ABOUT THIS REPORT

This publication was produced by the Media Intelligence Service (MIS) of the EBU. It provides the main findings and a selection of charts and maps from the 2018 edition of the EBU’s Funding of Public Service Media report, published in December 2018.

It provides a comprehensive and international perspective of the financial situation of Public Service Media (PSM) in the EBU area in 2018.

65 ORGANIZATIONS IN 48 MARKETS

Funding of Public Service Media 2018 includes information on 65 PSM organizations in 48 markets, or 47 countries, in Europe and around the Mediterranean. The disparity in the number of markets and countries is due to the audiovisual environments of the French and Flemish Communities of Belgium, which are autonomous in terms of language, regulation and stakeholders, including PSM organizations. As a result, Belgium is treated as one country but two separate markets.

The report notably includes data on all 28 EU countries.

SOURCEs OF DATA AND DEFINITIONS

This report has been drawn up mainly using data provided by public service media organizations that are Members of the European Broadcasting Union (EBU). The information was collected during 2018.

The term PSM funding in this report refers to PSM operating revenues.

National currencies are used when calculating evolution over time to avoid deviations resulting from changes in the euro exchange rates.

For the historical series, the data is reported for the period 2013-2017, covering 5 years.

Please note that the full report – for EBU Members only – is available at: www.ebu.ch/mis
TOTAL FUNDING OF PSM
1.4% CONTRACTION IN 2017

The 2017 total operating revenues of the 65 PSM organizations for which data have been gathered, covering 48 markets in 47 EBU countries, was EUR 35.50 billion. EU-28 organizations accounted for 90.5% of this total income, i.e. EUR 32.15 billion.

PSM funding decreased by 1.4% in the EBU area in 2017 compared with the previous year. Looking back over the past years, 2017 appears to be the first decrease since 2013 after several years of increases and relative stagnation. For the 65 EBU PSM, the drop between 2016 and 2017 represented a EUR 487.71 million loss of funding in just one year.

Focusing on the overall five-year trend, the picture is slightly more favourable, as cumulative PSM funding increased by 2.9% from 2013 to 2017, with total PSM resources growing from EUR 34.51 billion in 2013 to 35.50 billion in 2017. However, the compound annual growth rate is only 0.6%, which is insignificant.

Sharper decline in EU markets

The downward trend is slightly more pronounced when focusing on EU-based organizations. Altogether, PSM within the scope of the EU-28 saw their resources drop by 1.5% between 2016 and 2017. This contrasts with the trend among those PSM organizations in the 17 non-EU markets, whose funding only decreased by 0.4% between 2016 and 2017.
PSM FUNDING EVOLUTION

PSM FUNDING GROWTH BELOW INFLATION

At EBU level, in real terms, the slight increase in PSM funding (2.9%), from 2013 to 2017, turns into a decrease: -0.6%

-0.6%

2013-2017 REAL EVOLUTION OF PSM FUNDING IN THE EBU AREA

Having to operate under the constraint of almost frozen budgets means that most EBU Members are functioning with decreasing resources in real terms, when inflation is taken into account. Isolating inflation enables us to calculate the real change in PSM funding.

At EBU level, the slight increase in PSM funding (2.9%) from 2013 to 2017 becomes a contraction in resources when expressed in real terms: -0.6% for the whole EBU area.

The rates differ drastically between the EU zone, where the contraction in real terms was just -0.4%, and the non-EU area, whose organizations are suffering the most from inflation and thus experienced a 3.1% drop in their financial resources in real terms.

CHART 2.
5-YEAR NOMINAL AND REAL GROWTH RATES OF PSM OPERATING REVENUES IN EBU AREA (%, 2013-2017)

PSM REAL RATE
-0.6%

PSM NOMINAL RATE
+2.9%

Note: Based on 48 markets and 65 organizations.
Source: EBU based on Members’ data and IMF data.
EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)
PSM FUNDING EVOLUTION

STEADY EROSION OF PSM FINANCIAL RESOURCES

When placed in a broader economic perspective that takes GDP growth into account, stagnation in PSM revenues can actually be seen as an erosion of their financial resources, in both real and proportional terms.

0.17%
2013-2017 REAL EVOLUTION OF PSM FUNDING IN THE EBU AREA

PSM funding is falling in the long term. The past decade saw a global financial and economic crisis in 2008–2009, followed by a major slump in advertising markets in 2009. The first crisis immediately affected the ability of governments to guarantee stable and sustainable funding for PSM.

The second crisis directly affected a minor but vital complementary source of income for most PSM organizations. The weakening advertising market also caused a more damaging side effect: by depleting the main source of funding for commercial free-to-air competitors, it put PSM organizations under repeated pressure from their competitors. That resulted in total or partial bans on advertising by public broadcasters in several European markets, such as in France (2009) and Spain (2010).

