



RAI balances the books

Karen Winton describes how radical organisational and programming restructure has seen Italy's public broadcaster return to profitability.

Three years ago, Radio Televisione Italiana (RAI) was the archetypal crumbling state broadcaster with decreasing ratings and appalling finances. In the past three years, however, management has fostered something of a renaissance for Italy's public broadcaster, reducing production costs dramatically and revamping much of its old decentralised structure in order to reduce expenditure. By the end of last year, most economic and financial restructuring had been completed, and several key strategies had been implemented, including the development of an increased overseas presence and a greater level of responsiveness to local audience demands.

The initiatives and measures implemented by the RAI Board were based on a single, coordinated strategy: the recovery and relaunch of the broadcaster through the attraction of sufficient resources to finance its immediate and future technological and product growth. Concrete results of these initiatives include:

- a profit of 68 billion lira (A\$57million - NB: A\$1 = 1,200 lira) for the 1995 financial year compared to 19 billion lira in 1994 and a loss of 479 billion lira in 1993;
- a fall in net financial indebtedness of more than 670 billion lira;
- unchallenged leadership in audience rating surveys with 49% of prime time share and nearly 48% of daily share;
- a public service-oriented range of programs - culture, education, news, children and young people's shows and sports - accounting for approximately 65% of overall programs broadcasting on RAI; and

- the start of a wide-ranging strategy for international projects including the delivery of program via satellite and the expansion of Italian broadcasting into overseas markets.

Before restructuring commenced, RAI was experiencing the heavy losses mentioned above. In June 1994, a loss of 100 billion lira was forecast for the forthcoming year. The balancing of this anticipated deficit was the main aim of the economic rationalisation measures commenced in 1994 and completed last year.

Financial measures

RAI's recovery and relaunch as a financially viable broadcaster was achieved through several changes. Firstly, the broadcaster campaigned for and won an increase in income from licence fees. This increase - of more than 110 billion lira - was due largely to a more active fight against fee evasion. At the end of 1995, 81.4% of potential users paid licence fees and the number of defaulters had fallen to 3.4% of the 19.6 million total television households. Licence fee payers totalled roughly 15.6 million in 1995 compared to 15.3 million in 1994.

Secondly, the all-important advertising revenue figure rose. Until 1993, Italy's double digit television advertising revenue was the envy of Europe. Then recession hit and revenues dropped. Last year, RAI's total advertising revenues increased by 5% on 1994 figures, with receipts totalling 1.33 billion lira. Advertising on its three television channels in 1995 rose to 1.23 billion lira from 1.18 billion lira in 1994, and on its three radio channels from 79 billion lira to 103 billion lira.

Organisational measures

RAI's organisational structure was also rationalised. This led to a reduction of about 600 management and journalist staff, from more than 11,800 to 11,200. The economies of scale also hit programming. Expensive drama productions were cut from the schedule but popular variety and game show formats were given their head in RAI 1's schedule. The result was a surge in RAI 1's ratings in prime time, which the channel now easily dominates. Overall, RAI 1's audience share rose from 19.9% in 1994 to 22.7% in 1995.

Programming revamps at RAI 2 and RAI 3 were less successful. Under the political allegiances of more than 20 years, RAI 3 was a communist-oriented channel (RAI 1 was Christian Democrat and RAI 2 Socialist). Under its communist leadership, RAI 3 was a powerhouse for innovation, most notably in social reality programs.

However, the new management, installed in 1994 when media baron Silvio Berlusconi became Prime Minister, switched the channel back to its traditional role in providing regional information, sports and current affairs. RAI 2 has since stolen some of RAI 3's previous investigative spirit by providing daily current affairs programs which dominate their time slots.

The financial impact of these measures has led to a turnaround in RAI's accounts in 1994, confirming that it was on the right track for full recovery in 1995. Due to improved finances, RAI has this year resumed investment in drama production. By the end of 1996, it will have invested 200 billion lira (up 68% on 1995) on home grown drama and spent 337 billion lira on



sports rights, an increase of 24% compared to 1995.

