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The impact of the cuts to regional public service broadcasters on the audiovisual industry: the Basque Country and Catalonia (2007-2014)

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Abstract

Regional public service broadcasters have been a key driving force in the development of local independent audiovisual production sectors in the different autonomous communities where they exist. The audiovisual industry has been perceived by institutions as a central agent of economic development and job creation, a fact that has led to increased policies to support the sector since the late 1990s. However, the economic crisis has had a significant impact on the budgets of those institutions, especially broadcasting corporations. This has resulted in cuts in the expenditure of companies, which in turn has led to a sharp reduction in funds intended for content buying. This paper quantifies and analyzes the extent of these cuts and their impact on production sectors in Catalonia and the Basque Country, two pioneering regions in the creation of regional broadcasters, with two of the most successful corporations in Spain. The article shows the evolution of broadcasters' budgets and how funds intended for content buying have decreased. It goes on to analyze the impact of these cuts on the independent sector, in terms of its structure, the number of people it employs and the turnover of all the companies studied. The article presents, for the first time, original quantitative data that provides insight into the real implications of cost-cutting policies.

Keywords

Regional broadcaster, audiovisual industry, communication policies, economic crisis, Catalonia, Basque Country

1. Introduction

The symbolic and cultural nature of audiovisual works has made them worthy of special attention in the interests of protecting the creative capacity and cultural identity of Spain's autonomous communities. Among the measures taken, policies aimed at television operators in the form of investment quotas and obligations have played a central role in ensuring that audiovisual creation takes place outside the major global production centers.

As the audiovisual industry has gained economic importance in recent years, it has been at the center of many political debates as a fundamental tool for the economic development of regions and cities, within the wider framework of the development of the cultural and creative industries, while these policies have started losing their cultural focus. In the case of Spain, this movement has been especially evident in the policies of the autonomous communities, which began to significantly increase their investment in the audiovisual industry early in the 21st century.

Regional broadcasters were key players in this audiovisual promotion strategy, since they acted as the main clients and drivers of the budding local audiovisual industry. These broadcasters were strengthened in many regions, while new ones were created in regions where none had previously existed. While legislation regarding the creation of regional broadcasters had previously only focused on the promotion of the local culture, new framework laws and mandates included the promotion of the audiovisual industry as one of the public service duties of regional broadcasters.

However, the onset of the economic crisis in 2008 and the resulting financial crisis of the public administrations starting in 2010 put a brake on these policies due to budget cuts, which were especially severe in the states of Southern Europe. This article will attempt to analyze how these cuts have led to changes in the policies to promote the audiovisual industry developed by regional public service broadcasters, and how they have impacted on the audiovisual sectors in each autonomous community. We used Catalonia and the Basque Country as the objects of study for this analysis. Given that both have "historic" regional broadcasting networks (i.e., they were the first to start broadcasting) and significant budgets allocated to them, the study of these broadcasters can provide more insight into the nature of their impact than smaller regional broadcasters with less influence on the audiovisual industry in their regions (Casado, 2012; Guimerà & Blasco, 2012).

This paper has two objectives. The first is to describe the cuts made to the budgets of regional broadcasters for third-party commissions. No recent studies have described the evolution of the sector within the context of the crisis, so this article provides fresh insight into the industry. The second is to analyze the impact these cuts have had on the audiovisual industry in the autonomous communities.

This article starts by presenting the regulatory framework in which this policy to promote the audiovisual sector operates. It goes on to outline the methodology used for the study, and finally presents the analysis carried out and the conclusions drawn.

2. State of play

As noted in the introduction, these policies to promote the audiovisual industry are developed within the wider context of the development of the creative industries. From a critical perspective, Garnham notes that this promotion of the creative industries consisted of "two implicit ideas: that the creative industries represent the key new sector for domestic and global economic growth, and that they are the source of future employment and export growth." (Garnham, 2011: 40). In this regard, highly influential studies by Florida have addressed the importance of the creative class (artists, writers and actors, but also designers and architects) for economic development (Florida, 2002, 2005). In any case, the audiovisual industry is usually one of the focal points of these strategies, as demonstrated by an analysis of "creative development" policies by Evans (2009).

