

# **Liberal Turn in Media Policy: The Case of Finland's Digital Television**

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## **ABSTRACT:**

According to the influential typology by Daniel Hallin and Paolo Mancini, Finland's media system follows the democratic corporatist model, rather than the polarized plural or the liberal model. The article analyses digitalization of television in Finland and, in particular, its licensing policy as an example of convergence of national media systems towards the liberal model. Using original media policy documents and recent research on programme structures, the analysis reveals that, with multiplied channel capacity, increasing 'consumer choice' became an end in itself in the Finnish media policy since the mid-1990s. As this is associated with licensing an ever growing number of commercially targeted and formatted channels competing for popularity among mainstream market segments, the shift from the earlier public service protectionism to an increased market role indicates a change in Finland's media policy paradigm. Instead of providing more alternatives in terms of content, digitalization in Finland only gave viewers greater quantity and, in effect, accelerated a dramatic marketization of broadcasting.

## **KEYWORDS:**

digital television  
media policy paradigms  
marketization  
programme diversity  
Finland

## Introduction

According to the influential classification by Daniel Hallin and Paolo Mancini, Finland's media system follows a structure typical of North and Central European countries, the democratic corporatist model, as opposed to the liberal model, typical of the United Kingdom and the United States, or the polarized plural model, typical of the Mediterranean countries such as France, Spain and Italy. The North European model is characterized by, for example, high external pluralism of the press, high newspaper circulation and high journalistic professionalism. Typical of democratic corporatism is a strong emphasis on the role of organized interest groups and, at the same time, a strong sense of commitment to the 'common good'. Another 'conflicting' co-existence is the strong value placed on media autonomy while state intervention in the media is extensive. (Hallin and Mancini, 2004: 74-75, 144-45). In countries in which the democratic corporatist model prevails public broadcasters are typically strong, well-funded and governed by political forces, whereas commercial broadcasting is strictly regulated. As the authors put it, broadcasting in these countries is treated 'as an institution whose influence on society is too great to be left under the control of private interests and that must be run under the authority of the state as a representative of the general interest' (2004: 164).

However, the three models typical of Western democracies appear to be converging, with the liberal model becoming increasingly triumphant. According to Hallin and Mancini, a single, global media model is displacing the national variation of the past, with commercialization being the most powerful force for homogenization of media systems. The 'commercial deluge' of broadcasting and multiplication of channels in the 1980s and 1990s, in particular, contributed to a transition in the perception of broadcast programming, which 'came to seem less like a social institution, a public good provided for and shared by everyone in society, and more like a commodity that could be chosen by individual consumers' (2004: 275).

Instead of commercialization, this force is named here *marketization*, which we find a more general concept. It refers to the fact that Western societies have become increasingly market-driven and the idea of the market as a 'natural' basis for all social action has become a dominant ideology. Accordingly, media are seen as markets, their audiences as consumers, and communications technology as a means to economic growth (cf. Rolland, 2008: 127-28). Drawing from Hallin's and Mancini's analysis, our argument is that marketization is not only transforming the media scene towards the liberal, commercial system but that, at the same time, it changes fundamentally media policy thinking in individual countries.

Our case study focuses on the digitalization of television broadcasting in Finland. The principal decision about this major technological leap was made by the Finnish government in spring 1996 and the first digital terrestrial channels were launched in autumn 2001. The final switch-off of all Finnish analogue television, including cable, took place in February 2008, earlier than in any other country in Europe (cf. Iosifidis, 2006). By analyzing original media policy documents, the article shows that Finland employed the

digital conversion and the increased channel capacity as an excuse for the marketization of its television sector. In particular, we focus on the licensing decisions of digital terrestrial television (DTT) in order to indicate that the digitalization served as an argument for a new, liberalized media policy paradigm, promoting 'consumer choice' as an end in itself. On basis of the analysis of the four licensing rounds it is suggested that, while digitalization did manage to increase competition in television broadcasting, it also consolidated existing oligopolies, whereas a second goal, increasing programme diversity and providing a 'television of plenty' to all Finns, was met only partially. In practice, digital television (DTV) did not provide more alternatives in terms of content but, rather, more choice in terms of quantity, as the licensing process resulted in a surge of commercially formatted channels competing for popularity among mainstream market segments and in a downward trend in the horizontal diversity of television offerings.

## **Democratic corporatism vs. the new media policy paradigm**

### *Pragmatism meets protectionism*

Up until the 1990s, electronic communications were heavily protected in Finland. The state-owned broadcasting company Oy Yleisradio Ab (YLE) had a monopoly of radio broadcasts till 1985 and television broadcasts till 1993. Broadcasting was conceived as a general interest public service, providing equal services at equal price to all Finns all over Finland. The broadcasting sector constituted a protectorate which was justified with technical, cultural and commercial reasons. Accordingly, broadcasting licences were not granted to any other parties (though there was a short period from 1956 to 1964 when a private foundation for the promotion of technology, Tekniikan Edistämmissäätiö with its TES-TV, was allowed to provide television services in three major urban regions but YLE acquired its assets in 1964, thus laying the cornerstone of its TV2).

However, in one respect Finland was an exception. The public broadcaster YLE had already since 1957 a commercial companion, Oy Mainos-TV-Reklam Ab (later MTV Oy). MTV rented air-time on YLE's two channels (TV1 and TV2), thus providing a considerable share of programming and another major funding base for YLE, in addition to the licence fee. This unorthodox companionship and the shared channel system have been described as an economically pragmatic and politically protected strategic alliance (Hellman, 1999; Salokangas, 1996; see, also, Noam, 1991). This reminds us that the media systems, as classified by Hallin and Mancini (2004), are not internally homogenous. Typical of the democratic corporatist model, according to them, are a strong commitment of the state to the institution of public service broadcasting, relatively late introduction of commercial broadcasting and purity of public broadcasting systems. In the case of Finland, two of these three aspects do not fit the model (see, also, Jääsaari, 2007: 126).

