



OPERATING EUROVISION AND EURORADIO

**DATE**

7 January 2021

Professor MacCraith  
The Future of Media Commission  
Ireland

**EMAIL**

[REDACTED]

**SUBJECT**

*Commission's Public Consultation on the Future of Media in Ireland*

Dear Professor MacCraith,  
Dear Commission,

The European Broadcasting Union is the world's leading alliance of public service broadcasters, comprising 116 organisations in over 56 countries (see Annex 1).

We write with respect to the Commission's Public Consultation on the Future of Media in Ireland, and the question of how public service media in Ireland might be financed sustainably in the future. More specifically, we respectfully share our thoughts on the current funding model for RTE, drawing upon our experience of different systems and reform processes across Europe.

*The Context*

During the ongoing covid crisis, PSM all over Europe rose to the challenge, providing citizens with crucial information, educational and social support and inspiring entertainment. We saw viewership up 20% on average across our members (including a 40% increase among the younger demographic) as PSM rushed to react and adapt schedules, formats and production methods to ensure continuity of service. Never before has the core purpose of, and reason for, PSM been so defined: as a trusted source of objective and impartial information; a reliable provider of high quality and cultural content; a guardian of pluralistic and minority views; above all, as a reference point in times of national crisis.

It is more important than ever to nurture and maintain a strong and trustworthy PSM able to reach out to and include the whole of society. Yet PSM's existence and sustainability continues to be under serious threat in many of our member countries. This is in part due to multiple extraneous market pressures, including global platforms able to compete without limit in national European markets, the collapse of advertising revenues and technological changes that threaten to bury public service content online. But the greatest threat to many of our members continues to be inadequate and/or unstable funding, putting at risk the long-standing and successful dual system of broadcasting in Europe (public and privately funded) and the promotion of media pluralism and democratic values in society (see Annex 1).

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## Challenges in Ireland

The public funding of broadcasting in Ireland in particular has been a serious concern of the EBU for some time, taking into account the 2007/8 financial crisis, exacerbated by a very high licence fee evasion rate (one of the highest in Europe, see Annex 2), an obligation to pay that is now outdated and a relatively inefficient and expensive collection process. The result is an RTE that is chronically underfunded and under-resourced, as is TG4 as well.

For PSM to thrive again in Ireland, there must be a virtuous circle of: stable and adequate funding and its efficient use; investment in objective news, information and high-quality content; and a public perception of a strong democratic/cultural/social function in society that encourages citizens to contribute.

The EBU has long endorsed the licence fee as the optimum model for the funding of PSM. It is relatively stable (compared to, for example State budget or commercial funding) and relatively independent from political interference. It also creates a connection between viewer and PSM which is crucial in building the trust and accountability PSM should embody. So, where a licence fee system is working and remains effective, the EBU would not advocate any change. However, where the system is patently no longer delivering, due for example to serious structural flaws and/or a public resistance to pay, other models and solutions must urgently be considered.

It was exactly with these scenarios in mind that the EBU published its Public Funding Principles for PSM, a set of non-binding principles to assist EBU members, authorities and governments in considering and assessing current and future PSM funding models (see Annex 3).<sup>1</sup> The Principles were envisaged as a guide and benchmark against which different funding models can be measured and compared:

- Stable and adequate;
- Fair and justifiable;
- Independent from political interference;
- Transparent and accountable.

## EBU Public Funding Principles for PSM and the funding of RTE

The provision of a PSM service and the production of PSM content require high levels of investment and long-term planning. A PSM's main cost drivers are determined by the scope of the public interest remit, which, in addition to the high production value of sports and entertainment content, always includes the obligation to produce quality news, as well as diverse culturally and socially relevant original programming). In order to stay relevant, PSM needs adequate funding to be able to plan, innovate and create on all platforms.

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<sup>1</sup> [https://www.ebu.ch/files/live/sites/ebu/files/Publications/EBU-Legal-Focus-Pub-Fund\\_EN.pdf](https://www.ebu.ch/files/live/sites/ebu/files/Publications/EBU-Legal-Focus-Pub-Fund_EN.pdf)

As mentioned above, the EBU advocates the licence fee model as the preferred funding mechanism for PSM. It may not always be the optimum solution for countries that have never had one (eg in central and Eastern Europe) because the introduction of a licence fee system from scratch requires enormous effort, expense and a social/cultural buy-in. But where a licence fee system already exists, the EBU always advocates to maintain it, albeit with any necessary modifications to make it a truly effective system of funding. Where licence fee systems are instead dismantled (as regrettably was the case in eg the Netherlands and Denmark), all the clear benefits of licence fee funding model (independence, stability, connection of the audience) are lost for good. Those countries that have nevertheless followed this path have critically undermined the crucial role of PSM in society, to the significant detriment of their own citizens in the long run.

We understand well that in Ireland the existing licence fee mechanism is not fit for purpose given in particular the very high levels of evasion (among the highest in Europe, see Annex 2), an inefficient and costly collection process by post offices (see Annex 2) and the current possibility to receive PSM content online without paying the fee (given it is triggered by the possession of a TV/radio device alone). Each one of these issues alone would justify a thorough reconsideration and reform of the existing system.

### Reforming PSM funding in Ireland

Firstly, the licence fee model must be an **up-to-date and relevant** one. A system based on the ownership of TV/radio alone does not fit with how broadcasting access is accessed today, particularly among the younger generation. Not only is public perception issue, but more vitally a large section of society is now able to access PSM content online in Ireland, without attracting any obligation to pay. Germany recently addressed this loophole with a fundamental reform of the system, whereby every household was deemed able to access PSM content on some sort of device (whether traditional linear device or a connected device, such as a phone or ipad etc). On this basis, a fee is now paid by each and every household (and business), based on an accurate database of property ownership/residency (subject to specific social exemptions and reductions).

The **collection mechanism** of the fee in Ireland is also a serious cause for serious concern, currently resulting in one of the highest evasion rates in Europe. The EBU advocates collection mechanisms (and any accompanying enforcement procedure) that are effective, low cost and mindful of local cultural and social factors. Collection by the post office has been shown to be one of the least efficient and effective means (see Annex 2) and the existing process in Ireland therefore needs urgently to be addressed. There are a number of different models in place across Europe, but it may be said generally that mechanisms are more efficient and cost effective if the payment is taken automatically (which also largely removes the need for any sanctions and complex enforcement mechanisms). For these reasons, tax authorities can be a good agent (noting that collection by any private company like a telecoms or electricity provider is generally not advised, given that they might have limited interest in effective processes, and may even be competitors). Where tax authorities collect the fee (eg France and Finland), it is preferable that it is kept in a separate and

independent fund for PSM (as for example, in Finland), and not paid into any central state budget.

Finally, it should also be mentioned that in any reform of the PSM funding system, close attention should be made to **how the level of the fee is set**, which should be according to objective and independent parameters based not on politics but cost and role. The EBU's PSM Funding Principles of Independence from Political Interference and Transparency/Accountability are most relevant in this regard.

Each country has its own unique constitutional framework, but a typical structure for setting the level of the fee might involve a body of experts (independent of parliament and of the broadcaster's management) assessing the cost forecast proposed by the broadcaster to fulfil its public service remit (e.g. the KEF in Germany or the Broadcasting Council in Switzerland). This independent body challenges the broadcaster's assessment and ensures that a rigorous analysis of expected costs is carried out (incorporating appropriate efficiency goals), before making a final budget recommendation to the government (or parliament).

In Ireland, we understand the BAI has a statutory duty to review the adequacy of PSM funding every 5 years in detail. Its appointments mechanism and internal governance procedures provide the requisite degree of independence from either political or commercial interference. It is notable that the BAI most recently recommended a significant increase in PSM funding, based on an independent consultant report of 2018 and recognising that *"the current levels of funding are not sufficient to sustain the reach and impact of the current provision, let alone allow the broadcasters to evolve in such a way as to adequately fulfil their statutory remit in servicing Irish audience."* Unfortunately, this recommendation was not taken up by the government and RTE continues to struggle. There can be no effective funding of PSM in Ireland if such independent recommendations are not followed.

Naturally, in connection with any such development, Irish public service media themselves have their own responsibilities in the good use of public money. The onus is always on PSM to clearly demonstrate a high level of efficiency and effectiveness in the use of public funds. They must be fully accountable to their ultimate owners, the public, which is directly linked to the social acceptability of the system and the perception of fairness. The conditions BAI attached to its recommendation for increased funding in 2018 appear central to this objective.

### Conclusion

In summary therefore, the EBU would advocate a **move to a household fee model in Ireland** (including reasonable social exemptions and reductions), with all the structural modifications and reforms set out above to ensure a robust and effective system. For the avoidance of doubt, a voluntary pay system - or some other kind of subscription-based PSM - would be the first of its kind in Europe and would not in our view constitute PSM at all. The PSM viewer is a citizen, not simply a consumer - PSM content is tailored to reach and include all, not just the fee-paying few.

In parallel with our comments on the fundamental issue of PSM funding in Ireland, it is incumbent on the EBU when discussing the future of PSM in Europe to mention the paramount importance of effective regulation to ensure the prominence and findability of PSM services. Future indispensable gateways for reaching European citizens with broadcast content are controlled by global giants and competitors that have little interest in preserving the universality of PSM content. The recently revised Audiovisual Media Services Directive (Article 7a AVMSD) provides Member States with a hook to implement national rules to oblige online platform operators to ensure the findability of general interest content. The EBU can only exhort all national administrations to do so as a matter of urgency in the interests of democratic, pluralistic and free European society (see Annex 4).

We would be delighted to discuss any of these topics and the wider PSM review personally with you whenever convenient.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Richard Burnley', with a long horizontal flourish extending to the right.

Dr Richard Burnley,  
**European Broadcasting Union**  
**Legal and Policy Director**



**EBU**

OPERATING EUROVISION AND EURORADIO

# THE VALUE AND FUTURE OF PUBLIC SERVICE MEDIA

## ANNEX 1

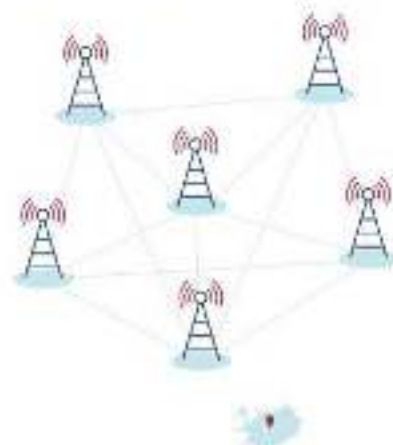


# THE EBU COMMUNITY IN NUMBERS

The European Broadcasting Union  
is the world's leading alliance  
of Public Service Media



## COMPOSED OF



**116**  
MEMBER  
ORGANIZATIONS

IN **56**  
COUNTRIES



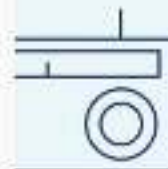
## OPERATING

**485**



TV CHANNELS

**710**



RADIO STATIONS

**555**



LOCAL WINDOWS



**1174**

ONLINE SIMULCAST  
CHANNELS AND STATIONS



**239**

EXCLUSIVE ONLINE  
LINEAR SERVICES

## PROVIDING CONTENT IN



**162**  
LANGUAGES

## TO A POTENTIAL AUDIENCE OF

**1.05**

BILLION PEOPLE





# **OUR PURPOSE**

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**Serve our Members' needs, support their transformation and promote their unique values as well as their contribution to European society, culture and democracy.**



# **WHAT WE DO**



```
graph LR; A((VOICE OF PUBLIC SERVICE MEDIA)) --- B((CONTENT PARTNER)); B --- C((HUB OF KNOWLEDGE, EXPERTISE & TRAINING)); C --- D((NETWORKING & ALLIANCES FACILITATOR))
```

**VOICE  
OF PUBLIC  
SERVICE MEDIA**

**CONTENT  
PARTNER**

**HUB OF  
KNOWLEDGE,  
EXPERTISE &  
TRAINING**

**NETWORKING  
& ALLIANCES  
FACILITATOR**





**PSM &**

**JOURNALISM**

# PSM INVEST MASSIVELY IN NEWS

PSM SPENT

**EUR**

**5.5**

**BILLION**

IN NEWS AND  
CURRENT AFFAIRS  
ACROSS THE EBU AREA  
IN 2019



Note: EU28 data is EUR 5.1 billion.

Estimate covering 60 PSM organizations in 44 markets having provided programming expenditures.

Based on breakdown of programming expenditures by genre provided by 33 PSM organizations in 28 markets. 2019 data, except when not available 2018 data were used.

Source: EBU based on Members' data.