Within this key role of the audiovisual industry, broadcasters, especially public ones, have a responsibility to act as a driving force for development of the sector. Thus, instead of merely seeking out quality programs for their viewers, one of their crucial missions is to contribute to the development of the independent audiovisual industry in their respective regions. The BBC, which can be considered the most paradigmatic example of a public service broadcaster, has taken steps to strengthen the independent production sector, decentralize operations and generate development in other regions. In terms of strengthening the independent production sector, it is worth noting that the BBC played a central role in the "Digital Britain" strategy (Department for Culture, Media and Sport, 2009) to serve as an engine for the cultural and creative industries, and that the establishment of the "Window Of Creative Competition" opened up opportunities for independent producers to assume a larger share of the BBC's investments by competing with the corporation's in-house producers to secure funding for projects (Turner & Lourenco, 2011). In terms of decentralization, in addition to the 10% "out of London" quota, strategies targeting other regions of England (Noonan, 2012) and the UK (Hibberd, 2008) have been developed. Other European public media venues have developed strategies to support the independent sector, including the Dutch media fund that replicated public service broadcasters' investment in projects (Donders & Raats, 2015).

The particular structure of the public service broadcasting system in Spain, which has a state operator and a number of regional operators, makes the relationship between the center and periphery of the audiovisual system more complex. The bulk of the audiovisual industry has traditionally been concentrated in the Community of Madrid[1], with the focus on television operators, which were initially all public. Private entities started entering in the 1990s. The role of the audiovisual industry outside Madrid has been very limited. It was not until the creation of the first regional broadcasters in the early 1980s that the first measures to develop the audiovisual industry in Catalonia, the Basque Country and Galicia were launched. These measures were primarily cultural, far removed from the industrial approach taken in recent years, and mainly sought to create audiovisual works in regional languages and to recover their cultural identity after the end of Franco's regime (Casado del Río, 2012).

Although some noteworthy efforts were made during these early years, it was not until the transposition of the Television without Frontiers Directive that more ambitious policies were developed. Under this regulation, broadcasters are forced to dedicate at least half of their transmission time to European works. In Spain, however, its transposition into law (both the initial and subsequent regulations) went even further and forced broadcasters to invest 5% of their revenue in European audiovisual production. This rule was amended in 2010 by the General Law on Audiovisual Communication, which increased this obligation to 6% in the case of public operators and also included the possibility of counting TV series within the 5% investment, a figure that was previously intended for movies alone. While these regulatory developments were taking place, the regional television system was developed further, with second and third-generation broadcasters (Guimerà & Blasco Gil, 2012) that were created with the aim of generating an industrial structure in their regions.

The implementation of this rule meant that the sector had continuous access to substantial resources that were previously unavailable. These resources, together with the amounts allocated by the departments of culture of the autonomous communities, made it possible to implement more ambitious audiovisual policies that sought to give the audiovisual sector greater prominence within local industry (Casado del Río, 2012). The development of these policies also began to resonate in the field of research, which carried out studies to analyze these emerging policies to promote the audiovisual industry in the autonomous communities and examined the state of the industry in Andalusia (Fernández Soriano, 1999; Fernández-Quijada, 2009), Catalonia (Fernández Quijada, 2008), Extremadura

[1] However, this was not always the case. Barcelona's movie industry before the dictatorship was just as important as Madrid's, if not more so (Forn, 1989: 34-35).

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(Vacas, 1999) and, more recently, Aragon (Manero & Oribe Serrano, 2013) and Valencia following the closure of Channel 9 (Marzal, 2015; Marzal et al., 2015).

The obligations of almost all public service broadcasters were complemented by this mission to promote the audiovisual industry (Miguel de Bustos & Casado del Río, 2015). In the specific case of regional broadcasters, Zallo (2015) highlighted their mission to "promote internal and external TV program production in order to take advantage of the human resources of public service broadcasters and promote the development of a strong and strategic audiovisual industry within the country's industrial, economic and professional fabric. This was particularly sensitive to independent audiovisual production in order to promote the creation and production of original content."

This process led to the development, to a greater or lesser extent, of the autonomous communities' audiovisual sectors, whose main, and usually only, client was their respective regional broadcasters. In the case of Andalusia and the Basque Country, for example, studies by Fernández-Quijada placed TV production for their respective regional broadcasters at around 90% (Fernández-Quijada, 2009, 2010). It seems obvious to conclude, therefore, that the budget cuts that have affected regional public service broadcasters have had a major negative impact on these sectors.

