

DISSERTATIONES DE MEDIIS ET COMMUNICATIONIBUS
UNIVERSITATIS TARTUENSIS

14

ANDRES JÕESAAR

EU media policy and survival
of public service broadcasting
in Estonia 1994–2010



TARTU UNIVERSITY PRESS

Institute of Journalism and Communication, University of Tartu, Estonia

Dissertation accepted in fulfillment of the requirements for the degree Doctor of Philosophy (in Media and Communication) on 19 May, 2011 by the Board of the Faculty of Social Sciences and Education, University of Tartu.

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Commencement: August 30, 2011

Publication of this thesis is granted by the Institute of Journalism and Communication, University of Tartu and by the Doctoral School of Behavioral, Social and Health Sciences created under the auspices of European Union Social Fund.



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ISSN 1406–2313
ISBN 978–9949–19–726–2 (trükis)
ISBN 978–9949–19–727–9 (PDF)

Autoriõigus: Andres Jõesaar 2011

Tartu Ülikooli Kirjastus
www.tyk.ee
Tellimus nr 356

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LIST OF ORIGINAL PUBLICATIONS

Study I

Jõesaar, Andres (2009). “Formation of Estonian broadcasting landscape 1994–2007: experience of the transition state”. *Central European Journal of Communication* 2, 1, 43–62.

Study II

Lõhmus, Maarja, Helle Tiikmaa, and Andres Jõesaar (2010). “Duality of Estonian public service media in reflection of the world and in positioning society”. *Central European Journal of Communication* 3, 1, 95–114.

Study III

Jõesaar, Andres (2011). “Different ways, same outcome? Liberal communication policy and development of public broadcasting. Baltic public service broadcasting from economy perspective 1994–2010”. *Trames* 15, 1, 74–101.

AUTHOR’S CONTRIBUTION

Study I: I was the sole author of the article.

Study II: I was the co-author of this article.

I was responsible for the empirical analyses of broadcasting field financial aspects and for analyses of debates held in Public Service Broadcasting Council.

Study III: I was the sole author of the article.

ACKNOWLEDGEMENTS

My sincere and profound obeisance to all the people who have guided, supported and helped me on this challenging and exciting exploration through broadcasting landscapes. I would like to start with thanking my co-supervisors, professors Marju Lauristin and Peeter Vihalemm. You both showed to me the beginning of an unexplored path and then encouraged me to step on it. Your guidance was there when the track seemed to be too steep and direction almost lost.

My very special thanks also goes to supervisor associate professor Maarja Lõhmus and co-supervisor associate professor Halliki Harro-Loit. Your guidance, reasoned dialogues and advice are essential grounds to my dissertation. Articles written in cooperation with Maarja Lõhmus and Helle Tiikmaa helped a lot to expand my research area, gave additional argumentation and a broader scope. Thank you!

I am really grateful to Dr. Karol Jakubowicz, my mentor whose valuable knowledge, and importance of given feedback, is impossible to overvalue.

Especial thanks also belongs to everyone at the Institute of Journalism and Communication – learning from and sharing the knowledge with you is a very special experience.

I also warmly and wholeheartedly thank my family for their understanding and support during my entire journey.

INTRODUCTION

Public service broadcasting (PSB) – evolving into public service media (PSM) – has, in spite of the fast and large changes in the media, still an important role to play in the public sphere. The main functions of PSB have remained the same as described by John Reith: to inform, educate, and entertain (Reith 1924).

In other words – PSB’s ultimate function is to serve the public interest. In normative criteria this is described as enhancing, developing and serving social, political and cultural citizenship; being universal with high quality standards (Born and Brosner 2001:671).

As the media institution, PSB is shaped by communication policy. At the European Union level the main institutions designing European communication policy are the European Commission, the European Parliament and various Ministerial Conferences. The Court of Justice of the European Communities through its judgments also has a crucial role. The Council of Europe and the European Parliament are concerned about the essence of media by underlining the importance of PSB for all citizens, in the public sphere of the democratic society. Emanated from its mandate, the European Commission is mainly concerned about the common market and free competition. Design of PSB remit and definition of values provided to the society are out of the Commissions scope.

At the Member States level, the Parliaments and Governments are the key players, who are through national legislation implementing European directives and also executing EU policies. On the EU level, overall communication policy guidelines are settled (EC 2006), but the national level is from where the national cultural aspects, the most important regulation and policy implementation is made. Depending on the national (political, cultural, historical, economical etc) environment each Member State has created its own communication policy, including the existence of PSB and establishing a dual media system.

Part I of this work starts with Research Questions; continues with an overview of Social-cultural Factors, Public Sphere and Public Interest; looks into the definition and role of Public Service Broadcasting; investigates Economic Grounds, (European PSB main financing and viewing trends are presented), and Technology aspects related to broadcasting. Chapter 4 is dedicated to the Political Factors and the European Union’s media policy essence. Part I Chapter 6 concludes with analysis of PSB financing and viewing trends in the Baltic in 1994–2010. In this chapter European data will be presented with more detail analysis of Baltic television market economical aspects, PSB funding and broadcasters’ audience market shares.

Part II “Estonian insight” gives a detailed description of major political and economic factors which affected the development of TV-broadcasting in the Republic of Estonia during 1994–2010. Relations of media policy and the broadcasting market situation in Estonia are focused on. Chapter 7 dissects the

development of the Estonian broadcasting legislation, which by author is divided into four developmental periods. Chapter 8 investigates in detail the Amendment of the Broadcasting Act, which worked as a state support instrument to assure economical success of commercial broadcasters. Chapter 9 is dedicated to analyses of the position, financing and governance of Estonian Public Broadcasting. Chapter 10 looks into TV-audience viewing trends throughout the research period. Chapter 11 “Discussions” analyses political and economic factors and then explains how these factors have shaped the media in small markets during the last fifteen years.

Taking for granted that in Europe the ultimate functions of PSB are accepted and agreed upon, and the required institutions are already established, my Studies I–III have investigated from different aspects the implementation process of European communication policy into Estonian broadcasting legislation and the outcome of this process. PSB accountability, detailed fulfillment of country specific PSB remit and other governance, or content related questions, are left out for further investigations.

In the **Study I**, I focused on the development of the Estonian broadcasting landscape in 1994–2007. I looked into the development process, described main stakeholders, their influence on policy agenda setting, and legal and financial results achieved. Results of **Study I** are reflected in Chapter 7 “Estonian broadcasting legislation. Four development periods” and in Chapter 8 “State support to commercial channels. The amendment of the Broadcasting Act”.

Study II focused on changes in the broadcasting system of Estonia in the 1990s and 2000s. A study of the Estonian Public Service Broadcaster is offered as a model case, one option of development of PSB. The results of **Study II** are reflected in Part II “Estonian insight” in Chapter 9 “The position, financing and governance of public service broadcasting”.

Study III investigated how the Estonian media policy was implemented into practice in the context of European Union communication policy. The research made the comparison of PSB funding, national GDP levels and PSB audience shares in Europe.

The results of **Study III** are reflected in Part I Chapter 3 “Economical grounds”, Chapter 4 “Political factors” and in Chapter 6 “PSB financing and viewing trends in the Baltic 1994–2010”.

This research in hand is an attempt to give additional tools for analysis of PSB positions in post-Communist countries, where Estonia is presented as one development scenario. Based on the Estonian case research results the European Union media policy and its impact are evaluated.

PART I

RESEARCH DESIGN

The main methodology used in all three Studies is content analysis and comparative analysis of relevant texts (including legal documents), audience researches and financial data.

In **Study I**, I analysed amendments of the Estonian Broadcasting Act (BA) and the impact of these changes to the financial results of the broadcasting companies. In the text of the Broadcasting Act the main objects of analysis were instruments directly influencing economical and financial aspects of broadcasters' operations. The second step in analysis was to monitor how changes in the BA have influenced broadcaster's yearly financial results reported in their annual reports.

In **Study II** national level research focused on analysis of broadcasting related to Estonian legal acts, the Parliament and Cultural Affairs Committee (CAC) of Parliament shorthand records, and Estonian Public Broadcasting Council protocols. Using text analysis from these documents the main broadcast related discussion topics were categorized and their occurrence frequency presented.

Study III makes analysis of main media political instruments in the European Union and in Estonia – legal texts and their implementation. The main texts for European level analysis are official documents from the European Union, the European Commission and the Council of Europe. For financial and population data the main sources used for the current analysis are the International Monetary Fund GDP report (IMF 2010), and the European Audiovisual Observatory's PSB financing data from 2004 until 2010. Audience data is collected from the EBU SIS database (1994–2010), the European Audiovisual Observatory materials 2004–2010 and from the TNS audience surveys (1994–2010). Baltic statistics are collected from the Ministry of Finance, the national public service broadcasters' and Estonian commercial broadcasters' annual reports. These sources give reliable and comparable data needed for analysing financing and viewing trend developments during 1994–2009.

Comparative analysis of European states is based on:

1. GDP per capita and GDP growth per capita;
2. funding of public service companies;
3. audience market share of PSB companies.

To have a more descriptive overview instead of absolute numbers, GDP and PSB funding sums are shown per capita. From a variety of different audience measurement indicators the yearly average daily share of viewing (SOV) is used. SOV is the most descriptive unit also from a market perspective and therefore it is also known as the broadcasters' audience market share. The research summarises analysis of Estonian broadcasting policy related to the

legal acts and their amendments, broadcasting related reflections in the printed press, audience and financial data of public service broadcasting and private television channels in the context of EU media policy.

A starting point for the theoretical framework is the concept of the public sphere. Jürgen Habermas (Habermas 1962, 1979) sees a public sphere as an open arena for public conversation, a space where debates leading to the formation of public opinion and exchange of ideas can take place. And by using McQuail the media are the key institution of the public sphere. The quality of the public sphere will depend on the quality of the media (McQuail 2010:569).

All over the world, all media institutions are influenced by economics, politics and technology (Figure 1). Social, political, economic and cultural changes in the past twenty five years have dramatically reshaped Central and Eastern Europe (CEE). As these societies have changed, so also has the media, including broadcasting, now powered by fast technological development, and is unrecognizable from the period of the communist regime. The scale and scope of the transition to democratic society and liberal market economy was somewhat extraordinary. Of course the fast change in media is not only a phenomena of CEE countries. Media in the whole world is in a continuous process of change. The changes in (media) politics, IT-revolution, switch-over from analog broadcasting to a digital one, convergence, globalization and commercialization have designed a new media paradigm.

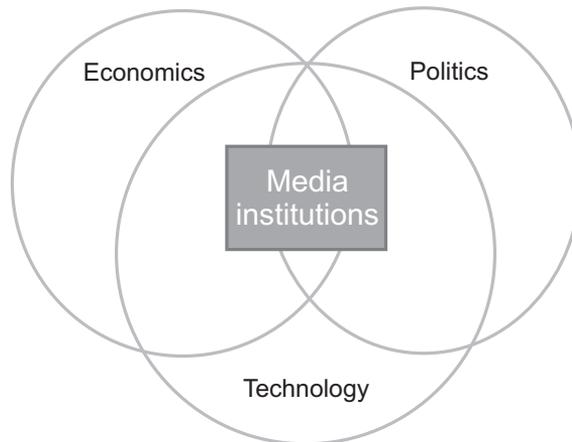


Figure 1. The media are at the centre of three overlapping kinds of influences. (McQuail 2010: 219 Figure 9.1)

McQuail's concept of media influencers can be examined on three different governance levels. Table 1 gives an overview of three governance levels and corresponding institutions with their action tools.

Table 1. The media influencers and governance levels.

	Levels	Targets	Institutions, (their tools)
Politics	Global	Welfare of mankind, protection of human rights, freedom of expression	United Nations (conventions, declarations and other legal acts) UNESCO (cultural and educational initiatives)
	EU	Dual media system, protection of human rights, freedom of expression	European Parliament (legal acts) European Commission (communications)
	National	Free press, liberal market economy	Parliament, Government (legal acts)
Technology	Global	Innovation, progress	Organizations establishing international standards
	EU	Digitalization	European Parliament, European Commission (legal acts)
	National	Usage of modern technology	Government, Parliament, state and private sector (implementation of international standards, different local initiatives)
Economics	Global	Prosperity	World Bank, IMF, WTO
	EU	Competition with U.S. and other world major economies	European Commission (legal acts)
	National	Free market economy, profitability of private sector	Government, Parliament, state and private sector

The areas and effects of the new communication policy paradigm as described by Van Cuilenburg and McQuail (2003) indicate that for serving the main goal – “public interest”– all political, social-cultural and economic values should be balanced (Figure 2).

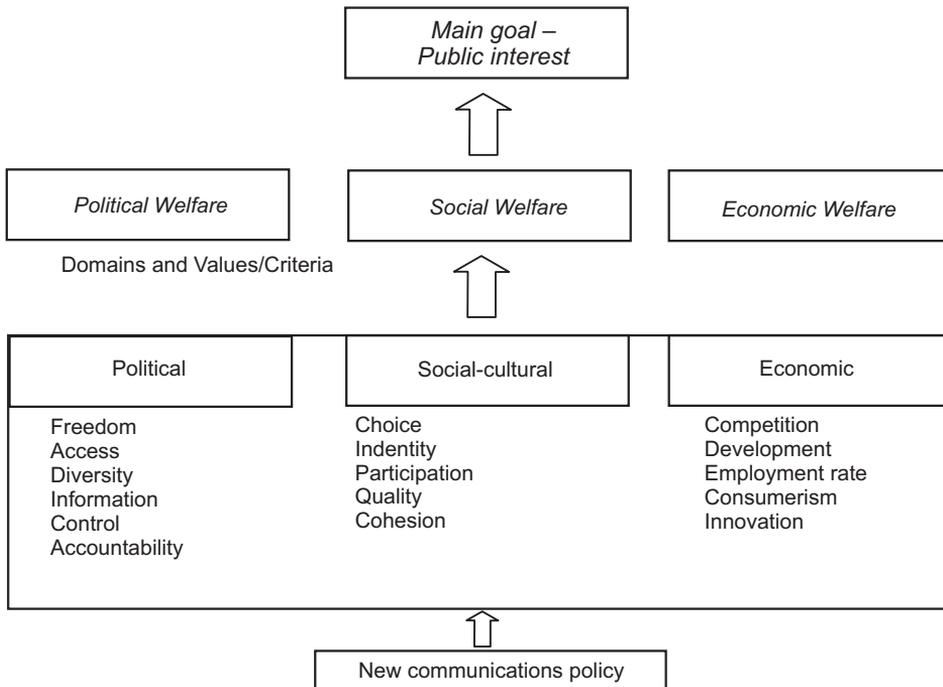


Figure 2. The areas and effects of the new communications policy (Van Cuilenburg and McQuail 2003: 202 Figure 4).

