

# The Development of Digital Television in Ireland: the tension between distribution and content policy goals

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## Introduction

As member states approach the European Union's preferred analogue switch off date in 2012, there has been mixed results in the overall transition to digital television (Iosifidis, 2007). In Ireland, the free to air digital terrestrial television platform (DTT), launched in 2011. With a potential audience share of 25% of non-cable/satellite customers, the DTT offering, named Saorview, is playing catch up in a market dominated by cable and satellite providers. This chapter will recount the trajectory of Ireland's digital television transition and illustrate some of the challenges faced by small states as they have attempted to implement Europe's competitive platform model that, at times, has appeared more suited to the larger European audiovisual markets which have helped shape its development. It will also illustrate the pitfalls of adhering to a strictly market driven agenda when forms of neo statist intervention are necessary to ensure social and cultural goals are realised in public policy. In the case of Ireland, regulatory struggles over the model of digital television, political caution over competitive dynamics and vulnerability to corporate policy demands contributed to a long delayed DTT launch. However, policy actors and stakeholders in Ireland were operating within a wider set of dynamics in relation to shifting power relations in television. In the 1990s the cable and satellite operators and the emerging telecommunication companies and their regulators became much more effective actors in defining digital television transition. In Ireland, a shift in the power relations of television at European level and the articulation of that shift in broad policy endeavours were both the contexts and outcome of the digital transition.

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Centrally, this chapter will argue that the policy adopted for the digital transition reflects the European Union's agenda of diffusing digital infrastructure in partnership with private/commercial media and communication interests. Tied to a vision of a market driven information networks, concerns over the maintenance of content diversity and plurality became secondary in the digital transition.

## DTV Policy

DTV policy can be understood as a component of the European Union's Information Society project. The political economy of DTV has emerged from a wider agenda that favours developing an Information Society through market dynamics and regulation that is minimal, horizontal and co-regulatory. As described by Hernan Galperin:

"DTV is part of a larger process of change in the way information is produced, aggregated and distributed in contemporary societies. This involves fundamental changes in the economics of the communication industry that has created new competitive advantages, eroded others, and altered the balance of power between different market actors. It involves new ways of thinking about the implications of information infrastructure for economic growth, cultural development, and for political participation" (Galperin, 2004, p4)

In relation to digital television policy, the initial policy endeavour from the EU was to allow an assembled consortium of public and commercial terrestrial broadcasters, satellite and cable broadcasters, reception manufacturers and national regulators (the Digital Video Broadcasting group), to coordinate policy towards digital television. Within this group the presumption of platform neutrality emerged as a central principle in its memorandum of understanding (DVB, 1995). All platforms would be regulated equally in the digital television future. This competition model was, by various mechanisms, promoted as the European Commission's preferred route to the development of digital networks that would provide the carriage for digital television.

The approach was also manifested in policy towards Convergence when the 2002 Framework Directive created a horizontal regulatory regime for all communications networks (European Commission, 2002). At European level, the infrastructure of

'convergence' was to be developed by market forces, competitive and de-nationalised. However there was still some room for manoeuvre for support of any given platform in the general interest and through transparent measures (Schoser and Santamato, 2006). This model of head to head competition sought to ensure that national protectionist policies would be eased out of the regulation of infrastructure by member states and a level playing field would result for the mixed market of commercial, public, and commercial/public distribution entities. The analogue, cable and satellite platforms would compete head to head as digital platforms. Technocratic regulatory authorities would be entrusted with ensuring that both the Commission and DVB group's preference for open competition in digital television delivery would be favoured.

The model of head to head competition between platforms ran into difficulty early on in those states that had taken a lead in digital television development. The failure of OnDigital in the UK and Quiero in Spain in 2002 demonstrated that all digital platforms could not compete on the basis of the same services. From this there emerged a pattern of differential service competition with cable companies leveraging their capability in delivering triple play broadband, telephony and television delivery and satellite firms concentrating first on television services, premium content and developing advanced technology in their set top boxes. For some states, the terrestrial platform would become the free to air offering with a basic tier of free services, low technology costs and no ongoing costs for subscription. All of these platforms would compete offering different advantages for the user.