Despite the "obvious" nature of this relationship, however, there is very little published data on the real implications of these policies on the sector. The aim of this research is therefore to quantify the impact of the cuts to regional broadcasters on the audiovisual production industry in the Basque Country and Catalonia. This objective also ties in with the need identified by the European Broadcasting Union for public service broadcasters to clearly justify their contribution to society, and that this must go beyond mere ratings (EBU, 2015). The impact is valued in terms of turnover and the number of companies in the sector. The study focuses on these two regions, since they are the two regions with the highest turnover in the sector after the Community of Madrid, according to data from FAPAE (2011).

3. Methodology

The economic impact has been measured using quantitative techniques based on an analysis of different databases. Three indicators have been taken into account: the number of audiovisual production companies, the number of people they employ and their turnover. Information on employment and companies was obtained from two sources: first, the SABI database[2], which contains data from the mercantile register, and second, the National Statistics Institute (INE). Turnover information was obtained from SABI.

The first question to address at this point is which companies should be considered when measuring the impact on the audiovisual production industry. Given the fact that it was impossible to analyze every single production company, it was decided that only members of the main associations of audiovisual production companies in the Basque Country and Catalonia would be chosen. In the case of the Basque Country, the companies included were those belonging to the Association of Independent Production Companies of the Basque Country (IBAIA) (35) and the Basque Producers Association (EPE-APV) (30), while in Catalonia, the list of companies was obtained from the PROA (Federated Audiovisual

[2] SABI contains detailed information about companies in Spain and Portugal and has up to 25 years of financial history for each company. It includes, among other aspects: Company name, previous names of the company, registration number, address, phone number, website, email address and premises; Description of business activity, brands, primary and secondary CNAE/CAE codes, US SIC, NAICS and NACE codes and standard comparison groups https://sabi.bvdinfo.com/version-2016518/home.serv?product=sabineo.

Producers of Catalonia) (90)[3]. Of the total number of companies listed, 64 Catalan and 37 Basque companies appeared in the SABI database. These represented 56% of Basque companies and 71% of Catalan companies. The sample obtained may present limitations when generalizing the results, but the fact that it was obtained at random and includes a wide diversity of companies (in terms of size and relationship to the broadcaster) makes it a sufficiently high-quality sample to detect major trends. In any case, most companies not included in the SABI database are very small and reflect the micro-SME model so prevalent in the audiovisual industry (Juarez, 2015; Rotaeche, 2015), so we can assume that incorporating them would not have substantially changed the results.

The INE data included in the analysis refers to the number of companies under heading 591 of the National Classification of Economic Activities (CNAE), i.e. "Motion picture, video and television program production activities". This heading contains the following activities: 5912: Motion picture, video and television program post-production activities; 5914: Motion picture projection activities; 5915: Motion picture and video production activities; 5916: Television program production activities; 5917: Motion picture and video distribution activities; and 5918: Television program distribution activities. The number of companies in the sector is presented based on these subheadings. However, in terms of the number of companies by employees, the INE does not provide information on these subheadings, and only the overall number of companies under the general 591 heading has been considered. Although this heading went beyond the scope of the production categories with which this article was chiefly concerned, we considered it useful to include this information, since it enabled us to consider the impact on auxiliary fields such as post-production.

With respect to regional broadcasters, the main sources of data were their annual reports and annual budgets. In the case of budgetary data, it is important to note that this did not always exactly match the final expenditure, but the estimates were made based on this data because, although it does not reflect the actual expenditure, it shows clear trends relating to how they intended to conduct their activity and also allows recent years to be included in the analysis.

The relationship between audiovisual production companies and public service broadcasters is difficult to explain using quantitative methods, since this would require access to specific turnover data for each company and how much of this related to public television, and such data was not available. Thus, in an attempt to gain a better understanding of the sector's relationship with public service broadcasters, a number of semi-structured interviews were held with managers from the public service broadcasters and the production sector (main associations and clusters)[4]. This qualitative technique was used to identify how all stakeholders rate the role of EITB and CCMA in the sector and to obtain interpretive elements that made it possible to gain insight into the practical significance of the quantitative data (one of the main benefits of this research technique) (Soriano, 2007).

