

Formation of Estonian broadcasting landscape 1994–2007: Experience of the transition state

Impact of the EU legislation on the Estonian television broadcasting since mid 1990s



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ABSTRACT: The article analyses the changes in the Estonian television landscape between the years 1992 and 2007. The article states that, in the conditions of Estonian liberal policy (Knell, Srholec, 2007; Holmes et al., 2008), European Union media regulation and television stations' economic conditions, influenced by the size of the Estonian television market, led to the enforcement of the legislation which was economically advantageous and protectionist towards commercial TV-stations owned by international corporations. As a result, profit for private television companies was guaranteed but, at the same time, the value of the offered contents diminished. The Broadcasting Act amendments from 2000–2001 were aimed to increase the promotion of Estonian culture and to guarantee its better reflection. In reality Acts' impact was minor and private channels commercialized. As a result of these processes, the private television programmes aired today are equable and entertainment dominates.

KEYWORDS: Public-service broadcasting, European Union, media policy, Estonia, media market



INTRODUCTION

Based on several researches and media surveys (Kalmus et al. (eds.), 2004; Shein, 2002; Jõesaar, 2005), the article analyses impact of EU legal framework on Estonian television landscape during 1994–2007. In focus are the relations between changes in broadcasting legislation, trends in TV consumption and economic development of the industry. The analysis focuses on how legislation has impacted the economic changes in a small media market and what are and will be the sequels to this process.

THREE PHASES OF DEVELOPMENT

Based on changes in legal framework, development of audio-visual landscape can be divided into three periods:

1994–1999 – foundation and institution of Estonian broadcasting legislation;

2000–2002 – implementation of EU Directive 97/36/EC (1997) and amendment of the Broadcasting Act (2001), which recast Estonian broadcasting landscape;

2003–2007 – protection of market and liberal interpretation of the Broadcasting Act as a guarantee towards economical success.

In the first period, the transforming of over-stuffed Soviet state propaganda institution into public service broadcaster faced severe critics and competition from forming private sector. Also, competition inside private sector took rigid forms still remembered as TV-wars. Limited market forced financially weak companies to merge or to find help from foreign capital. Despite strong efforts, none of the Estonian private broadcasters remained in the hands of founders and were sold to western media groups or, in worst cases, went bankrupt.

The key issue in the second period was reconciliation of Estonian legislation with EU directives. In parallel to this process, the positions of the two survived private broadcasters were secured. Estonian Television (PSB) step aside from advertising market. MTG and Schibsted duopoly on TV-advertising market was legally established.

ENTERTAINMENT FOR VIEWERS, PROFIT FOR PRIVATE CHANNELS

Estonian legislation has been supportive of securing the position of two foreign players (Schibsted and MTG), leaving public service broadcaster (PSB) without sufficient funding and imposing its remits. Research shows clear strong political trend with favourable legal and control means to support financial performance of two major players. At the same time, funding of PSB from state budget has in percentages decreased year by year.

Favourable conditions for private sector have not led to content diversity. On the contrary – research shows that the number of different programme categories offered by private broadcasters has decreased. *Television without Frontiers* Directive (TWF) (89/552/EEC, 1989) with European works quota does not have positive influence on programme cultural variety. At the same time PSB, being the only channel meeting TWF quotas, is facing continuous audience decrease.

Analysis of financial results of private TV-channels shows that the profit gained from substantial growth of TV advertising market is not invested back into production. In terms of programme variety, one can call it market failure.

INTO THE DIGITAL FUTURE

Despite the deficit financing and other limitations, public service broadcaster has maintained its leading role as most trusted information source for the Estonian soci-

ety. Although PSB has ambition but not the private sectors interest to invest, the lack of financial resources has restrained the launch of digital terrestrial television until 2008. New digital broadcasting licenses granted in 2007 have increased the number of broadcasted channels, but have not increased the variety of programmes. Insufficient funding of PSB does not allow them to take a leading role in digital switchover.

Ministry of Communication has an ambitious plan to switch off analogue frequencies already in 2010 – two years earlier than European Commission’s recommended deadline. This plan will be a real challenge for the whole Estonian broadcasting sector.

RELATIONS BETWEEN MEDIA AND SOCIETY

The scientists do not agree strongly on the connections between the changes in society and media system. Jakubowicz (2007) has generalized and summarized Rosengren’s (1981) theories about the connections between media and society in Figure 1.

Society shapes media	Yes	No
Media shapes society	Interdependence	Idealism
Yes	Interdependence	Idealism
No	Materialism	Autonomy

Figure 1. Four types of relationships between the changes in society and media
 Source: (Jakubowicz, 2007).

Interdependence has been researched in several scientific works (Jakubowicz 2004; Jakubowicz 2007). It is hard to prove the complete lack of the connections. The existence of dependence is generally agreed upon. Disagreements arise about the question of what causes what (McQuail, 2000).

Karol Jakubowicz (2007) has made a vast analysis about the development processes of society and media in Central and Eastern European countries. Unfortunately Baltic countries are not included in his research.

According to Hallin and Mancini (2004) today there exist three main media system models. From these three models Estonian media has more ingredients of the *Democratic Corporativist Model* than of the other two.