Finnish broadcasting policy was traditionally dominated by four basic principles: (1) *structural regulation of the market* combined with (2) *economic pragmatism*, (3) *political*

*compromise* and (4) *cultural protectionism* (cf. Aslama et al., 2004b; Hellman, 1999; Jääsaari, 2007). Structural control meant that regulation concentrated on media structure rather than media content. It was YLE whose interests were always safeguarded in the first place, whereas market entry was heavily restricted. Pragmatism meant economic arrangements that would best secure the viability of television in a small market. Political compromises were needed to safeguard the 'social partnership' not only between the two companies but also between relevant interest groups and political parties for the governance of the media. Finally, cultural protectionism materialized in favouring domestic culture against the threat of imported cultural influences.

High state interventionism in broadcasting is typical of democratic corporatist countries, in particular if they are small in size (Puppis, 2009: 14) but, in the case of Finland, a sparsely populated country with five million inhabitants, state interference was restricted to the privileged role of the public broadcaster and the government's rigid licensing policy. Commercialism was accepted but only in a 'domesticated' form, i.e. under the supervision of YLE. On the other hand, no restrictions on media cross-ownership were ever imposed since they were regarded as a threat to consolidating the domestic media industry, rather than as a protection against media concentration (Hellman, 1999; Jääsaari, 2007).

#### *Liberalization of regulation*

By the 1990s much of the traditional justification of YLE's *de facto* monopoly had become obsolete. The technical reason, scarcity of airwaves, was eased by cable and satellite transmission. The commercial reason, lack of money and the small size of the market, was also questioned since advertising was booming. Finally, the principle of protecting national culture had also become hollow, since the audience could anyway receive international channels via cable and satellite.

In the new situation, the regulation of broadcasting was liberalized and commercial operators were allowed to enter the market. The first concession to marketization was Kolmostelevisio (Channel Three), a commercial joint venture of YLE, MTV and Nokia, launched in 1986 and operating under YLE's licence. A second step was taken in 1993 when MTV was, finally, separated from YLE's regulation and was granted a licence of its own. The company also purchased the operations of the third channel, now re-named as MTV3, and started to compete with its previous companion. Liberalization continued in 1997 with the launch of Nelonen (Channel Four), operated by Ruutunelonen Oy, a company owned by Sanoma Corporation, Finland's major newspaper publisher. However, the most important step taken was the decision in principle by the Finnish government in May 1996 to digitalize television transmission altogether and to open up the market for new entrants.

Of course, these shifts were not only a Finnish phenomenon but reflected a general transition from 'planned economy' to 'competition economy' (Alasuutari, 2004). Marketization of the media sector took place all over Europe, and emphasis was

increasingly put on the media as markets and their audiences as consumers. According to Murdock (2004: 30), operating space allocated to business enterprise was enlarged and sectors conceived earlier as 'public good' were redefined as open markets while all these shifts were legitimised by market rhetoric and a new master ideology of consumerism.

As regards the impact of marketization on regulatory regimes, van Cuilenburg and McQuail (2003) have named this change as a media policy paradigm shift, with the emerging policy being mainly driven by economic, technical and consumerist values, instead of the social, political and cultural rhetoric, typical of the earlier paradigm. In Hallin's and Mancini's (2004) framework, this means that the role of the electronic media comes to be seen less in terms of representation of social groups and ideological diversity than in terms of providing information to citizen-consumers. This transition also changes the perception of the state interference in media policy. State interventionism, including public service broadcasting and licence fees, becomes increasingly questionable, and regulatory bodies tend to become separated from party politics and managed by neutral professionals. From the Finnish perspective, Nieminen and Pantti (2004) have identified this tendency as a switchover from cultural/moral regulation to economic/commercial regulation. According to Jääsaari, the state in Finland now serves more as a 'promoter or referee instead of regulator' while, at the same time, 'emphasis shifted from the protection of national radio and television as distinct media forms to the promotion of competition and the market mechanism within the communications in general' (Jääsaari, 2007: 97).

Guidelines of this new policy were mainly set by a 'one-man task-force' by Jouni Mykkänen, a former YLE deputy managing director. In his 1995 report, commissioned by the Ministry of Transport (which later became the Ministry of Transport and Communications, MOTC), Mr Mykkänen suggested a 'balancing' communications policy which, on the one hand, would safeguard YLE's status but, on the other, would actively liberalize the sector by granting new operating licences. The future of regulation was sketched as follows:

The role of the state as a regulator will be reshaped. Instead of a controlling duty, a positive regulation, an enabling influence on the structures of programme production, will be emphasized. (Mykkänen, 1995: 17)

According to Mykkänen, regulation of the liberalized market would focus on preventing the emergence of monopolies and applying standard competition rules. Instead of detailed decrees on programming, he suggested that only the general lines of programme supply should be defined and that the principal criterion for granting licences would be an assessment of candidates' capability of sustainable operation. Providing new programme alternatives, too, was mentioned as one of the policy goals (1995: 29-36).

The new policy paradigm was, then, documented in two pieces of legislation, the Act on Television and Radio Operations (1998) and the Communications Market Act (2003), of which the earlier, in particular, is essential since it defines the regulatory mandates of authorities, the rules of the licensing policy and the general regulations for broadcasters.

As earlier, operating licences are granted by the Council of State (COS), i.e. Finland's cabinet, while the decisions are drafted by the MOTC and a separate body, Viestintävirasto (Finnish Communications Regulation Authority, Ficora), is in charge of the supervision of broadcasters. Licensing is based on a 'beauty contest', in which – as Mr Mykkänen suggested – the bottom line is not the superiority of programming but the reliability of the candidate. The licensing authority is primarily expected to take into consideration that 'concentration of communication sector will not increase in a manner which would endanger freedom of speech' and that a licence can be granted only to 'an applicant with an adequate financial standing' and 'sufficient resources to maintain regular operations' (Parliament, 1998: 31-32).

Although granted already before the new legislation, in 1996, the licence of Nelonen was the first manifestation of the new policy aiming explicitly at increasing competition in television broadcasting. Later, liberalization of the market was promoted by relaxing the obligations of commercial broadcasters. For example, while the analogue operating licence of MTV3 stipulated that the channel should provide 'programming both in Finnish and Swedish', since Finland is a bilingual country with a five percent Swedish-speaking minority (COS, 1999a), this obligation was dropped from its digital licence (COS, 1999b). The duty to broadcast 'a sufficient amount of domestic programmes' was another requirement cancelled in 1999 (Hellman, 1999: 172-75; Jääsaari, 2007: 95-96). In accordance with the policy guidelines suggested by Mr Mykkänen, all programming requirements for commercial channels have been kept at a very general level, with public service duties being imposed only on YLE. For example, diversity of programming is imposed as a general goal only for those channels that have a general interest profile, but no detailed requirements are established. YLE does not require a licence at all since it operates under a separate law, Act on Yleisradio (1993), defining its public service provision.

