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Digital Television Policy and Regulatory Neutrality in Small Western States: Ireland, Greece, Finland, Austria and New Zealand

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ABSTRACT

This article evaluates the particular difficulties presented by market-led platforms and the regulatory-neutral policy approach to the switch to digital television in small western media states. The key argument is that market realities have presented difficulties for the concept of regulatory neutrality and a competitive platform approach in the digital switchover. In larger states this policy approach has led to the emergence of differentiated platform competition (i.e. platforms competing on the basis of different technological and revenue models). However, in smaller media states, because of the small market size, the potential of the market to support differentiated platforms is limited and regulatory neutrality will not necessarily produce the same results as in the larger states. In public policy terms this presents potential difficulties for the achievement of digital switchover and poses a challenge...
to the overall appropriateness of technological and regulatory neutrality in smaller media states. The article will employ a case study of digital television development in Ireland and a comparative analysis of adaptation strategies in four other small media states: Finland, Austria, Greece and New Zealand. It will propose that the policy of platform/regulatory neutrality in small media states needs to be reassessed, as it is potentially detrimental to digital switchover policies.

INTRODUCTION

Small states have had to adapt to the evolving policy approaches to the introduction of digital television and their place within wider policy concerns, such as media convergence and the development of competitive media/communications markets. In European (EU member states) and Anglo-American media systems (the United States, Australia, New Zealand, Canada) the overall approach to the introduction of digital television has been that of a market-driven/politically coordinated strategy. Polities have attempted to harness market forces to institute a regulated market structure for digital television. Policy has been directed towards the development of a competitive relationship between the existing television distribution platforms of cable, satellite and terrestrial, in their digitalized form. One key element of this policy has been to ensure regulatory neutrality in the treatment of each of these platforms – all platforms are to be treated as equal by their respective regulators. This overall model of platform competition and regulatory neutrality has been implemented with varying setbacks by some of the larger western states leading the digital transition, e.g. the United Kingdom, France, Spain and Germany. In these states the reality of the limitations of market support for three digital television platforms to go ‘head to head’ in competition has led to the emergence of differentiated technological and revenue strategies amongst platforms, and an emerging situation of competing-complementary. Cable and satellite platforms compete in multiple markets on the basis of offering multiple services (telecoms, multi-channel and broadband) on a direct payment model, whereas terrestrial services offer multi-channel delivery on a free-to-air basis. However, smaller media states have thus far had difficulty in adjusting to such a model of competition. The small size of the national media market means that there are limits to the resources (content, audiences and finances) that would support three competing platforms and the extent to which they can position themselves differently in the market. The potential diffusion of multiple digital platforms is limited, raising considerable challenges over which public policy goals will be achieved in digital television diffusion. The pattern of platform diffusion may inhibit the overall goal of digital switchover and have incidental negative consequences for national television policy. This calls into question the appropriateness of the competitive platform model for small media states and the regulatory neutrality which accompanies it.

This article develops this argument further by providing an analysis of the digital transition in a number of small media states: first, by providing an account of the emergence of the platform-neutral approach from the European perspective, arguing that this has been a key influence in member states’ national policy approaches to digital switchover; and second, by evaluating the evolving policy objectives that inform digital platform development in western states (and the particular specificities of platform diffusion in smaller
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The bulk of this article draws on a case study of the adaptation of a competitive platform and regulatory-neutral approach in the Republic of Ireland, compared and contrasted with experiences in Austria, Finland, Greece and one other non-European small media state: New Zealand. It assesses the policy approaches taken in these nations and the way in which policy, market conditions, geo-cultural positioning and investment strategies have interacted to generate particular patterns of platform diffusion.

**COMPETITIVE DIGITALIZATION: THE EU Approach**

European, North American and Australasian states have all taken market-driven/politically coordinated approaches to digital television switchover. The European model of developing a competitive platform approach to the coordinated introduction of digital television, as developed within the European Commission (EC), has emphasized the harnessing of market dynamics to institutionalize a regulated market structure for digital television. A number of factors have shaped the European Commission’s adaptation of a competitive platform strategy. Amongst these were:

- The challenges of making audio-visual policy in the newly liberalized television environment of the 1990s
- The cross-cutting policy agendas of digital television development and media convergence
- The evolution of a new relationship between the European Union, its member states and the European audio-visual industries in the development of policy towards network, content and hardware development
- The European Commission’s past policy failures in communications technology development
- The European Union’s own emerging model of competition in both internal and global markets

For the larger states of Europe, policy towards the digital transition needed to take account of a wider constituency of commercially oriented broadcasters, channel packagers and producers. All of these interests, their sunk costs and future commercial strategies could only be coordinated within a competitive model of digital television. For the European Commission (EC), a harmonious response was necessary to marshal all the interests involved in broadcasting and coordinate the increasingly market-led policies towards broadcasting at a national level. Such a response, it was argued, would contribute to the pan-European development of the network, content and hardware industries (Iosifidis et al. 2005).