The general features of the *Democratic Corporativist Model* are the so-called three ways of co-existence. First, strong simultaneous development between (commercial) mass media and media connected to different political and social groups. Second, the co-existence of political parallelism and journalistic professionalism. The third way of co-existence is the state’s strong and press freedom’s traditional and liberal interference into media, which are seen not only as private enterprises but also as social institutions (Hallin, Mancini, 2004).

There are several features in Estonian media system which corresponds to this model. There is a strongly developed mass media in Estonia and the readability of newspapers is high (TNS EMOR, 2007). At the same time, the media connected to various political and social groups is not very strongly developed. Great press freedom and the co-existence of political parallelism and journalism belong under the similar features. State's interference into media is not a regulation of contents but an institutional action – the state finances public-law broadcasting and a certain part of the cultural publications.

According to Hallin and Mancini (2004), the Liberal Model's characteristics are: strong development and dominance of commercial press and private broadcasting, relatively high professionalism of journalism, limited government, strong rational-legal authority, separation of media institutions and political parties, moderate and individualized pluralism.

Estonian media landscape corresponds quite well to the characteristics of the Liberal Model. We do not have a strong media regulation enforced by the legislator, massmedia is independent from political parties, opinion diversity dominates, the existing state regulation is rationalistic (technical, i.e. frequencies, non regulating contents), the professional level of journalism can be considered as satisfactory. Hallin considers instrumentalization as one of the features of professional category. Journalism may be controlled by exterior agents – parties, politicians, social groups or movements, economic forces looking for political impact, etc. (Hallin, Mancini, 2004). From time to time, the question of journalism's positive or negative inclination towards or against one or other political force has been raised in Estonia (generally during election periods). About the television stations' programmes it may be stated that the more and more dominating entertainment in Estonian private television channels (Shein, 2005) proves the direct use of the channels' programme policy as a tool of advertisement market.

Knell and Srholec (2007) have analyzed post-communist countries using Varieties of Capitalism framework defined by Hall and Soskice (2001). Their finding gives a strong cornerstone for further media analyzes – Estonia is described as a country with liberal market economy (Damijan, Knell, 2005; Knell, Srholec, 2007; Buchen, 2007).

Another important factor determining relations between media and society is the small size of the Estonian market. The population is just 1.37 million from whom less than 1 million are Estonian speaking. These conditions make development of media unique; especially when broadcasting is concerned.

The purpose of this article is to analyse the interdependent changes of television broadcasting and society's (economic) conditions between the years 1992–2007. The analysis concentrates on the three main areas and the connections between them:

- a) the formation and impact of European Union broadcasting regulation;
- b) the formation of Estonian broadcasting regulation;

c) the development of Estonian television market, television stations and their economic indicators. The main changes in Estonian television channels' programme policy have also been briefly observed.

THE FORMATION OF THE EUROPEAN UNION BROADCASTING REGULATION

To understand better the European Union media (including broadcasting) policy which notably influences Estonia, we must observe the historic development of this policy.

Van Cuilenburg and McQuail (2003) describe the three important timelines of the media policy development and the corresponding paradigm:

- a) the forthcoming of the communication and media policy (2nd half of the 19th century until the Second World War;
- b) public-law media policy (1945–1980/1990);
- c) the current period in media policy development and paradigm (1980/1990 until today).

For the first media political era and paradigm, Van Cuilenburg and McQuail (2003) bring out three common traits for both systems in addition to the principal proprietary relationships and control systems' differences between American and European. The three traits are:

- a) communications area and broadcasting were considered as strategically important parts of economies;
- b) media-specific regulations were enforced (different conditions for different technologies);
- c) the subordination of communication to national, military and economic interests.

According to Van Cuilenburg and McQuail (2003), the second era of the media policy paradigm began after the end of the Second World War. Market liberalism was victorious in America. As a result of the activities of European governments with corporative traditions, the public monopoly was enforced as a political decision on broadcasting in several countries during the post-war period. Vast tasks were appointed to broadcasting in society and their execution had to be informed to the electorates. Also, the European broadcasters financing model, which is based on public resources (fees on permissions and licenses, state budget allocations) differs completely from the American broadcasting financing which is based on private capital.

Entire media and communications market was regulated only on state level; there was no regulation for nationwide or international market.

The main goal of the treaty establishing the European Economic Community, signed in Rome in 1957, was the creation of free (trade) market and guaranteeing of capital movement.

In the 1950s, when merchandising and industrial manufacturing were making legal international cooperation more efficient and creating nationwide regulation,

the public institutions were nationally insured in their monopolist position in the markets. The monopolist position of the public broadcasting remained the same in Europe basically until the end of the 1970s. Van Cuilenburg and McQuail (2003) say the characteristics of the media policy second period are:

- a) normativity caused by the needs of the developed democracy (representation and participation);
- b) limitations in national interests and territories;
- c) legitimating the interference by the government into the communications market in the interests of the society.

Van Cuilenburg and McQuail (2003) bring out two political trends about the second era – the American trend of only demolishing monopolies and having the privatising rate as high as possible is opposed by the European trend of harmonising markets. These two media policy trends are also clearly visible in the European Union legal framework. The European common market and the free movement of capital and merchandise prevail over the cultural policy that is left in the competency of the Member States.

The first big step in the overall regulation of the EU television broadcasting was the passing of the European Union *Television without Frontiers* Directive in 1989 (89/552/EEC, 1989). The purpose of the document was to create a broadcasting regulation that serves the interests of the public, including the protection of the viewer and European market through certain limitations.

