

**Netherlands Scientific Council  
for Government Policy**

# **A Coherent Media Policy**

**Summary of the twenty-fourth  
Report to the Government**

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# 1. GENERAL OBSERVATIONS

## 1.1 Nature of the report

The Scientific Council for Government Policy (WRR) published its report 'A Coherent Media Policy' in September 1982. This report was compiled at the request of the Dutch Government with a view to providing a foundation for coordinated government policies with respect to the mass media.

Under its terms of reference the Council was given a free hand to determine the nature of the report, although the Government did specify that it should contain information on the following subjects:

1. a discussion of possible technical developments in the medium term in the field of telecommunications of relevance for the mass media;

2. insight into the possible implications of these developments for the press, the broadcasting system and other possible forms of mass communication;

3. a sketch of the possible consequences for society in the light of social and cultural developments. This includes attention to the employment aspect in both a quantitative and a qualitative sense, in that the technical developments and the associated introduction of new forms of international mass communication could entail the creation or loss of jobs and necessitate new or modified training and education requirements;

4. a discussion of the considerations which government policy should take into account against the background of points 1, 2 and 3; while taking the freedom of speech enshrined in the Constitution as the starting point, these include in particular:

- the nature of, scope for and limitations on government action, taking international aspects into account;

- financial, legal and organizational aspects;

- the structure of policy preparation and implementation.

The report 'A Coherent Media Policy' represents the WRR's response to the Government's request, although it did not prove possible for all the aspects referred to in the terms of reference to be handled in equal depth. On the one hand, it is not always possible to trace the impact of the new media technology on particular developments, or only in a very general sense. This applies for example to the employment aspects and to the future training and educational requirements. On the other hand, the sheer scope of the mass media field means that a selection must be made, particularly since the speed with which the technology and its practical application is changing, mean that this field is in a constant state of flux. This latter aspect, in particular, forced the Council to concentrate on examining developments of direct policy relevance in the near future.

In so far as it is concerned with examining the scope for a coordinated policy towards the media in the light of technological developments, the report necessarily has a marked technical emphasis. Developments in the field of television have been particularly stressed since most individuals in the Netherlands will experience technological innovations by means of the television screen in their own home. Much less attention has been devoted to radio, where no major changes are anticipated in the near future. The operation of the press, on the other hand, will be directly affected by technological change, which has already had, and will continue to have, far-reaching implications for the printing industry. In addition, the nature of many of its functions and the fact that it is financially dependent on the same source (i.e. advertising) mean that the press is directly drawn into the changes taking place in the field of broadcasting and in the provision of new services. As such, the report 'A Coherent Media Policy' takes account throughout of the effects of government measures on both broadcasting and the press.

This brochure does not contain the entire text of the 275-page report but is an edited version of the final chapter containing a summary of conclusions and recommendations. In doing so frequent reference has had to be made to the background and supporting argumentation contained in the untranslated chapters. These deal with the premises on which government policy is based; technology and the media; legislative problems; economic aspects, and socio-cultural aspects. Of particular importance for the report's conclusions and recommendations were a number of preliminary studies individually published in the WRR's Media Policy Preliminary and Background Study Series.

The Council's recommendations have been included in their entirety in this brochure. To a certain extent these recommendations inevitably apply only to the situation in the Netherlands. The latter differs from the situation in other countries in that under the public service broadcasting system, which is publicly funded, the government allocates transmission time on the basis of membership numbers to private organizations (i.e. broadcasting associations) the diversity of which matches the heterogeneity of Dutch society. In addition there is a cooperative body, the Netherlands Broadcasting Corporation (NOS), which controls the technical facilities and coordinates programmes suitable for joint production (e.g. television news and current affairs bulletins, and Eurovision broadcasts). The nature of the Dutch broadcasting system is examined in more detail in section 2.1.

## **1.2 Technical Developments**

### *1.2.1 Main features of technological change*

It is clear that technological developments mean that the traditional system of broadcasting over the air is going to lose an exclusive feature, namely the geographically-limited range of terrestrial transmitters; the advent of broadcasting satellites means that an international dimension will be added to the broadcasting system. The extent to which international satellite television will establish itself is, however, primarily dependent on economic factors and is not particularly susceptible to national legislation. In a technical sense, therefore, no direct and major pressure on broadcasting over the air is to be anticipated; the existing transmission network is adequate and would even allow greater flows of information if used more efficiently. A set of frequencies for a third television channel in the Netherlands is still unused.

The most important innovations are likely to take place with respect to the expansion of wideband cable transmission. Apart from the highly promising fibre optic cable, the current coaxial cable, of which there is an estimated 50 million kilometres under the ground in the Netherlands, has many possibilities. The technology of optical communication by means of fibre optic cable is already well developed; by using two optical fibres for telecommunication by means of light signals it is already possible at the present time to supply a house with four television programmes, thirty stereo sound channels, telephone and viewdata and various other possibilities. An optical fibre network requires fewer signal amplifiers, which helps keep costs down. Although pre-operational applications have already been realized, it is not realistic to anticipate the full-scale introduction of fibre optic cable in the Netherlands before the year 2000. The present coaxial cable also has considerable unused potential, although most cable systems would require technical adjustments and modifications before they could be used for wider purposes. This is of particular relevance since 60% of the Netherlands is already cabled, with the figure expected to rise to 3.4 million connexions in 1983 or a cable density of 85%.

Hitherto cable has been primarily used as a relay medium for broadcasting signals both for television and for radio, and for both domestic and foreign stations. The cable thus replaces the private aerial. Similarly cable is also used as a relay mechanism for satellite programmes or for receiving the teletext service of the Netherlands Broadcasting Corporation. Cable,

however, can carry a considerable number of transmission channels (good coaxial cables provide room for some thirty television channels, considerably more than currently required). This enables it to be used as a new medium for transmitting information which is not being broadcast (or not at the same time), thus reducing the pressure on the limited number of broadcasting frequencies. The 'free' channels can for example be used for transmitting programmes made specially for cable distribution, e.g. the direct placement on cable of programmes of purely local interest. In addition the cable network can be used showing programmes according to choice or demand, such as special video productions (subscription television) or alpha-numerical information (videotex). In principle these can or must be charged for separately per channel or programme. It will be evident that it is this use of cable as an independent medium which is likely to be of the greatest importance in the future.

In this respect reference should also be made to audiovisual products which, like broadcasting and new cable services, bear the imprint of the new technology. Innovations such as the rapidly spreading video recorder and the video disc will stimulate the growth of a 'cultural industry' on the software side that will not be without effect on the existing media.

Like traditional broadcasting and cable, the press is undergoing the impact of technological change. Keen interest is being displayed in the printing industry in new production and distribution systems, in which respect the possibilities opened up by cable and possibly the use of a home-printer (i.e. a text facsimile appliance in the home) could be used in the future for distributing a 'cable newspaper'. Similarly there is the possibility of newspapers making use of teletext.

These are all possibilities for the medium term. With respect to the traditional daily newspaper there is likely to be further computerization of editorial production and page make-up, increased internationalization of news sources, especially by means of satellite, the increasing application of computer techniques, and shorter production processes; the newspaper of the future will be characterized by specialization (i.e. production of 'tailor-made' papers consisting of a general section with special supplements for particular groups of readers) and by the more extensive use of colour for readers and advertisers.

### *1.2.2 Implications on the supply side*

The media system of the future will operate in a context characterized by an increased diversity of facilities. The expansion of viewing alternatives, including more individualized and separately chargeable programmes, will lead to greater equivalence among the available facilities, thus increasing the scope for substitution. At this stage, however, it is still not possible to predict the extent to which the new electronic media will supplant the existing electronic and graphic media. The development process has only just got under way and producer and consumer behaviour alone will tell in time how far substitution will ultimately occur. Substitution may, however, be expected to depend on the function which the facility offers to the consumer. As far as television is concerned, for example, a relevant distinction may prove to be that between relayed programmes (i.e. those broadcast at the same time) and transferred programmes (e.g. pay television) and audiovisual productions shown at home; for the present the news value of direct television broadcasts will remain irreplaceable, so that news and current affairs programmes (such as talk-shows) will stay part of broadcasting.

The precise form this greater diversification of facilities takes will of course depend in part on government policies. Especially in the case of cable – which provides a potential medium for many of the innovations – the regulations drawn up by the government will have a decisive bearing on the way in which all sorts of activities actually develop. Another important aspect will be the position which the Netherlands occupies in international developments, in that the international setting sets limits on the scope for

formulating national media policies. The international supply of programmes by satellite and cable will certainly be of relevance for future policies. Foreign stations may, for example, be expected to gear their programmes to a large and international public, and it will soon become a relatively simple matter to relay national productions with the aid of sub-titling or dubbing. A particular problem will consist of foreign commercial programmes relayed to the Netherlands and financed with the aid of revenue from advertising that would otherwise have been placed with the media in this country.

In this context an expansion in domestic facilities may also be anticipated in the form of a number of pay-tv channels. This facility has undergone particularly rapid growth in the United States and it would appear quite feasible for pay-cable in the Netherlands to expand in the next few years on a scale of major significance for the function and position of conventional broadcasting. Cable also introduces the possibility of additional broadcasting facilities. As far as foreign countries are concerned, the supply of programmes by means of a national feeder network operated by the Posts, Telegraph and Telephone Service (provided such a network is indeed set up), would in principle enable 'cable viewers' throughout the country to receive television and FM radio programmes from neighbouring countries. In the case of television this would mean that fourteen programmes of good technical quality would be available. Cable operators will presumably put together a package of services or offer a standard package of Dutch stations with a supplementary service of foreign programmes for which additional payment would be required. In terms of viewer behaviour the broad range of programmes available will compete with domestic programmes.

Internationalization by means of commercial tv satellites will provide a further range of facilities that can either be relayed by cable or picked up directly by parabolic dish aerials. With the possible exception of local broadcasting (radio or television), which could evolve into a community medium, most of the new facilities will be directed towards the general public, with feature films, series, sport, games and quizzes forming the staple fare.

### *1.2.3 Implications on the demand side*

Whether or not the technical possibilities on the supply side will in fact be exploited is difficult to say. In part this will depend on the government policies adopted in this field. In a free market, supply will respond to demand, but matters are less simple in a regulated market – which is the system under which radio and television operate in the Netherlands. Assuming however that the technical potentialities are exploited to the full in any future system of regulation, the sales possibilities will nevertheless be heavily influenced by consumer preferences, which are in turn determined by social, cultural and economic factors.

The more limited purchasing power consumers are likely to have in the coming years will have a decisive bearing on the speed with which various new media establish themselves. Even if it were to be assumed that consumer preference resulted in the growth of media consumption outstripping the growth of available household income, it would remain questionable whether a new, large-scale range of electronic media services could be entirely absorbed by the market. In practice this will mean that the penetration of new electronic media will be stretched out over a longer period or that certain aspects will be deferred for the time being. At the same time, it should be noted that these developments would not in any way detract from the fact that in the longer term this growth sector could expect to be a major beneficiary of any resurgence in consumption.

The role that social and cultural factors will play is even more difficult to predict. No conclusions emerged from the literature examined in the course of this study on which selective government policies towards the media might be based.

If the development of demand is assumed to be subject to certain limits (in terms of both the availability of income and the availability of time), the principal conclusion to be drawn would appear to be the possible convergence between certain future developments and existing trends in public preferences. More specifically, the following trends in the development of demand will have to be taken into close account:

a. The expansion of the number of television channels has an effect on the composition of the package of programmes. Experience in other countries (e.g. the US, Great Britain) has indicated that an increase in the available services leads to greater viewing figures for entertainment programmes, with a rise in the share of feature films and other forms of popular entertainment. Conversely the establishment of special interest channels would be possible.

b. While interest in factual reporting (e.g. television news programmes) remains constant, there is a decline in the viewing share of programmes of a more intellectual or philosophical nature. The shift would be particularly at the expense of cultural programmes, such as classical drama, ballet, poetry readings, panel discussions and documentaries on all sorts of subjects – programmes in which interest is limited enough as it is.

c. There will be a marked interest in pay-cable (and in general for pay-tv), which would enable the viewer to watch an additional amount of the most popular types of programmes (e.g. feature films and sport).

d. Local radio and television broadcasting can be assured of public interest, especially if the station is on the air for at least several hours a day and if its programmes have a local and regional flavour, with a large proportion of entertainment. Local radio and television are an attractive advertising medium for local commerce.

e. Video recorders can be used for concentrating on programmes that suit one's preferences; if cable television provided a greater selection, however, interest in viewing material on one's own tapes might decline. Expectations differ with regard to the video disc; the low price at which it might well eventually be marketed could give it a wide appeal.

f. As noted earlier, it is difficult to foresee to what extent new videotex services in the alpha-numerical field (e.g. teletext and viewdata) will displace existing media in the sense of genuine substitution. Teletext would appear to be a particular competitor for printed media providing information overviews, such as tv and radio guides; in the case of viewdata private interest is still limited, partly on account of the high costs, but this could change if there were an increase in the number of suitable applications. The widespread dissemination of viewdata (introduced in the Netherlands under the name of Viditel) would not appear probable in the foreseeable future.

g. There is a continuing state of competition between graphic and audiovisual information; the position of certain categories of the printed word in time-use patterns is getting weaker. This is not to say that the need for the graphic media will disappear, but the form in which some of them appear will have to be adjusted (e.g. that as a communication product they will have to be obtained from a screen), as will their content (once again more selection); acceptance will partly depend on lay-out and presentation.

### **1.3 Reasons for government policies**

#### **1.3.1 *The desirability of regulation; freedom of speech and cultural policy***

On the basis of the constitutionally enshrined freedom of the press in the Netherlands it is generally accepted nowadays that the government has at least an indirect task in the provision of media services (i.e. without interference in the content) in which the social heterogeneity can find expression. In this respect a distinction is drawn between media policy in the strict sense of policies related to the basic political right of freedom to form and express opinions and policies conducted on the basis of cultural considerations (e.g. the dissemination and maintenance of cultural values

and allowing the public to participate in these values). Government policies can also be influenced by specific circumstances, such as the existence of bodies like the broadcasting associations. The regulation of the broadcasting system has its origins in technical scarcity: the government allocated the limited broadcasting transmission times. Now that this relative scarcity has been eliminated with the advent of the cable, the question should first of all be examined whether this has also eliminated the need for government regulation or to what extent government regulation may still be regarded as required for other reasons. Relative scarcity, it should be recalled, does not necessarily prevent the equation of demand and supply, as may be seen from the case of the press where – in the absence of any technical scarcity – demand and supply are regulated by economic scarcity i.e. free market forces.

In this respect it should be noted that the nature of the system adopted is not a neutral factor. There are major differences between the free market system under which the press operates and the statutory broadcasting system; the nature of the system has an important bearing on both the government's freedom of action and the way in which suppliers are able to enter and operate in the media market. A free market leaves the government with only limited scope for intervention, since government measures will be scrutinized to ensure that they do not distort competition between suppliers. Where freedom of speech and the associated diversity point in the direction of the freest possible access by suppliers to the market the government will have to have clear arguments if it wishes to move towards regulation or intervention. The parallel existence of a free market also sets limits to government intervention when it comes to the establishment of a statutory system. The government is not, for example, free to act as it wishes when it comes to regulating advertising as a source of finance. The continuous controversy over this subject has its explanation. Unlike in Britain, for example, it was decided in the Netherlands that broadcasting advertising should be solely in the hands of the broadcasting system itself (by means of the specially created Stichting Ether Reclame (STER) – Television and Radio Advertising Organization). In principle, this admittedly monopolized activity has broken through the initially strictly non-commercial nature of Dutch broadcasting. Other participants in the market, such as the various press organs, are unable to ward off the competition from broadcasting advertising. This obliges the government to be cautious about allowing more advertising, particularly since (as experience has shown) it is very difficult to devise any satisfactory compensation arrangements.

If some of the new services coming onto the market (especially the exploitation of video channels in cable systems) are not marked by technical scarcity and economic scarcity can regulate the supply market instead, it would be quite conceivable for the system to be financed by subscription revenues, if necessary topped up with advertising income. Entry into the market could then be left unrestricted, apart from the normal requirements demanded of participants in the commercial world, such as adequate credit-worthiness. Although the effect on other media will have to be taken into account in a coordinated policy towards the media, the basic premises of freedom of speech and diversity only leave room for government intervention if essential functions that cannot be exercised in any other way are being undermined.

This, however, raises the practical problem that although the technological knowledge to develop new media is fully available, the financial resources – including especially advertising revenue – are comparatively limited. This then raises the question of the role that advertising should play in financing. And given the requirement of diversity with respect to existing media, this in turn raises the question as to whether the government should have regulatory powers in the framework of a coherent media policy. Contrary to what is popularly held, the Council would stress in this respect that commercialism and diversity need not be inconsistent with one another. Historically it was precisely the other way round: government initially



threatened the free expression of opinion (therefore this right was originally directed *against* the government) and the freedom of the press was achieved because of, not despite, commercial exploitation. Even in the present day the fact that an entire sector of the media – the press – is partly dependent on advertising income (i.e. on revenues that are not directly influenced by the government) does not constitute a threat to freedom of speech. The capacity for self-financing can in fact be seen as a safeguard for that freedom. The fact that commercial exploitation is an alternative does not therefore in itself provide a legitimation for government intervention in existing and (especially) new media. In view of the desire to ensure that technological possibilities are exploited as fully as possible, there is every reason to support the scope for commercially viable operation. Government intervention would, however, be acceptable in the event of a well-founded presumption that functions regarded as indispensable in the framework of media and cultural policy were not being properly exercised in the free market. In these circumstances there would be grounds for government intervention with respect to entry into the market and financing. The Council would add that this interpretation finds endorsement in the tradition of government policy in the Netherlands, where it has been held that the government should in general confine itself in the cultural field to policies that only establish the conditions and leave room for the private and voluntary sector, with intervention being restricted to such cases where basic policy objectives are at issue.

Seen in this light a coherent media policy may be defined as a problem of compatibility. It is a matter of encouraging new possibilities in the media field so that the widest possible range of services can be provided. At the same time, however, account should be taken of past achievements, in so far as they have a genuine basis of existence.

### 1.3.2 Advertising

The media are dependent for their financing and operation on their readers, viewers or listeners, and the advertising market. Dependence on advertising varies for the various media. Dutch broadcasting currently derives the major part of its revenue from viewer and listener contributions. Only some 25% of its income is derived from STER advertising, whereas in the free market newspapers depend on advertising for at least half their revenue. Advertising revenue has displayed a rather erratic path in recent decades. In the present circumstances no substantial increase in advertising revenue is to be anticipated for the foreseeable future. The entry of new commercial media into the market will therefore mean that the same advertising revenue will have to be spread over more, or different, organs.

Pay tv, viewdata, teletext, regional broadcasting, local radio and local cable tv or a 'cable newspaper' would in principle all be potential candidates for advertising. The introduction of new forms of advertising could, however, have serious consequences for the operation of the existing broadcasting system and the press. This will depend partly on government policy with respect to entry, and this will of course be an argument that the government will have to take seriously into account. With reference to the distribution of the volume of advertising over new and existing media facilities, two (opposing) trends have taken place in the free market in the last decade. In the case of free circulation newspapers new media have entered the market which are totally dependent on advertising, and which thus compete directly with existing press organs. The growth of special-interest magazines, on the other hand, is 75% financed by readers (i.e. subscriptions and individual sales). These are therefore two opposite poles, including in relation to editorial quality. The growth of the special-interest magazines indicates at any event that there is scope in the reading market for a high-quality product. These magazines tend to sell to market segments with a relatively high level of income education and income, which in turn determines the further growth prospects for this category of magazines.

The future may of course be marked by spontaneous developments over which the government will have only limited if any control. Examples include shifts in the relative importance of the various organs of the press and the internationalization associated with advertising by satellite. The government is, however, able to influence the volume of radio and television advertising (which it has already been decided should be expanded). With respect to the new electronic media, the question of whether they should or should not be operated with the aid of advertising will in general be preceded by the question of the appropriate organization of the market (e.g. free entry, which franchise system, nature of the audience etc.). Since everything transmitted by cable can in principle be charged for separately (at least in a technical sense), commercial operation without advertising (e.g. pay-cable) would also be a possibility. This does not apply to broadcasting where clients cannot be charged separately for specific information packages.

The new developments are making the government's position more difficult. The government is required to define its position on developments outside its direct sphere of influence (such as internationalization), besides which it has to take the position and vulnerability of the various media into account in its own policies with respect to existing (i.e. radio and television) and new (cable) advertising possibilities. In this respect it should also be borne in mind that the choice between operation with or without advertising (and the associated choice between the public and private sector) can have a decisive effect on whether or not a new medium is in fact developed.

In the light of these considerations it is obvious that the government will have to take advertising into account in its policies. This is not a matter of controlling advertising flows, which would be at variance with a free market system. If a coherent policy is to be pursued, however, the government will have to assess the anticipated consequences of its decisions in terms of its own points of departure and objectives and, in particular, to take consistent account of the consequences for media other than those to which the measures in question are directed. This will provide the legitimation for weighing up within the framework of the condition-setting policies whether and to what extent a new medium should be exploited with the aid of advertising.

### 1.3.3 *Functions of the media*

In the context of government intervention in the media it is useful to draw a distinction between the nature of media facilities (i.e. the information as opposed to the educative/expressive functions) and the actual operation of the media.