In relation to digital television policy, the initial policy endeavour from the EC was to allow an ad hoc group, the Digital Video Broadcasting Group (DVB) (composed of public and commercial terrestrial broadcasters, satellite and cable broadcasters, reception manufacturers and national regulators), to coordinate policy towards digital television. The presumption of regulatory neutrality emerged as a central principle within this group’s memorandum of understanding (DVB Group 1995): all platforms would be treated equally in the regulatory approach to digital television. The European Commission was to re-state its commitment to this principle in the subsequent development of policy towards media convergence. The ‘Framework Directive’ of
2002 assumed a convergence between the different transmission platforms in its ‘horizontal’ regulation of fixed line, terrestrial, satellite and cable distribution networks (EC 2002). The various directives on access, authorization, data protection, universal service and liberalization contained within the framework applied equally to all of the existing television transmission technologies and assumed technological neutrality as a central regulatory principle. Again, central to this policy approach was the assumption that all platforms would be treated equally as infrastructural components of digital information markets, whether the content was television, multimedia or telephony. This core principle was re-stated as a European Commission preference in the 2003 ‘Communication on the Transition from Analogue to Digital Broadcasting’ and the 2005 ‘Communication on Accelerating the Transition from Analogue to Digital Broadcasting’ (EC 2003, 2005). National regulatory authorities were not permitted to favour one transmission platform above another or treat them differently in regulatory terms.

The combination of these policy preferences illustrated a ‘soft power’ in the European Commission’s approach to a market-driven digital transition. That is, the competitive platform approach was actually developed through a number of mechanisms that reflected the Commission’s preference for a competition model, but did not directly enforce this model. So the DVB Group, the Commission’s guidelines, convergence-led policy and the mandate of analogue switch-off all proffered a competitive model but, crucially, allowed member states some room for manoeuvre in relation to their own digital strategies. This room for manoeuvre is justified under the provisions for state aid (Article 87 of the European Treaty), which allows for some derogation from the technological neutrality principle in relation to network development. The Commission deals with these on a case-by-case basis. States may intervene in the diffusion of development of digital television on the basis of either market failure or common interest objectives. There are, therefore, legal grounds for state intervention in a given platform, especially if there is a perceived lack of competition in network development or a lack of well-defined general interest objectives. However, a state’s intervention must also be well defined, proportionate, transparent, unlikely to distort competition and, where possible, platform neutral. Thus far the Commission has advised that once the case for state aid has been shown to meet these requirements, interventions may be made. Examples of legal interventions include, but are not limited to, subsidies for decoders; investment in research and development for digital innovation; funding for network roll-out to ensure universal provision; financial support for public service broadcasters (PSBs) in order to ensure their availability across platforms; and recompense for terrestrial broadcasters who will have their analogue licence terms cut short (Schoser and Santamato 2006).

**DIGITAL TELEVISION AND EVOLVING POLICY GOALS**

Policy oriented towards the development of competing digital transmission platforms, on a technologically neutral basis, has sought to address a number of evolving policy objectives that cut across digital television development. These include:

- Repositioning broadcasting within an emerging digital environment (digital switchover)
- Generating pervasive digital infrastructure (Information Society goals)
Developing competitive dynamics in varied communications market segments, such as multi-channel television, telephony and broadband (the competitive regulatory agenda)

Balancing these objectives against the maintenance of plurality and diversity in television content markets (national television policy)

This political coordination of market operators is indicative of both a political reluctance to completely cede control of the development of digital television distribution to commercial interests, and the commercial energies directed towards controlling distribution platforms. In the larger media states, political will and commercial necessity combined to shape the differential positioning of satellite, cable and terrestrial providers in the market. Ensuring the digital switchover, stimulating digital network provision, developing market competition in different market segments and preserving the existing broadcasting ecology have thus, in part, been met by political and market development of competing but complementary platform models. A key dimension of this strategy is the development of a free-to-air digital terrestrial platform. In small states, where market forces alone will not support all platforms equally, the differentiated diffusion of platforms has led to a highly variable attainment of policy goals. In short, due to an inherent lack of resources, the small national marketplaces have been limited as to the number of platforms that can be successfully diffused and thus on realization of policy goals. In certain circumstances, market limitations and uneven platform development may frustrate the digital switchover strategy and the national television policy goals associated with it.

