GOING DIGITAL
THE SPANISH EXPERIENCE

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Abstract

This article focuses on the political, social and economic trends of the Spanish television system in a moment of transition towards the new digital environment. In 2006, digital television is still in an incipient phase, since less than 25% of the Spanish population have access to digital terrestrial television. In spite of the effort of the government to promote it, there is serious concern about the feasibility of the analogue switch-off scheduled for April 2010. The development of digital TV has shaped an environment in which audience fragmentation and market concentration have increased. But from the point of view of the audience, changes have not been very relevant, as the offer of the new channels is very similar to the already existing and interactive services and contents are very limited.

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Introduction

Digital switchover has been defined as "the progressive migration of households, from analogue – only reception to digital reception" (Iosifidis 2006, 250). This transition refers to all the means of transmission, including terrestrial, cable, satellite and DSL (digital subscriber lines), although the implementation of digital terrestrial television (DTT) is considered to be the final step for digital television (DTV) to reach the majority of the population.

According to consultancy group Datamonitor (2006), 65 million European households (25%) will have transitioned to digital television services at the end of 2006; a similar percentage to that of the UUSS. The percentage varies widely among countries, although the UK is the only one which has reached 50% of the households.

The transition to DTV is not only a technological issue, since not only it improves the technical quality of the signal, but it includes a complete new set of possibilities that suggest it must be considered a new medium that implies new ways of relationship between broadcasters and audiences.

DTV is regarded as being of capital importance, so that large segments of the population access the so-called "information society," since television is the only medium which is near universal implementation. Following this consideration, it comes as no surprise that European regulators try to help its development and have published several laws to regulate it. At the European level, in 2005, the Commission published a communication "on accelerating the transition from analogue to digital broadcasting." In Spain, a plan of a similar purpose was published in 2005, which set the analogue switch-off for April 2010, two years earlier that initially scheduled (MITC 2005).

This plan was part of a wider legislation which sets the rules for the new digital environment and tries to put some order in a chaotic audiovisual legal framework. It includes three other major laws: on public broadcasting (2006), on the creation of the national broadcasting council (2005), and the law setting new general rules for the audiovisual sector (2005).

Among the main benefits that digital television brings citizens, the following ones outstand:

- improved technical quality of images and sounds. Image can be seen in 16:9 format and in high definition (HD), which can be attractive to viewers as a "small cinema" screen at home;
- proliferation of channels, based on smaller bandwidth requirements (approximately, 5 digital channels can be hold in the bandwidth of one analogue frequency). This opens new possibilities for a wider spectrum of players to enter the market, and opens the possibility of increasing pluralism;
- more interactivity, which allows for a new relationship between the audience and the medium, in which the viewer can access enhanced or interactive content, as well as interactive services, through the television set (e.g., messaging and banking).

However, implementation of DTV introduces several challenges and difficulties. Some viewers do not really see the actual benefit, find it too confusing or difficult to use, are not ready to pay for the acquisition of digital receivers or, simply, are satisfied with analogue television, as far as the offer of channels and technical quality is concerned (Iosifidis 2006a).

The Spanish experience in the transition to DTV (especially in the case of DTT), seems to reflect this duality. On the one hand, the Government and the broadcasters are engaged in an effort of promotion of digital TV. But, on the other hand, the implementation process is relatively slow. However, a group of 65 Spanish experts consider "the technological evolution of the medium one of the most positive events in the history of TV" (Telefónica 2006).

This article discusses the specific characteristics of the Spanish transition to DTV (with special emphasis on DTT), focusing on the main political, social and economic trends that this process means to the audience and the broadcasters. It examines the near past, looks into the near future and proposes some measures to encourage digital take up.

From Analogue to Digital TV

As in other European countries, the public broadcaster (TVE) maintained the monopole of the Spanish television market for several decades, since its beginning in 1956, until December 1982. In that year, ETB (the public regional channel of the Basque country) started. Commercial television began in 1990, with two free generalist channels (Antena 3 and Telecinco) and one subscription channel (Canal+). At that time, the other players in the Spanish television market were two satellite platforms (Canal Satélite Digital and Vía Digital) and an incipient network of small cable operators.