In 1992 a new chapter – Culture – is added to the EU base document with the Maastricht Treaty (1992). For the first time the cross-European cultural activities and goals are fixed by a document which is above the laws of the Member States. According to Bardoel et al. (2004), the Culture chapter of the Maastricht Treaty is the first clear sign of the tension between the principles of the free market competition and the cultural principles supporting pluralism. Bardoel also brings out the negative impact of the Maastricht Treaty on native cultures. He claims that the Dutch broadcasting policy, which used to be oriented towards nationalism and culture, had to make way for the more market-oriented European audiovisual policy. Syvertsen (2003) described similar trend results in Norway and Meier (2003) for Germany.

In regard to timeline, the processes that took place in the European Union in the 1990s belong to the beginning of the development of the third paradigm described by Van Cuilenburg and McQuail (2003). In this era, large corporations started to move to international markets and overcome the old regulations that limited their activities. The large corporations that had until then mainly functioned under state regulations, although they had become cross-national, needed a nationwide harmonised legislation. Convergence obtained an important role. The telecommunications policy and the media policy, that used to be executed separately, began to merge into one new solid communications policy. The areas and effects of the new communications policy are brought out in Figure 2.

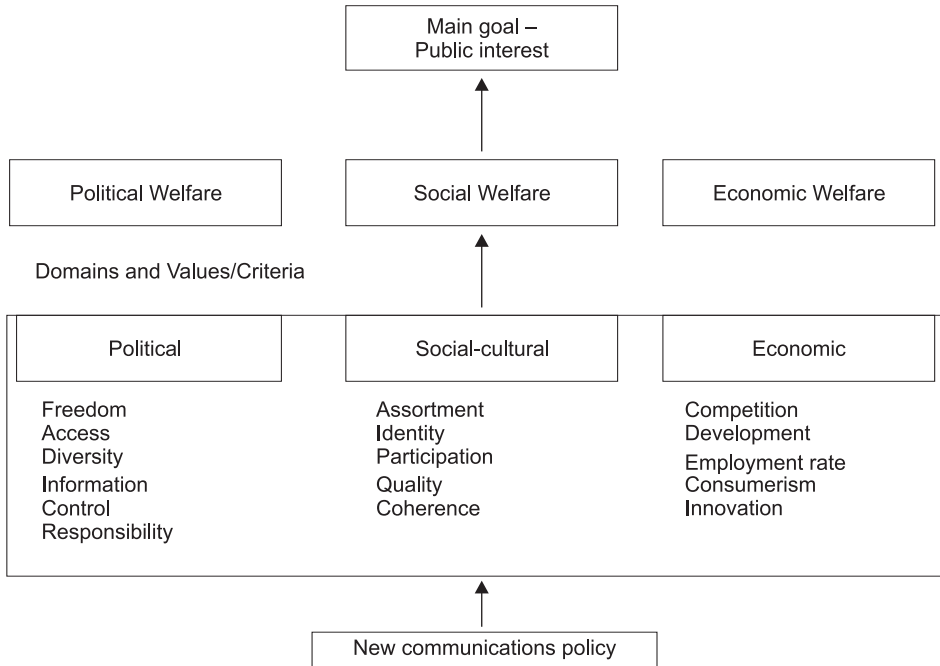


Figure 2. The areas and effects of the new communications policy

Source: (Van Cuilenburg, McQuail, 2003, p. 184, chart 4).

The purpose of the new communications policy is continually public interest. However the nature of public interest has changed. Economic well-being has become as important as political well-being and the communication values have become an important part of the well-being of the society.

To move ahead in the topic, one may say that in Estonia communication policy economic values (especially competition) are dominating over political and social-cultural ones. Consumerism (expressed in broadcasting in many commercial forms of entertainment) outrivals diversity and information.

The changing EU regulation is a proof of the new communications policy. One of the goals of the EU regulation is to raise the competitive strength of the European Union which is falling behind the economic success of the USA. In this case the European Union economic strength includes also the competitive strength of the media industry in the fight against the film and TV productions which are massively attacking the European Union market. The wish to protect the European cultures against American (mass) culture is understandable but it comprises several dangers and contradictions. The need to strengthen the competitive strength of the European media industry means in practice the favouritism of development of large cross-European international media concerns. The media concentration that this encompasses is precisely one of the problematic areas which are considered as a direct threat against pluralism and democracy, also levelling of different cultures

(Jakubowicz, 2007; Syvertsen, 2003; Wheeler, 2004; Harrison, Woods, 2001, and others). The Estonian media landscape has been accused of having a large media concentration but little competition. Estonian private television channels are owned by large Scandinavian media companies. However, Modern Times Group and Schibsted are at the same time quite mediocre sized companies in the European market, not to mention the world.

As a result of growing competition and commercialisation in all European countries, the effect of the commercial broadcasting interests is growing continuously also in the European Union regulation systems. A clear example of the dominance of market forces was the process of revising the *Television without Frontiers* Directive. In revised and renamed new *Audiovisual Media Services* Directive (AVMS) (Directive 2007/65/EC, 2007) the object of the regulation has enlarged from television to audiovisual services in general. Among many changes also commercial terms of broadcasting are eased.