The combination of three new communication policy areas with three influences on media institutions gives the research basis. PSB as a media institution is influenced by Economics, Politics and Technology (Figure 1) and it must serve Public Interest (Figure 2). Adding a social-cultural dimension to McQuail’s media influencers list, this research examines development of the media system at the EU and national governance levels from four aspects:

- a) Social-cultural,
- b) Economical,
- c) Political,
- d) Technological.

The research design model for each topic starts with an introduction of the theoretical background, the analysis aspects and then is complemented with the corresponding empirical data.

I. RESEARCH QUESTIONS

The following research questions are posed:

At the European level:

- If to compare European countries by PSB revenues, or by PSB state funding, per capita, are there similarities within groups of countries with the same living standards? Or is this criteria over estimated? Is there a correlation of GDP per capita and PSB audience share?
- Do different political cultures and PSB traditions in Western Europe and CEE at the end still bring similar results in the case when PSB performance is measured by share of viewing?
- In the long run it is expected, due to the one market policy, that living standards in the EU will level off. Then will positions of PSB broadcasters equalize?

At the National level:

- What kind of impact has the EU (broadcasting) media regulation had on development of Estonian broadcasting legislation?
- How has amendments of the Estonian Broadcasting Act influenced financial results of private broadcasters?
- Based on the analysis of PSB financing and viewing trends during the last decade, what kind of future might Estonian PSB have in the digital era?

2. SOCIAL-CULTURAL FACTORS, PUBLIC SPHERE AND PUBLIC SERVICE BROADCASTING

Public service broadcasting – evolving into public service media (PSM) – has, in spite of the fast and large changes in the media, still an important role to play in the public sphere. The main functions of PSB which are to inform, educate, and entertain, have remained the same, as described by John Reith: to inform, educate, and entertain (Reith 1924).

As we conceive it, our responsibility is to carry into the greatest possible number of homes everything that is best in every department of human knowledge, endeavour and achievement (Reith 1924/1997:223).

Public service broadcasting (PSB) is defined by McQuail (2010:569) ‘as the system of broadcasting that is publicly funded and operated in a non-profit way in order to meet the various public communication needs of all citizens’.

In other words – the ultimate function of a PSB is to serve *public interest*. In normative criteria this is described as enhancing, developing and serving social, political and cultural citizenship; and being universal with high quality standards (Born and Brosner 2001:671).

Justification for PSB was for a long time a ‘natural monopoly’. Public service broadcasting – was viewed as an unquestionable pillar of democratic society – and must now give a cause for its existence. Scarcity of frequencies and nationwide coverage obligation are no longer valid arguments for the existence of PSB.

(All this is taking place against a background of increasing doubts in Western European countries as to the continued legitimacy of maintaining PSB. A ‘pervasive reassessment’ of this institution often results in the question ‘Why continue with PSB?’ (Collins 2003, Hujanen and Lowe 2003).

The only remaining justification for PSB’s existence is to serve *public interest*. According to McQuail (2010:568), public interest in essence ‘expresses the idea that expectations from, and claims against, the mass media on grounds of the wider and longer-term good of society can be legitimately expressed and may lead to constraints on the structure or activity of media’. Critics of PSB declare that public interests are also served by commercial broadcasters and PSB rationale does no longer exist (Jacka 2003). On the other hand, scholars are convinced, that PSB, in new rapidly changing communication contexts, is needed more than ever (Murdock 2005). It might be a case that commercial broadcasters are fulfilling some of the public interest tasks, but mainly only those ones, which are commercially profitable, unprofitable services are (most likely) left out of the scope. Jakubowicz (2007c) argues that the underlying aims of public service broadcasting still are to enhance culture, promote education, maintain social cohesion and strengthen democracy. Born and Brosner

(2001:671) have, after a survey of sociological and policy studies, found consensus on the following principles on core normative criteria for PSB:

- a) Citizenship: enhancing, developing and serving social, political and cultural citizenship,
- b) Universality, and
- c) Quality of services and output.

Brevini (2008) also adds to this list 'trust'. It must be agreed that in present times some information sources provide uncontrolled, incorrect or even misleading information. For citizens it might be difficult to correctly evaluate information provided. Therefore it is extremely important that PSB is a reliable and trustful source of information (Biltreyst 2004).

For successful fulfillment of these four criteria PSB needs to have sufficient resources (human, financial, technical etc.) and a favorable legitimate framework. On the EU level there are no tools or mechanisms which dictate minimum PSB quantity or quality levels that a Member State should guarantee for citizens. There is no binding legal EU regulation towards PSB. Decisions on remit, funding model and funding level of PSB are totally left to Member States. There is no common PSB model or standard, which applies to all countries (INDIREG 2011). Governance and financing models, remit, legal framework and relations with political powers, accountability obligations towards society etc. vary a lot.

Despite variations caused by different socio-cultural backgrounds, in the Western Europe's dual media system, publicly funded public service broadcasting companies have played a key role and they still have strong positions on the media landscape (Jöesaar 2011).

Public service broadcasting in Western Europe is a creation of a social-democratic set of beliefs that recognizes the crucial function of the state in providing the conditions for an effective social, cultural and political participation in a democratic society (Brevini 2010:349).

When PSBs in Western European have historical and cultural capital enabling them to balance commercial sectors pressure, then PSBs in post-Communist countries lack these capitals and they lack aptness to develop. In the Central and Eastern Europe PSB positions (and also their merit) in the society is more contradictory (Jakubowicz 2001, 2005, 2008b, Sükösd and Bajomi-Lázár 2003). Similarity to Western European and CEE PSBs is that both must nowadays give good explanations and clear reasons for their existence, especially when their funding (public and commercial) are discussed. But not only, they must also account for new media services (Holznagel 2010, Larsen 2010, Barnett and Michalis 2009).

Researches made by Lauristin (2004, 2009), Lauk (2008), Löhmus et al. (2004, 2010) underline the special role public service broadcasting carries for small

nations like Estonia. Due to the lack of internal resources cultures of small countries are more vulnerable for global commercialization. Therefore the protection of national language and preservation of unique cultural heritage is one of the key tasks of the PSB of these countries. It is especially important on small markets, where private broadcasting is commercialized, that PSB maintains its role as the reliable provider of a trustful source of information.

Conclusions drawn from all the above mentioned studies are:

1. the existence of a developed public sphere is important for developing civil society and democracy, it is in the public interest;
2. media has an important role in the development of the public sphere;
3. the basis for the existence of private media is primarily a profit oriented activity;
4. the purpose of the public service media, (primarily broadcast), is to serve public interest;
5. due to the market failure of small markets, PSB carries a crucial role for society.

Summary is that PSB values and essence are defined, PSB's important role in the public sphere is substantiate, support for democratic development and pluralism described as crucial ones. All these factors have a direct influence on society, and to its citizens. Enhance democracy and cultural heritage, to improve social cohesion, to develop a platform for open debate, to guarantee media pluralism, to be a source of reliable and independent information – these are important functions of PSB. Without fulfillment of these functions overall development of a democratic society and the enrichment of a national culture, (especially for small nations like Estonia), is under serious threat.

3. ECONOMICAL GROUNDS

Several researchers claim that, (at least in broadcasting), economic welfare is a dominating value in communications policy (Picard 2002a, Croteau and Hoynes 2001:21, Murdock and Golding 1989:192). Restricted market entry and a global concentration of ownership encourages common denominator provision for the mass market. A market-based media system is incapable of presenting a full range of political and economic interests in the public domain and finding expression in popular fiction (Curran 1997:140).

The neoliberal discourse presents itself as extending the range of choices for citizens and employing market mechanisms for more efficient production and distribution of media products. But in the absence of strong state regulation and stable financing aimed at fostering an independently constituted and broadly representative public broadcasting system, it is doubtful that the market mechanisms, with its unending profit-seeking incentives, can protect cultural diversity and educational programming and ensure media access to economically marginal populations (Sussman 2003:113).

Based on an economic theory of journalism, Fengler and Ruß-Mohl (2008) are stating that the self-interested behavior of journalists is shaping the media, economics is seen as a driving force. Old, traditional media systems are facing strong pressure generated from the new environment. Professional journalism has difficulties to defend its essence against commercialization and widely spread user generated content (Ruß-Mohl 2003, Hamilton 2004, Brikše 2010). Existing business models are challenged by new rules defined by the online world. Traditional media institutions, strongly affected by economic crises, have difficulties keeping the pace.

Study III made the comparison of PSB funding, national GDP levels and PSB audience shares in Europe. It not only shows that there is a correlation between these categories, but also shows that there are two important criteria, which have major impact on the PSB positions strength. First is historical tradition. In older democracies PSB is stronger than in transitional states. Second is the size of the country. Due to the economy of scale in small countries PSBs need to have higher funding level per capita than in large countries (Figure 3).

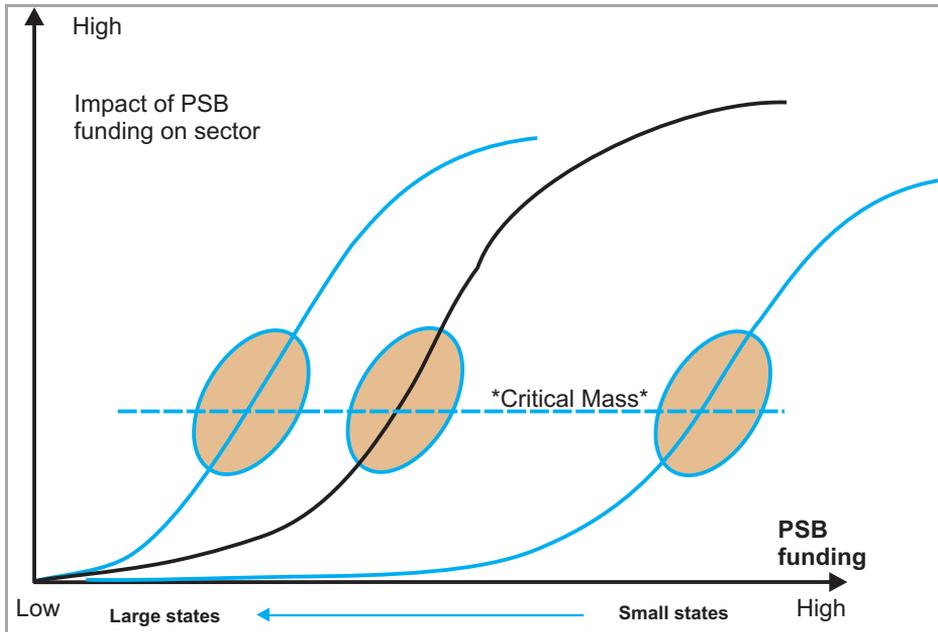


Figure 3. Dependency of country size and PSB funding needed for “Critical Mass”. Based on UNITEC 2005:173.

Study III shows that, even during the last decade, PSBs all over Europe show slight decline in audience market share, the position of PSB in the Big5 (Italy, France, Germany, Spain and UK) and in Scandinavian countries (Denmark, Sweden, Finland and Norway) is strong. In these countries “Critical Mass” is definitely achieved. The future of PSB in some CEE countries (including Baltic countries) is more questionable. Poland and Croatia performing above average and in these countries the “health” of PSB must be considered good, at least when its strength is measured by share of viewing. Slovakia, Hungary and all three Baltic countries are lagging clearly behind (Figure 4). Diachronic approach in analysis of political and economic factors explains how these factors have shaped the media in small markets during the last 15 years.

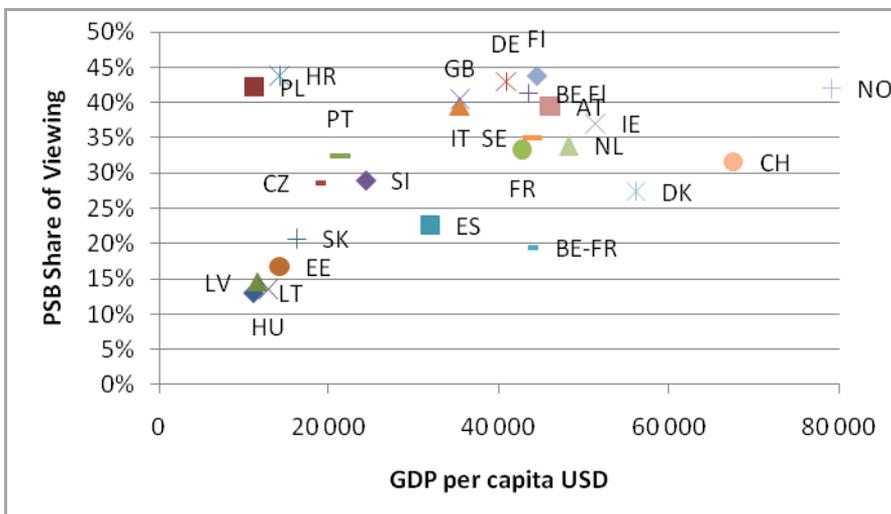


Figure 4. PSB share of viewing and GDP in Europe 2009.

Source: authors' calculations, EBU, IMF.

There is no clear criteria of how big or small an audience market share should be before it is considered critical, or from what level of marginalization of PSB is a real threat. It is encouraging, that with around 15% daily viewing share, Estonian citizens have not lost trust in the public service broadcasting. The trustworthiness of public service broadcasting is stable at a high level and it is still remarkably important for the society (Lõhmus et al. 2004, Meedia 2010). In spite of long lasting under financing, (especially if comparing per capita funding of Scandinavian countries), Estonian Public Broadcasting has still kept its leading role as a platform for public debate and as a reliable news source (Jõesaar 2011).