EBU Media Intelligence Service – Public Service Media and News 2020



# PSM IS EUROPE'S LARGEST NEWSROOM



PUBLIC SERVICE MEDIA  
DIRECTLY EMPLOYED

**40 000+**

JOURNALISTS  
ACROSS EUROPE  
IN 2019

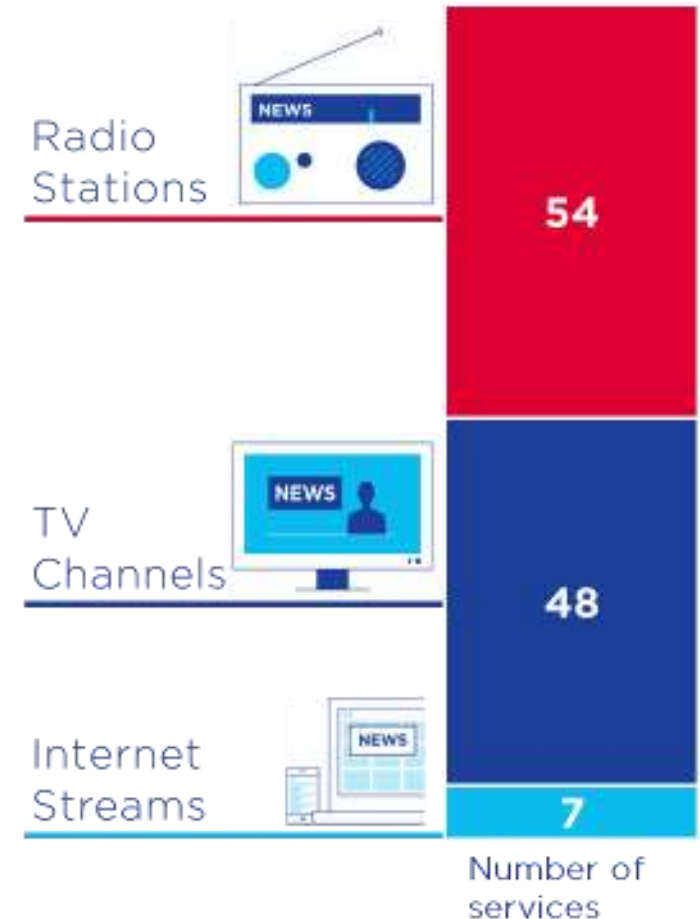
Notes: Data based on 50 PSM organizations in 38 markets. Includes PSM permanent and non-permanent journalists. Freelancers not included.  
The definition of a journalist greatly varies from one market to another. 2019 data, except when not available 2018 data were used.  
Source: EBU based on Members' data.

EBU Media Intelligence Service – Public Service Media and News 2020

# PSM OPERATE NUMEROUS LINEAR ALL-NEWS CHANNELS

# 109

LINEAR  
TV AND RADIO SERVICES  
AND INTERNET STREAMS  
DEDICATED TO  
NEWS AND CURRENT AFFAIRS  
OPERATED BY EBU MEMBERS



Notes: Linear services only, including national and international services, excluding regional/local windows.  
Internet streams are linear services distributed only over the internet include 3 radio and 4 TV streams (and do not include on-demand services).

Note: Based on all EBU PSM Member organizations, 2020 data.

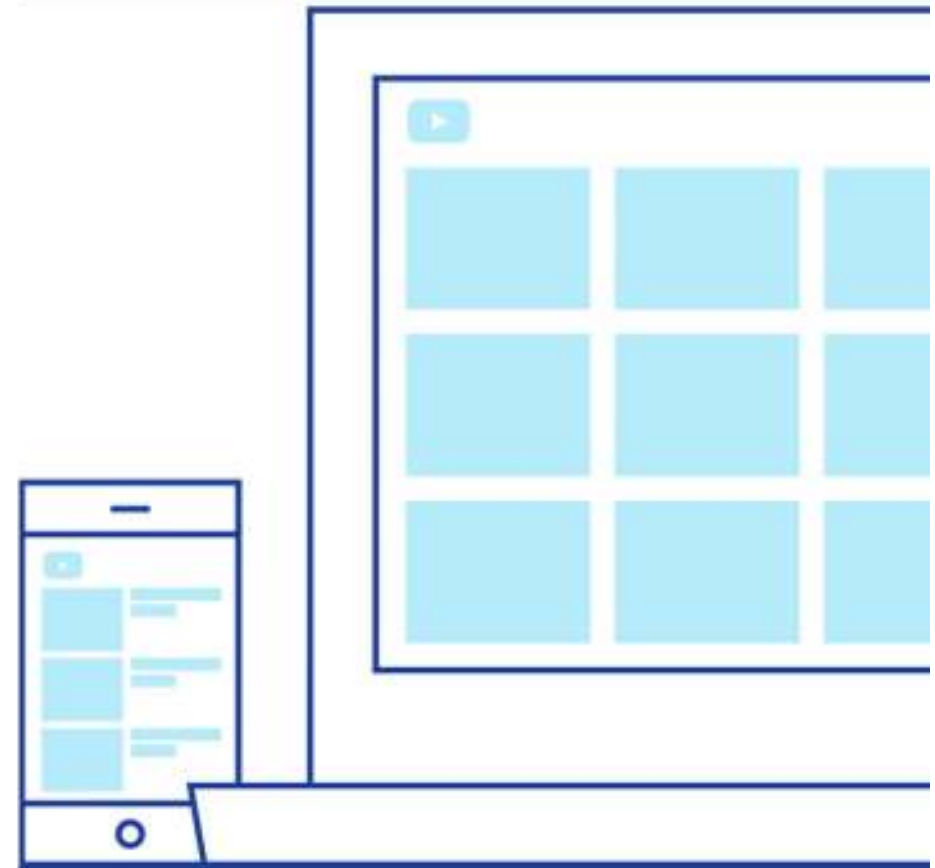
Source: EBU based on Members data.

EBU Media Intelligence Service – Public Service Media and News 2020

# ALMOST ALL PSM OFFER AN ONLINE NEWS SERVICE

95%

OF PSM  
OPERATE A  
DEDICATED  
ONLINE NEWS OFFER



Note: based on 43 PSM in 37 markets. 2020 data.

Based on the question "Do you have an online offer dedicated to news?". An online offer can be an online page, an app, a website, etc.

Source: EBU based on Members data.

EBU Media Intelligence Service – Public Service Media and News 2020



# PSM ONLINE NEWS FOR CHILDREN AND YOUTH

41%

OF PSM HAVE  
AN ONLINE NEWS OFFER  
DEDICATED FOR CHILDREN



34%

OF PSM HAVE  
AN ONLINE NEWS OFFER  
DEDICATED FOR YOUTH



Note: Data based on 41 PSM in 35 markets. 2020 data. Youth defined as 15 to 24 year olds or similar.  
Based on the questions "Do you have an online news offer specifically dedicated to children?" and "Do you have an online news offer specifically dedicated to youth/young adults?"  
Answers "Yes, online-only brand" and "Yes, under the umbrella of a linear brand" counted as dedicated offers.  
Source: EBU based on Members data.

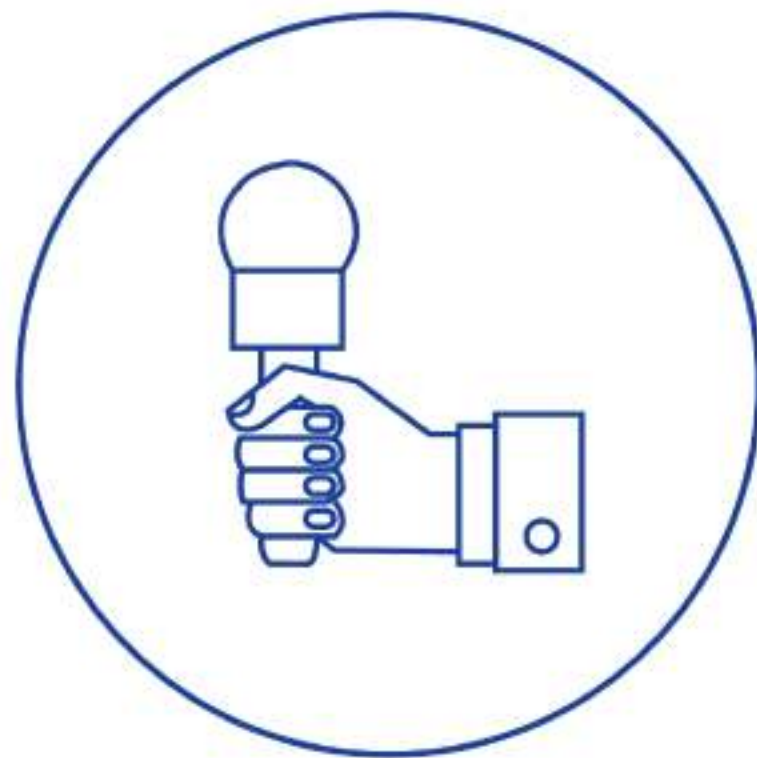
# Reach of PSM evening news **up to x2.5** the average during peak days of COVID-19 crisis

in the most affected markets, on days where key announcements were made; declared state of emergency, restriction of movements, etc.



# Citizens turning more to PSM evening news in times of crisis:

daily viewing **+20%**  
on average

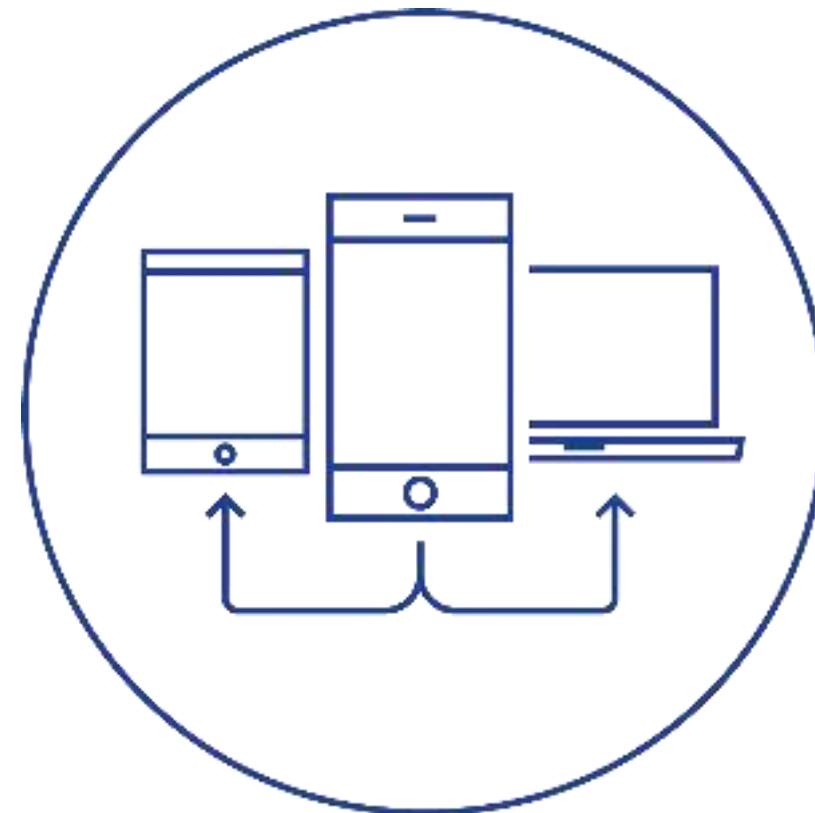




**Young citizens  
turning more to  
PSM evening news  
in times of crisis:**  
daily viewing **+44%**  
on average



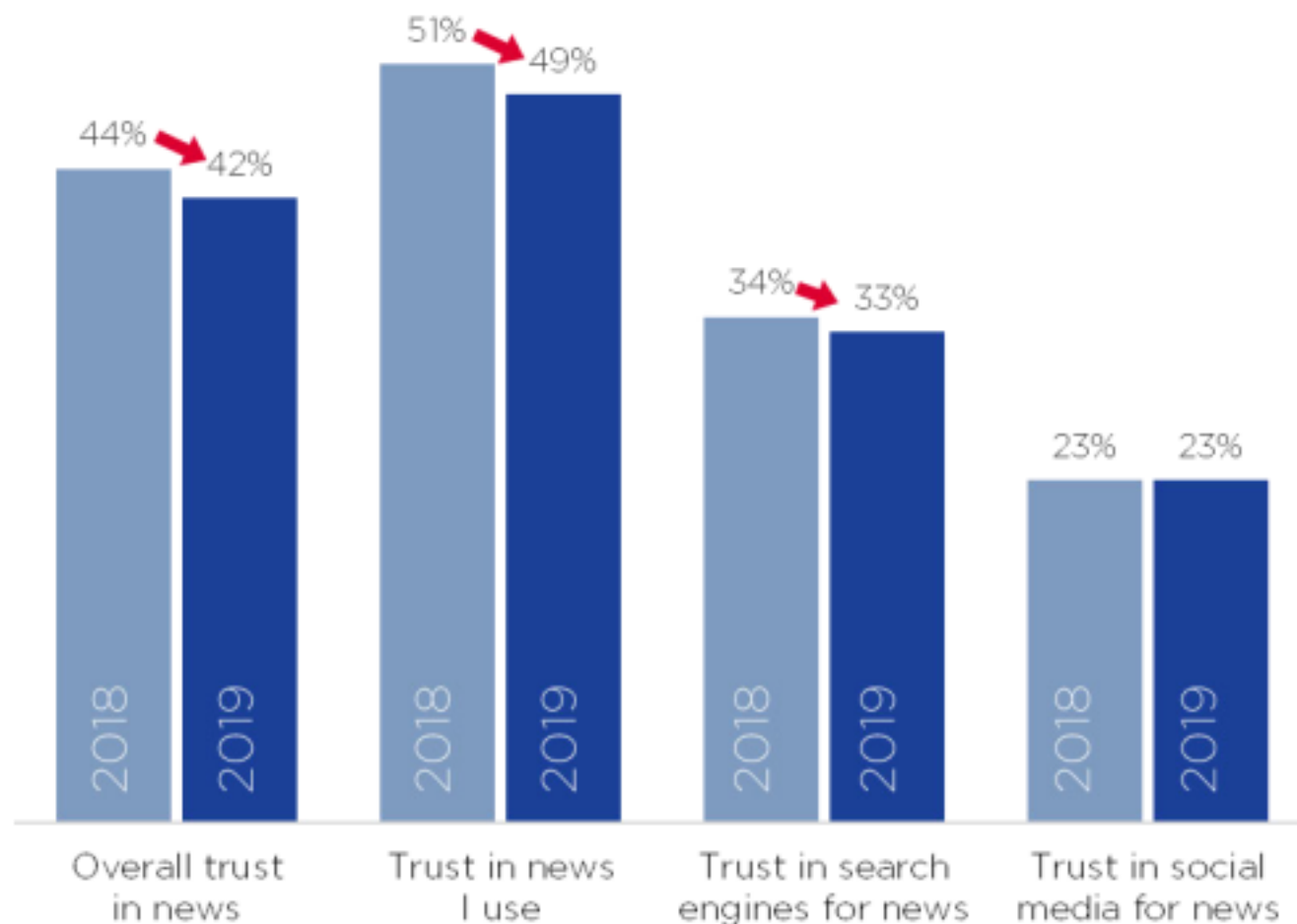
**PSM news websites'  
daily reach **up x2.6**  
as citizens turn to  
trusted online news  
sources during  
COVID-19 crisis**