The new directive becomes compulsory to the Member States within two years of its passage. Estonian legislation is brought into conformity with the directive by 2009, the latest. Within the context of this article, the advertisement presentation requirements have become considerably more liberal in comparison to the old regulation. The advertisement and programme separation clause has been replaced by the advertisement separation clause, product placement is allowed, and a completely new term – (audiovisual) commercial communication – has been introduced. However, one may say that in reality the European Commission is legalising all the new advertisement techniques which are actually already in use. But on the other hand, all this means direct favours to advertisers' interests, which in turn may lead to damaging viewers' interests and accelerates general media commercialisation.

On the other side, one must admit that because of general media commercialisation and liberal regulation, the change of the directive is actually an attempt to bring the regulation into conformity with the already existing situation. However, the situation varies in different countries. The more conservative Northern countries have wanted to and have been able to keep their television programmes in conformity with the currently valid regulation. In Estonian television landscape, the strict following of the Broadcasting Act's advertisement clauses, which are based on the old directive and are today *de jure* valid, has not been demanded by *de facto* for a long time already.

THE PRACTICAL CONNECTIONS BETWEEN EUROPEAN UNION AND ESTONIAN MEDIA REGULATION

The change of the Broadcasting Act

The Broadcasting Act (1994), which was formed with the aid of the experts from the European Council and EBU, reflected the expectations of the politicians and

broadcasting circles in the 1990s. The economic conflict, which is caused by the small size of the advertisement market, was not yet perceived very sharply during the preparation and passing of the law. The passing of the law was a big step in the formation of the broadcasting landscape of the Estonian Republic. The purpose of the law was to create a new broadcasting order, suitable for to a democratic state and free market economy, to replace the Soviet Union propaganda machine.

In the next sections I will analyse the 1994 Act and the changes done to it during the following years in the next aspects:

- a) the requirements set to the broadcasting licence owners;
- b) the advertisement regulation (time, conditions);
- c) the TV stations' responsibilities.

The requirements set to the broadcasting licence owners

There are two objectives of the legislator that clearly come out in the text of the 1994 Broadcasting Act. First, the wish to protect the broadcasting landscape from foreign capital. This limitation was directly in conflict with the European Union free market principles. Second goal was to avoid media concentration.

Despite the legislators will to favour local capital, the executive power preferred to issue broadcasting licences to representatives of foreign capital. AS Eesti Video, 50% of whose stock was owned by Andres Küng, an Estonian citizen residing in Stockholm, received a broadcasting licence for television channel EVTV. AS Taska, whose sole owner Ilmar Taska was then residing in USA, received a broadcasting licence for television channel Kanal2.

Although, according to the law, local entrepreneurs should have been preferred, in reality, executive power was bound by fear of the *nomenklatura*. For example, commercial broadcaster AS Reklaamitelevisioon, where 90% of the stock was owned by Estonian companies, but key person was former director of Estonian Television Mart Siimann, received a broadcasting licence only for weekend morning hours (Jõesaar, 2005).

Market forces compel diminished ideals of the Broadcasting Act

In the beginning of the 1990s, the television stations were experiencing economic difficulties and they had to look for additional investors in order to cover their losses. The first big, and still existing, investment was the share in EVTV owned by the Swedish media concern Modern Times Group AB. To avoid contradictions with the then valid Broadcasting Act, the owners of EVTV drafted a contract which stated that formal majority of vote, which was required by the law, was left to Estonian citizens, despite their smaller amount of stock shares. The same solution was used in 1995–1996 when EVTV and RTV merged to form the new television station TV3. The contract between owners left the majority of vote in TV3 to Estonian

citizen Matti Mihkelson. At that time Mihkelson actually owned only 10% of the stock-capital. The changes in the owners' circle which occurred after the merger left all the rest of the stock to MTG.

In order to be legally correct, Schibsted ASA used the same scheme when obtaining shares of Kanal2 in 1995. In the case of Kanal2, there was also the problem of being accused of media concentration. The concern, to which Kanal2 belongs to, also owned, and still owns, the daily newspaper *Postimees*, several county newspapers and also a chain of radio stations. In practice it was a clear violation of the anti-media concentration article in the Broadcasting Act. Because of lack of will and (claimed) inadequate wording of the law, the executive power who should have been responsible for supervision of the broadcasting licences, never tried to deal with the problem (Seiraport, 2005).

In relation to the wish of accession to the European Union, the Estonian audiovisual policy legislations had to be in consistency with EU norms. One of the EU norm requirements was the elimination of the limitations to broadcasting stations proprietary relationships in the regulation. In 2000 the Parliament of Estonia adopted the Amendment to the Broadcasting Act, which brought the latter into conformity with EU requirements (mainly the ones arising from the *Television without Frontiers* directive). The Estonia centric limitation to broadcasting licence ownership was cancelled. From the aspect of the free movement of capital, it was the case of liberalising the protectionist market.

However it was still only from the point of proprietary relationships because the amendment of the Act approved by the Parliament in 2002 closed the market for any newcomers. The 2002 amendment limited the amount of the nationwide broadcasting licences to two. Both changes, the liberalisation of the proprietary and the closure of the market, served directly the interest of the international media companies that were already in the market. Now they became officially the sole owners of the broadcasting stations. The law was brought into conformity with the already existing situation. Secondly, with the closure of the market they ensured themselves an advantageous economic environment.

The article will observe the development of television stations' economic results and economic environment in 1995–2006 in the advertisement regulation section.