Study III investigated the correlation between growth of PSB revenues (including commercial revenues and public funding), GDP per capita, GDP growth and PSBs audience shares. It was shown that in the old democracy funding of PSB was on a higher level than in post-Communist countries. Also PSB revenues in absolute numbers per inhabitant tell that in post-Communist countries PSBs have much less financial resources than the rest of Western Europe.

Baltic countries have the lowest PSB funding per capita and the Scandinavian ones are financially much better secured. This brings us to the third criteria influencing public service broadcasting performance: market size, or population.

The basic opportunity cost of establishing and operating a public broadcasting service is not proportional to population size. Whether the PSB serves five million or fifty million people makes minimal difference to the base cost of service provision. The economies of scale enjoyed by larger, wealthier countries are therefore not available to smaller countries. This may represent a potential challenge to the legitimation of PSB funding in smaller economies if the criterion for sustaining and increasing funding is premised on demonstrating a clear distinction between commercial and PSB functions. (UNITEC 2005:172)

For the broadcasting industry in the Baltic countries the markets are very small.

Large markets can support many media suppliers and the scale of their audience will be sufficient to encourage strategies of audience segmentation through which many “minorities” will be supplied with special output’ (Doyle 2002:17).

This finding has crucial importance for understanding the PSB role in small markets. When the market is limited with (commercial) resources then the private sector is not able to provide a wide range of programs. Offerings will be focused mainly on mainstream entertainment. Estonian private channels are broadcasting mainly fiction (acquisition films and series) and public service broadcaster ETV is mainly providing non-fiction programs (incl. primarily its own-production news, debates etc.) (Figure 5).

	ETV	Kanal2	TV3
Fiction	34%	75%	85%
Non-fiction	66%	25%	15%

Figure 5. Program structure of major Estonian TV-channels in 2010.

Source: author’s calculations and ERR.

To balance entertainment biased commercial media, PSB should have its own interesting ”in-house” productions, which usually is more costly to produce than mass production acquisition programs. This brings to the conclusion, that for a strong PSB to exist or survive, the PSB funding in smaller markets should be on a relatively higher level than in larger markets. In reality, the situation in transition states is the exact opposite.

The level of available funding is (an immediate) cause for PSB performance. It is reasonable to assume, that sufficient funding will support high quality production, which is needed to attract an audience.

An increasing number of broadcasting channels, audience fragmentation and commercial competition are major factors behind the slight, but continuous decline of PSB audience (market) share. During the crises in the second half of the 1990s, PSB market share in the Baltic countries have been pretty stable, but

compared to the Big5 or Scandinavian countries, was on a modest level. Diminishing or relatively low audience (marginalization) is one argument used against PSB. When marginalization of PSB is so evident that there will be no grounds for public funding anymore. The question can also be asked in another way. Should PSB funding be increased to turn decline into a new rise? How are the public interests served in the best way? Advocates of PSB definitely support any actions needed for strengthening it. They demand location of resources needed to secure sustainable development of public service broadcasting companies into public service media institutions.

Market forces do not guarantee that the media will serve their non-economic function as institutions of the democratic public sphere, and in many ways the breakdown of the forces that counterbalanced market forces has already taken its toll on the quality of news, sensationalism and other ethical problems, biases in the segments of society served by the media, and in some cases potentially dangerous concentrations of media power (Hallin 2008:55).

Critics believe that the market economy will take care of public interests and there will be no need for PSB in the future.

Economical arguments supporting a free market are questioning the need of PSB as such, especially from the state aid and market distortion aspects. Media policy debate is about the balance between free market ideology and the protection of public interests.

This chapter's summary is that in small CEE states PSBs are facing a major economical challenge. Due to the moderate overall economical development level, and in combination with the small size of the country, resources available for PSBs are much more limited than in other Western European countries.

4. POLITICAL FACTORS. EUROPEAN UNION – FROM CULTURE TO COMMERCE?

A simplified approach towards European media policy can be described from two angles. On one hand, the role of (EU) media policy is a secure media system to promote pluralism, democracy, social cohesion and freedom of expression. On the other hand, the commercial interest of (private) stakeholders and common market regulation must be guaranteed. It is a question about balanced coexistence of public service broadcasting and commercial media.

There are several European level activities supporting PSB. Just to list the most important ones: Resolution on the future of public service broadcasting from the 4th European Ministerial Conference on Mass Media Policy (Prague, 1994), the Amsterdam Protocol to the Treaty establishing the European Union of 1997, The Parliamentary Assembly Resolution 1636 (2008) on indicators for media in a democracy, Recommendation 1855 (2009) on the regulation of audio-visual media services, the Committee of Ministers' Recommendations No. R (96) 10 on the guarantee of the independence of public service broadcasting, CM/Rec(2007)3 on the remit of public service media in the information society, CM/Rec(2007)16 on measures to promote the public service value of the Internet, the Committee of Ministers' Declaration on the guarantee of the independence of public service broadcasting in the Member States of 27 September 2006 and its Declaration on the allocation and management of the digital dividend and the public interest of 20 February 2008, UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions of 2005, and the White Paper on a European Communication Policy COM(2006) 35, February 2006.

The Parliamentary Assembly report 'The funding of public service broadcasting' is also worth mentioning. Although not binding, it does give, in summary, clear guidelines to national media policy makers:

National parliaments and ministers responsible for media policy should adapt the funding of public service broadcasting in their countries to the new audio-visual media environment, while safeguarding the public service mission and structure of their broadcasters and allowing them to make full use of the technological opportunities for the benefit of the public at large (Parliamentary Assembly 2009).

The latest document on the field so far is the European Parliament Resolution on "Public service broadcasting in the digital era: the future of the dual system" adopted in November 2010. The Resolution underlines *'the fundamental role of a genuinely balanced European dual system in promoting democracy, social cohesion and integration and freedom of expression, with an emphasis on preserving and promoting media pluralism, media literacy, cultural and linguistic diversity and compliance with European standards relating to press freedom'*.

In context of **Study III** there are two points in the Resolution targeting funding issues of PSB. First, the Resolution calls Member States to ensure *'sufficient resources to enable public service broadcasters to take advantage of the new digital technologies and to secure the benefits of modern audiovisual services for the general public'*. And secondly it attempts to counter balance European Commissions state aid policy and EC concerns about over financing of PSB. European Parliament *'calls further on Member States adequately to address the issue of underfunding of public service broadcasters'* (EP 2010).

Czepek et al. (2009:11) ask the question:

Who 'owns' press freedom – each citizen, the journalists or the publishers? Is press freedom predominantly a right of citizens to be protected from interference by the state or does it also include an active right to information?

Grounds for investigating these aspects can be found through EU media policy.

European Union policies are increasingly influencing the shape and development of media markets throughout Europe, with considerable impact on press freedom and pluralism. The European Parliament has stressed the democratic role and function of media and the importance of freedom, pluralism, participation and access to media. The European Commission in its legislation and the European Court of Justice in its jurisdiction have, however, mainly focused on the economic aspects of the media market. The EU media policies have been brought together into the i2020 initiative and mainly pursue three goals: 'regulating the market' (mainly meaning to liberalize the market), 'stimulating the information society' (e.g. by investing in infrastructure and 'bridging the broadband gap'), and exploiting the benefits (i.e., of new technological developments and possibilities.) (Czepek et al. 2009:14).

In the 1990s economic approach towards PSB started more and more to dominate in European Union and European Commission actions (Harrison and Woods 2001, Ward 2003, Wheeler 2004) and has clearly strengthened in the last decade (Jakubowicz 2004, Harcourt 2005, Jöesaar 2009, Löhmus et al. 2010). In spite of numerous Council of Europe recommendations, declarations and other political statements, the commercial interest is increasingly dominating and threatening public service media (Jakubowicz 2007, CoE 2009).

The importance of preserving the so called cultural side of (broadcasting) media is impossible to underestimate, but unfortunately it is losing its importance.

Commercial media companies, facing dramatic decrease of advertising revenues caused by economic downturn and the increasing competition in media markets, are lobbying in Brussels and in national governments to reduce regulatory control on private enterprises, to treat PSB on market economy bases and to minimize PSB service offerings in new media (Brevini 2009). The Euro-

pean Commission Communication on State Aid to PSB (EC 2009), following private media complaints about unfair competition and market distortion to the PSBs' new media engagement (Humphreys 2009), is a clear direction of supra-national media regulation processes going in favor of commercial broadcasters. Still EU competition authority can only control PSB funding compliance with PSB remit and obligations defined by national legislation. As the defining of PSB remit is an obligation of Member States, the exact implications of the new Communications depends on the detailed national legislation (Barnett and Michalis 2009). It can be assumed, that the stronger the PSB cultural tradition and legitimation in the society, the easier it should be to expand PSB activities into new media. Comparative studies show that this is not the case. Even in countries with a strong public broadcasting tradition, like the UK, Denmark, Germany and Finland, the balance of media policy has tilted away from socio-cultural considerations, and now focuses on economic and commercial priorities (Brevini 2009, 2010, Humphreys 2009, Nieminen 2009).

The European Union common market strategy has a goal to demolish state monopolies. The European Commission's strict regulation of state aid is supporting common market ideology. Treating public service media on the same grounds, as all other businesses in the market economy, the European Commission is willing to also put PSB under market rules (EC 2009). Debates over PSB funding, pressure for cost saving and the need for efficiency increase are taking place in all European countries. Even the BBC, PSBs' flagship and role model, is under strong and increasing cost saving pressure. The BBC Trust chairman Sir Michael Lyons says *'the BBC needs to undertake a fundamental review of its cost base in light of last year's license fee settlement, which will effectively see its income reduced 16% by 2016 (TBI 2011)'*.

During the last decades PSB has step by step lost its long-lasting monopolies of distribution frequencies, audience, content and time. In analog spectrum scarcity times there was for PSB a justification of 'natural monopoly'. It was decided that it is in the public interest to give limited frequency resources to PSB. Together with technical development of distribution technologies this justification has vanished. The multiplicity of commercial broadcasters has ended PSB's monopoly on audience and on content delivered. Video-On-Demand and different recording devices are allowing to watch and to listen to the programs whenever suitable for citizens/consumers. This also means that the monopoly on time has gone. PSB is not any more the only broadcaster with nationwide coverage. Satellite transmission and IPTV technology enable broadcasting all over the world.

In Western Europe, the critical question about necessity of PSB was raised by the commercial sector in the beginning of the 1980s. Commercial broadcasters, fighting for audience share related commercial revenues, defined PSB as their main competitor (Garnham 1986). At the same time, in the CEE public service broadcasting didn't exist at all. From the end of the 1980s, ECC countries had the noble aim to change from communist regime towards free

democratic welfare states. One important aspect of development has been changes in the media systems. In transition states commercial broadcasters were founded, state owned print media was mainly privatized, state radio and television companies were turned to public service broadcasters. It has been challenging to reform vast communist party propaganda machines into efficient public service media institutions. European Union legislation had a major impact on this process (Harcourt 2003, Jakubowicz 2003d, 2004b, 2007d, 2007e, Jõesaar 2009). Post-Communist countries are trying to incorporate into their legal systems Western constitutional and non-constitutional media law standards (Kamiński 2003). “Europeanization”, as defined by Jakubowicz (2009), took place. Even when the Pan-European media policy aims – that of preserving cultural diversity and safeguarding media pluralism – were common, the ways chosen by countries and results achieved vary a lot (Jakubowicz 2007e, 2007f, 2009, Ognyanova 2009, Richter 2009, Svendsen 2002, Wyka 2008, 2009). Jakubowicz states: ‘The introduction of PSB has either so far failed, or has produced very uncertain results, as PSB organizations lack social embeddedness and the right democratic context in which to operate’ (Jakubowicz 2004b:53).

The reason for this is in the different socio-cultural backgrounds. The western PSB model was artificially transplanted from different social circumstances into post-Communist societies. The same rules and standards used gave different results in different conditions. The development process continues. Sükösd and Bajomi-Lázár (2003:15) state that ‘it would be a mistake to suggest that East Central European media systems are ‘half way’ to some final media state of reform, an end point of ‘the’ Western institutional pattern. In our view, such a final destination does not exist and democratization of the media remains an open-ended, normatively oriented project’.

The situation was, and still is complicated. Post-Communist countries are looking forward to find ways to establish public service broadcasting as it existed in the Western Europe in the 1980s and early 1990s. At the same time commercial forces all over Europe are strengthening their positions and are attacking public broadcasting institutions.

In the transition states commercial stations were established before PSB was created. In Western Europe where PSBs were historically strong, they have a long cultural tradition and strong support from society, while in the newborn societies, this kind of democratic cultural background didn’t exist and commercial powers got in political spheres upper hand over just formed and weak PSB institutions (Sükösd and Bajomi-Lázár 2003, Jakubowicz 2008b).

Without a strong democratic tradition the meaning and importance of PSB was also difficult to understand not only by the political elite, but by the whole of society. In most cases PSBs were established on the basis of the old and large Communist state propaganda institution –, with support from the then new political elite (with old political background and mindset) – was very hard to get. It was difficult to restructure and downsize whole organizations, to make

needed professional changes among staff, to introduce new journalistic standards (Jakubowicz 2004b, Jõesaar 2009). The result was that PSBs in the post-Communist countries never achieved the same position and recognition as their role models in Western Europe. Many scholars, of whom Dr Karol Jakubowicz is one of the most outstanding among them, has researched and analyzed media systems with a special focus on CEE countries (Wyka 2008, Dobek-Ostrowska and Głowacki 2008).

Study I affirms the authors' hypothesis that the Estonian media policy implemented by the Parliament and Government, has been supportive towards commercial channels and is helping them with the legal framework securing financial success. Therefore less attention is given to content obligation and local production quality criteria.

Less research has been done about development of (broadcasting) media in the Baltic countries. And post-Communist countries' economical development criteria are rarely used in any media research. **Study III** is one contribution to fill this gap (see 6. PSB FINANCING AND VIEWING TRENDS IN THE BALTIC 1994–2010).