4. The crisis in public service broadcasters in the Basque Country and Catalonia

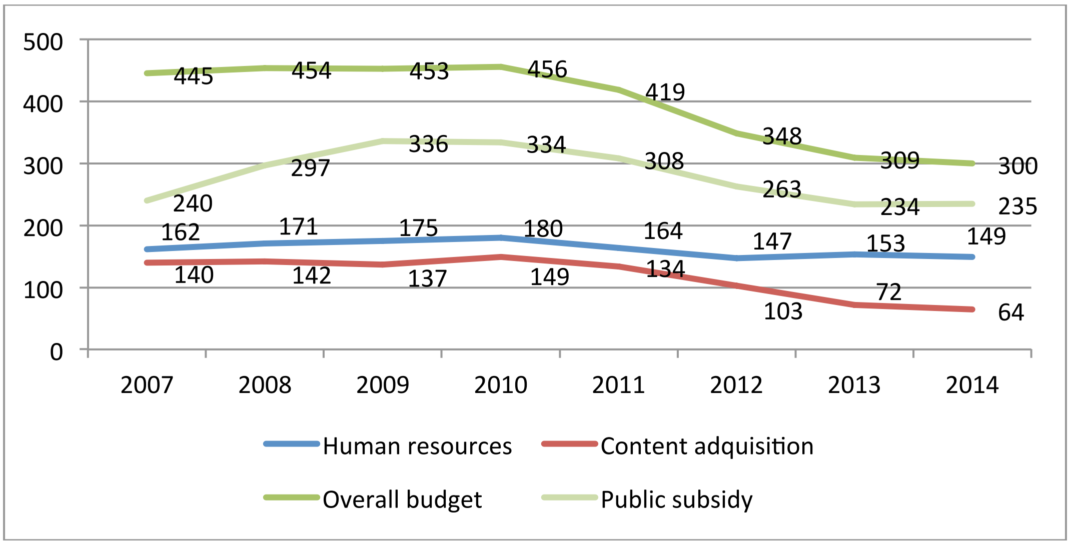
4.1. *Economic crisis and evolution of the budget of CCMA (2007-2014)*

During the 2007-2014 period, the Catalan Corporation of Media (CCMA) saw its budget reduced by one third, from €445 million before the crisis to €300 million in the last financial year (Figure 1).

[3] In the case of PROA, the number of members was the result of merging two lists of federation members created at different times in 2015. Therefore, it does not correspond to the number of members at a given time due to the registrations and cancellations processed throughout the year.
[4] The list of people interviewed appears in the section on sources consulted.

The reduction did not occur in parallel with the outbreak of the crisis, but took place after 2011 when the nationalist centre-right coalition CiU announced its first budget after winning a relative majority in the Catalan parliament. From the outset, the new government of Artur Mas opted for budgetary consolidation policies that resulted in significant cuts to subsidies for CCMA, which fell from €335.6 million in 2010 to €235.1 million in 2014. Thus, CiU ended the practice of the previous nationalist and centre-left government (formed by three parties: PSC, ERC and ICV), whereby subsidies were increased between 2008 and 2010 to offset the loss of advertising revenue.

Figure 1. Annual budget of CCMA and funds intended for human resources and content buying (in millions of euros) (2007-2014)



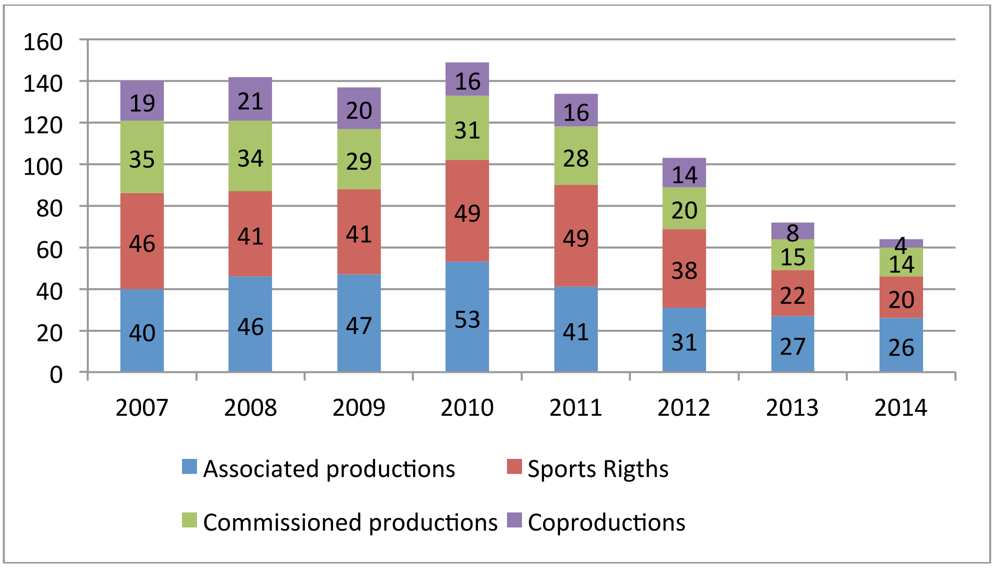
Source: Authors' own data based on information provided by CCMA.

