THE DIGITAL SATELLITE BROADCASTING SYSTEM IN ITALY: BETWEEN MIX AND HYBRIDISM

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Abstract

This article sets out to investigate the development of the satellite TV phenomenon as one of the first steps towards the complete digitalisation of the media in Italy. Of major importance is the set of circumstances that led a small terrestrial broadcasting company, Telepiù, to become the biggest digital TV service provider in Italy and one of the most important within Europe. Before putting forward any hypothesis about the future of Sky Italia as a new player, it is necessary to analyse the most recent changes within the duopoly Telepiù and Stream. These changes took place against the background of the predominance of generalist broadcasters and were primarily driven by the opportunity to broadcast content that was not available to traditional media, in a situation characterised by economic and legislative weakness. Digital technology at present can be considered an "unpopular" medium: it doesn't have social appeal because it doesn't get onto the audience's social agenda. This can be inferred from the low level of subscription up-take and is confirmed by evidence of widespread technological incompetence among customers. At first sight, satellite digital TV seems to be a part of a recent technological convergence trend sweeping Europe, targeting TV as a whole. But on closer inspection, it is narrowly focused in Italy on football and sport in general. Satellite digital TV in its current phase is built on access to football rights and is prevented from becoming a genuinely new broadcasting system because it is controlled by the narrow interests of its owners and controllers, the major players in the global entertainment market.

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This paper sets out to analyse the satellite TV phenomenon in Italy.[1] It does not consider other digital broadcasting systems already in operation, such as web-TV, which is still in development but does not yet seem to be attracting strong audience interest.

There are many reasons why the Italian digital satellite broadcasting system, developed over the second half of the last decade, raises so much interest:

- First of all, because this medium has witnessed rapid growth, in comparison with other more technology-aware European countries;
- Together with GSM[2] mobile services, it represents one of the first steps towards digital penetration in Italy, a process that started back in 1995-1996 and accelerated with the growth of free Internet access in 1999;[3]
- Satellite TV in Italy establishes something of a paradigm for the rest of Europe, in terms of the local to global relationship: after a short period when competition was mainly on a national level, the whole system now is going to be taken over by the multinational group News Corporation, led by Rupert Murdoch.

Before recalling the recent history of the digital satellite system, it is important to sketch in some details of the background to broadcasting developments in Italy, so that readers can better understand the main features of the traditional broadcasting system which lies at the core of digital satellite TV development.

In 1990, one of the most important government decisions, the famous Act 223 also known as Mammì Act, was introduced. With this decree, the government tried first to regulate the national TV broadcasting system, but with ambiguous and inadequate consequences. It put a limit on the right of ownership: every broadcaster was allowed to own not more than three national channels, but the Act did not specify what kind of broadcasting standard it referred to and this left open to broadcasters a range of possibilities for investment in the encrypted satellite market. The decree legitimised the status quo of a mixed communication system, comprising public and private channels, which had consolidated its dominant position over the course of the 1980s. For the first time in Italy, pay TV, in the form of encrypted broadcasting channels, was approved, a system that does not rely on advertisements as traditional broadcasters do. Throughout the 1990s, the whole terrestrial broadcasting system, both public and private, had been losing its audience and experiencing financial difficulties every single year. This was related to widespread boredom and disillusionment with the traditional forms of television.

Generally speaking, Italy is a country where technological innovations are not quickly adopted. Several surveys show how, over the second half of the last decade, only upper-class households were concerned with the acquisition of new media. So the first pay-TV systems, both terrestrial and satellite, introduced to the market were failures. On the other hand, in the late 1990s, the Internet and mobile phone networks experienced very wide diffusion. In that same period, pay TV has been undergoing a market differentiation process, which has led to strong competition between two major economic players: the traditional TV broadcasting system and the telecommunication and new media industry. In fact, the current digital TV system is not currently able to achieve the same success that mobile phones and the Internet have experienced. We will reconsider this point at the end of the paper.