The switch to a Freeview model (free-to-air digital terrestrial/satellite service) in the larger national markets arose as recognition of the limits to the pay-TV revenue model and the legacy advantages of satellite and cable. The Freeview model has become an important element in the evolving policy objectives surrounding digital television and has a significant part to play for three reasons: (1) it affects the transition to digital broadcasting (the digital switchover); (2) it releases frequency spectrum for other uses (Information Society goals); (3) it eases the passage of the existing television broadcasting ecology through the digital transition (national television policy). In the first and second case, Freeview represents a relatively inexpensive way of ensuring universal, affordable and low-tech options for digital customers. This allows governments to address market failure in platform provision and speed up analogue spectrum switch-off: it allows spectrum frequencies to be reclaimed for new media and communication uses. In the third case, the Freeview model extends the centrality of existing terrestrial television broadcasters into the multi-channel world via a free-to-air model. The centrality of the free-to-air model to these policy objectives, and the constraints placed by the market on platform development in small states, thus calls into question whether these countries can be platform and regulatory neutral without risking damage to their existing broadcasting ecology and to their overall switchover plans. Before considering case studies of the application of platform competition and regulatory neutrality, the following section briefly expands on the constraints placed on multiple platform development in small states.

**SMALL MEDIA STATES: CHARACTERISTICS AND CONSTRAINTS**

In the literature on comparative media systems, nations with potential media markets or media audiences of between 10,000 and 18 million inhabitants are
classified as small media states (Puppis 2009). The relatively small market size gives rise to structural peculiarities in the national media systems, peculiarities summed up by Puppis (2009) as:

- Shortage of resources: there are limitations on public and private finance, talent and time.
- Restriction on revenues: small market size equates to limitations on licence fees, advertising and subscription revenues.
- Policy dependency: small-state capacity means policy is adapted rather than initiated.
- Vulnerability: lack of resources/revenues can lead to over-dependency on international capital/investment and a weakening of regulatory capability.

Thus the structural peculiarities of small media states have particular implications for adapting a multiple platform strategy for digital television. First, there are significant limits to the extent of state intervention and national capital available for indigenous platform development (see case studies below). Second, there are significant limits to the potential revenue streams of any given platform – relative to proposed subscription, advertising, public or pay-per-view revenues – and these may be expected to fragment further with the development of different platforms. Third, the potential for multiple platform diffusion is dependent on the availability of culturally valued content, which, in itself, is undermined by the increased fragmentation of audiences, the increasing costs of television rights and the relatively high costs of indigenous content production in small states. Overall these multiple factors can increase the reliance on private investment, international capital and non-national programming, eroding the sovereignty of national media systems. The smaller states in Europe are also dependent on the European Union and the larger states in relation to the development of a digital television strategy and media convergence policy. Thus the market-driven and competitive platform approach has been largely accepted across all EU states, regardless of its fit with the small state dynamics outlined above.

Whereas state size is a constraint in the development of a multiple transmission system, there are other factors that help to explain the pattern that multiple platform development has taken in given states. First, the ability of governments to marshal market interests, coordinate their own varying policy strategies and prioritize policy goals varies widely. Second, because media distribution systems are characterized by high levels of multinational investment and concentration (Garnham 1990), it is necessary to consider patterns of global corporate investment in communications infrastructure (which is partly shaped by a given state’s receptiveness to the global economic system). Third, a state’s positioning within transnational television markets can have implications in relation to the availability of non-national distribution platforms (Chalaby 2005). Last, the pre-digital structure of television distribution will have a legacy effect in relation to digital switchover (Starks 2007).

In the following case study of the trajectory of competitive platform development in several small media states, European and non-European, the inter-relationship of all of these factors will be explored. Whereas it is clear that the difficulties faced by each of these small states in their digital switchover strategies is partially down to an imperfect fit between market size and policy approach, additional variables have an equally important bearing on the success (or otherwise) of achieving at least some of their policy goals.
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DIGITAL TELEVISION STRATEGY IN IRELAND

Policy-makers in Ireland turned their attention to the pending transformations in the technological base of television broadcasting in 1995. Initial strategies towards the digital transition involved a proposed development of a national platform (terrestrial, cable or satellite) and an overarching broadcast regulator to coordinate public and commercial broadcasters’ involvement (DAHGI 1995). A change of government in 1997 signalled a more liberal approach to digitalization overall and adaptation to the market-led strategy developing in the United Kingdom. The cable infrastructure was privatized and concentration of ownership allowed the industry to improve its economies of scale. The public broadcaster, RTE, was encouraged to divest its interest in the terrestrial transmission infrastructure, which would be digitized and run as a public/private partnership. Also, from 1998, BSkyB’s Sky Television, operating from London, began to offer the same direct-to-home digital services that were available to its UK customers, with a subsidized set-top box to promote subscription. In general, policy-makers and key stakeholders tended to see this as a positive contribution to the development of competitive digital infrastructure and multimedia services in Ireland (Corcoran 2004).