Despite the similarities and overlap, the system of government responsibility in the Netherlands is separated into two streams, one dealing with the diverse provision of information and the other with expressive functions. The information function includes news, documentaries, comment and opinion. These form the subject of media policy, which is directly anchored in the constitutional right of free speech, with all the obligations and limitations that this entails. The expressive function includes talks, stories, drama, theatre, ballet, music and education, and is primarily a matter of cultural policy. In general it may be said that the press is principally the subject of media policy, whereas broadcasting comes under both media and cultural policy. In the latter instance the government's objectives are concerned with the dissemination of and participation in cultural values. In those instances where government policy is based on various objectives and these come into conflict, media policy takes priority, since this concerns the freedom of speech.

These differences between the press and broadcasting are evident when it comes to policy instruments. Under the statutory broadcasting system both entry and financing are regulated by law. In the case of the press, however, any government loans act only as a supplement to market forces.

Technological change and the introduction of new media can result in changes in the functions of the media, which in turn can lead to changes in the position of the government. In this respect there is a need to take into account the possible repercussions on other culturally relevant areas of policy.

The impact on broadcasting of the marked increase in the selection of programmes of mass appeal may be taken by way of specific example. This expansion may provide grounds for reviewing the function of the public service broadcasting system (which is what the Netherlands has) on the basis of cultural and political considerations. On account of the nature of the medium and particularly since public service broadcasting would otherwise find itself in an elitist position, there can be no doubt that television within the public system should serve a wide audience. Nevertheless, as the choice of entertainment programmes from other sources grows, there may be a case for providing public service broadcasting with more specific functions. This point is taken up again in section 2.1.4.

In addition the positions of the various media can be injured in a way that cannot be adequately compensated for. This applies in particular to the press – especially the daily newspapers – whose existence could be threatened if (as expected) new advertising possibilities in radio, television and perhaps cable were to be exploited at the expense of the press. Such a development would have to be seen in the light of the particular nature of the individual media each of which, in objective terms, has its strong and weak points. The press continues to be of importance in providing a broad and continuous flow of information on national politics; a flow which is indispensable for the proper functioning of democracy. Radio and television broadcasting, by contrast, are able to dramatize various subjects in a highly individual manner and to bring them to a wide audience. Television has the unique ability to bring the viewer face to face with people and situations in the real world, but its dependence on visual images and its simplifying format render it much less suitable than the press for conveying abstract concepts, detailed argument or information of a non-visual nature. Both media have a part to play in providing the public with information. Radio broadcasting still has an edge on other media in terms of speed and flexibility.

In policy terms this means that allowance must be made for the fact that the media do not perform equivalent functions and that they are not therefore interchangeable. This renders it important to ensure a certain degree of diversity in each category of the media; from a media policy viewpoint it cannot be regarded as satisfactory if (for example) press organs are replaced by radio or television stations in a non-equivalent manner.

In this context reference may also be made to the agenda-setting' theory encountered in communications theory, which holds that the media have a decisive bearing on what people talk about and the subjects on which they form opinions. It may reasonably be argued that those who do not get through to the 'agenda' in the political debate and decision-making process will find themselves disadvantaged in relation to those who do. The various media each make their own contribution to the 'setting' of the agenda: the press has a particular value for the supply of news and information, but television is the leading means in the present system of dramatising issues and providing the public with a collective frame of reference. This then provides a further incentive for promoting diversity in each category.

#### 1.3.4 *The media, industry and employment*

Media-related industries in the Netherlands are well-placed to take advantage of growth prospects in this field. The country already has a high cable density and the electronics industry is strong. In addition the publishing industry in the Netherlands is well-developed, with the highly-developed

and export-oriented scientific publishing industry playing an important part. Consumer demand for media products is also highly developed, while the public service broadcasting system has considerable potential in terms of productive capacity and knowledge.

These advantages are, however, counter-balanced by the likelihood of relatively stagnant demand, which may make it difficult for new media services to get off the ground. Given the limitations on the use of the existing infrastructure (i.e. cable and broadcasting) there is little scope for compensating for this loss in sales prospects by expanding elsewhere.

At the end of 1980 the mass media industry employed some 65,000 people in the Netherlands. Employment in this sector has grown strongly in recent decades, this growth being sustained into the second half of the 1970s. The general decline in employment levels did not set in in the mass media industry until after 1979. Long-term prospects are difficult to estimate. The decisive factors in this regard will be the general state of the economy and the associated demand for media services. With respect to the printed media it is generally assumed that the stagnation in sales (i.e. the decline in circulation figures and reduction in advertising revenue) will result in falling levels of employment. In addition technological developments in the printing sector of the publishing industry are likely to see a loss of jobs there. To some extent, however, these developments will be compensated for by a shift of traditional printing functions towards the supplier of information. If the press, as suppliers of information, begin to make use of electronic media, this will provide a stimulus to employment in the printed media sector. The greater diversity of choice (e.g. cable, broadcasting, video and satellite) will entail a high level of potential demand for software. The audiovisual industry may be expected to become a major growth sector, with favourable employment prospects.

In the media industry, important technological changes have taken place in the past which have always been accompanied by a sharp rise in demand for the services provided by this sector. In particular, there have been important changes in the printing industry, which have resulted in a change in the content of many functions. This process of change has, however, been followed with the closest of attention by employers and employees in this industry, who have taken measures to enable a relatively smooth transition to the new technologies. The maintenance of such forms of cooperation and control will remain of utmost importance in the future.

## 2. BROADCASTING

### 2.1 The national broadcasting system

The Dutch broadcasting system has two essential characteristics. In the first place, it is a statutory system in which the profit factor is excluded. In principle, therefore, the system must be financed on a non-commercial basis. Secondly, it is a system that sets out to reflect the diversity of Dutch society by means of broadcasting associations based on the country's traditional denominational divisions or which at least have a distinctive cultural slant. The statutory nature of the system is based on regulation by the government. The government (by law) draws up the objective rules for the admission of broadcasting organizations and the allocation of transmission time. The system is funded out of television and radio licence fees, which are allocated by the government to the broadcasting networks on a proportionate basis.

The specific nature of the Dutch broadcasting system lies in the fact that it seeks to combine its public nature with the institutionalized diversity of Dutch society known as 'verzuiling' ('pillar system'). It is typical of the Netherlands that this diversity should be historically based on religious and ideological differences. This is still clearly evident in the nature of the system: in essence the organizational structure is still based on the concept of denominationally/ideologically based organizations ('pillars') representing recognizable groupings in society. As may be seen from a number of provisions in the Broadcasting Act, candidate organizations are similarly expected to fit in with the system of 'verzuiling'. But as discussed in the following section, the intentions of the legislature have in the meantime run into conflict with developments in society, especially the breakdown of the traditional system of verzuiling. These trends led to the adoption in 1965 of the 'Open Door' policy, under which the system was made accessible to organizations other than the traditional ones. This did not, however, solve the problems. The influx of new broadcasting organizations increased the competition for viewing and listening figures and the (partly related) highest possible number of members. The frequent result – to the detriment of the programmes themselves – was a 'ratings battle'.

Whatever the disadvantages of the open system, it should be noted that this openness of the broadcasting system is unique in comparison with the institutions and arrangements that have been devised in countries resembling the Netherlands in economic, social and cultural respects. Although this openness might render the system vulnerable, it can only be an advantage that the allocation of transmission times should enjoy legitimacy in terms of public preferences. By comparison, such public legitimation is less well developed in the case of other community services. Similarly the autonomy of the broadcasting networks to determine their programmes is to be commended in terms of the basic principles of freedom of speech and diversity. In comparison with the position of broadcasting networks in certain other countries, these arrangements might well be regarded as an achievement worth preserving.

This openness and autonomy have meant that the functions of broadcasting (both the informational and the expressive) have taken a special form. The intention is that broadcasting organizations in the Netherlands should represent particular religious, ideological or cultural streams within the population. This means that their information, opinion, educational and cultural programmes should take a certain slant, thereby providing viewers or listeners with a sufficiently wide range of choice. With respect to entertainment programmes the case for diversity, specialization or a distinctive orientation may be less self-evident, but experience indicates

that it nevertheless exists. As such there is no reason to abandon the diversity principle with respect to this category and to entrust entertainment, as a 'neutral' category, to a broadcasting association without any particular slant. (It should moreover be borne in mind that entertainment programmes form the staple fare of television, taking up 60% of transmission time and 75% of viewing time.)

### 2.1.1 *Principal problems in the current system*

The intentions of the legislator have come adrift because they have either proved impossible to implement or because they no longer square with the reality of social developments. Examples include difficulties in relation to the grounds for deciding on admission to the broadcasting system (i.e. the cultural criterion and the requirement of diversity), in relation to the assessment of the actual operation of existing organizations (on the basis of the requirement that they provide a comprehensive programme) and with respect to the role played by membership numbers. An additional factor has consisted of the growth of the commercial element in the system.

a. Under the cultural criterion laid down in the Broadcasting Act, a candidate broadcasting organization must aim at satisfying cultural and spiritual needs. This formulation proved too vague as a selection criterion; experience will have to show whether the requirement added in 1978 of representativeness of a social cultural, religious or spiritual current among the community does amount to an effective criterion.

b. The requirement of diversity introduced at a later date, under which candidate organizations are required to demonstrate that their programmes differ from what is already being provided and that the diversity of broadcasting would be enhanced as a result, places the government in the position of having to decide about the programmes of new and – in relation to greater diversity – existing organizations; this could have awkward implications for freedom of speech.

c. Similarly the requirement in the Broadcasting Act under which broadcasting organizations are obliged to provide a comprehensive programme with cultural, information, educational and entertainment elements in reasonable proportion is equally difficult to achieve in practice. On the one hand it compels broadcasting organizations to produce programmes they do not really wish to make (e.g. entertainment instead of serious programmes). On the other hand the requirement does not really prevent overconcentration on popular programme material, since there are no generally accepted means of assessment and the principle of freedom of speech makes it highly problematical to penalize transgressions.

d. Under the concept that broadcasting organizations should reflect various elements in society, admission to the system and the allocation of transmission time are dependent on the size of membership. The intention behind this concept has been undermined by the fact that membership of a broadcasting organization has come to be linked to subscription to a tv/radio guide. A subscription to a tv/radio guide – which are published by the broadcasting organizations – is now accepted as membership of an organization. Formerly, the radio/tv guides did provide a real link with the rank and file, when the latter was still clearly identifiable, including in an organizational sense. More recently, however, these publications have appealed to popular taste and make use of every available modern marketing technique. The link between radio/tv guides and transmission time has led to the fact that circulation figures now exert an influence on the allocation of transmission time. This is particularly undesirable since membership figures determined in this manner are not properly consistent with a system in which the various sections of society are meant to be represented.

These problems can essentially be traced back to the far-reaching changes which have taken place in Dutch society in recent decades. Broadcasting organizations have grown very large and new associations

have entered the ranks with a heterogenous following and aimed at popular taste.

These new organizations do not really fit into the concept of representativeness on which the Broadcasting Act is based. The result of the present battle for viewing figures has been an increase in programmes such as entertainment and sport. On the one hand this has had the effect of preventing the growth of illegal stations not forming part of the broadcasting system as such, and which would presumably have been difficult to control, but at the same time this has meant that the information and cultural/educational aspects of broadcasting have come under pressure. The system has been preserved, but at the expense of being undermined from within.

Finally a major problem in the present system is the trend towards commercialization. The broadcasting organizations may be non-profit-making bodies but they operate in a highly commercialized environment. Given its mass range and penetration, it is only inevitable that a medium such as television should be susceptible to commercial influence. Examples include covert advertising, commercial activities by broadcasting personalities and commercial links of the broadcasting organizations.

The Government Commissioner for Broadcasting recently carried out a detailed survey into these matters. The survey revealed that a great many aspects were not consistent with the intentions and design of the system. His report recommended that more detailed legislation, controls and supervision should be instituted. A separate problem, according to the report, consists of the administration of the radio/tv guides: in certain instances there is such a clear relationship between the broadcasting organizations and third parties with respect to the revenue obtained from these guides that a profit-making motive cannot reasonably be denied. In this respect safeguarding the system from commercial influences is certainly an issue.

### *2.1.2 New problems*

The greatly increased range of television programmes that is likely to be available in the future will place the system under further pressure in a number of respects. These include implications for programming, the cultural field, financing and with respect to advertising.

#### *2.1.2.1 Programming implications of wider choice*

The wider range of choice on television from outside the public system will mean greater ability to select entertainment programmes, particularly if, as expected, the new facilities are geared to popular taste. Entertainment programmes have always tended to have a wide following: they do not just enjoy hard-core support among a certain section of the viewing public but may be said to dominate viewing patterns in general. Cultural programmes and documentaries generally obtain low ratings, although they may occasionally reach a wide audience if habitual viewers keep watching in the absence of any entertainment alternative. In the future, however, these types of viewers will avoid programmes of this kind as entertainment programmes become more widely available. Cultural programmes, documentaries and the like will therefore be squeezed aside even further. Given the existing link between transmission time (including prime time) and size of membership – meaning in effect subscriptions levels for radio/tv guides – the battle for viewers is likely to become even more intense in the Netherlands. Together with the competition from foreign channels and subscription television, this process will accentuate the trend towards popular programming, thereby presumably increasing the conflict with the requirement for comprehensive programming. The functions served by broadcasting in relation to culture and education could also come under further pressure as a result.

### 2.1.2.2 *Implications for cultural policy*

The fact that existing broadcasting associations will seek to counter the widening of television services by slanting their programmes more towards popular taste will place the cultural aspect of public service broadcasting under pressure. Programmes will cease to bear such close relation to the professed identity of the broadcasting organizations and the interests of specialized groups of the public will tend to be neglected. Foreign programmes form an important part of popular television in the Netherlands. The internationalization of television programmes undoubtedly has enriching cultural effects; the fact that it is possible to keep abreast of events and cultural developments in other countries is only to be welcomed. As the facilities are broadened, this could also apply in the case of high quality foreign programmes, but matters would be different if market processes were to lead to the displacement of Dutch cultural productions. If the expansion in transmission times is not accompanied by a commensurate increase in finance for domestic programme production, their relatively low cost will result in foreign programmes taking a greater share. At the present time, the foreign share has remained limited to approximately a third of total television in the Netherlands: a share that does not compare unfavourably with that in other Western European countries. The three categories where reliance on foreign programmes is the greatest are drama, sport and children's programmes. The most pronounced case is that of drama, where Dutch productions account for only a fifth of the total; in the two other cases the relationship between Dutch and foreign productions is around 3:2. At any event, a good deal of foreign material is screened on Dutch television, especially British and American programmes. The social, moral and political beliefs and values portrayed in entertainment, plays and advertisements may well exert a certain cultural influence.

### 2.1.2.3 *Financial implications*

The greater range of services will result in a rise in demand for software on the part of programme providers. Since the output of the audiovisual industry is unlikely to be able to match this demand in the early years, this may be expected to lead to a rise in software prices, and hence in the cost of television productions, at least initially.

Secondly, a large part of the new facilities will be separately chargeable. Pay-cable is an obvious instance. It also seems probable that consumers will pay for foreign cable services (e.g. by the proposed PTT feeder network) in proportion to the number of channels they receive. Subscription costs for pay-cable will be in the order of N.Fl. 10 – N.Fl. 20 per channel per month, while the cost of being connected to a possible national PTT feeder network would be N.Fl. 1.90 per month, with an additional N.Fl. 2 per month by way of copyright fees. Licence fees currently stand at around N.Fl. 12 per month. It would be possible for a conflict to emerge in the future between ordinary licence fees (required for financing the public broadcasting system) and expenditure on cable subscriptions, subscription television and perhaps also video cassettes and video discs. Setting the level of licence fees could in these circumstances turn into a political issue, particularly if the public were to become divided into adherents of the public service system and those who opted for a fully commercial system.

A third financial consequence could be a reduction in the revenue obtained by the Television and Radio Advertising Organization STER as the result of the drop in ratings in the public service system following the enlargement of services not forming part of that system. This aspect is taken up separately below.



#### 2.1.2.4 Commercial broadcasting by satellite

The wider range of viewing choice is likely to lead to a drop in the ratings for the two Dutch television stations, Nederland I and II. In the long term, as various services come onto the market, allowance will have to be made for a structural decline in ratings. This in turn will mean that STER advertising will reach fewer people, and that average advertising rates will have to come down. STER revenues will not, however, fall just because of the lower viewing figures as viewers turn to other alternatives, but may also be affected by the availability of advertising time on satellite television.

Commercial satellite broadcasting will be particularly attractive to certain categories of advertisers. This is partly because of the limitations to which STER advertising is subject (i.e. placement before and after the news bulletins). In addition the limitations on advertising transmission time mean that the demand for tv-advertising cannot be satisfied. The remaining potential demand is estimated at between N.Fl. 150 and 250 million. Finally STER is not permitted to link its advertising to the content of programmes. The way in which commercial satellite channels will be used for advertising is likely to be a good deal more flexible:

- much more advertising time will be available;
- advertising will not be confined to the beginning and end of news broadcasts but will also take place during programme breaks. This will make it possible for advertising to be directed towards specialized groups in the community by concentrating it around particular programmes of interest to those groups.

An estimate has been made of the possible impact on the Netherlands of the internationalization of advertising by means of satellite television. The volume of advertising susceptible to internationalization may at the present time be put at around N.Fl. 40 million (compared with STER advertising expenditure of some N.Fl. 200 million). In the short term, however, a number of factors are likely to ensure that the impact of satellite television remains limited. For one thing, the audience reached by satellite will remain limited, the potential being put at 11 million television households in Europe in 1985. In comparison with the potential audience of the national television networks (110 million), and taking into account that satellite channels will have to compete against national channels with presumably much higher viewing figures, satellite will initially reach only a limited audience. As such it is initially unlikely to siphon off much of the advertising expenditure currently allocated within the Netherlands.

Certain factors are however subject to change. Because programmes will be transmitted during the day rather than just in the evening, it will be possible for them to be more closely geared to the public likely to be watching at a particular time. Programmes – particularly special interest programmes – will become more group-specific in nature. This is all the more likely to happen since the greater range of choice on television will produce distinctive individual viewing patterns, to the encouragement of special interest programmes. The prospect of television being used to reach specific groups will also become greater in the case of commercial satellite television in that this new facility will open the way for sponsored programmes (i.e. programmes made by advertisers and incorporating the advertising message).

At this stage, however, it is not yet possible to foresee how rapidly satellite television will grow. As noted above, this is partly a matter of the structure of the media, but it will also depend on international marketing, in the sense of the introduction of products and brands that are able to penetrate various European countries at once on the basis of uniform presentation and distribution.

### 2.1.3 Possible solutions

#### 2.1.3.1 A third television network?

The trend towards internationalization as outlined above and the possibility that an increasing volume of advertising might be gradually siphoned off from Dutch broadcasting have given rise to the idea of responding to these developments by the introduction of a third, commercial television network. With respect to advertising, this network would have to be set up in such a way as to provide an adequate counter to advertising from abroad by the Dutch corporate sector. A third network specifically designed to prevent advertising expenditure from being siphoned off abroad would have to be set up along different lines from STER; it would instead have to be a commercial station, in which advertising played a more prominent part than in the present system. The revenues would have to be at least great enough to finance a third network, but would also have to provide room for supporting Nederland I and II. A second consideration is of a programming nature, namely that a third network would enable the introduction of more broadly-based programming, in contrast to programming designed to reflect the particular slants of the broadcasting organizations.

In principle the problem of satellite television may be tackled in two ways: efforts may either be made to resist and limit it, or to counter it with a separate advertising strategy. The scope for resistance and limitation is not great. One form it might take would be an international (e.g. European) agreement to restrict the use of broadcasting satellites for direct transmission to other countries, thereby complying with international conventions calling for other countries' broadcasting systems to be respected. It is, however, questionable whether such a limitation would not be in conflict with the international freedom of communication. In addition the cooperation of all the interested countries would be by no means assured.

There would be two variants to an active advertising strategy, namely the expansion of STER advertising or the introduction of a commercial third network. With respect to the first of these variants, STER advertising would not only have to be expanded but also to be presented on a more flexible basis if it were to hold international competition at bay.

The second variant (a commercial third network) would make substantial inroads into advertising expenditure currently placed with other media. The sums at stake here are estimated at around N.Fl. 500 million. It would appear feasible for a sum of this order to be raised in the advertising market for the operation of a commercial third network over and above the N.Fl. 200 currently placed with STER. This would, however, be to the direct disadvantage of the press. This shift in the distribution of advertising expenditure over the various media categories would lead to claims on the government for compensation and thus be a significant political factor, irrespective of the way in which the legitimacy of those claims is viewed, which can vary considerably depending on political preferences for a free market or a planned system.

Both the expansion of STER advertising and the introduction of a commercial third network would result in a structural realignment of broadcasting and the press in the advertising market. This change can be approached in one of two ways. The first is that structural and permanent change has to be accepted, although to avoid excessive dislocation this might include provision for a five to ten year transition period in which those who had suffered losses would be allocated a proportion of the revenues obtained by the third network. The second approach would consist of a radical change in the way in which broadcasting revenues were allocated, to the effect that not just the broadcasting organizations but also the press would have an entitlement to such revenues.

