation of its programme stock by BBC Enterprises. The relationship between average and marginal costs in television programme production is such that sales of programmes to small overseas markets for low prices may still realise very high profits in relation to the costs incurred. A hypothetical example will clarify this argument. A programme may be produced at a cost of £200,000. Much, if not all of this cost of production will be defrayed from revenues accruing in the UK home

market (whether from the sale of audiences to advertisers or from licence fee receipts). The cost of printing an extra copy of a film or dubbing an additional copy of the programme onto video tape is nugatory compared to the 'first copy' costs against which all production costs (except those of making an additional copy -- little more than the cost of a video cassette or the charges of a film laboratory) may be allocated. Indeed, the customary practice of the ITV companies is to write off costs in the UK. Thames TV's formula is representative of the ITV companies' practice:

"The cost of own productions and film rights is wholly written off on first transmission within the United Kingdom"
(Thames Television Report & Accounts)

To the marginal cost of making a second film or video cassette for sale in additional markets must be added the costs of promotion, residual payments to actors and other personnel, marketing and sales. These may be considerable. In 1984 BBC Enterprises incurred the following costs:

Sales	£13,715,986
Distribution	£6,671,379
Administration	£4,379,609
Interest	£1,107,225
TOTAL	£25,834,199,

in effecting a turnover of £31,414,923, and a pre-tax profit of £5,852,173 (Source BBC Enterprises Report & Accounts).

However, it is likely that many of the costs incurred by BBC Enterprises do not vary proportionally with turnover and profit

will rise more than proportionally with each additional sale. Thus even markets in which low returns are realised may - once 'first copy' costs have been defrayed in the home market - be highly profitable.

THE UNITED STATES MARKET

A consequence of the profitability of foreign sales of television programmes and the relatively uncompetitive nature of the domestic market (in which there is a very indirect relationship between consumption and audience size on the one hand and revenues and profitability on the other) is a tendency to tailor programming to the requirements of overseas markets; and in particular to the requirements of the largest and potentially most rewarding market of the United States. This tendency is one that is, in the commercial sector, relatively satisfactorily controlled by regulation, (though whether it should be an aim of regulators to control it or deny British audiences Americanised programmes for which a consistent liking has been demonstrated is another question). The IBA (Independent Broadcasting Authority) in 1981 declined to renew the franchise of ATV (Associated Television) to transmit programmes and sell television advertising in the Midlands region of England. ATV had a long history of producing evidently 'mid Atlantic' programming such as the series BARON, THE PROTECTORS, MAN IN A SUITCASE. ATV's

application for re-appointment to the Midlands commercial TV franchise stated: 'The outstanding performance of the corporation as a dollar earner has led to three Queen's Awards for Exports, while two subsidiaries have also received individual awards for export achievement. And the pull of the United States market remains a potent one; the predominance of high budget costume drama in British companies output is likely to be related to the evident PBS market for 'quality' television of this order.

But there are characteristics of the British and American markets that are difficult to reconcile. The United States market demands (outside PBS) a high volume of product for 'stripping' - there are very few British programmes that meet this requirement (DR WHO and BENNY HILL do and have been successfully sold to the US syndication market), though ATV with programmes such as THE PRISONER and THE MUPPET SHOW attempted to develop British product in volumes suitable for stripping. Rather the programme form that is perhaps most successfully 'amphibious' in both markets is the mini series. Much of the drama output sold to PBS for screening under Mobil Oil's sponsorship as MASTERPIECE THEATRE or MYSTERY! has been of this kind and characteristically commands prices of between \$100,000 and \$200,000 per hour. Pre-sale agreements with Mobil enabled Thames Television to proceed with its expensive RUMPLE OF THE BAILEY and REILLY: ACE OF SPIES productions (REILLY cost £4.5m for 12 1/4 programme hours; revenue from the PBS pre-sale accounting for perhaps 20% --

depending on how the \$/£ parity is calculated -- of its budget. The sale of Canadian Francophone rights -- an audience of circa 8 million -- realized \$16,000 per hour for Thames) and such agreements have become of increasing importance to UK producers. Indeed Central Television's daughter company, Zenith, (set up after the successful trans-national mini series production KENNEDY) receives a maximum of 50% of its production budgets from the parent company. The requirements of the IBA and institutional amour-propre are such that few UK producers will admit to any relationship with co-production partners other than British autonomy and control or to any tailoring of cast or productions to foreign markets. But the quantity of co-production and joint ventures and importance of foreign markets is such that it is unimaginable that the anticipated requirements of the most important market, the USA, has no impact on editorial and creative decisions.

The joint venture, co-production phenomenon is a two-way street; a number of US series owe their continued existence to their success in the UK market and TV World testifies to the need of US producers for foreign partners and the power of co-producers:

"What were co-financing deals in years past are now becoming fully fledged international co-productions today. The US and European partners involved are not only sharing production costs but more than that, there's a shared creative role in the project as

well. At least for us its no longer a case of a major studio saying to a foreign partner "Give us your money but don't open your mouth". The foreigners want to be part of the editorial creative process and on that side they're playing a greater role than ever before."

(Lawrence Gershman, President, MGM/UA TV Group, quoted p. 12, TV World, London, August 1985).

To be sure the two way street carries a disproportionately high proportion of heavy US traffic but the flow is two way. No market in the world can now consistently support the cost and volume of production necessary to supply its domestic market. The United States long standing comparative advantage in audio visual media production has depended crucially on the size of its domestic market. The command of a high-income market of circa 250 million people, in general resistant to import penetration, has enabled US film and TV producers to invest very large sums in production budgets, recoup these investments in the home market and sell very high quality, high production values product at marginal cost in foreign markets.