In 2008, following a number of aborted attempts to launch DTT, policy-makers chose to develop a hybrid platform that would offer the existing Irish terrestrial services, along with a new parliamentary channel and Irish film channel, free-to-air and additional UK and US channels, on subscription or pay-per-view basis. The viability of this model was highly questionable (given the failures of ITV Digital in the United Kingdom and Quiero in Spain) and became even more so in the context of the global economic crisis. The winner of the auction for the pay element of the multiplex licences, Boxer TV, returned the licences in April 2009 citing ‘prevailing and anticipated economic difficulties’ as the key reason. The runner-up, One Vision, a consortium owned by Eircom, Setanta, Arqiva and TV3, was later accepted as the licensee. Financial difficulties at both Setanta and TV3 led to a restructuring of the consortium with Eircom emerging as the majority shareholder. This entailed delays in finalizing One Vision’s participation in DTT. RTE, the driver of the free-to-air component of DTT, also faced financial difficulties, prompting speculation that the targeted analogue switch-off date of 2012 might not be met. RTE is bound by legislation passed in 2007 to achieve digital switchover by 2012 and is under pressure from the government to persist with the planned launch of the free-to-air element of DTT, independent of its commercial counterpart. However, the present economic crisis has greatly reduced its ability to spend on network digitalization and additional content creation. RTE needs the transmission fees that would be generated by the launch of a commercial DTT option to meet its own digital strategies.

To date, the transition to digital television in Ireland has been quantitatively successful but has failed to meet important national television policy objectives. By December 2007, in a market of 1.4 million television households, Ireland had 841,000 digital television subscribers. Of this number, 64% subscribe to the satellite digital service (Sky) and 36% to cable (UPC). Thus, 58% of all television households in Ireland subscribe to digital television. It is the DTT element that has thus far failed to launch and has lost potential market share in its ten-year absence. First mooted in 1998, and legislated for in 2001, it was always crucial that DTT secured an early launch. There have been three attempts to develop a digital terrestrial business model...
and strategy, which have thus far failed. Public broadcaster RTE’s proposed free-to-air/subscription model of 1998 fell foul of government competition concerns in 1999. The successor model of a privately developed free-to-air/wireless broadband model floundered due to a lack of coordination between the broadcasting department and the communications regulator, Comreg, in 2001. The latest incarnation of a hybrid free-to-air/subscription model is, as of January 2010, still under negotiation, with binding contracts yet to be signed between the proposed commercial multiplex operator, One Vision, and the Broadcasting Authority of Ireland (BAI). The hyper-competitive context for DTT has made the platform sensitive to economic, policy and governance fluctuations.

Beyond the present turbulence facing DTT development in Ireland, it is possible to point to the underlying difficulties that continue to undermine the development of DTT:

- A reduced potential market for DTT: only 25% of the 1.4 million television households do not utilize Sky or UPC, there is thus a significantly reduced market and a potential lack of demand for DTT. This has been exacerbated by its late launch (58% of households already have digital television whereas 75% of the population receive pay-TV via cable or satellite).
- A lack of resources to develop a full Freeview model: there is a continued need to develop a hybrid subscription/free-to-air DTT service, as the only viable approach to a Freeview model in the Irish context has been undermined. However, 75% of households already subscribe to pay-TV services.
- A lack of availability of content that will make the free-to-air element of a hybrid DTT attractive to resistant digital consumers in its own right: at present, the free element of DTT will offer the existing terrestrial channels, a publicly funded Irish film channel and a parliament channel.