Still in the offing, and contingent on politics, is RAI's privatisation or partial flotation by the corporation's state holding company, IRI. In 1995, 33% of RAI's income came from advertising, less than 10% from government, and 58% from the licence fee. Privatisation would endanger some of this revenue.

RAI's charter

RAI operates according to a service contract laid down by the government's Ministry of Posts and Telecommunications in 1995. The agreement defines the tasks, goals and resources of public broadcasting, and ensures a transparent relationship between RAI and the public administration. It also provides for revision of the licence fee and is directly linked to new projects such as digitisation.

RAI's operating guidelines, imposed by the government, require that:

- RAI must not have a greater than 30% share of the total market;
- in addition to its two general channels, RAI must run a channel dedicated solely to regional programming (RAI 3); and
- advertising revenues must not exceed revenues derived from licence fees.

RAI is also forbidden from operating its own pay TV channels.

RAI's three channels had a total prime time viewing share of 48.9% in 1995. For the first six months of 1996, this was up to 50.4%. RAI 1 is the most popular of the three with its family and wide-ranging entertainment programs, gleaning 24.2% of the prime time audience in 1995 and 24.6% for the first six months of 1996. RAI 2, which has more in depth coverage of national events and transmissions for social services and public information, took 14.8% of the 1995 audiences and maintained this figure for the first six months of 1996. RAI 3, the regional channel, took 10.7% of the

prime time audience in 1995 and 11% in the first six months of 1996.

Budgets

For 1996, RAI's total programming budget exceeds 262 billion lira. In 1995, in-house productions, including news, accounted for 55.6% of total programs, 15.5% were commissioned, purchased or co-produced, and 28.8% were repeats. Almost 70% of total broadcast hours were dedicated to entertainment, culture and education, 21% to news, 3% to sport and 9% to other programs.

RAI 2 has a 1996 programming budget of 178.3 billion lira. In 1995, 40.1% of its programs were in-house productions, 25.8% were commissioned, co-produced or purchased, and 34.1% repeats. Like RAI 1, the bulk (75.2%) of total hours screened consisted of entertainment, cultural and educational programming. The remainder was news (10.9%), sport (4.8%) and other programming (9.1%).

RAI 3 is the only channel to broadcast 24 hours a day but its 1996 programming budget totals less than 50 billion lira. In 1995, 50% of total viewing hours were in-house productions, 10.7% were commissioned, purchased or co-produced, and 39.3% were repeats. Like its sister channels, RAI 3 broadcasts more entertainment, culture and education (63%), followed by news (18.4%), sport (12.6%) and other programming (6%).

Three year plan

The corporation's financial and organisational recovery since 1994 led to the development of a three year plan aimed at cementing its strategic position in Italy and internationally. The plan called for:

- further financial improvement;
- identification of an increasingly large volume of resources to be used for development. The forecast is for expenditure of 2,800

billion lira over a three year period;

- the development of strategic initiatives for thematic TV, electronic publishing and multimedia;
- an increase in foreign market share through international partnerships.

RAI has already made efforts to strengthen its share in the national and international TV program production markets, investing resources in its own productions and entering into co-production agreements with partners including France Television, Germany's ZDF and the UK's BBC. It is also aiming to export Italian programs for Italian expatriate communities in Europe, the US, Latin America and Australia as well as the Mediterranean basin.

Future strategies include domestic news services in languages such as Slovenian, French and German, and a dedication to programming for the young in order to provide a European presence in a sector dominated by American and Japanese products.

In some respects, RAI's successful relaunch has become a model for public broadcasting elsewhere in the world. It is one of the few public corporations to record a favourable consolidated financial position (despite licence fees which are lower than other countries). Among European public broadcasters it has the highest audience share and is one of only a few public networks to broadcast a majority daily diet of news, cultural and public service programs as well as being strongly oriented to playing a competitive role internationally.

None of this would have been possible without the economic measures which led to its recovery and transformed it from a corporation requiring government aid to an enterprise creating the means and resources for its own development. □

Karen Winton is a Sydney based media writer.