Reflecting the emerging liberal ethos, the MOTC has been very pragmatic about ownership changes of television channels. For example, when MTV Oy, in 1997, merged with the Aamulehti Group, a major newspaper publisher, in order to establish Alma Media Group, the MOTC welcomed the transaction as a clarification of the media industry (Hellman, 1999: 154). Similarly, when MTV, in 2005, became part of Nordic Broadcasting, a holding company owned by the Swedish Bonnier and Proventus Industrier, or when Urheilukanava, in 2007, became an affiliate of Sanoma/Swelcom, the Finnish government did not hesitate in maintaining their licences, in spite of the legal decree that a significant change in ownership may result in the licence becoming extinct (Act on Television and Radio Operations, 1998: Section 12). These examples indicate that structural policy and pragmatism, i.e. aiming to consolidate the industry and safeguard its profitability, still dominate Finland's media policy. They also bring to mind the suggestion by Puppis (2009: 14) that an exclusive language, such as Finnish, may enable small states to choose a lower level of state-interventionism and protectionism than countries with giant neighbours and a shared language.

The interests of the private media firms were favoured also when the operating licence fees, collected in order to finance YLE and amounting to some 15 per cent of YLE's turnover, were halved in 2002 and totally abolished in 2007. The abolition of the fee dampened down the criticism of the media firms, claiming that YLE was competing against them with their money, but did not silence the continuous attacks by the industry lobby against the 'full service' remit and 'too generous' funding of the company, accusing it of 'market distortion' and requiring that it should focus on its 'core public service task' only (see, e.g., Finnmedia, 2009).

Another front where YLE was being disarmed was its earlier monopoly in broadcasting transmission. In 1999, YLE was forced to create a separate company for its network transmission activities, providing services for all broadcasters. Although not originally planned, YLE eventually privatized the company, i.e. sold it to Telediffusion de France (TDF), in order to finance the costs of digital conversion (see, e.g., Brown, 2005: 229; Jääsaari, 2007: 113-14). Also, the governance of YLE has been made more businesslike by introducing, in 2005, an external board, composed of experts. At the same time, the politically elected Administrative Council, mainly composed of politicians, has been subject to an aggressive lobbying campaign of the media industry, which has required the replacement of the 'politicized' council by an expert supervisory body imitating the model of the BBC Trust in Britain (see, e.g., Finnmedia, 2009).

During the first decade of the 2000s alone, three parliamentary or other expert working groups, appointed by the MOTC, have assessed the need to redefine YLE's duties and its funding. In spite of the political controversy, new legislation, grounded on the latest report (see, Lintilä, 2009), will be drafted in 2010. It is expected mildly to reform the provision and supervision of the public broadcaster and substitute a general media tax for the licence fee paid by viewers.

### *Digitalization and marketization*

In fact, the policy measures taken since the mid-1990s fit well with the description of Hallin and Mancini (2004) or Puppis (2009) about the emergence of liberalist, market-based approach on media regulation. Entry barriers for private media companies have been removed and obligations relieved while efforts to 'depoliticize' the public broadcaster have been made. In her analysis of consistencies and changes in Finnish broadcasting policy, Jääsaari lists several continuities, such as YLE's privileged status, but she also describes a major transformation. According to her, the new broadcasting policy paradigm emerged gradually in three aspects (2007: 172-75):

1. In regulation, a *shift in balance* took place between private and public interest in favour of the first. The position of commercial television was strengthened by opening up the market and a gradual relaxation of regulation.
2. An increasing tendency was to refer to *the norms and rules of the market* in determining what is considered appropriate and reasonable. Public-service oriented

- frames were marginalized and the importance of sustaining culture, education, equality, etc. became increasingly seen as responsibilities that concerned only YLE.
3. The operating environment of Finnish broadcasting was re-conceptualized in terms of market-steering rather than state intervention. '*Consumer choice*' in the creation of services was promoted as an overarching frame.

Similar to our argument, Jääsaari claims that digitalization, in particular, came to represent 'a specific program in a realigned policy paradigm where the efficient working of communications markets was the main goal' (2007: 114; emphasis omitted). In other words, digitalization was a means of marketizing the Finnish broadcasting sector.

This redefined broadcasting policy paradigm does not appear to displace the traditional four principles of the earlier paradigm, i.e. structural regulation, economic pragmatism, political compromising and cultural protectionism. Rather, it only added the term of marketization to them. The new policy aims at managed liberalization of the broadcasting sector, or a moderate increase in competition, whereas pragmatism and political compromise are needed to safeguard the business interests and viability of not only YLE but of the commercial media sector, too, including telephone operators and newspaper publishers. Cultural protectionism came increasingly to mean keeping the business in domestic hands instead of those of international media conglomerates.

Since Jääsaari analyses digitalization at a very general level of broadcasting policy, many questions remain unanswered. How did the licensing decisions promote marketization in practice? What kinds of market-based arguments were applied when granting licences? Furthermore, how did marketization materialise in television programming?

## **Diversity in licensing policy**

### *Dimensions of diversity*

Diversity refers both to plurality of sources (channels) and plurality of content (Freedman, 2005; Hellman, 2001; Napoli, 1999). Often, these two dimensions are confused, not only in everyday speech but also in media policy where diversity has become an end in itself although the exact meaning of the word may remain vague and blurry.

In market-based thinking, diversity of television is usually connected with the number of alternatives. The more choice (channels, programmes) and the more diverse products (channel types, programme types) in the choice-set, the greater diversity is available to the consumer. In the market model diversity refers not so much to what distinguishes one choice from another but to the size of the menu as a whole. Here diversity serves as a consumerist construction that highlights the act of individual selection. The better the demands of various target groups or market segments are met, the greater the diversity (Freedman, 2005: 17-19; Hellman, 2001: 182-83; Karppinen, 2006: 56-58).