Such an approach would, however, entail an inherent change in the operation of the market, in that the operation of the various media would be made more independent from the revenue each of them obtained from their own advertising.

The government is faced with deciding whether the structural realignment of the media is sufficiently important to warrant the introduction of institutional modifications to the relationship between broadcasting and the press and to amend the basis for deciding on entitlement to advertising revenues. In this regard it is important to bear in mind that changes would be prompted by external developments, in this case as a response to the threat from abroad in the form of the siphoning off of domestic advertising expenditure. This might provide a reason for ensuring that the impact and size of the transition were kept to the minimum required to give an adequate response to the competition from abroad. This could mean that a less far-reaching device (such as the expansion of STER advertising) was to be preferred to the establishment of a third network. Also of relevance is the fact that, given the uncertainty surrounding the introduction of commercial satellite television, a decision on a third network would clearly be premature at this point.

#### 2.1.3.2 A 'third programme'?

The greater availability of entertainment programmes (including commercial services) could heighten the need for public service broadcasting to provide specific services in order to ensure that media and cultural policy objectives were met. A number of proposals are outlined in section 2.1.4 for promoting diversity and greater programme diversity in national broadcasting. In itself, however, ensuring that the major religious and ideological streams in society are reflected in broadcasting programmes is no guarantee of sufficient high-quality cultural viewing and listening. Culture in this sense bears only a limited relation to ideological streams, particularly when it is borne in mind that there are at present many new forms of cultural expression in which individual freedom of choice plays a large part. For this type of cultural expression to come into its own separate programme arrangements may well be required in which there is room for high quality productions of this kind. This would mean that broadcasting would for example provide a place for the arts and sciences, for 'difficult' productions of Dutch origin and for exploratory and innovative productions by the various sub-cultures in Dutch society. Ensuring a place for such productions would provide a counterweight to the greater uniformity of choice that internationalization may bring. In some instances this could involve considerable sums of money. The production of Dutch-language plays, for example, costs a good deal more than the average hourly cost of N.Fl. 35,000 for ordinary programmes. The extra funds required could be obtained from licence fees, over the allocation of which the government has, within certain limits, discretionary powers. To do this would, however, mean increasing licence fees. Providing room for high-quality Dutch programmes would also give a boost to the domestic cultural industry.

Guaranteeing the provision of such services need not depend on making transmission time available to those concerned. This would only lead to an undesirable fragmentation in terms of overall programming. More to the point would be an expansion of the broadcasting functions of the Netherlands Broadcasting Corporation (NOS) or to establish a new broadcasting organization with this specific task (i.e. a cultural channel). The expansion of the NOS would however raise the question as to whether its institutional structure would ensure the degree of independence that these kinds of programmes would depend on. Finally it should be observed that if the other broadcasting organizations were to be required to adopt a more distinctive cultural image, they might also be inclined towards expanding their programme activities in this field. There would be nothing against this; competition can only be beneficial.

There would also be a case for a specific facility in terms of freedom of speech, in that it may be anticipated that many groups will spring up in the future which would be unable to penetrate the ranks of existing broadcasting organizations but which would be either unwilling or unable to form a

broadcasting organization of their own. In itself there would appear to be a strong case for the voice of such social groupings to be heard. In addition it is important for there to be provision outside the 'identity' system – in which social diversity is meant to be reflected – for varying standpoints to be confronted with one another, thereby enabling common elements to come to light. Such an exchange of viewpoints would be entirely consistent with the functioning of a democracy. Once again there is the alternative of doing this through the NOS or of establishing a new facility (or facilities). The fact that the NOS was charged with such functions in the past but was later relieved of them does not argue in favour of the former alternative.

#### *2.1.4 Recommendations for the national broadcasting system*

The constitutional right of freedom of speech means that any government intervention must be based on compelling arguments. In the case of the national broadcasting system these arguments used to centre on the scarcity of transmission time in a system that was designed to reflect identifiable elements in Dutch society. The advent of cable means that the scarcity argument no longer holds. The technical possibilities already exceed what is permitted, with cable systems being able to carry some thirty channels. Some of the problems of the broadcasting system, which call into question the system's claim to reflect the various currents in society, were discussed in section 2.1.1.

On the principle that government policy should not be unnecessarily restrictive – i.e. that any potential should as far as possible be allowed to come into its own – there are grounds for a review of the broadcasting system. In particular, this centres on the extent to which broadcasting should continue to be regarded as a public good, thus implying government regulation of admission and funding. In a coherent media policy, this question cannot be viewed in isolation but must be placed in the context of the development of other (present and future) media.

As discussed in this report, the national broadcasting system will in future have to operate in the midst of much greater competition. The greater range of choice (by means of satellite, cable and video) will result in equivalence and a resultant drop in viewing and listening figures and a possible decline in financial resources. In principle this is something the government is able to influence: it could for example consider introducing restrictive cable policies (no satellite relay, no subscription television and only limited local programmes) in an effort to save the present system. To do so would not, however, be consistent with the spirit and the letter of the principle of free speech and would be at variance with the intention of making the best possible use of new possibilities in media technology. There would moreover be problems of controllability.

The Council would therefore favour a liberalizing broadcasting policy. Government intervention is only justified if irreplaceable functions would otherwise be lost. With respect to national radio and television, the Council has in mind informational and expressive functions that could not be satisfactorily replaced by new facilities geared primarily to entertainment. The Council also considers that the reflection of social diversity is an asset worth preserving. These considerations do, however, mean that a statutory system if maintained should be designed to promote these values as best as possible. The statutory system will therefore have to stress a form of programming in which the information and expressive functions can come into their own. While there is room for the entertainment element, it should not be allowed to dominate simply on account of competition between broadcasting organizations. As far as reflecting social diversity is concerned it should be noted that it cannot necessarily be assumed that this will be automatically fulfilled by the existence of the present broadcasting organizations but that admission into the system of other socially distinctive groups must also be possible.

On the basis of these considerations and in the light of the problems in the current broadcasting system, the Council would make the following recommendations with respect to the future national broadcasting system.

a. *Admission and exclusion*

The present broadcasting organizations owe their existence to the fact that they represent particular social, cultural, religious or spiritual streams in society. The task is therefore for that representativeness to be established as unambiguously as possible. This means that the broadcasting organizations should for preference take the form of associations. Membership of a broadcasting organization should no longer be linked to subscription to a tv/radio guide but should be made on the basis of the social and cultural stance of such organizations, meaning that membership should be dependent on the payment of a genuine contribution. Delinkage would have to be strictly regulated in order to avoid subscribers from becoming quasi-members; the Council does not conceal the fact that such a regulation would be difficult. The result will be a drop in the membership size of broadcasting organizations, the decline varying from organization to organization depending on the affinity which the present members or subscribers feel for the organization in question.

Some might fear that the greater competition and proposed delinkage of subscriptions and membership could lead to a sharp decline in the size of membership of the broadcasting organizations. This could place the public service broadcasting system under pressure and threaten the financing of the system. On the other hand, these organizations have clear links with major currents in Dutch society. Even if subscriptions were no longer to count as membership, the broadcasting organizations would still be able to maintain links with their members through their radio/tv guides. The greater emphasis on distinctive programming would in fact provide the broadcasting organizations with the chance to underline the importance of membership, as a means of exerting influence on programming. The genuine contribution suggested above should of course be realistic as seen from the standpoint of the broadcasting organizations: there should be a suitable balance between the level of the contribution and what is offered in return.

This means that new numerical criteria will have to be worked out for admission to and exclusion from the broadcasting system. These will have to be set in such a way as to assure adequate diversity while at the same time preventing a slide into fragmentation. The required figure for admission to the system will have to be laid down in good time by the government, on the basis of the development of membership numbers, during the transition period as specified below.

Apart from the numerical criterion, admission and exclusion should also be made dependent on the extent to which broadcasting organizations contribute to the diversity of the broadcasting system. The recently introduced diversity requirement in the Broadcasting Act would therefore be retained, where necessary being made more operational. The diversity requirement would apply not only to new but also to existing organizations; since experience has shown that, in programme terms, broadcasting organizations can sometimes take a different tack from that originally envisaged. At the end of the transitional period these organizations would (for the first time) be assessed in terms of the extent to which they were fulfilling their self-professed aims. The assessment will be conducted by the Minister of Culture, Recreation and Social Welfare\*, after consulting the Broadcasting Council and in the light of the data supplied by the research department of the NOS.

\* Since the publication of this report the office has been renamed: Minister of Welfare, Health and Culture.

Once they attain a certain level of membership – e.g. in the order of a third of the numerical criterion referred to above – candidate organizations should, from the viewpoint of openness, be allocated a limited amount of transmission time.

In principle there would be no objection if broadcasting organizations wished to confine themselves to either television or radio alone. In the case of an organization interested only in radio broadcasting the membership threshold could be set somewhat lower.

The assessment of organizations in terms of numerical criteria and the diversity requirement (or social/cultural representativeness claims) would have to be carried out periodically, for example once every five years. In doing so the aim would be to ensure that the various organizations could promote their distinctive images without interference and with a certain degree of continuity, while also providing an adequate degree of flexibility within the system. The latter would require not just a certain openness with respect to admission but also the ability to enforce exclusion.

It will be self-evident that radical changes such as those proposed above require time and that transitional arrangements will be required in order to prevent serious disruption to the broadcasting system. During the transitional period (for example five years) the status of all the broadcasting organizations (in the sense of the Broadcasting Act) would have to be maintained, with the initial assessment in terms of the numerical and diversity criteria taking place at the end of that period. As noted above, the government would have to specify the numerical criteria in the course of the transitional period and the broadcasting organizations would have to formulate the social and cultural image they sought to represent.

*b. Allocation of transmission time*

The system would be arranged in such a way as to bring out the social and cultural distinctiveness of the various elements in Dutch society, thus resulting in a diversified whole. Reflecting a particular social current would then be of greater significance for the allocation of transmission time than numerical strength above or below the threshold for admission to the system. At the present time numerical strength plays a large role, as a result of which the broadcasting organizations tend to expend their energies in competing against one another in an effort to attract as many members as possible. On the other hand the standardization of transmission time would go too far in removing the incentive to compete. The Council's preference is therefore for a system in which membership size does play a role in the allocation of transmission time, but in such a manner that transmission time increases less than commensurately with membership size.

*c. Third network*

The establishment of a commercial third network as a means of preventing advertising expenditure from being drained off by other countries is considered premature. Preference should instead be given to expanding STER advertising and placing it on a more flexible footing. In doing so the implications for the diversity of the press should be taken into consideration; this point is taken up again in section 4.

*d. Programme composition*

The new policy on admission and exclusion will have consequences for programming regulations. Taken together the numerical and diversity criteria form a high threshold, so that the permanent mobilization of membership will demand the establishment of a distinctive identity. For this reason the present requirement for the provision of comprehensive programmes could be allowed to lapse or at most be reduced to an indication of the minimum required percentage of information programmes. The proposed regulation would admittedly not rule out admission to the

system of groupings that wished to concentrate on mass appeal programmes, but in itself this would not be a wrong: as long as they satisfied the admission requirements, their existence would be perfectly legitimate. The point at issue is that the proposed system of allocating transmission time would make it less easy for such mass-appeal organizations to force other, more narrowly-based broadcasting organizations to move away from their more specialized programming in an effort to keep up in the ratings battle. Where large membership numbers ceased to play such an important part in the allocation of transmission time, the incentive to compete for audience ratings would be reduced. Strict regulations (as for example the comprehensive programming requirement in the Broadcasting Act) would therefore cease to be necessary.

e. *'Third programme'*

The establishment of a 'third programme' would be desirable. This programme would fulfill functions that are not at present properly fulfilled by the broadcasting organizations based on particular elements in society, on account of the attention those organizations must pay to ratings, membership size and the promotion of their particular identity. The third programme would cater primarily for expressive and informational needs. Examples include high-quality productions – including of domestic origin – in the field of culture (both the arts and entertainment) and the sciences, encounter programmes and programmes providing room for groups to express themselves who are otherwise unable to find a place for themselves in the present system. Programming would become independent of viewing figures, thereby enabling the accent to be shifted towards exploratory and innovative productions. The third programme should not, however, be allowed to become a cultural reserve but should be concerned with broadening the community's horizons in general. This culturally creative function could also have a positive flow-on effect on the specialized broadcasting organizations.

Organizationally the programme might take the form of a foundation, the executive members of which were appointed by the Minister of Culture, Recreation and Social Welfare. To preserve the body's independence they would be appointed in a personal capacity rather than as representatives of organizations, although their appointment would bear relation to the requirements of the third programme.

Its modus operandi might consist of the provision of concessions to newly formed project teams for particular programme components. To prevent rigidity such concessions could be limited to no more than a few years. This would involve a small permanent establishment and emphasis on the use of freelancers. Control of the technical facilities would remain with the Netherlands Broadcasting Corporation (NOS).

The volume of transmission time would have to be sufficient for the third programme to establish a distinctive image. This might amount to around 16 hours of television a week. Of this some nine hours would have to be taken from NOS broadcasting time currently set aside for background information, the arts and drama, so that the actual expansion would amount to around seven hours a week.

f. *Finance for broadcasting*

At present three quarters of the cost of broadcasting is covered by government allocation to the broadcasting organizations out of licence fee revenues, with the remaining funds coming from STER advertising. Given the high degree of penetration of radio (98%) and television (94%) the question arises whether this system is in fact appropriate. In view of the widespread dissemination of radio and television and the heterogeneity of programmes, licence fees are often perceived more by way of a tax than as a price for a specific good. If the present funding system were to be replaced by financing out of general revenues, the elimination of collection

costs would mean a saving of N.Fl. 36 million, or 6.3% of the total yield from licence fees. This form of financing would also have the advantage that licence dodgers would no longer benefit from broadcasting services without paying for them. There would, however, also be significant disadvantages. The concept that broadcasting services had a price would be abandoned, and with it the allocative function provided by the present system. It is precisely this function that may need greater stress in the future. On these grounds the Council would favour the retention of the present financing system of licence fees supplemented by radio and television advertising.

In order to give the public service broadcasting system sufficient resources to provide high-quality programmes in the future, a structural increase in broadcasting licence fees should be considered. The specific reasons for such an increase are:

- a. the limited scope the present organizations have for exploiting other financing possibilities on their own account (unlike in the case of self-financing commercial systems);
- b. the view as outlined in this report that an expansion in the volume of STER advertising will depend above all on the extent to which a response is required to internationalization;
- c. the increasing cultural function of broadcasting.

Apart from an increase in licence fees the Council considers an increase in STER revenues to be required. A bill that has been submitted to Parliament proposes a doubling of advertising time from the present level of three hours a week. In addition the method of programming would stand in need of revision in order to be able to react adequately in the future to any trend towards internationalization. The income position of broadcasting could also be improved by a basic increase in STER advertising rates, which have lagged behind general price movements for some years now. Such an adjustment would also help eliminate the distorted competitive relationship with newspapers and magazines.

*g. Protection of the public service system against commercial practices*

The broadcasting system has been set up in such a way that the broadcasting organizations are expected to refrain from any commercial activities that do not bear a proper relation to broadcasting. Nevertheless there are many instances of such activities and it would be desirable to limit them by means of clear regulations, supervision and sanctions. To this end the recommendations made on this subject by the Government Commissioner on Broadcasting and accepted by the Minister of Culture, Recreation and Social Welfare should be converted into practice.

## **2.2 Regional and local broadcasting**

### *2.2.1 Regional radio broadcasting*

Interest in regional broadcasting has its origins in the 1960s, when the mass public switched from radio to television, thereby forcing the former to look for new listeners. The keywords at that time were specialization and differentiation, with an increasing level of public interest in geographically concentrated information programmes. This type of regional broadcasting – which is confined in the Netherlands to radio – may be regarded as a professional broadcasting facility in addition to the national broadcasting system.

At present there are seven regional radio stations in the Netherlands, with further plans for extending coverage. No effort has been made to set up a regional system along the same pluralistic lines as the national model, although various arrangements have been made to ensure non-commercialism and that regional broadcasting fits in with the pattern



of social diversity. The Broadcasting Act distinguishes between regional broadcasting stations that operate independently and those that come under the aegis of the NOS. This means that there are two possible forms of organization: an independent, non-profit-making broadcasting system that may be regarded as culturally representative of the town, region or district in which it operates, and regional broadcasting bodies that are also non-profit-making and responsible to and controlled by the NOS.

Regional broadcasting is financed out of broadcasting funds, i.e. existing reserves, advertising revenue and licence fees. This means that those who pay licence fees in areas where there is no regional broadcasting are in effect subsidizing the provision of such facilities in other parts of the country. In terms of equality of rights this cannot be regarded as an equitable arrangement. The problem would be eliminated if nationwide coverage with local broadcasting were to be introduced. The Regional Broadcasting Authorities Consultative Body (ROOS) has argued in a number of submissions for nationwide coverage by 23 regional broadcasting stations. These would be introduced over a ten-year period, being jointly financed from radio and television advertising and broadcasting funds.

In the meantime, however, there has been increasing scepticism about the feasibility of a national system of this kind. In a draft policy document concerning local and regional broadcasting the former Minister of Culture, Recreation and Social Welfare, while not rejecting the desirability of nationwide coverage, came out in favour of delaying its implementation. Given the present socio-economic difficulties, the report argued that any expansion of regional broadcasting facilities will have to be left until 1987 at the earliest.

### *2.2.2 Recommendations for regional broadcasting*

The Council believes that in determining the case for regional broadcasting, the main consideration should be the relevance of such broadcasting in a certain region. The Council considers that the establishment of further regional stations would only be warranted in those instances where there was a clear regional identity that was recognized as such by the local inhabitants, and for the articulation of which by regional broadcasting there existed a demonstrable demand among the local community. In many areas of the Netherlands regional ties have little relevance for people's sense of identity, and there would be no reason for regional broadcasting to be imposed from above. This argument holds even more true when it is considered that regional broadcasting dates from a time when the scope for broadcasting by cable was less apparent than now. There would appear to be no place in the Netherlands for comprehensive broadcasting coverage at all three levels – national, regional and local.

The financing of regional broadcasting could draw on three sources: advertising, general broadcasting funds or surcharges on licence fees in those regions with regional broadcasting, levied either by the national or regional government. To date regional broadcasting has not been financed out of advertising, and in view of the more cautious attitude towards regional radio broadcasting at the present time the Council does not consider a change of course to be opportune. If it were decided to opt for financing by means of advertising, the obvious course of action, given the public nature of regional broadcasting, would be to go for a regional STER system. This type of broadcasting advertising, however, would have a direct impact on the advertising market and, given its monopolistic nature, it would not be possible for that impact to be countered, in this case by the regional press. This would probably result in claims for compensation by the press and conceivably even the disappearance of certain newspapers, which would be undesirable from the viewpoint of a multiplicity of choice. Besides this the revenue from regional STER advertising would certainly be insufficient to finance regional broadcasting. All things considered the Council regards the introduction of advertising at this level as undesirable.

The Council considers that in opting for non-national coverage an element of regional differentiation should be introduced into financing. The regional broadcasting systems –i.e. including the existing ones – should be at least partly financed by regionally collected surcharges on licence fees. If regional broadcasting has its origins in the wishes of the local community it would be reasonable for the financing burden to be shared less than evenly.

In view of the requirement for coordination with the national system in terms of programming, and also in order to promote technical efficiency and to facilitate management, it might be preferable for any further extension of regional broadcasting to be done under the auspices and control of the Netherlands Broadcasting Corporation (NOS). Programme councils would have to be culturally representative of the region and to be nominated by the NOS. The Minister for Culture, Recreation and Social Welfare would grant franchises (to the NOS) in order to achieve a balanced distribution of regional broadcasting in the country and so as to be politically responsible for regional broadcasting.

### *2.2.3 Local radio broadcasting over the air*

Local broadcasting over the air is once again confined solely to radio, in that the number of frequencies available for television in a particular locality is limited, and hence also the number of channels. In the Netherlands, at least, there is little room for local television by means of on-air broadcasting.

In the case of radio the allocation of frequencies is less of a problem. Technically – as the pirate stations have shown – local on-air radio broadcasting is not problematical. When local on-air radio broadcasting is introduced account will, however, have to be taken of the possible introduction of cable systems, since these also serve as radio aerials and could provide the means of bringing local radio to listeners.

A growing number of initiatives to establish local radio broadcasting indicate the existence of interest at local community level in this type of communication. This interest may perhaps be seen as a reaction to the large-scale and uniform services provided by national and foreign stations. Another factor may be that local broadcasting is primarily the result of voluntary effort and that it is therefore closely related to the local community. As such, local broadcasting is not confined to the provision of information but provides educational opportunities in the field of amateur art, community work and relations, instruction and the like.

### *2.2.4 Recommendations for local radio broadcasting*

Responsibility for authorizing local radio broadcasting could to a large extent be decentralized. Depending on local circumstances, one or more frequency bands could be allocated per municipality for low power transmitters. The municipal executive could then allocate these frequency bands to one or more local broadcasting organizations. The use of low power transmitters means that local broadcasting can operate at neighbourhood level.

