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## El nuevo modelo de la televisión pública española

### *The New Spanish Public Service Broadcasting Model*

**RESUMEN:** El objetivo principal de este artículo consiste en analizar las causas y consecuencias de la última reforma de RTVE en su desarrollo histórico y estudiar cómo los cambios introducidos y sobre todo, la supresión de la publicidad ha afectado a la compañía; especialmente en su financiación, programación y producción de contenidos. Para llevar a cabo el estudio, se han utilizado fuentes primarias procedentes de documentación interna de la corporación y fuentes secundarias como artículos científicos y noticias de prensa. La perspectiva del estudio es principalmente económica.

**Palabras clave:** RTVE, financiación, crisis, programación, reforma, gobierno, gestión económica

**ABSTRACT:** *The aim of this paper is to analyse the causes and consequences of the latest reform of RTVE by tracing the history of the corporation, and to explore the impact that the changes and the abolishment of advertising have had on the company, especially on its funding, programming and content production. To carry out the study, primary sources from internal company documentation were used, as well as secondary sources such as academic papers and press reports. The primary focus of this study is economic.*

**Key words:** *RTVE, funding, crisis, programming, reform, government, economic management.*

#### 1. Introduction

Regular television broadcasting services began in Spain on 28 October 1956. As in other European countries, the television broadcasting company that had just been created came under the ownership and management of the Government. Unlike other European public television corporations, however, the Spanish public broadcaster benefited from dual funding, being financed by both state subsidies and advertising.

Commercial television arrived in Spain in 1990 much later than in other European countries, following the publication of the Private Television Act (10/1988) on 3 May 1988 which regulated private television companies. Under the Act, three television licences were initially granted, two of them to free-to-air channels Telecinco and Antena 3, and one to the pay-per-view channel Canal +.

The introduction of new channels to the audiovisual market caused, among other things, a decline in audience numbers and an increase in costs for the public broadcaster and within 15 years, RTVE had accumulated a debt of 7,850 million euros. Its economic and financial situation was becoming untenable, while its public service identity and legitimacy were questioned<sup>1</sup>. The need to transform the public operator was pressing, but the reforms carried out by the various governments up to that point had been slight and inconsistent.

At present, RTVE Group is marked by a complex legal structure made up of RTVE Corporation and two public limited companies (TVE and RNE), and is geographically dispersed, with 17 TVE regional production centres and 62 RNE regional, provincial and local radio stations, in addition to 18 foreign correspondent offices. In terms of its business units, the Group is comprised of three general-interest and five thematic television channels, six radio channels, one record label, the RTVE Orchestra & Choir, and the RTVE Institute for Audiovisual Training. It also broadcasts the pay-TV-channel Docu TV as well as the international channels TVE Europa (for Europe and Asia) and TVE America via satellite. The latter two channels are part of TVE Internacional. In addition, RNE runs four nationwide radio stations (RNE1, Radio Clásica, Radio 3 and RNE 5 Todo Noticias?), and one for Catalonia, RNE 4.

After a lengthy consultation process with experts and influenced by British and French models, the current Socialist government undertook a new reform of RTVE. Thus, in 2006 the Law of State Radio and Television (17/2006) was published on the 5 June, the main objectives of which were to achieve political independence and efficient economic management. Amongst the changes introduced to achieve these goals, the most effective have been changes in the governance of the public corporation and the removal of advertising as a source of revenue from 2010 onwards.

<sup>1</sup> Cfr. RICHERI, Giuseppe, *La transición de la televisión: análisis del audiovisual como empresa de comunicación*, Bosh, Barcelona, 1994.

Madinaveitia (2006) predicted a number of consequences as a result of the latest reforms of TVE: “the reduction in air time devoted to advertising might make the state-owned corporation (RTVE) the most attractive broadcaster from a commercial point of view, allowing it to offer higher quality programming”<sup>2</sup>.

A recent survey about the trends in the audiovisual sector in Spain carried out by the “Public Sector-Private Sector” research group (IESE Business School) revealed various views about the future of TVE. The survey conducted between June and July 2009 included participants such as public and private television managers, telecommunication managers, technological manufacturers, advertising agencies, public regulators and audiovisual producers and audiovisual experts. More than 80% of interviewees felt that new audiovisual regulation was needed. However, there was no unanimous view on the abolition of advertising on TVE: 53.9% (mainly the public operators and media agencies viewed the measure as inadequate; however, 71.4% supported the decision. The latter belong to the private operators and technical manufacturers. According to most of those surveyed, this measure would lead TVE to offer different programmes than its competitors and it would become more independent of audience ratings. Furthermore, half of them thought that TVE would downsize and externalize most of its productions<sup>3</sup>.

The aim of this paper is firstly, to analyse the causes and consequences of the latest reform of RTVE by tracing the history of the crisis at the corporation and the attempts to reform it. Secondly, we will explore the impact that the latest reforms have had on the company, focusing on the discontinuation of advertising, the change in the role of government, and the production of programmes. To carry out the study, primary sources from internal company documentation were used, as well as secondary sources such as academic papers and press reports. The primary focus of this study will be on the economic perspective of the reform.

The structure of this paper is as follows. Firstly, we will review the recent literature on RTVE. Secondly, we will examine the nature of the permanent crisis at RTVE and discuss the attempts to reform it and difficulties in doing

<sup>2</sup> MADINAVEITIA, Eduardo, *Anuario de la televisión*, GECA, Madrid, 2006, p. 254.

<sup>3</sup> Cfr. IESE, *Estudio anual tendencias del sector audiovisual español. Resumen ejecutivo*, IESE Business School, SP-SP, Universidad de Navarra, Barcelona, 2009, pp. 1-12.

so. Thirdly, we will analyse the latest reform and its consequences and, finally, the effectiveness of this reform and the future of the company are assessed.

## 2. Literature review

While much has been written about RTVE, the following review will focus on the most recent developments. Bustamante (2007) explores the different stages of the development of RTVE from a historical point of view, with special emphasis on the company's economic situation<sup>4</sup>. Camacho (2006); González (2006) and de Mateo (2009) also focus their study on the economic and financial aspects of the public broadcaster<sup>5</sup>. Maxwell (2007) reflects on the consequences of commercialisation for public television in Spain from a more theoretical perspective<sup>6</sup>.

Palacio (2005) analyses the early years of the development of RTVE and its relationship with the *Caudillo*, Francisco Franco<sup>7</sup>. Herreros (2004) studies the legal nature of the public broadcasting service and offers an in-depth analysis of its mission<sup>8</sup>. Four years later, Muñoz (2008) carried out a similar study, highlighting the concept of general-interest service<sup>9</sup>. Valdes (2008) complements these studies with a more practical view in which he reflects his professional experience as a producer<sup>10</sup> and Piedrahita (2010) provides a

<sup>4</sup> Cfr. BUSTAMANTE, Enrique, *Storia della radio e della televisione in Spagna, 1939-2007 : il lato debole della democrazia*, Rai-ERI, Roma, 2007

<sup>5</sup> Cfr. CAMACHO, Rafael, *El ajuste de las cuentas en el sector audiovisual*, Instituto Andaluz de Administración Pública, Sevilla, 2006; GÓNZÁLEZ, Sara, *Ayudas públicas y libre competencia en el sector audiovisual*, Madrid, Barcelona: Marcial Pons, 2006; DE MATEO, Rosario and BERGÉS, Laura, *Los retos de las televisiones públicas. Financiación, servicio público y libre mercado*, Comunicación Social, Sevilla, 2009.

<sup>6</sup> Cfr. MAXWELL, Richard McCall, *Geography of a culture industry: a social-spatial analysis of television in Spain*, Ann Arbor, University Microfilms International, 2007.

