

# FINANCIAL TIMES SURVEY

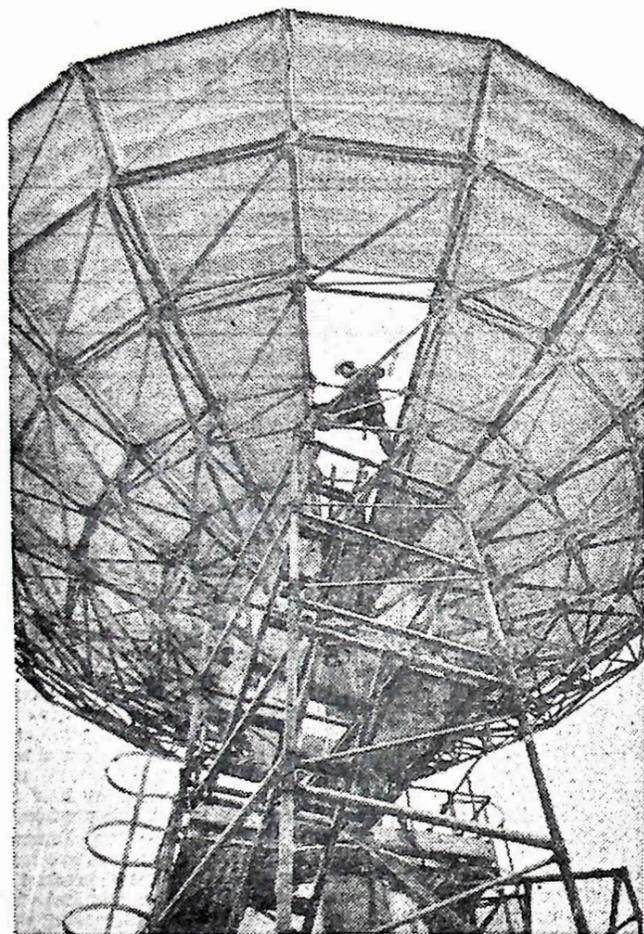
Monday September 16 1985

## BROADCASTING

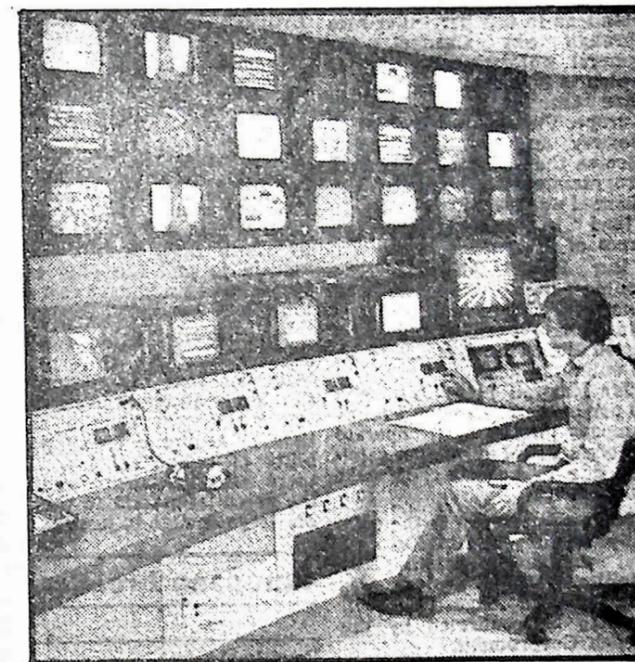
Moves towards deregulation in broadcasting plus rapid changes in cable and satellite technology are leading to new business alliances which aim to win pan-European audiences

### New era in European television

By RAYMOND SNODDY



● This London Dockland earth station is a vital link with television audiences in seven European countries. The first customer at British Telecom's international earth station at North Woolwich was Satellite Television which has a nightly international TV entertainment programme, Skychannel.



● A section of Swindon Cable's control room, one of the eleven UK cable television operators which have been granted Government licences. Coventry Cable was formally launched last week.

BROADCASTING in Britain and most of the rest of Western Europe has reached a significant crossroads. The public service broadcasters, many of which have enjoyed monopolies or near monopolies over the use of scarce airwaves, are having their activities questioned as never before. Although change will not come overnight, they face a future in which they may have growing competition for their audiences from cable and satellite programmes as well as the video recorder.

The arrival of satellite broadcasting has created for the first time at least the potential of a single European market for television channels, those who produce them and for advertisers.

Such rapid changes in technology and the moves towards broadcasting deregulation are creating new business alliances and diversifications—for instance, the move in West Germany and France by traditional publishers into cable television programming.

In the past two years 10 new channels of programmes have been created in Europe and at least a dozen more are on the way. A new pan-European channel, Olympus TV funded by five of Europe's public service broadcasters, opens on October 5.