Development of Telepiù

In the spring of 1991, after a few months of promoting free-to-air broadcasting, Telepiù 1 started to market a pay per view system, that allowed the audience to view movies without commercial breaks. At the same time, two other networks were created: Telepiù 2 — broadcasting on Telecapodistria[3] frequencies — and Telepiù 3 — a free-to-air channel until 1996.[4] Telepiù's limits immediately became strengths: the so-called "new television" was thematic, terrestrial and pay per view. Telepiù channels were not created in order to become a real threat to the established public and private terrestrial system, but to fulfil the need of Fininvest[5], much more interested in the traditional market, to utilise certain frequencies, in accordance with the terms of the Mammi Act. Thanks to this Act, Fininvest managed to launch three new channels a few weeks after the introduction of the decree.

In the British and Northern European scenario, mixed systems grew stronger when it became possible to use alternative broadcasting systems (cable and satellite) without overlapping. The Italian situation arises as a consequence of different needs. The focus of the Telepiù project was not on how to create another channel in order to offer new content, but on how to relocate those frequencies owned by the major players within the telecommunications industry. This is the main reason why this "intermediate" TV broadcasting system can be considered to be different from the normal terrestrial free-to-air TV and why its archive draws on content owned by the host partners: sports events offered by Telecapodistria and movies from the Kirch archive. In 1992 Telepiù 2 got exclusive coverage of the Wimbledon tennis championship, drawing negative criticism even from RAI's CEO. But despite the privileged position attained by Telepiù with its control of three channels, by the end of 1991 it had lost 150 billion lire and didn't even manage to attract 200,000 subscriptions.

A recapitalisation plan in October 1992, boosted by a joint-venture deal with Kirch, improved its feature film offerings and Telepiù then experienced a significant subscription growth, reaching 350,000 by the second half of 1993. It grew stronger still in September 1994 when the Swiss-South African company Nethold, which already owned several pay TV services in North and East Europe, bought 25% of Telepiù. In 1996, several months before Canal Satellite Numerique[6] started digital broadcasting with DSTV (Digitale Service Television) through Eutelsat II F1, the Telepiù package consisted of a premium offer providing Telepiù 1, or Telepiù 2 (or, to make it more convenient, both of them), on top of which came free access to Telepiù 3 and Telepiù 1 Plus, a service that offered four movies repeated throughout the day. This package was known as D+. Thus the Italian broadcasting system not only overcame the technological backwardness that characterised the 1980s, with a slow relocation of networks from terrestrial systems into more technologically improved solutions, but it also exceeded all business expectations.

The expansion of television in Italy is different from other European countries.[7] The Italian D+ package grew from the Telepiù experience, which consisted of two or three terrestrial, pay per view channels. With the gradual acquisition of this channel by Canal Plus, Telepiù 1 became Tele+ Nero, Telepiù 2 became Telepiù Bianco. This implied a change into the rigid thematic structure of the former networks:

following Canal Plus' success in France and in the rest of Europe, Tele+ Nero and Tele+ Bianco were reconstructed according to a semi-thematic formula. They now offer a well-balanced mix of sport and movies, promoted in strategically placed breaks during the daily schedule.

Tele+ Nero and Telepiù Bianco together with the less successful Tele+ Grigio and 16:9 (representing the natural evolution of Telepiù 3 and Telepiù 1 Plus) are the backbone of the new-born D+ package, so that the TV satellite broadcasting system in Italy can be considered the result of digitisation of a former terrestrial service. This evolution included the direct transition from Tele+ (terrestrial analogue format) into D+ (digital satellite format), which influenced the whole editorial and commercial nature of the network without allowing for any analogue satellite interregnum.

In July 1997, the Decree 249 (better known as the Maccanico Act) forced Tele+ to close down immediately one of its terrestrial analogue networks (Tele+ Bianco and Tele+ Nero). The group put some pressure on a minor partner in the venture, Mediaset, whose negotiation power was based on its ownership of a strategic resource in the form of a digital platform. Politicians and businessmen were agreed at this time that it would have been too difficult for the young Italian satellite market to handle two competitive platforms, which would have increased dramatically the costs of feature films and sport events. This is the reason why, back in the summer 1997, Canal Plus engineered a deal with RAI, Telecom Italia, Fininvest and Cecchi Gori in order to create a unique platform both for satellite and terrestrial broadcasting which would be available to any content provider.