## **Platform Diffusion**

The factors that have shaped the patterns of digital television platform diffusion are varied. In the smaller European states, market size has been a significant factor in deciding the pattern of platform diffusion. In states with populations under 5 million the potential fragmentation of audiences amongst three platform entailed relatively tight margins for the viability of any given platform. Thus, in any given state, early launch of a given platform was considered of key importance. This placed untested platforms into direct competition with established distribution platforms

that, in many cases, were integrated into global media concerns with deep pockets and content rich resources. Platform neutrality, however, did not acknowledge this asymmetrical balance of power. The model also had implications for the resource bases of the indigenous content producers in each state. For some public broadcasters, control over distribution infrastructure was a means of generating revenues and retaining them within the television production sector. The competitive platform model would also entail additional costs for television channels seeking distribution across all platforms. The development of interactive dimensions to content would also need to take into account the differential technological architecture of each platform. Lastly the proliferation of multichannel television and digital multichannel would have significant impact on the viewing shares of indigenous television channels. These changes would have significance for the fragile broadcasting ecologies of smaller European states.

Whereas state size is a constraint in the development of a multiple transmission platforms, there are other factors which partially determine the pattern that multiple platform diffusion takes. Firstly, the ability of governments to marshal market interests, coordinate their own varying policy strategies and prioritize policy goals has varied widely across Europe. Secondly, because high levels of multinational investment and concentration characterize media distribution systems, patterns of global corporate investment in communications infrastructure (which is partly shaped by a given state's receptiveness to the global economic system) have helped determine platform diffusion. Thirdly, a state's positioning within transnational television markets can have implications in relation to the presence of non-national distribution platforms (Chalaby, 2005). Lastly, the pre-digital structure of television distribution will have a legacy effect in relation to digital switchover (Starks, 2007). In the following case study of the trajectory of competitive platform development in Ireland the inter-relationship of all of these contextual factors will be explored.

### **The Digital Television Transition in Ireland**

As a flexible competitive state, Ireland has developed an economic model based on foreign direct investment and export oriented growth. One characterisation

of Ireland's state style is that of a neo-liberal corporatism (Boucher and Collins, 2003). Whereas the global financial crisis has changed this dynamic, from 1997-2007 state economic policy was characterised by partnership style governance to ensure inclusion in economic adjustment and reliance on market making mechanisms and private social services to retain competitiveness in the global economy. This was the broad governance style and economic policy that was the context for digital television development.

Ireland's pre-digital television structure was characterised by the availability of multiple channels to complement the four free to air terrestrial channels. Approximately 50% of the population received 10 additional channels through cable services whereas 33% of free to air households could also receive additional channels from the UK, off-air. The availability of the UK's channels point to the overlap of Britain's mediascape with Ireland's. Cultural, linguistic and geographical proximity has meant that the UK's broadcasting ecology has always been co-present with Ireland's, and as it has become more liberalised and international, it has incorporated the Irish broadcasting ecology into a larger cultural linguistic market. However, historically, Ireland has always been part of a wider Anglophone media market with significant imports from the UK and US in film, broadcasting and publishing yet has managed to retain relatively strong indigenous media industries (Morash, 2010).

Government Ministers turned their attention to the changes in the technological base of television broadcasting in Ireland from 1994. One initial proposal for addressing the digital transition was the early development of a national platform (either terrestrial, cable or satellite, or a combination of all three) twinned to an overarching broadcast regulator to co-ordinate public and commercial broadcasters adjustments. However, a change of government in 1997 signalled a more market led approach to digitalisation overall. The telecommunications regulator, working in partnership with the Department of Public Enterprise, developed the plans for the transition to digital television. The European model of competitive platforms would be adopted. Cable, satellite and terrestrial would compete with each other on the basis of a level playing field. A model for DTT would be developed to allow its early launch.

The cable infrastructure was fully privatised and concentration of ownership was enabled in order to improve its economies of scale. From 1998, Sky, operating out

of London, began to offer the same 'direct to home' digital services that were available in the UK via a subsidised set top box to hasten take up. In general, policymakers tended to see this as a positive contribution to the digital transition (Corcoran, 2004). By 1998, a DTT system was sanctioned as a potential competitive platform, a means of releasing valuable spectrum and a means of sustaining the existing analogue national broadcasting ecology into the digital age.

Sky's decision to enter into the Irish market was informed by its consolidation in the UK market and its need to develop its economies of scale to help fund its digital strategy there. Sky's move into the Irish market was facilitated by the Television Without Frontiers directive. Accountable to the UK regulator Ofcom, under a non-domestic satellite license, Sky had significant regulatory advantages over operators based in the Irish state. The Irish government subsequently, through the Irish communications regulator, Comreg, made three attempts to develop regulatory sway over the satellite broadcaster but to no avail (Murphy, 2004). In 2003, at a high level European Ministerial meeting, the Irish government attempted to stake its claim for some regulatory competence over Sky, but with no success. Sky's lack of regulatory burden in Ireland prompted the cable platform operators to protest their own regulatory commitments framing them as opportunity costs.