The financial resources for local radio broadcasting may be obtained from donations by local residents or associations and organizations. If the municipality should wish to subsidize local radio broadcasting it will have to weigh this against other desirable local facilities. The municipality would also be able to combine certain facilities with local broadcasting (e.g. with respect to accommodation), in the same way that schools and other educational facilities share municipal sporting facilities. In addition the municipal executive may decide to encourage intermunicipal collaboration in this field, which might be of particular interest to municipalities that already provide facilities for other municipalities in the region. Given the establishment requirements for other broadcasting organizations, local

broadcasting should be constituted solely on the basis of (locally) representative non-profit-making organizations. Advertising would not be necessary for the introduction of local radio broadcasting, and should therefore not be permitted.

In view of the fact that local radio broadcasting would lend itself particularly well to decentralized regulation, the central government could confine itself to laying down certain general guidelines in the Broadcasting Act. These would be concerned with the general conditions to which the municipalities in allocating franchises and the local broadcasting organizations in using transmission time would be subject.

### 3. CABLE

#### 3.1 The existing situation

The Netherlands is already heavily cabled. At present 65% of viewers are linked up to cable, and it is anticipated that this figure will rise to around 85% in 1985 or thereabouts. With Belgium, the Netherlands therefore has the greatest cable density in Western Europe, but it is nevertheless fair to say that the potential afforded by cable has been by no means fully exploited. This is because cable was at first seen largely in terms of its first function, namely connection with a shared central aerial in order to replace private aerials and improve reception, especially of foreign television stations. Current regulations are primarily concerned with this relay function. The scope that cable offered as a means of transmission was only gradually appreciated. Examples of its potential include its ability to bring video and audio productions into the home or to put television (or radio) programmes that are not being broadcast simultaneously on to the cable net direct. To date, the government has conducted highly restrictive policies with respect to forms of cable use other than the relay of radio and television broadcasts, which has meant that the potential of this new medium has been almost totally untapped.

These possibilities are examined in more detail in the following sections, which build on the starting point of a coherent media policy: it is a matter of exploiting the new potential as effectively as possible in order to provide the widest possible choice, subject only to preservation of certain essential achievements that have been built up with respect to freedom of speech and cultural policy. In many cases, the full implications of developments for the future will be impossible to foresee. This also applies to the repercussions of decisions with respect to new facilities in relation to the statutory broadcasting system on the one hand and the free market press on the other. The Council accordingly considers that the government will have to follow developments closely in the coming years so as to ensure that appropriate regulations are introduced where required. This will be difficult because the scope for new facilities and the nature of public preferences will only become clear if developments are allowed to run their course unimpeded. More specifically this means that, subject to the basic right of freedom of speech, preference should be given to a system with a minimum of government regulation in the free market sector but that, where the compatibility of an unfettered market system and a statutory system come into conflict, certain exceptions may be required.

The quality of the technical infrastructure will mean that it will gradually become possible to relay a substantial additional package of programmes, either by satellite or by feeder radio beam transmitters. In order to promote individual consumer freedom it would in the Council's view be desirable for such programmes, together with any new facilities such as pay-cable or cable newspapers, to be provided as far as possible on a separately chargeable basis. This would, however, not mean that such facilities should fall completely outside the scope of media policy. Achieving coordination with other media and exploiting cable in such a way as to ensure that the interests of all parties – cable operators, programme providers and subscribers – come into their own as far as possible may require a certain degree of intervention.

Consideration is given below to (a) cable as a relay medium (for programmes capable of being received by all subscribers) and (b) cable as a transmission medium for individually chargeable services. It is this latter possibility for consumers to pay separately for services and only to receive what they are interested in that makes cable such an interesting new

medium. The present arrangements for admission to the system and financing, and the way in which the Council considers these should be regulated, are examined below in relation to each of these functions of cable.

### **3.2 Cable as a means of relaying programmes**

Most cable networks in the Netherlands belong to municipalities. In the few cases where they are run by private companies the municipal council has a decisive say in the selection of the stations to be relayed and in the price to be charged to consumers. So far the operation of cable networks has not produced many problems. Apart from the national Dutch radio and television networks only a limited number of foreign stations are carried by cable. The ability to receive these stations is widely regarded as an extra benefit for which people are generally prepared to pay. The point of having to narrow down the choice because there are more available transmitters than the cable network can carry has not yet been reached.

From time to time, however, there are signs of incipient problems. Some cable subscribers are beginning to object to the rising charges and the prohibition of private aeriels introduced in many municipalities – or what is in effect an indirect obligation to connect up to the cable system – is a contentious issue. The debate is for the present still centred on financial considerations, but the use of the facility as a whole could well become an issue in the not so distant future. In particular, the situation in which the cable operator decides what is offered and the consumer only has the choice to accept this or to cancel his subscription is unlikely to be accepted for much longer. At issue will be the decision-making powers with respect to the use of cable in the broadest sense, i.e. including uses other than just that of relaying programmes being simultaneously broadcast on radio or television. The dominant question could well become whether cable should be primarily regarded as a relay facility and preference be given to that use, or whether it should be treated as a multifunctional means of communication to be used as desired, subject only to a few necessary limitations based on various obligations noted below.

The Council considers that decisions with respect to relay (i.e. as a total package of programmes or on a more differentiated basis) should as far as possible be made, either directly or indirectly, by those connected up to the cable network in question. These people have, after all, provided themselves with a – shared – aerial. The decision-making responsibility of the subscribers should be taken as the starting point, even if this can lead to practical problems in relation to how such decisions are arrived at. As noted earlier, a complex situation could well arise if various functions of cable were to be developed, in which case a differentiated distribution of decision-making powers would be in order. The basic assumption that subscribers should decide about reception themselves should certainly apply in localities where there is a local prohibition on private aeriels – a measure which, it may be noted, the Council considers undesirable from the viewpoint of freedom of reception.

For the position of the consumer it is also important that it is technically possible to subscribe to individual cable channels. The consequences of this innovation are discussed in section 3.3. The Council considers that the opportunities opened up in this direction should be exploited. The government should lay down guidelines making it obligatory for programmes to be individually chargeable. This may admittedly mean that certain stations will become more costly, but this should not in the Council's view form a reason for 'enforced' reception, thus eliminating the advantage that cable has over ordinary broadcasting of being able to charge for desired programmes. On the other hand, cultural policy considerations may make it desirable for certain stations for which there is limited demand to be maintained by means of subsidies.

A second obligation which the Council would like to see imposed on

cable operators would be the requirement to relay to all subscribers a minimum, chargeable package. This package would cover at least all the national broadcasting networks and any regional or local radio and television stations. If there should be an aerial prohibition (to which the Council is opposed) all locally receivable stations should also be available by cable. Consideration could also be given to the inclusion in the minimum package of other (i.e. Belgian) Dutch-language stations. In deciding on the package, the price would of course have to be geared to the services being offered.

A significant proportion of the wider choice will consist of television programmes from neighbouring countries. The question arises whether, in the interests of significantly widening the choice and improving reception, it would be the right time to introduce a national Posts, Telegraph and Telephone Service (PTT) feeder network. This could also be used for carrying domestic programmes over greater distances (e.g. the wider distribution of local programmes, pay-cable). The PTT recently indicated that it attached very low priority to the project since the conditions it had specified in 1981 had not been satisfied.

If such a national feeder network were to be introduced it would be important for the tariff structure to be critically reviewed. The uniform tariff as presently proposed would be unattractive for cable networks with a large number of subscribers. In any case potential subscribers will have to have greater clarity about the way tariffs are put together.

As far as the question of making these foreign programmes available to cable operators is concerned, the Council considers that this function could appropriately be handled by the NOS. As an expert central organization, the NOS could conduct negotiations on royalties with foreign suppliers and with Dutch cable operators or their representatives (the VECAI).

### **3.3 Cable as a means of transmitting programmes**

As suggested above, cable has the technical capacity to be used for many other purposes aside from relaying radio and television programmes. The government's restrictive policies towards cable have, however, meant that these opportunities have so far barely been exploited. The transmission of programmes specially made for cable is expected to be a source of particular potential, with some of the possibilities being fundamentally new. In this respect a distinction should be drawn between activities that automatically reach all subscribers and services to which customers can subscribe separately. The first of these categories concerns broadcasting by means of cable, while in the second there is no broadcasting in the conventional sense but the consumer makes use of the technical ability to obtain services for which he pays separately ('narrowcasting'). More specifically, this might take the form of pay-television (confined for the present to pay-cable, i.e. subscription to individual channels), cable newspapers and new services such as teletext and viewdata. Cable could also be used for the transmission of data of interest not to the public as a whole but to specialized groups such as commerce and industry and other bodies which wished to subscribe. These possibilities are discussed below after examining certain considerations of a fundamental nature.

Because cable has for a long time been used primarily as a relay medium its use has been almost automatically identified with broadcasting. The Broadcasting Act, however, is based on the scarcity of broadcasting frequencies and seeks to allocate the available transmission time on the basis of certain principles (freedom of expression and diversity) and on certain conditions to social groupings represented by a broadcasting organization. In the case of cable, however, the limitation of scarcity no longer obtains. There are cable networks which, on account of their age, have only a limited carrying capacity, but as time goes on all cable networks are likely to have a capacity in excess of the demand. The second fundamental

difference with conventional broadcasting is the ability to charge separately for the services used. The fact that this may not be true of all existing networks does not invalidate the general proposition since a new generation of cable networks will replace obsolescent ones within the foreseeable future – certainly within two decades – thereby enabling separate charging to be introduced.

This means that there are possibilities for cable services to be regrouped with respect to both collective and private decision-making and the distribution between the public and the market sector. Where services designed for the public are concerned (i.e. local television) there would appear to be a case for departing from the highly centralized nature of the Broadcasting Act to enable future policies to take due account of the strong tendencies in favour of decentralization at local level. This is discussed in more detail in the next section.

Where it is a matter of services provided on an individual basis (e.g. pay-cable) the Council considers there is no reason why the Broadcasting Act should apply. The scope of the Act should, instead, be confined to the non-selective dissemination of information (either by conventional broadcasting or by cable) to the public. A service of this kind, which essentially reaches a wider public and involves special financing arrangements, with all the consequences which that entails, differs inherently from the provision of individual services such as pay-cable. With respect to these facilities there is in principle no greater reason for government intervention than there is in relation to choice of the newspapers people wish to read – i.e. none. The fact that use is being made of the same means of distribution as for broadcasting (the cable) does not alter the case.

This is not to deny the desirability of any form of government intervention. Within the limits set by freedom of speech, intervention may be required if certain valued achievements should be threatened. In addition the most important objective of media policy – the promotion of an unrestricted multiplicity of choice – may make it necessary to lay down certain conditions. The Council would therefore support the introduction of a separate Cable (Framework) Act which, within certain guidelines, would afford service providers and customers maximum freedom. In brief outline, a special act of this kind would have to be restricted to:

- principles on which the guarantee of the editorial independence of programme makers would be based;
- the regulation of access to hardware under monopoly control (cables, etc.) with a view to the interests of cable operators and consumers.

This act could also lay down rules with respect to other forms of selective electronic information services provided to the public by cable. Practice would have to show the extent to which such rules were in fact required in the varying cases.

In this respect it needs to be borne in mind that the nature of the possibilities of the new information technology – which will only be optimally developed if left in freedom – is such that in certain respects there will soon be virtually no difference whether services are presented in printed or audiovisual form. Clearly, equivalent services cannot properly be subject to different rules and regulations.

At the same time it cannot be denied that the proposed liberalization of non-broadcasting services provided by cable could act as a substitute for radio and television. A substantial increase in pay-cable, for example, offering films, drama and sport, would present stiff competition to the national broadcasting networks. But this also applies to the cultural industry developing in the field of the video recorder and video disc. The statutory system will undoubtedly occupy a much less sheltered position in the media landscape of the future. In so far as this leads to a threat to basic informational and cultural functions this may legitimate government intervention, but in principle there is as little justification for the protection of established positions as in any other sector of society.

### 3.3.1 *Local television*

Cable opens up the possibility of television at local level. (In the case of local radio the use of short-range conventional broadcasting is both possible and attractive in terms of individualistic user patterns; this does not hold for television.)

To date franchises may be granted to cultural institutions possessing local legal personality. Such institutions must be representative of the local community. Advertising is not permitted on local television. Experiments were carried out with local television in six municipalities between 1974 and 1978. The funds for these experiments were largely supplied by the Ministry of Culture, Recreation and Social Welfare. The experiments indicated that, after a gestation phase, it was technically and organizationally feasible for regular local programmes to be transmitted by members of the local community. There was a satisfactory level of interest in the programmes. Average viewing figures were between 20% and 30%, with some programmes scoring as high as 50%. In general all sections of the community were represented among viewers; the same applied to those who put the programmes together. Programmes that attracted the greatest degree of interest were those concerned with municipal politics.

The experiments were regarded as concluded on 1 January 1978. Since then local television transmissions have continued under their own resources in four localities, the funds being obtained from contributions by the community and from municipal subsidies. As a small-scale form of mass communications, local television's main value is seen as lying in the information and educational fields. Local television is regarded as a supplement to national (and, if introduced, regional) television.

From the viewpoint of media policy it may be noted that local broadcasting can widen the local diversity of the media. Apart from free circulation newspapers, which are often heavily slanted towards advertising, many localities have at best one regional or local newspaper in addition to the national press. The provision of additional facilities by means of broadcasting can be enriching because radio and television have certain possibilities which the printed media lack, such as the scope for live broadcasts or sampling public reaction. In addition a local medium of this kind can provide a more effective expression of the range of local opinion by means of discussion programmes.

Local channels can also fulfil other local functions, such as the provision of public information by the municipality concerning its policies, in particular to those sections of the community that lack active interest or which (such as minorities) are confronted by language barriers, whereas they may have the greatest need for special facilities.

#### *Allocation of responsibilities*

As noted earlier it would appear desirable in the case of local broadcasting by cable to get away from the strongly centralized design of the Broadcasting Act and for decisions to be taken as far as possible at municipal level. Decentralization of this kind could lead to a system of conditional responsibilities under which the municipal authorities would operate within a statutory framework in order to prevent the extension of franchises at municipal level for purposes that were not consistent with the ground rules in the Netherlands with respect to openness, representativeness and diversity.

In giving shape to these responsibilities there are a number of possible variants in terms of the influence exerted by the municipal council. The concentration of responsibilities at municipal council level has the advantage of direct policy formulation and accountability: It would, however, be possible for the council to turn into a forum for discussion of programme content and related matters. In this case the delegation of part of its



powers to a municipal council sub-committee would be perfectly feasible (i.e. a so-called cable council). In both cases the municipal council would establish the conditions which local cable broadcasting would be required to satisfy. These might include:

- a. the national/local balance in relation to the range of programmes;
- b. scope for specific uses (e.g. education, open channel, government information);
- c. conditions with respect to diversity;
- d. conditions of a politico-cultural nature;
- e. conditions designed to ensure that minority needs are met.

By a separation of the municipality's powers as the competent body for granting franchises for the use of cable from the local franchise holder in relation to the exploitation of the cable network a clear division would be obtained between powers in relation to software and hardware respectively.

### *Financing*

The viability of local cable broadcasting will be bound up with financing. There are four basic possibilities: financing by the municipality; private donations (e.g. by associations); a levy on cable subscribers; and local broadcasting advertising (not currently permitted).

The Council is of the view that financing should essentially be borne by those who benefit from the new facilities. It is, however, evident that the first three of these sources are subject to limitations. The scope for municipal financing will be restricted, at least in the coming years, with government finances under such pressure. Given the marked involvement of the local community and the enthusiasm of participants, a donations system is not entirely illusory, but would be able to cover only a small proportion of the costs. An increase in cable subscriptions (by a surcharge on those who benefit from the new service) would in itself be admissible if, as recommended above, the cable operator were to be required to transmit local programmes to all subscribers, but in practice it is questionable whether the degree of public interest would be sufficient to permit such a tariff increase.

The above leads to the conclusion that local television will only come about if advertising is permitted as a source of revenue. If the ground rules of the national broadcasting system with respect to financing are to apply as an example for local broadcasting, there would be no inherent reason to exclude advertising. On the principle that new possibilities should in fact be exploited as far as possible, it would even seem clear that the potential for local retail advertising will have to be tapped. Local industry and commerce – especially small businesses – would be clearly interested in the ability which they lack at present to advertise on television in the area in which they operate. This was indicated by the television pirates, and the signs are that advertising could make a substantial contribution to funding requirements.

From the viewpoint of a coherent media policy account will obviously have to be taken of the possible impact of such advertising on the press. In order to limit the damage to the national press (and also to national broadcasting) as far as possible, the linking up of local cable networks – which would be of interest to national advertisers – should be kept restricted. Local advertising broadcasting should be set up in such a way as not to extend beyond the provision of a locally interesting advertising medium. If this type of advertising were to be of a local character and national advertisements were not permitted, the damage would be confined to two types of newspapers, namely regional newspapers and free circulation papers which currently form the medium for retail advertising. If such an attractive medium as local television advertising were to be introduced the possibility could not be ruled out that this could have far-reaching consequences for these newspapers. How serious the impact would be is

impossible to determine; decisive factors will include the speed at which it is introduced and the volume of advertising permitted. It is however conceivable that the (generally more expensive) advertisements from the regional press would be skimmed off by local television, while retailers would continue to use free circulation papers for information that was more suited to presentation in printed form, e.g. supermarket pricelists. In any case, concern is often expressed by interested parties and their professional organizations about the likely impact of local television advertising.

The Ministry of Culture, Recreation and Social Welfare has also implicitly assumed that local television cannot be operated without local broadcasting advertising. It would, however, place advertising in the hands of STER and provide the regional press with temporary compensation for any losses so as to enable it to adjust to the new situation. The idea of allowing the press itself to compile programmes and combine this with advertising was rejected as being incompatible with the principles on which the Dutch broadcasting system was based. The Ministry argued that the maintenance of a multiplicity of choice with respect to the analysis and presentation of news would be best ensured if broadcasting and press were clearly separated from one another in organizational terms.

The Council takes a different view on this matter. There would be a number of disadvantages in having advertising run by STER, since this would entail drawing a national organization into a form of advertising which – as the Ministry itself has noted – should be of a regional or local nature, with the benefits going to the local community. There would also be practical problems in that (unlike the press) STER has no local facilities for selling advertising space. While it is true that providing the press with the ability to participate in local broadcasting programmes might be at variance with the principles on which the national system is based, it should also be borne in mind that the national system will be operating in a different environment in the future and that it will come into competition with new media forms. One example is pay-cable, where participation by the press and other publishers is permitted. The decisive consideration for the Council is the fact that the introduction of local broadcasting advertising could threaten the existence of many regional newspapers to such an extent that the allocation of temporary compensation – which practice has indicated tends in any case to be an arbitrary matter – would not be sufficient to safeguard the desired level of media diversity at regional and local level. The Council considers, as the press itself has consistently argued, that this goal could better be achieved by allowing the press to participate in new developments in the media field. The provision of such local participation opportunities might not always be exploited by the press (this would of course depend on how go-ahead they were), but it would at least enable it to make use of its lead in the field of know-how, equipment and organization and thus to achieve a (compensatory) broadening of its market. In the long run this would be a better safeguard for diversity than the payment of official compensation.

If municipal councils should wish to introduce local television and to rely on advertising as a source of revenue, the Council considers this could best be done in the form of a franchise system under which the press would also be allowed to participate. This would require the Minister of Culture, Recreation and Social Welfare to lay down a number of general guidelines, which could then be supplemented by the municipalities. The central guidelines might cover such aspects as the nature of programmes (especially local content), the area covered by the franchise and the cable operator's ties to that area, operating aspects (e.g. level of charges and/or volume of advertising), the length of the franchise, and requirements designed to ensure programme continuity (centring on the solvency and reputation of applicants). Institutions and/or groups that satisfied these conditions could then submit a list of the programmes they would propose to transmit, after which the franchise could be awarded by a committee from the municipal council (or councils) in question.

The Council considers that a solution of this kind would help alleviate the effect on the press, although it would obviously not form an automatic remedy. The press organizations in question would have to exploit the available opportunities, although they would have a certain 'natural advantage' over other bidders. The disadvantage of the asymmetry in the broadcasting system to which this would give rise would be balanced by the advantage that the regional press would, if severely threatened, be able to take steps to defend itself in the free market.

The Council attaches less weight to the argument that the participation of the press in broadcasting would be harmful in terms of diversity. What is at issue is not the replacement of existing functions but the addition of new ones. There would therefore certainly be no question of any erosion of the multiplicity of choice. Moreover experience has indicated that the various media tend to seek a distinctive identity for themselves, even if they belong to the same organization. This tendency should be encouraged, including in local broadcasting, by working on the basis of an editorial statute.

### 3.3.2 *Pay-cable*

Among the possibilities of cable which have not so far been exploited in the Netherlands is the provision of television programmes where the consumer is charged directly for the services received. In the next ten to fifteen years pay-cable would appear to be the leading possibility in this field. Under this system viewers would pay an extra subscription for a channel providing special services. Given the high cable density in the Netherlands and the high concentration of connection in urban areas, the prospects for this type of television are promising. Experience in the United States has indicated that penetration rates of 30% to 40% can rapidly be achieved in cabled areas where a form of pay-cable is offered. Although the situation in the Netherlands is not entirely comparable – one of the attractions of pay-cable in the United States is the ability to watch feature films and the like without frequent breaks for advertising – the prospects are nevertheless deemed sufficiently interesting for a number of potential operators (including a number of large publishing firms) to have prepared a selection of feature films, sport, documentaries, arts and science and series, where appropriate by means of domestic production.

