

# Public service broadcasting financed media essay

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Is public service broadcasting financed more effectively in a traditional liberal society or in a newly established post-communist society?

## **Introduction**

Discussions about financing public television media are undoubtedly an evergreen topic. The recurring question of what actually happens to the collected money is still left unanswered. I chose this topic because finances always were a big unknown territory for me and therefore it is a challenge for me. Public television service is the traditional television broadcaster in Europe. As the name suggests, a broadcast television should serve the public, that is, citizens of the state in which it is established. Because radio and television can be characterized as mass media, they participate in the creation of mass culture that McQuail defines as a culture that is neither traditional nor elite, is mass-produced, commercial and homogenized (McQuail, 2005, p. 60). And homogenization is currently typical for media around the world, although the concept of the public service remit in different countries may vary in media contents can be observed tendency for convergence. It will be interesting to analyse and compare the financing of public service broadcasting and usage of their funds in two different societies, one traditional liberal one - the United Kingdom and a newly established post-communist society - the Czech Republic. I will use the British Broadcasting Corporation (BBC) and the Czech Television (CT) as a case study to find out in which society they use their budget more effectively.

## Czech Republic

The first radio broadcast was held on the 18th May 1923 from a military tent in Prague. Czechoslovakia became only the second country in Europe with regular radio broadcasting at that time. The Czechoslovak Television had no democratic tradition, its broadcasting as it began under communist circumstances. In 1953 the first test television broadcast took place and since 1958 television aired regularly on daily basis (Czech Television, 2013). After 1989 broadcast media went through transformation, were privatized and only were constituted a dual broadcasting system as we know it today. In the Czech Republic there is a mixed system of financing public service media. Public service media are funded by the television, radio or fees and income from business operations of Czech Television and Czech Radio (only broadcasting of Czech Radio into abroad is paid directly from the state budget, as one of the Ministry of Foreign affairs budget items). Individuals living in the same household are only charged one receiver. Legal entities pay a fee for each receiver in their possession. In Czech society the term 'licensee' is used. There is a monthly rate for the television license fee of 135 Czech crowns (Czech Television, 2013), which is at the same level since 2008 and a radio licence fee of 45 Czech crowns monthly (Czech Radio, 2013). The budget of the CT for 2011 is very balanced, as seen in Table 1 (see Appendix). In November 2011, there was a significant legislative change in the limits of advertising in the CT, when they stopped all advertising and teleshopping. Till then, 0, 75% of the daily transmission time programmes could be used for advertising. Seen from the outside, someone can take for granted that all the resources are intended for programmes. The reality is obviously different. CT does not collect the fees and give them all to the <https://assignbuster.com/public-service-broadcasting-financed-media-essay/>

programme makes. It is company. Although a non-commercial one, it is established by law, but still a company. And like every other it has a set of different, not very visible from the outside, costs that are related to the principal activity. We can see that they basically allocate finances in four main divisions (see Chart 1 in Appendix). The CT administered its incomes and expenses on a balanced budget of 6 664 625 000 Czech crowns (Česká Televize, 2012). First in line is the state which does not subsidize the CT. The state budget does not donate the CT a crown, on the contrary, 17% of the CT finances annually go the state budget through taxes also expenses on digitization. Another major cost item is employee salaries which are 18% of the total cost. The CT is often criticized for over-employment. It is of course a matter of opinion and the CT should in the coming years undoubtedly lower labour costs. Directly in production there are approximately 64% of staff expenses costs. The simplest way to reduce the number of employees is through the change in the number and structure of the original creation. According to the CT the number of employees is expected to increase by about 92 people, and slightly increase the average wage. But the CT promised last year that within five years it will reduce the costs awarded to the employee. " The increase is related to the planned growth of the number of employees by 92 people, in particular the transfer of external to internal staff employment," said the CT in the draft budget for this year (Válková, 2013). The CT should purchase more work (mostly foreign) and do less of the original. What is completely hidden from the public, are expenses that can be described as operating costs. They constitute 27% of total expenses. These include primarily depreciation and amortization. Other operating costs are payments for copyright law - fees to copyright collecting societies and <https://assignbuster.com/public-service-broadcasting-financed-media-essay/>

performing rights royalties. Expenses related to the collection and recovery of fees, commissions, media agencies for the sale of advertising time follow. It also includes insurance. An important item is the cost of distribution and broadcasting. The CT could in reality spend for specific programme titles, and regular operating directions only the sum of 2 642 902 000 Czech crowns, which is 38% of total revenue (Hanuš, 2011).