Source: EBU based on Members' data from 20 organizations.  
PSM's news content websites - Average daily unique visitors for March 2020 versus January-March 2019

# SEARCH AND SOCIAL PLATFORMS ARE LITTLE TRUSTED NEWS SOURCES

## TRUST IN NEWS WORLDWIDE



- Trust in news is in decline: overall trust in news is down 2 percentage points compared to the previous year, and trust in the news people themselves use is falling below 50% in 2019.
- Trust in news found in search engines and social media is even lower, unchanged from the previous year.



# In 62% of countries across Europe **PSM** are the most trusted news brand.

REUTERS DIGITAL NEWS REPORT 2019, BASED ON 26 MARKETS.

TRUST IN MEDIA 2020, EBU MEDIA INTELLIGENCE SERVICE.



# During COVID-19 PSM were seen as trustworthy sources of information.

TRUST IN MEDIA 2020, EBU MEDIA INTELLIGENCE SERVICE.



88%

of Norwegians trust the COVID-19 coverage of NRK



86%

of German PSM TV news users rate the coverage of ARD and ZDF about the corona crisis as trustworthy – the highest attributed credibility of all media offers in the country



90%

of Czech Television news viewers consider the crisis coverage of their pubcaster as trustworthy



68%

of French people perceive information about the crisis obtained through PSM TV as trustworthy – the highest figure compared to any other news source



The  
Top 5 trusted

news sources during the crisis in the Flemish-language market of Belgium are VRT brands



The BBC is among the most trusted source of crisis news in the UK:

86%

of listeners trust BBC radio coverage. 84% of users put trust in BBC online coverage, whereas 83% of viewers trust their TV reporting



Of Irish adults 18+ who chose an RTÉ source to keep up to date with COVID-19 developments,

70%

rated one or more sources from their PSM as “very reliable and trustworthy”







# SUPPORTING CREATIVE INDUSTRIES





# PSM REACH OUT TO THE CREATIVE & CULTURAL SECTOR BY...



**PROVIDING A  
FORUM FOR  
ARTISTS**



**SUPPORTING  
CREATIVES  
IN NEED**



**INCREASING  
EXPOSURE  
FOR NATIONAL  
ARTISTS**



**STEPPING IN  
FOR CANCELLED  
ARTS EVENTS**





## INCREASING EXPOSURE FOR NATIONAL ARTISTS

### NPO ONLINE FESTIVALS



### BNR TOGETHER IN THE CRISIS



## STEPPING IN FOR CANCELLED ARTS EVENTS

### BBC CULTURE IN QUARANTINE



### RTP PALCO ONLINE STAGE





## SUPPORTING CREATIVES IN NEED

RTBF #RESTART STRATEGY



GERMAN PSM IMMEDIATE AIDS

ARD<sup>1</sup>

Deutschlandradio



## PROVIDING A FORUM FOR ARTISTS

RADIO FRANCE CULTURE DE DEMAIN

radiofrance

NPO LIEFDE VOOR MUZIEK CAMPAIGN





# EBU HAS FACILITATED COLLABORATION ACROSS EUROPE

## WE'RE IN THIS TOGETHER!

Content exchanges between  
EBU Members during  
the COVID-19 crisis



**EBU**

OPERATING EUROVISION AND EURO-RADIO



From January to May 2020



# CARING FOR

# YOUNG AUDIENCES



# EDUCATION

- **TV & Radio (inc. live and non-live, mix of new content for existing programmes new slots)**
- **Digital (on existing platforms or new spaces)**
- **Mix of newly produced content and repurposed content**
- **Communities of support for parents and for schools**
- **Close collaboration with the national Ministries of Education**





# CHALLENGES

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# 2020 RECESSION

EUROPEAN  
ECONOMIES  
WILL FACE A  
**7.1%**  
RECESSION  
IN 2020,  
THE WORST  
GDP DECLINE  
IN POST-WAR ERA.

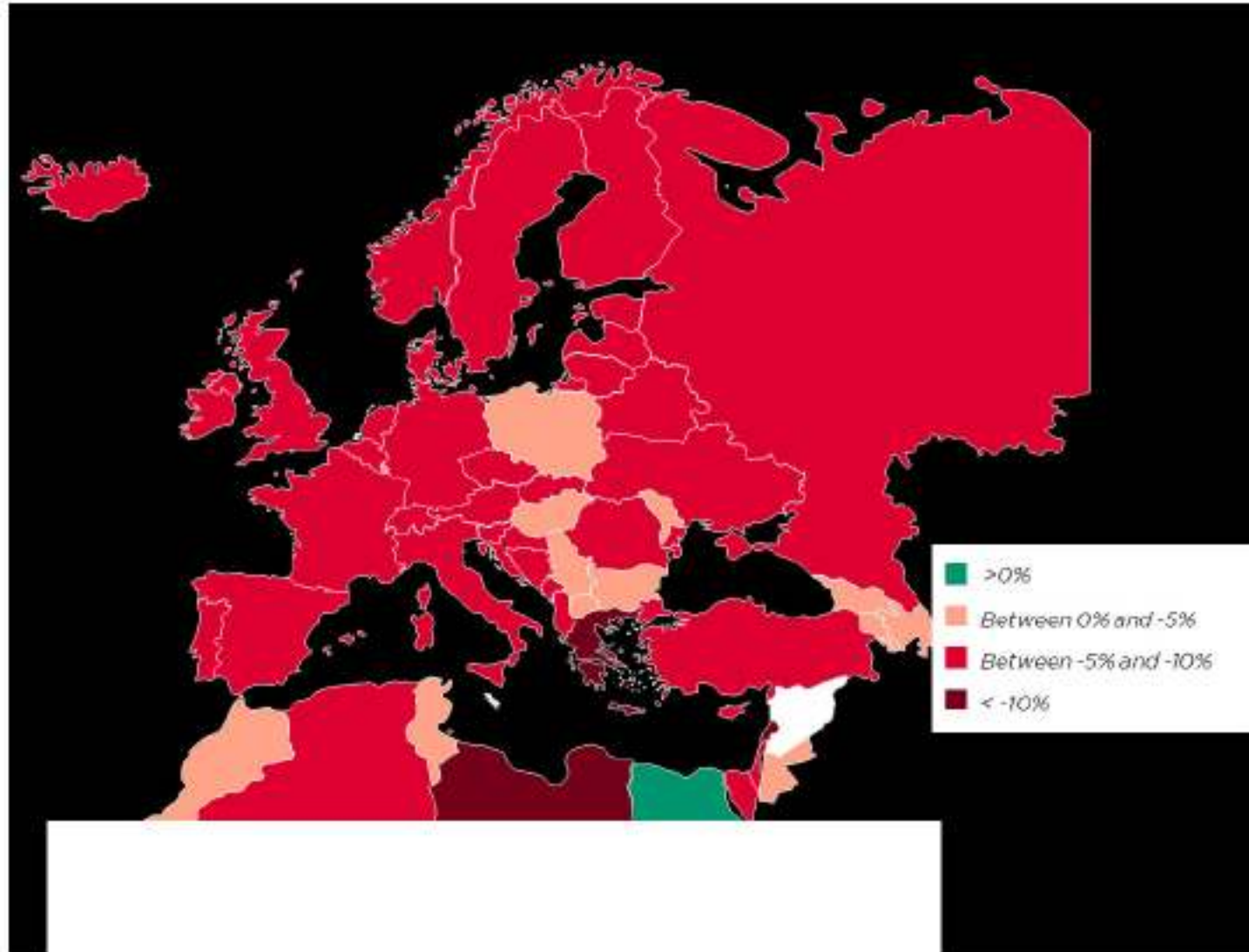
REAL GDP GROWTH  
(annual % change)



Note: European Union data based on 27 EU countries; world data based on 194 countries.  
Sources: ECU based on IMF.

# CRISIS WILL HIT ALL OVER THE EBU AREA

**70%**  
**OF EBU COUNTRIES**  
**WILL SEE**  
**THEIR GDP**  
**CONTRACTING**  
**BY AT LEAST 5%**  
**IN 2020.**



Note: based on 53 EBU countries, no IMF data for Andorra, Monaco and the Vatican.  
Sources: EBU based on IMF.

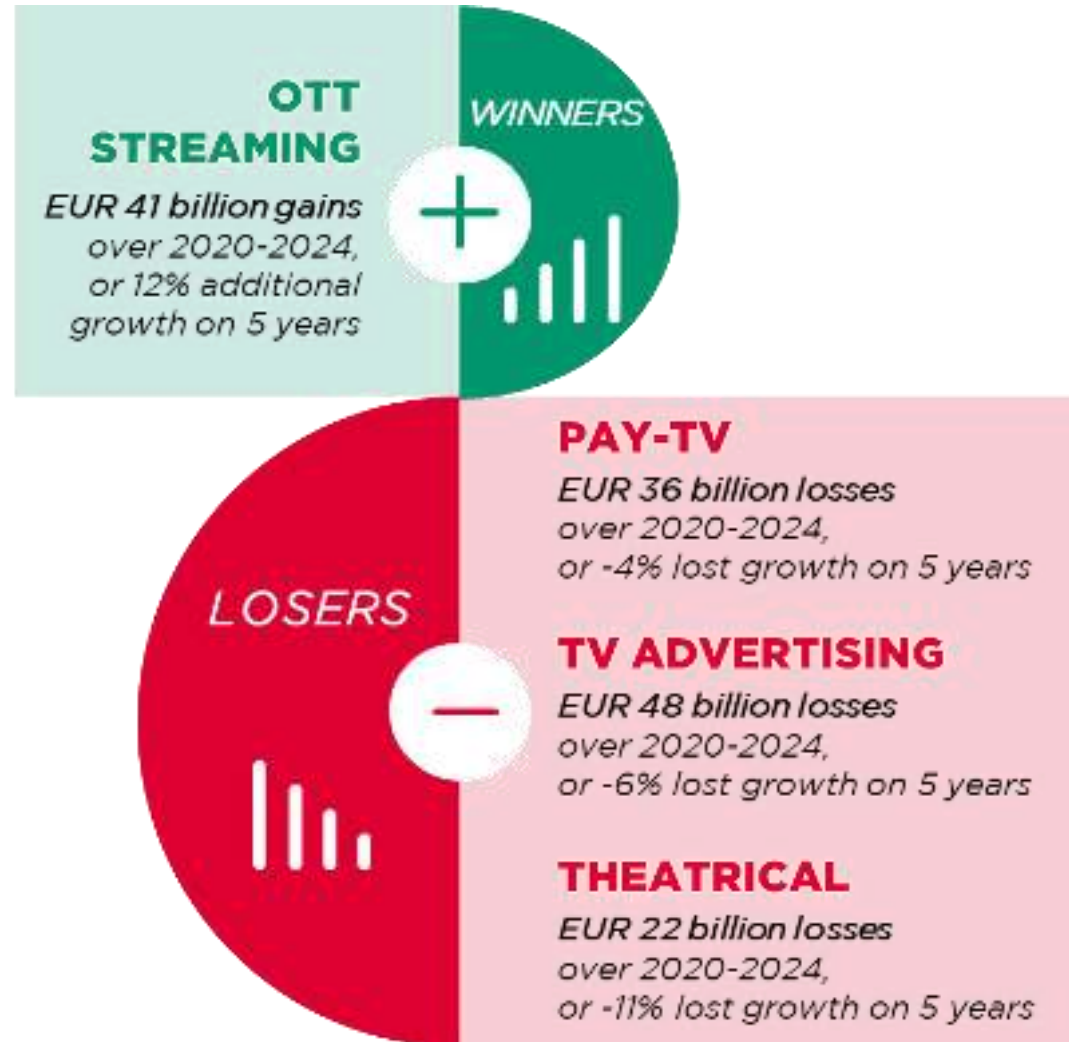
EBU Media Intelligence Service – COVID-19 Crisis: PSM Funding at Risk