The Freeview model was considered by policy-makers in Ireland in 2003 but was disadvantaged by a number of factors:

- The declining potential market share
- Opposition to free multi-channel from the then cable multi-channel providers, Chorus and NTL
- The lack of additional indigenous content to make such a model attractive
- The constraints placed on utilizing UK-based terrestrial channels as compensation for this in any Freeview model

These constraints on the development of a Freeview DTT model have placed a significant strain on the policy goals related to digital switchover and support for the existing television broadcasting ecology. Complete digital switchover cannot occur until the remaining 25% of terrestrial-viewing households attain a digital service. The lack of a free-to-air option with additional value-added content in the Irish scenario means that this 25% has little incentive to make the transition. The continuing absence of the free-to-air DTT model, and the uncertainties surrounding the proposed hybrid model, also mean that the advantages of being in a free-to-air television universe do not accrue to terrestrial broadcasters (who continue to face audience fragmentation in the multi-channel settings of cable and satellite services). This calls into question
the wisdom of fidelity to the platform-neutral regulatory approach and whether regulatory neutrality can be achieved without undermining public policy goals.

**COMPARATIVE DIMENSIONS: GREECE, AUSTRIA, FINLAND AND NEW ZEALAND**

Ireland, Austria, New Zealand, Greece and Finland all qualify as small media states. Each of these states is relatively comparable in relation to the profile of their media systems and the centrality (until recently) of public service broadcasters to broadcasting policy. Policy is made within the wider frameworks of democratic politics and established market economies. At the institutional level there are differences in their political system variables (levels of state intervention, role of interest groups, etc.), whereas their political economies range from social democratic (Finland), liberal corporatist (Ireland, New Zealand), continental corporatist (Austria) to Mediterranean (Greece) (Hallin and Mancini 2004). However, all of these states are now integrated into the global economic system and demonstrate the varied institutional responses of flexible competition states (wherein economic competitiveness and competition norms are primary policy concerns). They also share the features of relatively mature broadcasting systems with a mix of public and private broadcasters and complementary television distribution systems. In the period prior to the adaptation of digital television policy (early to mid-1990s) each of these states had relatively well-diffused multi-channel distribution systems. In Finland, Austria and Ireland, cable services were taken up by just under half of all television households in each state. Satellite distribution was relatively under-developed but entering a rapid take-up phase (IDATE 2000a, 2000b). In New Zealand and Greece, terrestrial was the dominant platform with satellite being in the nascent stage of development. Both of these countries, for topographical reasons, had under-developed cable systems. However, unusually, in Greece, the public broadcaster re-broadcast international television channels as part of the terrestrial offering, generating widespread multi-channel access via the terrestrial platform (IDATE 2000c). All of these states demonstrated conditions favourable for digital television diffusion, apart from New Zealand where the rapid take-up of satellite from the mid-1990s demonstrated a demand for multi-channel services.

Greece, Austria and New Zealand’s original policy towards digital television demonstrates similar uncertainties to those of Ireland. These three countries also had false starts in relation to initial digital strategies. In 1999 the Greek government attempted to develop a national digital platform including all of the broadcasting interests, satellite and terrestrial. This plan failed due to different strategic interests amongst the terrestrial (ERT) and pay operators (Multichoice/Netmed Hellas) included in the group (Papathanassopoulos and Papavasilpoulos 2008). In New Zealand, the public broadcaster, TVNZ, attempted to launch a joint venture with cable company NTL in 2000 but was frustrated by the government’s opposition to the proposed costs of the venture (Pauling and Norris 2008). In Austria, the public broadcaster, ORF, produced plans for DTT in 1999 but (like RTE in Ireland) was operating in a policy vacuum. In Finland, government policy demonstrated a timelier awareness of the emerging competition model, while government ability to coordinate its own policy bodies, and the existing industrial interests within the state, led to
an early diffusion of digital television (Brown 2005). In short, the competitive
model had been absorbed but Finnish government policy initiated its own
strategies, such as:

- The early allocation of spectrum for DTT
- Financial incentives for all of the interests involved in developing DTT
- Extra resources for the public broadcaster YLE to develop value-added
  content
- A coordinated strategy of public sector development of multimedia con-
  tent for DTT
- New institutions to coordinate the digital transition
- An analogue switch-off date which dissipated risk for market development

Early Finnish success is attributable to coordinated planning and a keen
awareness of European-level policy developments. It is telling that the three
other European states: Ireland, Greece and Austria, only developed a more
formal strategic approach to their digital strategy following the 2003 European
Commission ‘Guidelines on Digital Transition’ and the United Kingdom’s
development of a Freeview model. New Zealand also appears to have benefit-
ted from EU policy transfer and UK policy developments.

