

Total income and sources of funding in public broadcasting – capabilities and pre-requisites for all this accretion

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Abstract: : The financing represents the most important issue which implies the existence of public broadcasters all over Europe and all over the world. Arrangements are different from a country to country : entirely from the state budget, part from the budget, part from radio tax, entirely tax etc. The financing system in Romania is built on three piles: from state budget, radio tax (licence fee per household) and own incomes. The percentage of this incomes is different, relatively variable, but the methods of using them are well defined. The article focuses on the analysis of the sources mentioned and possible options for increasing these sources.

JEL classification: M41, M42

Key words: broadcasting, licence fee, sources, radio tax, budget

Public radio institution is an entity well represented in Romania and Europe, it is an important component of the broadcasting audience enjoyed by most countries but its status varies from state to state. Worldwide, public service radio and television work was created and works by defined reasons and there is a clear separation of these stations from the commercial stations by the following [1] :

Legal and administrative position (state / private), method of financing (grants and subscriptions or charges / gains from its own activity), content (general, based on information, education and entertainment elevated / specialist, focusing on casual entertainment, consumer), audience profile (National Vocation / limited target audience).

Funding is practically the most important problem regarding to the existence of public radio and television in Europe and worldwide. In most civilized countries the early radio were as public or state property, but pretty soon (in the United States from the very beginning) the private sector felt that it could be a good deal, which was not always demonstrated.

The fact is that the radios had charged a fee that at the beginning was called a license fee, the right to own a radio receiver and to listen to a radio broadcasts and this fee has been a substantial financial pillar for the new way of information, radio. Following the example of Germany, England and other European countries, in Romania was given on October 20, 1932, a law for the creation of a fund necessary for the development of national network broadcasting[2].

In essence, the method of funding remained valid until after World War II, even during the communist regime maintaining the principle by introducing subscriber books with stamps and the receipt by mail.

A. The Current Funding in The European Public Radio

The public media system in which radio, television and other potential electronic information ways receive funding from the public, is the dominant form of media worldwide. Funds for public broadcasters can come either directly from individuals through donations and contributions, or indirectly by the state, through taxes or budgetary resources. Some public institutions supplement their funding from contributions from companies, which in turn may offer limited advertising space. However, advertisements on public channels are shorter and less aggressive than commercial. Commercial channels increase their number in many countries, the states in which there are only public channels is diminishing considerably in the recent years. Advertising arises the biggest controversy regarding the public radio budget. According to commercial stations, the competition is not right as long as public broadcasters earn income from fees and advertising too. BBC, DR in Denmark and Japan's NHK refused advertising revenues, broadcasting only social campaigns. In Greece, the Czech Republic and Italy, public radio does not receive subsidies from the state budget, making the monthly subscription to rise higher than in Romania. For any comparison, we insert here a table that presents the tax amounts for radio and television in European countries :

Table no. 1. Radio and TV licence fee per household (2007) - In EUR [4]

Country	TV	Radio	Radio + TV
AT - Austria		71,0	244,0
BE - Belgium	152,5		
CH - Switzerland	177,9	106,7	–
CZ - Czech Republic	54,0	20,2	–
DE - Germany		66,0	204,0
DK - Denmark	288,3	42,9	288,3
FI - Finland	208,0	–	–
FR - France	116,0		
GB - United Kingdom	183,6		
HR - Croatia	–	63,9	78,9
HU - Hungary	28,6	–	–
IE - Ireland	160,0	–	–
IS - Iceland	379,1	113,8	379,1
IT - Italy			104,0
NO - Norway	263,8	–	–
PL - Poland	–	16,0	51,6
PT - Portugal	–	20,0	–
RO - Romania	14,1	–	–
SE - Sweden	211,5		
SI - Slovenia		39,0	132,0
SK - Slovakia	14,2	8	–

Source: The European Audiovisual Observatory, The Financial Situation of the public radio and television companies in Europe is deteriorating, the volume The Economy of the European Audiovisual Sector, Stasbourg, 2002

The most expensive annual subscriptions reach 379 euros in Iceland, 288 euros in Denmark and 204 euros in Germany . By contrast, in Bulgaria and Spain there is no charge, while in Poland, 54,9% of DVT budget comes from advertising, the annual fee is 51 euros. The Obligation to pay a broadcasting tax aroused controversy not only in Romania. In 2006, over 700,000 households in Japan have refused to pay the subscription which is 97% of the NHK budget [3].