# A SECTORIAL CRISIS: WINNERS & LOSERS

**OTT STREAMING PROVIDERS ARE THE UNCONTESTED WINNERS OF THE CRISIS, WHILE FTA AND PAY-TV BROADCASTERS WILL TAKE SEVERAL YEARS TO FULLY RECOVER FROM THE CRISIS-RELATED LOSSES.**

**WHAT ABOUT PSM FUNDING?**

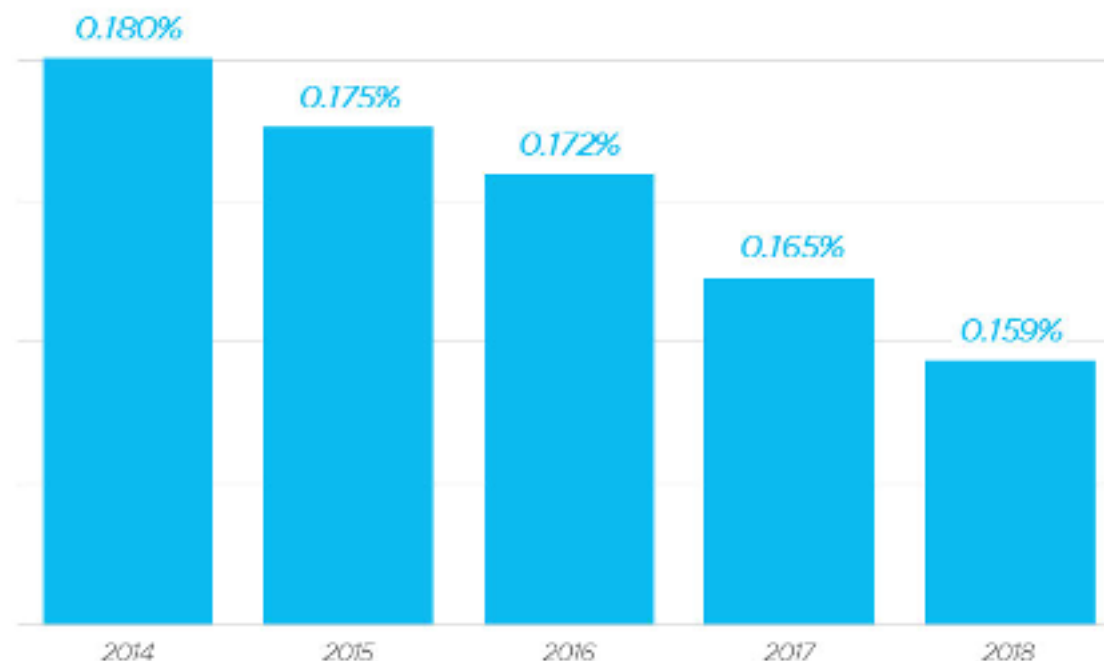


Note: data are worldwide  
Note: gains and losses calculated by comparing new forecasts 2020-2024 with pre-crisis 2020-2024 forecasts.  
Sources: EBU based on Ampere Analysis.

# ALARMING PRE-CRISIS PSM FUNDING TRENDS

**PSM FUNDING  
HAD BEEN  
STAGNATING AND  
EVEN ERODING  
IN THE PAST 5 YEARS,  
DESPITE EUROPEAN  
ECONOMIC GROWTH.**

*PSM FUNDING AS PROPORTION OF GDP IN EBU AREA  
(%, 2014-2018)*



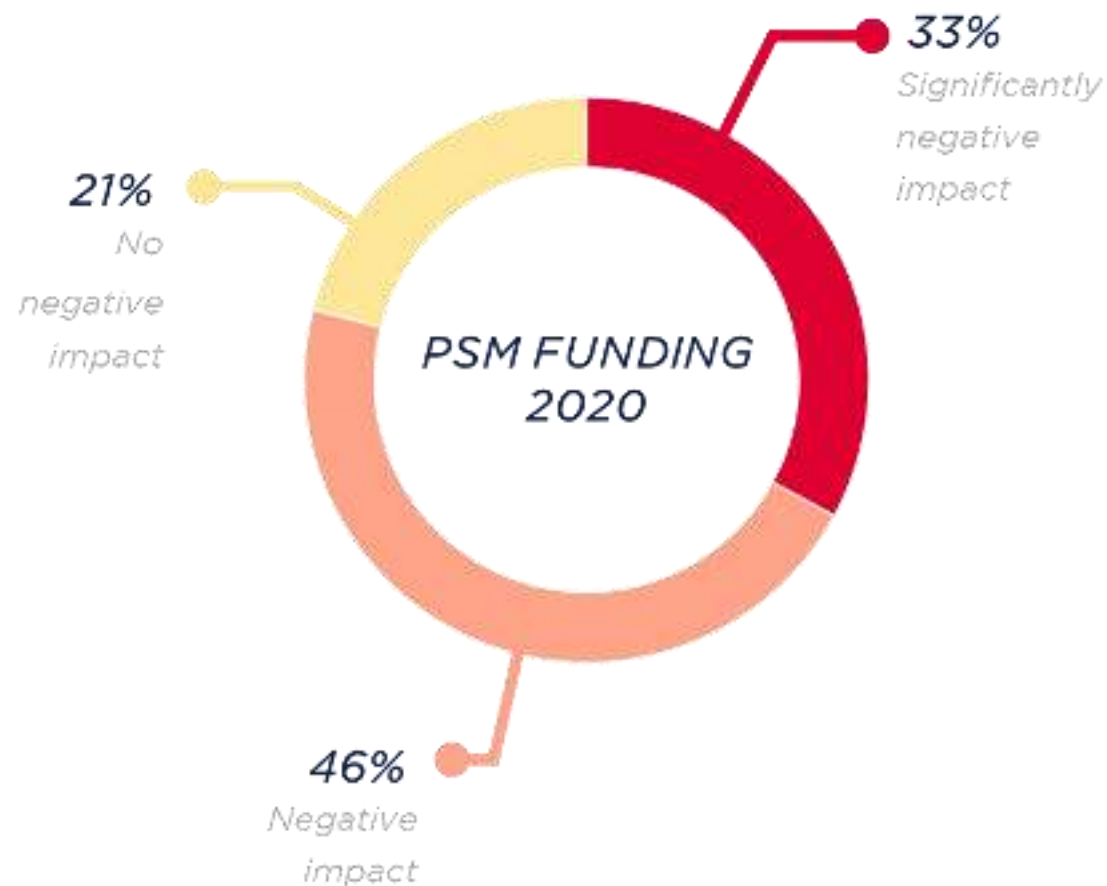
EBU GDP GREW BY 11.8% FROM 2014 TO 2018, COMPARED WITH AN UNSIGNIFICANT 0.3% INCREASE OF PSM FUNDING.

# A VARIETY OF SITUATIONS

**ONE THIRD OF PSM EXPECT A SIGNIFICANTLY NEGATIVE IMPACT OF THE CRISIS ON THEIR RESOURCES IN 2020.**

**HOWEVER, NOT ALL PSM EXPECT TO BE AFFECTED BY THE CRISIS: 21% OF PSM WILL NOT SEE THEIR 2020 FUNDING ALTERED BY THE CRISIS.**

**IMPACT OF THE CRISIS ON PSM FUNDING IN 2020**





# THE VALUE OF

# PUBLIC SERVICE MEDIA



**EBU**  
OPERATING EUROVISION AND EURORADIO

SERVICES ▾ INITIATIVES ▾ EVENTS GROUPS PUBLICATIONS ABOUT ▾ FR SIGNED IN 

# CONTRIBUTION TO SOCIETY

Executive tools to demonstrate the value of public service media

→ DIRECTORS GENERAL INTERVIEWS→ EXECUTIVE GUIDE→ CASE STUDIES→ MEASURING CONTRIBUTION TO SOCIETY



## THE VALUE OF PUBLIC SERVICE MEDIA

Demonstrating the value of public service media has never come at a more important time. To help our Members face their upcoming advocacy challenges, we have launched the Value of Public Service Media (PSM) project. Here you will find:

- A series of interviews with EBU Member directors general who are experienced in developing strategies
- An executive guide on how to effectively prepare and launch an advocacy action plan





**The future of Public Service Media strongly depends on its ability to connect with the diverse society it serves and demonstrating its value.**





# **LICENCE FEE COLLECTION IN IRELAND**

## **A EUROPEAN BENCHMARK ANNEX 2**

MEDIA INTELLIGENCE SERVICE OF THE EBU  
DECEMBER 2020



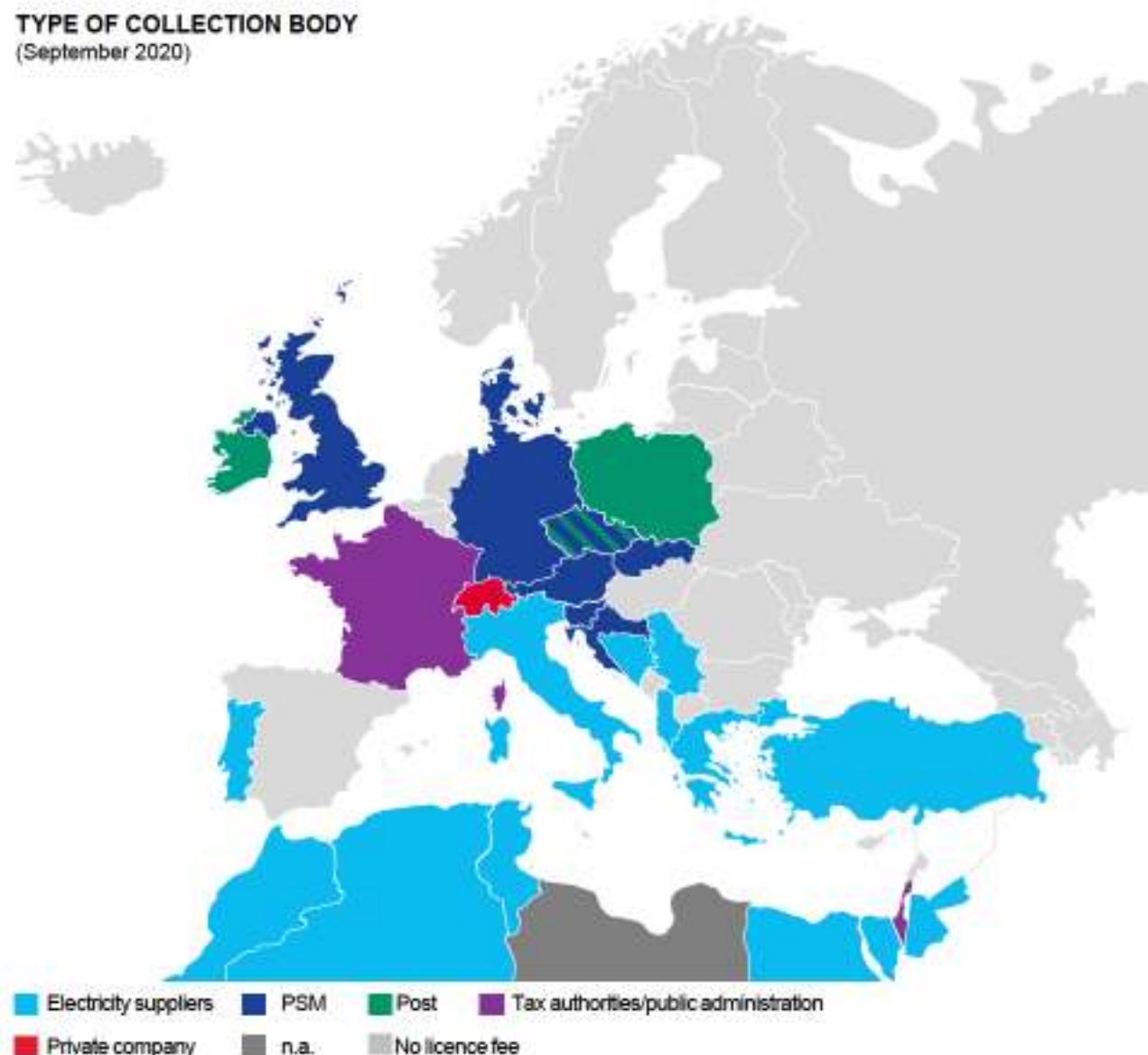
## ONLY A FEW COUNTRIES RELY ON POST FOR COLLECTION

There are almost as many collection methods as countries charging a licence fee in the EBU area.

Four main types of collection agents were active in 2020: the PSM itself, electricity suppliers, postal operators and the tax authority.

Post offices are responsible or co-responsible for the collection in three countries: the Czech Republic (partially in conjunction with the PSM), Ireland and Poland.

