



Manfred Kops

**Revenue Structures of Broadcasting Systems:
An International Comparative Study**

**Paper presented at the International Conference
„The Future of the Broadcasting Licence Fee
in Times of Media Convergence“**

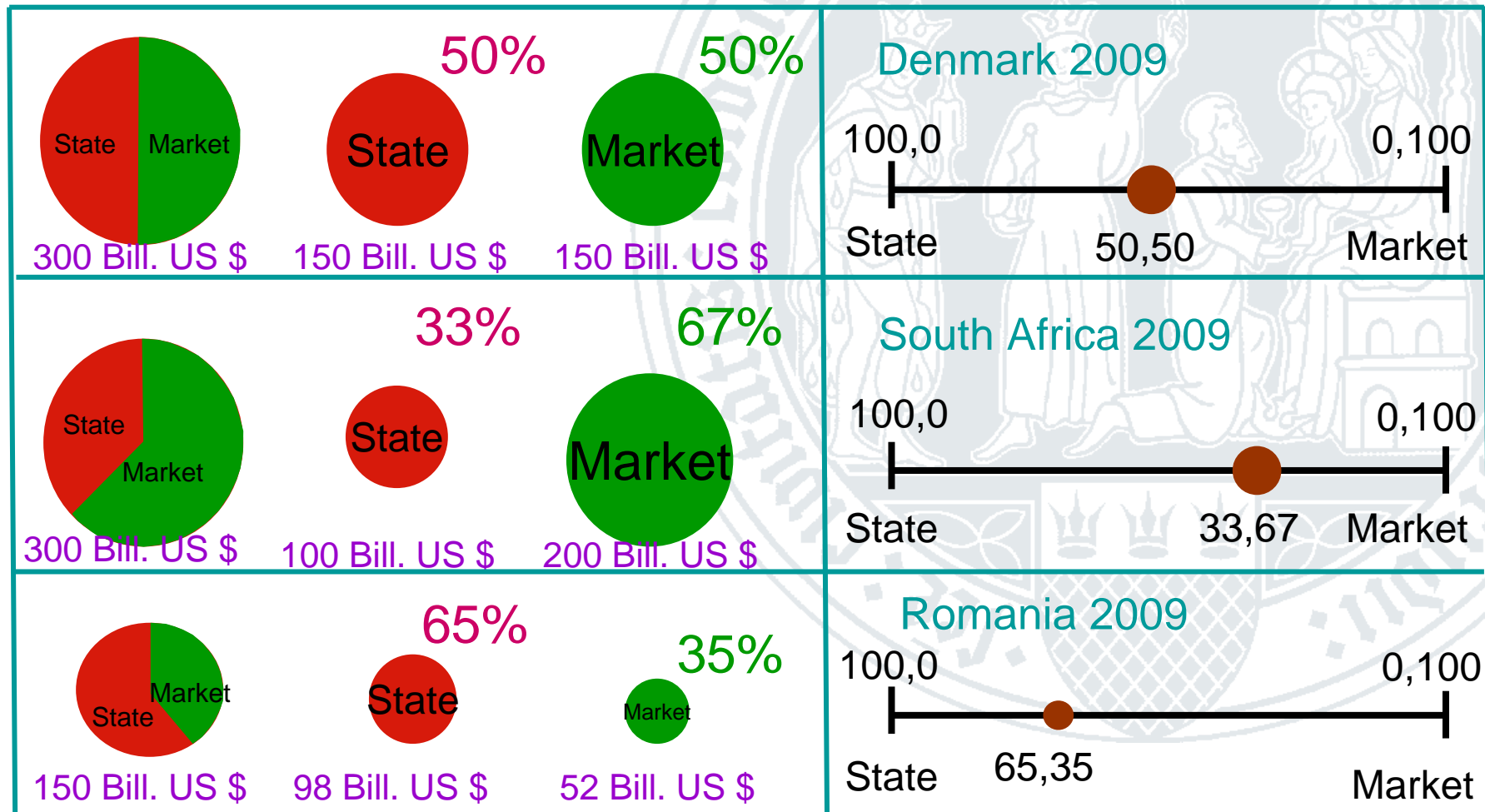
**May 6 - 7 2010,
Bonn, Germany**

1. **A Theoretical Model for the Description of Broadcasting Systems with the Market, the State, and the Civil Society (Voluntary Sector) as Basic Forms for the Provision of Broadcasting Programmes**
2. **Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems**
3. **Revenue Structures as the Key Determinant for Broadcasting Systems: Empirical Results, Internationally Compared**
4. **Operationalising the Theoretical Model II: Legal Structures as the Key Determinant for Broadcasting Systems**
5. **Revenue Structures and Legal Structures as the Key Determinants for Broadcasting Systems: Empirical Results, Internationally Compared**
6. **Conclusions and Prospects**

1.	2.	3.	4.	5.	6.
Market, State and Civil Society	Revenue Structure as Determinant for Broadcasting Systems	Empirical Results. I	Legal Structure as Determinant for Broadcasting Systems	Empirical Results II	Coclusions and Prospects



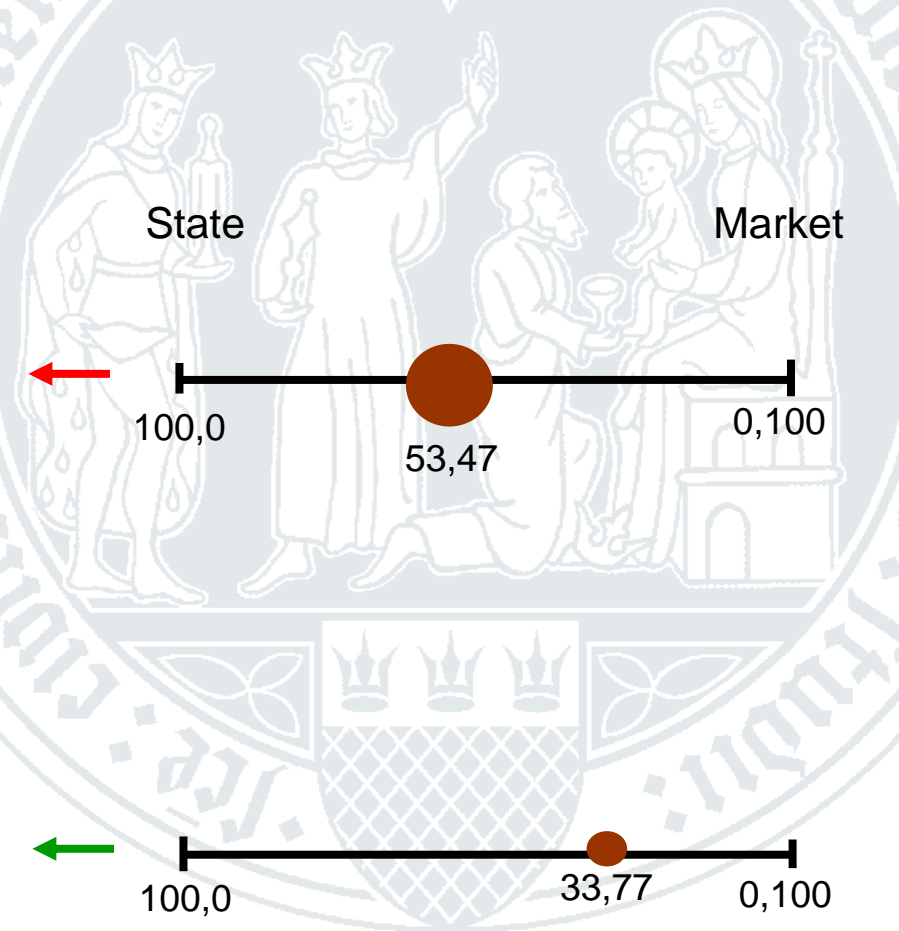
1.1. The Market and the State as Basic Forms for the Provision of Goods



1.1. The Market and the State as Basic Forms for the Provision of Goods

Public Expenditure Ratios

Land	Gesamtausgaben des Staates in v. H. des BIP						
	1990	1995	2000	2005	2006	2007	2008
Australien	35,2	38,2	35,2	34,8	34,5	33,8	33,7
Belgien	52,2	52,0	49,2	52,0	48,3	48,4	48,9
Dänemark	55,9	59,1	53,3	52,3	50,9	50,4	50,4
Deutschland	44,5	54,8	45,1	46,9	45,3	43,8	43,4
Finnland	48,3	61,4	48,4	50,5	48,8	47,3	47,3
Frankreich	49,3	54,4	51,6	53,5	52,7	52,4	52,5
Griechenland	50,2	45,8	46,7	43,1	42,0	43,5	43,2
Großbritannien	42,2	44,1	36,6	44,2	44,3	44,5	45,4
Irland	43,1	41,2	31,5	33,7	33,8	35,4	39,6
Island	41,5	42,7	41,9	42,2	41,7	42,8	43,9
Italien	53,5	52,5	46,1	48,2	48,8	48,2	48,4
Japan	31,9	36,5	39,0	38,4	36,0	35,8	36,4
Kanada	48,8	48,5	41,1	39,3	39,3	39,1	39,6
Luxemburg	37,7	39,8	37,9	41,5	38,7	37,9	39,2
Neuseeland	49,6	42,0	39,6	40,4	40,9	41,5	42,6
Niederlande	53,1	56,4	44,2	44,8	45,6	45,3	45,1
Norwegen	54,0	50,9	42,3	42,3	40,6	41,0	40,5
Österreich	51,5	56,5	52,1	49,9	49,4	48,4	48,4
Portugal	40,0	43,4	43,1	47,6	46,3	45,8	46,3
Schweden	61,3	65,3	57,0	54,0	53,1	51,4	51,2
Schweiz	30,0	35,0	35,1	35,3	33,7	32,9	32,6
Spanien	42,6	44,4	39,1	38,4	38,5	38,8	39,7
USA	37,1	37,0	34,2	36,6	36,5	37,4	38,6
OECD Total	40,2	42,9	39,1	40,8	40,2	40,3	40,9
Eurozone	48,1	53,2	46,3	47,4	46,7	46,1	46,3



Quelle: OECD, Economic Outlook 84, Paris 2008.

1.	2.	3.	4.	5.	6.
Market, State and Civil Society	Revenue Structure as Determinant for Broadcasting Systems	Empirical Results. I	Legal Structure as Determinant for Broadcasting Systems	Empirical Results II	Coclusions and Prospects

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1.2. The Civil Society as Basic Form for the Provision of Goods

Beside the Market and the State the Voluntary Sector (Civil Society) is a Third Basic Form for the Provision of Goods

Whereas the Provision by the Market is based on Extrinsic motives (Profit Making) and the Provision by the State is based on Legal Compulsion the Provision by the Voluntary Sector is based on Intrinsic Motives, e. g.

- Charity Motives to help poor and disabled people,
- Artistic Motives to create works or,
- Publicistic and Journalistic Motives, e. g. to express ones opinion, to tell „the Trush“ or to convince others.