Greece, Austria, Finland and New Zealand have had variable successes
in their subsequent development of digital television. However, they have
all had relative success in ensuring the transfer of the terrestrial broadcasting
ecology into the digital world (Freeview in New Zealand, Digita in Finland,
ERT in Greece, ORS in Austria) and activating digital switchover plans. For
each of these states, DTT has become a significant element in achieving this
and public service broadcasters were made central to the DTT project. For
Greece, New Zealand and Finland, a critical difference to the situation in
Ireland related to the pre-digital television distribution infrastructure in each
state and their place within transnational television distribution markets. In
1995 each state was characterized by two dominant distribution platforms:
in Finland, cable and terrestrial television represented the main platforms;
for New Zealand and Greece, it was satellite and terrestrial. For all of these
states, the absence of a third platform, either internally or operating from a
neighbouring market, allowed breathing space for the development of digital
policy towards the dominant domestic platforms. In this way it is possible
to identify two scenarios of platform diffusion in smaller states, one that is
competitive (dual platform) and another that is hyper-competitive (multi-
platform). In both Ireland and Austria, where cable and terrestrial were the
key platforms until the 1990s, the swift diffusion of satellite from 1998 was
a direct outcome of the expansion strategies of non-national distributors
(Sky’s development of the Irish market as an extension of the UK market and
German satellite broadcaster Premiere’s development of the Austrian market
as an extension of its German-language market) and EU audio-visual policy.
In both cases satellite was the first fully digital service with high-value con-
tent which contributed to its diffusion. In the Irish case, innovative technolo-
gies and considerable subsidies for set-top boxes also contributed to rapid
satellite diffusion.

From this small sample, it is thus arguable that those smaller states can
sustain dual platform competition dynamics, and that public interest goals
centering on the digitalization of the terrestrial network are achievable. In
this scenario, fidelity to regulatory neutrality can be achieved and states can
stimulate digital network diffusion within the parameters of legal state aid provisions. For all of the cases above, legal state aid has been essential in stimulating network development and has thus benefitted DTT as a significant platform. The evidence from this selection of smaller states suggests that the simultaneous development of three platforms is difficult to achieve, and attempting to sustain regulatory neutrality in a three-platform competitive market can potentially damage public policy goals. However, dual platform competitive dynamics can be achieved through the requisite use of legal state aid.

In the four states discussed here, strategic goals have been achieved through coordinating policy in order to develop a terrestrial platform, complementing the commercial/subscription or triple play platforms. In Finland, New Zealand and Greece, the key industrial interests were made up of domestic broadcasters, domestic cable and domestic satellite interests. This allowed governments in these states a measure of regulatory coordination over these services, as well as ensuring accelerated platform development. In Austria, for example, coordination of public and commercial broadcasters, and hence DTT development, was achievable through the use of subsidies to support simulcasting of analogue and digital signals. This ensured that all broadcasters were given an incentive to provide digital signals in a coordinated way.

One factor that unites all of the national experiences outlined here was the pressure of attracting investment, sourcing content and marshalling the free-to-air industry to allow for the DTT/free-to-air business model to diffuse successfully. The problems in developing a DTT model and attracting investment in Ireland have been recounted above and relate to the hyper-competitive nature of the communications market. In the other comparative states the issue of attracting investment has been circumvented through indirect subsidy to DTT, via the central role played by public broadcasters in its diffusion. Here there is a circular logic at work; early diffusion of DTT makes the platform more attractive to additional content providers as take-up increases and additional content boosts diffusion. Waiting for market forces will not suffice.

The creation of subsidiary transmission companies by public broadcasters and public broadcaster involvement in multiplexing, marketing and customer services has helped to successfully launch the DTT platform as either free-to-air (Greece, New Zealand and Austria) or hybrid free-to-air/pay (Finland) models. Whereas Finland may have been exemplary in planning the platform strategy, it still had to face up to the difficulties of sourcing new content that would add value to a free-to-air digital offering (Brown 2005; Lugmayr 2008). Similar difficulties have been faced in Austria, New Zealand and Greece (Iosifidis 2007; Pauling and Norris 2008; Bernhaupt 2008). All of the countries have stimulated the development of extra content through their public broadcasters. In Finland and Austria, enhanced multimedia and regional options have proved innovative and popular replacements for additional channels. In both Finland and Austria, legal state aid has been drawn upon to create new innovative partnerships in digital content development, such as EPG (electronic programme guide), interactive and mobile services. While these initiatives are platform neutral, they inevitably enhance the value of the DTT platform by providing multimedia content when additional television content is difficult to resource. Clearly, the small European states (who have availed themselves of legal state aid exemptions in order to coordinate, stimulate and subsidize their transition policy) have indirectly contributed...
to the success of DTT development and thus switchover. Ireland, which has avoided such interventions, has contributed to the difficulties facing DTT in a hyper-competitive scenario.