By early next year the channel will be carrying five hours of programmes a night to cable television operators all over Western Europe. In 1987 it will transfer to a direct broadcasting by satellite (DBS) channel on the European Space

Agency's Olympus satellite and will then be able to be received through dish aerials at individual homes.

But all over Europe the new developments have left fundamental questions unanswered on whether the consumer is prepared to pay for the extra choice that technology has made possible. Will enough people pay subscriptions for extra entertainment, or if not, how many new channels will the pan-European advertising market sustain?

There are also worries about how the transition from the controlled era of public service broadcasting to the new era envisaged by some of "limitless" capacity is going to be handled to ensure that more channels will not simply result in less genuine variety.

As Michel Cotta, President of the French Haute Autorité, has argued, if the new media are given an unfair advantage over the established ones there is a risk of the television of tomorrow being built on the ruins of the television of yesterday and today.

In Britain, the future of broadcasting has come to the centre of the political stage because of the setting up by the former Home Secretary, Mr Leon Brittan, of the Peacock Committee into the future financing of the BBC.

The terms of reference of the committee appear narrow: to look at the strength of arguments for and against alternatives to the licence fee such as advertising, sponsorship and subscription. In practice, the committee will have to use

the assumptions on which the present British broadcasting system is based and the consequences for independent television and the rest of the media of introducing advertising on the BBC.

The setting up of the committee, which is due to report by next summer, has increased uncertainty over the future of an industry which in the UK will have a £2bn turnover this year and which employs, directly or indirectly, an estimated 60,000 people.

#### Key factors

The existence of the committee and the question marks raised over the continuation of ITV's television advertising monopoly were one of the contributory factors behind the collapse of the £500m British DBS venture in June. Two years ago this month, Mr Brittan announced at the Royal Television Society's Cambridge Convention that independent television would be allocated two of Britain's five available DBS channels to match the two already offered to the BBC.

Instead, first the BBC decided it could not launch a DBS service alone and then a consortium which brought together the BBC, all ITV companies and five non-organisations led by Thorn EMI, decided after 18 months of meetings that the costs and risks were too great.

Now after two years with nothing concrete achieved, the Independent Broadcasting Authority has asked this month for

tion interested in providing one or more DBS channels.

It is far from clear whether there will be any groups interested in providing a service aimed at the UK rather than pan-European market.

The ITV companies and the BBC, perhaps in collaboration, are however considering the possibility of launching a channel of British television for the cable networks of Europe using an existing low power satellite.

The Government has also increased uncertainty over radio in the UK by authorising, on an experimental basis, a new "third tier" of community radio. It is being done at a time when the independent local radio network is far from complete and a considerable proportion of its stations are under financial pressure.

New multi-channel cable television has also been having a difficult birth in the UK, partly because of contradictory government policies.

But the industry is about to receive a significant boost. Five new cable stations and an additional five channels are due to start up within the next few months. Yet the latest audience research for cable in the UK demonstrates what a long way there is to go.

The number of homes connected to a cable network at the beginning of August was 904,270, an increase of 31.1 per cent since January.

But over the same period the percentage of homes connected actually fell by 1.1 per cent to 128,685 giving a penetration rate for the new services of

14.2 per cent. The main reason for the decline was a fall in the number of subscribers on the old Rediffusion cable networks now owned by Mr Robert Maxwell.

The cabling of West Germany is beginning to speed up after a very slow start, caused partly because of the difficulties the leaders of the 11 Lander provinces and city states found in agreeing a common policy on the new media.

According to some German estimates, the number of homes capable of receiving satellite broadcasting should rise to 3.4m by the end of this year.

European cable television is not the disaster it has been often portrayed. CIT Research, a consultancy which has been monitoring its development, says that 8.5 per cent of European homes are already connected to some form of cable

#### European TV advertising expenditure

Figures for 1983

	Total expenditure (\$m)	TV share %
Portugal .....	32	60.0
Greece .....	86	47.6
Italy .....	1,294	45.0
Ireland .....	75	38.0
UK .....	4,295	31.0
Spain .....	962	30.9
France .....	1,960	19.0
Germany .....	4,757	15.6
Belgium* .....	413	11.3
Finland .....	808	10.6
Switzerland ...	476	10.5
Netherlands ...	1,419	5.1
Denmark† .....	222	0.0
Norway† .....	312	0.0
Sweden† .....	356	0.0

\* Transmitted from Luxembourg.  
† Second commercial channel pending or under discussion.

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#### State broadcasters' diversification

Broadcaster	Country	Project
RAI	Italy	Olympus TV
NOS	Norway	Olympus TV
ARD	Grmny.	Olympus TV
RTE	Ireland	Olympus TV
ZDF	Grmny.	3 Sat
ORF	Austria	3 Sat
SRG	Swtzrld.	3 Sat
TFI	France	TV-5
Antenne 2	France	TV-5
FR3	France	TV-5
RTBF	Belgium	TV-5
SSR	Swtzrld.	TV-5

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Source: Advertising Age Focus.