At the end of the decade (1999), Spain launched the first services of DTT, becoming the third European country to do it, after the UK (1998) and Sweden (1999). A new regulation allowed to create two generalist channels (Veo TV and Net TV), as well as the subscription platform Quiero TV. Since October 1999, Quiero TV offered a package of 14 pay channels, including drama, movies, music and 24 hours of reality show Big Brother. The offer also included a free decoder and a connection to the Internet, through the television set.

The situation of the new operators was very difficult. Veo TV and Net TV began to broadcast in 2002, in order to fulfil legal requirements, but they did not offer any programming of real interest, since the audience was virtually inexistent, as very few households had purchased a decoder at that time.

Quiero TV joined the competition in a "skimmed" market, in which over 18% of the households were subscribers of a pay-tv platform, with rivals relatively well established (CMTC 2002). In June 2002, Quiero TV had to shut down, with only 120.000 subscribers and losses of € 320 million. Among the main reasons for this failure was the fact that the offer was similar to that of its main competitor, satellite platform Canal Satélite Digital, (result of the merger in 2002 of the two satellite platforms, Via Digital and Canal Satélite). In 2002, Canal Satélite Digital (afterwards renamed Digital+), had over 1.2 million subscribers (*El Mundo* 2002), and maintained a much stronger position to that of Quiero TV, that limited its potential growth, although both platforms were using different means of transmission.

The failure of Quiero TV retarded the process of implementation of DTT in the country. On December 2004, the government approved a new plan to promote digital television, including some "urgent measures" (MITC 2004). The plan allowed two new broadcasters to enter the free television market, and the digital swicht-off was moved forward from 2012 to 2010. Contrary to what happened in other European countries, this plan did not include any subside to the purchase of decoders.

On November 30, 2005, after several negotiations between the government and the main television companies for the redistribution of frequences, 18 free-to-air channels began to broadcast. Public broadcaster TVE offered 5 channels: TVE1 and La 2 (same as analogue broadcasts), Canal 24 horas (news), Clan TVE (children), sharing frequency with Canal 50 años (archive programming); and Teledeporte (sports).

Commercial broadcaster Antena 3 kept three channels: Antena 3 (the same analogue broadcast), Antena.Neox (children and youth) and Antena.Nova (lifestyle and entertainment for a family target). Its main competitor, Telecinco also duplicates its analogue broadcast (Telecinco) and offers Telecinco Estrellas (fiction) and Telecinco Sport (sports).

Sogecable, the owner of the only digital satellite platform, received three frequencies, which were used to broadcast Cuatro (generalist), CNN+ (all news joint venture between CNN and Sogecable) and 40 Latino (Latin music). Digital operator Veo TV broadcasts two channels: Veo TV (generalist) and Intereconomía TV (business). Net TV, which was created at the same time, offers Net TV (generalist) and Fly Music (music). Finally, La Sexta, one of the new operators, began to broadcast two digital channels on March 27, 2006 – La Sexta 1 (generalist) and La Sexta 2 (to be defined).

Apparently, the new offer was well received by the public, and decoders became one of the favourite Christmas gifts in 2005, with over one million devices sold. Since then, the number of users of DTT has increased slowly. According to the Ministry of Industry, 3.5% million households (25% of the population) had access to DTT in October 2006 (*El País* 2006b). However, according to the commercial broadcasters, DTT was reached only by 14% of the population (Álvarez 2006b).

The current landscape of the Spanish digital television market is completed with 2 million households subscribed to the only satellite platform (Digital+). In addition, 1.5 million households receive digital television by cable and 260,000 by ADSL (*El Mundo* 2006a).

A variable number of DTT channels are being established in each region; besides one or two in each city, depending on the population. However, in most cases, the implementation of regional and local DTT channels is well behind that of the national channels.

In spite of the relative success of the sale of decoders from December 2005, several problems seem to remain unsolved, to the extent that private broadcasters have expressed concern about the possibility that analogue switch-off is not feasible in 2010. They complain about the government's insufficient financial support to the association created to promote DTT implementation and the lack of leadership by the public administration (*El Mundo* 2006a; Álvarez 2006b).

Audience Fragmentation and Modest Interactivity

In spite of this profound transformation of the Spanish television system, until the end of 2006, the impact of DTT has been small. The extended offer has not increased TV consumption, which has only grown very slowly since 1993. In 2005, the average daily viewing time was 217 minutes (*La Vanguardia* 2006a).

