The public purse

Public broadcasters around the world are squeezed tighter than ever in today's post global recession marketplace. Can their commercial divisions ease the burden, asks Jesse Whittock

A quick Google search on public service broadcasters returns worrying results such as “EBU concerned over Portuguese broadcasting budget cuts”, “Concerns over plans to dismantle Israeli public broadcaster” and “Dutch government slammed over PSB cuts”.

Public service broadcast organisations from the UK to Australia are feeling the pinch of government cutbacks and budget tightening as the global economy struggles to adjust to the market after the international banking crisis.

In the UK, the BBC has been slashing services – its plan to scrap BBC Three as a linear brand has raised eyebrows – as part of its Delivering Quality First strategy. In France, Rémy Pflimlin last year announced plans to axe 600 jobs at France Télévisions. Greece even closed its public service broadcaster, ERT, in summer 2013 in response to its desperate financial state, making it the first European pubcaster to shut since the Second World War.

Similar stories are unfolding elsewhere in Europe, where PSBs are perhaps the strongest in the world. Things are no different in Australia, where vicious battles over the future
of the ABC and its multicultural cousin SBS are raging. In Canada, staff at CBC are facing massive cuts. Meanwhile, many dissenters rally against mandatory licence fees.

With money in short supply and governments demanding more from their pubcasters for less, the commercial units of these organisations have increasingly come to the fore as a means of generating revenues, exploiting new and archive programming and even helping to co-finance shows.

"In the context of a global crisis, revenues have been increasing year-on-year," says Rodolfo Domínguez, commercial director at Spanish pubcaster RTVE.

"There is obviously pressure on us," adds Nathalie Bobineau, executive VP, television and consumer goods at France Télévisions Distribution, the international sales wing of France’s giant public broadcaster, France Télévisions.

"We share efforts with [France Télévisions]," she says. "They are going through budget cuts and have to do more with less — and the same goes for us. At the moment there are lots of discussions on how to proceed, how to finance better or differently, for example."

"It is true and openly known — and not only for public service broadcasters, but also all free TV broadcasters — that there has been tightening, and budgets have been cut, or at least have not increased," says Alexander Coridass, CEO of Germany’s ZDF Enterprises, which is owned by ZDF. "Disposable income, even at stable media companies, is 2% or 3% less [than before the economic crisis]. As far as I can see, there is a financial pressure on broadcasters, and every additional penny is very..."
Two drama The Fall and Australian teen drama H2O – Just Add Water.

"In addition to that, we have a small portfolio of production subsidies, which are another source of programmes for our catalogue," says ZDFE boss Corinna. "This means going at a very early stage to talk with authors and creators to secure the rights."

FTD’s Bobineau says her firm has “always been part of the budget” of France Télévisions programming, but that this investment isn’t enough for it to consider itself a co-financer in the same way BBCWW is with many BBC programmes.

This makes preselling doubly important. "We can’t sell it once the content is delivered for television – that’s too late," says Bobineau. "[Factual hit] Apocalypse was delivered midsummer 2009, but we had been selling it 18 months before with a six-minute teaser. It has brought us super-significant revenues."

TVE’s Dominguez says the key for TVE is “that we are involved in our channels’ projects from the very beginning. This way we can commercialise ancillary products from our own programmes, and we can participate in the decision-making of our company relating to the purchase of programmes”.

This is evermore important considering the ongoing economic woes in Spain. Indeed, TVE was forced to make basic tier sports channel Teledeportes an online-only platform this year as part of cost reductions that have seen around €150 million (US$190 million) cut in the 2011-13 period.

TVE coproduces with other Spanish-language territories in Latin America, and is also required by law to dedicate a percentage of its budget to European projects such as feature films, telemovies, documentaries and animated series.

Top performing catalogue titles include scripted series such as Remember When..., "France Télévisions is going through budget cuts, and have to do more with less. We have to do the same”

Nathalie Bobineau,
France Télévisions Distribution
De Sierro says Rai’s production and distribution arms must work more closely in order to deliver content that works well for the pubcaster’s channel portfolio, but also caters for “international tastes.”

Coproducing with the likes of India’s DQ on animated series Pio the Chicken was a result of this strategy, he adds.

BBCWW, meanwhile, generated profit of £137.4 million (US$255 million) in 2013/14, and with sales topping £1 billion, returned £73.8 million to the BBC. With the BBC looking to open out its production division as its terms of trade shift to deal with the increasingly merged global market, the company has now gone back to controversial indie acquisitions. The BBC Trust had previously said the company should “broadly rule out” such deals, and a number of investments had been divested.

However, last month it acquired 40% of Lookout Point, the UK drama-financing and production specialist that Simon Vaughan runs, and one of the firms behind crime drama Ripper Street.

“Without doubt, there is an understandable responsibility if you are part of an organisation that is publicly funded, but we want to identify the best in UK creativity,” Tim Davie says. “Clearly [large-scale M&A] is a game that is going global, [while] the role of PSBs is to champion local creativity in their markets. The commercial arms of the PSBs have a role in securing the best programming.”

ZDFE, meanwhile, has taken to investing in its own production divisions by treating internal production hubs “like start ups”, says Coridass. “We allow our production units, and everybody who needs, say, €100,000 or €1 million to realise projects, to get it from the top management, as soon as they persuade us they have a really solid plan.”

He describes ZDFE’s approach as acting “much like other commercial companies”, investing where there is opportunity.

For FTD, which is very much a sales-focused business, a move towards local production from its linear TV clients has been offset by players such as Netflix and Amazon becoming keen buyers, says Bobineau. “The good thing for us is that new media has emerged to support revenues. That is compensating for the lack of turnover from traditional clients,” she adds.

TVE’s Dominguez says the future for all broadcasters will be a challenge, and that only larger-scale international cooperation can ease the financial burdens. “These days, all of the commercial divisions [of pubcasters] have to face the challenge of finding out new alternative sources of revenues.

“Paradoxically, the key to get new revenues has to be sought in the technological revolution itself, and this has to do with the creation of new content and media and with the elimination of borders.”

Ultimately, though, all these companies have one thing in common, as Mowbray at Sweden’s SVT points out: “Everything we do at SVT has a public service element – even our commercial activities,” he says. “The content we produce has always public service values at the core.”