The cable infrastructure had seen a succession of corporate investors including NTL, Liberty AT&T and Independent News and Media until it was finally consolidated in 2006 under the ownership of UPC, a subsidiary of US conglomerate Liberty Global Media. UPC upgraded the cable network in order to provide multichannel, telephony and broadband services as a series of bundles. UPC's investment in Ireland was part of Liberty Global's European strategy to develop a critical mass in cable distribution and use this as a source of demand for its content production divisions and its other synergies in content distribution.

In the period between 2001 and 2007 the transition to digital television in Ireland could, in terms of digital take up, be characterised as being relatively successful. But, it is also characterised by the failure to launch the DTT platform for early diffusion. By December 2007, in a market of 1.4 million television households, Ireland had 841,000 digital television subscribers. Of this number, 64% subscribe to the satellite digital service (Sky) and 36% to cable (UPC). 58% of all television households in

Ireland thus subscribed to digital television. Yet, by 2009, the DTT option had still not launched.

### **The DTT Platform**

First proposed in 1998, and legislated for in 2001, it was always crucial that DTT secure an early launch. Since then, policy makers and stakeholders have undertaken numerous attempts to develop a digital terrestrial business model and strategy. The platform was finally launched in 2011. In outline, the first DTT model suffered from political uncertainty over competition dynamics as the Government initially baulked at giving the public broadcaster, RTE, substantial share in the original integrated distribution/multiplex model. Following the dot.com crash of 2001, economic and regulatory uncertainty prevented the launch of a hybrid DTT model similar to that which had been successfully launched in Finland. Regulatory uncertainty also arose from the lack of co-ordination between policy fields, with broadcasting and telecommunications policy makers failing to agree on a co-ordinated approach to proposed spectrum allocation until late in 2001. This led to the only bidder for the multiplex licenses losing its backing from international financial investors. The lack of a coordinated policy approach in a situation of hyper-competitiveness was a significant factor leading to the early delay for the DTT platform.

The earliest approaches to DTT were characterised by antipathy between the government and RTE and an unwillingness by government to be seen to be overly compensating RTE for its role in DTT. Having taken on the competitive platform model, the government was unwilling to test the boundary of legal state intervention in the DTT model. Concern over 'reputational damage' to Ireland's competitive status was a significant context for policy makers. Added to this, as attested to by Corcoran, government ministers appeared to be content with the role played by BSkyB and the cable companies in diffusing digital television. Private sector diffusion of digital television meant Ireland regularly appeared in the upper quartile of digital television nations (Corcoran, 2004). However, by 2003, the potential of public broadcasters in launching the DTT model had become clearer to national governments (Iosifidis 2006). The importance of this resided in the overall potential of DTT in preventing a duopolistic model (cable and satellite) of digital television distribution. A change of

approach and a more proactive Ministerial involvement from 2003 witnessed increased financial support for RTE as a potential driver of DTT policy and a stepped policy strategy for the development of DTT. However, the constraints placed on government action through its dependence on corporate investment in infrastructure development also became clear.

The switch to a Freeview model (free to air digital terrestrial/satellite service) in the larger European markets arose as recognition of the limits to the Pay TV revenue model and the legacy advantages of satellite and cable in this regard.

In 2003, the Minister for Communications proposed that the freeview model would be pursued in Ireland. However, it was acknowledged that such a model would only be acceptable to viewers if it offered a combination of both Irish and UK free to air terrestrial channels. For a large portion of the country, UK channels had been available off air as a consequence of analogue overspill. With the UK digital transition these channels would no longer be available off-air. This entailed a situation whereby analogue switch off could lead to many households having less services 'free to air' than previously had been available to them. Following the Ministers announcement of the desirability of a Freeview model carrying both Irish and UK free to air channels, the two major cable companies at the time (NTL and Chorus) lobbied the government to drop the strategy. They posited that a Freeview model would undermine their basic multichannel offerings and may lead them to re-consider their investment in infrastructure in Ireland. Further to this, the UK terrestrial channels were all bound by contract with the satellite and cable platforms not to offer their channels free to air in Ireland. If they did, they would have to pay carriage fees to cable and satellite operators (RTE, 2007).

Given the various obstacles to the freeview model, the government attempted to find a model that would rely primarily on a combination of free content and pay/subscription services. Trials began in 2006 with a limited pilot trial launched to test the network and technologies followed by a phase two trial, involving the public in 2007. The pilot network was developed by BT (multiplex technology), NEC (transmission systems) and RTE NL (transmission sites). Content providers were then invited to contribute to the phase 2 public element. Phase 2 consisted of an initial panel of 500 public participants in the Dublin and Louth areas of the country. The trial



involved the distribution of set top boxes and the digital delivery of 16 TV channels, 12 radio channels and one high definition television channel. Content on the trial was provided by RTE, TV3, TG4, Today FM, Channel Six, Sky, BBC, Setanta, Extreme Sports and UKTV History.