The conclusion from **Study III** and Chapter 4 is that EU media policy tools have not effectively enough helped real development of PSBs in the CEE countries. Several EU political statements underlining the importance of PSB have not had sufficient impact on national policy makers. EU media policy has not helped to raise CEE PSBs even close to the high level position where their Western European role models are now.

5. TECHNOLOGY

The regulation of PSB has been done so far in a ‘top-down approach’. This does not take into account the paradigm changes of public service broadcasting into public service media (PSM). PSM faces the challenge of audience fragmentation, technology development and new forms of audience participation. The ‘Old PSB’ had a monopoly on the audience. A wide offering of different content from the fast increasing number of content and service providers is supported by technology development.

Table 2. Mapping the social relations of a new public communication environment (Harrison and Wessel 2005: 838 Figure 1.).

	Traditional media	The process of reconfiguration	New media	
Social relations	Mass and niche PSB	Networks	Individualization and choice	
	Origins mid-modernity	Origin late modernity	Origin late modernity	
	National and regional broadcasting	Partnership and nodes	Local, national and supranational initiatives	
Forms	Broadcasting	Informative: community networks, iDTV, weblogs	Internet and WWW information society services, mobile devices, weblogs	
		Automate: niche channels, Video-On-Demand, personal video recorders, traditional media online		
Usage	National unity	Individual use of mass media	Nodes of participation	‘Global’ networks of interests
	Audience fragmentation	Self selection	Community of interests	Networks of interests

This frequency and device monopoly has changed to create a variety of content delivery technologies, a diversity of communication devices and evolved into new forms of audience participation. Similar to the social networks PSM must establish, (and to be a partner in), the networking environment can enable citizens to produce and shape their own public service communication. Reintegration of public service values into new aspects of form and content is an important change of the public service paradigm.

The characteristics of the new communication environment are new forms of pluralism and diversity of participation and representation of audience engagement (Harrison and Wessel 2005:850). Audience participation in (local) democ-

racy coexists within an environment dominated by commercial media companies. The technology change is strongly related to institutional change. ‘The plurality of services and diversity of content of the traditional broadcasting media are linked to their legacy of ownership and funding arrangements and the particular nature of their PSB obligations (Harrison and Wessel 2005:848)’.

The traditional PSB remit should be kept up to date with the demands of the information society. This is a fundamental challenge to the funding and governance of PSM. Market regulation is rapidly overcoming state regulation and dominating media policy discourse (Sussman 2003). Market pressure to reduce PSB funding makes expansion into new media more difficult. To provide a high quality service PSB must make extra investments into IT-technology, for the required personnel and of course to the content. Online environment gives a possibility to re-use existing material created for traditional media, but more and more the special original content is online specific. If PSBs want to increase their output on new platforms without additional funding, there is a threat that the needed resources will be taken from other areas. This again might lead to lower content quality and/or quantity in the traditional channels. In small markets, the resources available already are much more limited than in large ones and relying only on the increase of PSB efficiency might end up with a lower quality public service. This again strengthens the private sector’s position in the media market.

In Estonia the internet penetration was 75.1%, which is above the European average of 58.4% (Internet World Stats Report 2010). Nordic countries (Iceland, Finland, Sweden and Norway) are far away ahead with their penetration above the 90% level. High internet penetration is a clear indicator of future media trends. The online media is sooner or later going to take the lead. The Internet and globalization are difficult challenges for small countries that must defend their cultural environment and protect their vulnerable languages. In this context it is even more important for the PSMs of small nations to be firmly present with their quality programs and other products on the Internet, where commercial offering is even stronger than in traditional media.

6. PSB FINANCING AND VIEWING TRENDS IN THE BALTIC 1994–2010

The Baltic States have common ideals of free market and liberalism (Balčytienė 2009, Brikše 2010, Jõesaar 2010). Auksė Balčytienė (2009:134–135) says that media pluralism and the diversity in the Baltic countries are affected by:

- 1) fairly constricted role of the state;
- 2) market logic is highly promoted, which results with principle to produce content as cheaply and quickly as possible;
- 3) weak media accountability.

On the positive side she argues that ‘liberal regulation of media creates an open space for media firms to compete with one another, making it possible for citizens to access all kinds of content both offline and online’ (Balčytienė 2010:135).

Additional to these aspects two dimensions – market size and country economical development level – should be added (Jõesaar 2011).

The comparative analysis in **Study III** (Jõesaar 2011) showed the big difference in state funding per capita in the Baltic countries. The most challenging situation is with the funding of Lithuanian Television and Lithuanian Radio which have remained almost unchanged for the last 14 years. It looks like the legitimization of PSB in Lithuania is not very strong. This allegation is supported by Pečilius (2009), who says that for almost 20 years there is no political consensus about PSB funding schemes. In terms of state funding per capita, Latvia has performed slightly better than Lithuania, but it is still almost four times lower compared to Estonian state funding.

By the mid 1990s the commercial sector has already settled down in the market. PSB successfully took away the audience from the old state monopolies struggling with reforms. The biggest decline took place during the period 1996–1998/9. During the last decade Baltic PSBs have a stable viewing share of around 15%. This is about 2–3 times lower than Western European PSBs audience shares. From 1999 to 2009 the daily share of viewing in the Big5 has declined from 41.7% to 35.7% and Scandinavian PSB’s average has declined from 41.5% to 37.1%.

If the same pace continues, and it is realistic to expect this, the increasing competition in the new media environment will continue to erode audience from PSBs. Maybe it will take half a century for the European TOP PSB countries to drop down to the Baltic level, but on the other hand, it is unrealistic to expect that the Baltic PSB in can turn the world wide trend in the opposite direction and instead of a decline, PSB will in the long run be able to gain a larger audience share. In the best case scenario the Baltic PSB share of viewing can be considered as the stable one. At least with the financing levels and trends the Baltic countries have today.

The most worrying conclusion of **Study III** is that PSBs have very low audience viewing shares and all three countries have negative trends in PSB state funding. Even in economically good times when the state economy (and GDP) grew, the relative funding of PSB in all three countries decreased.

PART II

ESTONIAN INSIGHT

7. ESTONIAN BROADCASTING LEGISLATION. FOUR DEVELOPMENT PERIODS

The Broadcasting Act was passed in 1994 and since then it has been amended 33 times. The most important changes were made in 2000, 2002 and 2007 (RHS 2000, 2002, 2007). In 2000, the Act was amended to comply with the European Union's legislation. In 2002 commercial airtime sales were taken out of the public service broadcasting and the commercial market was left to two private broadcasters. In 2007, the license fees of the commercial broadcasters were abolished, Estonian Television and Radio merged to become Estonian Public Broadcasting, and the date for the analog to digital switch-over was set for July 1, 2010.

Based on changes in the legal framework and economical conditions, the timeline of the Estonian audio-visual landscape under the Broadcasting Act introduced by Jõesaar (2009:60) can be developed further:

1. 1994–1999 – foundation and institution of Estonian broadcasting legislation; competition for the advertising market;
2. 2000–2002 – implementation of EU Directive 97/36/EC (1997) (RHS 1999, 2000) and amendment of the Broadcasting Act (RHS 2002), which recast the Estonian broadcasting landscape;
3. 2003–2007 – protection of the market and liberal interpretation of the Broadcasting Act as a guarantee towards private broadcasters' economical success;
4. 2008 and onwards – expansion into the digital era; need for new channels and the increase of more program hours in times of declining financial resources.

Study I gives main characteristics of these key criteria (Table 3).

Table 3. Four periods' key criteria of Estonian broadcasting landscape.

	1994–1999	2000–2001	2002–2007	2008 and further
Content regulation	weak	EU directive and additional local requirements		diminishing
Advertisement regulation	weak	EU requirements	<i>de facto</i> constant liberalization	liberalisation also <i>de jure</i>
PSB Program	diverse	entertainment influence	diverse	
Private channels' Program	diverse	variety decreasing	entertaining	
Market	open	protectionism		open
TV standard	SECAM /PAL	PAL		MPEG4
Spectrum	UKW/AM FM VHF/UHF	FM VHF/UHF	FM MUX1-3	
Private channels' economic indicators	loss	break even	profit	profit/loss

In conjunction with this classification data, economical conditions of private channels and financing of public-service broadcasting can be evaluated as described in Figure 6.

First period 1994–2002: Synchronous movement, establishment of dual media system, and search of balance between PSB and private broadcasters. During the time period of 1994–1999 PSB funding percentage and financial results of commercial broadcasters (CB) moved synchronously. When the state economy grew, the commercial market increased. When the financial crises in 1999 hit the market, state funding for PSB was decreased and the decline of the commercial market caused losses for the private sector. When the overall economic situation improved then PSB funding was also increased and the profitability of private broadcasters improved.

Second period 2002–2007: After the ETV crises in 1999–2000, the private broadcasters continued to improve their financial results. The peak of profitability was achieved in 2007. Financial indicators moved in different directions – CB's results improved, PSB funding declined. After 2002 the continuing decline of PSB funding started, and the rise of prosperity for CB began. The second period characteristics are full of favorable conditions for private sector development.

Third period started from 2008: This is a period of decline for both sectors. The world recession in 2008–2009 had an extremely strong affect on the state budget. PSB funding was decreased. A collapse of the advertising market resulted with considerable loss of private broadcasters' revenues.

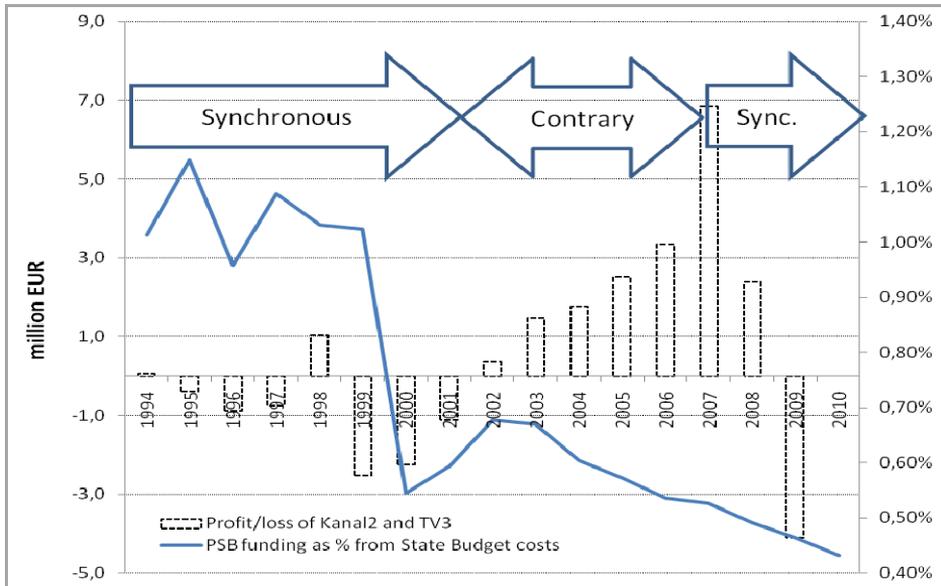


Figure 6. Comparison of movement of PSB funding and private sector financial performance (Jõesaar 2011).

The financial result of the private channels corresponds to the overall market growth and also indicates the level of competition on the advertising market. The synchronous movement of PSB financial indicators with the commercial channels' ones is based on two reasons. In the first period until year 2002, Estonian Television was actively present on the advertising market and therefore it was expected that it will earn commercial revenues and thus funding from the state budget can be reduced. The year 2002 is not a turning point of financial indicators presented above just because of coincidental economical situation. It is the exact opposite. The economical indicators changed due to the media political terms which were changed by the legal framework.

In the next chapters the reasons and actions behind the change are described and analyzed by the defined periods.

7.1. First period. Fighting for a place under the Sun

The main objective of the Broadcasting Act (RHS 1994), passed by the Estonian Parliament in June 1994, was to establish certain grounds rules for a dual media system – comprising of public service broadcasting and the commercial sector.

Regarding the regulation of the private sector, two objectives of the legislator clearly emerged from the Bill. Firstly, the wish to protect the broadcasting landscape from foreign capital. This limitation was directly in conflict with the

European Union free market principles, but the threat of foreign capital taking control over media freedom was stronger than recommendations from European media experts to secure free movement of capital. The second goal was to avoid media concentration. This target was in accordance with the EU guidelines. But one can say that unfortunately both objectives were not met.

In spite of the legislators wish to favor local capital, the executive power preferred to issue broadcasting licenses to representatives of foreign capital. In 1993 AS Eesti Video, 50% of whose shares were owned by Andres Küng, an Estonian citizen residing in Stockholm, received a broadcasting license for television channel EVTV. AS Taska, whose sole owner Ilmar Taska was then residing in USA, received a broadcasting license for television channel Kanal2 the same year.

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 investment was made by the Swedish media concern Modern Times Group AB (MTG) into the private TV-station EVTV. To avoid contradictions with the then valid Broadcasting Act, the owners of EVTV drafted a contract which stated that the formal majority of votes, which was required by the law then, 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 the owners left the majority of votes 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 of 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 Eesti Meedia AS concern, which Kanal2 belongs to, also owned, and still owns, the daily newspaper "Postimees", several county newspapers and later on also shares in some radio stations. In practice it was a clear violation of the anti-media concentration article in the Broadcasting Act. Because of this lack of will and (claimed) inadequate wording of the law, the executive power who should have been responsible for supervision of the broadcasting licenses, never tried to deal with the problem (OSI 2005).

In the first period, the transformation of an over-staffed Soviet state propaganda institution into a public service broadcaster faces severe critique and competition from the newly formed private sector. Also, competition inside the private sector took rigid forms which are still remembered as the "TV-wars" (Shein 2004). The limited market forced financially weak companies to merge, or to seek help from foreign capital. In spite of strong efforts, none of the Estonian private broadcasters remained in the hands of the founders but were sold to western media groups or, in worst cases, went bankrupt. As already mentioned, in 1995 the Swedish Modern Times Group AB took over Reklaamiteleviisioon

AS and Eesti Video AS. In the same year the Norwegian media group Schibsted ASA became a shareholder of Kanal2 (Jõesaar 2005). The companies which filed for bankruptcy were Tipp TV in 1996, TV1 in 2001, Kalev Sport and MTV Estonia in 2009.