In the public service tradition, diversity is not based on pleasing the audience segments or meeting the demand but is, rather, a normative measure of quality, a deliberate policy goal which aims at 'principal pluralism' at several levels: first, reflecting and giving equal access to the various social groups and even minorities; second, serving the needs of the multiple publics; and, third, offering a wide range in programme content, not only in terms of programme types but, also, geographically, linguistically, socially, politically, culturally, etc. (Hellman, 2001: 183; Karppinen, 2006: 56-58; cf. McQuail, 1992: 132-45).

What has happened along with the marketization of television is that 'market speech' has seized diversity and started to use it for its own purposes. Increasingly, diversity is conceptualized as a widest possible choice of products and services. In accordance with the new orthodoxy, consumer choice has become a favourite catchphrase in broadcasting policy and, as Jääsaari (2007: 107) notices, concepts like 'service', 'content', 'consumer' and 'user' have replaced 'channels', 'programmes', 'viewers' and 'citizens'. At the same time, two different goals, plurality of sources and diversity of content, appear to have converged around the master rhetoric of competition and choice (Freedman, 2005: 19).

### *Programming requirements and licensing*

Although we have claimed that programme content is not the bottom line when granting licences for broadcasting in Finland, programming does play a role here. When the Act on Television and Radio Operations was being drafted, the Parliament included in the preamble a requirement that the licensing authority shall take into consideration 'the existing programme offerings as well as the whole of programming that is formed as a result of granting the licences'. However, following the guidelines suggested by Mr Mykkänen, 'only the general lines of programme supply should be considered while the operator's right to decide the content of its programming' should not be restricted in detail (Parliament, 1998: 33).

In practice, evaluation of each application takes place in two stages. In the first phase, economic resources and other preconditions for regular operations of the applicant are assessed, as required by law. However, already here its programming plans, in relation to its resources, are examined, too. If the candidate squeaks through this examination of realism and solidity, the assessment proceeds to the second test where three criteria, again set by law, decide: (1) promoting freedom of speech, (2) safeguarding diversity of the provision of programming, and (3) serving the needs of special groups of the public (Act on Television and Radio Operations, 1998: Section 10).

For example, when granting licences in December 2006, the COS expressed very explicitly how legislation is implemented here. By promoting freedom of speech the government meant retarding concentration of the media and introducing independent operators to the industry. With special groups of the public it referred to 'minorities, whose interests are not necessarily met by competition only'. Diversity, then, was defined as follows:

Diversity of the provision of programming is composed of the greatest possible number of television services offering different content and serving different target groups. When comparing applicants with a similar provision, then, diversity of content of each applicant shall be assessed. (COS, 2006: 7.)

In other words, diversity in the Finnish broadcasting policy is a synonym of television services that provide the *greatest possible number of alternatives to viewers* – but also differ from each other in terms of programme provision and target group.

That increasing consumer choice was the number one goal of digitalization in Finland was perfectly formulated already in 1996 by the Digitalization Working Group which examined the technical and financial conditions of digitalization. According to the group, the introduction of new technology would offer ‘more choice to all viewers all over Finland’ (Palonen and Kosonen, 1996: 22). This promise stood for an ambition to introduce multi-channel terrestrial television, similar to urban cable networks, in the vast rural areas of Finland. At that time, only 40 per cent of Finnish households were connected to cable or possessed a satellite dish. As argued by Brown (2005: 229), this goal reflected a protectionist effort to pre-empt further inroads into the Finnish market by foreign satellite broadcasters.

## **Filling the digital airwaves**

### *The first licensing round*

The first digital licences were granted in June 1999. The MOTC had received a plethora of 37 applications, 17 of which concerned national television broadcasts (which is our main focus here). Three months earlier a ministerial group on communications policy had declared that the government would aim at promoting competition among digital television services, the diversity of output and the consideration of both language groups. In addition to reserving one of the three multiplexes to the public-service YLE, the COS presupposed that slots would be granted to the existing domestic channels (MTV3 and Nelonen), thus enabling them to continue their operations digitally, and to ‘one European operator as well as one or two domestic new entrants’. In particular, the ministerial group deemed it important to include one sports channel in the palette (Ero, 1999: 13; see, also, Jääsaari, 2007: 84-85). In the event, as well as MTV3 and Nelonen, licences were finally granted to a sports channel of Suomen Urheilutelevisio Oy (jointly owned by Alma Media/MTV and Sanoma Corporation/Helsinki Media Company Oy), a movie channel of Sanoma/Helsinki Media Company, and an educational channel of WSOY (the book publishing arm of Sanoma Corporation). As all these had corporate connections to either MTV3 or Nelonen, in addition an independent domestic entrant, Wellnet Oy, providing personal interest information on health, personal economy, housing, etc., and Canal+, described by the government as a European ‘quality entertainment channel’, were selected. The final licence went to City-tv, a group owned by Alma Media/MTV, promising a regional service on major urban areas.

Of the three digital multiplexes, multiplex A was allocated to YLE while B and C were left for commercial channels. Being exempted from the licensing process, YLE had already presented its channel scheme in November 1998 its channel scheme, comprising two general interest channels (YLE TV1, YLE TV2), a Swedish-speaking channel (YLE FST, later YLE FST5), a cultural/educational channel (YLE KOT, later YLE Teema) and a news channel (YLE24). This assortment seemed to support YLE's provision as a public service broadcaster with its cultural, educational and informative duties (Aslama et al., 2004a; Hujanen, 2004).

Several factors indicate that the government aimed at increasing competition only moderately, holding in mind the structural goal of an ensemble of channels 'in which firms are strong enough to compete with each other viably' (Ero, 1999: 20). First, as Brown (2005: 232) has correctly remarked, the decision favoured the incumbent broadcasters, i.e. the public service YLE, owned by the state, and the commercial MTV and Ruutunelonen, respectively owned by Alma Media and Sanoma Corporation, the two leading private media conglomerates in Finland. For example, the applications of MTV3 and Nelonen were approved since they 'in general have proved to be able to provide the viewers with television services of high quality and reliability' (Ero, 1999: 20). Second, Alma and Sanoma were particularly favoured in that only two of the new channels had no connections to them. Third, domestic companies, in general, were protected by blocking the entry of international media conglomerates, except for Canal+. Fourth, all new licences went to special interest channels, which clearly was a relief for the existing general interest channels. Finally, five of the six entrants planned to fund their operations by subscription instead of advertising, which protected the interests of MTV3 and Nelonen (see, also, Aslama et al., 2004b: 118).

