

Fact Sheet

Relevance of Free-to-Air distribution for Public Service Media (PSM)

In many countries there is societal commitment to ensure that high quality media content is available to all citizens. This public policy objective is achieved through a specific legal framework for public service media (PSM) which includes obligations for PSM providers to produce content and services, and make them universally available and free at the point of reception. Their activities are financed either by means of general taxation or through a specific, dedicated and compulsory fee that is commonly referred to as the 'licence fee'.

For PSM organisations one of the most important requirements is the universal availability of their content and services. In order to reach the entire population and take into account changing ways of media consumption PSM providers target a range of devices, from TV sets, set-top boxes, home and car radio receivers, personal computers, tablets and smartphones, to various streaming devices.

Free-to-air (FTA) distribution is one of the principal means of fulfilling the universal service obligation and in many countries it is a legal obligation for PSM organisations. However, there are significant variations between different countries with regards to existing legal or regulatory basis for the free-to-air model. In some countries free-to-air distribution of public service broadcast (PSB) services is a constitutional requirement, in others it is defined e.g. in the Broadcasting Act, or in the PSM remit, or possibly in the licence conditions. The current European legislation does not explicitly require FTA distribution.

The licence fee provides the economic basis for the majority PSM organisations. The largest part of the licence fee is invested in content production. Only a relatively small part of the licence fee covers the distribution costs. Time and time again the nature and purpose of the licence fee are misunderstood, in particular outside the PSB community. The licence fee is sometimes incorrectly perceived as being equivalent to a pay-TV subscription.

Even though from the citizen perspective the licence fee may appear to be equivalent to a pay-TV subscription there is a fundamental difference between them. Subscription is voluntary and defined on a purely commercial basis as opposed to a licence fee that is mandatory, defined by a specific legal or regulatory framework and linked to a public policy.

Definitions

Discussions between broadcasters and non-broadcasters are often difficult because terms such as 'free-to-air' or 'coverage area' mean different things to different organisations. Therefore, the following list defines a number of terms to facilitate a common understanding.

Public Service Remit is a legal obligation to produce certain types of content and services, e.g. news, entertainment, education, etc., and make them available for the public benefit rather than serving purely commercial interests.

Free-To-Air (FTA) means that radio- or television content is distributed without any form of encryption and is available to the audience free of charge beyond an obligatory licence fee and costs due to the acquisition of receiving devices.

Free-to-view (FTV) means that radio- or television content is distributed with some form of encryption. This requires a conditional access system to decrypt the signal. Apart from a one-time fee for unlocking reception or acquisition of a smartcard to gain access to the content FTV reception is free of charge in the same way as FTA.

Universal Service Obligation describes a legal obligation PSM organisations have to adhere to which requests to make PSM content available to all citizens, at all times and throughout the entire country. In most cases PSM content shall be free at the point of reception, i.e. constitute either a FTA service or FTV service.

Licence Fee refers to a financial contribution citizens have to pay for PSM organisations to fulfil their public service remit. In some countries the licence fee is an earmarked tax in others it is a fee that can be collected by an independent agency. The licence fee is mandatory and may be household-based or related to the usage of receiving devices. The licence fee is meant to cover all costs of PSM organisations, e.g. costs arising from content production, distribution costs, staff costs and costs related to content rights.

Service Area is a geographical area where a service shall be provided based on either regulatory or commercial requirements or both.

Coverage Area is a geographical area where the technical reception requirements of a particular service are met and therefore the service can be received with a desired level of quality.

Reach is to be distinguished from coverage. While coverage determines the potential availability reach is limited to those users who are actually using a particular distribution method. For example; a satellite signal may cover the entire country and in principle everyone has the possibility to receive TV services. However, only those households that are suitably equipped for satellite reception can be reached in that way.

Pay-TV means that radio- or television content is distributed with some form of encryption and access control mechanism and is based on a subscription.

Pay-per-view means that radio or television content is distributed with some form of encryption and access control mechanism. Reception is possible on an event-by-event basis where the user has to purchase access to individual programmes, rather than to a channel or the whole library. This can be time limited or limited to a chosen event such as sports events or video on demand movies or shows.

Must-Carry Rules allow a regulator to impose an obligation on a network or platform operator to offer a defined set of radio or TV programmes.

PSM organisations are nowadays using a number of different technical options to distribute their content. In some cases they are legally obliged to distribute their content by means of a terrestrial broadcasting network on a FTA basis. This is linked to the universal service obligation which is in this case fulfilled by terrestrial distribution. However, other distribution mechanisms may also offer the possibility to meet the universal service requirement, including FTA, such as satellite. In some countries the universal service obligation is considered fulfilled if all citizens can access PSM services via at least one distribution network.

Some of the distribution methods employed by PSM organisations are rather different from the traditional broadcasting distribution. They are often managed by non-broadcast organisations which apply different approaches regarding access to audio-visual services.

As a matter of fact, PSM organisations seek to be available on all relevant networks and platforms. This is the only way to reach the entire audience since no single distribution network or platform has universal reach. However, the prominence given to PSM content and services is not the same on different distribution platforms as they are subject to different regulatory and market conditions. Furthermore, even the same form of distribution may be regulated differently in different countries.

Beyond FTA services, there is a very large content offer that is based on subscription (e.g. pay-TV packages or Internet streaming services). When choosing such services users accept to bear the associated costs (e.g. costs of receiving equipment, ongoing charges for the service, and costs of Internet access). When PSM content is made available through such subscription-based offers it should be provided without additional costs for the user beyond the above mentioned subscription or equipment costs. The important point here is that it is entirely up to the user to decide whether or not to subscribe to such services and PSM organisations have no influence on this decision.

In some countries subscription-based services have significantly large penetration. Some users may have decided to rely only on subscription-based services. As PSM organisations seek increase the reach they are also making their content and services available as part of the subscription-based offers.

However, there will always be some viewers and listeners that chose not to take up a subscription and, therefore, FTA might be the only way for them to have access to PSM content and services.