TYPE OF COLLECTION BODY  
(September 2020)



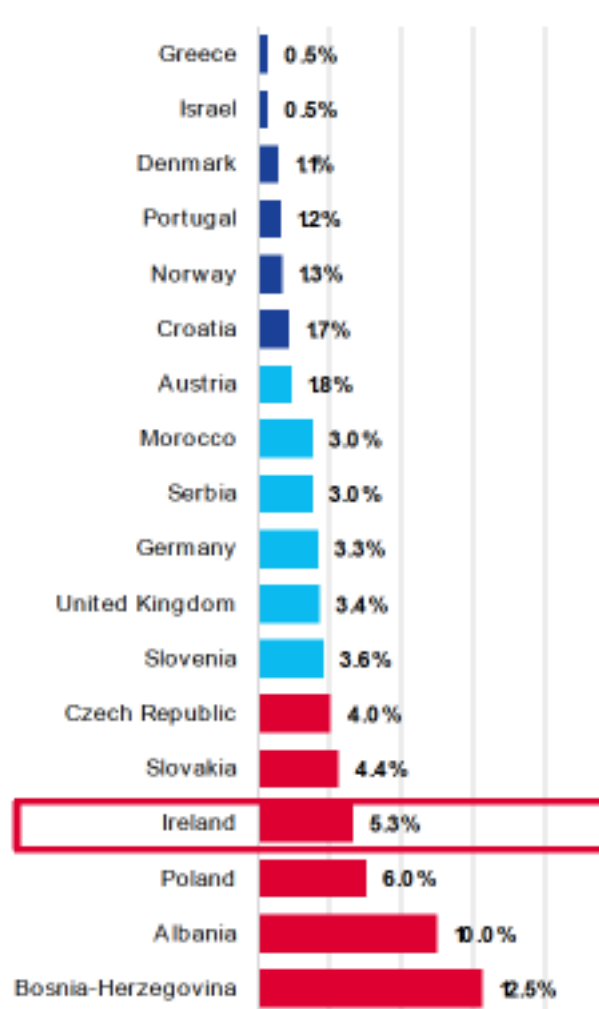
Note: In the Czech Republic, collection is organized jointly by the PSM and the post office.

# HIGHER THAN AVERAGE COST OF COLLECTION IN IRELAND

The two western European countries with higher relative collection costs were Ireland (5.3%) and Switzerland before the system was reformed in 2019 (4.5% in 2018).

In both cases, the licence fee collections were organized by bodies totally independent from the PSM.

LICENCE FEE RELATIVE COLLECTION COSTS  
(% of total amount collected, 2019)



Note: the fee was dropped in 2020 in Norway.  
Note: Albania and Israel 2018 data.

EBU Average (18) 3.7%  
EU Average (12) 3.0%

Upper third  
Middle third  
Lower third  
n.a.  
No licence fee





# POST NOT THE MOST EFFICIENT COLLECTION BODY

The average cost of collection for post office operators stood at 5.1% of the total amount collected in 2019. This is to be compared with the EBU-area average cost of 3.7%.

Similarly, the average collection cost by electricity providers stood at 5.4% of the amount collected in 2019.

These numbers must be compared with the average cost of collection by the PSM themselves, which was only 2.6% in 2019.

This demonstrates that when it comes to collecting the licence fee, PSM organizations are no less appropriate as collection agents nor less efficient than other external bodies.

LICENCE FEE RELATIVE COLLECTION COST VS. COLLECTION BODIES  
(%, 2019)



Note: fee was dropped in 2020 in Norway.

Note: Albania and Israel 2018 data.

Note: in the Czech Republic, collection is organized jointly by the PSM and the post office.

## HIGHER THAN AVERAGE EVASION IN IRELAND

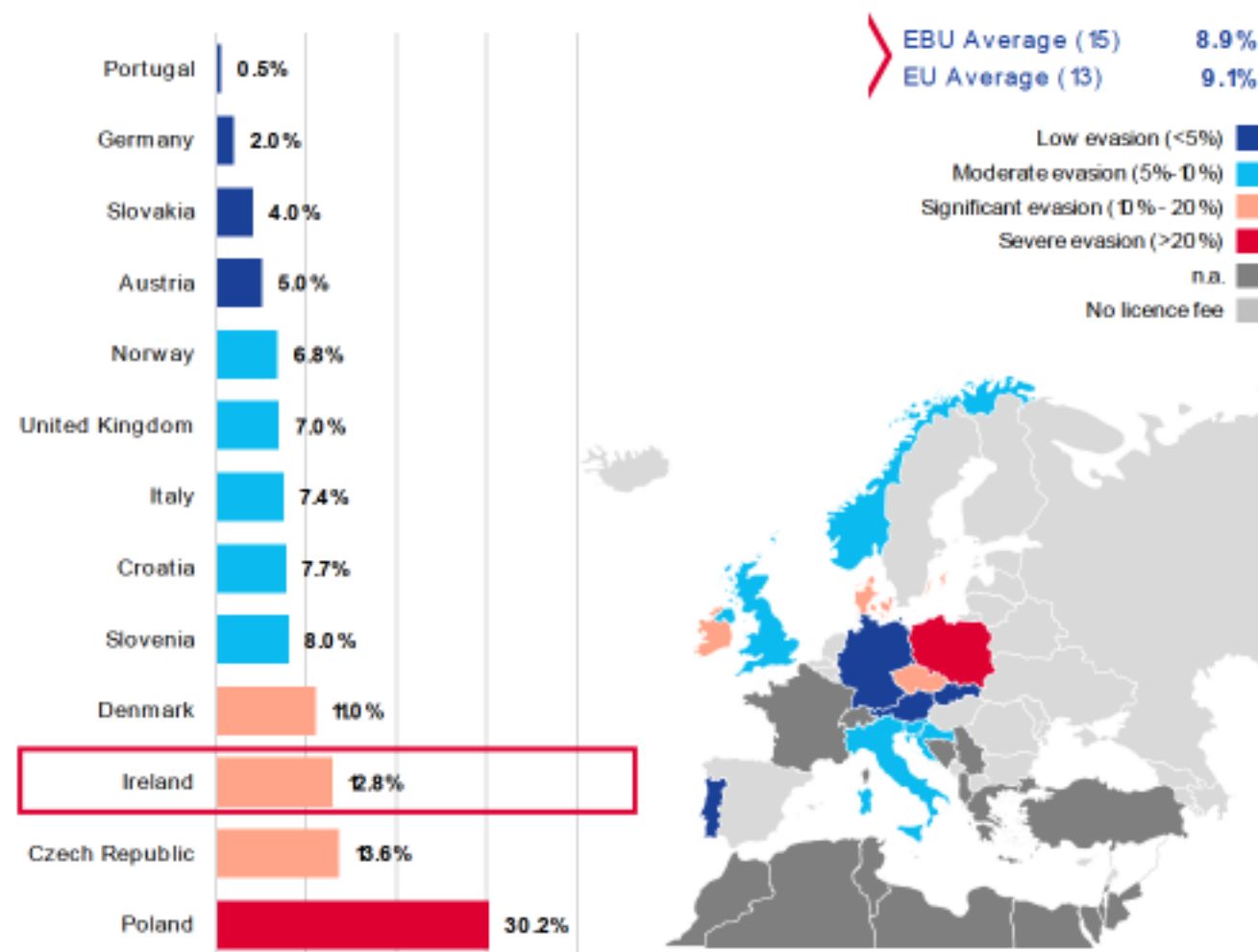
The average evasion rate in all EBU countries stood at 8.9% of households in 2019.

Evasion reached a significant 12.8% in Ireland, the highest rate among western European countries.

The picture was totally different in Austria, Germany, Portugal and Slovakia where evasion was kept under 5%.

### LICENCE FEE EVASION RATES

(% of households, 2019)



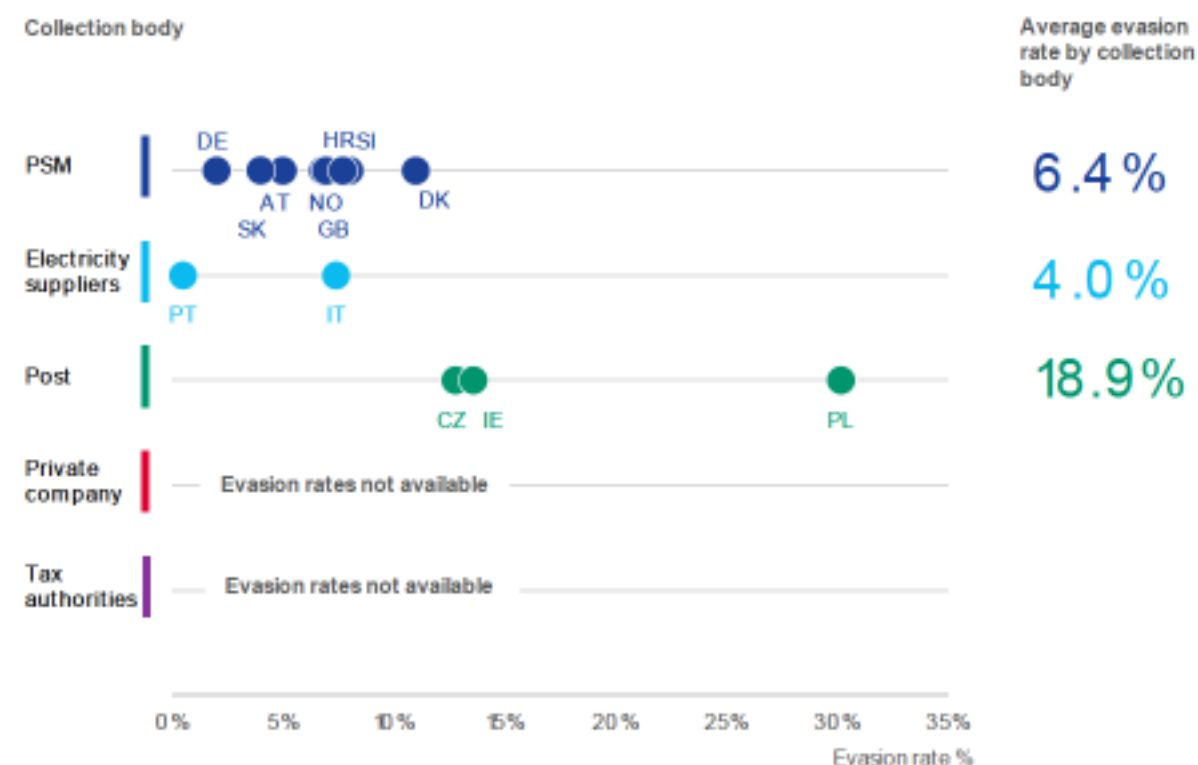
Note: Ireland and Italy 2018 data, Norway 2017 data.

# POST NOT EFFICIENT AT FIGHTING AGAINST EVASION

Collection by postal operators results in significantly higher levels of evasion compared with EBU average: 18.9%, to be compared with 8.9% on average at EBU level.

This is of course largely inflated by the high evasion rate in Poland. Still, the three EBU countries with highest evasion rates are the only three countries where the collection is at least partly organized by the postal operator.