But before the analysis of economic indicators, it shall be observed how the television stations' economic conditions were directly influenced by the requirements on advertisement which were enforced with the 1994 Broadcasting Act, and how these requirements changed in the law within the following years.

Advertisement regulation and its amendment

The 1994 Broadcasting Act defines advertisement, sets the criteria for advertisements, defines the allowed amount and location of advertisement in a programme, and lists forbidden or conditioned advertisements.

Commercials had/have to be clearly separated from the programme. This requirement is *de jure* in force also still in 2007. The maximum time limit for commercials was set on 12 minutes in any section of the programme and up to 15% of the programme's daily time. The limitation of commercials on private channels derived from the respective European regulation. The law limited the maximum time dedicated for commercials on Estonian Television to 5 minutes an hour. This was the first legal step which limited ETV's actions on the commercial market in order to create favourable development conditions to private channels.

It was allowed to interrupt programmes for commercial breaks, except in case of children's programmes and religious services. The latter were not allowed to be directly preceded or followed by commercials.

From the point of television stations' economic activities, it is important to mention that, in addition to commercials, the law allowed/allows the use of sponsorship. As the law stated vaguely the sponsorship announcements' amount (in seconds) and context, commercial television stations broadcasted, and still broadcast, regular commercials under the name of sponsorship. In practice, it means that there are two important aspects that affect the economic activities of the television stations. First, as the sponsorship announcements are not counted among the 12-minute limitation for commercials, it is possible to go past the respective limitation by using them. Thus, sell more commercial time to advertisement buyers at peak times of demand, than the law actually allows. Second, it is possible to broadcast such advertisements or brands in sponsorship announcements which were/are forbidden in regular television commercials – for instance, information on gambling, gambling locations and alcohol brands.

The 1994 law did not deal with product placement, advertisement techniques which are channelled at the subconscious mind and direct offers. From the aspect of economic activity, it must be mentioned that advertisements of alcoholic beverages, tobacco products, firearms and prostitution were completely forbidden.

The advertisement law adapted in 1997 liberalised the policy of alcohol advertisements. The enforcement of the advertisement law annulled the prohibition of alcohol advertisements in public broadcasting. This change meant additional income for all television stations.

The amendment to the law in 1999 made many important additions to the paragraphs related to advertisements. In addition to the existing advertisement and sponsorship opportunity, the regulation for direct offers was created and the conditions of interrupting programmes for commercial breaks were specified (among other things, it was allowed to break for commercials also news broadcasts and children's programmes which are longer than 30 minutes). The prohibition of advertisement techniques channelled towards subconscious perception was enforced. (This includes product placement.)

All additions were derived from the *Television without Frontiers* directive. When generally the *TWF* requirements were directly taken over, then the only require-

ment which is harsher than *TWF* requirements was written into the conditions for broadcasting commercials during films. When *TWF* allows commercial breaks during the 45 minutes from the beginning of the film, then Estonian law allows interruptions for advertisement after the first 45 minutes of the film. Private channels have repeatedly contested the justness of this requirement, but the EU laws do not forbid the Member States from applying stricter conditions than the directive requirements. On the other hand, it must be said that the Ministry of Culture, which carries out the supervision of the private channels, has punished the private channels minimally for violations of the advertisement law. At the same time, research shows a massive amount of regular violations (Rajaleid, 2002; Sule, 2006).

The 1999 amendments straightened out the conditions for broadcasting television commercials, but did not have major impact on the advertising revenues of the television channels.

The major impact on commercial broadcasters' revenues was made by the amendment to the Broadcasting Act which was adapted in 2001 and which prohibited broadcasting of commercial and sponsorship announcements on Estonian television as of 1.06.2002. No other change of at least the same high importance was implemented. The Amendment to the law limited the number of nation-wide commercial broadcasting licences to two.

Programme requirements

The first version of Broadcasting Act from 1994 defines broadcast and programmes. The following paragraphs set several requirements for the programmes and broadcasts.

The Article shall observe the legal definitions from the point of view of the broadcasting station's rights and obligations. In accordance to the law and broadcasting licence conditions, a broadcasting station has the right to freely decide over the contents of its broadcasts and programmes. One special requirement was about news programmes. At least 5% of the daily programme time must consist of news programmes, except for Sundays and national holidays. This was the one and only specific obligation towards broadcasters.

The setting of obligations in this way reflects clearly the liberal media policy of the legislator at the time. The issuing of broadcasting licences was also liberal – all unoccupied technical frequencies were distributed. The hope was on market self-regulation.

Derived from the contents of this article, one may say that from the point of view of the broadcasting station's economic activity, the minimum amount requirement for news programmes had the most important effect. It was the only obligation for private channels which was directed towards serving public interest. The 5% requirement of news programmes time is still in force. However, it must be mentioned that this limitation is starting to lose its point as news programmes have not

been defined and its contents is not under supervision. Kanal2 counts its one hour long infotainment programme “Reporter” completely among the news programmes duration. But the so-called traditional news make less than half of the programme’s time and the 5% time quota is not fulfilled. Thus the claim that Kanal2 fulfils the news minimum time requirement set by the Broadcasting Act which is in force, is more than problematic.

A lot larger and more detailed obligations were set for the public service broadcasting than for private media. But their handling goes too distant from the purpose of this article.