It is noted that the situation varies from country to country a lot, but this is explained by the fact that the national income per capita differ .

B. The sources of income of Romanian public radio

Regarding the sources of income there is no difference in substance between the public radio broadcasters , whether they are national or regional . All receive a share of public funds , that comes either from the state budget or from radio tax , as well as all have the freedom and opportunities to attract funds from other sources – meaning , in general, advertising, sponsorships or their activities. Sources of income of the public radio are [5]:

1) Allocations from the state budget that can be used: to cover development expenses, purchase of equipment and spare parts, purchase of consumables required for the specific use of broadcasting stations, the use of circuits owned by communications operators, the payment of contributions for the international governmental organizations.

Most of them , funds from the budget are used to pay the use of broadcasters, , circuits owned by operators of communications. More appropriate it would seem, in this case, that money to be poured directly to the final destination. At least it won't be shown in statistics , with no real coverage , that the state budget is financing the radio broadcasters.

Deepening little the analysis, it appears that the state budget finances the broadcasting (by radioelement and transmitters), after they have been produced from other sources of income (in their overwhelming majority of the fee paid by the public) by the national or regional stations of the Romanian Society of Radio.

2) Own revenues, which consist of radio subscription fee, obligatory to be paid by all owners of radios.It Is the most important source of revenue for the Romanian radio.

3) Income from other sources: sources made according to the objects of activity (advertising, music dedications, production and / or working in commercials, sound, etc.), donations or sponsorships. Sponsorship Law was approved on May 19, 1994 in a short and general form , not address to the specific field of broadcasting. Over time, the initial law suffered several changes and additions, and the National Audiovisual Council has developed more detailed decisions on sponsorship in broadcasting [6]. Each of these sources of income has , of course, a certain share of the total revenue, but more important are the elements regarding to the rules for direction of the money coming from each source, its stability and the possibility of the radio to increase the income for that chapter .

C. Comparative view on the economic situation and the concerns for optimizing the activity at the European radios

In the 2008 report of the European Union of Radio are presented the latest reports on the financial situation and the main data about public television and radio operators in the EU. Of these, I looked carefully on the European ones and I selected only a part of them, 5 of the major Western countries (Germany, England, France, Italy and Spain) and countries of Central and Eastern Europe to compared on their situation. In England, BBC gathered in 2007, 5,983 billion euros, while Radio France only 574,5 million euros, 10 times less. In England there are contributions from the state budget of 7,4%, while by the fee are charged 76,3% of revenues, and advertising and sponsorship are banned from public radio.

In France there is no allowance from the state, 85% of the money come from the radio tax, and 7.6% from advertising and sponsorships. Between the countries of Central and South East Europe we will question for the 2007`s situation in Poland, Romania, Hungary, Czech Republic, Slovakia and Bulgaria, noting that in this area are 5 countries in which no radio tax is charged: Estonia, Latvia Lithuania, Hungary, Bulgaria[7]. In Poland, the funds received from the state represent 1%, and the funds collected from the radio tax amounts to 66,1%. In Romania, the budget allocation amounts are 44,1% and those from radio tax are 52,4% of. Czech Republic budgetary allocations are restricted to 3,2%, while the percentage of tax radio incomes amount to 87,8%. We turn to Slovakia, where the income from the budget are at a rate of 11,6% of the resources and of the radio tax of 74,9%. Bulgaria has no Radio tax and 95,5% of the public radio income is allocated from the budget. Summing the percentages does not get anywhere to 100%, which means that everywhere there are other sources. Well, here is the key to what may be called to optimization of the radio`s economic activity, to improve the chapter of other income sources; of course, a second aspect regards the optimization of costs, but we will not discuss it now. We resume the percentages, this time summed, from the state allowance and Radio tax: UK – 83,7% France – 85,4% (only radio fee); Poland – 66,6% Romania – 96,5 %, Hungary – 78,5% (only from the state), Czech Republic - 91%, Slovakia – 86,5% and Bulgaria – 95,5%. To continue the demonstration, we now question the other percentages, those relating to money in the second category.