The limited advertising market caused tensions between the private broadcasters and PSB Eesti Televisioon. To solve this market conflict, the idea was that PSB should leave advertising market and the secure model for PSB financing must be introduced by the Broadcasting Act. The introduction of a license fee or PSB financing based on a fixed percentage from the state budget were the two main ideas discussed. Politicians abandoned the license fee idea because the introduction of a new tax (public license fee is a tax) seemed to be unpopular. In April 1998, the Draft Amendment was presented according to which the yearly funding of Estonian Radio should be 0.34% and Estonian Television 0.46% of the State Budget. This idea was strongly criticized among others by the Ministry of Finances, because a fixed funding percentage did not give the Parliament the freedom to decide over the state budget. In June the Ministry of Culture did not support this initiative and the Draft was not presented to Parliament. On 14 September 1999 the Government approved the Broadcasting Act Draft where PSB state funding calculation was based on the previous level of funding adjusted with the consumer price index. The maximum was limited to 5% per broadcasting hour sales of advertisement airtime and was still foreseen as one source of PSB revenues. On 14 October Parliament voted against it (956 SE I) because of the forthcoming Parliamentary elections. A political consensus was not reached and the regulation of advertising sales on a state level failed.

Estonian Television and private broadcasters tried to solve this situation by self-regulatory actions. At the end of 1997 ETV and three commercial broadcasters (TV1, Kanal2 and TV3) reached an agreement that from 1.01.1998 ETV will not sell advertisement time and the private channels will pay to ETV compensation in total of 36 million EEK per annum. Kanal2 and TV3 each paid 13 million and TV1, because of its smaller coverage area, paid 10 million EEK. This 36 million EEK was 20% of the TV-advertising market at that time. Because private broadcasters' licenses were valid until 31.08.1999, the contract had the same end date with a renewal clause after the new licenses were issued. On 8.03.1999 a new agreement for the period 1.09.–31.12.1999 was signed. Private channels promised to pay compensation of 28 million EEK for this four month period. Total commitment for the whole of 1999 was agreed to be 52 million EEK. (Thus 24 M EEK for the first eight months as agreed by the agreement and 28 million EEK for the last four months as agreed by the second contract).

Then negotiations for prolongations of the agreement for the year 2000 never reached a result. While ETV's demand was for 110 million EEK, the commercial broadcasters would only offer 65 M EEK. When comparing 52 million agreed for year 1999 and 65 million offered by private broadcasters with TV-

advertising market actual size – 130 million EEK in 1999 and 155 million EEK in 2000 – it is clear that the payment of compensation of 40% of market value was not sustainable for the private sector. As the substance of these agreements was to leave the commercial market totally to the private sector, then ETV should have focused on serving the public interests only. This model only worked for a year and a half. Agreement did not last longer, and talking about prolongation for 2000 ceased, because fundamental challenges were not solved. Meanwhile the number of actors and the total financial resources/funding available remained the same.

PSB funding from the state budget and the size of the TV-advertising market had the same limitations and there were still four broadcasters. Limiting the number of commercial players to three did not give in summa summarum extra resources. With the aim to produce more high quality local programs, the fourth actor – ETV – increased production costs much more than actual financing allowed. Given that state funding was insufficient so ETV tried to cover the budget deficit by demanding a higher fee from the private broadcasters. But together with the economic crises, the advertising market declined 30% (from 182 million EEK in 1998 down to 130 million EEK in 1999). In the long run it was impracticable for the commercial broadcasters to pay 40% of the TV-advertising market value to ETV.

In the beginning of 1999 the high operational costs and low advertising revenues hindered TV1 from fulfilling its financial obligations towards ETV. This debt gave ETV an official reason for cancellation of the agreement in May 1999. Then ETV entered into the commercial market again and hoped to cover its budget deficit with high advertising sales. Consequently the Director General of ETV made two miscalculations. First was the wrong valuation of the actual size and development trends of the advertising market. The second mistake was the belief that the Government will help PSB with an allocation of extra funding for this. Struggling with an overall economic decline and trying to keep the State Budget balanced, the Government, instead of giving extra funding, made a negative budget in 1999 and thus cut ETV's funding by 4% (3,9 million EEK) (Budget 1999). These management mistakes created for ETV a severe financial crisis with a debt close to 80 million EEK.

The final outcome of this crisis was the dismissal of the General Director of ETV and changes in the Broadcasting Act, including the concretization of roles and responsibility of the management board as well as the Broadcasting Council (RHS 2000a).

7.2. Second period. Towards harmonization

The second period started with reconciliation of Estonian legislation with the EU. Chapter 20, Culture and Audiovisual policy, on accession negotiations focused on alignment of the Estonian broadcasting legislation with Television Without Frontiers Directive. With two Broadcasting Act amendments this process was finalized without any obstacles, or major debates, by the end of 2000 (RHS 2000b).

As to broadcasting, Estonia limited itself with only minimal regulations. The Estonian Broadcasting Law corresponds to the EU's main requirements, and the interpretation and enactment of the Television Without Frontiers Directive has been liberal. For instance, Estonia still does not have an independent broadcasting regulator decreed by the directive. The control and regulation over private broadcasters is fulfilled completely by an executive power – the Ministry of Culture. The Ministry's approach to the interpretation of the law is more about giving liberties than demanding obligations and limiting actions. Scibsted's case, mentioned earlier, is an example of the violation of the Broadcasting Law's anti media concentration article. For a long time commercial broadcasters have violated advertisement rules to such extent that the European Commission has warned Estonia about this fact (Commission 2009).

Parallel to harmonization with EU legislation, other serious challenges were faced by the broadcasting regulators and legislators: to bring ETV out of serious crises and to set up new legal framework which could secure balanced development of the broadcasting sector as a whole. The first challenge was handled by ETV's new board which was appointed by the new Broadcasting Council elected by the Parliament in May 2000. Strong savings on operational costs, dismissal of personnel and a long term loan with state guarantee were the three key points of ETV's crisis plan. By this time the crisis has strongly damaged ETV's public image. Accusations against ETV were made by top politicians (Karpa 2000a, Meinert 2001, Lang 2001) and key persons in the private sector (Kadastik 2000) as to its misuse of funds, inefficient organization and competition in the advertising market. Some radical politicians strongly suggested privatization of ETV (Karpa 2000b, Palts 2000). Legitimation of PSB existence was again being questioned. In these circumstances, it was difficult to convince the government to secure sufficient and stable funding for public service broadcasting (Jõesaar 2005).

At the same time TV3 was the only private channel which was profitable by the change of the millennium. In 2000 the company earned a 2.1 million EEK profit with a turnover of 84.15 million (TV3, 2001). Then TV1 went bankrupt in October 2001. With a turnover of 32.6 million EEK, Kanal2 received a pure loss of 36.9 (sic!) million EEK (Kanal2, 2001). It was vital for Kanal2's owner, Norwegian media concern Schibsted, to quickly improve the economic results of Kanal2 which had been in the red 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.

After tense negotiations between the private broadcasters, the public service broadcaster and the Ministry of Culture a consensus about principal changes in the Broadcasting Act, was agreed upon. Amendment of the Broadcasting Law in 2001 introduced a new paradigm for the broadcasting landscape. Advertising was removed from public-service broadcasting and the number of nationwide commercial broadcasting licenses was limited to two. A 10 million EEK yearly license fee for commercial broadcasters was set. Control over the TV advertising market was legally left totally under duopoly – to Kanal2 (owned by Schibsted) and TV3 (owned by Modern Times Group). The legal and financial positions of the two surviving private broadcasters were secured.

The Estonian broadcasting landscape was closed for newcomers from 2001 until the end of 2007. From the EU free market ideology perspective this was known as protectionism. At the same time commercial players left on the market had minimum obligations and this can be considered as a liberal approach. To compensate for the loss of income from advertising revenues PSB funding from the State Budget increased from 0.54% in 2000 to 0.68% in 2002 from overall state spending (Figure 7). Unfortunately this was just a short term effort.

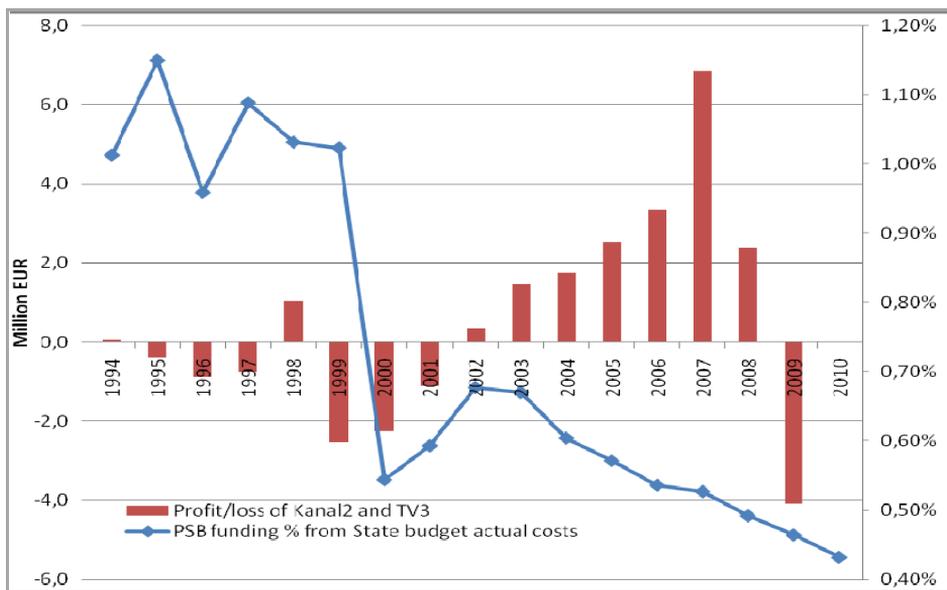


Figure 7. Profit/Loss of Kanal2 and TV3 versus PSB funding percentage from State Budget. Source: Ministry of Finance, Kanal2 and TV3 yearly reports, author’s calculations.

The main results of the changes made to the Broadcasting Act were that new conditions improved profitability for the commercial broadcasters (Jõesaar 2009) and the public-service broadcasting program was exempted from the pressure resultant of commercial airtime sales (Shein 2005).

7.3. Third and fourth period. Stability. Digitalization – beginning of new era

The third period 2002–2007 is a time of stability in terms of positive economic climate and programming. With mainly entertainment content the commercial broadcasters gained profitably from the duopoly of the advertising market. Public service broadcasting was redeemed from the commercial pressure and now focused on the creativity of high quality programming.

The beginning of the fourth period is marked with two legal steps in the direction of the digital era. The first step was the introduction of the Estonian Public Broadcasting Act, which merged Estonian Television and Estonian Radio into one legal entity (EPBA 2007). The reason for this merger was the idea to secure the future of public service media. Instead of two legal identities, competing against each other, now established as one strong(er) public service media company, which can face the challenges of the new technologies together.

The second legal step was a change in the existing Broadcasting Act which abolished license fees for the commercial broadcasters (RHS 2008) so as to motivate them to join the digital terrestrial transmission platform (See State support to commercial channels. The Amendment of the Broadcasting Act in 2008).

The first DVB-T test in retransmitting ETV's program was carried out by telecommunication company Levira in December 2003. In May 2004 the test transmission was increased to 4 simulcast programs. Due to lack of finances the test program ended soon.

In June 2004 "Conception of Introducing Digital Broadcasting in Estonia" was drafted by a working group led by the Ministry of Economic Affairs and Communications. The late start of the digitalization process enabled the use of newer technology (mpeg4) in comparison to the countries that launched digital broadcasting earlier with mpeg2. In December 2006 the Parliament passed the amendments to the Broadcasting Act and the Electronic Communications Act which were needed for the launch of digital broadcasting. First three multiplexes were granted without public tender directly to transmission company Levira who was obliged to run first national multiplex by 2008 and other two by 2010.

As stated by the law, the first MUX carrying free-to-air television channel must cover 100% of Estonia. Levira fulfilled this obligation before the digital switch-over date of 1.07.2010. For commercial use of the digital platform Eesti Digitaaltelevisioon AS was founded in 2006 as a joint venture of Levira (34%) and the cable company Starman (66%). In 2008 Starman became sole owner of Eesti Digitaaltelevisioon AS shares. DVB-T was launched with two multiplexes carrying 3–6 free-to-air channels with additional 18 pay-TV channels. DVB-T signal reached 63% of the population.

In spite of the technological advantage, the private channels' interest in the potential of digital technology and creation of new media products has been modest. In September 2007 the first DVB-T free licenses were granted to TV6 (sister channel of TV3) and to Kanal11 (sister channel of Kanal2) and also to the newcomer Kalev Sport (belonged to Kalev Media Group) which started digital broadcasting in November 2007. Kanal2 and TV3 added the new channels Kanal11 and TV6 onto the digital platform to their main channels only in April-May 2008. Then Kalev Sport went bankrupt a year later in 2009. In the beginning of 2011 the new channels Kanal11 and TV6 moved from a free-to-air platform to pay-tv packages.

Since 2000 there has been a strong successful influence from the private sector to shape media policy to meet the commercial industry's' needs. The same is relevant also for the digitalization process.

7.4. State support to commercial channels. The Amendment of the Broadcasting Act in 2008

On 18.06.2008, the Parliament of the Republic of Estonia approved the amendments to the Broadcasting Law which were in force since 1.07.2008 (RHS MS 2008). One of the most important provisions of the Amendment was the scheduling of 1.07.2010 as the date when the analogue television network was shut down. The other important points are linked to the broadcasting licenses of the private channels. The central provisions of the Bill to amend the Broadcasting Law are connected to creating more advantageous conditions during the crossing over from analogue terrestrial broadcasting to digital broadcasting for the private channels.