Unfortunately, the final judgement of this beauty contest was vaguely argued. The COS simply raised its hands by claiming that 'there were more applicants that fulfilled the requirements than there were channels for allocation' and deciding to choose, in addition to the proposed sports channel, a movie channel and an educational channel, both being candidates with no competition. The sports channel required a more explicit comparison since, for example, Eurosport was among the applicants but, here, the domestic Urheilukanava was triumphant since, as the licensing authority concluded, it would 'offer a more diverse output to the viewers'. In comparing the rest of the domestic candidates, both Wellnet and WSOY were appreciated for their 'interesting content provision', which suggests that, during the first licensing round, the aim was not yet to imitate the commercial formulas of cable and satellite operators. Instead, it was assumed that DTV could also serve the informational needs of various communities and groups of citizens (cf. Kangaspunta, 2006).

As a whole, the first digital licences represented a considerable plurality of offerings, both in terms of sources and programme diversity. If they all materialized, the number of channels available terrestrially would have tripled and the assortment, with its five public service and two 'semi-public service' channels, in addition to two thematic pay services and a regional service, would not have accelerated marketization dramatically. Rather, the

offering as a whole highlighted division of labour and moderate competition between the broadcasters, typical of the 'old order' of Finnish broadcasting policy. In other words, the first licensing round represented remnants of cultural/moral regulation instead of a straightforward economic/commercial approach.

### *The first extension of Digital Terrestrial Television (DTT)*

However, harsh realities forced broadcasters – and the regulator, too – to compromises. Because digital set-top boxes (STBs) were not available at the launch date in August 2001, there were no viewers nor markets whatsoever. Instead of a big bang, the launch was a dud. Four of the channels – Canal+, the movie channel, the educational channel, and Wellnet – never started since opportunities for pay-TV were non-existent. Thus, instead of the promised 13 channels, the Finns were offered nine, only five of which were new. YLE's channels persisted on the digital airwaves while the two commercial entrants, Urheilukanava and SubTV, the successor of City-tv, tried to secure their position by also going on analogue cable (Brown, 2005: 236-37).

The emergence of SubTV is an interesting chapter in the Finnish broadcasting policy. MTV had launched, in 2000, a youthful cable channel called TVTV. In June 2001, two months before the digital take-off, the company decided to combine its forthcoming regional City-tv with TVTV, thus creating SubTV (later Subtv, Sub). SubTV's youthful schedules provided US drama and comedy series, entertainment and reality shows, but no regional profile whatsoever. As Brown (2005: 237) notices, it offered 'a format substantially different from the original concept on which the channel was licensed'. Regardless of this, the COS, in December 2001, amended its licence from regional to national without declaring the licence open for new applications, indicating that the licensing authority was ready to accept any reasonable programme offering that might ease the digital disappointment.

In fact, the second licensing round, completed in March 2003, aimed at filling the gaps that had appeared before the launch. However, candidates were fewer, only eight, and their programme offerings more conservative than during the first round. Three of the channels available went to Canal+ Finland Oy, which now, eventually, was willing to introduce its well-established cable/satellite channels (Canal+, Canal+ Blue, Canal+ Film) terrestrially, too. The fourth empty slot was granted to a teleshopping channel of Vizor Oy. Here, again, the Finnish licensing policy demonstrated its pragmatic flexibility. In autumn 2004, a new owner re-profiled the teleshopping service, changing it into a music channel and renaming it as The Voice TV. The licensing authority closed its eyes until April 2005 when the programming regulations of the channel were amended to include 'programming targeted mainly to young people' (COS, 2005).

This second licensing round was the first one in Finland with a great number of internationally established applicants, such as Discovery Channel, Animal Planet, MTV Nordic, Nickelodeon, Eurosport, etc. However, it was not yet their turn to get foothold of the Finnish DTT. Canal+ was the privileged one since the other candidates were not

interested in sharing the transmission costs. Few domestic applicants, too, appeared, but their promises were considered poorly resourced. An extraordinary feature was that due to business secrecy reasons the draft memorandum to the licensing decision was pronounced classified. In his statement to the press Mr Ismo Kosonen, a senior officer of the MOTC, explained the choices:

We searched for special interest channels to the assortment since they could promote the success of digital television. Experts believe that pay-TV and a movie channel could serve as such bait. (HS, 2003: C7)

In other words, the licensing authority wished not only to ensure that the entrants were well resourced and solid but also that they could awake the audience's dormant interest – and here the answer was provided by established satellite channels.

The creation of a pay-TV market was not left on the responsibility of Canal+ alone. Later the same year, MTV3 and Nelonen were allowed to introduce their supplementary channels with which they already had experimented. Now that digital STBs with both time-shift and conditional access properties were finally available and becoming cheaper, MTV3 MAX in particular, with its sports broadcasts, managed to create consumer demand. In summer 2006, Subtv, too, was granted supplementary channels, one for movies (Subtv Leffa, later Sub Leffa) and one for children (Subtv Juniori, later Sub Juniori). Nelonen chose a different strategy and did not launch its supplementary service JIM until winter 2007, choosing advertising as its funding base.

### *The break-through of pay-TV*

Brown (2005: 239) criticized the Finnish licensing policy for granting most of the commercial digital licences to pay-TV services instead of free-to-air programming. However, it was the subscription services that finally served as the main incitement for viewers to switch to digital, particularly in non-cabled households (Miettinen, 2007). Indeed, if one of the implied purposes of digital conversion was to create a market for pay television on the terrestrial network, the goal appears to have been met.

The growing interest in pay-TV was documented in the third licensing round, completed in December 2006. It attracted no less than 19 candidates and more than 30 channel propositions. Three domestic applicants were rejected due to their poor financial standing but the rest of the candidates were either incumbent broadcasters, such as Nordic Broadcasting/MTV, Sanoma/Swelcom/Nelonen and Canal+, or internationally established players, familiar from cable and satellite television, such as Euronews, CNN, Nickleodeon, Disney, Eurosport, Discovery, National Geographic, Viasat, etc. Since all were interested in providing subscription services, the government concluded that granting a licence to any of these applicants 'would not result in a concentration of media insomuch that it would endanger freedom of speech' (COS, 2006: 18).