At the end of 2006 the audience of DTT was still small, although it had grown slowly. In May 2005, it kept a share of 1.8%, whereas in October of the same year, it had increased to 3.06%. The audience followed mainly the generalist channels, which transmit simultaneously in the analogue system. Among the new channels transmitting only on DTT, the one with the largest audience share was Antena 3.Neox, with only 0.15% (*El Mundo* 2006a).

As it has been mentioned before, the set of measures of 2005 to promote digital television included licences for two new broadcasters, which were also allowed to broadcast an analogue signal, until the digital switch off takes places, in 2010. Paradoxically, this was the action with a highest impact in the market, in the initial stage. The creation of two new channels (Cuatro and La Sexta) had a relatively important impact in audience figures and contributed to increase fragmentation.

The comparison of audience figures between September 2006 and 2003 (Table 1), shows that the main national channels reduced their share, except Telecinco, which grew slightly (0.3%). The loss was particularly important for public broadcaster TVE, with its first channel decreasing from 22.9 to 17.7% and TVE2 from 7.8 to 5.2%. The audience of regional public channels (FORTA) decreased (-2.9%), whereas that of local and pay television increased. In 2006 niche channels take a slightly larger portion of the audience; a trend that may continue in the next few years (*La Vanguardia* 2006a).

Table 1: Audience Shares in September 2006

TV Channel	September 2003	September 2006
TELECINCO	20.8	21.1
ANTENA 3	19.8	18.0
TVE 1	22.9	17.7
FORTA	17.6	14.7
TEMÁTICAS	-	10.0
CUATRO	-	6.5
LA 2	7.8	5.2
TVs LOCALES	2.9	3.5
LA SEXTA		2.7
OTRAS	2.2	0.6
Canal + (A)	2.1	-
PAY-TV		14.9
Ono		6.4
Digital +	3.9	4.6
Resto Cable		3.9

Source: corporación multimedia <http://www.corporacionmultimedia.es/vr/informesaudiencias/sep06frameset.htm>

The content of the new DTT channels has not meant a great novelty for the Spanish audience. The new generalist channels offer a similar programming to that of the others, and very few of the new programmes have reached a massive audience. The comparison between the top ranked programmes of September 2006 and September 2003 shows that, in both years, among the leading genres there are several drama series and sports events, whereas reality shows only appear in 2003. This change can be interpreted as a signal of tiredness of audience with realities, rather than an influence on the new players.

From the point of view of the quality of the supply, the increase in the number of channels is not perceived by the public opinion as having an impact in the improvement of the quality of the programming, but rather as a factor that has contributed to the deterioration of the system (Pérez Tornero 2006). Critics say that Spanish television is seriously affected with sensationalism and plagued of poor quality celebrities programmes and reality shows.

Interactivity is one of the most important advantages of digital television, as it allows "users exert influence on the content and/or form of the mediate communication" (Jensen 1999). However, the level of interactivity in the Spanish television is still relatively low.

TDT's interactive offer is more developed on the public channels. Since July 2006, TVE is offering several services, including an Electronic Programming Guide (EPG) of its own channels, a digital teletext, traffic reports, weather and stock-exchange reports; and finally, a service on employment (RTVE 2006). The public regional channel of Catalonia (TV3) offers the first interactive contest on TDT, called "2 en 2," a version of the traditional game in which the player must turn cards to find couples.

The commercial channels have offered some interactive applications related to special events. During the 2006 football World Cup, Cuatro and La Sexta have included interactive schedules, scores, classifications and an interactive game through SMS (tvdi.net 2006).

Some pilot experiences are being developed by local administrations, in order to use DTT as a new means of relationship with the citizens. In the northern province of Huesca, an interactive channel was created in 2005, through which citizens can get information on the provincial administration, send messages to politicians and civil servants and complete some bureaucratic procedures, such as dog adoption; through the television set (Diputación de Huesca 2005).

The city of Alcázar de San Juan (150 km south from Madrid) is developing a similar project that will allow citizens to complete several administrative procedures through DTT, working as a pilot experience to test the impact of interactive services on the population (*La Vanguardia* 2006b).

High definition television is not developed yet. Although many production companies and broadcasters are already producing HD programmes, they have not been broadcast in this quality yet, even as pilot experiences, as other European broadcasters have done. Telefónica has announced that a service of HD through ADSL will be offered at the end of 2006 or the beginning of 2007 (Cybermode 2006).