**LICENCE FEE: EVASION RATE VS. COLLECTION BODIES**  
(% of households, 2019)





# HOUSEHOLD CHARGE

## A EUROPEAN PERSPECTIVE

BY THE MEDIA INTELLIGENCE SERVICE OF THE EBU  
DECEMBER 2020



## WHERE IS IT IMPLEMENTED?

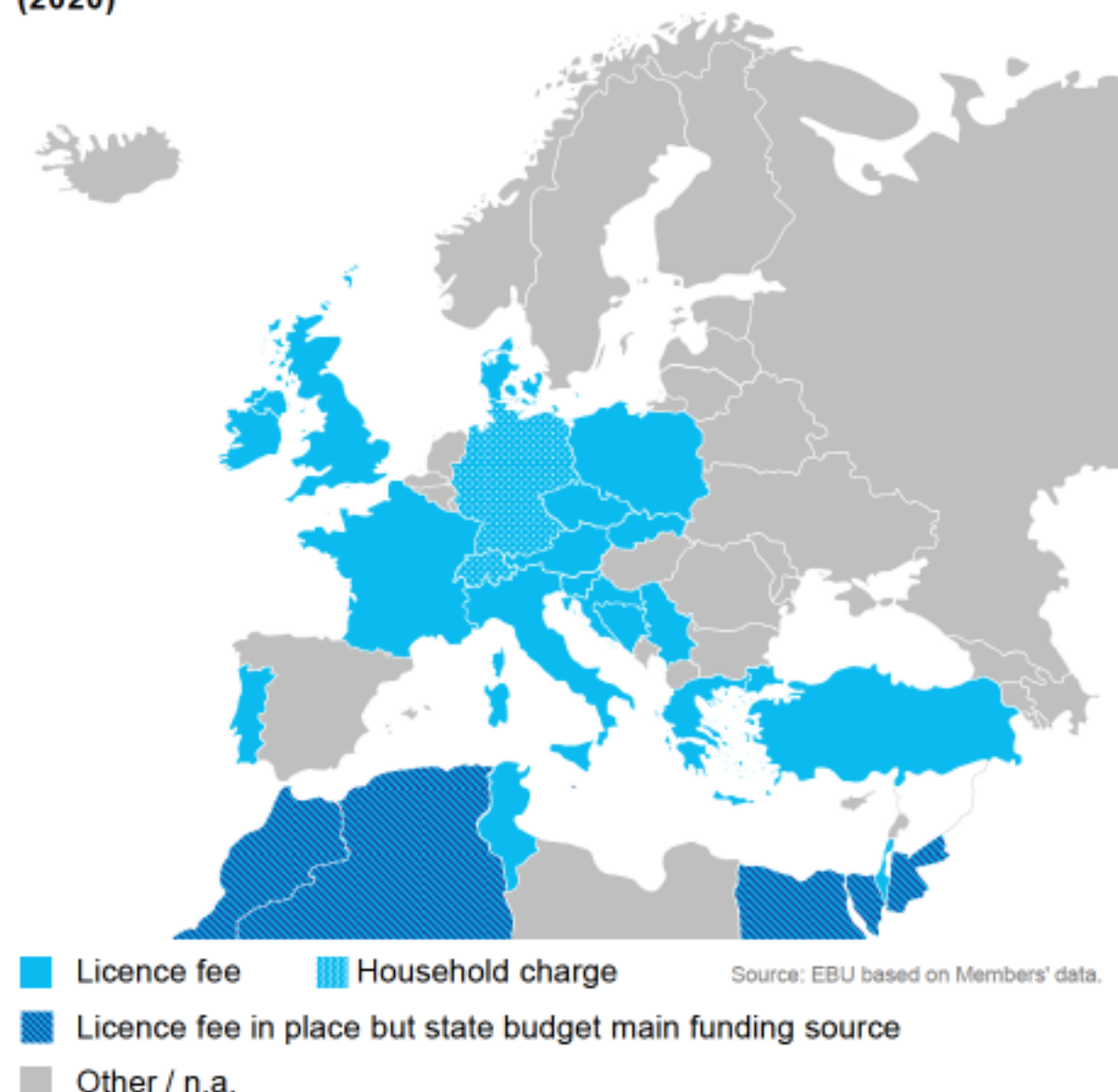
The licence fee remains a cornerstone of PSM funding in Europe and is still widespread in western Europe. It is generally a flat rate charged to households as opposed to individuals. The licence fee was collected in 25 out of 56 EBU countries in 2020, mostly western European and Mediterranean countries.

Although perceived as the time-honoured way of funding PSM, it can be perfectly adapted to new media realities.

Specifically, the conventional licence fee can be upgraded into a household charge – a modernized version dissociated from device ownership.

It already exists in two EBU countries (Germany and Switzerland). More countries are considering making the change, but implementation of a household charge requires a strong social consensus.

LICENCE FEE AND HOUSEHOLD CHARGE ACROSS THE EBU AREA (2020)



# PROS AND CONS OF A HOUSEHOLD CHARGE

## PROS

Upgrading the licence fee into a household charge can boost revenues while at the same time fighting evasion. Revenues are disconnected from device ownership, both present and future.

Having a household charge also circumvents all types of legal conflicts over the definition of qualifying reception devices. It also reinforces PSM accountability as it forges a connection with all citizens, regardless of their equipment.

## CONS

Where this is possible, upgrading the fee into a household charge can be perceived as a solution. However, this requires a specific administrative organization: in the two countries which have adopted it, the charge has been based on existing residence registrations, which are kept up-to-date by local administrations. Similar registers do not exist in all countries.

Moreover, enlarging the fee to a household charge requires a strong societal consensus, as many households not previously covered by the fee will start paying for the PSM. In Germany and Switzerland, two countries where PSM have long been trusted and popular, adoption of the household charge was nevertheless challenged in courts and sparked heated debates about PSM funding in general.



# SUCCESSFUL GERMAN REFORM

The German licence fee used to be linked to ownership of a reception device. Since 2013, it has been replaced by a household charge, the *Rundfunkbeitrag* (broadcasting contribution), which is payable regardless of the existence, type and number of reception devices.

The reform has so far been considered successful. In particular, it has halted the downward trend in German PSM revenues. The steady decline in the number of households liable to pay the fee has been halted and broadcasters have been able to generate increased revenues compared with 2012.

The combined licence-fee revenues of German PSM organizations – ARD, ZDF, DW and Deutschlandradio – amounted to EUR 7.76 billion in 2019, compared with EUR 7.26 billion before the reform, in 2012. This represents a 6.9% increase in seven years.

German PSM are not entitled to spend the surplus revenues generated from the reform, i.e. revenues exceeding an amount set by the KEF, an independent industry commission, which also issues recommendations on the amount charged. Extra revenues must instead be set aside in a reserve fund.

## THE CHARGE WAS LOWERED SLIGHTLY AFTER THE REFORM

The extra revenues enabled the monthly fee to be reduced from EUR 17.98 to EUR 17.50, from 1 April 2015.

This was the first time it had ever been reduced in Germany. In April 2016, the KEF even proposed an additional reduction, to EUR 17.20 per month, for the 2017–2020 period. This proposal was not adopted by the German federal states, which left the fee at EUR 17.50 per month.

## LICENCE FEE EVASION IN GERMANY (%, 2012-2019)

### LICENCE FEE

5.2% 5.0%



2012

2013

2014

2015

2016

2017

2018

2019

Source: EBU based on Members' data.

### HOUSEHOLD CHARGE

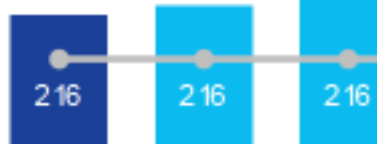
-61.2%

2010-2019

## LICENCE FEE REVENUES OF GERMAN PSM (EUR BILLION, 2012-2019)

### LICENCE FEE

7.26 7.44 8.04 7.83 7.69 7.69 7.70 7.76



2012

2013

2014

2015

2016

2017

2018

2019

■ PSM Revenues from fee/ charge — Annual fee/ charge per household

Source: EBU based on Members' data.

### HOUSEHOLD CHARGE

+6.9%

2010-2019  
PSM Revenues from  
fee/ charge

# EBU

OPERATING EUROVISION AND EURORADIO

## LEGAL FOCUS

# **PUBLIC FUNDING PRINCIPLES FOR PUBLIC SERVICE MEDIA**

**Dr Richard Burnley**  
EBU Legal Director

## **ANNEX 3**



## **ABOUT THE EUROPEAN BROADCASTING UNION (EBU)**

The EBU is the world's foremost alliance of public service media organisations, with Members in 56 countries in Europe and beyond.

The EBU's mission is to defend the interests of public service media and to promote their indispensable contribution to modern society. It is the point of reference for industry knowledge and expertise.

The EBU operates Eurovision and Euroradio.

## **ABOUT THE EBU LEGAL DEPARTMENT**

In a fast-changing technological, political and regulatory environment, we advise our Members on specific legal issues, offering practical solutions in the fields of EU and national competition, copyright and media law that are specific to their needs. We analyse proposals, explore the implications with legislators and promote a legal framework which allows our Members to operate with optimum efficiency whilst continuing to contribute to the democratic, social and cultural needs of society. We also manage EBU membership and statutory matters and advise on all EBU contracts, including the Eurovision Song Contest, sports, news and networks.



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# PUBLIC FUNDING PRINCIPLES FOR PSM

## STABLE AND ADEQUATE

A stable and predictable source of funding enabling full coverage of the public service remit in the digital media age

## INDEPENDENT FROM POLITICAL INTERFERENCE

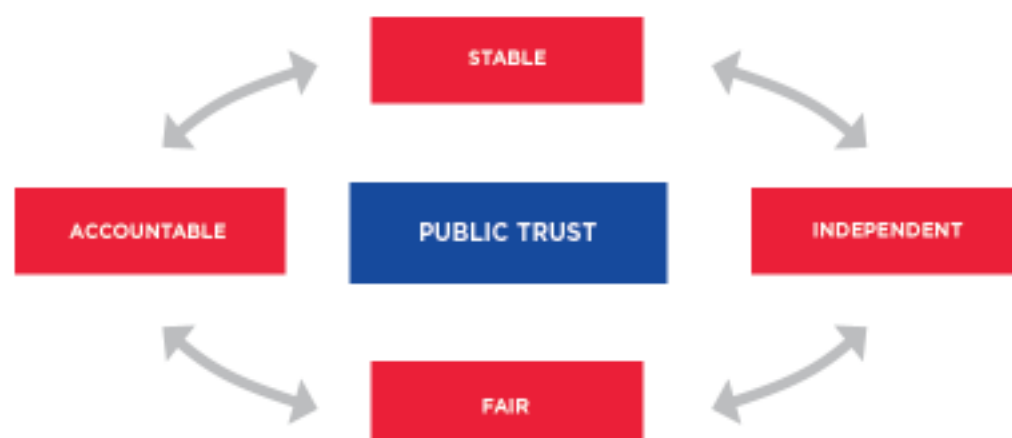
Not reliant on political favour, thereby promoting public trust in PSM and its role as a truly indispensable service

## FAIR AND JUSTIFIABLE

Fair and objectively justifiable to the public and the market

## TRANSPARENT AND ACCOUNTABLE

An open and clear funding mechanism holding PSM accountable to its audience



# FOREWORD

The media landscape is radically changing. Digital technology is opening the door to a vast array of new linear and on-demand media services carrying a huge diversity of content from around the world. The picture of a single, publicly-funded incumbent broadcaster in the market place is now a distant memory. Instead, the viewer/listener lives in a multimedia on-demand environment, in which international content is available anywhere, at any time, from apparently unlimited sources.

In the face of such developments, some even question the existence of public service media ("PSM"): is there still a need for a publicly-funded media in the digital media world? In some countries, these questions gain momentum given the unprecedented budgetary difficulties governments are experiencing as a result of the global economic crisis.

But even in the face of all these pressures, the core purpose of, and reason for, PSM remains the same: a trusted source of objective and impartial information; a reliable provider of high quality and cultural content; a guardian of pluralistic and minority views; a reference point in times of national crisis. The crucial democratic, cultural and social role PSM plays in the dual broadcasting system has been recognised in many international texts and court judgments.

However, for PSM to be able to play this role in society, it is imperative that it receives stable and adequate funding. Without sufficient means to fulfil its public interest service, PSM is critically weakened: it is unable to produce quality content or provide quality journalism; it cannot innovate and compete in the global market; its audience becomes disillusioned and it can face a downward spiral of less funding and less relevance. Democracy and the social and cultural fabric of society suffer.

It is not just the level of funding that matters. How that funding is carried out is just as important. The funding mechanism must be independent from political interference. It must be up-to-date and in tune with the contemporary media environment. And, above all, it must be perceived as fair and transparent by its audience. Viewers (and listeners) must understand what they pay for and why. Ideally, they should feel that they contribute to an institution providing quality and relevant content, and that this contribution directly makes a difference to the society in which they live.

In the context of all the challenges facing its Members, the EBU is for the first time publishing Public Funding Principles for PSM. Building on the EBU Core Values of Public Service Media declared by the General Assembly in Strasbourg in 2012 (and taking into account that each country has its own constitutional structures, culture and traditions), the Public Funding Principles should serve as a non-binding source of guidance and reference for PSM in the assessment and implementation of new and existing funding models.

In some countries, the Public Funding Principles could be an inspiration for change. In others, a validation of an existing system that works. In all countries, the Funding Principles should serve as a basis for debate and consideration of the optimum model to fund PSM's crucial social, democratic and cultural role for the future.

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# 1. INTRODUCTION

## 1.1. PSM FUNDING MIX

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### Three main approaches to PSM funding

Public service media can be funded by:

- Pure public funding;
- Mixed funding (or dual funding), i.e. public and commercial funding combined;
- Pure commercial funding.

Traditionally, public funding is regarded as a predictable source of funding for PSM organisations, enabling them to plan, invest in long-term quality content and innovate. Broadly, public funding may be via a licence fee model or via the direct receipt of public funds from the State budget. For some PSM organisations (e.g. in Finland, Denmark), public funding alone is sufficient and indeed can be a crucial element of what that broadcaster stands for culturally. But the majority also depend on advertising revenue or other commercial activities to supplement the funding of their remit. Indeed, for many a system of dual funding is vital to sustain the required level of income to provide the public service.

In 2016, licence fee revenues were the main source of income for PSM in the EBU area, providing 64.5% of total PSM income. Direct public funds from the State budget accounted for 14.3%. Commercial revenues accounted for 18.2% (of which 10.5% from advertising alone) of PSM revenues.<sup>1</sup>

## 1.2. TRADITIONAL PUBLIC FUNDING MECHANISMS

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### The licence fee remains the most popular form of PSM funding

In 2016, the licence fee accounted for 81.9% of public funding.<sup>2</sup> The obligation to pay the licence fee has traditionally been attached to the possession of a functioning radio and/or TV device - usually, the ability alone to receive PSM transmissions is sufficient to trigger the obligation.

The main advantage of the licence fee is that it is more stable and predictable than most other means of PSM funding (i.e. funding direct from the State budget or commercial revenue). Furthermore, it is relatively independent from political interference and it establishes a direct link between broadcaster and public - the broadcaster is more accountable to its audience. Usually, PSM organisations funded by the licence fee also benefit from the right to self-administration in the internal allocation of their funding, allowing them to remain competitive in the market (whilst at the same time fulfilling the high levels of transparency and efficiency expected of a public service).