Finally, it is worth contrasting the policy approaches to DTT of Ireland and Austria, as both countries display similar hyper-competitive market dynamics and yet Austria was able to achieve a DTT launch in 2006. In Austria, legislation allowed the regulator, KommAustria, to award the DTT licence to ORF subsidiary ORS. A number of additional commercial channels were also licensed and the availability of the regional versions of the ORF channels proved an attractive addition. The government also provided a digitalization fund from the licence fee to fund enterprises that would create value-added digital services on DTT. Additionally, an analogue switch-off date was set for 2010 and Digital Platform Austria, a 500-strong working group, was set up to plan future scenarios for the quick diffusion of digital television. In the Irish case, concerns over competition dynamics initially prevented the involvement of RTE in platform development and commercial rivalry stifled cooperation amongst the television sector. The government became decidedly more interventionist in 2003 (increased funding for the public broadcaster, publicly funded trials), but shied away from investing in the development of institutional bodies and/or value-added digital projects. This pointed to the necessity of platform neutrality in policy development and the privileging of market demand in service development. In the Austrian case, it was the testing of the limits of regulatory neutrality that allowed for a DTT model to eventually emerge as a viable platform in an already crowded market. The Austrian government awarded state grants for the development of the DTT pilot scheme, as well as subsidies for the development of content such as EPGs and interactive services. Subsidies were also awarded for the simulcasting of analogue/digital services and set-top box purchases. While the European Commission made a decision to monitor these subsidies, it has thus far not objected to them. It is arguable that such allowances should be formalized in the Commission’s approach to DTT development in the hyper-competitive smaller media states.

**STRUCTURAL PECULIARITIES AND DIGITAL TELEVISION PLATFORM DIFFUSION IN SMALL STATES**

Overall it can be argued that economies of scale are determinant in shaping the pattern of multiple platform diffusion. The possibility of resolving the multiple policy goals of digital infrastructure development, digital switchover and national television policy is significantly diminished when policy is based on the platform-neutral and regulatory-neutral approach in smaller states. It is thus arguable that smaller states need to prioritize policy goals and influence the pattern of platform diffusion relative to these choices. Drawing on the case studies of the small media states above, the following dynamics can be generalized:

**Small states are limited in the number of platforms they can support**

From the four cases above, it is clear that the relative success of competitive platform diffusion in smaller states is improved when only two platforms
are present. Thus the relative absence of satellite in Finland, the absence of cable in both New Zealand and Greece, and the absence of terrestrial in Ireland indicate that the market may support a dual distribution structure, but the three-platform hyper-competitive scenario presents particular difficulties.

Location within wider cultural-linguistic regional markets creates external competitive dynamics and the necessity of targeted intervention

Operating within an overlapping market structure presented problems for Ireland and Austria. Geographical and cultural-linguistic proximity have created unequal competition dynamics in both contexts. Satellite services with high-profile content and technological advantages, the costs of which have already been amortized in their home markets, are available in the Irish Republic and Austria. The only other competitive cable platform is possible due solely to large investments from foreign media interests and differential market development (telephony, cable and multi-channel). However, the case of Austria demonstrates that political will, allied to culturally relevant programming and a free-to-air distribution model, can achieve success for late diffusion.

Openness to foreign direct investment potentially allows for the value-added development of a number of platforms, but also creates vulnerability in relation to public policy goals

The development of digital distribution systems has signalled new configurations of public/private ownership patterns. In some cases, openness to foreign investment has allowed differential investment in different distribution platforms. Whether governments can exercise the same level of governance over multinational interests is a moot point. In Ireland, a succession of corporate investors has allowed for the development of the cable infrastructure and the development of triple-play markets. However, the investors’ influence on policy created obstacles in the development of a Freeview DTT model in 2003.

Government/state coordination of policy intervention and preparedness to draw upon legal state aid will secure objectives of general interest

The case of Finland is indicative that new forms of intervention are achievable through legal state aid and the market may be shaped accordingly. Out of all the cases above, Finland is notable in relation to the development of policy in this area, the ability of the state to marshal the interests involved and awareness of the emerging policy paradigm at the European level. This is indicative of the Finnish state’s wider investment in the high-tech economy and the varied institutional arrangements that characterize its corporatist political economy in general. For Ireland, Greece and New Zealand, intervention was initially cautious and policy was only developed following the emergence of EU policy guidelines.
In hyper-competitive small states, not all policy goals are achievable within a competitive framework. Governments need to make policy choices that may contravene the wisdom of regulatory neutrality.