In order to bring the law of the Estonian Republic in conformity with the EU normative before the accession to the European Union, a large change took place in 1999/2000. These obligations implemented for the broadcasting organisations are consistent with the EU requirements. The EU requirements are that 10% of the broadcasting time should be reserved to independent European producers and that 51% of the broadcasting time should be reserved to European works. It is important to point out that the Estonian legislator set an additional obligation – 50% of the own productions about Estonia’s present issues or Estonian cultural heritage must be broadcast during prime time.

Despite of the law’s noble purpose, one cannot state that the programme selection offered to viewers has become more diverse and that private channels have broadcast more productions about present-day Estonia or Estonian cultural heritage. Of course it is another matter if the entertaining TV-shows that are produced in Estonia are counted as a reflection of present-day or cultural heritage. The next section shall observe the changes in the programme structure of the private channels.

THE CHANGES IN THE PROGRAMME STRUCTURE OF THE PRIVATE CHANNELS

Hagi Shein’s (2005) research shows univalently that private television channels’ programme structure has become more entertaining during the years 1993–2004. For example, during this period the transmission time of news has dropped twice from 10.1% in 1999 and reached 5.4% in 2004, which is the minimum limit set by the law. Local own produced children’s transmissions have completely disappeared from private channels’ programmes. During the seasons of 1993–1995 “Otto-Triin”, produced by RTV, was one of the most popular RTV programmes. Private channels have also completely given up broadcasting educational programmes. The transmissions time on current, public or political affairs has dropped from 4.3% in 1999 to 1.0% in 2004. The last such programmes disappeared from the screens of private channels by the fall season of 2007. The transmission time filled with entertainment and game shows has risen considerably. In 1999 they composed 6.7% of the programme. In 2004 it was 18.8%. And by 2007, the amount had reached 23.1% of the programme. The percentages of TV-series, mini-series and motion pictures has in

summary remained stable – 38.9% in 1999 and 39.8% in 2004 (Shein, 2005; Rajaleid, 2003; Sule, 2006).

The two last changes referred to in the previous section had direct effect on the economic results of the private channels. ETV’s advertisement sale stop gave immediately a very great positive impact on the private channels’ economic indicators (Figure 3). The second change guaranteed them a more secure position in acting on the advertisement market during the next few years. Whereas in 1995 there were four analogue-distribution private channels with almost nationwide coverage, then in 2002 there were only two. Still today it is not a clear model of shared monopoly as some of the advertisement market profits are taken by channels distributed by satellite or cable (such as PBK, 3+, MTV Eesti and others).

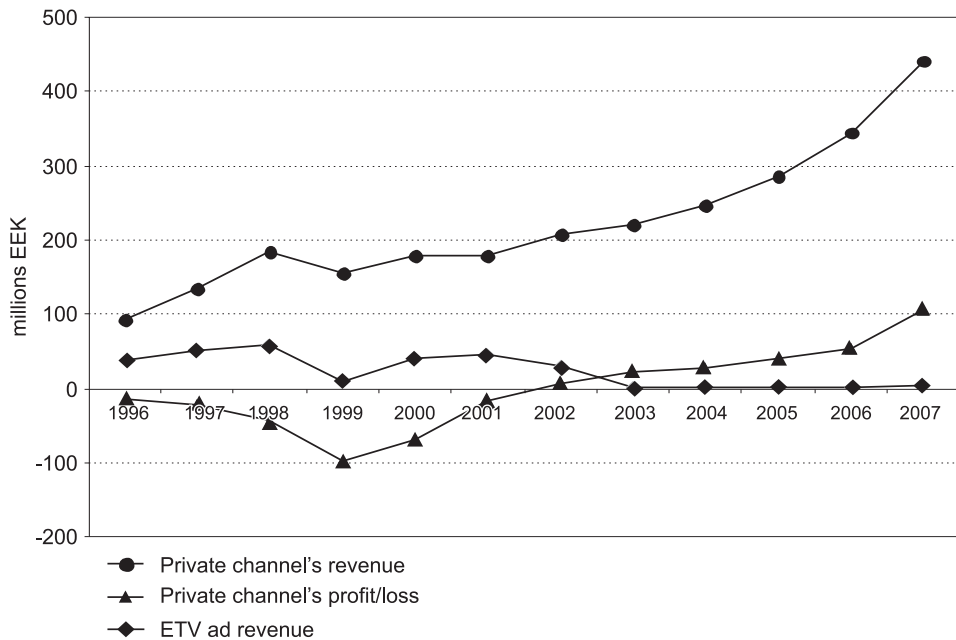


Figure 3. The formation of Estonian television channels’ advertisement revenues and profit/loss of private channels’ in 1996–2007

Source: author’s calculations based on (Shein, 2005; Kanal2, 2000–2007; TV3, 2000–2007).

TV3 was the only private channel which was profitable by the change of the millennium. In 2000 they received a profit of 2.1 million EEK at a turnover of 84.15 million (TV3, 2001). TV1 went bankrupt in October 2001. With a turnover of 32.6 million EEK, Kanal 2 received a pure loss of 36.9 (sic!) million EEK (Kanal2, 2001). It was vital for Kanal2 owner, Norwegian media concern Schibsted, to quickly improve the economic results of Kanal2 which had been in loss for years. Thus Mart Kadastik, the director of Eesti Meedia AS, participated in the preparation of the Broadcasting Act’s amendment with strong lobby-work.