Other traditional public funding mechanisms for broadcasters include direct contributions from the State budget, which some might consider to have the advantage of simplicity. A State grant can be via direct payments to broadcasters by a government/parliament, or indirect support such as subsidies for TV programmes/productions/transmissions.

<sup>1</sup> EBU Funding Report 2017.

<sup>2</sup> Idem.

An advantage of such a system is that no special collection or enforcement mechanisms are required. However, there can be significant downsides. First, a tax collection system may not be as simple or cheap to implement as expected.<sup>3</sup> Second, because the payment of the State grant relies on a decision by the government (or parliament), it can easily be subject to political interference and pressure. In the Netherlands, for example, the licence fee was abolished in 2000 in favour of funds paid from the State budget by the government. This handing of direct control over NPO's budget to the government led almost immediately to a series of dramatic cuts in the organisation's budget. NPO was subject to another unexpected 25% reduction in its funding when the government changed in 2010 (as opposed to the increase promised by the previous government). Further cuts were imposed in 2012.

In cases where smaller countries and new/emerging democracies cannot afford to introduce a complex system of funding like the licence fee, and consequently direct funding from the State budget appears to be the only option, a specific amount (e.g. a percentage of GDP) enshrined in the law can help to maintain the independence of PSM, as well as the stability and adequacy of its funding.

In line with the global economic crisis, both public and commercial revenue streams have been under pressure in past years, leading to new challenges for the PSM sector. But new challenges also lead to new ideas about how to sustain PSM. In some countries (Finland, Germany), revised public funding mechanisms have been introduced. In others, new ways have been found to supplement core public funding. In France and Spain, for example, a tax was imposed on the revenues of telecoms providers, albeit with only limited success in practice.<sup>4</sup>

### 1.3. COLLECTION AND ENFORCEMENT

#### Effective collection procedures are needed

In order to ensure adequate funding, a licence fee mechanism must incorporate effective procedures to collect the public contribution. And if that collection procedure relies on the action of the individual (e.g. the obligation to pay arises upon confirmation/registration of ownership of a broadcasting reception device), it is also necessary to have some kind of enforcement mechanism.

The fee can be collected in a number of ways. For example, it can be collected by a State department or ministry. But since this can undermine the political independence of the PSM organisation, it is preferable to use a third party intermediary company or organisation. In Finland, although the tax authorities collect the public contribution, PSM funding sits outside the State budget negotiations and is paid to YLE via the independent State Television and Radio Fund. Another approach is for a specific third party organisation set up for this purpose to collect the fee (e.g. Billag in Switzerland<sup>5</sup>). If a third party company from another industry sector is used, the risk of conflicts of interest should be avoided (i.e. an electricity company may be more appropriate than a telecoms company). In a number of countries, the collecting agency is a subsidiary of the broadcaster itself.

<sup>3</sup> This reflects recent experience in Switzerland, where it was proved that active collection by a third party organisation, Billag, was the cheaper option.

<sup>4</sup> The new funding regimes were upheld by the European Courts, but remain strongly opposed by the telecoms sector and have yielded less funding than expected. See, <http://www3.ebu.ch/contents/news/2013/07/eu-court-of-justice-confirms-fre.html>; and <http://www3.ebu.ch/contents/news/2014/07/eu-general-court-upholds-rtve.html>.

<sup>5</sup> Billag will be replaced by Serafe from 2019.

Depending on the collection method, separate enforcement procedures may be necessary to ensure payment of the PSM contribution. In some countries, evasion of the licence fee is a criminal offence that can be prosecuted before the courts (e.g. Ireland, the UK). In other countries (e.g. Austria, Switzerland), it is an administrative offence, leading to an enforceable fine. The cost of enforcement can be reduced if the contribution is either deducted automatically at source or payable by all households/individuals (e.g. Finland, Germany). In such cases, the burden is on the individual to prove they are exempt (rather than on the collection agent to prove they must pay).

### Collection of the licence fee

#### There are numerous ways to collect the licence fee:

- Collection by a Government department (e.g. Belgium Wallonia, France, FYR of Macedonia)
- Collection by electricity companies (e.g. Albania, Algeria, Bosnia-Herzegovina,<sup>6</sup> Egypt, Greece, Italy, Jordan, Morocco, Portugal, Romania, Tunisia, Turkey)
- Collection by post offices (e.g. Czech Republic, Ireland, Poland)
- Collection by a subsidiary of the national broadcaster (e.g. Austria, Sweden)
- Collection by a department of the national broadcaster or its agent (e.g. Croatia, Denmark, Norway, Slovakia, Slovenia, UK)
- Collection by a joint venture between broadcasters (e.g. Germany)
- Collection by an independent legal body/company (e.g. Switzerland)

<sup>6</sup> Under a July 2017 agreement, Bosnia-Herzegovina switched from collection by telecoms operators to electricity companies (EBU MIS Licence Fee Report, 2017).



## 2. PUBLIC FUNDING IN THE DIGITAL AGE: NEW CHALLENGES

### 2.1. GLOBAL ECONOMIC CRISIS

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**PSM funding is hit by the general public spending cuts**

The global economic crisis has put all public funding under pressure and all public services under scrutiny. Taxpayers want and deserve value for money. They expect efficiently run services that they need. These dynamics naturally create pressure on public funding for broadcasters. There is in every country less public money to go round. Public funds for broadcasting are being frozen and sometimes reduced. Public broadcasters in many cases are expected to fulfil the same public service remit with less money, logically leading to cuts and efficiency drives. In times of crisis, the key contribution made by PSM to positively stimulate the local economy may become obscured.

### 2.2. MODERN AND UP-TO-DATE?

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**PSM funding mechanisms in the digital media age**

The broadcasting markets are developing quickly, with more and more interactive digital services. It is important that the basis and the principle on which PSM is funded reflect these dynamics. This can raise questions about the suitability of, for example, a licence fee based on the possession of a radio or TV, when increasingly broadcasting content is partly or completely received over a computer or smart phone/tablet. Conversely, consumers accessing PSM content via new media devices alone (i.e. without possessing a traditional broadcasting device) should contribute to the funding of that PSM organisation. Such anomalies in PSM funding mechanisms could in the future contribute to serious underfunding problems if they are not urgently addressed. In September 2016, the UK modified its licence fee system to include access to its free-to-air iPlayer (catch-up TV).

### 2.3. LICENCE FEE EVASION AND TURNING OFF PSM

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**Citizens may lose sight of the importance of PSM in light of new market offers**

Citizens do not expect to pay for services that they do not need. In some countries, citizens are beginning to question more and more why they are obliged to pay a fee for a service that has limited relevance for them. This attitude tends to be particularly prevalent in younger generations, who access all types of media and information online, over-the-top and on-demand. To them, traditional PSM seems to be somehow overly paternalistic and irrelevant. Political motivations and influences combine with these developments to question even the *raison d'être* of PSM. In some countries, the central message about the importance and relevance of PSM for democracy and social and cultural cohesion is being questioned, despite a continued high demand for linear TV content and overall high levels of trust in PSM.

At the same time, certain countries are also experiencing high evasion rates in the payment of licence fees: in Poland, it is as high as 65.5% and TVP is obliged to rely on commercial/advertising revenue in order to fulfil its public interest objectives. In Italy evasion rates of up to 30% were countered by a complete overhaul of the system in 2016, leading to more funding for Rai and a reduced licence fee.

### **Funding mechanisms in Finland and Germany**

In Finland and in Germany, the PSM organisations were faced with the perception that the licence fee funding mechanisms (based on ownership of a TV or radio) were outdated and out of touch.

In response, and following extensive consultation and consideration, Finland introduced the new YLE tax in 2013, according to which a fee is paid by all individuals, based on a means-tested sliding scale. The contribution is paid into a dedicated fund, which is separate from the State budget.

In Germany a new "household charge" was introduced in 2013, according to which each household or business pays the contribution (with specific social exceptions). The "household charge" is justified on the assumption that every household, wherever situated, has access to the PSM offer and possesses some kind of receiving device.

### 3. THE PUBLIC FUNDING PRINCIPLES FOR PSM

**PSM's role is even more crucial in the digital media age**

The crucial role performed by PSM in the dual system of European broadcasting is widely acknowledged in international texts and cases. Indeed, PSM - as a trusted source of independent information - becomes ever more important to a viewer mesmerised by the kaleidoscope of content (of unknown origin and intention) in the modern media environment.

However, in order to fully succeed in its public interest mission, it is imperative that PSM is, and continues to be, properly and adequately funded. Without a stable source of independent public funding, public broadcasters cannot hope to achieve the high standards that they set for themselves (and which are rightly expected of them by their audience). They cannot plan, innovate and remain relevant in the digital media age.

**PSM funding has become a serious concern in many countries**

The funding pressures currently faced by PSM have led a number of countries to reconsider their public funding mechanisms. This does not mean that change is essential. In many cases, the mechanism continues to work well.<sup>7</sup> But in others discussions are underway or legislation has been passed to assess and evaluate the existing funding mechanism (Austria, Denmark, France, Ireland, Norway, Sweden). In June 2015 Swiss voters accepted a revision to the Federal Act on Radio and Television, replacing the licence fee based on possession of a radio or TV device, by a general contribution. The new law entered into force in 2016. In Finland and Germany far-reaching reforms were implemented in 2013 (see above).

**Four key public funding principles**

It seems right to say that PSM funding in general is at an unprecedented crossroads. And in light of all these developments and challenges, the EBU has identified four principles (the "Public Funding Principles"), that can act as a guide and benchmark against which funding models can be measured:

- (1) Stable and adequate;
- (2) Independent from political interference;
- (3) Fair and justifiable;
- (4) Transparent and accountable.

**No "one-size-fits-all" approach to PSM funding**

Of course, each funding mechanism has its own advantages and disadvantages and each country has its own needs and challenges. There is no perfect solution, no "one-size-fits-all" approach. Public funding of broadcasters cannot be addressed in an abstract generic way; the unique constitutional structures, cultures and social traditions must be taken into account at a national level. However, the *Public Funding Principles* can help to provide some basic parameters for the assessment of existing and proposed PSM funding mechanisms.

<sup>7</sup> <http://www.bbc.co.uk/blogs/aboutthebbc/posts/Why-the-licence-fee-is-the-best-way-to-fund-the-BBC>.

### 3.1. STABLE AND ADEQUATE

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The importance of adequate and secure funding for PSM determined at the national level is widely recognised in Council of Europe texts, which refer to the range of funding methods, including "*direct contributions from the state, licence fees, income-generating activities or a combination of these sources*".<sup>8</sup>

**PSM funding must reflect PSM's broad remit**

PSM is not commercially driven nor designed to generate profit, and its identity lies in its cultural, social and democratic objectives. Nevertheless, the provision of the PSM service and the production of PSM content also require high levels of investment and long-term planning. Its main cost drivers are determined by the public interest remit, which, in addition to the high production value of sports and entertainment content, includes the obligation to produce quality news, as well as diverse culturally and socially relevant original programming (with quota objectives for particular genres such as news, children, minority issues, languages). In order to stay relevant, PSM needs adequate funding to be able to plan, innovate and create.

**A clear economic methodology to calculate the net cost of the PSM service**

Under the EU State aid rules, PSM public funding must not exceed the net cost of providing the public service (allowing for reasonable operational flexibility).<sup>9</sup> Therefore, the public funding mechanism must provide for a clear economic methodology to calculate the net cost of fulfilling the entire scope of the public remit. The methodology should incorporate set and transparent economic accounting parameters.

**PSM funding must be stable and set for the same period as the public service remit**

Ideally, the level of the funding should be fixed for the same period as the instrument that defines the public service remit. If instead the scope of the remit is fixed for multiple years, but funding is revised on an annual basis, any unexpected reduction in the budget will inevitably prevent the PSM from fulfilling its public service remit. This can lead to the dropping of PSM services and channels, to the overall detriment of the broadcaster's audience, the public. Above all, the funding should be sufficiently stable to allow for long term planning.

<sup>8</sup> See e.g., Council of Europe Recommendation 1878 on the funding of public service broadcasting (2009); Declaration of the Committee of Ministers on the guarantee of the independence of public service broadcasting in the member states, 27 September 2006.

<sup>9</sup> "In general, the European Commission considers that up to 10% of the annual budgeted expenses of the public service mission may be necessary to withstand cost and revenue fluctuations", Communication from the Commission on the Application of the State Aid Rules to Public Service Broadcasting, 2009, paragraph 73.



## 3.2. INDEPENDENT FROM POLITICAL INTERFERENCE

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A key element of any PSM funding mechanism is independence from political interference, as emphasised in numerous European Standards: *"Recalling that public service broadcasters must be independent from the government and be able to function without its political interference, the Assembly emphasises that their funding model should reflect this independence"*.<sup>10</sup>

### **Funding decisions must be based on cost, not politics**

Politics play a role in the allocation of all public funds and PSM is no different. However, there must be an effective mechanism in place to ensure that the decisions made about the level of funding are not influenced by undue political or commercial interests. Rather, they should be based wholly on the public interest and the overall cost of providing the public service remit (on a multi-annual basis). This promotes public trust in PSM and its role as a truly indispensable service.