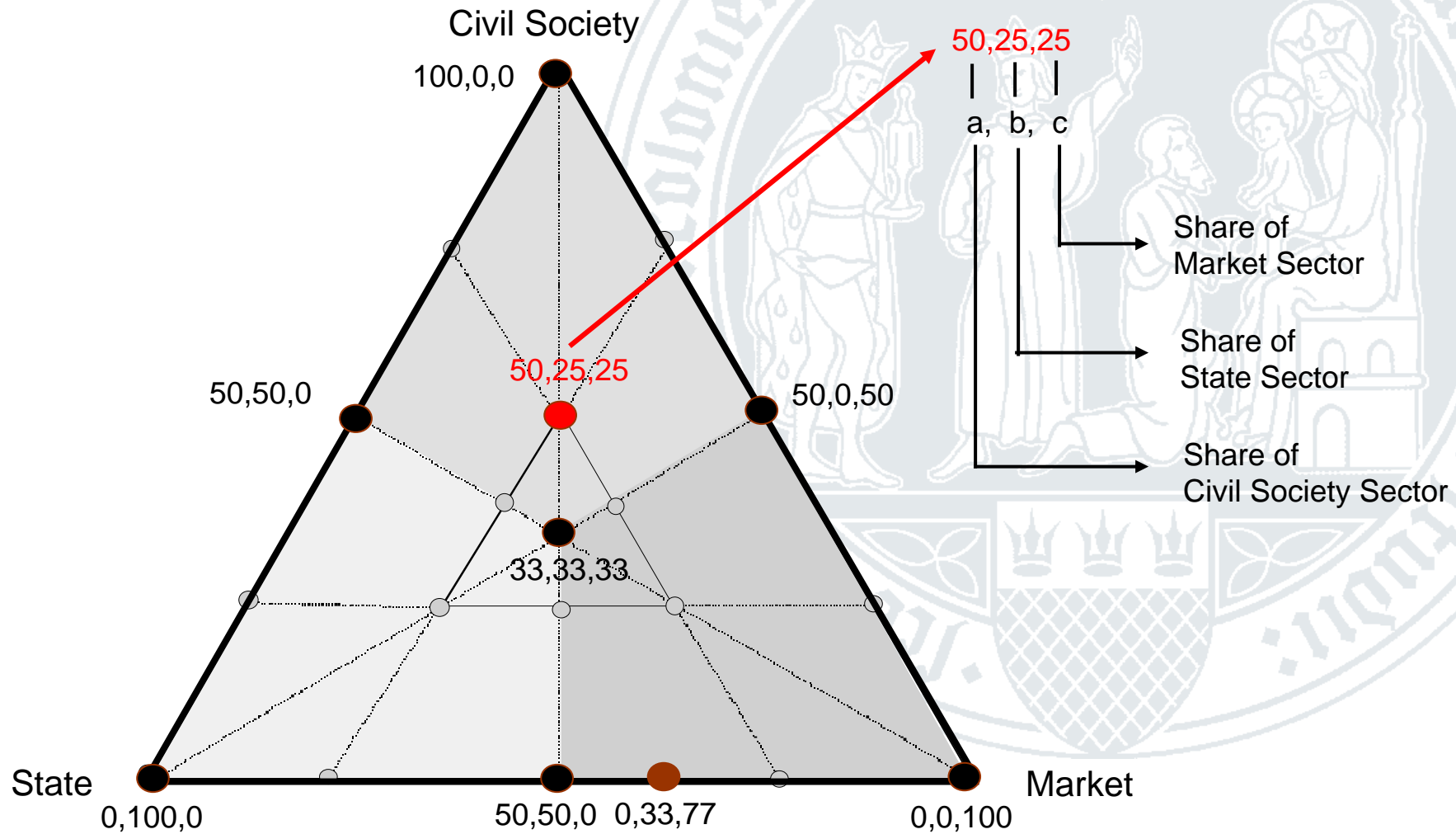
The Value Creation of the Voluntary Sector is large in all Economies, although it is not represented in the National Economic Product (GNP)

The Portion of the Voluntary Sector compared to the Market Sector and the State Sector differs between Economies, but the Differences cannot be derived from official statistics.

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1.3. The Provision of Goods by the Market, the State, and the Civil Society



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1.4. The Market, the State, and the Civil Society as Basic Forms for the Provision of Broadcasting Programmes

The Market, the State, and the Voluntary Sector each have specific Strengths and Weaknesses

Market relies on self-interest, profit making

pro efficiency in the provision, individual decision freedom, preference oriented

con market failures (insufficient diversity and quality, external effects), negative distributional effects
→ may jeopardize the equal freedom of opinion making for all citizens

State relies on sovereign compulsion, which in democracies is legally based on elections

pro non-market provision may correct or prevent market failures and negative distributional effects

con less efficient, less consumer oriented, less flexible and innovative than the market,
no incentives to reduce costs, political content is biased (“state failures”)
→ may jeopardize the equal freedom of opinion making for all citizens

Civil Soc is neither driven by private profit making nor by the target to assure and obey political power; instead it relies on intrinsic motives

pro non-market provision may correct or prevent market failures and negative distributional effects
non-market provision may correct or prevent state failures

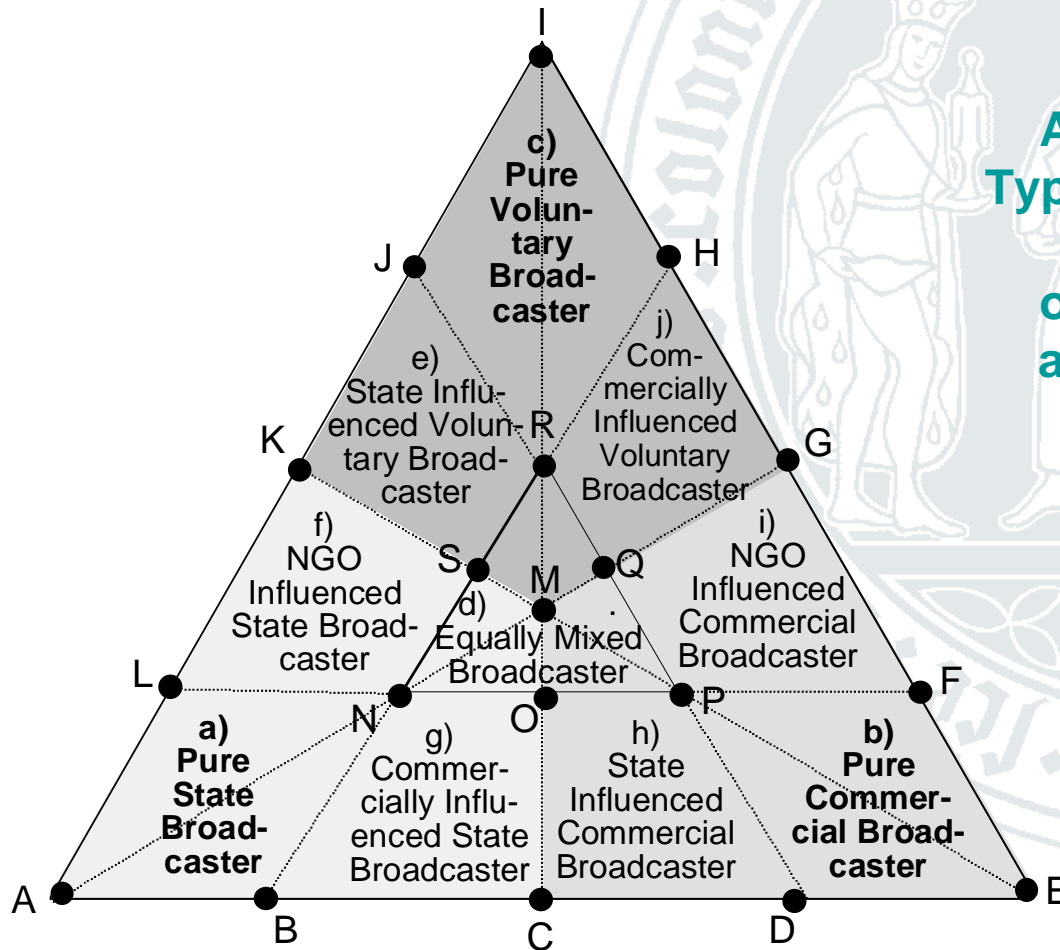
con efficiency, consumer orientation, flexibility and innovativeness is lower than for market provision,

con voluntary funding is not abundant: no competitiveness with market and state broadcasters

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1.4. The Market, the State, and the Civil Society as Basic Forms for the Provision of Broadcasting Programmes



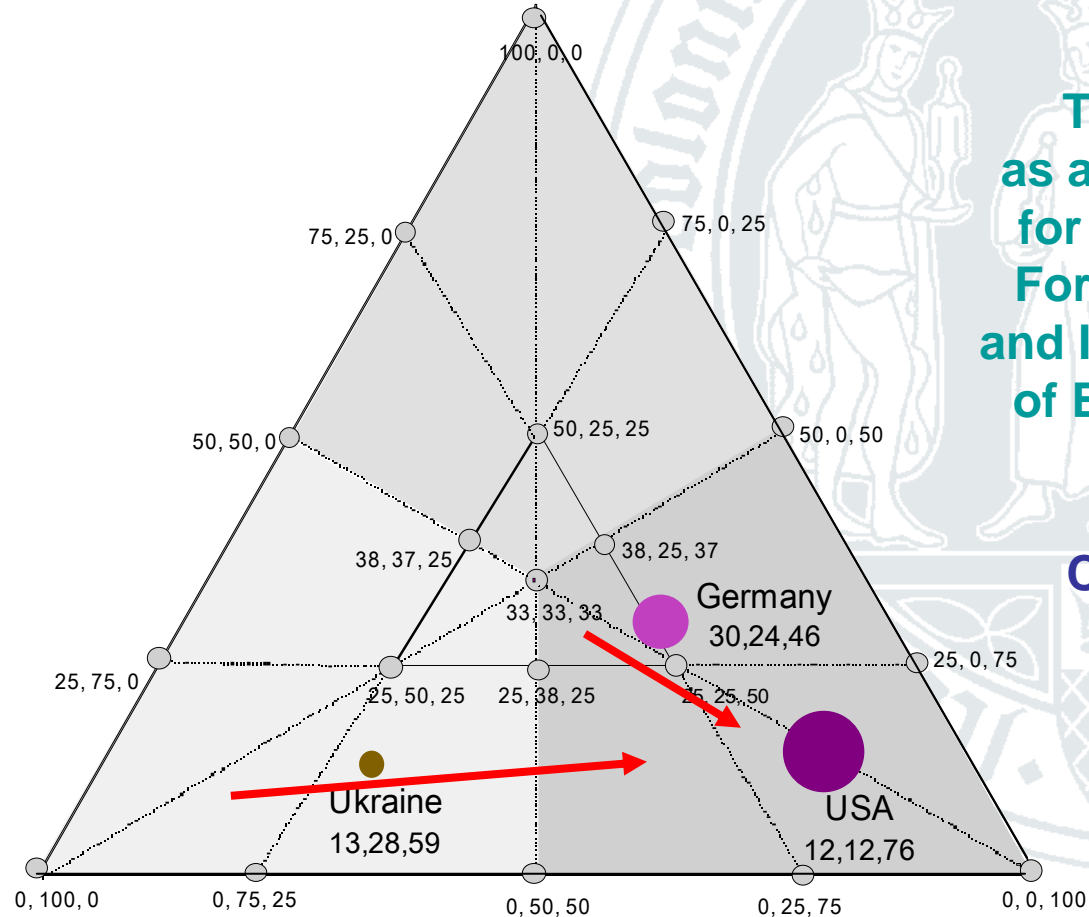
A more differentiated
Typology of Broadcasters
with 3 Types
of pure Broadcasters
and 7 Types of Mixed
Broadcasters