Not surprisingly, not every single corporate group was interested in playing a minor role within this joint venture. In accordance with the instructions emanating from the Maccanico Act, RAI itself was not allowed to acquire more than 10% of the shares, even if the government was open to agreeing a special exemption. In fact, the government made it clear that it was strongly interested in the creation of a shared platform. Although an actual deal was never finalised, Telepiù managed to keep its two terrestrial networks and maintain its monopoly character. At first, it saw no threat from Stream, the new digital platform that was born soon after the deregulation of the Italian telecommunication market in 1998. But as soon as telecommunication companies began to move in to the broadcasting market, Stream[8] — which belongs to Telecom Italia and News Corporation — began to offer real competition to Telepiù. In recent years, both ENEL and RAI bought shares in Telepiù, strengthening its Italian investor base. With the launch of RaiSat, a satellite network created ad hoc, the public broadcasting system also agreed to provide — within a short period — first six, than eleven content channels exclusively for D+ (in the "Basic" and "Superpremium" formula, for an initial period of nine years).

In August 2001, when the First League football tournament started, the initiative to develop a single decoder began to gather momentum, driven by Decree 78 (enacted on 29 March 1999). This required all the companies that produce decoders for satellite networks to standardise their products by the first of July 2000. In March 2001, the situation changed yet again: Decree 66, which regulates the development of a terrestrial digital system, made allowances for an experimental period for testing the system (until the end of 2002) before the actual changeover from analogue terrestrial broadcasting into digital terrestrial broadcasting would actually be set in train. It set a completion goal of 2006. To facilitate this changeover, a plan for the allocation of TV frequencies has to be approved by the end of 2002, while anti-trust regulation has to be approved in 2004. Currently, only RAI (in Turin) is involved in a project for the testing of DTT formats, together with Telepiù (in Palermo, La Spezia, Sant'Agata de'Goti, Brescia).

At this point in time, it looks as if the structure of the pre-existing media system, both satellite and terrestrial TV, is not going to be radically redefined because of deregulation, and it is not likely that DTT will influence overall satellite editorial strategy. In October 2002, rumours began circulating about a possible take-over of Tele+, currently owned by Canal Plus—Vivendi, by Rupert Murdoch's News Corporation. If this happens, Murdoch, who also owns Stream, would control the whole digital satellite TV system in Italy. The launch of a new network Sky Italia is currently waiting for government approval.[9] Meanwhile, the name D+ has been changed to Telepiù Digitale, signalling that this will be a digital satellite broadcasting system.

The Current Situation

Before examining the prospects for a new network called Sky Italia, it is possible to look at the most recent changes within the duopoly Telepiù and Stream.[10] Up to September 2001, each network was characterised by 40 pay-TV channels — out of which ten were shared. Along with these were two pay per view services (Palco and the erotic Hotclub on Telepiù, Prima Fila and XXX Club on Stream), each one selling single events (movies, sports events, concerts) and several seasonal options that allowed the customer to buy a package of sports events (Champion's League and Formula One), fairly evenly distributed throughout the schedules of these two networks.

As soon as the single decoder was introduced and the merger between Telepiù and Stream looked likely, Stream changed its structure so that now it provides 15 exclusive channels and 9 interactive channels: all those Stream programmes that mirrored Telepiù channels have been closed down. Over the last two years, Italy has witnessed the rapid development of "independent" content providers, with the possibility of presenting some real competition to the pay-TV duopoly of Telepiù and Stream. For instance, Sitcom has been able to provide 5 new channels (Marco Polo, INN, Alice, Nuvolari, Leonardo) and started working on another two (Galileo, Espresso), as well as eVision, a channel specialised on ICT, and Digitaly Channel, dedicated to explorations of Italian national identity.