The different governments' varying approaches throughout the period led to different patterns of behavior by CCMA. Thus, while funds intended for salaries and content tended to grow between 2007 and 2010, cuts were introduced after 2011, and in some cases they were drastic. Despite the initial growth, the result was a marked fall in expenditure and investments during the 2007-2014 period. Funds allocated for salaries fell by 8%, while those for content buying decreased by 54.3%. The reduction in revenue was therefore absorbed primarily by content buying. However, if this budgetary item is analyzed in detail, it is clear that not all areas were affected equally

In absolute terms, the biggest decline corresponded to sports rights (-€26 million), followed by external production (-€21 million), co-productions (-€15 million) and associated production (-€14 million). In relative terms, co-production (-78.9%) was the hardest hit area. External production fell by 56.5%, sports by 60% and associated production by 35%.

Figure 2 shows that the cuts were not made in all areas from the start: while some remained stable and even grew until 2010 or 2011, co-productions began a steady decline in 2010 that became more pronounced starting 2013. In the case of sports, co-production and external content, the cuts translated into the withdrawal of content. By contrast, in the area of associated production, contracts were renegotiated with production companies. According to Brauli Duart (2015), Chairman of the Board of Directors at CCMA since 2012, there was no desire to withdraw some of the strategic content provided by these production companies, since it occupied prime-time slots on TV3. It was considered reasonable to give up Spanish soccer league matches due to the poor viewing figures, but Champions League matches were retained due to the high ratings.

Figure 2. CCMA investments in content buying by type (in millions of euros) (2007-2014)



Source: Authors' own data based on information provided by CCMA.

If the impact on the Catalan production sector is analyzed, the figures show a substantial reduction in the public resources available. Considering funds allocated for commissions and purchases from local production companies[5] (mainly co-productions and associated production), it is clear that investment fell from €59 million in 2007 to €30 million in 2014. The impact on co-productions, where investment focuses on movies, documentaries and animation, was especially hard.

These cuts occurred within a very specific context. On the one hand, a legal change in 2012[6] prevented regional and local public service broadcasters from incurring a deficit. Moreover, CCMA had serious problems reducing its personnel costs despite having cut salaries after agreeing a downsizing plan in 2014 that would involve the departure of 273 people by 2016 and the termination of commercial and temporary contracts that would take the expected workforce reduction to 645 by 2016 (CCMA, 2014). Two court decisions overturned the salary cuts, and CCMA was forced to return the unpaid amounts. Meanwhile, the downsizing plan involved fewer layoffs than management intended, and the expenses associated with the procedure prevented payroll expenditure from being cut further. According to Duart (2015), who was the driving force behind the most intense adjustment policies, "the extreme rigidity of chapter 1 of the budget, which is allocated to payroll, forced us to cut back on external commissions," so that "the cuts that could not be made to salaries had to be made to content instead." For Duart, this was essential for stabilizing the company in the short and long term, since the reduction in subsidies "was here to stay."

In fact, Duart announced in February 2015 that CCMA had stopped contracting new products and that it was renegotiating and rescinding existing contracts. This triggered a

[5] While external production may also include Catalan content, most purchases corresponded to TV series and movies from the United States and EU countries (Duart, 2015).

[6] Law 6/2012, of August 1, which modifies the 2010 General Law on Audiovisual Communication (Law 7 of March 31, 2010) to increase the flexibility of the management models of the regional public broadcasting services (BOE 184, August 2, 2012).