Compared to DTT, the interactive offer of digital satellite is more developed. Digital+ is offering EPGs, enhanced TV, games, interactive quiz shows, multiple video streams, interactive weather service and interactive advertising (tvdi.net 2006).

The Role of the Public Sector

As it has been mentioned before, the public broadcaster RTVE has reduced its share of the market, as a consequence of the implementation of digital television.

But the implications of this process for a public broadcaster go beyond audience figures. In some European countries, public broadcasters are playing a leading role in the transition to digital television. In the UK, the BBC has been an important player, as it has helped to develop the market, introducing several new services and channels that have motivated the audience to purchase digital receivers. It has also made an important contribution to the knowledge of citizens about the benefits of digital television, through marketing efforts (Iosifidis 2005).

On the contrary, the Spanish public service broadcasting is not playing a leading role in this transition. The main obstacle for its leadership has been the profound economic crisis that RTVE is facing, to the extent of reaching an accumulated debt of € 7811 million in 2006 (*El País* 2006a). Besides this economic crisis, the Spanish public television is also facing a crisis of identity, as indicated by the frequent criticism of commercialisation and lack of independence from the government. As Bustamante (2006, 359) recalls, the lack of independence has also influenced management, since 14 general directors have been appointed in the last 25 years and this has aborted the development of any strategic plan. So, he concludes, from the Spanish political transition to democracy in 1975, governments of any political colour have used TVE for their political interests, while increasing its ruin.

A panel of experts in this field has recently indicated that the lack of a clear definition of the model of public TV is one of the most negative facts of the Spanish audiovisual panorama. Among the main problems, the lack of political independence is mentioned. In addition, the financial model (advertising and public funds) is considered to be inefficient (Telefónica 2006, 338).

The situation of most regional public broadcasters is not any better. They also receive frequent criticism because of the lack of independence, and their total accumulated debt exceeded € 2,500 million in 2004 (Periodistas 2005).

A commission of experts designed by the government to analyze the situation and propose solutions, stated that the model of Spanish public broadcasting is "obsolete and deficient," and pointed, among other problems, towards the commercialisation of programming and an unfeasible financial plan. Besides, the experts claim that RTVE has had an erratic position when facing the future of digital networks and services (Porto and Casanueva 2005).

Among the proposals to solve the situation, the report designs a new financial model, with 40% of income from advertising, 10 to 15% from commercial activities and the remaining 45-50% from state subsidies. Attached to this financial model, there is a new strategic plan to improve productivity and efficiency. In May 2006, the Congress approved a new law for RTVE, that paved the way to a severe reduction of staff: 3,133 employees (39% of the steady jobs), from 52 to 65 years old, were forced to retire (Álvarez 2006a).

The economic crisis has even got worse, as a consequence of the fall of audience that TVE has suffered. As Table 1 shows, TVE1's share has decreased from 22.9 in September 2003 to 17.7 three years later. La 2, TVE's second channel, mainly dedicated to sports and culture, has fallen from 7.8 to 5.2, in the same period of time.

In some European countries, governments have considered the role of public service broadcasting as essential for the construction of the so-called "information society." This was the case in Finland, where the public broadcaster YLE was allowed to charge a higher television fee since 2000, a signal of the importance conceded to the public sector in the new environment (Hujanen 2003, 8).

In Spain, the legislator recognises a very important role of public service broadcasting in the transition to digital television (Consejo para la Reforma 2005). The group of experts' report also proposes a leading role for RTVE in the digital transition, as a "fundamental gate to reach an information society for all the citizens." For this purpose, it claims that the public broadcaster should keep two multiplexes, in order to broadcast eight channels, which would be devoted to information, culture, education, the youth and children; and a channel for Spanish co-productions with European and Latin American partners (Bustamante 2006, 360).

However, the role assigned by the law and by the experts group has not been accompanied with any additional funds that would have helped TVE to lead the transition. The situation of economic weakness has not allowed TVE to create an attractive set of free to view channels that could be of interest for those citizens who are not willing to pay for it. Therefore, the digital offer of TVE was continuant rather than a proposal that would draw a new model.