The recent development of Italian television has been completely different from the British and French experience. As soon as it was introduced, satellite TV was brought in as pay TV and this has retarded the development of free to air digital channels, because since analogue satellite TV was not widespread, households had no proper devices (such as dish and decoder) in order to access " free" channels. In order to buy the dish (which is of course needed for reception of free-to-air channels) viewers had also to buy a decoder (which is needed only in order to decode encrypted signals in pay-TV systems). So the Italian audience first accessed a free service only after having to buy what was needed in order to view pay TV channels.

Gradually, content providers have taken over the central role played by service providers. Over the year 2002 many independent channels were inevitably forced to close because some content providers grew stronger and stronger. RAI[11] can be considered a paradigm that can easily explain this phenomenon: this network, that was born as a national, public broadcasting organisation is now more and more involved with satellite pay TV systems.

Conclusions

Before considering the role that will be played by digital satellite TV within the Italian broadcasting system, we need to analyse another relevant phenomenon: football. Focusing on football gives us a complete overview of a phenomenon started more than ten years ago and will provide us with a useful insight into current developments.

In order to understand the role of football in satellite TV, it is important to fix our attention on a few central points. Up to 1993, only RAI owned the rights for broadcasting football events. In 1994 these rights were distributed between free-to-air and encrypted broadcasting networks: the rights for free-to-air broadcasting of football events were owned by the public TV service, while those encrypted were sold to Telepiù, which was then the only bidder. The RAI monopoly on football events was taken over by Telepiù until the 1998-1999 football season.[12] With the introduction of Stream on to the digital market, the right to broadcast League matches had to be shared by two main networks, until the difficult start of the current season complicated the situation. Smaller clubs, less protected than the bigger, are now floating the possibility of forming an alternative digital platform. Since 1994, the whole digital satellite broadcasting system has been depending overwhelmingly on the broadcasting of football events. The increasing number of subscriptions to Telepiù and Stream, along with the latter's bidding for sports broadcasting rights, have been influencing the overall programming orientation of the TV channels by constructing schedules around football matches — First League and Champions League — rather than new and alternative content.

This situation leads to a paradox: the history of the digital satellite broadcasting system in Italy and its success[13] has been strongly influenced by the presence of football as prime content. Possibilities for diversity of genres within the schedules have been heavily influenced by the availability of a single product, which has been modified only in terms of quantity (all the First League matches broadcast live, instead of a single repeat match broadcast by RAI on Sunday evenings) but not in terms of quality.

Football and, to some extent, pay-per-view feature films have changed the balance within the broadcasting system. This situation leads to two important consequences:

- a stronger market-presence for the pay TV system, which provides content that traditional networks are not able to broadcast.
- a telecommunication market which is not so much a battleground for the struggle between pay-TV and free-to-air TV over the control of the most appealing content as a theatre where similar players aim for the largest control possible over the new services.

In Italy, the digital satellite TV system is developing on a very difficult base, characterised by the predominance of generalist broadcasters. It was introduced in order to exploit all the content that, by law, a single channel wasn't allowed to broadcast on a traditional medium (cable public TV). This task has been carried out first by taking over cable pay TV and then satellite TV, utilising digital rather than analogue technology. The situation has been characterised by both economic and legislative weakness.

But so far, digital television can be considered an "unpopular" medium: it doesn't have social appeal because it doesn't connect with the audience' s social agenda. This can be inferred from both current subscription rates and the widespread technological incompetence vis-à-vis digital satellite TV equipment that characterises the average audience. At this stage, digital satellite TV is an innovation that sets its sights not on TV as a whole but on one of the most audience-maximising media genres: football and sports generally. The very interests that currently own and control it are preventing digital television from reaching its true potential. These are the major players in the global entertainment market.