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1.4. The Market, the State, and the Civil Society as Basic Forms for the Provision of Broadcasting Programmes



The Triangle Model as a Theoretical Scheme for the Description and Forecasting of National and International Changes of Broadcasting Orders

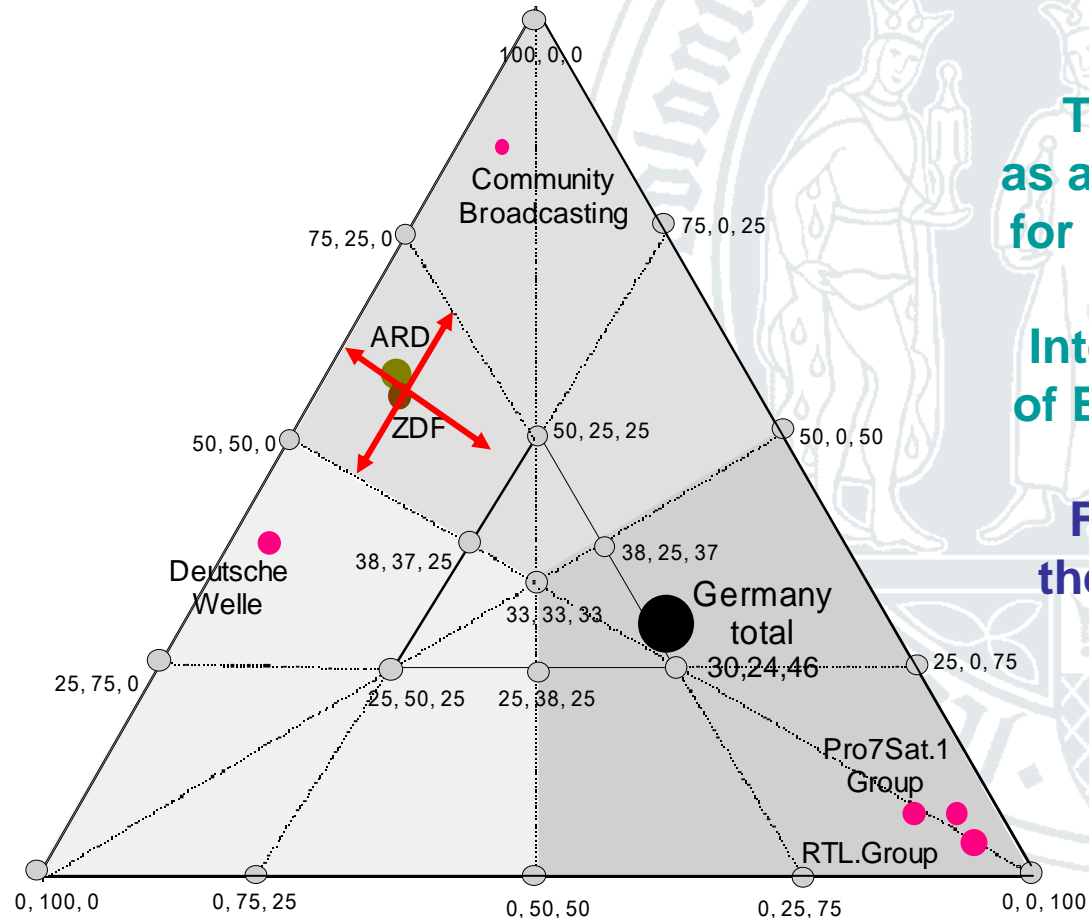
Worldwide Commercialisation as an Example

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1.4. The Market, the State, and the Civil Society as Basic Forms for the Provision of Broadcasting Programmes



The Triangle Model as a Theoretical Scheme for Normative Requests for National and International Changes of Broadcasting Orders

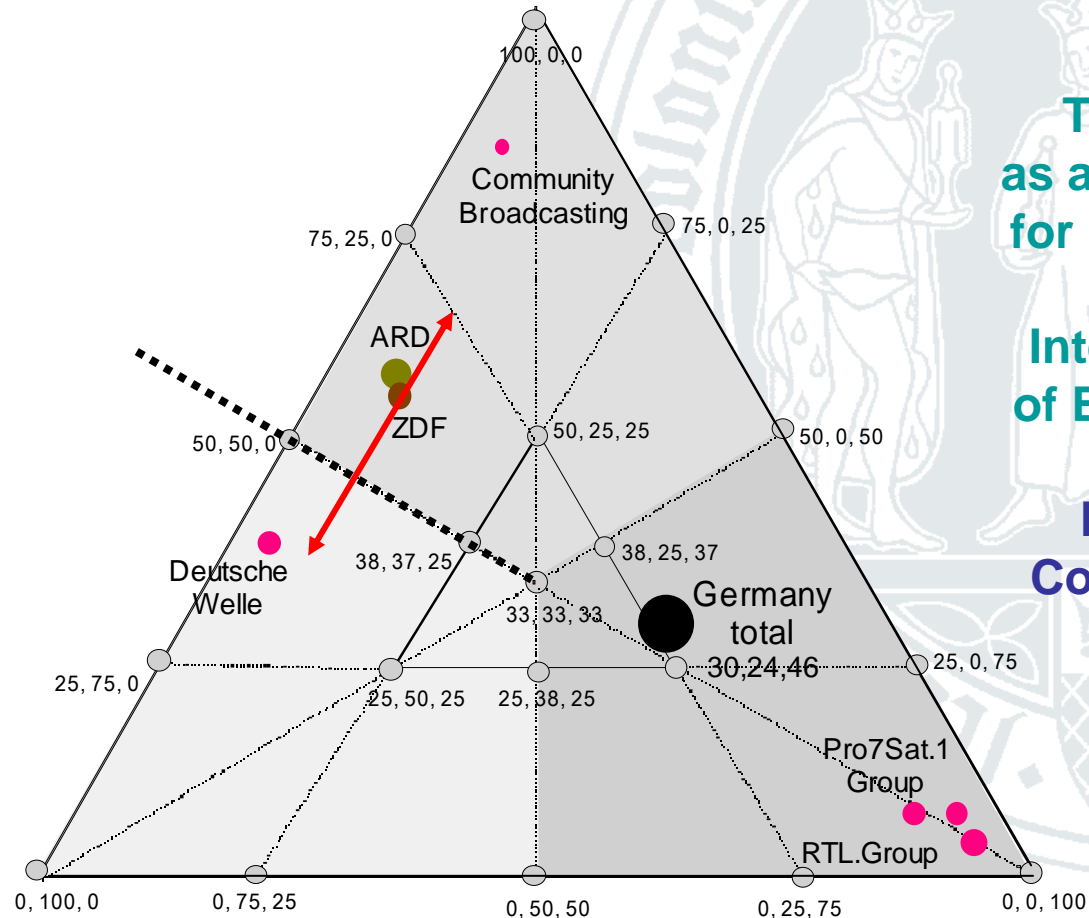
Fine Tuning within the National Systems

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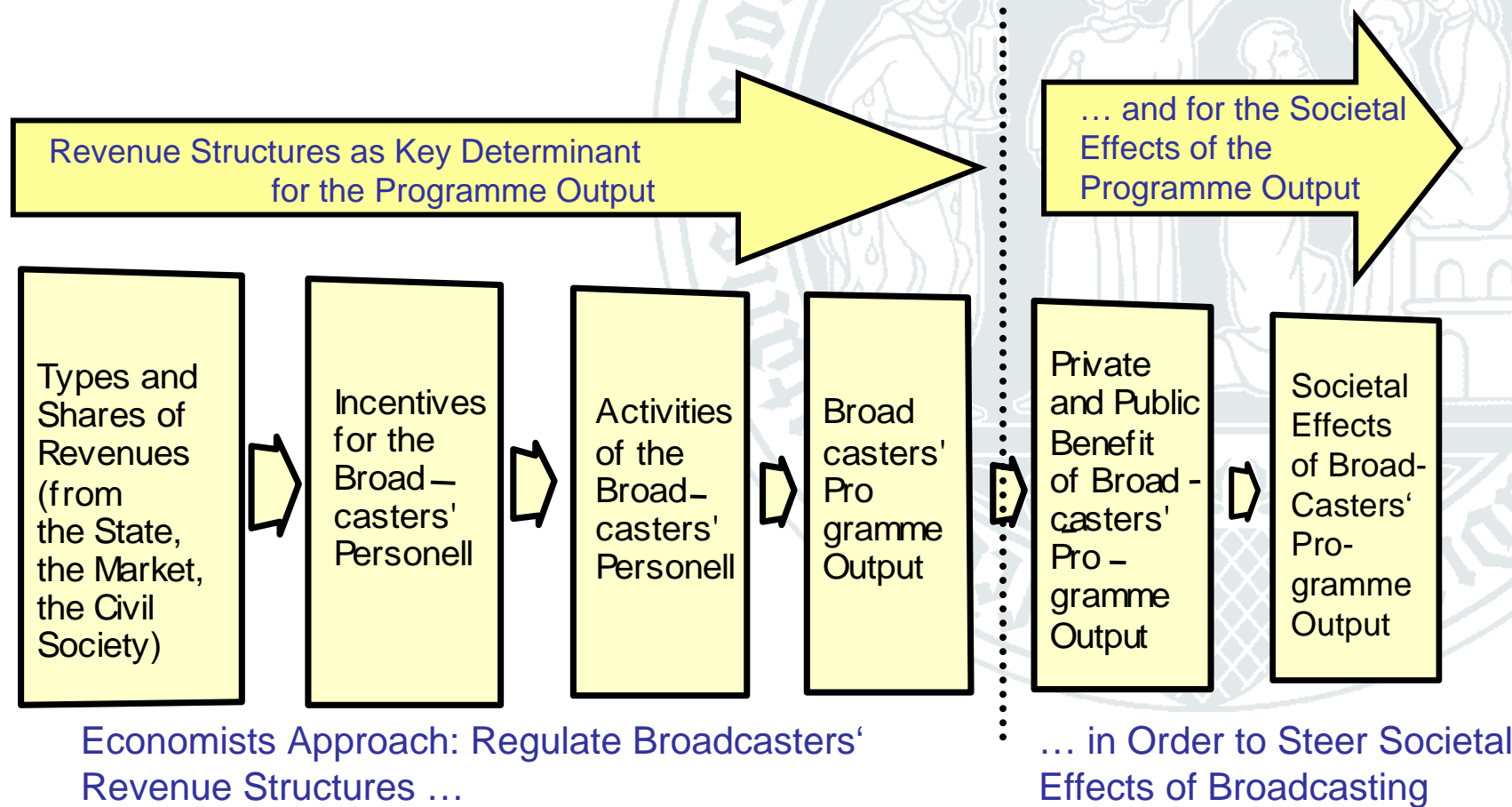
The Triangle Model as a Theoretical Scheme for Normative Requests for National and International Changes of Broadcasting Orders