As it has been mentioned before, TVE's offer on DTT consists of five channels (six brands). Two of them (TVE1 and La 2) are simultaneously available on analogue free television. The other channels (Canal 24 horas, Teledeporte, Clan TVE/TVE 50 años) are available on pay satellite platform Digital+, as well as in the main cable networks and ADSL services. Therefore, the public offer on DTT was not really new for many citizens, especially for those with a high interest in thematic channels which, in many cases, were subscribers of satellite, cable or ADSL services.

The proliferation of channels poses some new challenges for public broadcasting. One of the possible strategies is to consider that the ample offer of content would allow most citizens to find something of their interest. Therefore, public TV should concentrate on minorities. However, this position would create new problems, since there is a risk that public television becomes a "cultural ghetto," whose financial survival would be endangered; and secondly this would leave the reference of quality – traditionally belonging to the public broadcasters-, in the hands of the private sector.

Another possible strategy, which is suggested by the European Broadcasting Union, is to maintain universalism and distinctive content as the objective of public broadcasting (EBU Digital Strategy Group 2001, 5). In this case, the problem is how to package the content, since generalist channels will probably loose audience in favour of niche channels.

In addition, a public offer based on channel profilisation would encourage "individualisation, which would damage the role of television viewing as a forum of interaction between segments of society and culture and, accordingly, a source of shared experiences and a common radical reality" (Hujanen 2004, 149-50).

RTVE seems to have adopted a mixed strategy between both positions. On the one hand, its most attractive proposal on DTV is a generalist channel (TVE1), and at the same time, it keeps some niche channels. In principle, this could be a valid strategy, similar to what other European public broadcasters have followed.

According to Hujanen (2004), the digital environment makes it necessary for public broadcasters to replace the notion of "original production" for that of "public service as a brand." This strategy has been adopted by several European public broadcasters, which have dedicated important effort to develop web sites and interactive services associated to television programs.

Far from this strategy, the Spanish public television has not really adapted its work to the digital environment. As Manfredi (2006) points out, the model of RTVE is still that of an analogue channel, since popular programmes do not have a digital version or a forum where viewers can exchange ideas about them. Even the group's web site does not offer interesting content for the general public.

Concentration vs. Pluralism

Another fundamental aspect to be evaluated in this process is whether it has contributed to increase pluralism, as this one of the declared objectives of the transition. The technical plan approved by the Government stated that the new legislation "makes it possible to increase television offer and pluralism, reinforcing the citizens' possibilities of election in their access to the television services, and it consolidates a more plural and competitive television market" (Real Decreto 944/2005).

In principle, the creation of new channels for new operators of DTV means that the market will be less concentrated, and therefore, the risk of lack of pluralism is reduced. According to the Council of Europe (1994), pluralism must be understood as the opportunities for a large range of values and opinions to find its way to the media. Pluralism can be internal (within an institution) or external (by means of several institutions expressing different values and opinions).

In the case of the Spanish television market, it seems that external pluralism has not been increased, as a consequence of the interest of media groups to enter or consolidate positions in the television sector. According to Moragas (2006), independent media tend to loose autonomy in favour of multimedia conglomerates and concentration affects property of the groups, as well as content management, and television becomes the crux of the strategy of these groups, as they think hegemony is not possible otherwise. Although most of the main groups own one or more daily newspapers, it seems that money concentrates more and more in the television sector.

The logic of the market pushes media groups to grow, by means of buying other companies and taking advantage of the new possibilities (such as DTT channels). This process of concentration makes life more and more difficult for small companies, such as local newspapers, magazines or independent production companies, since big television channels take a larger piece of the advertising expenditure.

This seems to be the case in the Spanish media market, in which digitalisation has been mainly a force to increase concentration. At the end of 2006, the main shareholders of the Spanish national television groups (Table 2) can be divided into four categories:

1. Multimedia groups: Planeta, Prisa, Vocento, Recoletos, UNEDISA, Interecomomía.
2. Television production groups: Grupo Árbol-Globomedia, Mediapro, Europroducciones, El Terrat, Bainet.
3. Spanish multisectorial groups: Telefónica, Altadis, Banco Santander Central Hispano, BBK.
4. Foreign television groups: Mediaset (Italy), Vivendi (France), Televisa (Mexico), SIC (Portugal).