As described earlier the amendment to the Broadcasting Law passed in 2002 ended the selling of advertisements on public service Estonian Television as of 1.06.2002 and established the division of Estonia's commercial television landscape between two national private television channels. The Amendment also limited the number of national private channels' broadcasting licenses to two, and also imposed license fees for national and international broadcasting licenses in an analogue television network. At that time, the national broadcasting license fee was set as 15 million EEK (958 thousand EUR) per annum. With the 2003 Amendment of the Broadcasting Law, the broadcasting license fee increased to 20 million EEK (1277 thousand EUR) as of 01.01.2005. Every following calendar year added 1.25 million EEK (80 thousand EUR). In 2008 each private channel paid the state 23.750 million EEK (1.517 million EUR) for the broadcasting licenses. In 2009, the fee for the national broadcasting license would have been 25 million EEK (1.597 million EUR) and 26.25 million EEK (1.677 million EUR) in 2010.

The Amendment of the Broadcasting Law (2008) annulled the broadcasting license fees as of 1.01.2009. This meant that for the period of 01.01.2009–

30.06.2010, the state gave up 76.250 million EEK (4.87 million EUR) for the benefit of the private channels. This kind of media political decision strengthened the positions of the private channels even more. At the same time it is important to note that for years the state has not guaranteed the sufficient financing for the development of the public service broadcasting. This happened in spite of the document “Joint development agenda of the Estonian Television and the Estonian Radio for 2006–2008” which was approved by the Parliament in 2005. This document defined and set the necessary financing for the development of the public service broadcasting in 2005–2008. Year after year, the allocation of the 50 million EEK necessary for the opening of the second channel of Estonian Television has been postponed.

In the explanatory note to the law, the Ministry of Culture reasoned the cancellation of the broadcasting license fees of the private channels using analogue transmission with the greater technical resources of the terrestrial digital broadcasting (with the possibility of the channels’ multiplicity) and with the new situation of the advertisement market which is caused by the multitude of (private) television channels. The amendment guarantees the equal treatment of private television channels broadcast by terrestrial analogue broadcasting and terrestrial digital broadcasting. The broadcasting licenses for the use of the terrestrial digital broadcasting television network are free of charge.

Bill § 1 section 7 enacts the differences in the television network between the current owners of the broadcasting licenses. The licenses of the television organizations operating under the national analogue television broadcasting expired on 1.10.2009. As the analogue broadcast continued until 30.06.2010, the legislator did not consider it plausible to follow the enactments of the law and announce a new call for tender and, consecutively, issue short terms licenses for the analogue television broadcasting. Due to this, the law’s implementation enactments did, by way of exception, extend the validity of analogue broadcasting licenses until the end of analogue transmission in 1.07. 2010.

As a serious forthcoming to the wishes of the owners of Kanal2 and TV3, the Amendment exceptionally sets process of prolongation of national television broadcast licenses without public competition for digital broadcast also for a new five year period from 1.07.2010 (end of analogue broadcast) until 01.01.2015 to both currently aired national private television channels. Prolongation applications had to be sent to the Ministry of Culture before 1.03.2009. Due to the misreading or misinterpretation of the Act, or for some other unknown reason, private broadcasters did not send prolongation applications on time. To avoid the situation where Kanal2 and TV3 must close aired programs after 1.07.2010 because their existing broadcasting licenses ends on 30.06.2010, the Ministry of Culture opened a new public tender on 20.05.2010 for two digital broadcasting five year licenses starting from 1.07.2010. As expected, new licenses were issued to Kanal2 and TV3.

This Amendment is a result of two commercial broadcasters’ successful lobby among coalition politicians. Even if the overall impact of this Amend-

ment might have a positive economical result towards private broadcasters the process itself cannot be considered as a good example of how media policy should be made. The process was not transparent, public debate was avoided, interests of the public-service broadcaster were not protected, and effect to public interest was not valued.

The first free national digital transmission broadcasting licenses were issued by the Ministry of Culture in September and October of 2007 to Kalev Sport (Kalev Meedia), TV6 (Modern Times Group) and Kanal11 (Schibsted). Kalev Sport soon went bankrupt. The other two channels today are not present on the free-to-air platform and can be viewed only as pay-TV.

Today less than 30% of the digital frequency resources allocated to Estonia are used by the local channels. Undeterred by limited financing, ERR is the leading force in the digitalization process and especially in introducing new media services to the Estonian market. Through the ERR portal www.err.ee, live video streaming and video-on-demand services as well as podcasts of aired TV and radio shows are accessible to the public free of charge. The digitalization of the archives enables them to be open for broad use by the public. The media services offered by ERR (incl. discussion forums necessary for the development of civil society) have great value in informing citizens and also in enabling them to be more active in the society. ERR has started to transform itself from being traditional public-service broadcasting into the new paradigm – the public service media one. Instead of encouraging private media to foster public debate in the public sphere, the Government meets the interests of media owners and through the legislative framework is shaping media towards economical success, ending up with bias to entertainment.

Summary of Chapter 7. The legislators' first attempt to create a free market based balanced dual media system in the 1990s was a failure. Then it failed in terms of creating a sustainable environment for PSB development and also failed to secure for the private sectors profitable operations. Legal instruments were introduced – licensing only two commercial broadcasters and prohibiting sales of commercial airtime on PSB – the beginning of 2000s created a more stable, and for the private sector economically profitable conditions. New conditions increased legitimation of PSB. Notwithstanding this last positive fact the overall media policy is working in favor of commercial broadcasting. The latest evidence of this is in the financial support that the State gave to private channels in 2008 when at the same time it continuously decreased funding of PSB.

8. THE POSITION, FINANCING AND GOVERNANCE OF PUBLIC SERVICE BROADCASTING

Study II dealt with governance issues and **Study III** investigated financing more in depth of the financing of Estonian Public Broadcasting. In Estonia, the financing of public service broadcasting takes place only on the grounds of the Parliament's decision. State funding is the part of State Budget which is set for fulfilling the public service remit set by the Estonian Public Broadcasting Act. There is no license fee for citizens and Estonian Public Broadcasting (ERR) does not sell advertisements. This kind of financing mechanism has guaranteed independence for ERR programs from the pressure of advertisers and should, ideally, guarantee the sufficient funding needed for serving public remit. However PSB funding share from the state budget costs has decreased from 1.15% in 1995 to 0.43% in 2010 (Figure 8).

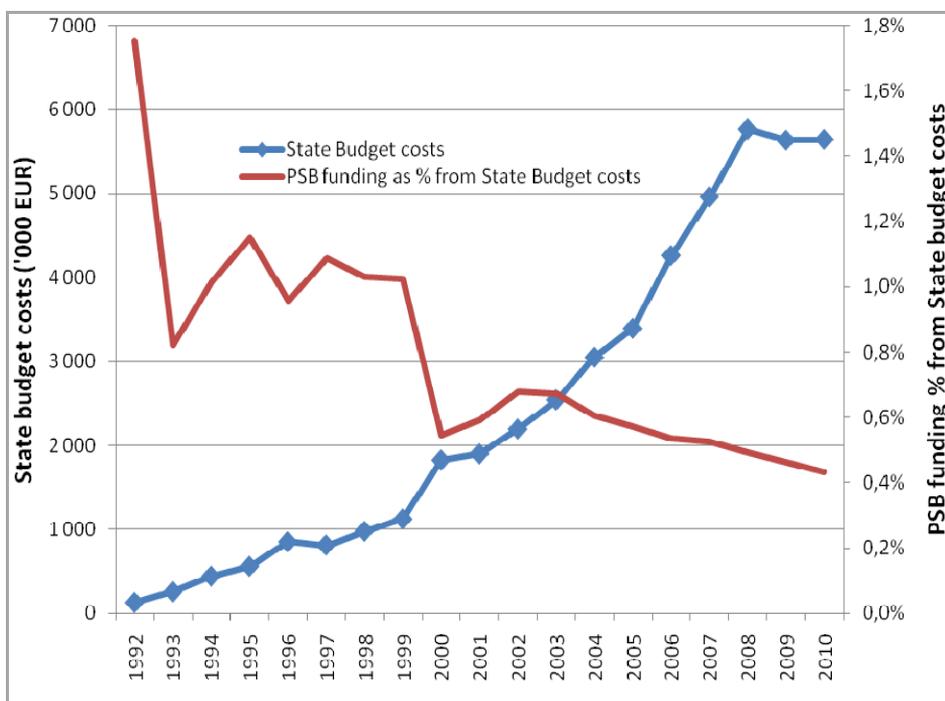


Figure 8. PSB funding as a share of State Budget costs vs State Budget costs. Source: Ministry of Finance, author's calculations.

Study III shows that Estonian Public Broadcasting has one of the lowest funding per capita among EU Member States (IRIS 2010). Nevertheless, the low financing PSB has in Estonia after withdrawal from the commercial market, has improved its legitimation and has reached very high trustworthiness in society (Meedia 2010).

8.1. Debates of media policy in the Parliament and Cultural Affairs Committee

Study II (Lõhmus et al. 2010) also investigated, among other questions, the work institutions forming the legal media policy: Cultural Affairs Committee (CAC) of Parliament and Parliament itself. Legal acts are finalized before sending to Parliament readings in CAC. During this process experts and stakeholders are invited to CAC hearings. Broadcasting related issues have been discussed in CAC and in Parliament since 1992. In different times the level of interest and focus of themes has varied. The most critical discussions have been held in times of paradigm change. The first round of debates were finalized with amendment of the Broadcasting Act. The second critical period was in the years 1999–2001 caused by crises of ETV, implementation of EU Directives and amendment of Broadcasting Act with PSB advertising sales prohibited. The third period of debates was held in 2006–2007 when the Estonian Public Service Broadcasting Act was discussed and amended. At this time there was a serious attempt to form the PSB's governing body – the Broadcasting Council – as a clearly political tool for government. The Ministry of Justice presented a draft that council members should be appointed by political parties in correlation with number of seats in Parliament. During Parliament discussions this proposal was disallowed. Finally, the model of a politically balanced council having four independent experts plus Parliament members (one from each Parliament faction) was written into the Estonian Public Broadcasting Act. The non-political governing during the last decade has guaranteed the editorial independence and the high institutional credibility among the audience (Lauristin 2009).

CAC and Parliament discussions have been analyzed in depth in an article by Lõhmus et al. (2010). An important finding from this survey is that the main debates are held in CAC, *'debates in Parliament deal less with content of the theme or when they do, the detailed discussions do not affect the outcome of the vote notably'* (Lõhmus et al. 2010:2161).

The financing of PSB is one of the most discussed topics in CAC and Parliament discussions. *'Financing is seen as the instrument of pressure by governing powers and as mean to create a status for PSB in the eyes of state and public sphere'* (Lõhmus et al. 2010:2161). Direct connections to financing are debates about advertising in PSB, especially in the period before the Broadcasting Act amendment in 2001. The licensing of private broadcasters has been

discussed during the three periods. Firstly in 1992–1994 when the Broadcasting Act dual broadcasting system was established. Secondly during 2000–2001 when the Broadcasting Act was amended in favor of two private broadcasters. Thirdly when discussions were held around the digital platform launch and the issuing of free licenses to the same two main private companies.

An important fact in **Study II** is that *‘the category of PSB’s content is in percentage of themes in Parliament on second place, but mainly deals with MPs dissatisfaction with the content of PSB programs whole or specific programs like music or publicity. Connected to content is the category of control over PSB, which is explicit in the phase before 1994 and implicit after the acceptance of Broadcasting Act’* (Lõhmus et al. 2010:2162).

Summary is that CAC and Parliament are not seriously interested in PSB essence – the content. If they are, then this is an interest about their own representation in PSB and not concern about the development of the public sphere. Defining and implementation of a sufficient and stable PSB (including a financial scheme for funding) has been an important task to the Parliament. But it has been problematic during the full re-independence period of the Republic of Estonia. Until now a working complex solution has not been implemented.

8.2. Issue of the Broadcasting Council

Study II (Lõhmus et al. 2010) also analyzes the themes and discussions of the Broadcasting Council (BC) sessions. More attention is given to the budget, following debates on co-operation, which demonstrates the PSB’s significant position in the society, the communication with non-governmental institutions and citizens. The least attention the BC has given to issues such as accountability, political balance and the themes of analysis and development.

The minutes of the BC sessions demonstrate the recognition of the importance of control by the BC only in 1999 after the crisis of ETV. In the background of the development of crisis is the dragging of making a decision on advertisement-free PSB in the legislative workgroup and ETV’s attempt to solve the situation itself through an agreement with private broadcasters. The BC gave the attempt its approval. The attempted agreement followed the example of the Broadcasting System of Finland where MTV OY paid recompense to YLE (PSB) pending on the profit. Regrettably the solution was not sustainable in Estonia’s small market. The crisis also fed on ETV’s enlarged program duration which increased the expenses beyond state funding limits. The collapse could have been avoided with stronger BC control.

Between 1999–2002 the BC turned more attention to the budget – it makes up 46% of all discussions. This phase included disputations of continuations and disruption of the agreement mentioned above, the loss imposed by management errors by ETV’s board, the cuts in the State Budget due to the eco-

conomic slump, and finally, the question of a guarantee of a rise in state funding after the changes to the Broadcasting Act in 2001.

Since 2000 the Broadcasting Council has considered the developed and strong PSB an important institution for performance in the Estonian state and society. The retaining and development of this position is directly connected to state funding. While the development of PSB has not been a priority to the political forces, as a rule the BC has requested larger sums of state funding than is finally determined with the State Budget law (Shein 2005, Jõesaar 2009). Following the ETV crisis in 1998–2000 the first PSB development plan was drawn up by the BC. The ‘Development Plan for Estonian Television and Estonian Radio for years 2003–2005’ which evolved in 2001–2002 and then passed the reading in the Parliament. It was meticulous but too idealistic about the state funding increase.

In the background was a direct conflict between the opposition-coalition – in the phase of 2000–2003 the opposition had the upper hand in the BC. BC presented “fabulous” financing plan knowing that the coalition had no will and no budgetary means. If in this case a decisive vote in the BC would have belonged to the coalition, then the rapid ascent of state funding would have not been included into the plan. The BC followed a significantly more realistic path with succeeding development plans. Development and analysis were an important part, firstly in the development plan for years 2003–2008 and after the creation of ERR their importance has increased. The participation in legislative work intensified again in 2004 with preparation of the new Public Broadcasting Act. The focus was on politicizing the BC and uniting ETV-ER. The legislative activity of the BC has lessened after the Public Broadcasting Act was approved in the Estonian Parliament.