In the future cable operators will rent channels from cable providers. Since charging will presumably be conducted on a per channel basis, it is likely that various cable operators will provide programmes on the same channel. Services would thus be combined into a package, taking due account of the best times for transmission of the individual elements. This would therefore be an open market situation in which demand would determine the supply and the tariffs, in which respect a subscription fee of N.Fl. 25 (approx. £ 6) per channel per month would not appear prohibitive in terms of consumer purchasing power. Prices of this order are mentioned by potential cable operators, but in view of the likely stagnation in consumption in the next few years it is as well to place these sums in perspective.

As noted previously, the Council does not regard pay-cable as a form of broadcasting since the essential feature of universal, non-selective distribution is lacking. The programmes are instead supplied to only that section of the public which requested them and which is prepared to pay for them. Use is made of a private cable facility, without any public financial support. Pay-cable amounts to a new medium in which, from the viewpoint of distribution, there is no inherent difference from magazines obtained by subscription or books on sale in bookshops. This is not, however, to deny that the introduction of pay-cable could have major implications for the public service broadcasting system. The introduction of pay-cable on any scale would certainly confront the statutory system with mass-appeal competition that would place its operation and financing under pressure. Government interest in the essentially private provision of non-broadcasting services by cable would therefore be

legitimate in so far as the public service broadcasting system, financed as it is out of licence fees and advertising, was threatened. From the viewpoint of a coherent media policy as advanced in this report, however, it must be borne in mind that the broadcasting system as it exists at present should not form the starting point for the government's deliberations. The question at issue is the extent to which the growth of pay-cable will be compatible with a future situation in which public service broadcasting, set in the context of new, large and mass-appeal services, concentrates on its social and cultural functions.

#### *Financing*

The financing of pay-cable will come primarily from subscription charges. In view of the 'private' nature of this new medium, advertising would in principle fit in equally as well as in newspapers or other printed material. However, given the possible repercussions of such advertising on the volume of advertising in other media, the government should once again retain certain well defined powers of intervention in the interests of a coherent media policy.

#### *Rules and regulations*

In the light of the preceding sections and by way of elaboration of the general observations already made about a new Cable Framework Act, the Council considers that with respect to pay-cable, the Act could be confined to the following regulations:

- a. equal access in principle for everyone, i.e. including the press and broadcasting organizations;
- b. financing out of both subscription charges and advertising;
- c. assessment of applicant cable operators in terms of credit-worthiness and the plausibility of their plans, in order to prevent projects from being aborted;
- d. formulation of competition regulations designed to prevent the formation of monopolies, including in relation to mutual competition in the buying market for audiovisual productions;
- e. a definition of the nature of possible government intervention (in place of the unlimited delegation provisions) in the interests of a coherent media policy.

In view of the autonomous position of cable operators, subscription television programme providers will have to reach agreement with them before seeking to attract subscribers.

There are three basic ways of placing programmes on pay-cable: by video tapes direct onto the cable network; by carrier waves (by the PTT); and by satellite. The latter possibility will of course only come into its own once enough satellites with sufficient capacity have been launched. Satellite's potential advantage is its relative cheapness given sufficiently high subscription levels. The development of pay-cable along these lines is therefore of reciprocal importance for communications and television satellites, since the latter would obviously benefit from co-use for transmitting subscription programmes.

#### *3.3.3 Other services: viewdata, teletext and cable newspapers*

The transmission of alphanumeric information (i.e. text) by conventional broadcasting or by cable is a telecommunications innovation that is not unrelated to media problems. Although in its pure form it consists of selected text called up on a screen, transmission does not have to take place by means of the usual video channels; telephone cable can also be used, subject only to the limitation that the information is transmitted slowly on account of the frequency limitations characteristic of telephone channels.

## *Viewdata*

Viewdata is a telephone-linked service, introduced in the Netherlands under the name of Viditel. Both in a technical sense and in relation to market aspects Viditel still has some distance to go. Partly for these reasons it has still to find its place in an institutional sense. With respect to future government policies the following conclusions may be put forward:

a. It is difficult to provide a forecast of the likely take-up of this service. Much remains to be improved in a technical sense: this applies among other things to the picture quality (i.e. resolution and letter type). Once the picture quality has been improved Viditel will have potential for a greater diversity of data. This applies to both technical and scientific functions and, in the long run, possibly to information of interest to a wide public. Of particular interest could be the ability to accompany text messages with attractive pictorial illustrations. The elimination of these obstacles is however hampered by the narrow range of frequencies and associated low transmission speeds of the present public telephone system. Many of the presentation deficiencies could be overcome if use could be made of transmission channels with wide frequency bands. This is not possible with the present infrastructure but may become so in the long term.

b. On the basis of the considerations under a. above and the experience with the Prestel viewdata system in Britain, it would appear that Viditel is unlikely to develop into a medium serving a wide public (comparable to radio and tv). Where it does have scope for development is as a system for business information. On the basis of current charges, the PTT made an estimate of the average cost to subscribers; this worked out at N.Fl. 500 per year, or some 2% of net average income in 1980 (assuming an average use of 3800 minutes a year). These calculations are based on a forecast level of 100,000 subscribers; during the experimental period, however, the figure did not top the 4000 mark.

c. A trend towards wide-band communication (i.e. data and video) would imply that Viditel could in future enter into competition with pay-television, or at least that the Viditel system could be used to provide a service with a marked broadcasting accent.

d. Future developments in the direction of either commercial or consumer information will be of relevance for the appropriate form of control. In the event of a trend exclusively towards commercial information a form of control could be selected enabling the underlying principles of information policy to apply; the premises underlying mass-media or broadcasting policy would then be less relevant or not relevant at all. More specific rules might, however, be required in the context of media policy. These would have to be laid down in the Cable Framework Act referred to earlier.

## *Teletext*

In its present form teletext offers a limited stock of information which is cyclically transmitted by using a small (remaining) part of a television channel. As a totally separate medium (i.e. if it were to use the entire channel capacity) the available stock of information could be increased from the present level of 200 pages to 15,000 pages, once again with a cycle time of 24 seconds. Technically, the introduction of pictorial matter in the expanded form of teletext would be a straightforward matter. This could be done either by means of broadcasting through the air or by means of the large channel capacity afforded by wideband cable systems. It is in this perspective of the future that the relationship between teletext and viewdata must be regarded: the two systems could enter into significant competition with one another. There are however also certain significant differences, such as payment methods, making for complementarity between the two systems.

The policy options are as follows:

a. On account of the way in which it is disseminated and its specific technology, the teletext system should be subject to the provisions of the

Broadcasting Act. In its present (limited) form there would certainly be a case to that effect. It is difficult to make predictions about future developments, when the potential of this system might be used for transferring information on a much more comprehensive scale. For the present a broadcasting regime will have to apply.

b. One question in relation to teletext is whether control and editorial policy should be in the hands of the Netherlands Broadcasting Corporation (NOS) or of the individual franchise holders. As currently arranged this is done by the NOS. Teletext is a medium that is still characterized by a scarcity of transmission capacity. Given this limitation the allocation of responsibility to the NOS would act as a safeguard against a fragmentation of editorial policy.

#### *Viewdata, teletext and cable newspaper*

Reference has already been made to the experimental nature of viewdata and teletext, which makes it difficult to determine with any precision where these systems are heading. In terms of future institutional arrangements it is therefore necessary to postpone any definitive decisions, although this should not be taken as providing a legitimation for the present provisional regulations with respect to control, authority and functions.

The services which these systems will provide will not spread so quickly as to subject the existing functions of broadcasting and the press to major changes in the short term. If broadcasting and, to a lesser extent, the press are to be exposed to major outside influences this is more likely to come from the various forms of pay-tv (such as pay-cable), on account of the high penetration levels these could rapidly achieve. Viewdata and teletext could, however, assume greater significance if the position of the press, in particular, were to come under pressure as the result of other technical and economic developments. In these circumstances the possibilities for carrying out the functions of the press not just in printed form but also through the electronic media will be exploited either as compensation or to broaden sales outlets.

The possibility of cable newspapers is not to be ruled out. Initially this might take the form of a stock of alphanumeric information on a comparable scale to that provided by newspapers at present, whereby:

- a. preference is given to the use of wideband communication channels;
- b. the consumer is able to exercise selectivity;
- c. short cycle times are characteristic;
- d. the material being presented can be repeatedly and rapidly changed (the notion of deadlines would thus cease to apply);
- e. pictures of good (tv) quality are included, possibly in colour and in motion form;
- f. recorders and/or homeprinters could be used at the receiving end.

In this light the possibility must be allowed for that the introduction of advertisements with moving pictures could place cable newspapers on an equivalent footing with audiovisual media. The government would then have to establish the regime under which a highly developed cable newspaper of this kind would have to fall, i.e. whether separate rules would have to be introduced or whether cable newspapers should be brought within the ambit of the existing legislation applying to other mass media.

#### *3.3.4 Other services: non-telecommunicative services*

A high-density cable network such as that in many parts of the Netherlands opens up the possibility of a number of other services which do not fit properly into the scope of this report but which nevertheless deserve to be mentioned. These chiefly concern interactive systems between subscribers and between subscribers and central points. This presupposes cable systems enabling two-way information flows, similar to the familiar

instance of narrowband cables used for telephone conversations. The telephone network can (and already has) been used for viewdata, as well as for all sorts of other forms of conveying information. It is possible, for example, for an alarm to be set off at a central point in the event of a burglary or accident at a subscriber's house (of particular value for the elderly). Another possibility would be a service for the automatic registration at a central accounts office of gas or electricity consumption data. Various banking facilities could also be conducted in this manner.

The possibilities would be even greater if a wideband cable system were to be used, which would enable the two-way transmission of moving pictures.

The attractiveness of these types of services, which could arise by way of a by-product of the infrastructure set up for the electronic mass media, remains to be established (the same applies to viewdata). Trials are being conducted in various places in the world (e.g. the United States and Japan). In the Netherlands a small-scale experiment is being conducted at Zaltbommel, with a larger-scale scheme planned for South Limburg.

### **3.4 Points for consideration and possible solutions**

#### **3.4.1 *Government support for development***

On the assumption that the new services are of cultural and social value and that there will be demand for them, various supporting infrastructural facilities will be required. These include:

- a. training in the information industry (e.g. editorial work, lay-out and presentation), with a particular view to the interaction between the printed and the electronic media;
- b. the promotion of trade in and exports of new types of products in the software sector (this applies to both the market sector and to non-profit organizations);
- c. supervision of the quality of data transmission by the electronic media, especially the specification of the cable systems, in such a way that a large number of wideband channels (for the sake of argument, around 30) as well as a number of narrowband channels would be assured for a growing number of services.

In the case of hardware production there would be a particular need for the specification of mass products (e.g. home equipment) or highly expensive and extensive infrastructural facilities (cables etc.). In order to provide manufacturers with clear guidelines in the interests of planning for the next five to ten years, a systems agreement under the government's auspices should be worked out in the near future. As in various other fields, mass communications systems for teleinformation can only be developed on the basis of agreements between government and industry. In order to help hammer out such agreements, where there will inevitably be conflicting views, there would be a case for a permanent consultative body responsible for drawing up advisory reports with respect to long-term planning. Research into the possible applications of fibre optic is an example of organized cooperation in the preparatory stage.

#### **3.4.2 *The control of cable***

The increasingly extensive and diverse use of cable imposes certain technical requirements. In national terms, the current situation with respect to (local) cable systems threatens to become chaotic. The PTT exercises supervision over quality and efficiency, but the specification requirements which new cable systems are required to satisfy are not particularly exacting. The existing form of supervision has not brought about standardization in the form of a single wideband transmission system reaching every household or a standard network that would permit the integration of television transmission, data communication and other

services, including telephone connections, and that would in principle satisfy any other requirements. The case for an integrated network of this kind should in other words be assessed from a financial viewpoint (i.e. which network structure is desirable and which parts of the existing networks are usable), but also in terms of commercial risk. Separate systems might perhaps offer greater flexibility in the case of breakdowns.

The prospect of diversified applications for cable, especially the exacting wideband requirements this will impose, together with the digitalization of data transmission and the attractiveness of fibre optic cable, lend fresh weight to the question of cable control. At the present time the local cable systems are owned or controlled either by the PTT or by those responsible for awarding franchises (e.g. the municipality in question). The PTT has a monopoly over telecommunications by cable over long distances based on the argument that this service in fact amounts to a public utility. The usual disadvantages associated with monopolies have been eliminated or softened in that the PTT is compelled to provide connections and is subject to regulations concerning charges and the like. One disadvantage of a pre-determined monopoly remains, however: the fact that new developments may not be optimally exploited in the absence of competition.

The Council sees no reason for challenging the present monopoly which the PTT has in relation to narrowband systems and wideband long-distance connections. The considerations that led to the PTT's present position in the first place continue to apply with undiminished force; a diversity of competing systems would still be unjustified at the present time, in both financial and other respects. Commercial participation would moreover lose much of its attraction if it had to take place under the same conditions as those under which the PTT has to operate. Nevertheless one could imagine that, without giving up the advantages of the present system, more room could be provided for activities by private enterprises and that the PTT could be permitted to compete more resourcefully. In this respect the Swarttouw Committee in its report made a number of interesting proposals for augmenting the independence of the PTT in relation to the government. (This committee submitted a report in 1982 entitled 'The Task and Functions of the PTT considered in the Light of Information and Telecommunications Technology' (in Dutch)). Where potential facilities for commerce and industry are concerned the Swarttouw report emphasizes greater freedom for the users of telecommunications links to hook up their own peripheral equipment (e.g. entry and output, memory and computers). At issue ultimately is the maximum adjustment of the technical system in its totality to the wishes of the user, these wishes arising out of the software specifications of the use.

The PTT's monopoly has been broken since 1964 with respect to the installation, maintenance and operation of central and community aerials at municipal level. As a result of the technological developments outlined earlier, these infrastructural facilities will obtain much more far-reaching functions than that of relaying or transmitting broadcasting programmes. Seen in this light it is questionable whether a restoration of the PTT monopoly would be desirable at all. The Council is of the view that cable systems can remain in different hands in the new circumstances, although subject to the condition that the technical and administrative requirements currently laid down by the PTT are tightened. The Council considers that in due course these local cable systems should all be suitable for a large number of video channels and the introduction of various services, especially those of an interactive nature (e.g. subscription television). The PTT would be the appropriate body to supervise these more stringent cable system specifications. This is also of relevance in relation to the possible desire for service and network integration in the future. In these circumstances the relationship between the PTT and local cable operators would have to be re-examined.



### 3.4.3 Privacy

The application of technical developments can result in various ways in an infringement of privacy. With respect to medium-term applications of relevance in this regard a distinction may be drawn between:

- a. data files containing personal data and which are accessible to the public by electronic means (e.g. public videotex);
- b. data files containing data that can be traced back to individuals concerning the use of new media and services (e.g. administrative records for pay-per-view television);
- c. small-scale forms of broadcasting (e.g. neighbourhood broadcasting, consisting primarily of reports on goings-on in the district).

With respect to category 'a' the Council broadly concurs with the recent observations in the final report by the Steering Group set up to oversee the PTT practical trial with viewdata (published in 1982). This report established the extent to which the Data Protection Bill submitted on 30 November 1981 would apply and stipulated a number of special conditions with which the practical application of the Act would have to comply in relation to the features of the videotex system.

It must be assumed that data files as covered under b will primarily concern sensitive data. These files could moreover be used in various respects to obtain interesting data on individual and group use patterns. Because such data would not be intended for publication (unlike, for example, public videotex), these files should come under the most stringent category in the Act, namely personal data files subject to licence. Where possible it would even be preferable for the administration to be conducted in such a manner that a record was kept only of time-use and not of the actual services or programmes obtained. This possibility would have to be investigated upon the introduction of pay-per-view television.

In the case of category c it is not a matter of the protection of personal data in the same sense as above but of infringements of privacy taking the form of insult, defamation or other private harassment and related to the small-scale nature of the new medium. For the present there would appear little reason for special regulations to supplement existing legislation. Finally it is in theory possible that communications links such as cable networks and peripheral equipment could be misused for looking into or listening in on a subscriber's home against his or her will. This possibility, which assumes that the subscriber would be unable to take any preventive measures, is however still a long way off. If matters ever did reach that stage, special measures would of course be required.

The main copyright problem to have attracted attention in recent times has been the relaying of broadcasting programmes by cable systems. The parties most directly concerned are still examining and discussing the implications of a recent judgement in this field by the Supreme Court, the highest legal authority in the Netherlands. (The Supreme Court ruled that the relaying of broadcast programmes by cable should be regarded as a 'new publication' in the sense of the Copyright Act). In these circumstances it would appear premature for the Council to formulate views of its own, and the following general points of departure may suffice:

- a. it should be ensured that cable subscribers do not, either directly or indirectly, get charged twice (this concerns programmes that are financed out of licence fees);
- b. it would be preferable for agreement to be reached between the parties concerned with respect to entitlement to and payment of royalties, and for a system of compulsory licences to be avoided;
- c. where for practical reasons it is necessary to accord a special role to one or more bodies in the mediation process, care should be taken to ensure that this does not lead to some form of selection or pre-selection of the programmes to be relayed.

A number of other copyright aspects could arise in respect of information stored in public data files. The Viditel Steering Group mentioned in this regard:

- a. the question whether the consent of the copyright holder would be required for storage and distribution;
- b. the question as to whether the Copyright Act of 1912 should apply with respect to the transmission of articles from the press, on for example interactive videotex.

The Council considers that the answer to both these questions should be in the affirmative, meaning that the relevant provisions should be amended where necessary.

## 4. THE PRESS

### 4.1 Some introductory remarks

#### 4.1.1 *The press and the new media facilities*

The expansion of media facilities discussed in the preceding sections will have its impact on the press. It is to be anticipated that certain functions of the printed media (both of an editorial nature and in relation to advertising) will be taken over by the marked expansion in television services or by the introduction of new media, including printed material distributed by means of the screen (e.g. videotex). Shifts in the media market of this kind are not new; the introduction of television, for example, had an impact on the news function of the daily newspapers, which began to concentrate more on background information, opinion and commentary. Once again the developments now at hand are forcing the press to reconsider the nature of its product in order to maintain or if possible increase its market share. The blurring of the traditional divisions between the various media could lead to quite fundamental reorientations, although the printed word should not be expected to disappear as a reporting medium. Surveys have indicated that while television has affected the way in which newspapers, magazines and books are used, this has been more of a shift than a decline in interest as such. The impression that something of a visual culture has arisen among younger people who grew up with television is mistaken. Newspapers are a medium to which people turn only at a later stage in their lives, while the printed word has also benefitted from the general spread of education.

What could have far-reaching consequences is the fact that these changes are occurring at a time when the press in the Netherlands is in straitened enough circumstances as it is. A number of the national dailies and various smaller regional newspapers are going through a lean period, and a further decline in advertising income could see a thinning out of the field. The consumption of the printed media is expected to fall slightly in the next few years. As far as advertising is concerned, which forms the press's major source of revenue, it is anticipated that advertising budgets will in overall terms remain at much the same level or may decline slightly, so that an increase in STER advertising rates, the expansion of advertising transmission time or the introduction of new (e.g. international) possibilities for television advertising would lead to a reallocation of advertising at the expense of the press.

The extent to which this constitutes a cause for government intervention in the context of a coherent media policy is taken up in section 4.3. This is preceded by an outline of developments in the market in recent years, of how the press has attempted to counter these threats, and of what means they will have at their disposal in the future. One complication in this respect is the side-by-side existence of a public (broadcasting) system and a market system (for the press) together with the advent of new media, of which it is not yet clear into which category they will fit. This means that some of the 'natural' responses of the press to threats to its position are officially ruled out, or alternatively it is not clear to what extent these possibilities are in fact available to the press. If the press organs are to be given a proper chance of survival it will be vital for the government's policy intentions to be announced well in advance. Clarity and consistency of policy of a kind to enable the media to take anticipatory action should certainly form a characteristic feature of government action.

#### 4.1.2 *Press concentration*

Confronted with the necessity for expensive technical changes and the need to achieve a sufficiently high degree of capacity use for the increased productive capacity, the press sought greater economies of scale during the late 1960s and the first half of the 1970s, although developments differed from market to market.

In the case of newspapers the major changes took place during the period between 1970 and 1975. During this time there was a process of concentration at newspaper, publisher and group level, with a newspaper disappearing on average every six months over the five-year period (from 94 titles in 1970 to 84 in 1975). The concentration process came to a notable stop after 1975; in the next six years only one further newspaper folded up. Possible explanations include the fact that the necessary adjustment process of mergers and takeovers within companies or groups simply takes a certain amount of time; the revival in the level of advertising, which led in many instances to an improvement in operating results; and the introduction of new production systems that enabled small and medium-sized firms to produce competitively. The period 1970–1975 saw a particularly striking concentration with respect to national evening newspapers (whose market share declined during this period from 19.8% to 11.1%). In relative terms, the increase in concentration was at its most pronounced at group level: nearly 80% of the daily press is now in the hands of eight concerns. In addition the total circulation of Dutch newspapers has risen in line with the increase in the number of households, from 4 million in 1970 to 4.7 million now. The signs clearly point to a saturated market.