As a result, the explicit deciding factor was the programme provision promised by each candidate, or more precisely 'diversity of programming and its relationship with the whole of television broadcasting' and 'the way it takes into consideration the needs of the Finnish viewers' (2006: 19). In other words, the MOTC assessed the degree to which each candidate was willing to provide Finnish subtitles, commentary in Finnish or, even, domestic productions. Here, liberalized structural regulation met with cultural protectionism.

Interestingly, both news channel candidates, CNN and Euronews, were rejected since their 'offerings would have been composed of international news coverage in a foreign language'. The government's decision not to award international news channels was not only protectionist but restrictive from the point of source diversity, too. Mildly protectionist arguments were used also in granting licences to Nickelodeon's and Disney's children's channels. They were allowed to compete with Subtv Juniori since they promised to provide 'local content' and, thus, promote the Finnish audiovisual industry. Also, a music television channel MTV Nordic, an affiliate of MTV Networks International (and not to be confused with the Swedish-owned Nordic Broadcasting/MTV), was added into the palette since it pledged 'a significant number of programmes presented or subtitled in Finnish', or even 'programmes produced in Finland'. Similarly, Eurosport, an established favourite of cable-TV viewers, was awarded with a terrestrial licence as it promised to include a Finnish language commentary in its all programmes. As the licence of Urheilukanava, the domestic sports channel pioneer, was at the same time expanded to include a supplementary pay service, Urheilu+kanava, the Finns were now served by no less than five DTT channels focusing on sports (COS, 2006: 19-21).

Somewhat different arguments were used when two documentary channels were selected since 'similar thematic provision of programmes is not available at the moment' (2006: 20-21). Either ignoring YLE Teema or wanting to invite commercial competition against it, the licensing authority granted the licences to MTV3 Fakta, a domestic channel concept, and to Discovery Channel, an established international service, since these promised a remit of 'documentaries with a wider topical variety' than the rest of the candidates. Similarly, instead of adding yet another movie channel, the COS decided to grant one licence to a channel providing various types of entertainment, 'in order to increase the diversity of programming and to complement the existing offerings'. Of the various applicants, the proposition by Sanoma/Swelcom, the parent company of Nelonen, later launched as Kino TV, was assessed to be the most diverse as, in addition to European and US series and films, it promised to commission domestic programmes too (COS 2006: 13, 20). Although justified on grounds of programme diversity, both decisions favoured major domestic players.

Indeed, when these channels were finally on the air in autumn 2007, they played a major role in the breakthrough of subscription-based television in Finland. The number of subscriptions doubled in 2007 to about 600,000 homes, i.e. every fourth household, with the major spur to subscribe pay services being MTV's decision to reschedule Formula One

to MTV3 MAX. Until November 2006, this great favourite of the viewers was provided free-to-air on MTV3.

### *Efforts to re-regulate*

Although liberalization has been the *leitmotiv* of the Finnish digitalization policy, efforts to apply a stricter regulation were made too. In 2008, a discussion emerged about the control of the broadcasters. According to law, the licensees should provide a report of their programming twice a year to Ficora, but it appeared that the reports were never actually read. It came under question whether Nelonen or Sub had ever provided current affairs programmes, as required in their licences. Unquestionable was that Sub had never broadcast news, also required in its licence. This resulted in a promise by Ficora to sharpen its supervision. About the same time, MTV, in order to attract female viewers better, wished to change the programme content regulations of its MTV3 Fakta documentary channel. This time, the licensing authority refused MTV's request, equating it with a new licence which should be declared open for application.

In 2008, the Swedish TV4, an affiliate of Nordic Broadcasting and a sister company of the Finnish MTV, announced an intention to buy the assets of C More Group AB, the owner of Canal+. In Finland, the merger created a broadcaster giant that controlled not only two major free-to-air channels (MTV3 and Sub) but also altogether 15 subscription channels, thus requiring the approval of competition authorities. The fact that the change in ownership was not a walkover is indicated by the broad and carefully documented assessment of the Finnish Competition Regulation Authority (2008). However, the merger was accepted with the rather light condition that the new owner should give up its broadcasting rights for the Finnish Ice Hockey League. Also, the regulator (2008: 21-22) required that the pay-TV operations of MTV and C More should be kept as separate entities.

The effort of the authorities to operate as a referee in the market was also manifested in the latest licensing round for digital television frequencies, completed in June 2009. This time, the quest was for an operator to broadcast SVT1 and SVT2, the two main channels of the Swedish public broadcaster (in 2007, the licence to broadcast SVT Europa, a pay-TV service providing SVT's programmes, had been granted to YLE). Although none of the nine candidates promised to provide what the MOTC wished, the government decided to grant two new licences. One of them went to LIV, a sister channel of JIM, both owned by Sanoma Television. Its main rival for the licence was MTV3 AVA, MTV's lifestyle cable channel targeted to women, but LIV came out ahead since it was free-to-air, unlike the subscription-based MTV3 AVA. Another argument for providing a channel to Sanoma, instead of MTV, was that the former 'comes up better to the requirement of the law about promoting the freedom of speech', since it controlled fewer channels in the Finnish DTT network than the latter (COS, 2009: 13).

Interestingly, the other licence was not awarded to the Swedish Parsifal International AB and its URHOtv, although it had managed to grab the keenly rivalled ice hockey rights. This time, the licensing authority decided that 'there already is an abundance of sports channels in the terrestrial network' (2009: 12) and, instead, decided to favour Family Channel Oy, an independent firm owned by a Finnish-Canadian consortium, whose SuomiTV with its general interest profile was 'expected to provide programme contents that serve Finnish viewers in a diverse way' (2009: 13). Although introducing a new entrant to the market is welcome, one must ask whether there really is a market for yet another advertising-supported general interest channel in Finland. However, once again domestic candidates were favoured at the expense of international applicants, such as BBC World News, Animal Planet or Eurosport.