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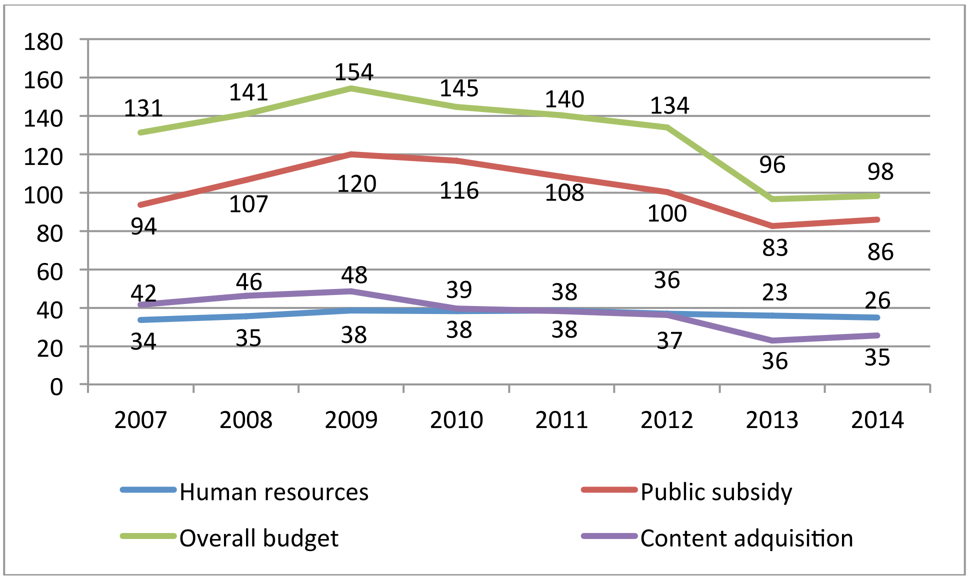
reaction that had never been seen at PROA (the main federation of associations in the sector), which complained that this implied "an unprecedented technical closure" that would aggravate the "extremely grave" situation in the sector[7]. Meanwhile, the workers accused Duart of pitting them "against production companies"[8]. According to Roser Mercadé (2015), the Chairwoman of the TVC Workers' Committee, Duart had put the spotlight on the workers by blaming the new cuts on the court decision that required the company to return the salaries that had been cut.

4.2. *Economic crisis and evolution of the budget of the Basque Public Broadcaster*

The evolution shows that the reduction in the Basque Public Broadcaster's (ETB) budget started in 2010, but the decline was sharper between 2012 and 2013 and caused investment in content buying to fall to virtually half of the figures of previous years (Figure 3). The reduction in subsidies from the Basque government was compounded by the spectacular drop in TV revenue, which mostly stemmed from the advertising investment crisis, but also from the revenue that had previously come from the sale of rights and content. The reduced investment in content buying also resulted in reduced revenue, since, as ETB managing director Jesús Elguezabal pointed out, "it means there is less chance of having programs that might interest others or that can be shared with other broadcasters." (Elguezabal, 2014).

While investment in content buying dropped, personnel expenditure remained fairly stable. Elguezabal recognized that this budgetary item is "more rigid because it is entirely dependent upon the size of the workforce", although he also highlighted the substantial reduction in temporary staff and the efforts made to reduce staff salaries. Although both defend the public service broadcaster model, the two associations of production companies in the Basque Country highlighted this situation as one of the problems with Basque television: "This budgetary item needs to be reconsidered for public service broadcasters. It is not acceptable that we are inheriting the past." (Juárez, 2015).

Figure 3. Evolution of the main budgetary items of ETB (2007-2014)



Source: Authors' own data based on the general Basque government budgets.

[7] http://comunicacio21.cat/noticies-comunicacio21/110635-els-productors-alerten-de-la-greu-situacio-a-causa-de-l-aturada-de-projectes-per-part-de-tv3

[8] http://comunicacio21.cat/noticies-comunicacio21/110662-els-treballadors-de-tv3-acusen-la-direccio-de-girar-los-en-contra-les-productores