<sup>7</sup> Cfr. PALACIO, Manuel, "Early Spanish television and the paradoxes of a dictator general", *Historical Journal of Film, Radio & Television*, vol. 25, n° 4, 2005, pp.599-617.

<sup>8</sup> Cfr. HERREROS LÓPEZ, Juan Manuel, *El servicio público de televisión*, Fundación COSO, Valencia, 2004.

<sup>9</sup> Cfr. MUÑOZ, Mercedes, "The future of public service broadcasting in Community law", *International Journal of Media & Cultural Politics*, vol. 4, n° 2, 2008. pp. 203-219.

<sup>10</sup> Cfr. VALDÉS, Salvador, *La televisión pública desde dentro*, Fragua, Madrid, 2008.

severe criticism of the corporation and its governors and focuses on the latest reform of the company<sup>11</sup>.

Walzer and Retis (2008) compare the RTVE public broadcasting model to that of the BBC<sup>12</sup>, as does Azurmendi (2007), focusing on the latest reforms at the two corporations<sup>13</sup>.

The authors of this paper have also studied RTVE from various angles. Medina (2007) highlighted its funding deficiencies<sup>14</sup>. Two years later, in conjunction with Ojer (2009), she analysed the public service features of RTVE, comparing them to the BBC<sup>15</sup>.

Partial studies look at aspects concerning the programming and geographic structure of the broadcaster. Bonaut (2008) studied the sports programming of the public broadcaster during its time as a monopoly<sup>16</sup>. While León (2009) studied the content and image of RTVE after the 2006 reform<sup>17</sup>, Gandolfo (2009) analysed the negative consequences of the new RTVE measures for the regional production centres<sup>18</sup>.

Among all the sources for this paper, Bustamente's was the most useful (2007) because of the economic data he provided<sup>19</sup>.

<sup>11</sup> Cfr. PIEDRAHITA, Manuel, *TVE en la encrucijada: la televisión pública ante el reto de emitir sin publicidad*, Guadalturia, Sevilla, 2010.

<sup>12</sup> Cfr. WALZER, Alejandra and RETIS, Jéssica, "Modelos de servicio público en Europa: análisis comparativo de TVE y BBC", *Comunicar*, vol. 16, nº 31, 2008, pp. 715-726.

<sup>13</sup> Cfr. AZURMENDI, Ana (dir.) *La reforma de la televisión pública española*, Tirant lo Blach, Valencia, 2007.

<sup>14</sup> Cfr. MEDINA, Mercedes, "La financiación de la televisión pública en Europa", in MORENO, Elsa et al. (eds.), *Los desafíos de la televisión pública en Europa*, Eunsa, Pamplona, 2007, pp. 41-63.

<sup>15</sup> Cfr. MEDINA, Mercedes and OJER, Teresa, "Valoración del servicio público de televisión. Comparación entre la BBC y TVE", *Revista Latina de Comunicación Social*, nº 64, 2009, pp. 275-299

<sup>16</sup> Cfr. BONAUT, Joseba, "La influencia de la programación deportiva en el desarrollo histórico de TVE durante el monopolio de la televisión pública (1956-1988)", *Comunicación y Sociedad*, vol. 21, nº 1, 2008, pp. 103-136.

<sup>17</sup> Cfr. LEÓN, Bienvenido, "La televisión pública en los tres primeros años de su nueva etapa. Algunas consideraciones sobre la programación y la promoción de la cultura propia", in UTECA, *La Televisión en España. Informe 2009*, Carat, CIEC, Madrid, pp. 285-298.

<sup>18</sup> Cfr. GANDOLFO, Eduardo, "Contradicción en la digitalización de la estructura de RTVE: entre el sucursalismo y la promoción de la cohesión territorial", *Revista Latina de Comunicación Social*, vol. 12, nº 64, 2009, pp. 1-18.

<sup>19</sup> *Op. cit.*

### 3. Nature of the crisis

The current crisis at RTVE is both economic-financial and a crisis of autonomy. . The decline in advertising revenue and the lack of availability of state aid, coupled with an increase in production costs and chronic overstaffing since 1990 has resulted in increased debt for the corporation. Furthermore, whilst TVE's identity as a public service broadcaster has been undermined since the creation of commercial television companies, the lack of independence from political power truly triggered the crisis.

Tracing the history of RTVE allows us to garner an in-depth understanding of the economic-financial dimension and the inability of management to deal with its ongoing crisis. The principal figures in the economic and financial results, the socio-political difficulties that compromise reform, and finally details of the last reform, which began in 2006, are explored below.

#### 3.1. Economic crisis

From 1956 onwards, RTVE's economic situation had been regarded as 'miraculous' due to the lack of financial and material resources<sup>20</sup>. Consequently, the arrival of advertising in 1958 put an end to the problem<sup>21</sup>. Advertising revenue grew exponentially from 1959, growing from 4 to 16 million pesetas in four years, and to 524 million in 1963, 4,000 million in 1969 and 8,000 million pesetas in 1975<sup>22</sup>, as shown in Graph 1<sup>23</sup>. Revenue was also obtained with the introduction of the television licence fee for television owners, which ranged between 300 and 500 pesetas per year, a high amount for the salaries of the time. However, the licence fee was definitively abolished in 1965<sup>24</sup>.

<sup>20</sup> Cfr. PÉREZ, M. and EZCURRA, L., *La televisión*, Editora nacional, Madrid, 1965; WALKER, Alejandra and RETIS, Jéssica, *op. cit.*

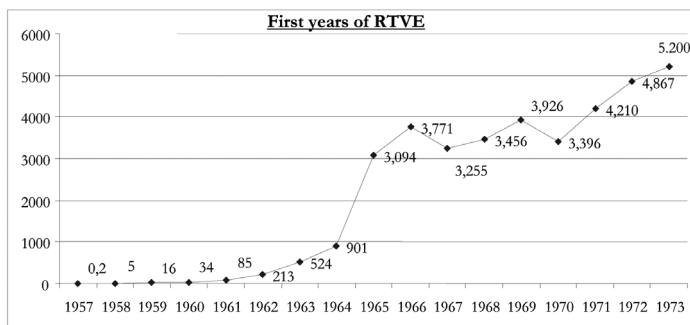
<sup>21</sup> Cfr. PALACIO, Manuel, *op. cit.*; BUSTAMANTE, Enrique, *op. cit.*

<sup>22</sup> Cfr. BUSTAMANTE, Enrique, *op. cit.*, p. 58.

<sup>23</sup> All amounts shown until 2000 are in pesetas, which was the currency used until that year.

<sup>24</sup> Cfr. Act 103/1965 of 21 December 1965 abolishing the television ownership tax.

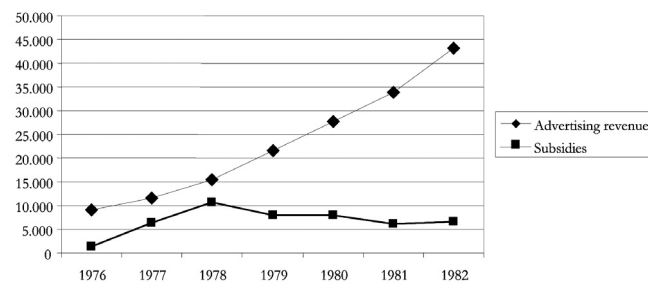
**Graph 1. Advertising revenue (1959-1973) in million ptas<sup>25</sup>.**



Source: 4<sup>th</sup> Development Plan Report, Bustamante, 2007, p. 60

In 1980, almost thirty years after the birth of State television, the Radio and Television Statute, (Act 4/1980) was published, which provided for four types of funding through: a) subsidies allocated from the National Budget, b) marketing and sale of its products, c) limited participation in the advertising market, and d) a television licence fee payable by owners of colour TV sets only (art. 32, c). In those years, RTVE was self-funding for the first time, with enough advertising revenue to fund it and little need to resort to state aid, as shown in Graph 2.