Table 2: Dominant Shareholders of the Main Spanish National Television Groups (November 2006)

RTVE	Public
Antena 3	Grupo Planeta, Banco Santander Central Hispano, Telefónica
Sogecable	Prisa, Telefónica, Vivendi
Telecinco	Mediaset, Vocento
La sexta	Grupo Árbol-globomedia, Mediapro, Televisa, BBK, El terrat, Bainet, Televisa
Veo TV	Grupo Recoletos, Grupo UNEDISA
Net TV	Pantalla Digital (Vocento), Urecor (Altadis), Euro producciones, Radio Intereconomia, SIC, Dinamia

The new opportunities offered by the process of digitalisation have increased horizontal concentration of the media sector, allowing the main groups to enter or reach a stronger position in the television market.

Sogecable (controlled by media group PRISA, which edits the leading Spanish journal *El País*) and maintained a leading position on pay television, through satellite platform Digital+, and local television network Localia, has now expanded its area of activity to free to air television, with the new DTT (and temporarily analogue) channel Cuatro.

Group Vocento, owner of national newspaper ABC and a number of local newspapers, was already a shareholder of Telecinco and has now consolidated its position entering DTT group Net TV.

Group UNEDISA, editor of national journal *El Mundo*, has entered the television market through DTT channel Veo TV. This is also the case of Recoletos, editor of several specialised journals and magazines.

Other relevant actors have been production companies. Some of the main ones have become shareholders of television channels, in a process of vertical integration. This is the case of the main Spanish owners of the new DTT (and temporarily also analogue) channel La Sexta – Grupo Árbol-Globomedia, Mediapro, El Terrat and Bainet.

Nevertheless, the starting position of the Spanish television market was rather positive, since in 2004 it was amongst the least concentrated ones in Europe. According to Sánchez-Tabernero, only France and Greece were in a better position, as far as external concentration is concerned (Universidad de Navarra 2004).

Interestingly, the process of vertical integration has developed some new types or relationship between producers and broadcasters. In the case of La Sexta, which, as it has been mentioned before, is owned by several production companies, in principle, life seems to be easier for the producers, who have an easier access to sell their products. However, this position creates new problems with the other broadcasters. The general director of Antena 3, Mauzicio Carlotti, stated that he is not going to assign strategic programming to Globomedia or Mediapro, since they are reference shareholders of a competing channel (Atares 2006).

The second model of relationship with the production companies is followed by Antena 3, which separates broadcasting from production. In the words of Carlotti: "Our business is not to produce programmes, but to broadcast them and get audience to sell to advertisers" (Atares 2006).

The third model, which is followed by Telecinco, consists of finding "trustable producers" of which the channel would become a shareholder, in order to have a special relationship with content producers. The first purchase has been 15% of the production company Miramon Mendi for € 11 million. According to Telecinco's CEO, Paolo Vasile, after years of working with any production company, "there is a need to change the relationship between the channel and the producers, since producers need to have a special motivation to work with a broadcaster." Another possible formula would be to support the creation of smaller companies, managed by "young talented people," which should "guarantee a much more stable future" (*El Confidencial* 2006).

Future Scenarios

After analysing some of the most relevant facets of the transition from analogue to digital television in Spain, it seems pertinent to present some foreseeable scenarios for the near future, which will help to design some measures to encourage digital take up.

In the last few years, the Spanish communication companies have obtained large profits. In 2004 the main groups altogether (Sogecable, Antena 3 y Telecinco, Prisa, Planeta, Vocento, Zeta, Unedisa, Godó and Recoletos) obtained a net profit of 490 million euros (Alzado 2006). In 2005, results were even better, with record profits for some of the companies. For example, Antena 3 obtained € 226 million (*El Confidencial* 2006a); Vocento, € 114 million (Vocento 2006); and Telecinco, € 290.3 million (Telecinco 2006).

Preliminary results for 2006 indicate that profits will continue to rise more moderately (Varela, 2006). The situation has been quite different for pay television, although it has improved. In 2005, Sogecable got a profit of € 7.7 million, after two years of losses (Sogecable 2006).