### **Diversity of programming**

Finally, we must consider whether digital conversion managed to promote freedom of speech and diversity of programming, as required by law.

In terms of ownership concentration, the industry is hugely dominated by three major players, the state-owned YLE and the two privately owned media conglomerates MTV/Nordic Broadcasting and Sanoma Television/Sanoma Corporation. Together, these companies control 22 of the 30 channels licensed terrestrially and had, in 2008, a combined audience share of 90 per cent (Finnpanel, 2009). Only one of the channels is operated by an independent domestic firm, whereas the rest of the assortment is composed of internationally established and commercially targeted thematic channels. In spite of the multiplied channel capacity, the Finnish DTT market is still concentrated and the entry threshold to the market high (cf. Aslama et al., 2004b). On the other hand, the public broadcaster YLE is performing well with its 45 per cent share although, in order to save money, YLE was forced to shut down its news channel in 2007.

The channel choice available in autumn 2009 is shown in Table 1 below. The terrestrial digital network provided altogether 30 national (or semi-national) channels, of which 12 were free-to-air and 18 pay services. Among them five can be called general interest channels – but even these differ from each other considerably. For example, two thirds of YLE TV1's output consists of informative genres, whereas on Nelonen newscasts and information accounted no more than one fifth of its programming (Aslama, 2008: 104-05). Five of the channels are targeted to the special groups of the public, i.e. for the Swedish-speakers or children, whereas the remaining 20 channels are more or less thematic, including Sub, with its heavy focus on series and *Big Brother* type entertainment shows, as well as YLE Teema, with its broad concept of a cultural channel, including classic movies, series, documentaries, science and educational programmes, etc. No less than five of the channels focus on sports, four on movies, three on documentaries, and two on sex. Naturally, these channels cannot be claimed duplicates; rather, they represent different

dimensions of product differentiation targeted to specific taste groups, thus constituting a thematic universe as defined by the industry itself.

[TABLE 1 TO BE PLACED ABOUT HERE]

The assortment suggests that Finland has not been able to create an imaginatively original concept of a diverse channel choice. Rather, it seems that the licensing authority has been forced to conform to the realities of the small market and the mainstream channel concepts suggested by the media industry. As a result, the choice offered to the public reflects the industry rationale about diversity and consumer choice. The offering as a whole is not an offspring of cultural/moral judgement on what the universe of DTT should look like but a 'poor man's satellite television' as suggested by commercial television companies themselves. On the other hand, one must ask whether it could be otherwise. Finland left digitalization at the mercy of the market (Brown, 2005) and the licensing authority has, undoubtedly, tried making the best out of the applications. Although some applicants did make nonconformist propositions, commercially tested concepts won the beauty contests, perhaps since licensing policy emphasized so strongly the economic resources and sustainability of the candidates.

Considering the horizontal diversity of the output, as measured with the Relative Entropy Index, data are, unfortunately, available for free-to-air channels only. The results presented in Figure 1 depict that, in general, diversity of programming in Finland is very high, if calculated across the channels at the level of programme type variety. This supports the finding of Aslama (2008: 116-17), according to whom the Finnish television system seems not to have suffered much from increased competition. At first, new digital channels even tended to increase the breadth of offerings, particularly during prime time, but since 2006 the trend has been downwards. In other words, digital conversion managed to boost the variety of programme types only temporarily. This supports the result of Aslama et al. (2004b: 126-27) that, with the increasing competition, diversity begins to suffer. The tougher, or more ruinous, the competition is, the lower the variety provided to the viewer (see, also, van der Wurff and van Cuilenburg, 2001). Instead of increasing the overall variety, thematic channels have a tendency, due to their focus on certain programme types only, to decrease it (Aslama and Lehtinen, 2007: 56-57).

[FIGURE 1 TO BE PLACED ABOUT HERE]

The development of Finland's digitalized television scene also reminds us of the structural limits of diversity (Picard, 2000: 183-89). Trying to find content niches that serve increasingly fragmented target audiences, channel managers produce *variety* rather than *diversity* of programming. In other words, viewers are provided with product differentiation, i.e. a wide choice between multiple shows of the same genre, while some less popular genres remain underrepresented.

## Discussion

In this article, we have tried to analyze digitalization of television in Finland as a case of a liberal turn in media policy. The focus has been on the licensing process and, in particular, on the goals set on programming, the implementation of these goals in licensing and the resulting diversity provided to the viewer.

From the very beginning, increased programme offerings and programme diversity were acknowledged as number one goals of digitalization but, in practice, this came to mean promoting consumer choice by increasing the number of channels. Since not many realistic alternatives were at hand in the small market of Finland, the licensing authority was forced to lean on the mainstream channel concepts proposed by major commercial firms. As a result, licenses were almost exclusively granted either to established domestic firms, since they were deemed reliable and financially sound, or to well-known cable/satellite channels, since they were believed to be able to arouse viewer's interest. It appears that licensing decisions were driven by the necessity to increase, in every possible way, the digital penetration as the analogue switch-off was approaching. What this meant for programming was that diversity of output did not increase but, rather, was biased towards the few programme types favoured by the various thematic channels.

In spite of the disappointing start, digitalization in Finland was a success inasmuch as it multiplied the programme offerings and introduced pay-TV to the terrestrial households. At the same time, however, many of the original goals were only partially met. First, DTT was about protecting domestic industry but, although Finnish firms were favoured whenever possible, international players did manage to corner the Finnish market. Even the transmission network, earlier considered a 'national resource', was sold to a French company and MTV, a long-time market leader, to a Swedish firm. Second, Finland wished to avoid 'digitalization via satellite' but, paradoxically, the very same international channel concepts which Finland wanted to challenge in fact, thanks to licensing decisions, gained a firm foothold in the digital airwaves.

The analysis also pointed to some peculiarities of the Finnish broadcasting policy, most notably the 'flexibility' applied when SubTV and The Voice TV re-profiled their schedules with a substantially different programme output compared to the original concept defined in their licences. Since then both policy and the competitive situation have changed, as was indicated by MTV's recent effort to change the provision of its documentary channel. However, and in alignment with the new role of the state as a liberal referee of the market, the decision was not based on cultural/moral arguments but on competition rules. In general, the MOTC has stayed away from issuing too specific directives on broadcast programming, since it considered this to be a matter for the broadcasters.