In the magazine market, by contrast, there has been a decline in concentration at all levels. This has been because of the explosive growth in the number of titles; a rough count taken from the Netherlands Handbook for Press and Publicity puts the number at around 5,000. Of these less than 10% are accounted for by publishers affiliated to the industry organization NOTU. The remainder flourish or wither in the informal market for periodicals, journals and magazines, in which there is a strikingly high entry and exit of titles. The most important innovations in the magazine market were the introduction of 'gossip' magazines and of special-interest magazines catering to specialized sections of the public. At group level the VNU concern has achieved a position of striking dominance, with a market share of between 65% and 71% – five to six times as great as that of its nearest rival, Kluwer. The total circulation of Dutch magazines grew strongly between 1970 and 1979 from 5 million to 7.8 million per year.

The market for free circulation newspapers (i.e. newspapers delivered to all households without charge) has seen vigorous growth. In 1975 there was a total circulation of 13.5 million copies (444 titles); by 1979 this had risen to 16.9 million copies (528 titles). Once again newspapers are constantly entering and leaving the market. Some 40% of the total number of free circulation newspapers are in the hands of newspaper publishers; expressed in terms of circulation figures their share is even greater, viz. around 57%. At publisher level the degree of concentration tapers off fairly sharply; this also applied at group level during the years 1977–1979. Wegener is the biggest concern with a market share of around 20%.

The news periodical market is relatively small. The number of titles declined from 140 in 1975 to 126 in 1979 (with an average circulation of only around 6,500). The degree of concentration rises at publisher level. Only 20% of this market is in the hands of group concerns, with no single concern being dominant.

In the total market for paying readers the VNU concern is easily the biggest, accounting for some 30% of reader income. In order of size the next biggest are Holding Mij. De Telegraaf, the NDU, the Perscombinatie and Audet. In 1979 the new combination of Elsevier-NDU moved into second place. The combined share of the four largest concerns is considerable, amounting to over 70% in 1979.

As far as the future is concerned it is safe to say that the pressure to cut costs will see a continuing process of concentration. Savings will be required, both on account of the declining level of advertising income and on account of the need for large-scale investment (e.g. offset rotation presses and new data transmission systems). Publishers' problems will not, however, be capable of solution simply by the creation of a broader base for cost-sharing and risk-bearing. Equally important will be the alert and creative exploitation of market opportunities, in which respect mergers do not constitute the most appropriate response.

There would not appear to be a great deal of scope for further mergers among the leading publishers. In the case of smaller press concerns further mergers could take place on account of the advantages to be obtained in advertising markets and the broader base it would provide for entering new markets (or moving into new media).

#### 4.1.3 *Profitability outlook*

According to provisional data, fourteen newspapers in the Netherlands were making losses in 1981 while five others were only just making a profit. A further decline in advertising revenue and circulation levels was expected to wipe out virtually all these profits in 1982. A survey of profit trends among newspapers in 1970, 1975 and 1980 indicated that a quarter incurred operating losses in 1975. This remained the same in 1980, except that the losses had become even greater. By contrast those papers that had been operating profitably in 1975 were doing even better in 1980. Thus a certain degree of polarization became evident in the newspaper field. Profitability is not, however, evenly distributed among the various types of papers. Regional newspapers with a circulation of over 100,000 were on average the most profitable; up to and including 1977 the national dailies had the lowest rate of return, but after 1977 regional newspapers with a circulation of less than 100,000 formed the least profitable category.

Magazines form a highly diversified group. During the period 1975–1980, the most interesting group from a media policy viewpoint, namely opinion magazines, saw their profitability virtually cut in half from 12.8% to 6.8%. The large family magazines achieved their highest rate of return in 1980, namely 6.6%. The rate of return on young people's magazines rose from 10% to 13.3%, while the figure for special-interest magazines fluctuated around 2.5%. Magazines too were hit by declining advertising revenue after 1979.

An important factor for government policy is the extent to which the printed media are dependent on advertising revenue. In 1981 the figure for national newspapers was 56% (in the case of regional papers the figure was 2–3% higher); the average for opinion magazines was 52%, that for general-interest, popular magazines 45%, for young people's magazines 9% and for special interest magazines 26%. The free-circulation newspapers are 100% financed out of advertising.

These advertising revenues may be expected to come under further pressure. Forecasting the likely growth of advertising expenditure in the coming years is hazardous in the extreme. It is clear that companies have in the first instance reacted by cutting back their advertising budgets in the face of the deteriorating economic situation. The Central Planning Office has forecast a 1.5% growth in GNP for the period 1980–1985, while the volume of private consumption is expected to increase by 0.5%. Per household this will mean a decline in real terms of 0.5%. On the basis of the assumption that advertising can affect the allocation of demand for products, companies will in these circumstances have to make special efforts to maintain their shares of the market. A cautious forecast might therefore be that there will be a certain upswing in the volume of advertising expenditure. A moderate increase in the level of advertising would not, however, be spread evenly over the various media.

A structural change with far-reaching implications for the advertising revenue of the printed media is the expansion of STER transmission time

on radio and television. This development may be expected to lead to a shift within the budget for brand/services advertising away from newspapers and popular magazines. This decline in revenue will have major consequences, since it is evident that profitability levels are being heavily squeezed as it is. The increasing competition in the brand/services advertising market will particularly affect popular magazines, which derive over 90% of their advertising revenue from this source, while the figure for newspapers is around 45%. An increase in STER transmission time resulting in an increase in advertising revenue of some N.Fl. 160 million would confront both the newspapers and popular magazines with a reduction in advertising income of some N.Fl. 70 million each.

Apart from an increase in transmission times, STER could also boost its income by increasing its advertising rates. On the assumption that advertising budgets are not so flexible that an increase in STER rates would be automatically absorbed, this would also be at the expense of other media, although such an increase in rates would, from a competitive viewpoint, be less disadvantageous to the press. This is a difficult field for assessment, in which there are many uncertainties. Government policy towards STER should be geared towards finding an adequate response to the problem of foreign competition. Failure to do so will result not in any improvement in the position of the Dutch press but in the diversion of advertising funds abroad. On the other hand the government's policies should take great care to ensure that the attractiveness of STER is no greater than required to counter competition from abroad.

The introduction of new media could also have an effect on the press's advertising revenue. Commercial satellite television is unlikely to exert much force on the Dutch advertising market before 1990: there are still too many question-marks in relation to the internationalization of marketing, while the potential range and viewing figures will depend on many factors. This situation could, however, change if a commercial broadcasting satellite were to be beamed to a significant extent on the Netherlands when, depending on the viewing figures, it would also become attractive to national advertisers to use this medium. This would have an impact on both STER and the press.

As a new medium local broadcasting will be chiefly competing in the retail advertising market against regional, community and other newspapers and direct advertising. But national advertisers could also start using the medium to back up their national campaigns. The finer the network of regional and/or local broadcasting, the more the effects will be felt by local media.

Shifts in advertising expenditure could also occur as a result of the introduction and acceptance of viewdata systems. These systems would lend themselves particularly well to classified advertising (e.g. tourism, situations vacant and property sales). This could mean a decline in the volume of advertising placed with newspapers and periodicals, but at the same time the knowledge and experience which publishers have in this field will place them in a favoured position with respect to the commercial exploitation of viewdata systems. A possible decline in the advertising revenue of individual newspapers or periodicals could therefore be juxtaposed against additional earnings obtained from viewdata services. This form of multimedia use need not be confined to commercial information; editorial information could also in due course be presented by means of Viditel or a subscription system using wideband cable.

Finally, structural developments within the press industry itself could lead to shifts in the pattern of advertising expenditure. A characteristic feature of recent years has been the advent of free circulation newspapers which, apart from attracting new advertisers, have also led to a shift of retail advertising away from daily newspapers. Free circulation newspapers may be expected to continue to improve their position in the future.

Newspaper concerns, it may be noted, have managed to recover some of their losses in the retail advertising market by taking over many free circulation newspapers. The favourable situation in the regional advertising market has prompted the publishers of women's magazines to consider the introduction of a regional system. This would have the additional advantage of reducing dependence on brand/services advertising. If these plans were to be implemented this would have an impact on the volume of advertising in newspapers (especially regional papers).

As noted previously, the transmission time and advertising rates of the STER organization will be particularly important. While the objectives of government policy can be defined at the present time, the precise measures required cannot, since these will depend directly on the scale of competing alternatives in other countries. Given the various interests at stake here, careful policy coordination will be required. Consideration might therefore be given to the establishment of a committee of independent experts (drawing on expertise from commerce, the media and accountancy) to monitor developments and periodically to advise the Minister of Culture, Recreation and Social Welfare. These advisory reports would preferably be made public.

In sum, it is evident that the expansion of electronic facilities for advertising (nationally by means of STER, in the longer term by means of international satellite, and locally by cable) will squeeze the press's advertising revenue still further. The effects will be felt particularly by the daily newspapers and popular magazines. Given the dependence of the press on advertising and the only limited scope for increasing subscription rates in a stagnant economy, these developments may be expected to have far-reaching consequences. A number of national newspapers and weaker regional papers might find themselves fighting for survival. Shifts are also likely within the industry as the result of the continued progress of free circulation newspapers and the introduction of small-scale edition systems. The technical possibilities in this respect are discussed below.

#### 4.1.4 *Technological perspectives*

The press may obviously be expected to take steps to counter the major developments outlined above. In this respect technology will clearly play a major part. Economic factors will, however, also be relevant: the extent to which technological possibilities are exploited depends to a large extent on the scale of consumer expenditure and the costs and risks of investment. Social developments will determine the public's scale of priorities with respect to the various media and public acceptance of new media forms. Finally government policies can have a decisive effect on the ability of the press to exploit new opportunities. These aspects all condition one another. A number of possible technological trends are outlined below that would appear within the realms of possibility.

With the introduction of micro-electronics, cheap and large data storage, computer-controlled photo setting and printing systems and scanners for converting photographs into digital information, it will gradually become possible functionally to integrate the entire process of information processing into a single large computer-controlled system. The integration would extend to text and image processing, with editorial, proof-reading, layout and type-setting functions being combined and human input at various stages either being eliminated or taking on a different character. Human input is becoming increasingly concentrated on editorial aspects, in which respect the system can be used both on-line and off-line.

The advent of modern means of communications has meant that large quantities of information can be transmitted over large distances at relatively low cost. This has made it technically feasible and in some instances economically sensible for various processing steps to be carried

out in various places. Since the internal information flows would virtually always be electronic, we would still be left with a single, large integrated system. An example of production decentralization of this kind is printing at a distance, whereby time and transport costs can be saved.

This development is of relevance in terms of the current trend in the newspaper world towards 'made-to-measure' newspapers. This consists of efforts to individualize the present mass circulation newspapers, to bring them to the reader and to make them more interesting to local advertisers. Among the possibilities would be zoned editions with special reporting and advertisements for each urban district, together with special sections available at additional cost as a supplement to the basic edition. Both systems are already being applied. The offset presses currently in use at national or regional level are not, however, suitable for the production of genuine made-to-measure papers (i.e. a large number of editions with local reporting). Given the amortization period for existing or shortly to be installed equipment, it will be another ten or twelve years before such a system can be introduced. The real limitations will presumably lie not so much on the production side, where problems are steadily being overcome by technological developments, as on the logistical side with respect to distribution. Given the difficulties which newspapers are already encountering in this respect a certain amount of scepticism is justifiable.

The introduction of made-to-measure newspapers in their most extreme form is still something for the distant future. Totally different production techniques will be required if each subscriber is to obtain an individualized package of information delivered at home. Circulation of identical newspapers will have dropped to a minimum and, with a view to distribution problems, production will presumably have become decentralized. This presupposes that the necessary telecommunications links will be in place. Rapid transport links would be required to enable the national information package to be distributed from a central point to the individual points of production. In view of the PTT's plans in this field a comprehensive network of this kind is unlikely to be available before the year 2000.

So far it has been assumed that local newspapers (or national newspapers tailored to local conditions) would continue to take the form of a package of information printed on paper. If, however, the potential for viewdata could be expanded in such a way as to provide files of local information, it would appear likely on the basis of present trends that a part of that package of information would enter the home by means of such electronic files. Developments in the United States point towards a linking up of newspaper data processing systems with viewdata files; in other words textual information of both national and local origin could be distributed by means of the telephone once viewdata had achieved a sufficiently high rate of household coverage. The result could be that classified, situations vacant and property sales advertisements disappeared from newspapers and were taken over by viewdata instead. It would also be perfectly feasible for large quantities of information to be brought to viewers at home by the teletext system (i.e. text information forming part of the tv signal), particularly if a separate television channel were to be set aside for that purpose. Teletext could then also be used for the viewdata applications outlined above. This situation would be hastened if teletext were also to be transmitted at local level.

It is furthermore evident that the paper in printed form will continue to be the most suitable medium for more detailed information such as analyses, backgrounders, and commentaries, even if the way in which the printed product reaches the consumer at home is rather different from that at present. For many purposes newsprint has major advantages as a means of presentation over the present electronic displays.

Given the uncertain nature of public preferences it would be hazardous to venture any predictions about the content of these papers of the future.



As far as mass circulation papers are concerned the available technical possibilities – e.g. plenty of colour and photographs in the paper – would point in the direction of tabloids like the *Bildzeitung* in Germany or the *Daily Mirror* in Britain, which might enable a certain amount of display advertising to be won back. Popular newspapers of this kind with little information or cultural content have not so far done very well in the Netherlands, although that is not to say that this formula would never succeed. The development towards made-to-measure newspapers, however, suggests a different trend, in that it provides opportunities both for local specialization and for concentration on particular (i.e. homogeneous) socio-economic or cultural sections of the public. At least in the case of daily newspapers, specialization in this sense would appear a real possibility for the future. Apart from the mass-circulation newspapers, which serve a heterogeneous public, there would be room for a number of national papers tailored to social categories having certain homogeneous features (e.g. being politically progressive, a common religious orientation or social or cultural involvement). A major question is of course how many national papers in this specialized sense will prove commercially viable (particularly with a view to the share of the advertising market they are able to capture) and to what extent the diversity of society can find adequate expression.

Similarly in the magazine market there has been a process of specialization and increasingly close orientation to reader requirements. A distinction should be drawn between popular magazines and professional journals. The production of specialized popular magazines would at this stage appear possible only at a fairly high cost, particularly in the case of colour printing. This will mean that this category of magazines will come in for increasing competition from non-printed media (e.g. video cassettes and video discs). Popular magazines of a less specialized nature will encounter growing rivalry from television, especially if the scope for commercial broadcasting is increased.

The prospects for professional journals are different. There could be a significant increase in the use of databanks for professional information if the infrastructural facilities (i.e. rapid data communication networks and suitable printing equipment) are available. This is expected to take another fifteen to twenty years. Professional journals can also be produced in a very small editions with the aid of modern printing equipment, since the price of such periodicals is not in general the decisive factor in buying them.

To sum up it may be said that the technical means for transmitting information are in a state of rapid evolution and that this evolutionary process may be expected to continue into the first decade of the next century. From the viewpoint of media policy the redistribution of information flows over new and available media – a redistribution that will depend in part on political decisions – will need to occur with due caution in relation to the printed media, especially in those cases where advertising income is at issue.

#### 4.1.5 *Diversity of the printed media*

The importance of a sufficient degree of diversity in the printed media is generally acknowledged. In the first place this concerns what is known as 'external' diversity, that is the extent to which the various media are representative of the major social and political streams in Dutch society. Although there are no longer any genuine party newspapers in the Netherlands, research has indicated that by and large there is a reasonable degree of heterogeneity in the national press. The process of concentration of the press during the last few decades has not led to the deterioration many predicted at the time. Apart from the existence of a diversity of national papers, internal diversity is also of importance, meaning the

extent to which the columns of an individual newspaper provide an adequate reflection of social and political activity. Most people after all read only one newspaper, so that whereas external diversity indicates the multiformity of printed reporting available to citizens, internal diversity generally provides an indication of the extent to which this is actually made use of. Research has indicated that there is no cause for dissatisfaction in this regard: most national papers reflect the diversity of society reasonably well and display an adequate degree of internal openness with respect to the provision of information and commentary. Despite the over-representation of the major political parties in national news there may nevertheless be said to be a high degree of openness. Although there are very few data with respect to diversity in the socio-economic and cultural spheres, there is little reason to assume that a thorough analysis of the press in these two fields would lead to radically different conclusions. No such research is known to have been conducted for the regional press, but in those instances where national reporting is largely of a general nature, there would appear to be no grounds for concern about conscious one-sidedness in relation to major social and political developments. In the case of magazines, the growing number of titles and the new specialized markets that have evolved in recent years (including in the informal sector) mean that the degree of diversity has certainly not declined. It is, however, questionable whether the diversity of the magazine press matches up to the heterogeneity of society in socio-political and cultural respects. A distinction would at any rate appear in order between the opinion press and many popular, women's and 'gossip' magazines in which the information and opinion function, where it exists at all, falls outside the social and political province.

To sum up, it may be said that the press plays a valuable role from the viewpoint of diversity (both external and internal). This relates particularly to the national press which, in providing daily written reporting, plays an important role in the functioning of the democratic system (including the functioning of the other news media!). Secondly it may be said that despite the disappearance of many titles this has not led to such a degree of deterioration that the situation has become unsatisfactory in terms of the desired level of heterogeneity. The press displays a capacity for self-preservation and perhaps even regeneration that should fit in well with the expected opportunities in the future for maintaining and increasing its market share by means of differentiation and specialization.

## **4.2 Present government policies towards the press**

### *4.2.1 Introduction*

The concluding observations in the previous section should not in any sense be taken to mean that the future of the press in the Netherlands will be an easy one. The rate of profitability, especially for daily newspapers, is under pressure and this is likely to grow even more marked. This means that even if it wished in principle to leave the market system for the press intact, the government will have to face up to the need for intervention in support of certain press organs of particular value in terms of media diversity. This may be a matter of a transitional problem in which press organs require a certain amount of aid in order to take advantage of new forms of operation that would put them back onto a profitable footing. It is, however, also distinctly possible that the problems in some cases are fundamentally structural in nature and that a return to profitable operation will not be possible. It is against this background that government policies towards the press will have to be conducted in the coming years.

Given the requirement for media diversity, government policy towards the press centres on three aspects: (i) the extent to which government policy towards the media as a whole takes account of inter-relationships that bear specifically on the printed media; (ii) policies designed to prevent

the formation of monopolies; and (iii) aid policies towards the press. In the latter case a distinction may be drawn between general aid, selective aid and aid directed towards particular organs provided they comply with pre-determined criteria, sometimes also known as selective general aid.

#### 4.2.2 *Inter-relationships*

Through the STER organization, the public service broadcasting system and the market system enter into competition with one another with respect to the allocation of advertising. The fact that the press is not allowed to participate in broadcasting advertising and thus has no 'natural' means of countering such advertising means there is an inevitable distortion of competition. In these circumstances the government should not encourage such distortion still further by measures designed to reallocate advertising away from the press. In concrete terms this means, in the Council's view, that the modest share that broadcasting advertising currently constitutes in terms of total advertising expenditure should in principle not be allowed to expand without creating compensatory opportunities for the press. With respect to financing an expansion of the existing broadcasting services, consideration should in the first instance be given to the possibility of doing so by passing the extra costs directly on to the consumer by an increase in broadcasting licence fees. In comparison with similar countries in Western Europe, licence fees in the Netherlands are by no means high. Although an increase in licence fees might not be a popular solution and would be politically problematical, it would be the purest way of financing the public service broadcasting system, with the further advantage that it would have a comparatively neutral effect on the self-financing press. Instead of increasing the amount of advertising, another possibility would be to increase advertising rates. This would have the additional advantage of holding in check a form of advertising which, on account of its consumption-inducing nature, is at variance with tendencies in the Netherlands in the direction of a less growth and consumption-oriented society.

On the grounds of the competition argument any decisions about the admission to or exclusion from new media of the private sector (i.e. including the possibility of press participation) will always have to be taken with great care and will have to take into account the effects of advertising. Of relevance for each new service is the regime under which it is to develop in relation to entry and exploitation on a commercial or non-commercial basis. In this respect the Council would refer to its remarks about such participation in the case of local (cable) broadcasting (section 3.3.1) and pay-cable (3.3.2). The same applies to permitting the press to exploit visual media in print form (i.e. videotex). Decisions on these matters should always be taken in conjunction with the anticipated consequences for the remainder of the industry.

#### 4.2.3 *Keeping channels of communication open*

Measures to prevent the formation of monopolies are of considerable importance. In this respect the report argued that, in the interests of diversity, legislation might be introduced under which mergers and other forms of collaboration between press organs or publishers that could have an impact on the existing provision of information would be assessed in terms of the maintenance of press multiformity. It may be noted that the Socio-Economic Council has recommended that mergers between publishers of newspapers, opinion weeklies, news magazines and periodicals should be assessed in terms of a specific normative framework. An assessment of this kind would, however, place the government or its authorized agency in the difficult position of having to make a statement about the value of a newspaper for press diversity and hence – implicitly – about the significance of the social stream which that paper represents. If a

proposed merger were to be blocked, the problem would remain as to how the continued existence of the papers in question could be assured. The report referred to the proposals for merger control by the Press Council and the Press Fund and to the study carried out on this subject by the Press Act Working Group. The Council considers that the regulation of this subject would in fact constitute a major aspect of government policies concerned with the diversity of the press.