Summary of Chapter 8. **Study II** assumed that the obstacle for finding positive solutions for PSB in Estonian media politics is the lack of consensus about PSB in the society. The PSB issue is not at present on the political agenda, as its position and financing are rarely discussed in depth in the media. Even when on the BC level there is a consensus about development of PSB, then it is still not enough to secure an increase of PSB funding during State Budget voting.

9. TV-AUDIENCES' VIEWING TRENDS

Study III also analyzes on a high level the TV-viewing trends. It shows that the Estonian television broadcasting market has been quite stable for the last 10 years. In spite of the new media advancements, television is still the strongest media in terms of time consumption. The Estonian people are on average spending almost 4 hours per day in front of their televisions (TNS EMOR).

Most of their time is spent watching the private commercial broadcasters. In absolute minutes there have been no big changes or deviations during the first decade of the XXI century between the viewing time of the public service broadcaster and the commercial channels (Figure 9).

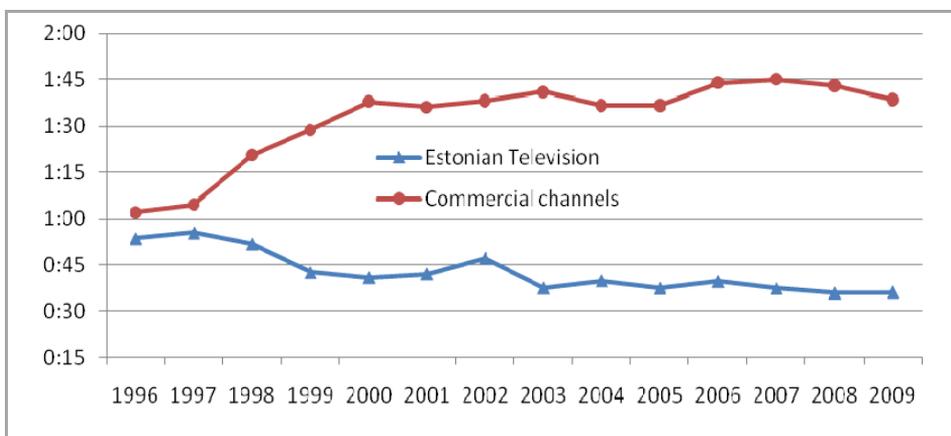


Figure 9. Average daily viewing time 1996–2009. Estonian Television vs commercial channels in total. Source: TNS Emor.

When examining in more detail into individual channels viewing time, then there has been more ‘turbulence’ among private broadcasters. The two main commercial broadcasters have been fighting for the No.1 position. TV3 was market leader from 1999 to 2005. Kanal2 has steadily increased its viewing time and bypassed TV3 in 2005. The private channel with the fastest growing audience was TV1, but unfortunately it went bankrupt before the real breakthrough.

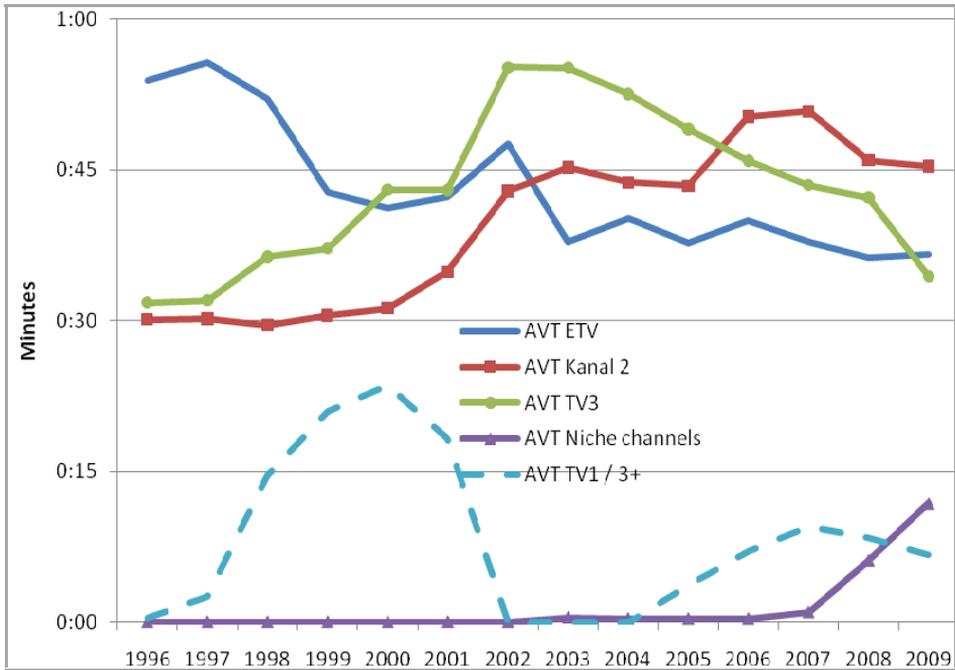


Figure 10. Average daily viewing time of Estonian television channels 1996–2009. Source: TNS Emor.

The trend in the market is that the niche channels broadcasting on pay-TV platforms are taking some viewing time away from the private channels. Estonian Televisions’ (ETV) viewing time has remained roughly on the same level during the last six years (Figure 10).

Study III assumes that increasing the number of commercial broadcasters and new niche channels will in the first place erode the audience from the main national commercial channels; while a wide range of quality programming is the differential factor helping PSB to keep its position.

10. DISCUSSION

Based on all findings the research questions are answered. The first three questions were about the European level issues. Answers to these questions are given in **Study III**. Firstly, there is a correlation between the PSB audience viewing share and the GDP per capita. In those countries with a higher GDP per capita the PSB has a higher audience share. Poland and Croatia are the exceptions and with high PSB share of viewing they are outperforming among the low GDP per capita countries. The Czech Republic, Slovakia, Hungary, Latvia, Lithuania and Estonia form a clear group of low GDP countries with a small PSB audience share. In these circumstances even PSB survival in these post-Communist countries might be questionable.

The answer to the second research question is negative. The PSB audience shares of the Western Europe and the Central and Eastern Europe PSBs are clearly different. Portugal with a low audience share is an exception in the Western European country groups while Poland and Croatia are exceptions in the CEE countries.

The answer to the third question is a speculative one. If assuming that the PSB audience viewing trends continue as they are today, then the decrease trend in Western Europe and the stable positions in the CEE countries will meet after 25–30 years on a 15–20% level. But as there are so many variables, then the real scenario is difficult to predict. In the long run it is expected, that due to the one market policy, living standards in the EU will level off. But this does not mean that the position of PSBs will also automatically equalize. Equalization in a narrow sense (funding and share of viewing), can take place in two directions (or as a combination of both):

- 1) Western European PSBs loose positions they have today and suffer a dramatic decline to the level of Baltic PSBs. During the same time frame the Baltic PSBs will remain in the same positions they have today;
- 2) Baltic PSBs will have a ‘new beginning’ and with significantly increased funding are able to increase their share of viewing to the Western European level. At the same time Western European PSBs will remain in the same positions they have today.

It is realistic to expect that there will be no fast and dramatic changes in the Western European broadcasting landscape. Due to the high commercial competition and media convergence the slight decrease of Western European PSBs viewing trends continues, but still PSBs are recognized as valuable and important institutions for the society, for the public sphere.

The more complicated question is the equalization or development of different cultures and common values. Will societies of transition states recognize the importance of the public sphere and the task of PSBs in this context? It is questionable that the different political cultures and PSB traditions in Western Europe and the Central and Eastern Europe countries at the end will still bring similar results in the case of PSB legitimation.

European trends and legal guidance supporting the free liberal market economy is prevailing over the essence of PSB. With the different historical and cultural backgrounds it is a challenge to CEE societies to re-launch the public service concept. By re-launching the PSB concept new priorities and concrete actions must be taken. Securing sufficient PSB funding should be one of the first steps. Also new regulation of the broadcasting market is then needed. Regulations should not be driven by market commercialization, but with the aim of serving the whole society. This might put the commercial sector under stronger regulation – such as a limited number of broadcasting licenses and stronger content regulation.

Questions raised on the national level have answers from **Study I** and **Study III**. The EU media directives are fully implemented into the Estonian broadcasting legislation. Most issues are concerned with advertisement regulation, the protection of minors, quotas for European works and for works from independent producers. As for the PSBs there are no EU directives, or other legal obligations, to the Member States, then from this aspect there is no direct EU impact on the Estonian broadcasting legislation.

The answer to the question about the influence of amendments to the Estonian Broadcasting Act to the financial results of the private broadcasters is that the effect is strong. Amendments made in the beginning of 2000s and in 2008 have clearly increased profitability of the commercial broadcasters.

The last question asked is about the prediction of the Estonian PSB future in the digital era. Without sufficient funding it will be a hard challenge in the long term to keep the position the PSB has today. Increasing the number of channels and content offered through and by the new media technology will erode audiences of traditional media.

The PSB must effectively introduce a new media strategy, but investments into the new technology as well as increasing content by offering quality and quantity will demand higher funding. Unfortunately public service broadcasting in Estonia has not achieved a high legitimation among the politicians, and through this, does not have political support to secure sufficient funding, which is needed for fulfillment of PSB remit in the full extent. As long as the Estonian government continues executing liberal economy policy major changes in existing media policy are hard to believe.

The situation can best be described as follows: The political-administrative system sees economy (incl. media economy) foremost as liberal and needing as little regulation as possible; at the same time, regulation is necessary to guarantee the public sector media (broadcast) activities. The basis of this conflict is the scarce legitimacy of the PSB in the political-administrative system. The general EU (economic) policy is oriented towards the enlargement of general liberalization. The European Commission's main policy is to secure a common market and free competition. The European Commission has a stronger influence on the Member States shaping their internal media policies

than other European institutions. EU media politics is subordinate to economic politics. In this context the public service media is treated similarly to any other industry. The defining of PSB purposes and tasks has been given to the sole competency of nation-states; meaning that the EU will not draw any guidance that would specify the (financial) support towards PSB (services) or that would be compulsory for the nation-state legislation. At the same time EU media policy does not take into account the different historical, political, cultural and economical backgrounds in the Eastern and Central European countries, compared to Western Europe. EU media policy also does not take into account specific needs of culturally more fragile and vulnerable smaller countries with fewer resources.

For analysis of media policy it is important to list main stakeholders, their impact and motives. The rational motive of private enterprises is to secure favorable conditions for their profit making (Picard 2002b). For political players the main motive is to gain and/or keep political power. Political forces prefer to finance the areas which bring them direct votes during the elections. An independent PSB is supporting democracy as a whole, not preferring one political party to another, and therefore the question of PSB existence is not on the agenda of any political party. Not being on the agenda therefore means less support for PSB financing. On the other hand, private sector media owners had, through strong lobbying a direct influence on the policy makers. Personal relations, the government's liberal policy supporting the private sector and with the political will to minimize the state public service apparatus led to legal acts made in favor of the private broadcasters. For all citizens, NGOs and other non-profitable stakeholders, the main aim of media policy should be to build up a better society for all.

External forces, (especially the European Unions' legal framework, media globalization and commercialization), and internal backgrounds, a relatively low GDP level (at least when compared to Western Europe), a small market size and the lack of political will, may together end up with unfavorable conditions for PSB development in the Baltic countries. The result of this is, and will be, that PSBs in the Baltic countries will not gain a high audience share and reach in their markets. At least this is not predictable without a significant increase in public funding of their programs. A low audience share means less possibility to have a positive impact on the social cohesion, support for democracy and media pluralism. Of course, if to take an increase of audience share target as an ultimate goal, then this can be achieved also through high commercialization. But this direction means lower quality and limited offering which does not support, but hinders, the development of a democratic society.

It is a huge challenge for all Baltic countries to keep their PSBs in existence. The overall liberalization and market driven European Union media policy are working in favor of the commercial broadcasters. It is unrealistic to expect, that liberal politicians in power will agree to increase PSB funding from State Budgets' in the next five years to a level, which will help raise audience market

share from ca 15% today up to the European 30%. Theoretically of course there is a possibility that some populist party might take over the power and through increased funding attempt to turn PSB over to party propaganda supporters, but with resistance from professional journalists working in PSB this goal is most likely unachievable.

In spite of the low financing PSB has received in Estonia after the withdrawal from the commercial market, it has improved its legitimation and reached a very high trustworthiness in the society (Meedia 2010). This Estonian model might be one way to improve PSB legitimation also in other Baltic countries, but with its weaknesses, (especially the issue of low public funding), it still cannot be a long term solution.

As described earlier Estonian media policy is strongly shaped by the economical interest of the private sector. Unfortunately the development of PSB has not had a strong enough presence on the public agenda of the civil society (including NGO's, cultural élite etc). Occasionally some PSB related discussion articles are published, but they never achieved wider feedback or started broader public debate. (The discussions held at the beginning of the 2000s concerning an advertising free PSB model were exceptional). Therefore also politicians have not taken PSB issues, especially financing questions, into their agendas.

The situation can be summarized as follows:

- even with their own interest to grow and increase their service offering, the PSB in Estonia is fulfilling its remit, and is considered to be a well functioning institution. This argument is supported by annual public polls where reliability/trustworthiness of PSB is increasing yearly and has reached a very high level 80% (Meedia 2010);
- or in spite of a very high reliability among citizens, the organization is not seen as something needing more finances, other resources or attention. This argument is supported by the fact that PSB's reach and share are yearly decreasing. The public, especially the younger audience, is losing interest to follow traditional media. And in the new media the PSB offering is not as strong and interesting enough to have a high reach.

To balance the cultural drawbacks caused by economy driven common market policy the EU should draw up a special cultural policy with further development of specific tools and (also financial) instruments supporting cultural diversity. Programs like MEDIA, which aims at strengthening the competitiveness of the European audiovisual industry, should be developed also with more targeted focus on development of public service media. A strong legal instrument, such as the Audiovisual Media Services Directive, should be amended with an Article laying down minimum obligation and criteria (European standards) to the Member States on public service media. This will be then an instrument forcing the Member States to treat PSM at least with the same attention, and to defend PSM interests with the same passion, as commercial channels interests are assured. This might sound unnecessary from the Western European view point, but for the CEE countries this move will definitely help to close the gap.