Nevertheless, the stagnation in PSM funding – and its contraction in real terms – cannot be solely explained by the recession. The contraction in PSM funding has since been proven to be structural, as PSM revenues have not recovered from these exceptional adverse economic circumstances.

Over the five-year period, cumulative GDP grew by 12.1%, compared with the limited 2.9% growth for the overall PSM operating revenues. Both variables are expressed here in nominal terms.

This highlights the gradual marginalization of PSM in European markets, with PSM funding stagnating even after European economies fully recovered from the financial crisis. As Chart 3 illustrates, PSM resources – when expressed as a proportion of GDP – have been steadily shrinking in the EBU area since 2013.

Note: Based on 48 markets and 65 organizations. Source: EBU based on Members’ data and IMF data.

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PSM CHALLENGE
MORE ACTIVITIES WITH LIMITED RESOURCES

Revenues of PSM organizations in real terms keep decreasing while the scope of their activities is expanding and certain specific programming costs, such as sport rights, are rising as well.

EUR 18.62 BILLION
2017 PSM COMBINED INVESTMENT IN CONTENT IN THE EBU AREA

Financial attrition in PSM is all the more worrying since it does not reflect a decreasing role or remit for PSM organizations. On the contrary, this slump may damage PSM abilities to fulfil their growing missions, at a time when PSM continue to play an essential role within the European audiovisual value chain and in maintaining pluralism in globalized media markets.

EBU Members were operating 489 TV channels and 720 radio stations by mid-2018. Additionally, they were broadcasting over 500 local radio and TV windows. PSM channels and stations have almost universal coverage. Above all, they remain essential players in their respective markets: in 2017, they attracted an average daily TV share of 24.1% and a daily radio share of 39.1% in the EBU area.

Massively investing in content

As most of their revenues are reinvested in European content, PSM organizations are essential contributors to European creative industries. Each year EBU PSM invest EUR 18 billion in programming. More significantly, over 80% of PSM programming expenditure is spent on original productions. In particular, PSM massively support the European fiction and film industry, by investing in and broadcasting more European works than their commercial counterparts. PSM therefore emerge not only as major players within the audiovisual value chain, but also as key partners for the European creative sector.

Source: EBU based on Members’ data.
EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)

CHART 4.
EVOLUTION OF PSM OPERATING REVENUES AND OF PSM CONTENT EXPENDITURES
(2013-2017, EUR billion)
FUNDING CUTS
CUTS IN ALMOST 40% OF EBU ORGANIZATIONS FROM 2016 TO 2017

PSM funding trends at country level paint a very different picture from the overall impression, which – on the basis of aggregated figures – seems to suggest that funding for PSM has been stable in recent years. On an individual basis, however, some regions are seeing some alarming funding trends.

39.1%
PROPORTION OF PSM ORGANIZATIONS WHICH SUFFERED FROM A FUNDING CUT FROM 2016 TO 2017

In a large number of EBU countries, PSM funding has not only been questioned or put under pressure, but has actually been cut, in absolute terms.

Indeed, 25 organizations had lower operating revenues in 2017 compared with the previous year (39.1% of the organizations).

Impact of funding cuts

Significant, repeated cuts cannot be fully compensated by efficiency gains. PSM organizations suffering budgetary restrictions need to adapt to their downsized resources.

One of the first consequences are direct cuts in programming expenditures. PSM inject on average more than half of their financial resources directly into programming. Therefore, content spend is unsurprisingly negatively impacted by budget cuts and other austerity measures.

Another visible range of consequences are those affecting the portfolio of services offered: closure of radio stations or TV channels, reduction in the number of online services or apps, cancellation of R&D projects. This directly affects the diversity of content offered to citizens.

CHART 5.
EVOLUTION OF PSM FUNDING BY ORGANIZATIONS
(%, 2016-2017)

Source: EBU based on Members’ data.

Note: funding cut defined as <0% evolution, funding stagnation as <3% evolution and funding increase as >3%.
Note: cuts were calculated in national currencies, and then converted into euros at their 2017 values, in order to minimize the currency fluctuation bias.
**PSM PERFORMANCE**

**A CLEAR CORRELATION WITH FUNDING**

Limited resources may not only jeopardize the central role of PSM in the European media environment, but may also damage their ability to fulfil their expanding public service remit.

Financial constraints have the potential to jeopardize PSM organizations’ ability to stay relevant in evolving media markets. When facing budget cuts, PSM organizations may find themselves in a downward spiral, forcing them to take drastic action such as reducing programme investments or increasing repeat rates. Such a trend may in turn cause viewers to lose interest in their PSM, thereby weakening their position even further.