Year 2002 was the first year in TV broadcasting when the private channels' yearly economic results were in summary positive. TV3 received profit for the first time in 2000. Kanal2 received profit for the first time 5 years later in 2005. It received a profit of 6.7 million EEK (Kanal2, 2006). However, when comparing the economic results during the whole 10-year period when TV stations have been *de facto* in foreign ownership, then TV3 has earned 148.9 million EEK profit during this period and Kanal2 has received a 103.7 million EEK loss (Figure 4).

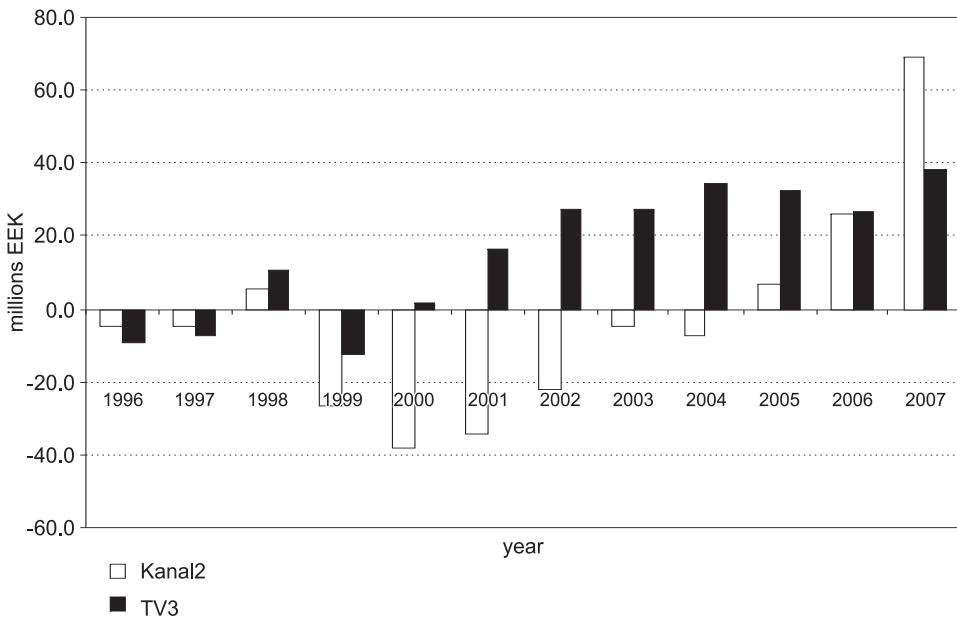


Figure 4. The formation of the Kanal2 and TV3 profits in 1996–2007

Source: author's calculations based on (Shein, 2005; Kanal2, 2000–2007; TV3, 2000–2007).

Private channels' profitability is a positive thing from the point of view of economic activities. From a completely theoretical aspect, positive economics could mean more investments in the diversity of the programmes. However this is not the behaviour in reality. This will be handled below.

Another important financial measurement which has to be analysed in the television landscape is the relationship between state financing of the public-service broadcasting and (television) advertisement market. Figure 5 shows that private broadcaster's budgetary income is in summary larger than public service broadcasting's television and radio activities in total and the difference is increasing rapidly. This means that the private channels have a stronger financial position and that they have more opportunities than public service broadcasting.

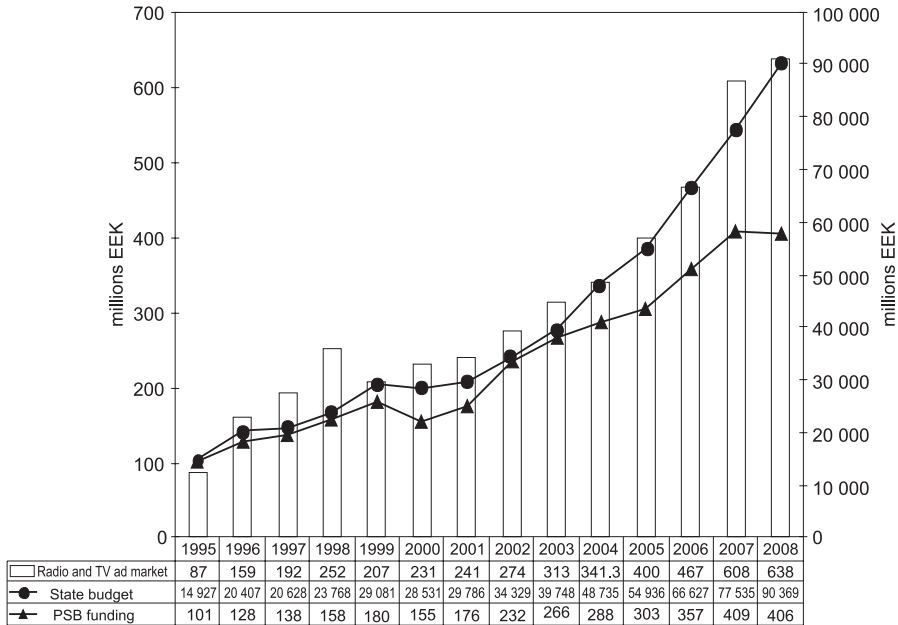


Figure 5. Radio and TV advertisement market, state budget and public broadcasting budget in 1997–2008

Source: author’s calculations based on (Shein, 2005; Kanal2, 2000–2007; Riigieelarve, 1995–2008).