II. CONCLUSIONS

What kind of broadcasting model will in the best way serve the public interest in Estonia? Taking into account all the existing circumstances the proposal is as follows:

- 1) **Market protection.** With the amendment of the Act of Audiovisual Services to lay down market protection rules in favor of the two main existing national private broadcasters. Today the considerable part of Estonian television advertising market belongs to foreign TV-channels broadcasting from abroad, distributed on local platforms and which advertising sales are made in Estonia. Due to the fact that the market share of these channels is increasing yearly, all channels with local production face loss of revenue. The loss of revenue means lower quality and fewer possibilities for wider programming offerings. This will add an extra 10–15% revenue to the private broadcasters' budgets.
- 2) In return for market protection the private broadcasters should have an obligation to serve the public interest. These obligations should be (in detail) described in their broadcasting licenses. (For example: an obligation to produce and broadcast a certain amount of programs suitable for children, etc.)
- 3) Estonian Public Service Broadcaster should have a right to finance production and broadcast of sports programs through the selling of advertising time. Today's legislation allows doing that in special occasions, but there is a need for consensus between private broadcasters and the PSB. This gives the PSB the possibility to get additional funding up to 5% of their yearly budget.
- 4) Increase yearly funding of the PSB by 2% above the yearly economic growth.
- 5) To establish an independent broadcasting media regulator.

A paradox exists in the two first proposals in that with fewer players on the market with less competition might widen the offerings and serve the public interest better.

A challenge in the third idea is that opening the door to advertising sales might disturb the balance and quality achieved with non-commercial programs and management thinking.

Points four and five will strongly depend on the political elite and their understanding, of priorities and the valuation of the importance of the public service media argument. When implemented, the PSB state funding will increase during the next five years from today's 19 € up to 30 € per capita¹. Altogether this model will hopefully increase the PSB budget ca 10% a year. The increase in the (TV) advertising market at this time is estimated to be twice as big as GDP growth – ca 7% per annum. With bigger financial resources PSB

¹ Assumption is that Estonian economy will increase in average 5% a year. Altogether this model will increase PSB budget ca 10% a year

has the realistic possibility to increase its offerings in quality (and quantity) and to strengthen its position on the media landscape and in the public sphere.

In the European context it is clear that market protection is not in line with the common market ideology. But establishment of the broadcasters' licensing procedures (including the right to set license fees) is in remit of the Member States. A number of Member States have used this right and have protected their local markets from foreign intruders. Setting down license terms and obligations towards licensees is also a full right and an obligation of the Member States. The same issues apply to PSB funding questions. There are no contradictions or tensions in this respect towards the EU legislation.

Last, but not least, is the fact that Estonia as a nation state with a population of just over 1 million, but which so far does not have an independent media regulator foreseen in the EU directive.

The conclusion is that none of the proposed actions are in conflict with EU legislation. The implementation of these actions will support the development of a *“genuinely balanced European dual system in promoting democracy, social cohesion and integration and freedom of expression, with an emphasis on preserving and promoting media pluralism, media literacy, cultural and linguistic diversity and compliance with European standards relating to press freedom”* as described in the Resolution (EP 2010). Doing so better society for citizens will be built.

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SUMMARY IN ESTONIAN

Euroopa Liidu meediapoliitika ja Eesti avalik-õigusliku ringhäälingu toimetulek 1994–2010

Käesolev doktoritöö käsitleb Euroopa Liidu (EL) meediapoliitikat ning Eesti avalik-õigusliku ringhäälingu (AÕR) arengut ja toimetulekut aastatel 1994–2010. Euroopa Liidu tasandil on vaatluse all meediapoliitiline regulatsioon, selle mõju ja tulemused Euroopas. Rahvuslikul tasandil analüüsib töö põgusalt Baltimaade avalik-õigusliku ringhäälingu rahastamist ning vaadatavust. Detailsem analüüs on pühendatud Eesti meediapoliitika arengule. Vaatluse all on Eesti erakanalite ja avalik-õigusliku ringhäälingu toimetuleku majanduslikud aspektid, erakanalite majandushuvide mõju seadusandluse kujunemisele ning rakendatud ringhäälinguseaduse muudatuste mõju telekanalite kasumlikkuse muutusele.

Euroopa tasandi kolm uurimisküsimust koos lühivastustega on:

Kas eksisteerib suhe riikide SKT elaniku kohta ja AÕR vaadatavuse vahel? Kas AÕR rahastamise tasemete alusel kujunevad välja kindlad maade grupid?

Jah, riikide sisemajanduse koguprodukti (rikkuse) ja AÕR vaadatavuse vahel on seos. Väiksema SKTga elaniku kohta riikides on reeglina ka AÕR vaadatavus madal ja vastupidi – kõrge SKTga riikides on AÕR vaadatavus reeglina kõrge.

Kas erineva poliitilise kultuuri ja AÕR ajaloolise traditsiooni taustast sõltumata omavad AÕRid Ida- ja Lääne-Euroopas sarnast vaadatavust?

Vastus sellele küsimusele on eitav. Uuring näitab, et on selge vahe Ida- ja Lääne-Euroopa AÕRide vaadatavuses. Tugeva ja pika AÕR traditsiooniga riikides on reeglina AÕR vaadatavus kõrgem kui siirderiikides.

Kas EU ühisturu poliitika mõjul loodetavalt saavutatav riikide elatus-tasemete võrdsustumine toob kaasa ka AÕR positsioonide võrdsustumise?

Mõjutegurite paljususe tõttu on ülimalt keeruline mingeid arengustenaariume ennustada, kuid tänaste trendide jätkumise korral võib oletada, et AÕRde vaadatavus saab 25–30 aasta pärast olema 15–20%.

Töös tõstatatud Eesti tasandi uurimisküsimused on:

Millist mõju omab EL meediapoliitika Eesti ringhäälingut puudutavate seaduste kujunemisele?

Eesti meedia seadusandlusesse on üle võetud kõik EL vastavate direktiivide nõuded. Seega on EL mõju Eesti seaduste kujunemisele otsene. Kuid samas on Eestis meediateenuste seaduses ka kohalikest huvidest ja vajadustest tingitud erinõuded.

Kuidas ringhäälinguseaduse muudatused on mõjutanud üleriiklike era-telekanalite majandustulemusi?

Vastavate seadusemuudatuste mõju tulemusel on erakanalite majandusnäitajad viimasel kümnendil oluliselt paranenud.

Hinnates AÕR tänast finantseerimise taset ning vaadatavuse trende, siis milliseks kujuneb Eesti AÕR tulevik digitaalajastul?

Uue meedia pealetung ning uute tehnoloogiate võimalused mõjutavad otseselt traditsiooniliste telekanalite positsioone. Avaliku huvi teenimise nimel peab AÕR osutama teenuseid kõigil olulistel tehnoloogilistel platvormidel, kuid selle ülesande täitmine eeldab lisainvesteeringuid nii tehnoloogiasse kui ka suuremat lisaraha kvaliteetse sisu tootmisse. Tänapäevase valitsuse liberaalse majanduspoliitika ning riigi pingelise eelarveseisu tõttu on lisatoetuse saamine riigieelarvest lähitulevikus küsitav.

Kokkuvõttes esitab töö autor järgmised meediapoliitilised ettepanekud:

- 1) Tugevdada turukaitse mehhanisme.
- 2) Kehtestada (üleriigilistele) kommertskanalitele avalikust huvist lähtuvaid kohustusi.
- 3) ERRile anda õigus müüa reklaamiaega oluliste spordiülekannete õiguste ostmiseks.
- 4) Suurendada ERRi iga-aastast riigieelarvelist tegevustoetust 2% suuremas summas kui on riigi majanduskasv.
- 5) Luua sõltumatu ringhäälinguregulaatori institutsioon.

Nende ettepanekute rakendamine loob aluse Eesti kultuuri ja riiklust toetava jätkusuutliku duaalse ringhäälingumudeli arengule.

PUBLICATIONS

CURRICULUM VITAE

Ees- ja perekonnanimi: Andres Jõesaar
Sünniaeg ja -koht: 24.07.1959, Tallinn, Estonia
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Haridus

2005–2011 doktorantuur, meedia ja kommunikatsioon, sotsiaal- ja haridus-
teaduskond, Tartu Ülikool
2005 *Magister Artium*, meedia ja kommunikatsioon, Tartu Ülikool
2003–2005 magistriõpe, meedia ja kommunikatsioon, sotsiaal- ja haridus-
teaduskond, Tartu Ülikool
1982 MA peenmehhaanika insener, Tallinna Polütehniline Instituut
1977–1982 õpingud mehhaanika teaduskonnas, Tallinna Polütehniline Insti-
tuut

Keeleoskus (enesehinnangu põhjal)

Eesti keel	emakeel
Inglise keel	B2
Soome keel	B2
Vene keel	B2

Teenistuskäik

2000–tänapeni ringhäälingunõukogu liige, (esimees 2003 – 2010)
2005–tänapeni lektor, Tartu Ülikool
2006–tänapeni lektor, Tallinna Ülikool
2000–2011 sisuteenuste ja äriklientuuri direktor, Tele2 Eesti AS
1996–2000 tegevdirektor, juhatuse esimees, AS TV3
1992–1996 ärijuht, Reklaamiteleviiooni AS
1990–1992 reklaamiosakonna juhataja, Eesti Televisioon
1989–1990 reklaamiosakonna juhataja, Eesti Raadio
1982–1989 insener, osakonna juhataja, ENSV Riikliku Raadio ja Tele-
visiooni Komitee Informatsiooni- ja Arvutuskeskus

Akadeemiline tegevus

Peamised uurimisvaldkonnad:

Euroopa Liidu meediapoliitika, Eesti meedia ja meediapoliitika, meedia regulatsioon, meediamajandus, kommerts ja avalik-õiguslik ringhääling

Administratiivtöö ja muud kohustused

2009–tänapeni	Eesti Akadeemilise Ajakirjanduse Seltsi liige
2009–tänapeni	Euroopa Nõukogu Mass Meedia direktoriaadi uue meedia töörühma (MC-MN) liige
2005–tänapeni	Reklaaminõukoja liige
2000–tänapeni	ringhäälingunõukogu esindaja EPRAs (European Platform of Regulatory Authorities)
2008-2010	meediateenuste seaduse loomise töörühma liige
2007–2010	digitaaltelevisioonile ülemineku valitsuskomisjoni liige
2001–2004	Euroopa Nõukogu Mass Meedia direktoriaadi on-line meedia ja demokraatia ekspertide töörühma MM-S-OD juht
2002–2004	Euroopa Nõukogu Mass Meedia direktoriaadi e-valitsemise töörühma liige
1994–2000	Eesti Ringhäälingute Liidu juhatuse liige

Doktoritööga seotud täiendavad publikatsioonid

- Jõesaar, Andres (2003). Ringhääling teel Euroopas. *Riigikogu Toimetised*. 8, 104–109.
- Jõesaar, Andres (2005). Avalik-õigusliku ringhäälingu legitimatsioon: Eesti kogemus rahvusvahelises kontekstis. Magistritöö. Tartu: Tartu Ülikool.
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- Lõhmus, Maarja, Helle Tiikmaa, Andres Jõesaar and Ants Johanson (2010). “Eesti identiteedi kujunemine: Ringhäälingu valikute kujundamine”. *Akadeemia* 22, 12, 2141–2175.

CURRICULUM VITAE (in English)

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Education

2005–2011 PhD studies, media and communication, Faculty of Social Sciences and Education, University of Tartu
2005 *Magister Artium*, media and communications, University of Tartu
2003–2005 MA studies, Faculty of Social Sciences and Education, University of Tartu
1982 MA fine mechanics engineer, Faculty of Mechanics, Tallinn University of Technology
1977–1982 studies, Faculty of Mechanics, Tallinn University of Technology

Language Skills according to self-assessment

Estonian native language
English B2
Finnish B2
Russian B2

Professional Employment

2000–present member of the Estonian Public Broadcasting Council (chairman 2003-2010)
2005–present lecturer at University of Tartu
2006–present lecturer at University of Tallinn
2000–2011 Head of Content Services, Tele2 Eesti AS
1996–2000 Chairman of the Board, General Director, AS TV3
1992–1996 Commercial Director, Reklaamitelevisiooni AS
1990–1992 Head of Advertising Department, Estonian Television
1989–1990 Head of Advertising Department, Estonian Radio
1982–1989 engineer, Head of Department, State Radio and Television Committee Information and Computing Centre

Academical Activities

Main research areas:

EU media policy, Estonian media and media policy, media regulation, media economy, commercial and public service broadcasting

Scientific-administrative activities and membership in professional organizations

- 2009–present a member of the Estonian Academic Journalism Society
2009–present a member of the Council of Europe Intergovernmental Committee of Experts on New Media (MC-MN)
2005–present a member of Advertising Advisory Board
2000–present representative of the EPBC in EPRA (European Platform of Regulatory Authorities)
2008–2010 a member of the working group drafting a new media service act within the Ministry of Culture
2007–2010 a member of governmental commission on DTT
2001–2004 chairperson of the expert group on on-line media and democracy MM-S-OD, Council of Europe
2002–2004 a member of the working group on e-Governance, Council of Europe
1994–2000 a member of the board, Estonian Broadcasting Union

Additional publications, related to the PhD thesis

- Jõesaar, Andres (2003). Ringhääling teel Euroopas. [Broadcasting way towards Europe]. *Riigikogu Toimetised* 8, 104–109.
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- Jõesaar, Andres (2007). 1. juuni – Rahvusringhäälingu kuldajastu esimene päev? [June 1 – beginning of PSB golden era?] *Postimees* 17.mai 2007.
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11. **Kadri Ugur.** Implementation of the concept of media education in the Estonian formal education system. Tartu, 2010, 153 lk.
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13. **Kertu Saks.** The formation of editing culture and practice in Estonian newspapers 1988–2005. Tartu, 2011, 161 p.