However, the entrance of two new free to air channels in the market, together with the perspective of implementation of DTT, suggest that important changes may take place in the near future, and raise questions about whether advertising expenditure will generate enough resources for all the free to air channels. According to Gaptel consultancy group (2006, 76), one of the keys will be the reduction of advertising in TVE. If the recommendation made by the experts group is adopted, TVE2 will not have any advertising and TVE1 will reduce it from 12 to 9 minutes per hour. This would leave € 417 million extra for the private channels in 2009, which would be enough for the first new player (Cuatro), with a minimum impact for Telecinco and Antena 3, although they will inevitably continue to reduce their audience share. However, these figures raise serious concern about the economic feasibility of the second new placer, La Sexta.

Never the less, the market may be capable of generating additional resources, especially if it adopts new business models. In fact, some new models associated to DTT are already being planned by Telecinco and Antena 3. These channels consider that pay-per-view could be a relevant complementary source of income when DTT reaches massive deployment. On the contrary, TVE is not planning to use pay-per-view (Blázquez 2005). However, it remains to be seen whether the majority of the audience is ready to pay for content in a medium which has traditionally been free of charge.

This forecast is based on the supposition that DTT will be available for 80 to 90% of the Spanish population by 2010, when the analogue switch-off takes places. But, for Gaptel consultancy group (2006, 74), this is an optimistic forecast, taking into account the current difficulties that the process is experiencing.

DTT will be mainly commercialised as a free service, which means that its success will depend on several factors, such as access to attractive content, the behaviour of pay-TV and the role of public television. Content has not been a priority yet for DTT programmers, although this may change when wider audiences are reached (Medina et al. 2006).

According to Bustamante (2006, 362), the fact that only five channels, instead of eight, have been allocated to RTVE, could be a serious difficulty for a fast implementation of DTT, since the public group could not have enough power to fulfil the role of locomotive of the process.

Another difficulty is derived from the scarce information that the audience has on the advantages of DTT (Medina et al. 2006). As the British experience has shown, active management is crucial to a successful digital switch on, since only a coordinated set of actions through a "staffed body with a significant marketing budget" can manage the conversion (Iosifidis 2005). In Spain, the organisation responsible for this campaign (Impulsa TDT), which is formed by the main television companies and the Ministry of Industry, has hold a campaign to encourage viewers to by decoders (*El País* 2006b). However, the main operators consider that the budget of this association (€ 18 million) is insufficient, and claim that the resources provided by the public administration (50%) should increase (*El Mundo* 2006a).

Some studies foresee that, by 2010, DTT will reach only 40% of the population, although it will be the hegemonic medium. Although DTT will compete with other means of transmission, it is likely to reach a leading position in 2008 and continue to increase the distance to the other competitors in the following years. In 2012, DTT could reach 61.9% of the population; well ahead other means like satellite (18.1%), ADSL (19%), cable (16.1%) and mobile phones (13.4%) (Telefónica 2006, 344).

However, the success of DTT will also depend on the dimension adopted by the market and its capacity to generate additional income to that of advertising; mainly, access to interactive services and pay content. According to some forecasts, by 2010, non-advertising income will have a similar relevance to that of advertising. This means that expenditure in content and interactive services will increase dramatically. (Telefónica 2006, 348-9).

The evolution of DTT will also be closely related to the evolution of the pay -TV sector. According to Gaptel (2006, 72), until 2006, pay-TV in Spain has shown a resistance to overpass the barrier of 20%. However, by 2008, it is expected to reach similar levels of penetration to that of other European countries, around 30% of the population.

One of main difficulties for pay-TV has been that, for many potential viewers, it has not had enough added value, compared to free TV (Telefónica 2006,345). This is particularly important for key content, such as movies and sports. In the last few years, one of the main reasons to subscribe to pay-TV (Canal+, Digital+) has been the broadcast of important sport events, specially Spanish and international football matches. However, free channel La Sexta has acquired the rights to many competitions, including Germany's World Football Cup in 2006 and the Spanish Football League. One of the main shareholders of La Sexta, the production company

Mediapro has a long experience in the negotiation of television sports rights, and manages many accounts, including the rights of two of the main football clubs, Real Madrid and Barcelona (*El Mundo* 2006b).

Anyway, the importance of this could be reduced since expenditure of Spanish households will probably grow significantly in the next few years, and niche channels will pass from 30% of the audience in 2008 to 45% in 2012 (Telefónica 2006, 347-348).