In conclusion, Finland does not (yet) represent a pure market model in broadcasting since the public broadcaster still has strong bonds with the political system and is well protected and privileged. However, digital television has brought about a major leap towards the liberal model: it has transformed broadcasting, as Hallin and Mancini (2004: 252) put it, 'from a political and cultural institution in which market forces played a minimal role into an

industry in which they are central'. DTT in Finland meant more television – not necessarily more diverse television. Licensing policy has relied increasingly on economic/commercial rationale, instead of cultural/moral regulation. The findings of the present analysis support the claim by Karppinen (2005: 34) that 'increased alternatives and freedom of choice have become ends in themselves, on the basis of which licences for electronic media have, without exception, been justified'. They also are in congruence with the conclusion of Jääsaari (2007) that, in the end, digitalization promoted the marketization of television. The new paradigm of broadcasting policy, as suggested by Mr Jouni Mykkänen 15 years ago, has come true.

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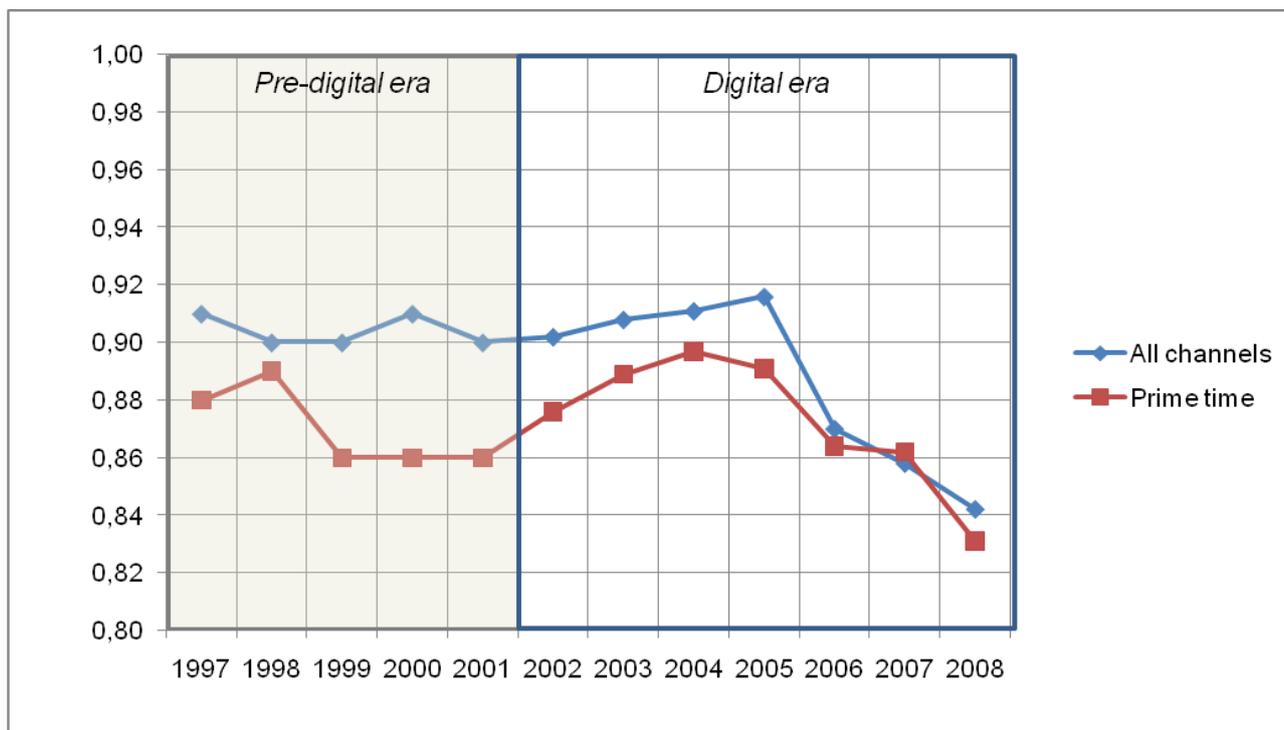
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**Table 1: Channel choice in the Finnish DTT, 2009**

<i>Funding</i>	<i>General interest</i>	<i>Thematic</i>	<i>Special groups</i>
<i>Free-to-air, public</i>	YLE TV1 YLE TV2	YLE Teema (culture)	YLE FST5 (Swedish)
<i>Free-to-air, advertising</i>	MTV3 Nelonen SuomiTV	Sub (entertainment) JIM (light documentary) LIV (lifestyle) Urheilukanava (sports) The Voice (entertainment)	
<i>Subscription</i>		Urheilu+kanava (sports) Canal+ Sport 1 (sports) Canal+ Sport 2 (sports) Eurosport (sports) MTV3 MAX (sports) MTV3 Fakta (documentary) Discovery (documentary) Sub Leffa (movies) Canal+ First (movies) Canal+ Hits (movies) Kino TV (movies, series) MTV Nordic (music) Canal69 (sex) Digiviihde (sex)	Sub Juniori (children) Disney Channel (children) Nickleodeon (children) SVT Europa (Swedish)

Source: <http://www.digitv.fi/sivu.asp?path=1;2999>. Accessed 14 July 2009.

**Figure 1: Horizontal diversity on Finland's free-to-air channels, 1997-2008**



Source: Calculated from the annual research reports, commissioned by the MOTC (see, e.g., Aslama and Lehtinen, 2009). In these studies, a 13-category classification of programming is used: (1) news, (2) current affairs, (3) information and documentary, (4) cultural programming, (5) personal interest programme, (6) education, (7) domestic drama, (8) foreign drama, (9) movie, (10) entertainment, (11) sports, (12) children's programme, and (13) other programmes. DTT channels are included in the figures from 2002 onwards.

Note: The Relative Entropy Index expresses how varied and balanced programme output is across the channels. The higher the figure, the higher the diversity, i.e. viewer's probability to see different programme types on television. Relative entropy  $H$  varies between 0 and 1, with 0 expressing minimum diversity (all content in one programme category) and 1 expressing maximum diversity (all categories equally large). More about the measure, see, e.g., Hellman (2001) and van Cuilenburg (2007).