**Graph 2. RTVE revenue (1976–1982) in million ptas.**



Source: Bustamante, 2007, 104

Source: Bustamante, 2007, 104

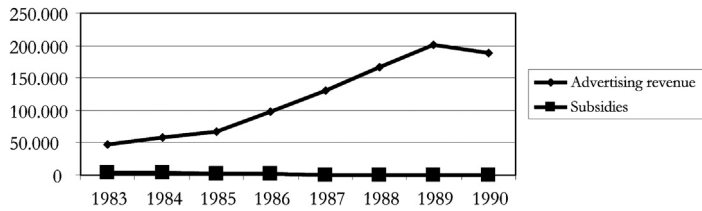
<sup>25</sup> Amounts shown in the currency used in those years. After 1990, amounts shown are expressed in euros.

The year 1983 saw the arrival of regional TV channels in Spain. While these too were public channels they also competed for advertising with the only channel then in existence. Despite this competition, the advertising revenue of RTVE did not decrease, as shown in Graph 2. However, in 1989 the first commercial television channels were created pursuant to the Private Television Act. As a result, RTVE experienced a decrease in advertising revenue and an increase in debt, which continued to grow in subsequent years.

The following graphs show the drop in revenue and scant state aid received by the public broadcaster.

**Graph 3. Evolution of RTVE revenue (1983-1990) in million ptas.**

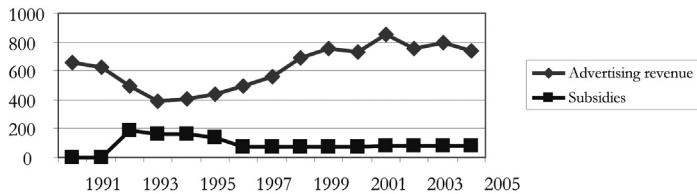
End of monopoly



Source: Bustamante, 2007, p. 163

**Graph 4. Evolution of revenue (1991-2005) in million Euro**

Private competitors



Source: Bustamante, 2007, p. 229



By the early nineties spending started to exceed revenue, This was in no small way due to the maintenance of excessively bureaucratic and inefficient decision-making systems as well as a complex structure with high fixed overhead expenses. According to the report *Gestión de Personal del Grupo Radio Televisión Española* (“Personnel Management in Radio Television Española Group”), the Corporation’s operating rules were characterised by the strictness of the 1978 Labour Ordinance and successive labour agreements<sup>26</sup>. One of the most significant indicators of this was the large number of staff. Table 1 shows the number of TVE employees in 2003-2004 compared with the broadcaster’s most direct competitors, indicating that TVE was clearly overstaffed.

**Table 1. Number of employees at television companies**

| 2003  |     |       | 2004  |     |       |
|-------|-----|-------|-------|-----|-------|
| TVE   | T 5 | A 3   | TVE   | T 5 | A 3   |
| 6,029 | 733 | 1,610 | 6,122 | 759 | 1,600 |

Source: Spanish Court of Auditors 2006, p.80.

In 1998, the Ministry of Labour and Social Affairs Directorate-General approved a Redundancy Scheme 69/97, which was aimed at reducing the workforce at the RTVE Group. The Scheme comprised of voluntary redundancy and early retirement packages applicable to employees aged 58 or over, and also included an early departure incentive scheme, to cover the 1998-2002 period. In 2002, at the end of the downsizing process, total staff had been reduced by 292 employees (3.1%) as a result of 443 departures of permanent personnel (5.1%) and the temporary re-hiring of 151 employees (a 20.6% increase). In the following years, the number of staff increased again by more than 200 to facilitate overdue staffing needs in certain production areas in TVE which were required by the occurrence of several political, electoral and sports events.

<sup>26</sup> Cfr. SPANISH COURT OF AUDITORS, “Gestión de Personal del Grupo Radio Televisión Española, 2004-2006”, approval of personnel management in RTVE in the performance of its auditing function as laid down in articles 2.a), 9 and 21.3.a) of Organic Act 2/1982 of 12 May 1982, pursuant to the provisions of articles 12 and 14 thereof and related sections of Act 7/1988 of 5 April 1988 on the Operation of the Court of Auditors”, 2006.

Along with the overstaffing issue, another concurrent problem was employee absenteeism. According to the report cited above, the absenteeism rate among management staff reached 14.45% in 2004, while general service workers had an absenteeism rate of 13.97%. In the professional category, the rate amongst news personnel reached 16.68% and a rate of 12.05% was recorded for TV newsreaders.<sup>27</sup>

One of the most significant characteristics of the bureaucratic apparatus of TVE was the sheer number of management staff, as shown in Table 2. According to the Personnel Management report, the number of managerial positions approved by the General Manager for the three years covered by the audited period (2002-2004) was 291, 297 and 292 positions respectively, although in practice there were fewer<sup>28</sup>. These high figures can be partly explained on the basis of duplication in managerial positions and titles.

**Table 2. Average number of employees by category in 2004**

| Professional category                | TVE, S.A. | A3TV                | T5  |
|--------------------------------------|-----------|---------------------|-----|
| Directors                            | 106       | 24                  | 47  |
| Managers and technicians             | 4,170     | 1,031               | 552 |
| Administration, operations and sales | 952       | 304                 | 124 |
| Other                                | 894       | 37                  | 36  |
| Total                                | 6,122     | 1,396 <sup>29</sup> | 759 |

Source: Spanish Court of Auditors 2006, p. 31.

For more than thirty years, TVE enjoyed a dominant market position that allowed the broadcaster to grow and diversify without worrying too much about its profit and loss account. However, the appearance of commercial television channels shifted TVE from the leading position and disturbed the balance of its accounts. Private television channels, which fulfilled a similar entertainment function and offered like products, attracted viewers and drove the cost of programmes up. These problems were also compounded by the

<sup>27</sup> Cfr. SPANISH COURT OF AUDITORS, *op. cit.*, p. 68.

<sup>28</sup> *Ibid.* p. 16.

<sup>29</sup> Authors' note: figures shown in the reference document differ from those shown in Table 1.

emergence of strong fully-fledged production companies and an increase in the cost of programmes<sup>30</sup>. The cost of television would again rise later due to the need to invest in the transition to digital television and the development of new digital media.

Production was also an inefficient sector. Table 3 shows the resources allocated to the different types of productions for the 2001-2004 period.

**Table 3. Resources allocated by TVE to the different types of productions (in Euro)**

| Type of production     | 2001               | 2002               | 2003               | 2004               |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| Affiliated             | 7,464,880          | 2,648,697          | 2,511,210          | 147,337            |
| Co-productions         | 741,368            | 0                  | 3,989              | 1,075,467          |
| Independent production | 28,066,856         | 41,865,070         | 41,201,804         | 48,468,031         |
| Mixed                  | 60,956,590         | 36,498,318         | 42,184,766         | 41,855,439         |
| In-house               | 88,114,503         | 96,766,680         | 101,443,097        | 94,147,935         |
| <b>Overall total</b>   | <b>185,344,197</b> | <b>177,778,765</b> | <b>187,344,866</b> | <b>185,694,209</b> |

Source: Spanish Court of Auditors, 2006, p. 86.

The above figures reveal that the resources allocated to in-house programmes remained unchanged in relative terms throughout the four years, whilst the percentage of resources allocated to independent production increased, from 15% in 2001 to 26% in 2004, representing an increase of 20 million euros, to the detriment mainly of mixed productions ,(in which, TVE participates along with other third parties external to the Group), which underwent a reduction in resources and accordingly dropped from 33% to 23% of total costs. Also noteworthy was a gradual reduction in affiliated productions (programmes outsourced by other production companies for which TVE supplies technical and human resources)during the same period, which retained only some residual importance by 2004. TVE central services in Madrid outsourced programmes to 44 production companies in 2002, to 40 in 2003, and to 61 in 2004.