#### 4.2.4 *Aid policy: problems*

The above does not detract from the fact that the government is also involved in a direct way in the maintenance of media diversity. The view has gradually gained ground according to which the government is held to be responsible for shaping the circumstances in which the freedom to receive and disseminate information becomes possible in practice. Although this subject has not yet crystallized to the point of conversion into specific regulations, it is nevertheless generally accepted that the government does have responsibility for ensuring an acceptable degree of media multiformity. This is not, however, to say that the government is under a legally enforceable obligation; individual citizens or bodies have no legal means of enforcing government action and – which is perhaps more important in terms of concrete policies – the government enjoys a freedom of policy manoeuvre within which it can itself determine to what extent positive government action is in fact required.

This does not of course imply that positive government policies towards the press can be formulated arbitrarily; there is on the contrary if anything cause for caution. In itself, the Council could envisage the government, in its policies to promote diversity within the media, deciding to go beyond the condition-setting policies traditionally conducted in the Netherlands in the cultural sphere. Active policies are, however, subject to certain constraints, partly of a legal nature (in relation to freedom of speech and equality before the law) and partly on account of the government's obligations to manage taxation revenues with due care. Before examining current and proposed policies a number of considerations are examined below which any policies would always have to take into account:

a. Reference has already been made to the complications arising out of the side-by-side existence of a public system (broadcasting) and a market system (press). The problem of the distortion of competition between the two sectors is particularly marked in relation to the STER monopoly. Distortion of competition can however also occur within the market sector if the provision of government aid to selected press organs meant that the condition of eventual self-financing were to be abandoned and replaced by a system of operating subsidies (or if in other words a system of permanent loss compensation were to be adopted). In these circumstances the press system would be divided into two parts, one regulated by the government and existing in parallel with, and hence competing against, that section of the press that was totally subject to market forces. In so far as this could be avoided by expanding certain forms of financial assistance to cover the press as a whole, the Council believes that, while a public system would not necessarily create less favourable conditions for ensuring freedom of speech than a market system (although the converse is equally untrue), the parallel existence of a market and a public system provides an additional safeguard against excessive government influence in the information field. For this reason a non-commercial 'public service system for the press' would be less desirable from the viewpoint of freedom of speech.

b. A second objection against (permanent) government intervention is that, as experience has shown, it can have unintended side-effects; these can also be unfavourable for the aided companies themselves. The major such side-effect is that of rigidity, i.e. the loss of the ability (including on the part of labour) to adjust to changed circumstances. These aspects were

examined in detail in the WRR's report 'Industry in the Netherlands: its Place and Future'.

c. It must also be borne in mind that it is often far from easy accurately to identify the causes of difficulties among particular organs of the press. Research commissioned by the Press Fund by way of background preparation for a compensation arrangement indicated that the widely held view that external factors could be identified as the major cause – particularly structural disadvantages in relation to the density of distribution within the circulation area and circulation size – did not always hold good. The survey revealed that there were both profit-making and loss-making newspapers in each size and circulation category; nor did the relationship between profitmaking and loss-making papers display any systematic relationship. It would therefore appear plausible that internal factors also played a role, e.g. the quality of management (both administrative and editorial). Quite clearly government policy cannot be designed to compensate for sub-standard management.

d. A practical difficulty in providing aid to individual press organs consists of the fact that the latter often form part of a press concern that may in overall terms be operating profitably. By cutting out internal loss compensation, individual government support can provide companies with the temptation to arrange their accounts so that unrelated loss items fall within the compensation arrangements. The control of such abuse is extremely difficult if not impossible.

e. Finally it should be recalled that government policies to promote the diversity of the media are governed by Section 7 of the Constitution and by Article 10 of the European Convention on Human Rights. Intervention must not be allowed to result in the government, either directly or indirectly, exercising influence over or determining the way in which freedom of speech should actually be used. From the viewpoint of media policy, therefore, preferential measures singling out certain organs for favourable treatment are not admissible. In practical policy terms the problem is one of finding objective yardsticks that avoid any hint of preferential treatment while at the same time ensuring that government assistance reaches the quarters where it is needed.

#### 4.2.5 *Government aid: current practice*

Current aid policies may be divided into three categories: general aid, selective aid and selective general measures.

General aid covers measures that benefit the press as a whole irrespective of the economic differences between the various press organs. Examples include the general measures in the field of VAT rates on subscriptions and advertisements and the lower postal charges for newspapers and magazines; the STER compensation introduced in 1969 also fell into the category of general aid. In so far as these measures still exist (e.g. postal charges) they are gradually being phased out.

Selective aid concerns individual press organs in difficult financial circumstances. This has taken the form since 1974 of subsidy policies administered by the Press Fund. This body was entrusted with granting loans or where appropriate credit facilities to unprofitable or economically marginal newspapers, current affairs and opinion magazines to help them finance investment and other projects designed to put the journal in question back on a sound financial footing within a reasonable space of time.

Selective general policies are designed to provide government aid which is in principle available to all press organs in similar circumstances but which is in practice directed particularly to those papers most in need of assistance. This category of measures includes the proposals made by the Press Fund executive in its report of November 1981 for providing assistance to papers consistently operating at a loss and which were at a relative

disadvantage on account of their circulation size in combination with their geographical distribution. Research revealed that these instances concerned newspapers with a circulation of less than 150,000 copies and a distribution density of under 25%. The sums to be disbursed were to be calculated on the basis of the newsprint consumption for editorial pages of the newspapers in question. Newspapers would be allowed to benefit from this regulation for a maximum of three years, with loss compensation to be limited to a maximum of 75%. In the meantime the Minister of Culture, Recreation and Social Welfare has decided to introduce a compensation arrangement of this kind for daily newspapers with retrospective force to 1 January 1981. A sum of N.Fl. 60 m. was made available for this purpose, drawn from STER revenues. The regulation is to apply for three years. With the aid of these subventions, which are in grant form, the newspapers in question are required to implement a plan of their own devising designed to lead to a structural improvement in their operating position. Prior to the first payment newspapers are required to indicate the measures they intend implementing as part of those plans, while after the first year the provision of compensation is dependent on evidence of those measures having been carried out.

In addition the Fund executive proposed that subsidies should be granted for plans for press collaboration in an operational sense (i.e. mechanised production, advertising recruitment, distribution and delivery) and for collective projects that would benefit the industry as a whole with a view to media diversity. Another further proposal was for starting-up subsidies to be made available for the establishment of new press organs.

The Council would endorse the idea of testing this proposal in practice. In the first place it is attractive on account of its essentially objective nature, thus reducing the risk of preferential treatment and avoiding the operation of the market from being excessively disturbed. The temporary nature of the aid also appeals to the Council, in that it is designed to identify the scope for industrial reorganization among qualifying newspapers and to stimulate them, thereby enabling the relatively unfavourable position of marginal and loss-making press organs to be improved where possible. In this respect it is important that the newspapers should be required to come up with rehabilitation plans of their own and that the implementation of those plans should be subject to regulations providing for supervision.

At the same time it cannot be denied that while the regulation seeks to limit the degree to which competition is distorted within the newspaper sector as the result of government aid, the position of the dailies would nevertheless be unilaterally strengthened in relation to the rest of the printed media, such as opinion weeklies and other periodicals, which are excluded from the scope of the regulation. If the restoration of profitability is to be taken as the criterion for government assistance, there would in itself appear to be no objection against broadening this regulation to cover other press organs of demonstrable importance in terms of media diversity, such as opinion weeklies.

### **4.3. Recommendations for future government policy**

In view of the wide range of problems, the government would be advised to re-assess the effectiveness of its various policy categories (i.e. general, selective and selective general aid) in terms of its own objectives. The need to establish priorities on account of financial constraints and/or limitations with respect to regulability may necessitate the respective weight of these policy variants to be adjusted.

#### **4.3.1 *General policies***

The main importance of general policies lies in stimulating or sustaining developments in various sectors of the press. General policies are concerned

with operating conditions in these sectors (e.g. individually chargeable services in the audio-visual sector or the use of videotex for cable newspapers).

As suggested in section 3.3, an expansion of the scope for private enterprise should extend to electronic media in the audio-visual sector. In this field the Council came down in favour of (i) the development of pay-cable on the basis of subscription rates and if necessary advertising; (ii) the development of local television by means of a franchise system (with local advertising); and (iii) scope for private enterprise to exploit videotex (e.g. cable newspapers). These proposals are designed to take account of the existing inter-relationships in media policy. The aim is to enable new media services to be exploited in line with customer requirements while at the same time avoiding the large-scale reallocation of advertising expenditure from having adverse consequences for the operation of the press and for broadcasting financing. For this reason the Council's proposals consist on the one hand of offering private enterprise the scope to move into new fields where publishing companies would appear well placed in terms of know-how and facilities, while at the same time providing the Minister of Culture, Recreation and Social Welfare with a number of regulatory powers, especially with respect to the volume and nature of advertising. The overall objective is, therefore, to present a balanced 'package'. In addition a coherent media policy would presuppose the existence of general measures to establish the conditions under which the media industry operates, including the financial and technical conditions for admission to the system.

#### 4.3.2 *Selective general policies*

The selective general policies as proposed by the Press Fund would in the Council's view provide a suitable instrument for preserving a diversified press system. The main lines of such a policy were set out in section 4.2.5.

As the preceding discussion has shown, however, the prospects are that the position of the press could deteriorate appreciably. This means that the policies currently being carried out by the Press Fund may not in fact provide an adequate degree of support for certain papers faced with structural problems. Given the fundamental aims of media policy, especially the preservation of a heterogeneous press in relation to the political institutions (and perhaps also on grounds of cultural policy), the government could then be confronted with the question as to whether aid policies should (and may) be developed that would enable newspapers without prospects for a return to profitability to continue in existence.

The Council believes that the best safeguard for the diversity of the press lies in the capacity for innovation, flexibility and far-sightedness of individual companies. A press reliant on government funds runs the risk of eventually having to pay with its independence. Reference has already been made to the fact that, as experience has shown, continued support for economic activities that the market will not sustain, can lead to unintended side-effects (e.g. rigidity), which can be damaging for the companies themselves. The Council would therefore reject any suggestion that it was a matter of choosing between a commercial system and diversity. The Council indeed takes the view that diversity is most likely to be achieved if the press is able independently to cope with any threats to its position. It was with this in mind that the Council's proposals for expanding the operational scope of newspaper publishers were made. In the Council's view aid policies should therefore be designed to achieve a restoration of profitability with a view to enabling the press companies in question to operate with success again in the free market. This approach would hold no room for permanent government support. At the same time, however, the Council considers that, given the major importance of press diversity, the present experimental period with selective general policies should be followed closely; the essentially temporary nature of these measures should not be used as a

justification for the elimination of any newspapers. There might even be room for certain supplementary measures provided that the rehabilitation of the companies in question remained the overriding aim.

#### 4.3.3 *Selective policies*

Selective policies (or de facto individual aid measures) provide the government with considerable scope for taking steps to promote press diversity while taking account of the circumstances of the individual media. This type of government aid may be regarded as a valuable supplement to the two other types of policies, especially in relation to getting new projects off the ground. These policies, which are currently being implemented by the Press Fund, are at present related to newspapers and to opinion and current affairs magazines. Apart from the intensification of measures directed towards the press, the Council considers that selective policies should be more clearly demarcated from selective general policies and that effective measures should be taken to prevent preferential treatment.



## **5. THE COUNCIL'S FINDINGS IN THE LIGHT OF THE REPORT'S TERMS OF REFERENCE**

The Council's findings are examined in this section in relation to the Government's terms of reference for the report. A number of questions and answers are presented below, concluding with a section on the internal cohesion of media policy.

### **5.1 Points raised by the Government and the Council's response**

While the Council was given a free hand to determine the nature of the report, the Government did specify the following subjects on which the WRR was expected to provide information:

#### *1. A discussion of possible technical developments in the medium term in the field of telecommunications of relevance for the mass media*

The report underlined the fact that information technology is in a process of extremely rapid evolution, thereby giving rise to a great many shifts in the field of the production, transport and consumption of information. Depending on economic factors and institutional decisions, far-reaching changes may come into effect within twenty years, and some within as little as ten years. Of particular importance is the wider application of wideband transmission by cable (initially co-axial cable and later fibre optic cable) and the development of satellite communication. This will eliminate the previous scarcity of broadcasting frequencies and open up the way for the internationalisation of radio and television programmes. Cable transmission will permit the differentiated and individually chargeable reception of information. In the long term the further development of fibre optic transmission will enable a great many satellite and conventional broadcasting signals to be connected up, as well as local telephone networks, the result being that telephone, data transmission, broadcasting functions such as radio and television, interactive services of both a local and a long-distance nature, such as pay-cable, teletext, viewdata, education, alarm services and the like, will all be capable of being carried by the same system. Experiments with highly-developed integration of this kind have already been carried out in a number of places in the world.

Also of great importance is the miniaturization of electronics and the availability of various kinds of computer memory, including for domestic application (e.g. video recording). Miniaturization and the associated reduction in component cost will enable large-scale data processing and storage to be carried out by means of telephone appliances, record players, video recorders and the like. The availability of cheap electronic memories will enable alphanumerical data transmission (such as teletext or viditel) to be carried out, even using the limited transmission capacity available at the present time. Major quality and quantity improvements are anticipated in this field, e.g. by the addition of pictures (including moving pictures). One possible application would be that of electronic newspapers ('cable papers').

#### *2. Insight into the possible implications of these developments for the press, the broadcasting system and other possible forms of mass communication*

In terms of the emerging technological possibilities, it is clear that the mass media will be operating in a fundamentally different environment. It will be possible for electronic services to be greatly expanded, particularly

in view of the fact that cable will be used not just, as at present, as an extension to private aeriels but also as an independent means of distribution of programmes that are not broadcast through the air, or not at the same time. What this will mean is that the scarcity of transmission channels will be eliminated. At the same time scope will, as discussed above, be opened up for new media services. The net result of these developments will be the emergence of 'equivalence', that is the fact that it will be possible for the same service to be offered by a number of different media. This process will be furthered as traditional differences between the media become blurred (e.g. the introduction of cable newspapers). In a number of instances this may be expected to lead to substitution, i.e. that new media forms will come to supplant the functions of existing media, which will then disappear. At the same time, however, the Council sees certain limits to this process. One constraint will be that of finance: the new media facilities will, broadly speaking, be dependent for their financing on the same sources of revenue as the present system (i.e. subscription rates and advertising). Given the low economic growth expectations, this means that it will not be feasible for all the new possibilities to be introduced at the same time. Public acceptance also forms an important limitation, in that it should not be assumed that there will automatically be a market for every technologically feasible innovation. Finally government policy can form a barrier if certain developments are not permitted.

The anticipated changes unquestionably pose certain threats to the present mass media. The public service broadcasting system will be exposed to greater competition, both national and international. Examples include programmes transmitted by cable (e.g. subscription television, local television and relayed satellite programmes) as well as direct reception (e.g. by dish aeriels), and the rapidly growing video industry. The Council expects such competition to be at its most marked in the case of mass appeal programmes (e.g. entertainment and sport). The inevitable result will be a decline in the present dominance of the national broadcasting system in the Netherlands. In addition there is the possibility of advertising being siphoned off from broadcasting (e.g. by satellite television), while the financing of the broadcasting system could also come under pressure in other ways, as the result of a decline in interest in its programmes.

For the press, the foremost and very real danger is a loss of advertising revenue. Furthermore the press will have to contend with the fact that certain functions could be taken over by other media, thus eliminating the *raison d'être* for present press organs.

The Council would however stress that apart from posing threats, the new technology will also present new opportunities. In line with the general aims of the public service broadcasting system, broadcasting could, for example, concentrate to a greater extent on programmes designed to cater to particular ideological and denominational streams in society or to pick up relevant cultural trends and aspects. The press, operating as it does in a free market, could exploit the lead it has on potential competitors in terms of expertise and facilities to move into new fields (e.g. pay-cable, local television and alphanumeric services). On the other hand, developments in printing technology are creating new possibilities, such as made-to-measure newspapers (i.e. papers directed towards the requirements of homogeneous sections of the public) and the use of colour in newspapers (as required by certain advertisers). The Council would certainly see no grounds to support the assertion that the printed word has no future.

*3. A sketch of the possible consequences for society in the light of social and cultural developments. This includes attention to the employment aspect in both a quantitative and a qualitative sense, in that the technical developments and the associated introduction of new forms of international mass communication could entail the creation of loss of jobs and necessitate new or modified training and education requirements.*

A great deal has been written about the relationship between the media and society, but little has so far been demonstrated. Various theories have in the past been developed about the 'power of the media', but none of these has proved empirically verifiable with regard to the long-term consequences. If anything has been established, it is that superficially plausible assumptions have generally proved unfounded; reality has consistently proved more complex. As such, current theories on the socio-cultural consequences do not provide any compelling arguments for a particular line of policy. This is not to deny the existence of any relationship at all between developments in the media and socio-cultural trends. The two are clearly inter-related, with the actual emergence of new media forms possibly being of greater importance than the content of the message. An example is the impact which the introduction of television has had, not just on the leisure habits of the average Dutchman but also on the relationship between politicians and voters and on the advent of new methods of political action and the like. Here again, however, it is true to say that while there would indeed appear to be an interaction between the media and social developments, it remains to be shown which is cause and which effect.

The likely consequences of the greater range of media facilities are all the more difficult to foresee because so much will depend on public acceptance. In this respect there are indications that people are not indiscriminating but tend to accept new media forms that fit in with their established preferences. The greater amount of television available, for example, has led to different but not to more programmes being watched; nor has reading declined with the introduction of television. On the basis of these general findings the Council does not believe that any arguments about the likely consequences for society afford a practical frame of reference for government policies. This may be disappointing for those involved in important decisions in the media field, although it does increase their room for manoeuvre; if it is not possible to attach any norms to the social consequences of government action, the need for normative assessment can be transferred back to that action itself. This is the positive conclusion to emerge from the research.

Employment aspects have been examined in the report in two senses. In the light of the above considerations the Council noted that the continued presence in Dutch society of a high number of unemployed persons – whose sense of identification with society may suffer as a result – can have important consequences for media policy. It could for example lead to the emergence of as yet unfamiliar mass media specially geared towards these groups. Although no research has been done on the subject, it is conceivable that radicalization and extremism could in this way find diversified forms of expression that could challenge existing norms with respect to freedom of speech. While all this is highly speculative, the Council would make the point that developments of this kind cannot be ruled out for all time.

Any attempt to quantify the impact of new technological innovations on employment is subject to many uncertainties. Employment in the media sector depends on both economic and technical factors. A survey of future media consumption carried out for this report suggested that the level of consumption of the printed media was likely to fall slightly in coming years, while that of the audio-visual media would grow strongly. The Council would stress that these forecasts are of indicative value only. Sales prospects will depend largely on consumer purchasing power and the financial and economic circumstances of the private sector (including the available advertising budget). With respect to the printed media it has been assumed that the stagnation in sales (with a reduction in circulation figures and a decline in advertising revenue) will lead to a drop in employment. In addition, technical developments in the publishing industry, especially at the information processing stage, are likely to see a loss of jobs. Some of

this loss might, however, be compensated for by a shift of printing activities from the printing industry to suppliers of information. Employment in the printed media could receive a positive impulse if the press media, as suppliers of information, were able to make use of electronic media along the lines indicated in this report.

The high cable density in the Netherlands and the opportunities this opens up, the expansion of broadcasting services and the introduction of new audio-visual equipment create a high potential demand for software. The existing forms of information production will be supplemented by products from the publishing world, the film industry, educational establishments, databanks and all sorts of new enterprises. This might also include opportunities for trading in and exporting products. In this respect the Netherlands is not badly placed, but its position should be built up. The 'cultural industry' could emerge as a major growth sector.

There are also important economic interests at stake in the hardware sector, i.e. the electronics and telecommunications industry. This industry has to compete in an open and internationally oriented market. Dutch companies have an interest in timely planning in relation to exports and employment. Such planning needs to be carefully thought out and shaded, taking account of many non-economic aspects as well. To assist such planning consideration could be given to the establishment of an umbrella organization along the lines of similar institutions in other countries.

*4. A discussion of the considerations which government policy should take into account against the background of points 1, 2 and 3; while taking the freedom of expression enshrined in the Constitution as the starting point, these include in particular:*

- the nature of, scope for and limitations on government action, taking international aspects into account;*
- financial, legal and organizational aspects;*
- the structure of policy preparation and implementation.*

In order to facilitate the freedom of opinion and speech provided for in the Constitution, the government is required to conduct a media policy designed to achieve an acceptable level of media diversity, that is a situation in which relevant political and social streams are present in the media. The Council would note that the yardsticks for government policy may be derived from the indispensable functions for the functioning of democracy of free discussion and a free flow of information. In addition the government implements other policies with respect to the mass media that are not derivative from the Constitution, namely cultural policy. Against the background of points 1, 2 and 3 above, the Council considers that government policy should be characterized on the one hand by efforts to preserve the achievements handed down from the past, and on the other by the encouragement of the broadest possible range of services. This is a matter of compatibility, i.e. of a satisfactory combination of that which deserves to be preserved with opportunities for development. This means that conservationist policies solely concerned with the preservation of the existing media will not suffice. Quite apart from its feasibility in the longer term, such a policy to preserve the status quo would fall short with respect to the promotion of interesting new developments. More specifically, the Council believes that the present highly restrictive policies towards the use of cable should be amended.