Each country has its own unique constitutional framework, but a typical structure might involve a body of experts, independent of parliament and of the broadcaster's management, assessing the cost forecast proposed by the broadcaster to fulfil its public service remit (e.g. the KEF in Germany or the Broadcasting Council in Switzerland). This independent body challenges the broadcaster's assessment and ensures that a rigorous analysis of expected costs is carried out (incorporating appropriate efficiency goals), before making a final budget recommendation to the government (or parliament).

### **Any necessary cuts must be applied proportionately across all State services**

Of course, countries may periodically face serious economic crises that can require exceptional political and economic responses. In such circumstances, pressure on PSM budgets at the political level may be inevitable (irrespective of the recommendation by the expert body). However, and as recognised by the German Constitutional Court,<sup>11</sup> any such cuts imposed by the government (or parliament) can only be in extraordinary circumstances, for example to avoid an unsustainable economic burden on the public. Cuts should always be applied proportionately across all State services. This avoids the risk of politically motivated measures being taken against PSM under the guise of public cuts.

<sup>10</sup> Council of Europe Recommendation 1878 on the funding of public service broadcasting (2009).

<sup>11</sup> Constitutional Court, 1 BvR 2270/05, judgment of 11 September 2007.

### 3.3. FAIR AND JUSTIFIABLE

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**PSM should be perceived as an indispensable service for a fair price**

The funding mechanism should be fair and objectively justifiable. The perception of viewers/listeners is crucial to their willingness to contribute, and therefore to the success of the PSM organisation. For PSM to succeed, citizens must consider that they pay a fair price for an indispensable service. There must be a virtuous circle of: adequate funding; efficient use of that funding; pluralistic, objective news and high-quality content; and a strong democratic/cultural/social role in society. And this role of PSM must be understood by, and clearly communicated to, the public on an on-going basis. Complacency leads rapidly to viewer disillusionment, increased fee evasion and a downward spiral of less funding, less quality and loss of viewers/listeners.

Specific social exemptions and reductions in the amount of contribution to pay can assist with this objective (e.g. for the aged, unemployed and disabled). It is also important to ensure that the funding mechanism is up-to-date and relevant; there must be a connection between audience and broadcaster. The funding mechanism should fit the viewers' world and not appear to them to be linked to past technology and practice.

**Subscription funding would undermine PSM as a universal merit good for society**

In some countries, it is sometimes argued that subscription-based PSM would be a fairer system. But this ignores the central role of PSM, which is to promote democracy, social cohesion and cultural values. It misses the fact that PSM is a universal merit good. The contribution made by every citizen to PSM is not just for broadcasting content; it is an active contribution to the stable, democratic and peaceful society in which they want to live. The PSM viewer is a citizen, not simply a consumer - PSM content is tailored to reach all, not only the fee-paying few.<sup>12</sup> The small monthly average amount in Europe contributed by each citizen to sustain the universal PSM service must always be considered in this context.

**An effective, low cost and culturally appropriate collection/enforcement procedure is needed**

In each country, there must also be a collection mechanism for the PSM contribution. To the greatest extent possible, that mechanism (and any accompanying enforcement procedure) should be effective, low cost and mindful of local cultural and social factors (to avoid driving public support away from PSM).

**No disproportionate impact on competition**

Finally, the funding system must be fair in relation to its impact on the market and third party commercial competitors. The EU State aid rules are designed to ensure that the public funding does not have a disproportionate impact on the market and competition.

<sup>12</sup> Research suggests that a subscription-based service would need to charge much higher fees in order to produce the same quality service, see <http://www.bbc.co.uk/blogs/aboutthebbc/posts/Why-subscription-isnt-the-best-way-to-fund-the-BBC>. This would reduce "accessibility and affordability for the public at large", see Council of Europe Recommendation 1878 on the funding of public service broadcasting (2009), paragraph 14.

### 3.4. TRANSPARENT AND ACCOUNTABLE

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**Public funds cannot  
be used to subsidise  
commercial  
activities**

The EU State aid rules<sup>13</sup> and the Council of Europe Standards<sup>14</sup> provide that the PSM funding mechanism must be transparent. Moreover, the State aid rules oblige PSM organisations to have separate accounts for their public and commercial activities. Commercial revenues may be used to subsidise a public broadcaster's public activities, but public funding can never be used to subsidise commercial activities.

**The transparency  
of PSM finances  
ensures public  
accountability**

All public services have the responsibility to clearly demonstrate a high level of efficiency and effectiveness in their use of public funds (including compliance with public procurement rules). They must be able to hold themselves fully accountable to their owners, the public. Therefore, a public broadcaster's annual budget should be clearly published on its website, together with a clear summary of how the previous year's public funds were spent and allocated to fulfil the public service remit. The website could also include efficiency cost-saving goals set and achieved over time (taking into account the specific cultural and social objectives of PSM).

**Public accountability  
builds public trust,  
the cornerstone of  
PSM**

Naturally, the transparency and accountability principle is directly linked to the social acceptability of the mechanism and the perception of fairness, making clear to the public an appropriate use of public funds. Overall, it should be easily possible for a member of the public to gauge the annual performance of the PSM organisation in its delivery of public service. Public trust in PSM as a service and as an institution is after all the cornerstone of its *raison d'être*.

<sup>13</sup> See the Communication from the Commission on the Application of the State Aid Rules to Public Service Broadcasting, 2009: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52009XC1027%2801%29>.

<sup>14</sup> Recommendation No. R(96) 10 on the Guarantee of the Independence of Public Service Broadcasting (1996); Declaration of the Committee of Ministers on the guarantee of the independence of public service broadcasting in member states, 27 September 2006.

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## **APPROPRIATE PROMINENCE OF AVMS OF GENERAL INTEREST**

### **ANNEX 4**



# **OUTLINE**

**I**

**WHY DO WE NEED PROMINENCE RULES?**

**II**

**HOW SHOULD PROMINENCE RULES LOOK LIKE?**

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## I

# WHY DO WE NEED PROMINENCE RULES?



# A CHANGED MEDIA LANDSCAPE

Cable TV: Telenet

TV-GIDS

22:49 - DI 12 MEI

**canvas**

**De ideale wereld**  
Nieuws & Actualiteit - 22:20 - 22:50

**Vandaag** | 22:00 | 22:30 | 23:00 | 23:30

1		U... Vandaag	Het...	La trêve
2		Kinderen van de ...	De ideale wer...	Het peulengal... Canvaslus
3		Telefacts	VT...	Chicago Med Private Pract.
4		Gert Late Night	De Container Cup	Tweedehands Deluxe
5		Zo Man Zo Vrouw	Blind Gekocht NL	Criminal Minds
6		Red Eye	Street Fighter: The Legend of Chun-Li	...
7		B... Bride & Prejudice: The Forbidden Wed...	Marrying Millions	...
8		RTV Vandaag - Weerbericht - Herhalingslus		

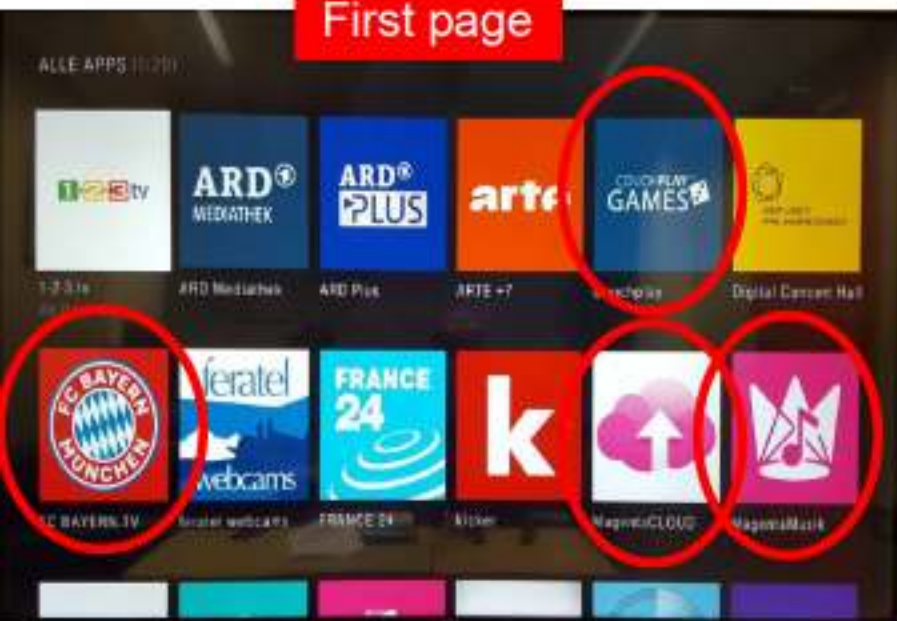




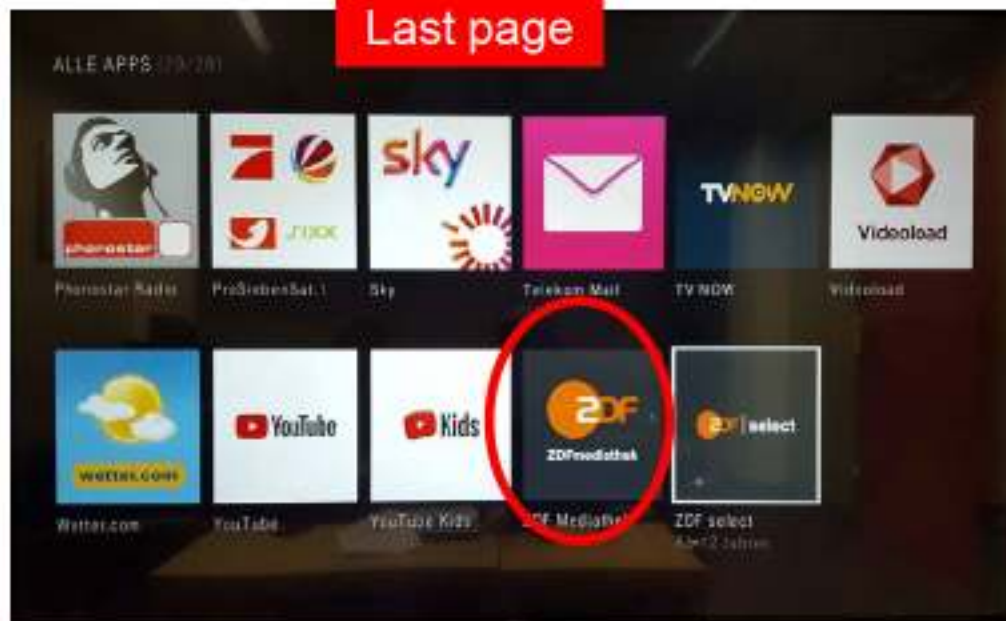
# A CHANGED MEDIA LANDSCAPE

## IPTV: Magenta TV

### First page



### Last page



# POSITIONING ON THE UI IS KEY TO REACHING AUDIENCES

- › [MTM report](#): Review of TV user interfaces in the UK market (2019)
- › VUB Study: Analysis of the impact of the position of programmes and recommendation systems within on-demand audiovisual interfaces (2020)
- › Johnson/Dempsey/Hills: [Routes to content](#) (2019)



# WHY DO WE NEED PROMINENCE RULES?

- › ... to serve general interest objectives
- › ... to contribute to the well-functioning of our societies
- › ... to promote freedom of expression, diversity of opinions and the right to information
- › ... to promote varied and quality content for all audiences
- › ... to allow citizens to discover content they fund (e.g. through license fee)
- › ... to remedy disinformation
- › ... to level the playing field
- › ... to prevent purely commercial considerations from determining access and visibility of general interest content on gate-kept platforms
- › ...

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**II**

# **WHAT SHOULD PROMINENCE RULES LOOK LIKE?**





## ART. 7A - SCOPE AND REGULATORY DETAILS

Optional for Member States

Who is the addressee of the rule?

- Not specified

Who is the beneficiary of the rule?

- AVMS of general interest (linear and non-linear avms)



Forms of prominence?

- Not specified

General interest objectives (Recital 25)

Principle of proportionality (Recital 25)

## FIRST INITIATIVES AT NATIONAL LEVEL

		
<b>Addressee</b>	UI providers	UI providers
<b>Beneficiary</b>	PSM linear services and non-linear services of public value (qualifying criteria)	PSM linear and non-linear services  Commercial services that contribute in a particular way to the diversity of opinion and offerings (qualifying criteria)  Incl. radio services

# FIRST INITIATIVES AT NATIONAL LEVEL



## Form of prominence

Linear services: easy to find on the homepage (e.g. EPG listing)

Non-linear services: easy to find

Individual programmes: prominence within recommendations/search results

Incl. search by voice

Linear services: Easy to find on the first level of the UI (e.g. TV portal)

Non-linear services: easy to find

Individual programmes: non-discrimination

Incl. search by voice

# HOW SHOULD PROMINENCE RULES LOOK LIKE?



Who should be the addressee?

- Providers of user interfaces used for TV distribution (significance test?)
- Apply to all relevant areas of the UI



What are avms of general interest?

- AVMS = linear and non-linear services
- General interest = PSM + certain commercial providers



Which form should prominence take?

- Principles-based and future-proof
- Exact details to be specified at the national level