The trials were accompanied by new legislation in 2007 that created a legal basis for a new DTT structure. The legislation delegated responsibility to RTE, the BCI and Comreg for the development of DTT in Ireland. RTE would upgrade its network to digital capacity (and therefore become the DTT carriage provider) and manage a multiplex made up of RTE, TG4 and TV3 (free to air terrestrial) channels in digital form. The BCI would define and award the licences for three multiplex providers, the winners of which would oversee the commercial roll out of DTT in Ireland. Comreg would allocate spectrum capacity for DTT and licence RTE and the BCI for their respective use of spectrum. Whereas the central offering would be no less than 24 television channels, capacity was also reserved for epgs, interactive services, digital teletext and high definition television.

In 2008, the broadcasting regulator the BCI held a tender for the commercial DTT multiplexes. However, the winner of the auction for the pay element, Boxer TV, returned the licenses in April 2009 citing 'prevailing and anticipated economic difficulties' as the key reason. The runner up, One Vision, a consortium owned by Eircom, Setanta, Arqiva and TV3, also declined the license. Financial difficulties at both Setanta and TV3, had led to a restructuring of the consortium with Eircom (the main fixed line telecommunication operator) emerging as the majority shareholder. Eircom, owned by Singapore Telecommunications, did not relish taking on extra risk especially as its partners were already in difficulty. Finally, the last bidder, EZ-TV, made up of RTE and Liberty Global, also declined the license. As the depths of the financial crisis became clearer, none of these bidders considered it prudent to invest in a platform that promised such a limited potential market share on the basis of pricing and spending commitments made in different economic circumstances.

RTE was bound by legislation passed in 2007 to achieve digital switchover by 2012 and was thus under pressure from government to persist with the planned launch of the 'free to air' element of DTT, independent of its commercial counterpart. However, the deepening economic crisis had greatly reduced its ability to spend on

network digitalisation and additional content creation. RTE needed the potential transmission fees that would have been generated by the launch of a commercial DTT option to meet its own digital strategies. However, despite these difficulties, Saorview, officially launched in the Irish Republic in 2011. The 2011 channel line up was as follows:

RTE 1 (psb generalist)

RTE 2 HD (psb generalist)

TV3 (commercial generalist)

TG4 (Irish language channel)

3E (commercial entertainment)

RTE News Now (psb news)

RTE Jr (psb kids)

RTE 1 +1 (time shifted)

RTE Aertel (teletext)

In general, as of 2011, there was a lack of compelling or value added content on the DTT platform. RTE has generated 4 additional channels for the platform. One of these, RTE Jr, is not available elsewhere but the other additional channels are versions of already available content. Two proposed additional publicly funded channels (an Irish Film channel and a Parliamentary coverage channel) have been put on hold due to the deepening of the global financial crisis. With the added policy burden of managing the digital transition, RTE has not been in a position to develop planned additional channels and services. So far there are no official figures for the sales of Saorview set top boxes. However, the forced migration of non multichannel television households to digital, following analogue switch is likely to be the biggest driver of DTT take up.

## Conclusion

In the Irish context there has been recognition of the public interest in DTT but the policy makers and industry segments that supported that approach were continuously outmanoeuvred by the policy communities and stakeholder groups aligned to the rhetoric and strategies of increasing market competition and rolling out

the infrastructure of the information society. The consequences of this have been most keenly felt in national broadcasting policy domain where the platform that remains a central plank of public policy is a weak and underdeveloped entity. The potential of linking content development to the control of domestic distribution networks has not been realised. Yet the indigenous content producers face a fragmented television-broadcasting environment as they operate across multiple platforms. The competitive challenges for indigenous television producers is further heightened as they come head to head with channels which are vertically integrated into the dominant distribution systems.

Returning to Galperin's quote regarding the changed relationships of power in the media and communications field, and the new logics underlining infrastructure development, it is clear to see how these have taken shape in the case of Ireland. In relation to the power relations in the field of Television it is the case that the pay television operators that came to prominence in the 1980s helped to define an approach to digital television that emphasised competition and neutrality amongst market actors and shifted policy away from concerns about national cultural, social and democratic content in the media field. This was twinned with wider concerns, at European level, that policy approaches to infrastructure development would be predicated on the diffusion of network infrastructure capable of facilitating Internet access and new digital services. The cultural space of television would have to find its own place within the market driven provision of information services. In the case of Ireland, its market size, negotiated governance style, dependence on foreign direct investment and proximity to larger same language markets has entailed a response to digital television that has seen distribution concerns trump public policy content concerns.

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