Disputes Within a Converging European Media System

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Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems



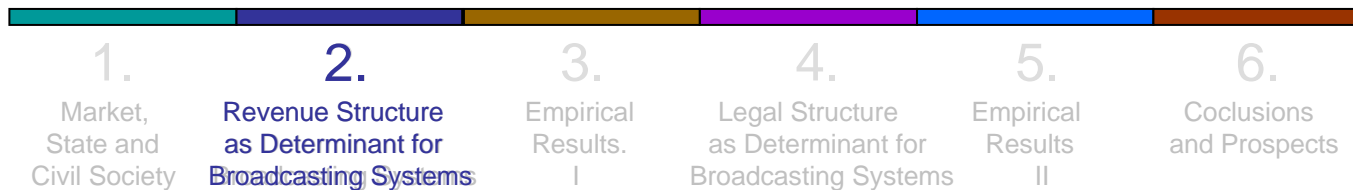
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Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems

Revenues from the **Market**:

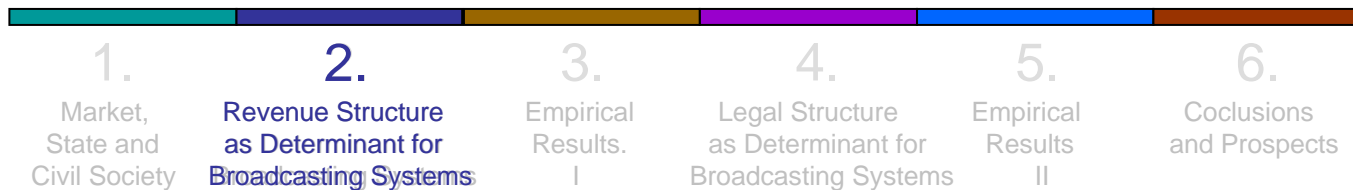
- Advertising and Sponsoring
- Subscriptions (Pay-per-View, Pay-per-Channel)
- Programme Sales
- Merchandising
- Other Transaction Revenues (e.g. from Telephone Call-Ins)



Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems

Revenues from the **State**:

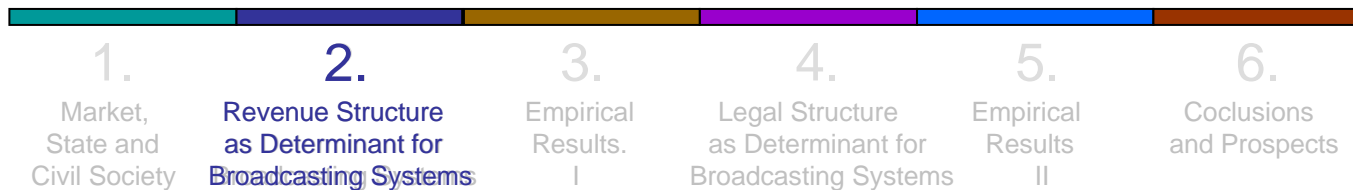
- Discretionary State Grants
- Discretionary Shares from Tax Revenues
- Rule-based State Grants
- Rule-based Shares from Tax Revenues
- Rule-based Devotion of a Public Revenue Source
(e. g. of a Receiving Licence Fee)



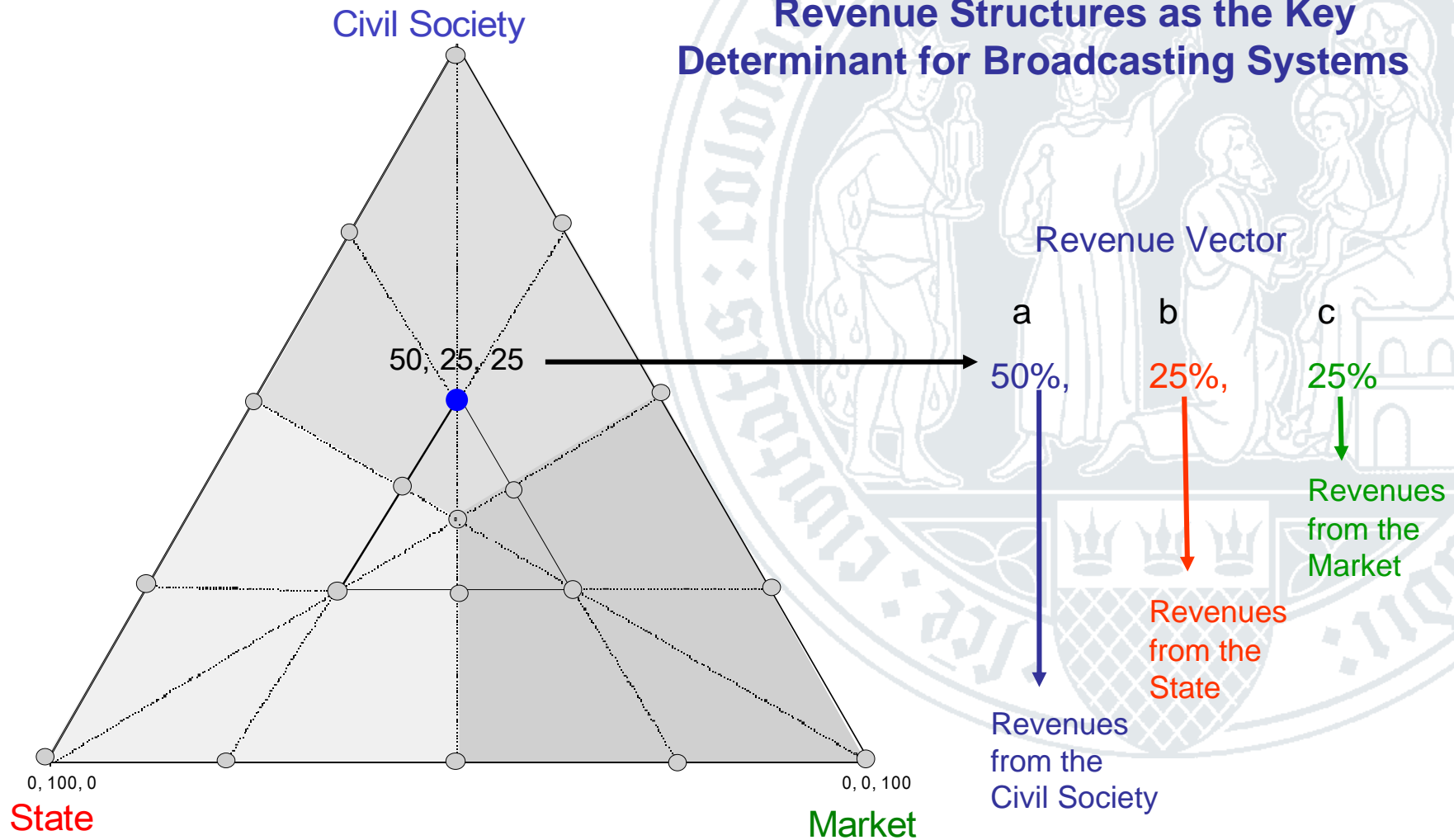
Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems

Revenues from the **Civil Society**

- Donations in Cash from Individuals
- Donations in Cash from NGOs
- Donations in Cash from Corporations
- Donations in Kind from Individuals (e. g. journalistic contributions)
- Donations in Kind from NGOs
- Donations in Kind from Corporations



Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems



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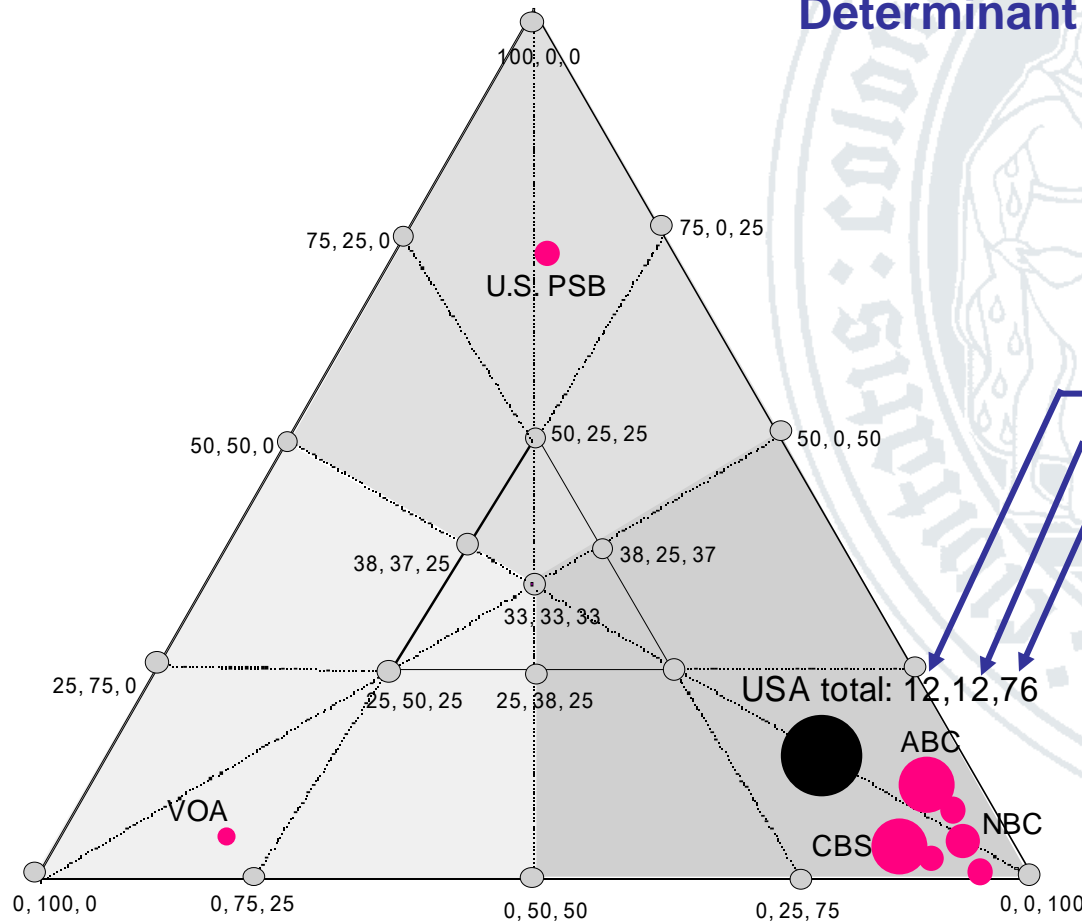
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Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems

USA as an Example

Vector for the Average of
all Broadcasters: 12, 12, 76



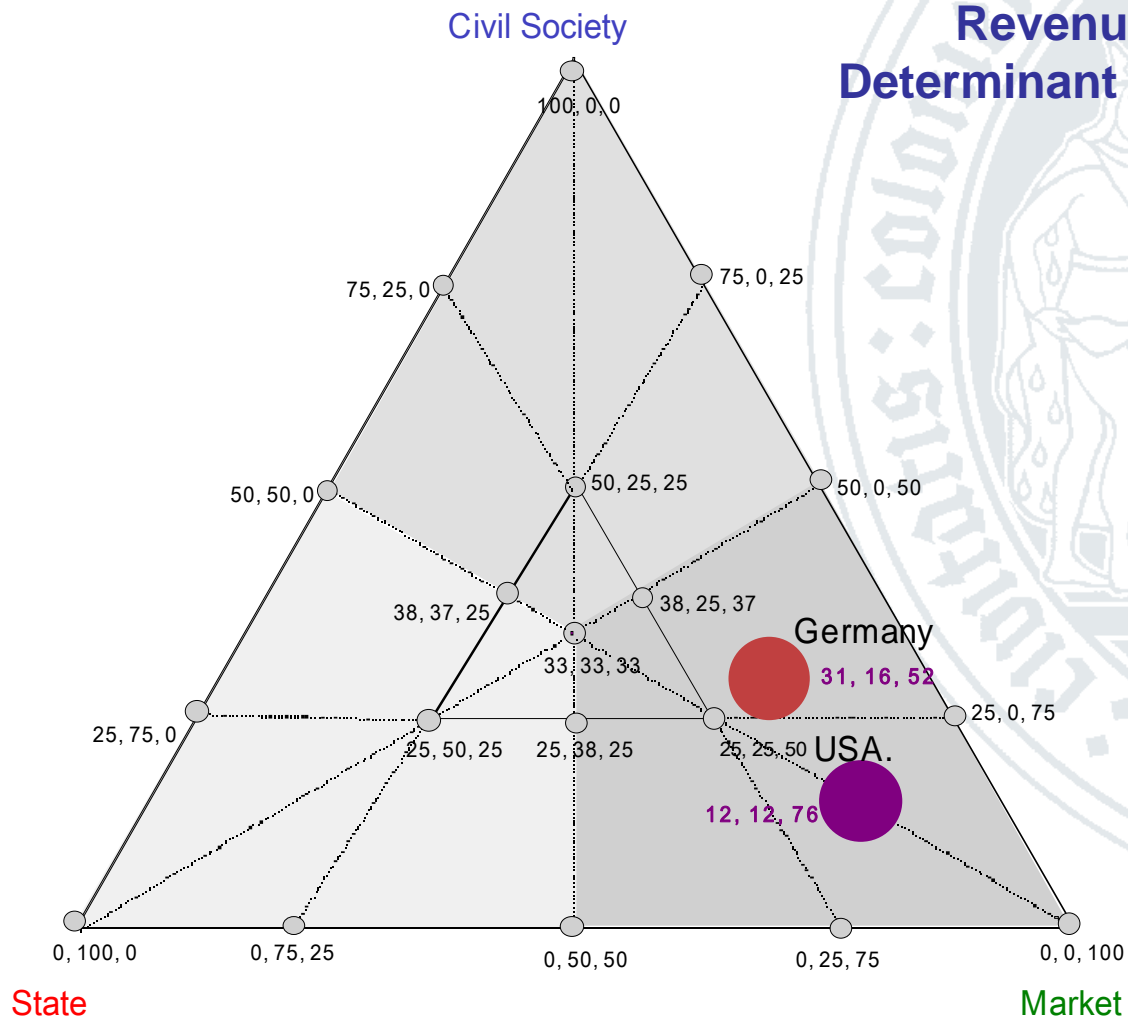
12 % Revenues from Civil Soc.
12 % Revenues from the State
76 % Revenues from the Market

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Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems



Comparison USA - Germany

12 %	31 %	Civil Society
12 %	16 %	State
76 %	52 %	Market



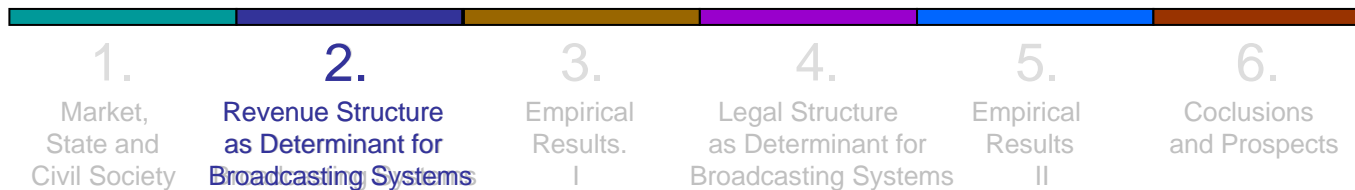
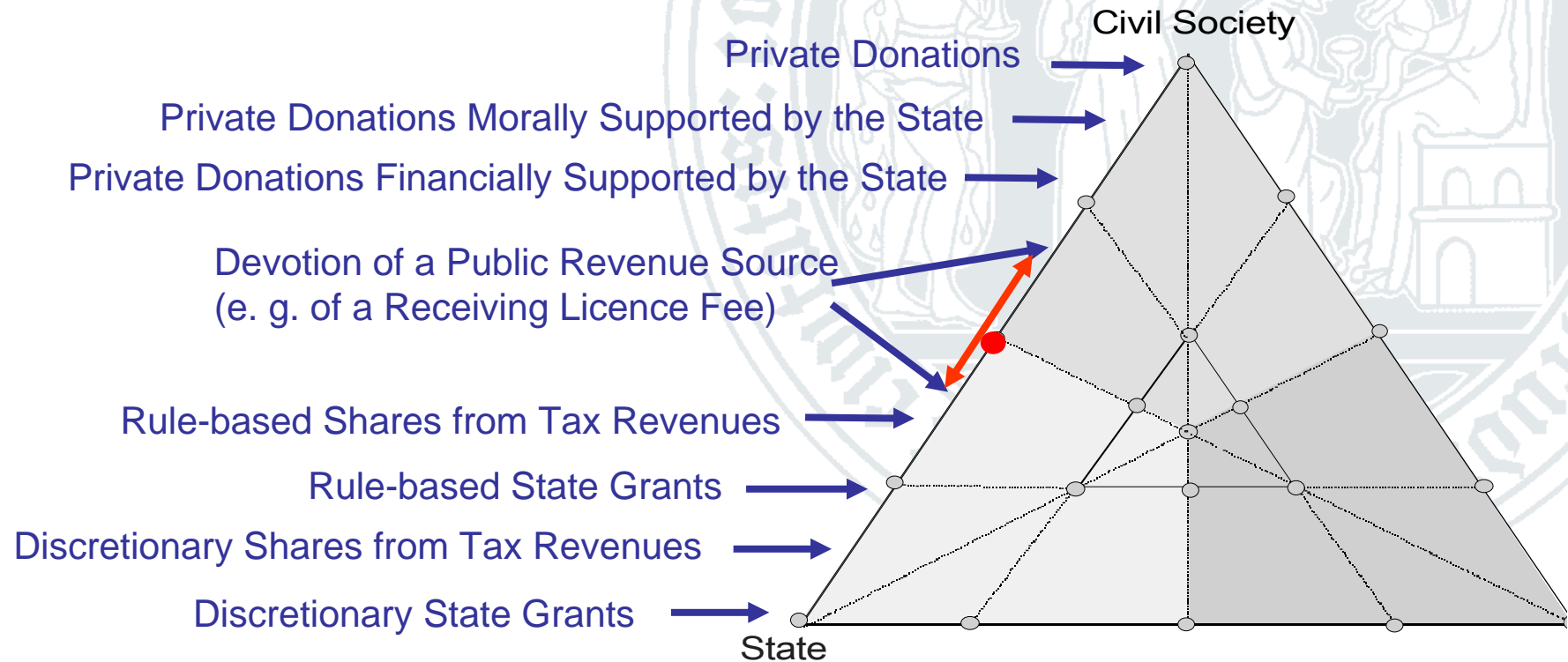
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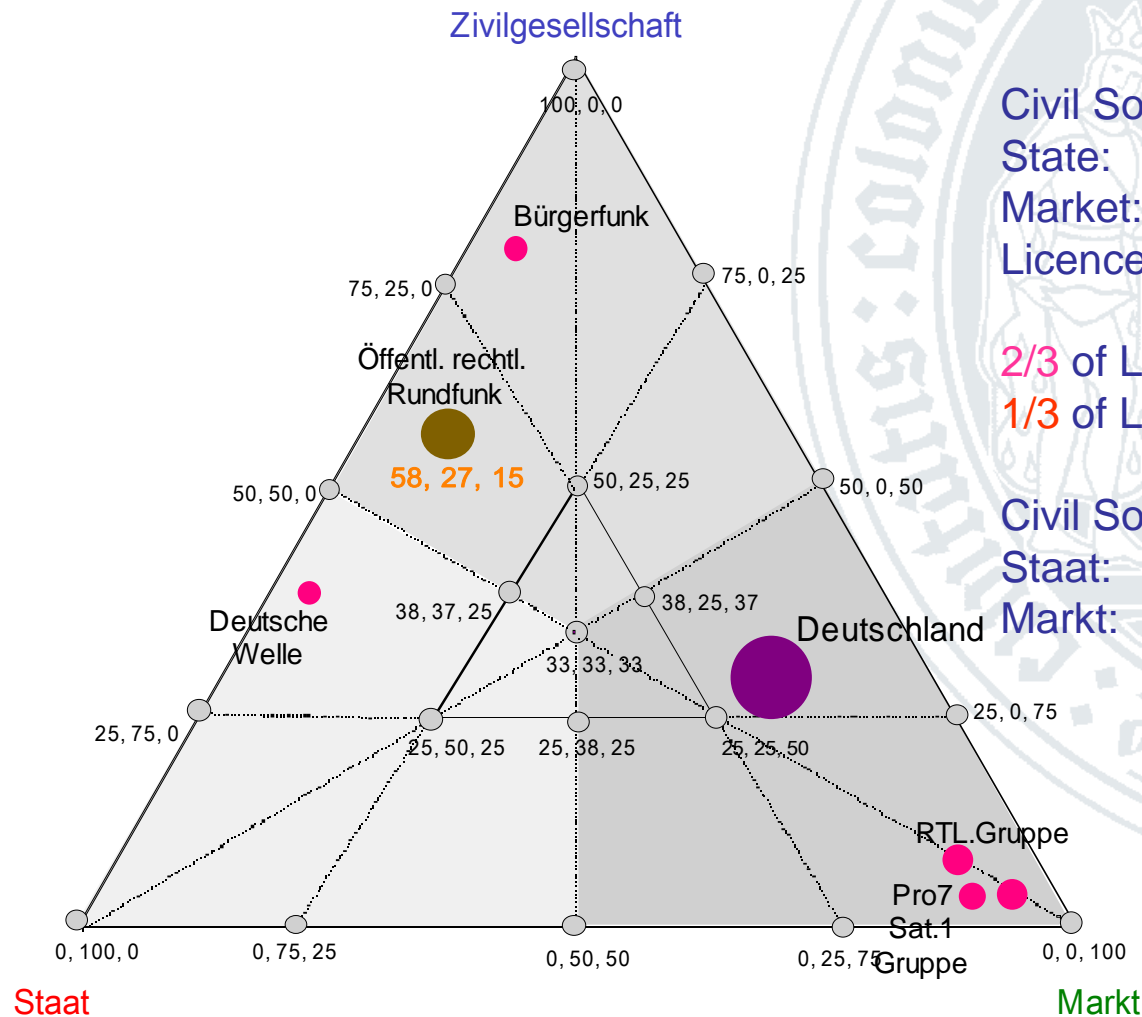


Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems

Revenues from the **State** differ in State Distance



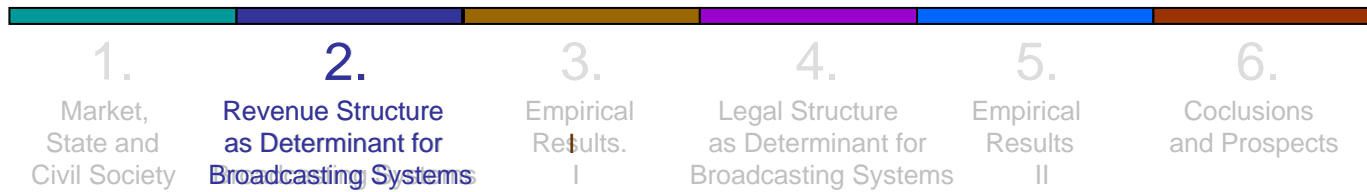
Operationalising the Theoretical Model I: Revenue Structures as the Key Determinant for Broadcasting Systems



Civil Society: 0,00 Bill. = CS
 State: 0,00 Bill. = St
 Market: 1,23 Bill. = Ma
 Licence Fee: 6,86 Bill. = ?

2/3 of Licence Fee: 4,70 Bill. = CS
 1/3 of Licence Fee: 2,16 Bill. = St

Civil Society: 4,70 Bill. = CS = **58 %**
 Staat: 2,16 Bill. = St = **27 %**
 Markt: 1,23 Bill. = Ma = **15 %**



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3.
**Revenue Structures as the Key Determinant
for Broadcasting Systems:
Empirical Results, Internationally Compared**

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Country	Operating Income*	License fee	Advert./ Spons.	Govt Grants	Other revenues	Sum of revenues
	Mio GBP	%	%	%	%	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Japan (NHK)	3.471	100	0	0	0	100
Norway (NRK)	235	99	1	0	0	100
Sweden (SVT)	310	98	1	1	0	100
Australia (ABC)	306	98	0	0	2	100
United Kingdom (BBC)	1.981	97	0	0	3	100
Denmark (DR)	436	91	1	0	8	100
Germany (ARD)***	3.806	82	9	0	9	100
Turkey (TRT)**	102	59	5	21	15	100
Belgium (VRT)****	227	77	22	0	1	100
Canada (CBC)	534	0	22	75	3	100
Germany (ZDF)***	951	73	17	0	10	100
Belgium (RTBF)****	122	72	20	0	8	100
Netherlands (NOS)	564	69	23	0	8	100
France (F3)*****	643	66	32	2	0	100
Czech Republic (CT)	80	61	24	0	15	100
Italy (RAI)	1.688	59	37	0	4	100
France (F2)*****	643	50	50	0	0	100
Portugal (RTP)	125	0	48	48	4	100
Poland (TVP)	286	32	37	0	31	100
Denmark (TV2)	436	25	72	0	3	100
Spain (RTVE)	467	0	64	25	11	100
South Africa (SABC)	246	18	78	0	4	100
New Zealand (TVNZ)	129	0	100	0	0	100
Germany (ARD+ZDF)	4.757	80	11	0	9	100
Belgium (VRT+RTBF)	349	75	21	0	3	100
France (F3+F2)	1.286	58	41	1	0	100

* Operating income, excluding commercial income

** Public funding derives from: a 3,5% levy on electricity bills and a tax on electronic goods (59% and 21 % of operating income resp.)

*** The total operating income for ARD and ZDF was split by us by an estimated ratio of 80 % versus 20 %

**** The total operating income for VRT and RTBF was split by us by an estimated ratio of 65 % versus 35 %

***** The total operating income for F2 and F3 was split by us by an estimated ratio of 50 % versus 50 %

Empirical Results, Internationally Compared

Our first quantitative approach
for international comparisons:
McKinsey-Study from 1999 for
29 Public Service Broadcasters

4 types of revenues

Simple reallocation of revenues
from the licence fee:
 $\frac{1}{2}$ as state revenues,
 $\frac{1}{2}$ as civil society revenues.

Source: MCKINSEY 1999, p. 30,
own calculations

1.

Market,
State and
Civil Society

2.

Revenue Structure
as Determinant for
Broadcasting Systems

3.

**Empirical
Results.**
I

4.

Legal Structure
as Determinant for
Broadcasting Systems

5.

Empirical
Results
II

6.

Conclusions
and Prospects

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Country	Operating Income*	tot. Rev. vol sect	tot. Rev. state sect	tot. Rev. com sect	tot. Rev. vol	tot. Rev. state	tot. Rev. com
	Mio GBP	Mio GBP	Mio GBP	Mio GBP	%	%	%
(1)	(2)	(8a)	(8b)	(8c)	(9a)	(9b)	(9c)
Japan (NHK)	3.471	1.736	1.736	0	50,0%	50,0%	0,0%
Norway (NRK)	235	116	116	2	49,5%	49,5%	1,0%
Sweden (SVT)	310	152	155	3	49,0%	50,0%	1,0%
Australia (ABC)	306	152	152	2	49,7%	49,7%	0,7%
United Kingdom (BBC)	1.981	981	981	20	49,5%	49,5%	1,0%
Denmark (DR)	436	210	210	16	48,2%	48,2%	3,7%
Germany (ARD)***	3.806	1.674	1.674	457	44,0%	44,0%	12,0%
Turkey (TRT)**	102	35	57	10	34,5%	55,5%	10,0%
Belgium (VRT)****	227	88	88	51	38,8%	38,8%	22,3%
Canada (CBC)	534	5	406	123	1,0%	76,0%	23,0%
Germany (ZDF)***	951	379	379	193	39,8%	39,8%	20,3%
Belgium (RTBF)****	122	47	47	28	38,7%	38,7%	22,7%
Netherlands (NOS)	564	210	210	145	37,2%	37,2%	25,7%
France (F3)*****	643	212	225	206	33,0%	35,0%	32,0%
Czech Republic (CT)	80	28	28	23	35,5%	35,5%	29,0%
Italy (RAI)	1.688	520	520	647	30,8%	30,8%	38,3%
France (F2)*****	643	161	161	322	25,0%	25,0%	50,0%
Portugal (RTP)	125	2	62	62	1,3%	49,3%	49,3%
Poland (TVP)	286	75	75	135	26,3%	26,3%	47,3%
Denmark (TV2)	436	59	59	318	13,5%	13,5%	73,0%
Spain (RTVE)	467	17	134	316	3,7%	28,7%	67,7%
South Africa (SABC)	246	25	25	195	10,3%	10,3%	79,3%
New Zealand (TVNZ)	129	0	0	129	0,0%	0,0%	100,0%
Germany (ARD+ZDF)	4.757	2.053	2.053	650	43,2%	43,2%	13,7%
Belgium (VRT+RTBF)	349	135	135	78	38,8%	38,8%	22,4%
France (F3+F2)	1.286	373	386	527	29,0%	30,0%	41,0%

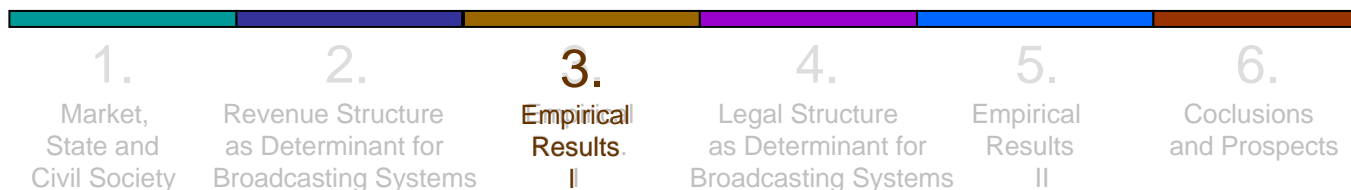
Empirical Results, Internationally Compared

First quantitative approach for international comparisons:
McKinsey-Study from 1999 for 29 Public Service Broadcasters

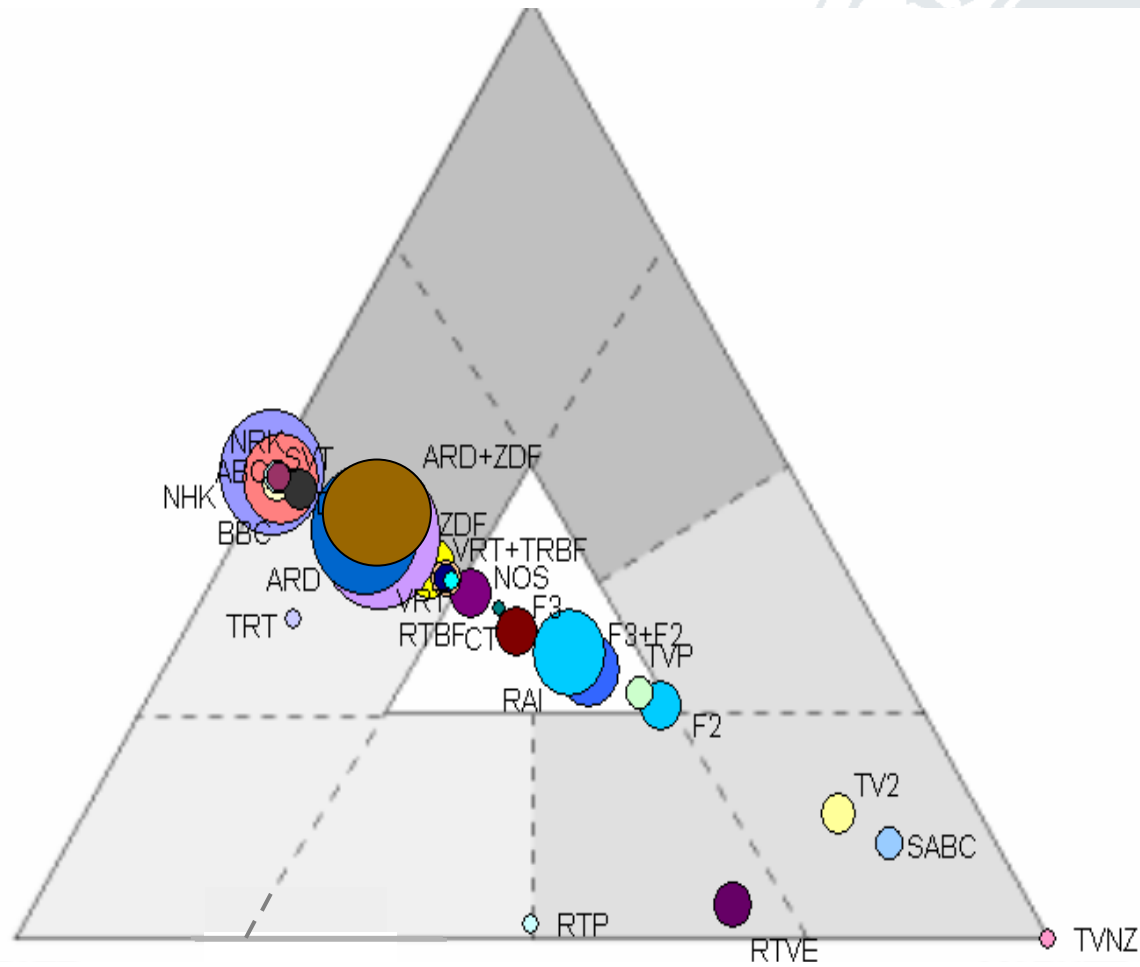
Result:

roughly adjusted revenue vectors

Source: MCKINSEY 1999, p. 30,
own calculations



Empirical Results, Internationally Compared

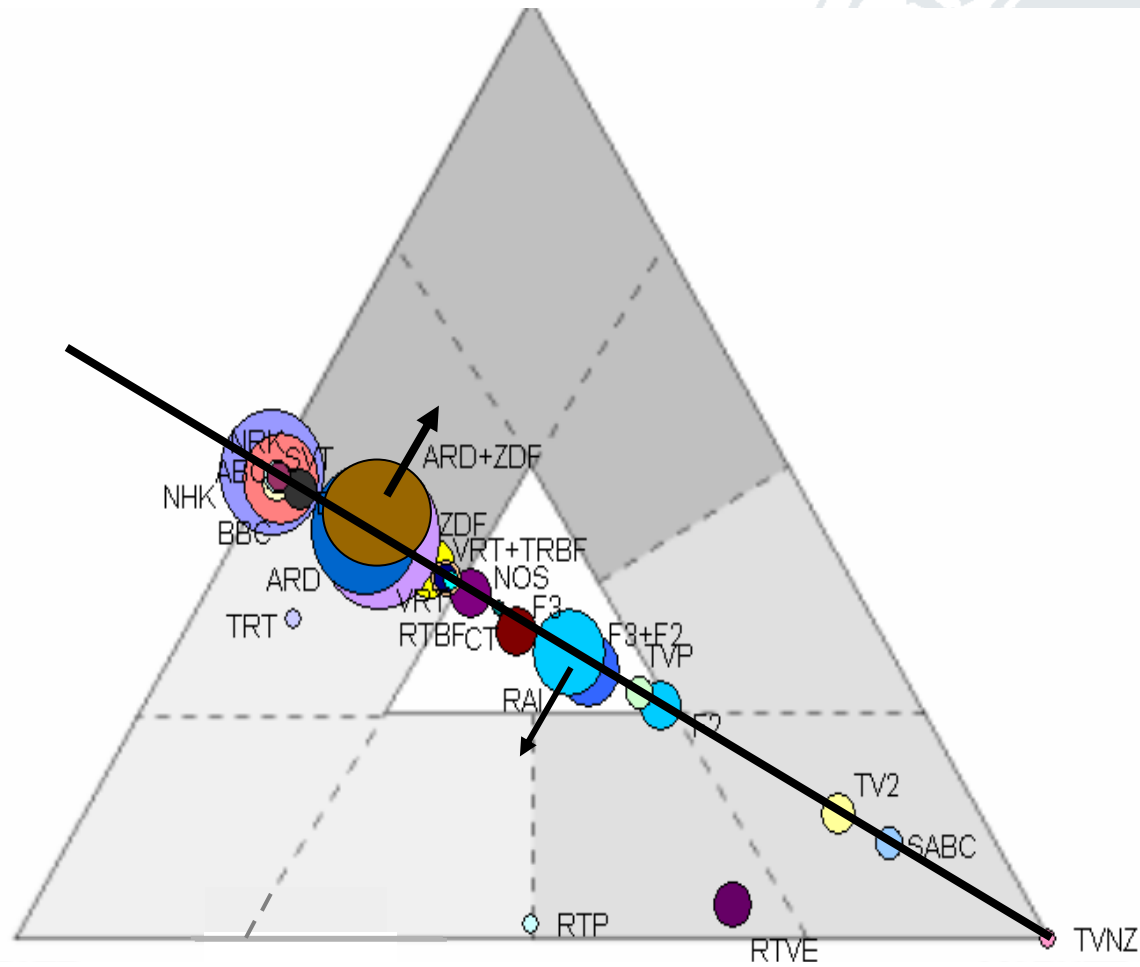


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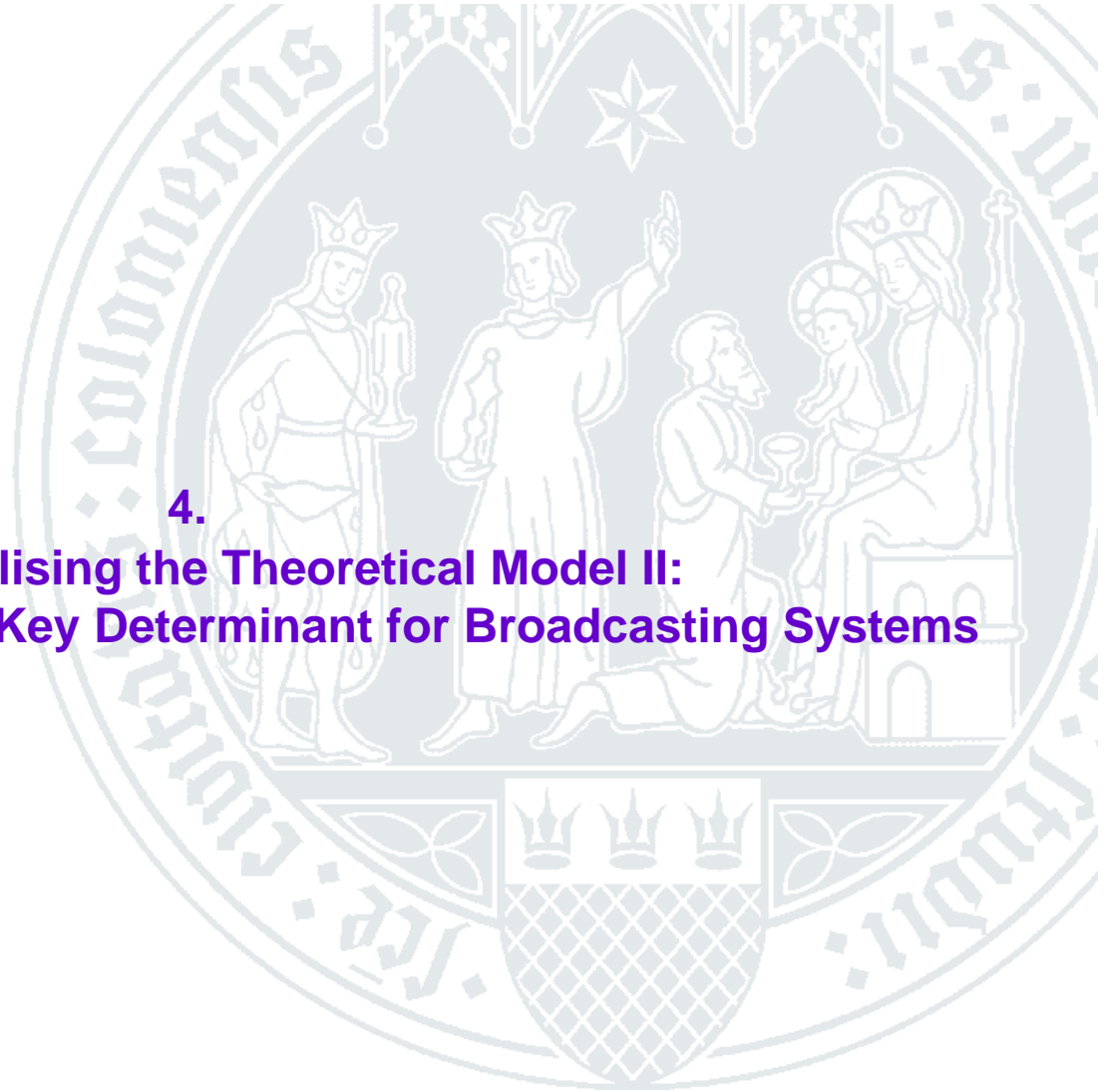
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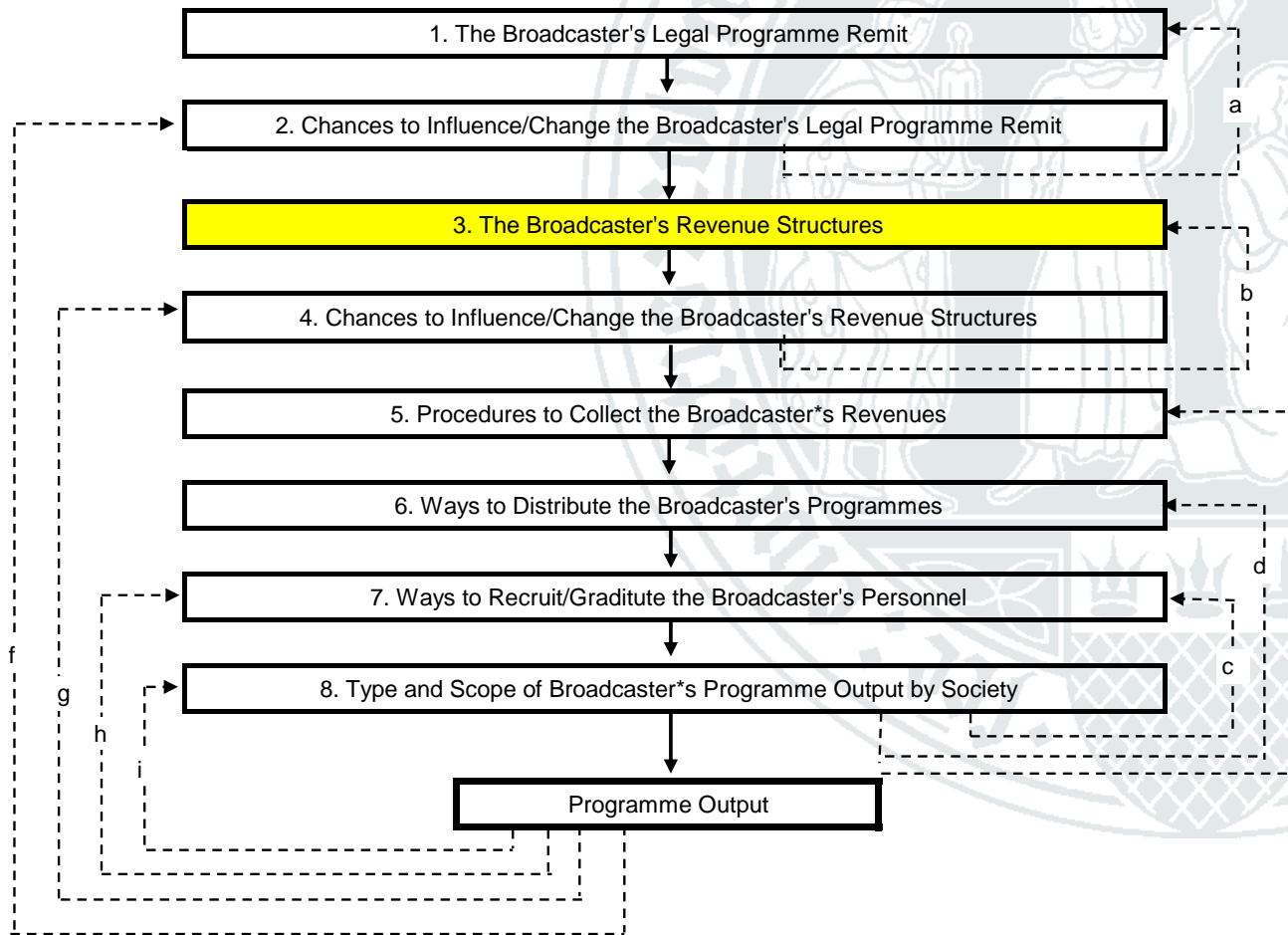