On the other hand, adequate funding is crucial if PSM are to continue as a trusted source of information; produce quality content, high-end fiction and innovative programming; acquire major rights in the sports sector as well as in entertainment; and pursue technical innovation, with its spill-over effects into other areas of the market. In other words, limited financial resources may not only jeopardize the central role of PSM in the European media environment but may also damage their ability to fulfil their expanding public service remit.

**WELL-FUNDED PSM ACHIEVE A BETTER MARKET POSITION**

As shown in Chart 6, PSM funding per capita correlated positively with PSM TV and PSM radio market share in 2017. Putting it another way, properly funded PSM organizations, in relative terms, tend to perform better in their respective radio and TV markets, i.e. they are the ones able to attract a strong viewership.

The link is bi-directional. Properly funded organizations have the resources to better compete in their markets, develop appealing innovative programming and retain talent, hence allowing them to perform more strongly. But the opposite is also true: the more popular a PSM organization is, the more efficient it is in attracting resources and gaining support from its various stakeholders.

**CHART 6.**

**PSM OPERATING REVENUES PER CAPITA (EUR, 2017) VS. PSM TV AND PSM RADIO MARKET SHARE (%), 2017**

Source: EBU based on Members’ data.

EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)
FUNDING MIX

PSM ARE LARGELY PUBLICLY FUNDED

In accordance with their public service remit and missions, PSM organizations rely on specific funding mechanisms, and their funding mix comprises a delicate balance between essential public revenues and supplementary commercial revenues.

78.3%
PROPORTION OF PUBLIC INCOME IN PSM FUNDING IN THE EBU AREA IN 2017

Public service media rely on a broad range of income sources that can be grouped into three categories: public income, commercial income and other sources.

PSM organizations are by and large publicly funded: in 2017, 78.3% of all PSM funding in the EBU area was public while commercial sources accounted for only 18.7%.

For the EU-28 alone, the proportion remained very close to the overall EBU figure, with 77.6% of all EU PSM revenue stemming from public sources.

The heavy reliance of PSM on public funding follows the specific nature and remit of PSM. Thanks to public resources, PSM may be less subject to short-term market imperatives than their commercial counterparts. Nevertheless, PSM remain subject to other pressures and the public nature of their funding puts them under permanent scrutiny, either from politicians or directly from the public. The public nature of PSM funding makes PSM highly accountable to the citizens behind their funding.

Licence fee as main source of income

At EBU level, detailed analysis of PSM revenue streams clearly designates the licence fee as the main source of income for PSM activities, contributing 63.2% to total funding in 2017. The proportion was 62.2% for EU-28 countries alone.

CHART 7.
PSM FUNDING MIX IN THE EBU AREA (%, 2017)

Other 3.0%
Other Commercial 8.9%
Advertising 9.9%
 Licence fee 63.2%
Public Funds 15.1%

Note: Based on 48 markets and 65 organizations.
Source: EBU based on Members’ data.
EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)
FUNDING MIX BY COUNTRY
WIDE VARIETY OF FUNDING MODELS

While maintaining the predominance of public income, the vast majority of other European countries have adopted more mixed funding systems that rely on a combination of public and commercial sources.

According to additional sources of information, of the 56 PSM markets that make up the EBU area (i.e. adding back markets such as Algeria, Egypt and Russia), 30 are mostly financed by public funds, 23 rely mainly on the licence fee and 1 relies on advertising. Data were unavailable for only two markets.

Public funds widespread in eastern Europe

Public funds (State budget and grants, taxes on goods and services, and any other public revenues) were the most widespread source of funding as they were the dominant source of income in 30 of the 56 EBU countries (53.6%). A handful of western European countries such as Spain and the Benelux area rely heavily on public funds. However, this is actually the dominant source of funding in the Baltic region and in eastern Europe, where there is less of a licence fee tradition.

Licence fee in western and south-eastern Europe

The licence fee was collected in 27 of the 56 EBU countries (48.2%) as at 1 January 2018. However, where it existed, the fee was not necessarily the main source of income for PSM. For instance, it remained a secondary source of income in several North African markets. Consequently, when analysing 2017 revenues by source, the licence fee was the main source of PSM income in only 23 EBU countries (41.1%).

Four of the Big Five markets (France, Germany, Italy and the UK) mainly rely on licence fee revenue. That explains why the licence fee remains the main source of PSM income in the EBU as a whole, even if it is no longer the most widespread.

Note: Several countries not covered in the report have been included for informative purposes.
Source: EBU based on Members’ data.
EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)
PSM COST PER CITIZEN
PSM IS MUCH CHEAPER THAN PAY-TV

PSM public revenues ultimately derive from citizens – either directly through licence fees or indirectly through taxation. Therefore, a monthly cost per citizen can be calculated, and used as a reference when comparing PSM with other commercial media.

EUR 0.10 PER DAY
EUR 3.03 PER MONTH
2017 PSM CONTRIBUTION PER CITIZEN IN THE EBU AREA

The PSM contribution per citizen can be calculated by dividing PSM public income by its population.

