

Public Service Media Fee to substitute Television Fee in Finland?



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FUNDING FOR PSB IN FINLAND – A SHORT HISTORY

The dual funding of licence fees and advertising revenues has been part of Finnish Public Service Broadcasting since the introduction of television in the late 1950's, although YLE has never been directly involved in selling ads or airing commercials. In the poor post-war economy advertising revenues were considered necessary to secure the steady growth of television transmissions. In comparative terms, however, the share of advertising in the total funding remained rather modest. According to comparative statistics from the Euromedia Research Group from 1982 (McQuail & Siune, 1986, p. 46), the share was 22 per cent in Finland, which was similar to Switzerland (also 22 per cent) and a little less than in the Netherlands (26 per cent). The same statistics showed that Belgium, Denmark, Norway and Sweden were in that group of countries that did not allow advertising as a source of revenue for public service broadcasting. The British ITV system was based exclusively on advertising; in France, Greece, Ireland and Spain the share of advertising was around 50 per cent (or more).

The peculiar feature of Finnish broadcasting funding was that the public service broadcasting company itself, now branded as YLE, had no right to sell or air advertising. That right was given to a private programme company, today called MTV3, which annually delivered a part of its revenues to YLE. Formally, YLE's share of the advertising revenues was considered to be a payment for the airtime that the commercial programme company was entitled to lease on YLE's channels. The share of advertising revenues was typically one-fifth of the total and, at the highest, one-quarter of YLE's total funding.

This commercial partner for YLE commercial partner, originally called Mainos-TV (MTV) meaning 'Advertising TV' in English, operated within YLE's legal franchise. This dual structure was broken in 1993 when MTV Finland got its own operating licence and independent channel. As YLE already had two national television channels, this new third national television channel was named MTV3. It contin-

ued operating a transmission network originally launched in 1987 as a joint venture between YLE, MTV and an already rapidly growing Nokia (today's mobile phone company).

Thus, 1993 is a milestone year in the post-war broadcasting history of Finland, comparable to 1948 when parliamentary jurisdiction over YLE was introduced through the so-called *Lex Jahvetti*, and to 1985 with the launch of independent (local) commercial radio broadcasting. For MTV3, the channel reform of 1993 fulfilled a long-term goal of becoming a fully competent independent broadcaster. This franchise emphasised MTV's position as a competitor to YLE, while in the earlier dual structure the competition aspect was much more latent.

For YLE's part, an important dimension of the new competition situation was a special act passed by parliament in late 1993 concerning the company's public service remit, status and position in Finnish society. Since the beginning of 1994 YLE's operations have been based on this special act called in Finnish *Laki Yleisradiosta* (Act No. 1380/1993). In terms of broadcasting regulation, the principal change in YLE's position was that it was not dependent, any more, on periodic licensing by the government. In the long run this was supposed to strengthen YLE's independence and to make the company more resistant to short-term political pressures.

The 1993 act on YLE created the basis for a sector-specific media policy, which has characterised Finnish broadcasting regulation since that time; the private sector is regulated through governmental licensing and the public sector by the special Act on YLE. This sectorisation was confirmed by the reform of the old broadcasting law (from 1927) in 1998 that maintained the practice of governmental licensing for private operators. The cable operators need not, however, apply for a licence.

The 1993 channel reform and the special Act on YLE did not cut the financial link between YLE and its commercial competitor MTV3, which was compelled to continue paying a public service fee to YLE based on a contract between the companies. The same practice was included in a later franchise the government granted in 1997 to a new commercial television channel, the fourth national channel named *Nelonen* (meaning Fourth in English). The government's competence to enforce such a practice was put into question immediately and in 1998 parliament decided to change the Act on State Television and Radio Funding so that the practice became part of the Act under the rubric of an 'operation license fee,' *toimilupamaksu* in Finnish (Act No. 745/1998). The fee applied to all private television and radio operators and was paid as a progressive percentage of the annual turnover.

Although advertising-derived revenues continue to contribute to YLE's economy after 1993, the fees from private operators never reached the level typical in the earlier dual partnership between public service and commercial television. In 2001 the fees represented approximately 13 per cent of YLE's budget, but were in sharp decline already in 2002 when parliament decided to cut the amount of the operation licence fee by half and to make digital operations altogether free of the fee. The

changes were proposed in a report to the Ministry of Transport and Communication by a work group chaired by a Member of Parliament and Social Democrat (Sdp), Mr. Jouni Backman (Report 29/2001). Another task force soon followed, chaired by Mr. Seppo Niemelä, a known political figure from the Center Party. Based on its proposal (Report 59/2004), it was decided that the collection of operation licence fees would end with the close of analogue television transmission in August 2007. In its evaluation of the fee system the task force referred to the critique from private operators who considered YLE increasingly as their competitor and felt it was unfair that they were forced to subsidise YLE's activities.