## **United Kingdom**

Radio and television broadcasting was since the beginning linked with the BBC in the United Kingdom, which began to broadcast in 1922 as a private company. After five years, however, it changed to a public corporation (British Broadcasting Company became the British Broadcasting Corporation) after being awarded by the Royal Charter (politics. co. uk, 2013). Every ten years, these documents undergo revisions according to current technological and societal demands. BBC soon began experimenting with television broadcasting and in 1932 launched the first experimental broadcast beneath the leadership of John Baird (BBC, 2013). Periodically, however, began broadcasting in 1946, but a truly groundbreaking event was the coronation of Elizabeth II. in 1953, when viewing figures reached almost 20 million viewers, followed by a substantial increase in the number of paying viewers (BBC, 2013). Already in 1954, a new law enabled the establishment of the first European commercial channel ITV and BBC got a competitor in the field of television broadcasting, while BBC radio remained monopoly until the early seventies. ITV programme, however, was bound by strict rules and financing of commercial advertising was the only modulation from the BBC. After 5 years, the government created a study of the television scene in the

United Kingdom, and the result report of the Pilkington Commission confirmed the quality of the BBC and vice versa expressed dissatisfaction with the ITV broadcasting (Marcus, 2007). In the response to the evaluation committee, the BBC was given the right to operate a second national channel – BBC2. Other national channel (Channel 4) was established by the Broadcasting Act in 1981. Although Channel 4 performs in content public service, from the beginning it was financed from its own commercial activities and invested all earnings back to programming (Channel 4, 2013)

The British media system has undergone considerable transformation in the early nineties, when ITVs' commercial programmes were deregulated and more freedom was given to Channel 4, which could make decisions on its selling of advertising time. Since 1990, we really can talk about dual broadcasting system in Britain. In the United Kingdom since the beginning, public service broadcasting was funded by a license fee for television and radio. The fee is based on the obligation to affix the television licenses so owners could not legally receive TV signals, as that is committing an offense. Concession owners pay monthly fees paid to the BBC. Communication Act 2003, Article 363, however, provides only a duty to obtain concession and pay fees and details of a charge leaves full responsibility of the BBC (OFCOM, 2003). For collection of the fees, the BBC established its own 'TV Licensing' service organization engaged in the effective collection of fees. Although the fee is collected as a television fee, the BBC uses it for other components of public services (radio, online services). The amount of the fee is set by law by the government in agreement with the BBC, and is currently £ 145, 50 since April 2010 for colour broadcasting and £49 for black and white broadcasting (BBC, 2013). The fee is now set until 2016, when the revision of <https://assignbuster.com/public-service-broadcasting-financed-media-essay/>

the Charter will again be discussed. It is interesting that there are groups of people excluded from the obligation to pay a fee (people over 75 years) (BBC, 2012), but the government compensates the loss in revenue and replaces BBC charge for them. Although the BBC cannot broadcast advertising, the Charter allows the existence of commercial subsidiaries, which can generate profits. With the vertical structure of the BBC, including both production and distribution companies, these greatly improve the revenue budget of the BBC. If we look at the budget of BBC for 2011 we can see, it has clearly a surplus (see Table 2 in Appendix), which is a major difference to the budget of the CT. Thanks to the fact that the BBC built all the facilities needed to produce and broadcast, with a significant part of the programme produced entirely alone, from the beginning of its establishment. In this I see a large potential for future funding of the BBC. Because funding through mandatory fees is not sustainable in its current form, the BBC already attempts to make the system more effective and prepare for possible radical changes associated with 2016.