Table no. 2 Percentage of revenue from "other activities" in some European radios

COUNTRY	Advertising	Sponsorship	Other activities	TOTAL
England	0	0	16,3	16,3
France	6,4	1,3	7,0	14,7
Poland	16,5	1,8	15,1	33,4
Romania	0,9	0,2	1,6	2,7
Hungary	7,4	0,4	8,8	16,6
Czech Republic	2,4	3,5	3,1	9,0
Slovakia	5,8	0	7,7	13,5
Bulgaria	3,0	0,3	1,1	4,4

Source: European Broadcasting Union, EBU members' key personnel Financial and date, November 2008, pages 5-6

Turning to the situation in Romania, we mention that in time, this source of radio income held the name of radio subscription name or that of radio tax . Discussions about the name occurred starting from the requirement or no requirement of its payment by each family or each person.

The fact that the individuals are able, based on a declaration on their honor to pay only if they are radios holders, so the potential recipients of public radio services , could tilt the balance towards the name of subscription. However, at present, based on Government Decision nr.977 of 22 August 2003, the radio tax should be charged to individuals possessing radio sets as well as from the legal persons.

The number of radio tax payers was variable from year to year. Since 1990 the number of subscriptions was on average 3,500,000, with variations from 2,049,000 in 1993 to a peak of 6,180,000 in 2003 [8]. Highest number of radio tax payers rose in the year when legal acts amending the radio tax were elaborated , when practically databases included all potential holders of radio.

But each year has increased the number of those who declared on their honor that they have no equipment and they have no longer paid tax. What is interesting is that in recent years people have acted very quickly and in large numbers to no longer pay the tax.

For example, a significant increase of tax payers (subscription) was in 1995, after developing the Law 41/1994, when the number reached 4,442,000. Decrease occurred with 2-400000 payers annually, reaching in 2002 to 2,641,000, [9] emergency number, which has led to an emergency request from the Government .

As the statistics that we've presented indicate, the number of tax payers, individuals, reached in the year 2003 , 5.8 million. But, as in the period 1995-2002, the decrease of the number of payers is fast, by the end of 2006 the number of tax payers decreased by 1 million. Only in 2008 was recorded for the first time since 2003, the interruption of the reduction of the number of tax payers [9].

In this case, we can try an analysis that we think it is relevant and objective on the solutions adopted so far to collect the Radio tax and we allow our selves to propose ideas that lead to the optimization and stability of this source of income of the public radio. Here are the items which we believe they can be improved:

- 1) The amount of the radio tax , which currently is below the one from 2003.
- 2) The relative stabilization of tax collection, with no corrective or control ways . If we agree and sustain the idea that it is not moral for a man to pay services that it does not use, so we believe that it is not moral to take advantage fraudulently of a service covered by that he can give a declaration on his honor that nobody can control. It is obvious that not only 3 million households in Romania have radios, and we even believe that very few people would be entitled not to pay according to their declarations
- 3) Correlation of the tax with the previous year inflation coefficient. Process would be a fair, balanced, one which would protect public audiovisual companies from the danger of under funding and would relieve the government on long term, to give decisions to amend the charge.

4) Finding, however, possibilities to control the accuracy of the honor declarations. The solution which we consider appropriate and legal is that the declaration on their honor to include a paragraph in which the declaring to accept direct control of Broadcasting Supervisors and to take knowledge about receiving compensation and deterrent fines.

5) Reconsideration of the idea regarding to the groups of individuals and legal persons that receive radio and TV tax exemptions and institutions that are agree to pay the equivalent exemption.

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