4.
**Operationalising the Theoretical Model II:
Legal Structures as the Key Determinant for Broadcasting Systems**

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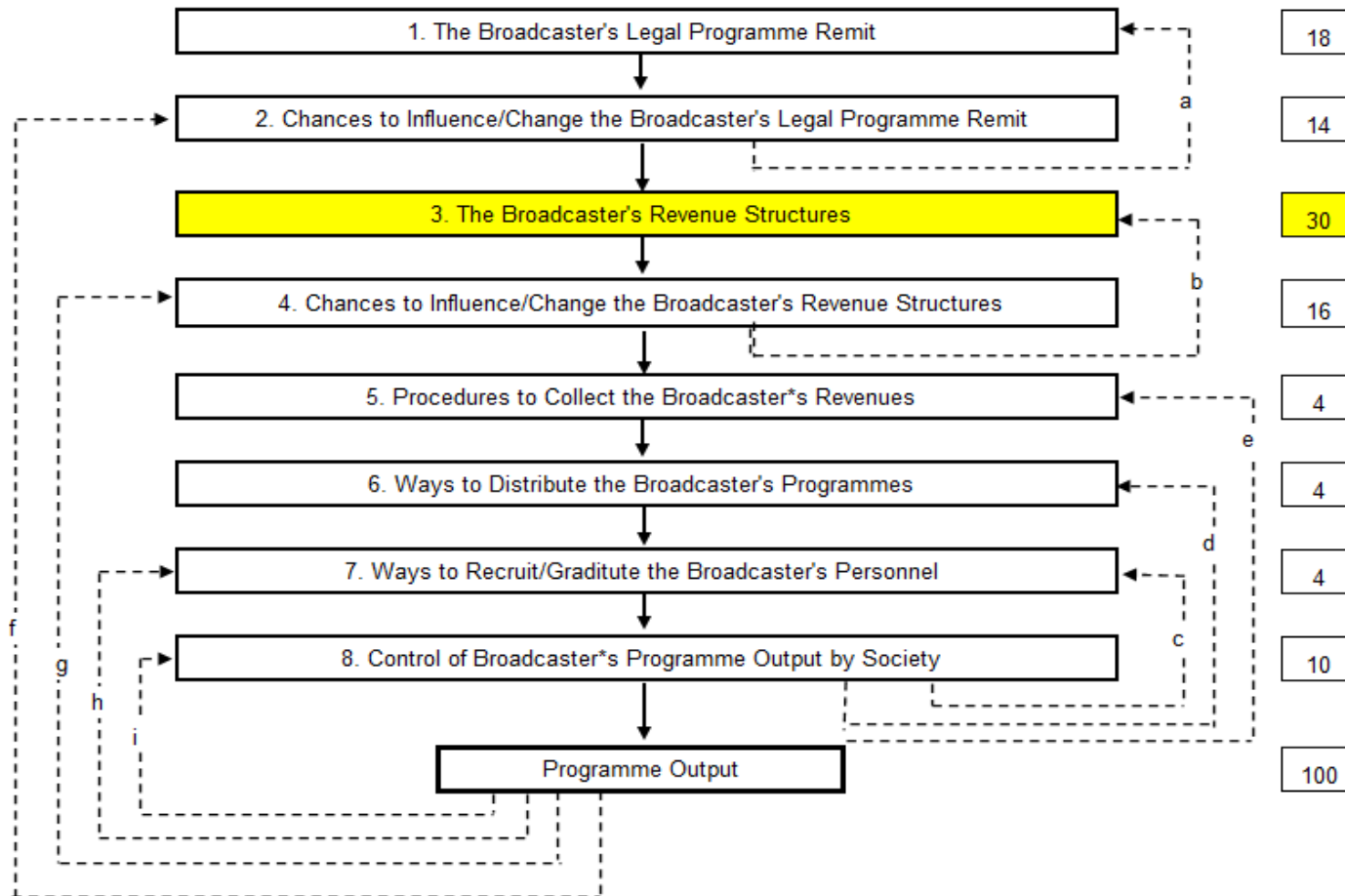
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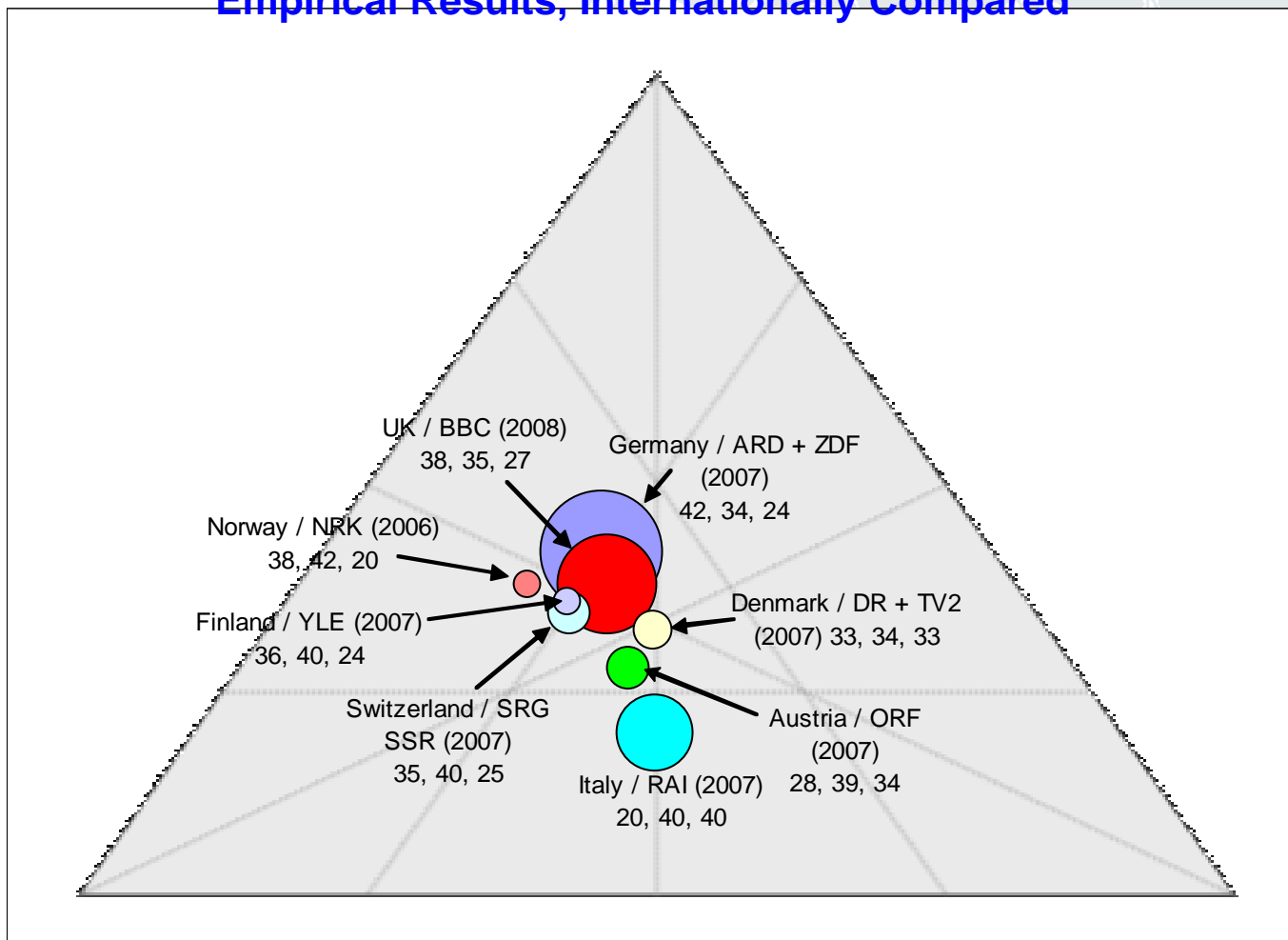


5.
**Revenue Structures and Legal Structures
as the Key Determinants for Broadcasting Systems:
Empirical Results, Internationally Compared**

1.	2.	3.	4.	5.	6.
Market, State and Civil Society	Revenue Structure as Determinant for Broadcasting Systems	Empirical Results. I	Legal Structure as Determinant for Broadcasting Systems	Empirical Results II	Conclusions and Prospects



Revenue Structures and Legal Structures as the Key Determinants for Broadcasting Systems: Empirical Results, Internationally Compared



1. Market, State and Civil Society
2. Revenue Structure as Determinant for Broadcasting Systems
3. Empirical Results. I
4. Legal Structure as Determinant for Broadcasting Systems
5. Empirical Results II
6. Conclusions and Prospects

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6. Conclusions and Prospects

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Market, State and Civil Society	Revenue Structure as Determinant for Broadcasting Systems	Empirical Results. I	Legal Structure as Determinant for Broadcasting Systems	Empirical Results II	Conclusions and Prospects

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Conclusions and Prospects

- 1. The Comparison of Broadcasting Systems becomes more important in the course of international conversion, especially in the course of European Harmonisation**
- 2. There is no standard instrument for the comparison of Broadcasting Systems**
- 3. Both economic and legal criteria need to be considered**
- 4. A comparison of Broadcasting Systems requires a consensus about the set of determinants and about the determinants relative importance (weights)**
- 5. Different academic disciplines need to provide its knowledge.**