## **Conclusion**

During the essay it emerged that the compared systems are different both in historical and political traditions, as well as in the needs and interests of the audience and 2000 words is not enough for a deeper analysis.

Unfortunately, I could also not compare the year 2012 as the annual report for 2012 of the CT was not published yet, but it will be in March 2013. It would be very interesting to compare incomes from advertising in 2011 and 2012, when advertising time was limited in the CT to a minimum and how it reflected on the overall budget. Nowadays, people often speak about the

need of transparency and disclosure of costs. If the CT produced only in their own capacities – in their own production, then it would not be a problem. The CT, however, is working with commercial companies, and information on the costs of programmes is the biggest trade secrets of commercial broadcasters and their suppliers. Companies often work for both commercial broadcasters, as well as for the CT. This is the reason why confidentiality of business information in co-production or development contracts is often criticised. It is not just the CT, but also the commercial interests of subcontractors or suppliers. The transparency issue is different in the BBC where you can find all the budget information online on their website. The extent of advertising time in the Czech media public service was greatly reduced in 2011, and it cannot broadcast advertising or teleshopping at all. The complete end of advertising on some programmes is related to the gradual increase in the fee. If only one institution carries out public service broadcasting in the Czech Republic, I consider it appropriate that broadcast advertising should be reduced, if not abolished. Collected fees should be almost the only source of the budget, but regular revision of the fee should also be ensured. Regular review of the charging mechanism in contrast to the Czech system works as in Britain. While in the United Kingdom revise the system for issuing new a Charter every ten years. I believe that this aspect may be one of the possible factors influencing indirectly the public service media. I do not think it is necessary to establish a permanent body to watch over a broadcaster finances, but broadcasters should give an annual report to the government (the CT already does) and the British practice can serve as a source of inspiration – within a certain interval a committee will investigate the changing needs of the media. If they will abolish advertising time on the CT

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completely, they should give permission to more of their own production. The BBC has an advantage that a lot of their income is from selling successful formats abroad, what is not the case of the CT and therefore I believe that public service broadcasting financed is more effectively in a traditional liberal society rather than in a newly established post-communist society due to political and historical context.

## Appendix

### Chart 1: Allocation of financial resources in the Czech Television

Source: <http://www.digizone.cz/clanky/financovani-ceske-televize-kam-ty-penize-mizi/>

### Table 1: Budget for 2011 on the Czech Television in Czech crowns

#### INCOMES

Advertising 231 055 000  
 Change of state of reserves 296 781 000  
 Other income 712 688 000  
 Licence fee 5 424 101 000

**6 664 625 000**

#### EXPENSES

Salaries 1 619 792 000  
 Depreciation of fixed assets 457 350 000  
 Production task 2 095 963 000  
 Depreciation of valuable rights 64 305  
 Other expenses 2 428 215 000

**6 664 625 000**

Table made by student; source: [http://img7.ceskatelevize.](http://img7.ceskatelevize.cz/boss/image/contents/rada-ct/dokumenty/VZ_CT-2011-hospodareni.pdf)

[cz/boss/image/contents/rada-ct/dokumenty/VZ\\_CT-2011-hospodareni.pdf](http://img7.ceskatelevize.cz/boss/image/contents/rada-ct/dokumenty/VZ_CT-2011-hospodareni.pdf)

## **Table 2: Budget of BBC for 2011**

Licence fee income 3 513 000 000 Other income and revenue 1 480 000 000

### **Total income**

**4 993 000 000**

Operating costs 4 789 000 000 Exceptional pension gain - 250 000

000 Restructuring costs 63 000 000

### **Total operating costs**

**4 602 000 000**

Share of results of associates 27 000 000 Gain on sale of operations 96 000

000 Tax and net financing income - 31 000 000

### **Group operating surplus**

**483 000 000**

Table made by student; source: [http://www.bbc.co.](http://www.bbc.co.uk/annualreport/2012/exec/managingourfinances/financialperformance/incomeandexpenditure/)

[uk/annualreport/2012/exec/managingourfinances/financialperformance/](http://www.bbc.co.uk/annualreport/2012/exec/managingourfinances/financialperformance/)

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