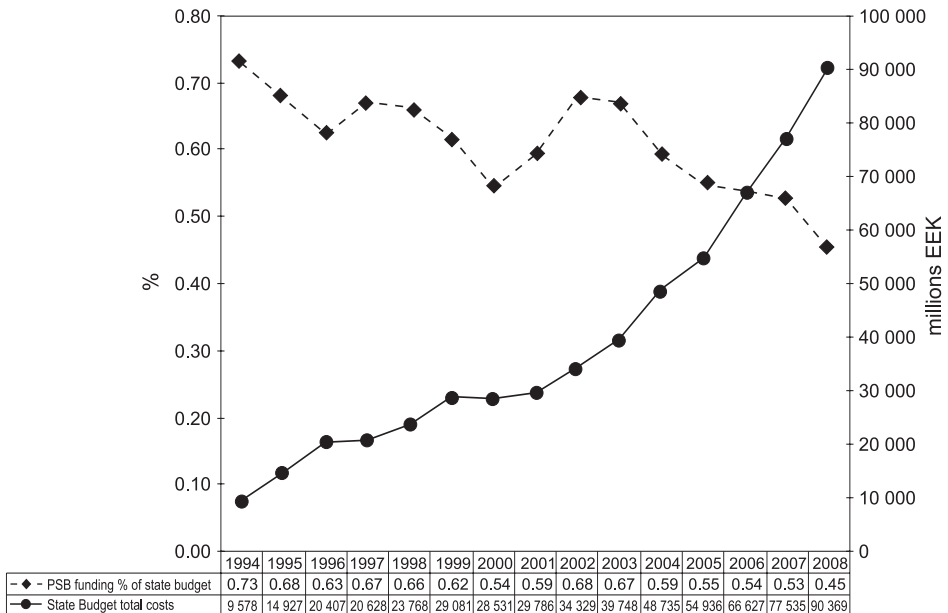


Figure 6. Development of state budget and PSB funding as percentage of state budget in 1994–2008

Source: author’s calculations based on (Riigieelarve, 1995–2008).

Figure 6 shows clearly that the general advertisement market and state budget have grown steadily during the past 13 years. Public service broadcasting's budget increases in a much slower pace.

During independency period Estonia has enjoyed fast economic growth. During last 13 years GDP has increased 660% from 31,349 billion EEK in 1994 up to 238,928 billion EEK in 2007 (Bank of Estonia, 2008). In light of overall liberal market policy relative diminishing of PSB state funding can be seen as policy makers' reluctance to develop public service media. On the other hand statutory protectionism in commercial broadcasting sector is a clear mark towards securing financial interests of certain private sector players.

CONCLUSIONS

The reasons of legislation modification are conditioned by the economic interests of the private sector and public sector. Economic legitimation reflects in legislation acts – Broadcasting Act defines the foundations of financing and relationships in the advertisement market – and in private channels' legalized freedom of action. In addition to the law enactments, economic legislation may appear in other forms. For instance, as market self regulation (private channels' and ETV's contract about the compensation of ETV's advertisement income which was signed in 1997).

Broadcasting Act's advertisement regulation has very strong direct impact on the development of television channels. The current law, especially its supervision's fulfilment, must be considered as liberal and it takes private channels economic interests quite well into consideration. The only protectionist aspect is the limitation of the amount of analogue television channels with on the ground propagation. But ineluctably this limitation is already losing its purpose with the arrival of the digital era.

As expanded earlier, the amendment process of the *Television without Frontiers* Directive, finished with help from the European Commission by the end of 2007, results in the further liberalization of general regulation. In order to develop aspiring economic activities, this shall give greater freedom to media companies in satisfying advertisers' interests even more.

The main indicators of broadcasting regulation and private channel activities have been summarized on the basis of handled materials in Table 1. This shows that market's closure to newcomers and programme commercialization has all in all guaranteed the positive economic result of private television channels. At the same time it can be seen that despite the attempt to obligate private channels through legislation to make an input into the development of Estonian culture, the actual result has been programme commercialization.

The arrival of digital era shall greatly change the paradigm of the current closed market (terrestrial analogue) broadcasting. In virtue of the programmes offered through cable, satellite-TV, terrestrial digital platform and the Internet, the amount

of television programmes in Estonia has already risen drastically and shall continue to rise in the near future. The new media shall also change significantly the means of traditional television use. Television shall move from the television set into the computer and the computer shall become the new television.

Table 1. Four phases in Estonian broadcasting sector

	1994–1999	2000–2001	2002–2007	2008 and further
Content regulation	week	EU directive and additional local requirements		diminishing
Advertisement regulation	week	EU requirements	<i>de facto</i> constant liberalization	liberalization also <i>de jure</i>
PSB programme	diverse	entertainment influence	diverse	
Private channels' programme	diverse	variety decreasing	entertaining	
Market	open	protectionism		open
Private channels' economic indicators	loss	break even	profit	?

These subjects shall also need closer analysis. This shall hopefully happen in another article.

Final conclusion: the Estonian Republic, with its (media) economic policy driven by EU legislation, lacks will to fight against world-wide globalization (Giddens, 2000). The lack of will means submission to market forces and as a result of this, Estonian broadcasting might become similar to the sort of broadcasting which can, for example, be seen in the USA today (Croteau, Hoynes, 2001).

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