On average, in 2017, citizens living in the EBU area paid – directly or indirectly – EUR 0.10 per day, or EUR 3.03 per month, to finance public service media in their respective countries. That represents a small cost for the essential services that PSM provide to their populations.

These amounts need to be put into perspective. In 2017, cable and satellite providers’ average monthly revenue per user (ARPU) stood at EUR 21.92 in the EU (Ampere analysis).

Besides, cable and satellite providers’ ARPU for their pay-TV activities increased by 4.2% in EU countries from 2013 to 2017, whereas the EU citizens’ contribution to their PSM only rose by 1.4% over the same period (+1.8% in the EBU area).

Source: EBU based on Members’ data, IMF, Eurostat and Ampere Analysis.

EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)
PSM COMPETITIVE ENVIRONMENT

COMMERCIAL MEDIA GROUPS EXPERIENCE SIGNIFICANT GROWTH

Based on growth figures for commercial broadcasters, public service media organizations cannot be said in any way to distort the broadcasting market or endanger the viability of commercial operators. Conclusions are similar when taking either revenues or profit into account.

In 2017, the top-ten European commercial broadcasting groups earned EUR 64.77 billion, up from EUR 54.46 billion in 2013.

The combined revenues of the top-ten commercial broadcasting groups in 2017 were 1.8 times higher than the total income of all 65 EBU PSM organizations (EUR 35.50 billion) and the gap between the two groups of companies has steadily increased in recent years.

In the space of only five years, from 2013 to 2017, European commercial media groups saw their revenues increase by 18.9%, while PSM funding increased by a mere 2.9%.

Commercial broadcaster develop diversification strategies

Contrary to PSM, European commercial broadcasting groups have the ability to quickly develop and adjust their activity portfolios.

European commercial groups do not solely operate on the broadcasting market, but are largely vertically integrated all along the audiovisual value chain, from TV production, cinema to broadcasting and online distribution, rights management and communication services.

Besides, in the last two decades, most of these national media champions have expanded beyond their original market as a way of spreading risk across more than one market and unlocking economies of scale.

The top European commercial broadcasters generated almost half of 2017 revenues outside their domicile country – a much higher proportion compared with PSM, which remain restricted to their original market and business lines.

Source: EBU based on Members’ data and companies’ financial statements.

EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)
PSM COMPETITIVE ENVIRONMENT

PSM DO NOT DISTORT MEDIA MARKETS

Diversified conglomerates, sometimes operating worldwide, have made huge inroads into the European audiovisual sector, disrupting the competitive environment across the EBU area.

A growing proportion of commercial groups that have significant media business in Europe derive substantial revenues from other regions of the world as well as from other activities: non-European media groups, telecom operators, Internet and tech giants.

They have become much bigger players than the PSM, which essentially remain – by definition – national and focused on the audiovisual.

With the arrival of these competitors, the boundaries of the European audiovisual sector are becoming blurred: the audiovisual business now represents only one of the many components of the broader European creative industries and even the global communications market.

As illustrated in Chart 10, the gap is increasing between PSM and the four categories of commercial competitors identified.

It is worth noting that non-European media conglomerates and internet giants are growing faster than all three categories of European operators.

PSM operate within globalized markets, where content circulation is accelerating. In such a context, and given the market power of the global groups with which PSM compete for viewers’ attention, public service media organizations need to be granted adequate financial resources and operational flexibility. If that happens, PSM will be able to remain agile enough. To do so, they must start with a review of growth strategies to remain relevant and attain a sustainable market position.

CHART 10.
EVOLUTION OF OPERATING REVENUES OF SELECTED AUDIOVISUAL PLAYERS

Source: EBU based on Members’ data and companies’ financial statements.
EBU Media Intelligence Service – Funding of Public Service Media 2018 (Public Version)
PSM COMPETITIVE ENVIRONMENT

PSM ARE FACING GREATER GLOBAL COMPETITION

CHART 11.
OPERATING REVENUES OF SELECTED AUDIOVISUAL PLAYERS
(2017)

Source: EBU based on Members’ data and companies’ financial statements.
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This latest publication highlights the vital importance the licence fee continues to have for public service media.

Find out...

- About licence fee amounts across Europe.
- How countries are adapting the fee to the use of new devices.
- About recent developments and reforms in countries such as Switzerland, Italy and Germany to name a few.

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MEDIA INTELLIGENCE SERVICE

This report has been produced by the Media Intelligence Service (MIS) at the European Broadcasting Union.

The EBU’s Media Intelligence Service provides Member broadcasting organizations with the latest market data, research and analysis needed to plan their future strategies and stay ahead of the game.

Our experts cover a broad range of topics, including TV and radio trends, new media developments, market structure and concentration, funding and public policy issues.

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