To a certain extent, DTT will not necessarily be a real competitor for pay-TV, as long as the current behaviour continues. Buyers of decoders have not withdrawn from pay platform Digital+ or cable networks. This trend has also been observed in the UK, where the entrance of Freeview has not reduced the subscribers base of BSKYB and the cable networks (Iosidifidis 2005, 10).

Conclusion

As it has been explained before, digitalisation is still on an incipient stage in Spain, since approximately 25% of the population has access to DTT and another 25% to DTV through other means of transmission. So far, it is has been more an effort of the Government and the television companies, than a priority for a large part of the population. At the end of 2006 there was still serious concern about whether the digital switch-off will be possible in 2010, as scheduled.

This uncertainty can be solved by a conjoint effort of the Government and the television companies, which can accelerate the process of acquisition of digital receivers, as the first stage towards the development of the medium that takes profits of its advantages, compared to analogue television. Active management of the transition to the digital switch-off must be reinforced, so that new campaigns are developed and the public can find good reasons to purchase digital receivers.

The Government can help to smooth the process by playing a more active role in the promotion of DTV, increasing the financial support to the promotional campaign of DTT, as the companies are demanding. The process of implementation of DTV could be accelerated if a plan to support the acquisition of decoders would be set up, as in other European countries.

This promotional campaign should stress the elements that can contribute to make DTV a really different medium to analogue TV. It seems that a better quality of images and sounds or an extended offer, by themselves, will not be sufficient added values, as to make people purchase decoders or digital television sets. On the contrary, it is necessary to provide some valuable additional content, in new appealing channels. These channels should complement the previously existing offer, rather than providing similar contents, as it has been the case until now.

Interactivity is a fundamental element of DTV, as it provides a distinctive characteristic that adds value to the new environment. However, the current Spanish DTV (specially on DTT) is not providing a relevant level of interactive content or services, since it goes little further than pilot isolated experiences. Therefore, it is important for DTT channels to provide more interactive contents and services, which could help to accelerate the implementation process.

The important role that legislation adjudicates to public broadcasters can only be effectively fulfilled when RTVE solves its financial and identity crisis. It is also convenient to provide some additional financial resources that help the public broadcaster to create new content and interactive services that set a quality reference for the market, and show the real possibilities of the new medium to the audience.

Although diversity should be one of the main benefits of digitisation, it seems that this has not been the case in Spain. As it has been stated before, the same genres keep the largest audience figures, before and after the implementation of DTT; mainly, drama and sports.

Public broadcasting should play an important role to increase diversity, by offering programmes of those genres that are not sufficiently supplied by the commercial broadcasters. RTVE could benefit from the possibilities of the digital environment, by adapting its structures and output to the emerging concept of "public service as a brand."

This can be a relevant way to reinforce the role of public service broadcasting in a modern society, as well as to provide some new financial resources that contribute to solve its current economic crisis. The new legal and financial framework offers a good opportunity for RTVE to enter a new stage, in which the mistakes of the past are not reproduced.

Commercial television companies could take profit of the favourable economic situation of the last few years, so that they play a more active role in the production of content that is appealing to the audience. This content must be specially focused on niche channels, which at the moment are the weakest side of the Spanish DTT offer; although, according to forecasts, they will take a fundamental share of the audience in the new digital environment.

The current DTT offer is mainly formed by channels that existed previously, either on analogue free to air television or on digital cable or satellite. Therefore, the audience has not perceived it as a relevant innovation. It is important to develop new niche channels, specifically designed for DTT, which can be of interest to a significant portion of the population.

The new generalist DTT channels must find different profiles, so that they can compete successfully, in a market in which advertising income may not be sufficient for all the players, as the audience continues to increase its fragmentation. New business models should take into account that, in the next few years, non-advertising income will be as important as advertising. In this context, pay-per-view and interactive services could be relevant sources of income for broadcasters, when DTT reaches massive deployment.

A more plural diverse offer is one of the main potential benefits of digitalisation. However, in the Spanish case, the new channels have been assigned to the communication groups that already had a dominant position in the market, either in the television sector (as broadcasters or producers) or in other media. The development of new models of relationship between producers and broadcasters has also contributed to increase concentration.

This process of horizontal and vertical concentration can be seen as convenient, as it consolidates strong groups that can compete successfully in the international market. However, this need must be balanced with the desired pluralism of the media, which is a fundamental value in a democratic society.

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