It is important to acknowledge that certain policy goals may be contradictory and at particular junctures choices need to be made relative to the policy goals of network development, multi-channel competition, digital switchover and national television policy. Given market constraints in small states, policy-makers have to make choices at an early point in the policy process relative to these priorities: regulatory neutrality as a principle must be challenged as a practice.

IMPLICATIONS FOR POLICY-MAKERS

The strategies of multiple platform diffusion and regulatory neutrality can have potentially negative consequences for smaller media states. Whereas the European Commission’s policy in this area is justified relative to the changed television landscape and past policy failures in technology development, it appears only to reflect the market realities of larger states. Harmonization of policy and regulatory approaches may be desirable overall but can be self-defeating if proper attention is not paid to differing national contexts. The potential threat to policy goals related to digital switchover could frustrate the overall plan to complete the digital transition across Europe by 2012. This has particular resonance for the recent EU accession states. In addition, the potential undermining of national television ecologies is contrary to the European Union’s industrial and cultural policy in the television sector. The reality of market constraints on the development of multiple platforms, and the uneven development of platforms, has significant consequences for national policy and needs to be rethought.

Legal state aid is sufficient and essential in order to support the development of platforms that meet objectives of general interest in dual platform situations such as those of Greece, Finland and New Zealand. However, in hyper-competitive scenarios such as those of Ireland and Austria, existing state aid provisions may not suffice. Failure to launch a platform that will support switchover and national television policy goals will have long-term damaging consequences in such cases. The European Commission could reconsider competition rules, which constrain smaller states in their pursuit of public policy goals via platform development, and outline possible exemptions for platform development in situations where hyper-competitive platform dynamics prevail. National policy-makers need to consider the contexts of platform development. It is clear that in the case of Finland and Greece a dual competitive structure can be sustained if state aid is drawn upon; in the case of Austria, it is clear that a platform which supports general interest objectives is possible in a hyper-competitive system (if legal state aid and targeted platform support are utilized). It is clear in the case of Ireland that if neither state aid nor targeted investments are pursued, then DTT, or whatever platform of general interest is selected, will struggle to meet its public policy objectives.

CONCLUSION

This article has argued that market constraints in small states undermine the utility of platform competition and regulatory neutrality as policy tools in achieving digital television transition. It has illustrated that the possibility of
reaching a position of ‘competing-complementary’ amongst digital platforms
may be viable in larger states, but is less so in the smaller ones. Uneven and
reduced resources for potential platform development means that govern-
ments and policy-makers need to pay significant attention to the likely pat-
tern of platform development and intervene according to their relative policy
priorities. It has suggested that the place of a national free-to-air platform
(be it cable, satellite or terrestrial) has significant implications for the goal of
achieving digital switchover and related implications for the management of
the transfer of the national broadcasting ecology into the digital multi-channel
environment. In the former case, a viable free-to-air platform provides uni-
versal service and access to digital services. It also ensures that the analogue
spectrum can be switched off and re-used in relation to national policy goals.
In the latter case, by positioning the national broadcasting ecology at the cen-
tre of a free-to-air strategy, policy-makers can ensure a degree of stability in
the industry which is, in turn, central to ensuring plurality in channel provision
and diversity in content.

It is thus of central importance that the potential benefits of platform
competition and regulatory neutrality be reassessed in the digital strategies
of small media states. Whereas this approach may have benefits in the larger
media states, it is just as likely to have negative effects in smaller states. In the
smaller states, the likely pattern of platform diffusion is shaped by a number
of factors and these can constitute a scenario where either a situation of dual-
platform competition arises (Finland, Greece, New Zealand) or a situation
wherein hyper-competitiveness amongst more than two platforms is the case
(Ireland, Austria). Whereas the former situation presents challenges for small
states operating within the overall model of platform/regulatory neutrality, this
model can have long-term negative consequences for the policy goals of states
operating in the hyper-competitive scenario. In the case of Ireland, the legacy
of regulatory neutrality has undermined the potential development of DTT,
whereas internationally financed national and non-national platforms have
successfully diffused. At present this situation makes it difficult for Ireland to
achieve digital switchover before the 2012 EU deadline. In addition to this, the
terrestrial broadcasters who produce locally relevant content find their rev-
ue streams and audience base undermined within the dual multi-channel
systems of cable and satellite (Murphy 2004). In the other national cases it is
instructive that political will has supported the development of DTT in the
period from 2003, thus improving their chances of meeting national policy
goals. It is thus prescient that the policy of platform competition and regula-
tory neutrality be reviewed at national and supra-national levels as smaller
media states, and especially those in which hyper-competitive dynamics exist,
continue to develop their policy strategies towards digital television.

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Digital television policy and regulatory neutrality in small western states

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