The abolition of the operation licence fee in the connection of the digital switch-over completed the sectorisation of broadcasting policy that had been opened by the Act on YLE in 1993. But as recent debate about YLE's remit and the future funding of Finnish Public Service Broadcasting demonstrates, it did not create any *status quo* between YLE and its commercial competitors. The technological convergence of broadcasting and telecommunications is a source of increasing conflict that has been sharpened by the recent economic crisis and the worsening financial situation in the newspaper industry.

At the initiative of the Backman work group, YLE's remit was complemented in 2002 by adding a note that the remit applies to all telecommunication networks. The most recent task force led by Mika Lintilä, a Member of Parliament representing the Prime Minister's party, the Center Party, reported to the Ministry of Transport and Communication in April 2009 (Report 23/2009). It proposed that the above network reference should be changed to all public communications networks, following the classification in the Act on the Communications Market (Act No. 393/2003). The definition refers to open communications networks available to a set of users that are not subject to any prior restrictions.

Since the late 1990's YLE has been active in developing a digital strategy, which has transformed its organisation and identity towards what the European Broadcasting Union EBU (2006) characterises as public service media. YLE's Internet portal, *yle.fi*, is among the most popular internet services in Finland. The key part of programming is now available in the Internet through *YLE Arena*; another service called *Elävä Arkisto*, meaning "Living Archive," offers a growing amount of archived materials for users to access. YLE is also involved in mobile distribution and has a long history of teletext services. In terms of production all these services are organized as a unit for new services whose share in YLE's budget is still rather low, 4 per cent of the annual costs in 2008.

As part of its digital strategy, YLE reorganized its news services and set up an internal news agency around the YLE24 concept, originally started as a new channel in YLE's digital supply. Because of high costs of digitisation, however, YLE was forced to close the channel although the firm kept the name as a brand for its centralized news organization. As part of this reform, YLE broke up its long-term relationship with the Finnish News Agency, STT, which lost its biggest customer as

a result. For YLE's part, this was a small but symbolically important step in balancing a budget deficit created by the digitalisation of terrestrial television transmissions. For newspapers, which owned STT, YLE's decision gave reason to suspect the maintenance of diversity of YLE's news.

Digitalisation was a more painful and costly operation than originally forecast. The digital switchover was postponed until 2007 instead of the earlier proposed date in 2002, but the sell off and privatisation of YLE's transmission network was not enough to cover the extra costs of the transition. Additional trouble was caused by stagnation and, closer to the final switchover, some decrease in the number of Finnish households paying the television fee. The television fee is YLE's main funding source and since ending the operation licence fee in the summer 2007 almost the exclusive source of funding. In order to support YLE's possibilities to manage digitalisation, the television fee was raised by 11.3 per cent in 2002 and another 13 per cent in 2004. After that, the fee has grown annually in correspondence with general inflation plus 1 per cent. In absolute terms the fee grew from 148.30 euro in 2001 to 224.30 euro in 2009. The number of households paying the fee was 2.02 million, at the highest level in 2003, but dropped to 1.92 million in 2008, the year of the digital switchover. The estimate for 2009 is that the number will remain the same as for 2008.

In European comparison the Finnish television fee corresponds approximately to the amount that German households pay for public service broadcasting. In all other Nordic countries as well as Austria the sum is bigger. So there might be some potential still to raise the television fee in Finland. The automatic increases specified above for the television fee only continue until 2011. The cause of insecurity about the future after that is the number of households ready to pay a continuously higher fee. The decline of the number of paying households in connection with the digital switchover is a worrying signal. Another critical dimension of digitalisation is the increase of numerous pay-TV services which condition users to a selection of strictly customised closed services instead of open generalist channels. Simply put, the number of services to be paid for out of pocket will make people more aware of their role as payers of all media services, including YLE's.

TOWARDS A PUBLIC SERVICE MEDIA FEE AS THE FUTURE OF YLE'S FUNDING

Such insecurity was the background to the latest task force, the Lintilä work group, which the Ministry of Transport and Communication set up in December 2008 to investigate YLE's public service remit and funding. The work group reported its conclusions and proposals in late April 2009 (Report 23/2009). Already several weeks before the publication date, newspaper companies started reporting that the task force is supposed to propose a public service media fee to substitute the former television fee. The new and unique feature of newspaper reporting was its systematic nature as a coordinated campaign, which accelerated after publication of the

proposals. The scale of this reached a volume seldom seen in Finnish broadcasting history. The press campaign had two major themes, one focusing on the character of the public service fee as a flat rate tax independent of the use and ownership of television equipment, and another that stresses the need for a stricter definition of YLE's remit. Representatives of newspaper companies also emphasised in interviews an issue they had raised earlier in relation to YLE's newest digital strategy, the development of YLE's Internet services on the regional level.