<sup>30</sup> Cfr. MEDINA, Mercedes, *op. cit.*

As a result, affiliated and mixed productions, with the participation of TVE technical and human resources, were reduced by 26 million Euros (38%) in the 2001-2004 period. In light of this, it seemed appropriate to produce as many in-house programmes as possible in order to achieve a stable funding model with an improved quality-cost ratio, and to co-produce or outsource the rest of the programmes, depending on independent production commitments and with the criteria that the outsourced programmes must have rebroadcast easy resale potential in audiovisual markets.

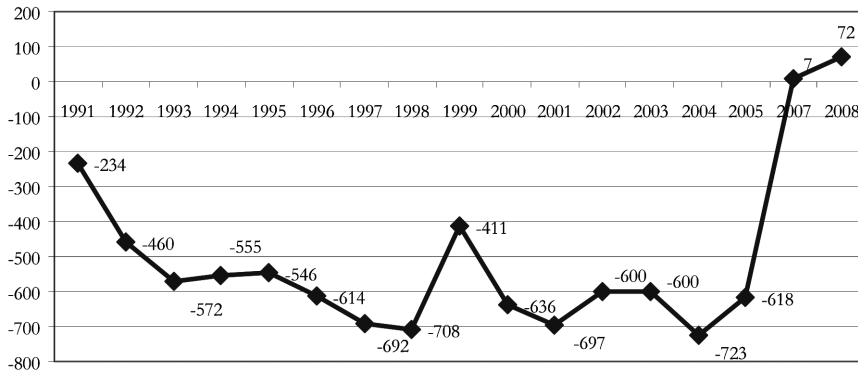
As mentioned in the Court of Auditors report<sup>31</sup>, (which was drawn up in 1997, prior to the implementation of Redundancy Scheme 69/97), “the historical problem of an inefficient use of staff, which forces TVE to excessively outsource programmes, thus originating a double cost for the public broadcaster as a result of maintaining its own staff inactive, that is to say, without tasks to be developed”.

Increasing costs and drops in revenue generated a debt from 1990 onwards which increased year-on-year until it reached 7,850 million euros<sup>32</sup>. The following graph shows the TVE’s deficit and growing debt, which placed it in a situation that warranted an urgent response.

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**Graph 5. RTVE results (1991-2005) in millions of euros**



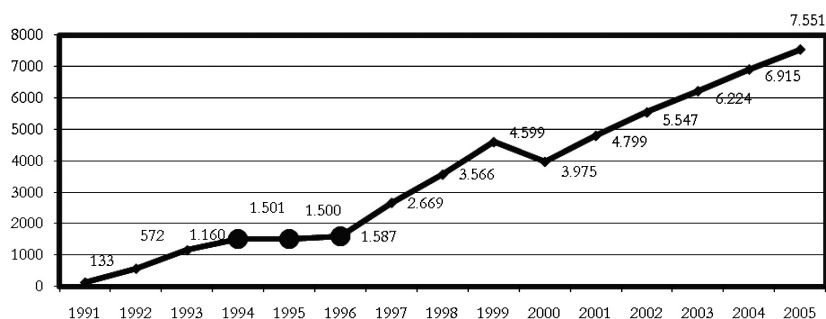
Source: Bustamante, 2007, p. 229

<sup>31</sup> SPANISH COURT OF AUDITORS, *op. cit.*, p. 85.

<sup>32</sup> HERREROS LÓPEZ, Juan Manuel, *op.cit.*, p. 153.

Despite the implementation of reforms, the debt did not decrease significantly until 2007 thanks to the management of Luis Fernández. Small inroads were made in 1999 as a result of the sale of Via Digital (a digital pay-per-view TV channel, the segregation of Retevisión (the airwave distributor), and a reduction in VAT.

Graph 6. RTVE annual debt (1991-2005) in millions of euros



Source: Bustamante, 2007, p. 229

The thick dots on graph 6 show that from 1994 to 1996, the State took on part of the debt: 183 million euros in 1994, 545 in 1995, and 665 in 1996, under the García Candau Viability Plan.

### 3.2. Political and social difficulties

The economic-financial issue was compounded by a peculiarity that distinguishes public from private television companies. The management of TVE was dependent on the public administration and conditioned by the political party in power at the time<sup>33</sup>. No government had ever attempted to get rid of such an influential medium. Additionally, any solution to the economic deficit would necessarily have involved staff cuts and risked a con-

<sup>33</sup> Cfr. ALMIRÓN, Nuria, CAPURRO, María and SANTCOVSKY, “The Regulation of Public Broadcasters’ News Coverage of Political Actors in Ten European Union Countries”, *Comunicación y Sociedad*, vol. XXIII, n<sup>o</sup> 1, 2010, pp. 205 -236.

frontation with one of the most critical sectors of society i.e.unions, which no government wished to offend<sup>34</sup>.

The political crisis indicated above stemmed from the close relationship RTVE always had with the nation's Government. The short term appointment of directors-general and presidents of the corporation exacerbated the difficulty in developing a strategic plan for the broadcaster. The table below shows the different General Directors of RTVE from 1980 to 2007 and their periods of office. García Candau served the longest, for a period of seven years.

**Table 4. General Directors of RTVE public broadcasting corporation from 1980-2007**

| Name of RTVE General Director   | Term      |
|---------------------------------|-----------|
| Fernando Arias-Salgado Montalvo | 1977-1981 |
| Fernando Castedo Álvarez        | 1981      |
| Eugenio Nasarre Goicoechea      | 1981-1982 |
| José María Calviño Iglesias     | 1982-1986 |
| Pilar Miró Romero               | 1986-1989 |
| Luis Solana Madariaga           | 1989-1990 |
| Jordi García Candau             | 1990-1996 |
| Mónica Ridruejo Ostrowska       | 1996-1997 |
| Fernando López-Amor             | 1997-1998 |
| Pío Cabanillas Alonso           | 1998-2000 |
| Javier González Ferrari         | 2000-2002 |
| José Antonio Sánchez Domínguez  | 2002-2004 |
| Carmen Caffarel Serra           | 2004-2007 |

Source: Study authors..

As shown in the table, most of the General Directors remained in the post for less than three years, leading to a degree of instability in the directorship of RTVE and making it difficult to implement long-term strategic plans for its future.

The desire to pander to public interests prevented a solution being found to deal with RTVE's economic deficit. Fear of negative public reaction to spending cuts led to indecisiveness and explains why some governments

<sup>34</sup> Cfr. BUSTAMANTE, Enrique, "TV and Public Service in Spain: A Difficult Encounter", *Media, Culture and Society*, vol. 11, n<sup>o</sup> 1, 1989, pp. 67-87.

maintained economically unviable structures with programmes that did not meet audience demands made it impossible for the organization to achieve the institutional principles it is based on. Solving the funding problems of public television services required consensus among the political parties, and the undertaking of measures which, albeit painful in the short term, would guarantee the economic viability of public service television channels in the long term.

In 1993, García Candau appeared before the Senate to account for the management and activities of the public broadcaster. He highlighted the need for a reform of its financial and programming structure, as embodied in the 1994 Viability Plan and the necessity to streamline the management and organisation of RTVE<sup>35</sup>. The strategic objectives encompassed five areas: a) expenditure control; b) staff reduction – from 9,347 to 7,731 employees; c) delivery of quality programming with more cultural programmes, and d) a restructuring of the organisation. However, the key element of the plan consisted in the Government taking on a debt of more than 1,400 million euros and the granting of annual public subsidies of 480 million Euro for the 1995-1999 period.

The new General Director, appointed after the change in government in 1996, would be responsible for achieving these objectives. Mónica Ridruejo was appointed to the post of General Director and, unsurprisingly, encountered some obstacles. Firstly, the Government refused to grant the requested subsidies. Secondly, the unions did not accept the proposed wage freeze and staff reductions. Finally, high production costs made the broadcaster increasingly less viable.