Producers have customarily been able to recoup costs in the US market by licensing a network for two screenings of an hour of programming. However this equilibrium is being disturbed as the production costs of US television series rise and the ability of broadcasters to pay declines. Broadcaster's ability to pay is

declining as competition (most importantly with the challenge to the three networks' hegemony by the 'fourth network' Fox and independent stations grouping into syndicates) becomes more effective and as advertising revenue declines. The networks prime time share of the US audience has declined to below 75% (from 90% at the beginning of the 1980s) and advertising revenues fell in 1985 by 2.6% prime time slots 'that commanded over \$100,000 two years ago is now selling for under \$95,000' (Financial Times 12 9 86 p24). A representative example of production cost inflation is the US series, MIAMI VICE. Each episode of MIAMI VICE costs \$1.2 m of which \$850,000 is covered by NBC's network licence fee. (Business Week, 11.2.85, p.77).

NBC, and the other US TV networks, ability to pay \$850,000 in licence fees is likely to continue to decline.

As other terrestrial broadcasters (Rupert Murdoch's FOX/METROMEDIA is the best but far from the only example) augment their audiences, share of advertising revenue and ability to pay for programming at the expense of the networks and Pay Services (whether delivered by satellite, cable or video) grow the networks ability to pay high programme licence fees decline. Grieve Horner project a trend of continuing network decline:

Share of Viewing Hours by Television Provider

Year	1975	1981	1986	1991
Networks	84	75	67	56
Independent and PBS	16	22	22	23
Pay		2	7	13
Non pay cable services		1	3	7

(Grieve Horner, undated, p.4)

As the long period of network oligopoly in the United States draws to a close the market structure of the United States will approximate to a model of a plurality of middle sized distributors each disposing of licence fees for programmes lower than those affordable by ABC/CBS/NBC in their heyday. This change in market structure is likely to create increased opportunities for non US producers to sell into the US market. If the attrition of the networks' share of audiences and revenues continues to be faster than growth in aggregate revenues then the revenue pool will be shared more evenly among a greater number of players with each player commanding less resources than do the biggest current players. The ability to pay for the production costs of an episode of MIAMI VICE will decline. But the ability of a greater number of players to pay intermediate prices for programming will rise. In this new regime where very high cost programming may no longer be afforded and in which demand and ability to pay for low- to mid-cost programming increases, there

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may well be increased opportunities for sales to the USA by foreign producers. Increases in US distribution capacity (through licencing of new terrestrial broadcasters and satellite and cable delivered Pay TV) and re-distribution of advertising revenue among broadcasters are likely to diminish the comparative advantage of a strong home market resistant to foreign products long enjoyed by US film and TV producers.

There are of course counter indications to this scenario: the merger of a network, ABC, with one of the principle independent groups, Capital Cities Communications (see Philadelphia Inquirer, 19.3.85 p.1), to form the US' largest broadcasting group suggests that other resolutions of this contradiction are possible.

Accordingly the phenomenon of KENNEDY is likely to become more widely generalised. (A production by a British company with a British script made in the United States with United States actors and crew).

For the future it may be anticipated that British producers will continue to successfully penetrate foreign television programme markets. It is likely that they will do this in conjunction with foreign co-production partners and that, particularly if successfully alliances are concluded with established producers for the US networks, sales to the US

networks will become established. The agencies through which these productions are launched are likely to be daughter companies of the ITV companies and independent producers rather than the ITV companies themselves. Many of these independent production companies and daughter companies will be located outside the UK as production and consumption of television programmes become more and more international. It makes little sense to ask whether KENNEDY, STAR WARS, FINNEGAN BEGIN AGAIN or MURDER IN SPACE, are British (or American or Canadian) productions (or, in another medium, to ask whether The Economist is British; or the Frankfurt or New York editions of The Financial Times are British). It will make less and less sense to ask that question about more and more television programmes. Culture and cultural production are international phenomena, and the political institutions of the nation state are highly imperfect tools through which these practices and activities can be controlled and regulated.

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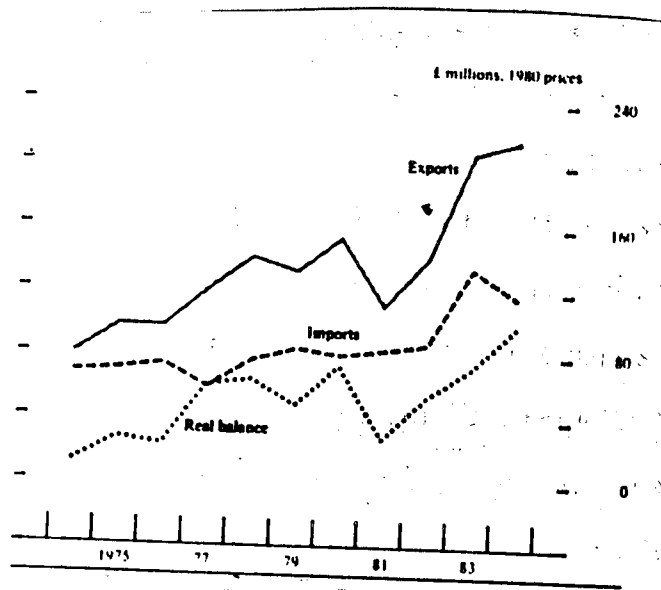


Figure I

Films & television: UK service earnings and payments