Diverging from the critique in early 2000 by private television operators against the operation licence fee, the newspapers have been active to order opinion polls about YLE's future role and funding in efforts to mobilise public opinion against the proposals of the Lintilä work group. For example, the published results of the latest opinion poll in mid-August, commissioned by the Union of Newspapers, showed that 66 per cent of respondents resisted the idea of a flat rate public service media fee. It seems the newspaper companies have succeeded in mobilising the (often latent) critique of Finnish people against the present television fee system, and directing it against any kind of flat rate fee for YLE's funding. On the other hand, the same opinion poll indicated that most people might be ready to pay the fee if it was lower than the proposed 175 euros per household.

Unlike the present television fee, this new public service media fee (if it comes to practice) is to be paid by all households independent of whether they use technical equipment to receive public service contents or not. The fee would also apply to enterprises and other organisations whose annual turnover exceeds 400,000 euros. The approximate level of 175 euros would guarantee YLE's funding at the introduction of the fee in 2011 is on the same level as in 2008. The enterprises and other organisations would pay a fee that is three times the amount for individual households.

In the newspaper campaign, direct state funding of YLE's operations is presented as an alternative to the present television fee and to the planned public service media fee. State funding is considered to be the fairest system because of the progressive nature of taxation. It is tempting to conclude that the newspapers industry's point of view will result most probably in gradual deterioration of public service funding and a more restricted remit for YLE's operations. The Lintilä work group acknowledges the fairness of direct state funding but points out several serious problems, as well. It can risk the editorial independence of YLE and make it subject to short-term political conflicts. As a result, public service funding might become subject to continuous fluctuation. The work group notes also that the strength of the television fee in a competitive broadcasting environment is that it has maintained the motivation to take care of an intensive relationship with audiences, and the same applies to the proposed public service media fee.

The newspapers' critique of the proposals by the Lintilä work group symbolises the convergent media environment that has made newspapers and YLE competitors in the same platforms. But the recent debate on the public service media fee also

demonstrates that the social and political construction of support for public service media has changed in Finland. In this sense, the most interesting and important aspect of the recent debate is that newspapers have not succeeded in recruiting critical voices from the political elite. From the newspapers point of view it looks like most politicians belong to what some critics have characterised as ‘the YLE Party.’

Traditionally the strongest political support for YLE has come from the political center and parties on the left. The political right has been in favour of more competition and in support of independent commercial broadcasting. Since the mid-1980s, all major parties have, however, supported the gradual change towards a more competitive model of broadcasting. Recently, the most interesting and noteworthy change of position is the active support from conservatives for a strong public service sector in order to maintain a diversity of voices. The conservatives form the present government in Finland, together with the political centre, the Greens and the Swedish language party. Traditionally newspapers have been able to rely on conservatives in the political right, if they have needed to recruit spokespersons for their critique of state-owned media.

The question is how to explain this dissonance between the commercial press and its traditional advocates in the political right. One reason certainly is the overall commercialisation of the media environment and the consequent internationalisation in its ownership and orientation. Against this background, YLE looks more domestic not only in orientation but also in terms of governance and control. In fact, within EU’s frame, this is guaranteed by the so-called Amsterdam Protocol (1997) which gives competence to member states to decide on the remit and funding of public service broadcasting.

Another reason for the growth of ‘the YLE Party’ might be that the company’s image as a politically independent actor is now clearly stronger than it used to be. Several steps in favour of YLE’s more independent status have been taken since the adoption of the Act on YLE in 1993. The Act itself strengthened YLE’s position. Later several organisational changes have aimed at clarifying the division of responsibilities between the parliamentary control of YLE and the Director General of the organization, now identified as Executive Director, and other management. Since 2005, YLE’s Executive Board (in Finnish, *hallitus*) is solely composed of outside experts from business and culture. It is responsible for YLE’s operations as a limited company and reports to the parliamentary control body of YLE called the Administrative Council (in Finnish, *hallintoneuvosto*). The executive board, and not the council, any more, nominates the executive director and other higher management of YLE.

ABOUT IMPLEMENTATION OF PUBLIC SERVICE MEDIA FEE

It is still uncertain whether the government will propose the public service media fee as a solution to YLE’s future funding. The newspapers’ active campaign seem-

ingly influenced the political preparation and the launch of the fee. In a press release commenting the discussion (August 19, 2009), Ms. Suvi Lindén, the Minister of Communication, one of the Conservative (in Finnish, *Kokoomus*) party ministers in the government, said the decision on the new system can be postponed to 2012 after the next parliamentary election. The priority still is, she confirmed, that the present government will give the final proposal to parliament in early 2010. The Minister's conclusion was that conflicting views give reason to take more time for preparation and to decide on YLE's future as a larger package. During the winter season it has become clear that the Minister intends to connect the funding reform with a change in the traditional parliamentary control of YLE. The most recent news (March 9, 2010) tell that governmental parties have reached an agreement about a complementary control body focusing on evaluation of YLE's impact on media market. This kind of change in the control system would guarantee the introduction of public service media fee in 2012. The final proposal from the government is now expected by the end of March (2010).

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