In 2001, the new government of the Popular Party, commissioned the SEPI (State-Owned Industrial Holding Company) to audit the accounts of RTVE. By virtue of article 60 of Act 14/2000 of 29 December on Fiscal, Administrative and Social Measures, RTVE Group was assigned to the State-Owned Industrial Holding Company, SEPI, from 1 January 2001. The Restructuring and Future Plan highlighted the fact that RTVE lacked a clear business orientation, yet did not specify the way in which the TVE debt could be eliminated or whether workers would be affected<sup>36</sup>. This was largely due

<sup>35</sup> Cfr. MEDINA, Mercedes, “Valoración de las estrategias de las cadenas”, in SÁNCHEZ-TABERNERO, A. et al. (eds.) *Estrategias de marketing de las empresas de televisión en España*, Eunsa, Pamplona, 1997, pp. 242-243.

<sup>36</sup> Cfr. CAMACHO, Rafael, *op. cit.*, pp. 352-58; VALDES, Salvador, *op. cit.*, p. 195.

to the fact that relationships between the highest executive officers at SEPI and RTVE were not very fluid and the recommendations were never implemented.

In 2004, the European Commission urged the Spanish Government to revise the unlimited public guarantee, to ensure that commercial activities were clearly separated from public funding and to reduce the advertising revenue in order to fulfil the public remit.

### 3.3. *The latest reform (2006-2009)*

After several warnings from European audiovisual policy officials<sup>37</sup> and broken political promises<sup>38</sup>, true reform began in 2004 when the new Socialist government commissioned a report from a group of five audiovisual media experts. This taskforce known as the “Committee of Experts” published its report on the reform of state-owned media in 2005, in accordance with Royal Decree 744/2004 of 23 April 2004, which laid out a series of recommendations for the proposed Public Broadcasting Reform Act. Not all the proposals contained in the report were included in the new legislation; however, it served as the basis for the new *Televisión Española*. Finally, the State Radio and Television Act (Act 17/2006) enacted on the 5 June 2004 repealed most of the articles of the Radio and Television Statute (Act 4/1980).

This new Act sought to completely restructure the Spanish public television organization creating a more efficient corporation with greater autonomy. As stated in the preamble to the legislation, the objectives of the Act were “to provide a legal framework for state-owned radio and television services that guarantees their independence, non-partisanship and objectivity and sets down organisational structures and a funding model that enables them to fulfil their public service mission with efficiency, quality and public recognition”.

<sup>37</sup> In 1992 and 1994, Antena 3 and Tele 5 lodged a complaint in Brussels against TVE for unfair competition but the European Commission failed to decide on the matter. Years later, however, several reports were issued demanding from TVE a transparent financial policy. Cfr. HERREROS LÓPEZ, Juan Manuel, *op.cit.*, pp. 154-5.

<sup>38</sup> Cfr. OREJA, Mayor, “The Digital age: European Audiovisual Policy”, *Informe del Grupo de alto nivel de política audiovisual*. Comisión Europea, Bruselas, 1998. In 2004, the European Parliament once again warned TVE against political partiality. Cfr. VALDÉS, Salvador, *op. cit.*, p. 193.



Act 17/2006 provided for the dissolution of the RTVE public broadcasting service and entrusted the management of the public radio and television to “Corporación de Radio y Televisión Española, S.A., Corporación RTVE”. This new Corporation was defined in article 5 as a state-owned corporation with special autonomy which took the form of public limited company whose share capital is fully owned by the state (art. 5.2.). In addition, Article 5.3 of the Act provided for greater autonomy and independence from the Government and the General State Administration.

*a) Political independence*

One of the serious problems faced by the public television corporation concerned the corporation’s relationship with the State. In order to transform RTVE into a corporation independent from political power, this new Act radically modified the selection process of the members of its governing body.

In order to understand the depth of restructuring of RTVE we must first compare the provisions of the 1980 Statute (which remained in force for 26 years), and the proposals under the new Act aimed at safeguarding the political independence of the Spanish public television network. The Radio and Television Statute of 1980 stipulated that the board of directors of the public radio and television service would be made up of 12 members, six of them elected by Parliament and six by the Senate with a two-thirds majority from among individuals with “relevant professional merits”, who will serve for a period of office equal to the Government’s term (art. 7.1). Article 7.5 of this same Act provided that the presidency of the board is purely functional, rotated among board members. Article 8 sets out the functions of the board including the power to “approve, at the proposal of the General Director of RTVE, the plan of activities for the public broadcaster, setting out the basic principles and general programming outlines, as well as the action plan for the different companies that make up RTVE” (art. 8.4) and to “approve definitively the staff of RTVE including any modifications, as well as the staff of its companies” (art. 8.6). The highest executive officer of the public broadcaster is the General Director, appointed by the Government “on the recommendation of the board” and serves for four years (art. 10.1 and art. 10.2).

Under the 1980 Act, the direction and management of the RTVE Corporation was totally subordinated to the Government in power at the time. The highest executive officer, the General Director, was appointed directly by the Government and served a four-year term, a term served simultaneously with the term of office of the Spanish Government.

The 1980 Statute did not list the professional merit requirements that should be met by the person selected to fill the position of General Director of RTVE. Accordingly, the main concern of the Government officials responsible for appointing the General Director of RTVE was to choose a political ally who would lay down the ideological guidelines of the public broadcaster. As a result, any changes of ideology in the Spanish presidency inevitably led to changes in the management of RTVE.

Act 17/2006, which was inspired by the British model for the appointment of BBC executives, turned this situation around<sup>39</sup>. Under Article 10.1, the board of directors whilst also consisting of 12 individuals was to be elected on the merits of outstanding qualifications and professional experience (art. 10.1). Eight of the members were to be appointed by Parliament by two-thirds majority, with two of those being nominated by the majority union within RTVE Corporation. The remaining four were to be appointed by the Senate, also by two-thirds majority. The president of RTVE Corporation and of the board of directors was to be appointed by Parliament, chosen from among the twelve elected board members (arts. 11.1-11.5). Unlike under the previous 1980 Act, board members were to serve for a period of six years, which was non-renewable (art. 12.1).

In this new framework, the president of the board of directors is the corporation's highest executive officer, elected by Parliament not by the Government, and the period of office of the board president and board members is no longer linked to the term of office of the country's Prime Minister.

These measures seek to guarantee that those at the helm of RTVE Corporation are media professionals with a strategic vision of the function of public television services. More importantly, the measures seek to protect the independence of the board from Government interference.

#### *b) Economic and financial management control*

The 7,850 million euro deficit and inefficient economic and financial management called for immediate restructuring of the organization<sup>40</sup>. Indeed, one of the first measures implemented pursuant to the new Act was a redundancy scheme which affected 4,190 workers at the corporation, out of a total staff of 6,400. The selection criteria applied to implement the scheme

<sup>39</sup> Vid. AZURMENDI, Ana, 2007, op. cit., pp. 302 y ss.

<sup>40</sup> Cfr. DE MATEO, Rosario and BERGÉS, Laura, 2009, op. cit., p. 69.

were age-related, and employees over the age of 50 were required to accept the redundancy package. This measure came at a cost of 120 million euros and stripped the company of its longest-serving employees.

The 2006 Act also introduced a number of preventative measures against future debt, providing for greater supervision of the management of RTVE. Firstly, a three-year contract-programme between the Government and RTVE Corporation was introduced, setting out the specific goals to be accomplished over three years and the necessary budget means to meet those needs. For example, the corporation's budget was limited to 1,200 million euros until the year 2011, and was to grow by 1% maximum in the three-year period from 2012 to 2014. Secondly, an analytical accounting system was set up to guarantee financial transparency and to determine the net cost of the public service obligations imposed. Finally, the economic and financial control would be carried out by the General Comptroller of the State Administration and the Court of Auditors<sup>41</sup>.