In so far as the creation of these opportunities would threaten established positions that form the subject of government concern, the Council would recommend that rather than providing compensation and/or subsidies, a solution should be found in the form of enabling affected parties to participate in those new developments. Government aid can be provided to help smooth the transition and to restore profitability. In general, however, the maintenance of media diversity will be better served by the regenerative capacity of the private sector, in so far as it is given the opportunity to

assert itself, than by far-reaching government intervention. The Council considers therefore that government policy should be active, both on the grounds of media policy and in terms of cultural policy considerations, but that it should essentially be concerned with establishing an appropriate framework of conditions. As it is, international developments leave little room in the Council's view for doing anything else, both in relation to uncontrollable factors (e.g. the direct reception of foreign programmes) and because of the cultural and industrial gaps that would otherwise be opened up.

In the light of the above the Council takes the view that government policy with respect to *national broadcasting through the air* should be aimed at the maintenance of a statutory public service system, in which the country's social, cultural, religious and spiritual diversity is reflected. The emphasis should therefore be on gearing the broadcasting system to these requirements. This will mean greater emphasis in programming on the information and expressive functions; while there will be a place for entertainment programmes – partly to reinforce the identity of the various streams – they should not be allowed to dominate simply on account of competition between broadcasting networks.

To this end the Council would make the following recommendations:

- a. membership of a broadcasting organization should no longer be linked to subscriptions to a radio/tv guide; the choice of broadcasting organization should be based on its social and cultural orientation, with membership based on payment of a real contribution;
- b. admission to and exclusion from the broadcasting system should be based on numerical criteria. These should be set at such a level as to ensure an adequate level of diversity while at the same time avoiding fragmentation. The numerical standards should be determined by the way in which membership numbers develop during the transitional period (as specified below);
- c. apart from numerical criteria admission and exclusion should also be dependent on the extent to which the franchise-holder contributes towards the heterogeneity of the broadcasting system. Where necessary the diversity requirements laid down in the Broadcasting Act should be rendered more operational;
- d. assessment in terms of numerical criteria and the diversity requirement should be carried out periodically, e.g. once every five years;
- e. while the allocation of transmission time and membership size should be linked, transmission time should rise less than proportionately to membership size;
- f. the allocation of transmission time to candidate broadcasting organizations should be reviewed in the light of the new allocation of transmission time;
- g. the comprehensive programming requirement should lapse or at most be confined to an indication of the required minimum percentage of information programmes;
- h. a 'third programme' should be established, separate from the broadcasting organizations and aimed at the stimulation of culture. This might include high-quality productions in the field of background information, the arts and drama (including Dutch drama), as well as programmes where groups were able to express themselves that were otherwise unrepresented in the broadcasting system;
- i. in order to finance the broadcasting system there should be a structural increase in licence fees;
- j. it would be desirable for STER revenues to be increased. The amount of transmission time and tariff levels for STER advertising should be carefully determined so as to counter the 'suction effect' of foreign broadcasting advertising while at the same time taking the interests of the press into account. This would require the appointment of a committee of independent experts to advise the Minister Culture, Recreation and Social Welfare.

k. the recommendations of the Government Commissioner for Broadcasting to combat commercial practices within the statutory system deserve to be implemented.

The Council recognizes that radical changes such as those it is proposing require time and that transitional arrangements will be required to avoid disruption to the broadcasting system. An appropriate transitional period might be five years, during which the present status of the broadcasting organizations would be maintained.

With respect to *regional (radio) broadcasting* the Council would observe:

- a. the establishment of new regional broadcasting stations is only justified if the local inhabitants display a need for it and are prepared to help pay for it; there is no reason for regional broadcasting to be imposed from above;
- b. a proportion of the financing of regional broadcasting should take the form of a regional surcharge on licence fees; advertising should not be permitted;
- c. the Minister of Culture, Recreation and Social Welfare should extend regional broadcasting franchises to the Netherlands Broadcasting Corporation, which would be responsible for programming and technical coordination; a (culturally representative) council would advise on programming.

With respect to *local (radio) broadcasting through the air* the Council considers:

- a. admission policy can be decentralized; one or more frequency bands could be allocated per municipality; the municipal executive would then award these to one or more local broadcasting organizations;
- b. it would be sufficient for the central government to lay down general guidelines in the Broadcasting Act;
- c. the financial resources should be obtained from local donations and/or municipal subsidies; resort to advertising should not be permitted.

With respect to *new services provided by cable* the Council would draw a distinction between cable as a means for relaying programmes being simultaneously broadcast through the air and as a medium for transmitting programmes specially made for cable as well as other services. As regards *relayed* programmes, the Council would make the following recommendations:

- a. cable operators would be obliged to put together a minimum package, which should in any case include the national Dutch broadcasting programmes;
- b. possibilities should be opened up for separate charging over and above the minimum package. In this respect the government could lay down guidelines;
- c. if a national feeder network were to be established, the tariff structure should be critically reviewed. The currently envisaged uniform tariff would be unattractive for subscribers to large cable networks;
- d. the Netherlands Broadcasting Corporation could play an intermediary role with respect to negotiating programme rights.
- e. individual freedom of reception should be safeguarded, for which reason the Council would reject aerial prohibitions and relay prohibitions on tv advertising directed towards the Netherlands.

In the case of *transmission* by cable, a distinction may be drawn between broadcasting (i.e. generally disseminated programmes) and other forms of mass communication where the subscriber only pays for what he gets. The major form of cable broadcasting is *local television broadcasting*. In this respect the Council would recommend:

- a. if municipalities so desire, local television can be introduced on the basis of local television advertising;

b. local television advertising should have a local character. This will mean keeping national advertisers out. The linking up of local networks should be restricted;

c. the system should operate on a franchise basis; institutions and/or groups that satisfy certain conditions can apply as candidate-cable operators with a proposed package of programmes, after which franchises would be awarded by a committee drawn from the municipal council (or councils) in question; this would therefore enable participation by publishers (including the press);

d. the Minister of Culture, Recreation and Social Welfare should lay down general guidelines with respect to the nature of programmes (especially their local content), the area covered by each franchise holder and the latter's ties to that area, the extent to which advertising plays a role, the duration of the franchise and conditions designed to ensure the continuity and solvency of cable operators. Municipalities could lay down supplementary guidelines;

e. the information components of local broadcasting should for preference be based on a statute safeguarding editorial independence.

With respect to programmes provided by cable that do not automatically reach all subscribers, the report examined *pay-cable, viewdata, teletext and cable newspapers*. In this regard the Council's recommendations are as follows:

a. the possibility of pay-television should be opened up; to begin with this would mean that consumers could subscribe to channels in addition to the fixed minimum package, for which they would be charged on a per channel basis (pay-cable);

b. in principle there should be equal access for all parties, i.e. including the press and the broadcasting organizations;

c. pay-cable should essentially be funded out of subscription charges, but advertising would also be permissible;

d. from the viewpoint of a coherent media policy the Minister of Culture, Recreation and Social Welfare should, however, have regulatory powers with respect to the permissible level of advertising and/or the level of subscription and advertising charges;

e. the present forms of control should provisionally be retained in the case of viewdata and teletext, but definitive decisions should be deferred until these systems have gone through the experimental stage; similarly the required regime if cable newspapers were introduced should be determined on the basis of developments in practice.

As far as the *press* is concerned the Council takes the line that government policy should essentially be directed towards the capacity of individual enterprises to adjust to new circumstances. In the past the private sector has demonstrated a considerable capacity for regeneration, and the Council considers that the best safeguard of diversity lies in a press that is able to stand on its own feet. The threatened loss of advertising revenue resulting from greater on-air and cable advertising does, however, mean that the press will have to be provided with greater opportunities for operating in the private sector. The Council has accordingly recommended that opportunities of this kind be created for publishers upon the introduction of pay-cable and cable newspapers and perhaps in the case of local cable television (under the franchise system). It will then of course be up to the press to exploit these opportunities. With a view to planning the required investments – which will in some cases be very appreciable – the Council has in general recommended that clarity should be provided at the earliest possible stage with respect to the conditions on which organizations will be permitted to enter into new media fields.

The Council would see government aid policies playing a supplementary role. Government policy would as such be characterized by:

a. general policies, covering commercial activity in various industries; account should be taken of inter-relationships in media policy; the new electronic media would be opened up to the private sector and hence to the press;

b. selective general aid policies with respect to the press (covering daily newspapers and possibly also opinion weeklies); for the present, policy could slot in with the new policy being implemented by the Press Fund;

c. the provision of loans in individual cases, particularly for the development of new projects.

As far as the details of new legislation are concerned, the Council would recommend as follows:

a. demarcation of the field covered by the Broadcasting Act in the sense that the latter would apply to 'publications' by electronic media in the form of simultaneous and non-selective distribution to the general public. The following would then fall under the Broadcasting Act regime:

- national, regional and local broadcasting through the air;
- the relay or transmission by cable of programmes designed for the public; with respect to relaying, the Council does not see any further need for regulation other than the obligation to relay a minimum package of (in particular) domestic programmes;

- teletext (in its present form);

b. the introduction of a Cable Framework Act for new services in the field of the public provision of information that do not fall under broadcasting, such as pay-cable. In principle the cable operator and customer should be left as unrestricted as possible;

c. adjustment of the Telegraphs and Telephones Act in line with the (amended) Broadcasting Act and the new cable legislation;

d. regulation of authority over hardware: here the Council would endorse the recommendations of the Swarttouw Committee.

With respect to the *organizational structure*, the Council would in general favour less restrictive government policies and greater freedom for the broadcasting organizations and franchise holders. It would support greater decentralization (both local and regional) and a greater say for those directly concerned (i.e. consumers). As suggested above, the Council would recommend the appointment of an independent committee of experts to advise the Minister of Culture, Recreation and Social Welfare on decisions concerning the volume and price structure for STER advertising. In addition some form of permanent consultation between the government and the private sector (e.g. an umbrella institute) would be desirable in relation to the planning of hardware production.

## 5.2 Policy cohesion

The Council's report has consistently stressed the importance of a coherent policy with respect to the mass media. The body of the Council's recommendations and the background analysis contained in the report have been designed to create the setting for such a policy. The proposed policies are based on the constitutionally enshrined freedom of speech and on cultural policy objectives. As always, other considerations also enter into account, such as the desire to conduct an innovative industrial policy with a view to promoting employment, and the report has attempted to examine these aspects.

In the light of the above the Council arrived at the twin objectives of maintaining achievements built up over time and the creation of new opportunities. This will be a matter of weighing up varying factors, with value judgements playing a major role. Thus, for example, it would be possible to make out a strong case for expansion of the media on the grounds of technological progress, corporate profitability, cultural diversity and scope for individual choice, while on the other hand restrictive policies



could be advocated on the grounds of the necessity to hold back consumer spending and advertising expenditure. Value judgements also enter into the equation when it comes to deciding whether new services should be handled by the public sector or left to private enterprise. Finally value judgements are at issue when it comes to deciding to what extent equal rights processes relating for example to women, minorities and other disadvantaged social groups should be incorporated or even given priority in mass media policies, or whether essential achievements from the past should be preserved. The Council has sought, while taking all these considerations of relevance for government policy into account, to draw up a balanced report. It cannot however claim to have spoken the final word; in certain instances policy decisions will also have to be based on considerations that do not fit into a framework of scientific assessment.

The importance of policy cohesion may be argued on two grounds. In the first place developments and measures with respect to the various media are highly inter-related in practice. This is at its most evident in relation to financing, in that all the media are broadly speaking financed from the same consumer spending and advertising expenditure. Given the limited growth expectations in this field, there is a clear conflict between the technologically feasible and the economically viable. This comes to a head in the competition for advertising as a source of revenue. In the case of the government this means that it is required, in the light of the basic premises on which its policies are based, to arrive at a correct balance whereby the reallocation of advertising flows is kept as limited as possible while at the same time imposing minimal restrictions on the introduction of new services. Secondly, technological developments may be expected to blur the distinctions between the media in their present form – e.g. between broadcasting and the printed media – and to make these differences less relevant. Here again this provides a case for paying close attention to the implications for closely related fields when devising government policies with respect to individual media.

The Council's recommendations have been designed to modify the public service broadcasting system in such a way as to ensure its survival in a broadcasting environment characterized by internationalization and the more extensive provision of mass appeal programmes. To this end it has been recommended that the broadcasting organizations should be made less dependent on a mass following and that their financing should be strengthened by a structural increase in licence fees and an expansion of STER revenue. In order to compensate for the loss of income this would mean for the press (especially advertising revenue) it has been proposed that the scope for the press to operate in the private sector should be widened, e.g. in relation to electronic media (pay-cable, cable newspapers and local television). In this respect it has been sought to promote the diversity of the press primarily by means of widening its scope for operation. State aid (on the basis of objectifiable standards aimed at the restoration of profitability) would play a supplementary role. In the case of those media which the Council believes should be permitted to resort to advertising, regulatory powers have nevertheless been recommended for the government so as to enable it to limit the level of advertising for media policy reasons. This provides a further instance of policy cohesion. The desire to enable new technological developments to be introduced has led to the recommendation that, where the municipalities so wish, advertising should, in contrast to the present arrangement for regional and local broadcasting through the air, be permitted in the case of local (cable) television. This position is based on the consideration that, given the unfavourable balance between cost and financial resources, local television would be unlikely to get off the ground without commercial exploitation, despite the clear evidence of viewer interest for such a system. The franchise system is designed to enable the regional press to obtain compensation in the market place.

## MINORITY VIEWPOINT BY COUNCIL MEMBER H. A. VAN STIPHOUT

One member of the Council, Mr. H. A. van Stiphout, was unable to support some of the recommendations and underlying argumentation in the report. His reservations centre on four points:

- a. the operation of local cable television on the basis of a franchise system;
- b. resort to advertising as a source of revenue for pay-cable;
- c. the third programme (television) in the broadcasting system;
- d. the recommended priorities and nature of government aid policy to the press.

Mr. Van Stiphout's specific objections are summarized below.

### a. *Operation of local cable television on the basis of a franchise system*

This recommendation by the Council will lead to serious disruption. From the viewpoint of a *coherent* media policy, the government's prime aim must be to ensure that media which clearly depend on advertising as a source of revenue should not be penalized any more than strictly necessary to enable new media to get off the ground.

The following may be said in relation to the Council's recommendation:

a. this is an attempt to provide the press with the ability to compensate for market losses in other fields. There can, however, be no guarantee that these opportunities will be exploited by precisely those press companies which suffer a decline in advertising revenue on account of the introduction of local cable television. Quite appropriately, the Council's proposal makes no provision for giving the press preference. Given the special nature of television as a commercial activity, the argument that press companies would be particularly well equipped to enter into the field of television production and therefore have ready access to the local television market does not hold.

b. the Council recommends that advertising should be restricted to local advertising, i.e. in many cases simply retail advertising.

Given the market dominance of (nationally known) brands, this recommendation is unrealistic. The elimination of brand identities in local advertising would scarcely be feasible.

Given the impossibility – and indeed undesirability – of government regulation on this score, advertising on local cable television will become of supra-local concern and form a significant adjunct to national advertising.

c. In order to achieve audience figures attractive in terms of advertising, there will be a marked tendency for local networks within the one service area to be linked up. This would entail the evolution on a legal basis of a commercial television system. This would obviously have major consequences for the public service broadcasting system and for the allocation of advertising expenditure among the various media categories. Advertising revenue will be lost not just by local daily and free circulation newspapers but also by nationally distributed magazines.

Furthermore the public television system would find itself engaged in competition with commercial television in programming terms. In this way, local cable television, despite being intended purely as a local activity, would have an impact extending well beyond the local area.

d. It is self-evident that local cable television will need to attract a considerable volume of advertising if it is to be commercially viable. This means that existing press organs will inevitably suffer a substantial drop in income. It is only to be expected that there will be a decline in the diversity and quality of the local and possibly also the regional press.

In the light of these arguments the introduction of local cable television on the basis of a franchise system can, from the viewpoint of a coherent media policy, only be regarded as totally unjustified and hence inadvisable.

*b. Advertising within the medium of pay-cable*

With respect to subscription television the Council recommends that advertising should be permitted as a source of revenue. Since advertising is not essential for profitable operation, the establishment of a government regime for pay-television in which a place was provided for advertising would not be justified in terms of a coherent media policy. Policies should instead be adopted whereby those new media that could be introduced without resort to advertising should in principle be excluded from doing so.

The introduction of a system of pay-cable without advertising has the significant advantage that the conditions established by the government can be confined to rules that apply generally to supply in the private sector. In this way supply can develop in line with demand, and the private sector can be provided with the maximum opportunity for expansion in this new medium.

It needs to be realized that this approach alters the position of the government vis-à-vis the media, in that it creates separate regimes for the various new media and would therefore determine the conditions under which they could be exploited. The government would do this in order to give those media that could not exist without advertising the chance they would otherwise not have of operating on a self-financing basis. This would form a new aspect of government media policy, and would imply that the government based the legitimacy of its actions not just on the obligation to respect the freedom of speech but also on a responsibility to create the conditions in which information can be freely received and disseminated. On the basis of the considerations set out in a. and b. above, the following would qualify as starting points for a coherent media policy:

- individually chargeable services can be developed in the private sector (e.g. pay-cable, and videotex services such as cable newspapers); in principle these activities would not make use of advertising where audiovisual presentation was concerned. Videotex advertisements would therefore be permitted;
- broadcasting would remain an activity confined to the public sector.

*c. The third programme*

There are a number of substantial objections to the proposed introduction of a third programme. The recommendations in respect of broadcasting opt expressly in favour of a system of independent broadcasting organizations whose suitability would be determined in part on their cultural orientation. Furthermore the new rules with respect to membership size and the allocation of transmission time are intended to enable programming to be conducted by broadcasting organizations in a balanced manner without excessive dependence on audience ratings.

Given such an approach the introduction of a third programme on the scale proposed would be premature. The Council's recommendations with respect to entry to and exclusion from the system, the allocation of transmission time and programme composition are in fact designed to render an institution such as the third programme unnecessary. As such, a third programme does not fit into the Council's conception, and should only be considered after the new broadcasting system has been in operation for some time.

*d. Aid policies towards the press*

With reference to the press, government policy may well be faced with the need to establish priorities for the extension of aid to the various categories of press organs. This will be brought about – perhaps even in the short term by a possible increase in the number of claims and by limitations on the ability to finance such expenditure. Top priority should be given to the daily newspapers; government aid may even have to be confined to this category if finance is sufficiently tight. In these circumstances

it would not be possible, as the Council has recommended, for the present selective general policies to be extended to opinion weeklies.

The concentration of government aid on the category of daily newspapers alone would be justified in terms of the function which these organs of the press fulfil for the functioning of democracy. The dailies fulfil such a function with respect to virtually every citizen, whereas other organs do so only (if at all) in respect of more limited sections of the public.

Within the category of newspapers, it is possible that the structural position of the national dailies will remain or become so unfavourable that the selective general aid policies would in their present, temporary, form eventually prove inadequate. Although there are various objections towards the provision of permanent support (as set out in the report), understanding of the actual scope for permanent aid and the repercussions this would have on commercial management is too limited for this type of aid to be rejected out of hand. It must at least be worth recommending further research. In terms of the function fulfilled by the press for the functioning of democratic institutions a diversified range of national dailies is both vital and irreplaceable. On the basis of the present compensation arrangements for newspapers (i.e. selective general policies), a policy of permanent aid could be developed in the light of further research and the proposed evaluation of the present temporary regulations. It goes without saying that an arrangement of this kind would have to be based on clear minimum requirements as regards circulation size and density of distribution, below which no further permanent aid would be provided, thus preventing rigidities.

The Council's recommendation for a different type of selective policy to be developed in order to support new initiatives in relation to the range of press organs would fit very well into a concept of press policy confined to daily newspapers. It would form an important supplement because selective general policies are able to promote continuity but cannot necessarily stimulate innovation. Assessment by or on behalf of government of new initiatives would have to be conducted on the basis of criteria concerned with press diversity. In the case of the daily newspapers this could take the form of the major streams within the Dutch political spectrum. In the case of other press categories, however, these streams would not necessarily be the decisive consideration, and government aid would therefore raise serious questions of legitimacy. As such it would appear advisable for aid policy in relation to new initiatives to be confined to daily newspapers.

## **APPENDIX 1 Composition of the media policy project group**

This report was prepared by an internal working group which, when the report was being finalized, consisted of the following members:

H. A. van Stiphout, Chairman  
Dr. J. H. J. van den Heuvel, Secretary  
Dr. P. R. Baehr  
J. C. F. Bletz  
Dr. W. M. de Jong  
J. C. J. de Pree  
Th. Quené  
I. J. Schoonenboom  
Y. Starrenburg  
Dr. J. Volger  
K. Vijlbrief

## APPENDIX 2

The WRR commissioned a number of experts to carry out preliminary studies for the report 'A Coherent Media Policy'. The following studies were published in an independent series entitled 'Media Policy Background and Preliminary Studies' (in Dutch):

- M1 J. M. de Meij: Overheid en uitingsvrijheid (The Government and Freedom of Speech) (1982)
- M2 E. H. Hollander: Kleinschalige massacommunicatie: lokale omroepvormen in West-Europa (Small-scale Mass Communications: Local Broadcasting Forms in Western Europe) (1982)
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