Notes:

1. This paper is part of the research carried out by "Osservatorio sulla Comunicazione dell`Università Cattolica di Milano" thanks to the work of Marco Briata, Antonio Dini and Matteo Stefanelli. The paper has been constructed as follows: Fausto Colombo wrote the first paragraph, Andrea Bellavita the second and the third. F. Colombo together with A. Bellavita has written the conclusions.

2. In Italy the penetration of mobile phones has gone up from 27% in 1997 to 60% in the year 2000. See also F. Colombo 2001.

3. Over the year 1999, the number of Internet users increased from three million to over eight million. In the following year, it grew even more, reaching 13 million, and rapidly expanded to over 17 million in the following year.

4. The Istrian network, focused on a sports-only offer, became an important revenue earner for the group when it first joined Publitalia '80. So its conversion into Telepiù 2 did not affect the corporate structure. The only big change occurred with signal encryption in March 1992.

5. Telepiù 3 provided a selection of documentaries, cultural and musical programs that were selected from the Kirch archive.

6. Since 1984, Fininvest owned three private channels: Canale 5, Italia 1 and Rete 4. In order to avoid fines, it formally kept only a minor share in Telepiù, along with its other partners Kirch, Cecchi Gori, Della Valle.

7. Canal Satellite Numérique is the digital version of Canal Satellite.

8. In the UK, Rupert Murdoch introduced Sky Channel in 1989. This provided a regular analogue satellite broadcasting system hosted by the British Marco Polo satellite. During the same year the consortiums BSB (British Satellite Broadcasting) offered a new pay-TV package, before being taken over by Sky (now on BSkyB). In 1992 Canal Plus, hosted by France Télécom networks, joined Canal Satellite, while in Spain Canal Plus Espańa — controlled from France - ever since 1993 has been providing a six channel package, first on cable and then on analogue satellite hosted by Astra. At the end of the eighties, many private generic and semi-generic networks developed, hosted by German satellites, while in 1990 Premiere, the first Pay TV ever, started broadcasting its services from the Luxemburgian Astra, leaving forever the German TVSAT2.

9. In July 1998, more than one year and a half since it first started broadcasting (satellite and terrestrial), Stream eventually became a real competitor with D+. This happened after the liberalisation of the telecommunication market in January 1998. Now 50% of the shares are owned by Telecom Italia and the other 50% by News Corporation.

10. We do not consider here the possible future of this move. It has first to undergo Italian government evaluation and most probably also European examination. Telecom Italia could, in the end, be part of the final corporate structure. Rumours that Stream could merge with Telecom were already circulating at the beginning of 2001, but the government's antitrust commission blocked the venture in December 2001.

11. Telepiù Digitale has more than 1.1 million subscribers, building at a rate of 3,000 new customers per day, while Stream is adding 2,000 new users every day. According to AGB's surveys, in January 2002 more than 4 million people had access to this service, not counting all those using illegal devices (as many as 1.5 million). At these rates of growth, digital satellite TV is going to reach seven million people by the end of the year 2002.

12. RAI's digital service RAISAT provides a wide selection: Gambero Rosso (food and gastronomy) Ragazzi, Show (theatre, music and performance), Art, Cinema, Album (selection of products from the old RAI archive) and Raisat Fiction (Italian and international TV fiction). On top of this, RAI offers also 2 all-news channels: Rai News 24 and Rai Sport Sat, both free to air, plus Raisat Educational: Raisat Nettuno One and Two and Rai Med.

13. In March 1999. Government policy allowed for a maximum of 11 companies to bid for the "exclusive offer" (60% of the market) enabling every single club (privately or within a consortium) to find a broadcaster for its own broadcasting rights. This decree was introduced in order to control Murdoch's interest in the Italian TV market. Murdoch, a few months before, declared that he would have bought Stream shares only if he could also have acquired broadcasting rights over the whole football season, offering to Lega Calcio 4.200 billion liras for the 1999-2000 season.

14. According to Databank consulting (on ISTAT surveys) households that have access to pay TV services in order to view football events range from 5.5 to 6 million, out of which 1.9 are using a regular decoder, while 3.5 — 4 million access those services through pirate devices.

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