Additionally, the corporation would also be subject to external controls. The Corporation was to be supervised by Parliament, and RTVE Corporation would submit an annual report to the *Cortes Generales*, the Spanish legislature, on the fulfilment of its public service mission in relation to its programming (art. 39). The future State Council of Audiovisual Media was also to be empowered to request from RTVE Corporation the necessary data and reports for the exercise of its functions (art. 40), and, finally, the Court of Auditors and any related companies in which RTVE has a majority stake could exercise control of RTVE Corporation in the terms provided in the relevant act and other acts regulating its competencies.

### c) Sources of financing

The 2006 Act provided for mixed funding for the public broadcasting corporation mainly via three revenue streams. Firstly, the corporation was to receive funding from public subsidies, within the limits set by EU regulation and transparency and proportionality criteria, i.e. subsidies contributed from the General State Budget. The second revenue source would be income from the public broadcaster's commercial activity; and lastly, advertising, although it was subject to limitations implemented over subsequent years<sup>42</sup>.

<sup>41</sup> Cf. Preamble to Act 17/2006 of 5 June 2006 on state-owned radio and television services.

<sup>42</sup> *Ibid.*

The first RTVE president in charge of leading this new phase at the national public broadcaster was Luis Fernández, a graduate in Communication with a long career as a journalist for various media companies. His presidency was characterised by a commitment to information, the new media, and an attempt to reform the corporation. Under his management, the RTVE budget was balanced and income equalled and even exceeded expenditure, as shown in Table 5. In 2007 the debt disappeared for the first time after many years, which was a great achievement notwithstanding the reduction in advertising revenue resulting from increased competition and the economic crisis, but also from the 1-minute reduction in advertising on RTVE in 2008.

**Table 5. RTVE results (2007-2008) in millions of euro**

|             | 2006  | 2007    | 2008  |
|-------------|-------|---------|-------|
| Revenue     | 1.320 | 1.182,3 | 1.109 |
| Advertisina | 729   | 746,2   | 557   |
| Aid         | 579   | 433,6   | 500   |
| Other       | 12    | 9,2     | 52    |
| Expenditure | 1.286 | 1.189   | 1.193 |
| Results     | -216  | 6,7     | -84,3 |

Source: RTVE (2008) Press office and own elaboration

The dramatic change was effected though Act 8/2009 of 28 August 2009 on the financing of the Spanish Radio and Television Corporation. This Act provided for the abolition of advertising revenue in Spanish public television, with effect from 1 January 2010. In just four months, RTVE had to meet the same objectives on a much smaller budget. However, the Act also provided for the introduction of new taxes which were intended to bring in revenue previously raised through advertising. Under the Act, free-to-air commercial broadcasters had to pay a tax of 3% of their gross operating revenue to RTVE, pay-per-view TV broadcasters had to pay 1.5%, and telecommunications operators had to pay 0.9% because of the use of the radioelectric spectrum. These measures were inspired by the recommendations adopted by French President Nicolas Sarkozy for the recapitalisation of French public

television, as laid out in Organic Act 2009/253 of 5 March 2009<sup>43</sup>. The French measures were reviewed and approved by the European Commission (Judgment in Joined Cases T-568/08 and T-573/08)<sup>44</sup>. The European Commission also approved the new funding model for RTVE in July 2010, although the review of the 0.9% tax on telecommunications companies is pending at the time of writing<sup>45</sup>.

As a result, the RTVE budget would be as follows: the State would contribute 45% of income; commercial televisions (both free-to-air and pay-per-view television channels) would contribute 10% of the budget; telecommunications operators – with just 0.9% of their gross operating income – would contribute 24% of the budget; 20% would be paid through the tax on radio spectrum use; and lastly, revenue from RTVE commercial activity would amount to 1%.

The final legal development of this reform process was the publication of the new General Audiovisual Communication Act 7/2010 of 31 March 2010, which sought to “consolidate existing current legislation, update aspects that have undergone significant modifications, and regulate the new situations that are lacking a legal framework”, and reinforced the provisions of previous legislation on public television services.

#### 4. *Consequences of the reform*

The first consequence of this reform cost the RTVE General Director his job. Fernández stepped down from his position in mid-November 2009, citing personal reasons, although as reported in the media, the real reason behind his resignation was his disagreement with the new funding scheme for RTVE<sup>46</sup>.

<sup>3</sup> Cfr. PIEDRAHITA, op. cit., p. 190.

<sup>44</sup> The complete suppression of advertising in the French public television has recently postpone until 2014. Cfr. EFE, “La televisión pública francesa aplaza la supresión de la publicidad a 2014”, <http://www.elmundo.es/elmundo/2010/09/17/comunicacion/1284713540.html>, retrieved 20.09.2010.

<sup>45</sup> Cfr. RITUERTO, R. and GÓMEZ, R., “RTVE al borde de la asfixia financiera”, [http://www.elpais.com/articulo/sociedad/RTVE/borde/asfixia/financiera/elpepisc/20100721elpepisc\\_3/Tes](http://www.elpais.com/articulo/sociedad/RTVE/borde/asfixia/financiera/elpepisc/20100721elpepisc_3/Tes), 2010, retrieved 27.07.2010.

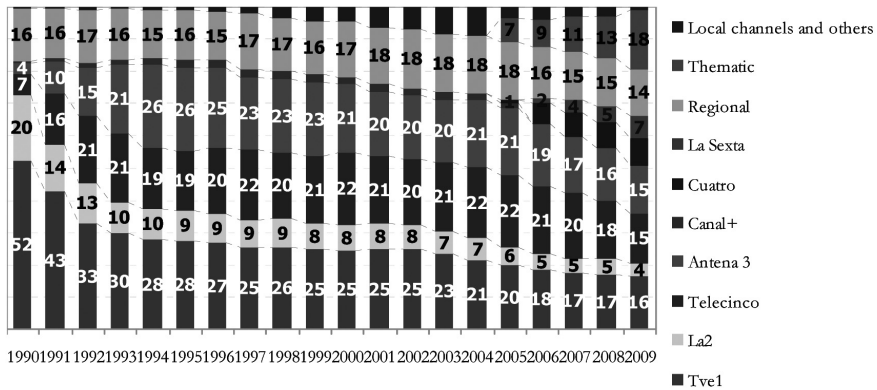
<sup>46</sup> Cfr. RUIZ, Vicente and PIÑA, Raúl, “Luis Fernández dirá adiós a RTVE el viernes”, <http://www.elmundo.es/elmundo/2009/11/10/comunicacion/1257883596.html>, 2009, retrieved 26.07.2010.

The deep reform of public service television has taken place at a time of profound change in the television broadcasting sector, with the merger of two of the commercial television networks (2009), the digital television transition (2010) and as a result, an increase in the number of TV channels on offer and greater market fragmentation. This process has simultaneously coincided with a profound economic crisis which has affected investment in advertising in the media. As a result, the reform of Spanish public television, especially the discontinuation of advertising as a source of financing for the corporation, has had repercussions for the Spanish television market and the public television sector on several fronts.

4.1. Increase in audience

In the beginning of 2010, TVE 1's audience share increased pushing the channel into the lead, a position it had not occupied since 2003, as shown in Graph 7. Due to market fragmentation in 2010 the leading channel did not exceed 19% of audience share. This percentage is only surpassed by the thematic channels when their figures are combined.

Graph 7. Audience share of television channels in Spain (1990–2009)

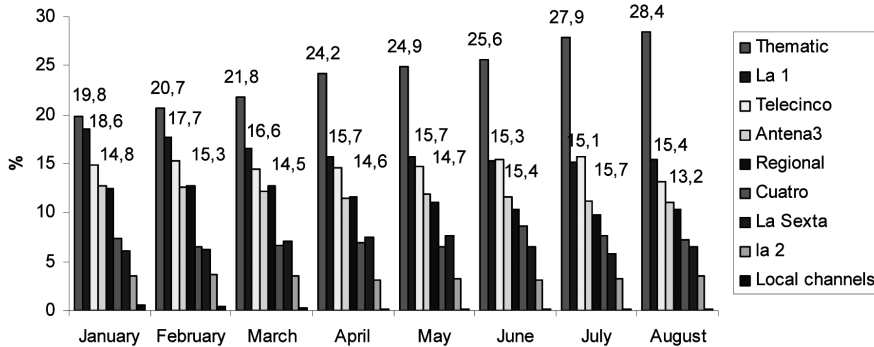


Source: TNS-Sofres.

As clearly shown in the graph, in 1990,(which was the first year of competition in the Spanish television market), the two public television channels reached a combined audience share of 72%. With the evolution of the television system, driven by cable and satellite, new television operators

emerged contributing to an ongoing loss of viewers of public television networks in favour of commercial TV channels. In 2005, two new analogue TV channels were created (Cuatro and La Sexta, thus increasing competition for audience share and advertising revenue. Despite these developments TVE continued to outrank competitors by a wider margin. Spanish viewers were even more pleased with the discontinuation of advertising on the public television in the first months of 2010 as research has shown that Spanish viewers find excessive advertising on TV channels most annoying<sup>47</sup>. Graph 8 shows the evolution of the audience share of the major television channels in Spain from January to August 2010.

**Graph 8. Audience share of major television channels in Spain (January-August 2010)**



Source: TNS-Sofres.

The graph highlights a rise in audience share for the thematic channels, which accounted for 28.4% of audience share in August 2010 thanks to the development of digital terrestrial television. RTVE’s first channel (La 1) topped the audience ratings in the first five months of the year, with Telecinco snatching the top spot from the public network by a tenth of a percentage point in June and July thanks to the broadcasting of the World Cup. However, La 1 recovered the leadership position in August, with an audience share of 15.4%.

<sup>47</sup> Cfr. ARTERO, Juan Pablo et al., “La calidad de la oferta televisiva en el mercado español: las percepciones del público”, ZER, vol. 15, nº 28, 2010, pp. 49-63.

The good audience results achieved by TVE were not only the result of the abolition of advertising, but also because of the quality and choice of programming. La 1 continued to be a leader in news broadcasting<sup>48</sup>. its three daily news bulletins remaining the preferred option among viewers. The abolition of advertising allowed TVE to broadcast longer news bulletins on La 1, which are currently 60-minutes long.

In December 2009, *Telediario* (the TVE news programme) had remained unbeaten for 27 consecutive months. During that year, the afternoon edition of *Telediario* reached an audience share of 20.8%, 3.5 points ahead of its major rival, Antena 3. The evening edition of *Telediario* also topped the ratings from Monday to Friday with 18% audience share, 3 points ahead of Antena 3 news, while weekend news was the most viewed option, winning a 20.8% audience share<sup>49</sup>.

These audience results were confirmed by the recognition given to the evening news *Telediario 2* as the world's best news programme in November 2009, awarded by the international media content analysis institute, Media Tenor<sup>50</sup>.

#### 4.2. High quality productions

The public service broadcaster has also gained audience share in recent months thanks to fiction series such as *Cuéntame*, *Amar en tiempos revueltos*, *La Señora*, *Águila Roja* and *Gran Reserva*.

*Cuéntame* has been one of the most popular and critically successful series in recent years, winning a remarkable number of awards<sup>51</sup>. The series was first broadcast in 2001 and has remained on the air for 11 seasons. Produced by Grupo Ganga, it tells the story of a Spanish family during the 60's and 70's. It owes part of its success to the inclusion of archive footage from RTVE. The

<sup>48</sup> Cfr. VACA, Ricardo, *El puzzle de la audiencia televisiva*, Fundación Exlibris, Madrid, 2009, p. 188.

<sup>49</sup> Cfr. RTVE, "La 1 gana las audiencias por noveno mes y lidera con claridad la sobremesa, la tarde y la noche", <http://www.rtve.es/television/20091201/1-gana-audiencias-noveno-mes-lidera-claridad-sobremesa-tarde-noche/303785.shtml>, 2009, retrieved 27.07.2010.

<sup>50</sup> Cfr. EL MUNDO, "El 'Telediario 2' de TVE, el mejor informativo del mundo", <http://www.elmundo.es/elmundo/2009/11/18/television/1258537876.html>, 2009, retrieved 29.07.2010.

<sup>51</sup> Cfr. MEDINA, Mercedes (coord.), *Series de televisión. El caso de Médico de familia, Cuéntame cómo pasó y Los Serrano*, Eunsa, Pamplona, 2008.



series has been broadcast internationally through TVE's Canal Internacional and the format has been successfully adapted in other countries such as Italy and Portugal<sup>52</sup>.

*Amar en tiempos revueltos* is a soap opera produced by Diagonal TV and was first aired in 2005. The series is set in the times of the Spanish Civil War and the early years of the Franco regime. The fifth season is currently being broadcast, with a cast of renowned actors as well as new talents. Its more than 500 episodes averaged 2.5 million viewers. The series has won some of the most prestigious awards in the country, such as the *Ondas* Award for Best Television Series in 2008, and the TP de Oro for Best Serial in 2008 and 2009<sup>53</sup>.

The weekly television series *La Señora* airs in prime time and tells about the life of the inhabitants of a small town in northern Spain during the 1920's. The series premiered in October 2008 and soon became the season's breakout show. It is also produced by Diagonal TV. The serial has been on the air since 2008 and finished in 2009 with an average audience share of 21.7%<sup>54</sup>.

*Águila Roja* is a historical fiction series set in Spain in the 17<sup>th</sup> century, and tells the adventures and intrigues between nobles and servants. It is produced by Globomedia and premiered in February 2009, with the first episode drawing more than 5.6 million viewers, achieving a 27% audience share. The second season finale also gained a high audience share of 30%. Following on the audience success and awards received, production of the third season is currently underway, set to air in September 2010<sup>55</sup>.

One of TVE's latest successes has been *Gran Reserva*, produced by Bambú Producciones, responsible for other series also aired on La 1, such as *Guante blanco* or *Desaparecida*. This weekly series tells of the conflict between two families of winemakers in La Rioja, the Cortázars and the Revertes, both fully devoted to the production of wine. The series premiered in April 2010 and became the most watched serial on Thursdays. The last episode was watched by more than 3.7 million viewers, gaining a 23.5% audience

<sup>52</sup> Cfr. CUÉNTAME, "Cuéntame", <http://www.rtve.es/television/cuentame/>, 2010, retrieved 29.07.2010.

<sup>53</sup> Cfr. AMAR EN TIEMPOS REVUELTOS, "Amar en tiempos revueltos", <http://www.rtve.es/television/amar/la-serie/>, 2010, retrieved 29.07.2010.

<sup>54</sup> Cfr. LA SEÑORA, "La Señora", <http://www.rtve.es/television/la-senora/>, 2010, retrieved 29.07.2010.

<sup>55</sup> Cfr. ÁGUILA ROJA, "Águila Roja", <http://www.rtve.es/television/aguila-roja/>, 2010, retrieved 29.07.2010.

share. The good results obtained have led to the renewal of *Gran Reserva* for one more season<sup>56</sup>.

In addition to the success of Spanish fiction television, TVE's increase in audience has been helped by the broadcasting of the Champions League. For example, the match between Barcelona and Inter Milan was watched by nearly 8.4 million viewers, with an audience share of 43.2%, while the Milan-Real Madrid clash in November 2009 was followed by more than 8.2 million fans, a 42.4% audience share<sup>57</sup>.

The outstanding results obtained by TVE in recent months run the risk of not being repeated again. As shown above, the greatest fiction successes of the public service broadcaster are outsourced rather than in-house productions. Recently, one of the partners at Globomedia, Daniel Écija, expressed his concern about the renewal of *Águila Roja* for another season as the high production cost of the series means that despite its huge audience success it might not be economically viable<sup>58</sup>. The series *Gran Reserva* sparked controversy among commercial television networks. The Association of Spanish Commercial Televisions ?UTECA ? brought an action against TVE for the inclusion of more than 57 commercial references during the airing of the first episode of the series, despite the recent prohibition of broadcast advertising<sup>59</sup>.

TVE will also see a reduction in its capacity to broadcast high-ranking sports events such as the Champions League, with the new Financing Act stipulating that the Corporation may not earmark more than 10% of its budget to the acquisition of sports events<sup>60</sup>.

#### 4.3. Fair competition

These difficulties are compounded by the current economic crisis that has led the Government to cut public sector funding. On 26 July 2010, the Ministry of Economy and Treasury announced its plans to reduce the subsidies

<sup>56</sup> Cfr. GRAN RESERVA, "Gran reserva", <http://www.rtve.es/television/gran-reserva/serie/>, 2010, retrieved 29.07.2010.

<sup>57</sup> Cfr. RTVE, 2009, op. cit.

<sup>58</sup> Cfr. EL MUNDO, "Águila Roja no es económicamente rentable", <http://www.elmundo.es/elmundo/2010/06/29/television/1277803311.html>, 2010a, retrieved 29.07.2010.

<sup>59</sup> Cfr. EL MUNDO, "Uteca denuncia que TVE incluyó 57 marcas comerciales en 'Gran Reserva'", <http://www.elmundo.es/elmundo/2010/04/19/comunicacion/1271680703.html>, 2010b, retrieved 29.07.2010.

<sup>60</sup> Cfr. Ley 8/2009, de 28 de agosto, de financiación de la Corporación de Radio y Televisión Española.

allocated to RTVE by 6%, resulting in a deduction of a total of 35 million euros from the budget of the public service broadcaster<sup>61</sup>. The approved budget for 2011 is 1,200 million euros, 550 coming from the General State Budget and the rest from the private companies and the commercial activities of the company<sup>62</sup>.

The changes to the financing of TVE were welcomed by the private television companies. Speaking at the General Shareholders' Meeting held in March 2010, the President of Antena 3 José Manuel Lara Bosch expressed his delight at the disappearance of a commercial competitor the size of TVE, and went even further by expressing his desire that the model would be extended to regional public television channels<sup>63</sup>. Mr Lara Bosch's delight is understandable with Antena 3 experiencing an increase in advertising revenue and a 153.4% increase in profits to 57.64 million euros in the first semester of 2010<sup>64</sup>.

Similarly, Telecinco CEO Giuseppe Tringali, speaking at the Shareholders' Meeting on 14 April 2010, declared that despite an almost 30% decline in investment in advertising on television in 2009, the network had retained the top spot in advertising turnover thanks to the disappearance of advertising on the national service broadcaster. With the total absence of advertising on the public television, Tringali went as far as saying that the investment released by TVE could potentially be picked up by Telecinco<sup>65</sup>. Indeed, the Mediaset-controlled channel achieved gross advertising revenues of 442.5 million euros in the first quarter of 2010, 43% higher than in the same period of the previous year<sup>66</sup>.

<sup>61</sup> Cfr. GÓMEZ, Rosario, "Hacienda quiere recortar un 6% la subvención de RTVE", [http://www.elpais.com/articulo/sociedad/Hacienda/quiere/recortar/subvencion/RTVE/elpepi-soc/20100726elpepi-soc\\_3/Tes](http://www.elpais.com/articulo/sociedad/Hacienda/quiere/recortar/subvencion/RTVE/elpepi-soc/20100726elpepi-soc_3/Tes), 2010, retrieved 29.07.2010.

<sup>62</sup> Cfr. Europa Press, "El Consejo de RTVE aprueba un presupuesto de 1.200 millones de euros para 2011", <http://www.elmundo.es/elmundo/2010/09/22/comunicacion/1285165252.html>, retrieved 24.09.2010

<sup>63</sup> Cfr. LARA, José Manuel, "Discurso del Excmo. Sr. D. José Manuel Lara Bosch, presidente del Consejo de Administración", [http://www.grupoantena3.com/nuevaa3tv/doc/Discurso\\_Presidente\\_Junta\\_240310.pdf](http://www.grupoantena3.com/nuevaa3tv/doc/Discurso_Presidente_Junta_240310.pdf), 2010, retrieved 29.07.2010.

<sup>64</sup> Cfr. ANTENA 3, "Antena 3 multiplica por más de dos su beneficio neto hasta junio, con 57,6 millones", [http://www.antena3.com/noticias/economia/antena-multiplica-mas-dos-beneficio-neto-junio-576-millones\\_2010072900012.html](http://www.antena3.com/noticias/economia/antena-multiplica-mas-dos-beneficio-neto-junio-576-millones_2010072900012.html), retrieved 5.08.2010.

<sup>65</sup> Cfr. TRINGALI, Giuseppe, "Discurso del consejero delegado de Telecinco, Sr. Giuseppe Tringali", [http://www.telecinco.es/inversores/es/documentacion/Discurso\\_Consejero\\_Delegado-Giuseppe\\_Tringali.pdf](http://www.telecinco.es/inversores/es/documentacion/Discurso_Consejero_Delegado-Giuseppe_Tringali.pdf), 2010, retrieved 27.07.2010.

<sup>66</sup> Cfr. TELECINCO, "Telecinco gana 107,4 millones en el primer semestre", <http://www.telecinco.es/telemania/detail/detail24273.html>, 2010, retrieved 30.07.2010.

## 5. Conclusions

This paper has highlighted the main problems that the Spanish national public broadcaster has experienced since 1990, when competition first emerged in the television market in Spain. The crisis at TVE was twofold: on the one hand, it was the result of inefficient economic management with spending exceeding revenue, and on the other, it resulted from an excessive dependence on the central Government.

Despite successive attempts to remedy these problems, the deepest, most effective reform of RTVE did not take place until 2006 with the publication of Act 17/2006. Inspired by the BBC model, it set out the principles for the selection of RTVE executives and ways of ensuring an ideologically independent corporation. Mechanisms were also put in place for greater control and supervision of the economic management of the public radio and television services.

Act 8/2009 (28 August 2009) on the financing of RTVE Corporation, which drew its inspiration from French media legislation, banned TVE from broadcasting any advertising from January 2010. Pursuant to the new Act, revenue previously obtained through advertising would instead be contributed by commercial television networks and telecommunications operators.

All these changes, which have taken place at a time of transformation of the Spanish television market (mergers between networks, the analogical switch-off and the economic crisis) have had a number of positive repercussions for RTVE. Firstly, RTVE's La 1 achieved a rise in viewers topping audience ratings for the first time since 2003, while commercial television networks saw an increase in advertising revenue after the removal of a direct competitor.

TVE's increase in audience share is also due to TVE's commitment to news coverage, support of Spanish-produced fiction series and broadcasting of sports events, in particular Champions League matches.

Nonetheless, these results might prove difficult to maintain. The Government's intention to cut RTVE's budget by 6% will leave less money to invest in quality productions. In addition, TVE will be banned from acquiring sports broadcasting rights in excess of 10% of its budget and will be forced to ensure tight economic management and to stick to the budget which will subsequently impose limitations on programming choices.

In order to more fully assess the consequences of the reform of TVE, close watch should be kept on the television market over the coming months, which will enable further evaluation of the mission and legitimacy of the Spanish public broadcasting services in the new digital context.

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