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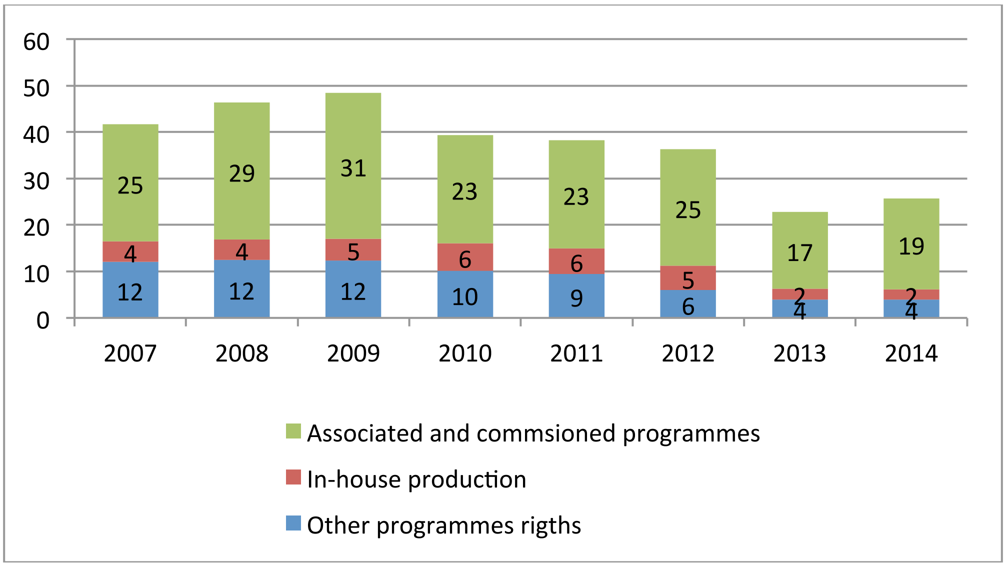
If we focus on funds directly intended for TV schedule content, a drastic reduction can be observed across all areas. Investment in external broadcasting rights declined from €12 to €3 million after the cuts in investments in major sporting events, and internal production rights virtually halved. Nevertheless, the budgetary item that saw the sharpest reduction was the one most closely linked to local production, i.e., associated and commissioned productions, which fell from €31.5 million to €16.5 million in 2013 and to less than €20 million in 2014.

Figure 4. Investment in the programming of ETB (2008-2014) (in millions of euros)



Source: Authors' own data based on the general Basque government budgets.

As recognized in the broadcaster's reports, this decrease involved the withdrawal, or at best the considerable reduction, of more ambitious comedy and fiction formats in which Basque production companies have traditionally played a major role. (EITB, 2013). In 2014, the programming director at ETB highlighted some of the most important consequences of these reductions:

> "It has affected the range of genres we can show on our channels. Many of the viewing slots in which we used to be able to compete now feature cheaper products, with lower levels of ambition. The most expensive genre, i.e., fiction, has been the hardest hit, while ETB2 has not been able to undertake any fiction projects, (...) one-hour episodes of series, that's just not done anymore" (Blanco, 2014).

In the case of broadcasting rights, for example, while ETB used to broadcast Spanish soccer league and Champions League matches, it now only broadcasts highlights, and this has had an impact on viewing figures, especially for ETB1, the channel that used to broadcast most sporting events. Currently, ETB's sporting events focus on basketball, cycling and Basque sports such as pelota and regattas.

5. The consequences of the crisis in the production sector

5.1. *Impact of the economic crisis on the audiovisual production sector in Catalonia*

Since the outbreak of the economic crisis, the independent production sector in Catalonia has been weakened and has lost businesses and workers. Data from the National Statistics

Institute (INE) leaves no room for doubt. The number of companies fell by 8.3% between 2008 and 2015. This reduction is not greater because there was a slight upturn over the last year. It started in 2010 and continued over the following years, especially between 2012 and 2013. This shows some correlation with the CCMA cuts mentioned in the previous section.

Table 1. Companies engaged in motion picture, video and television program activities in Catalonia (by subheadings under the CNAE 591 heading)

Year	Total	Movie, video and TV post-production	Movie projection	Movie and video production	TV program production	Movie and video distribution	TV program distribution
2008	1,620	170	144	979	99	203	25
2009	1,679	163	144	1,024	106	217	25
2010	1,599	138	140	1,016	79	215	11
2011	1,576	139	144	1,006	77	202	8
2012	1,558	130	139	1,005	80	197	7
2013	1,514	124	133	976	69	205	7
2014	1,476	130	127	955	61	196	7
2015	1,486	119	125	985	62	190	12
Var.	**-8.3%**	**-30%**	**-13.2%**	**+0.6%**	**-34.7%**	**-6.4%**	**-52%**

Source: Authors' own data based on information provided by the INE.

If the two activity types most closely linked to television are analyzed, the decline is much greater: as shown in the two shaded columns in Table 1, the number of companies engaged in TV program production fell by 34.7% and those dedicated to distribution by 52%. The table also shows that companies dedicated to motion picture, video and television program post-production activities decreased by 30%. It can therefore be stated that the three activities with a more or less direct link to TV were affected the most. Again, some correlation with the CCMA cuts can be observed, although it is true that the decline started the year in which there was most investment by public service broadcasters (2010).

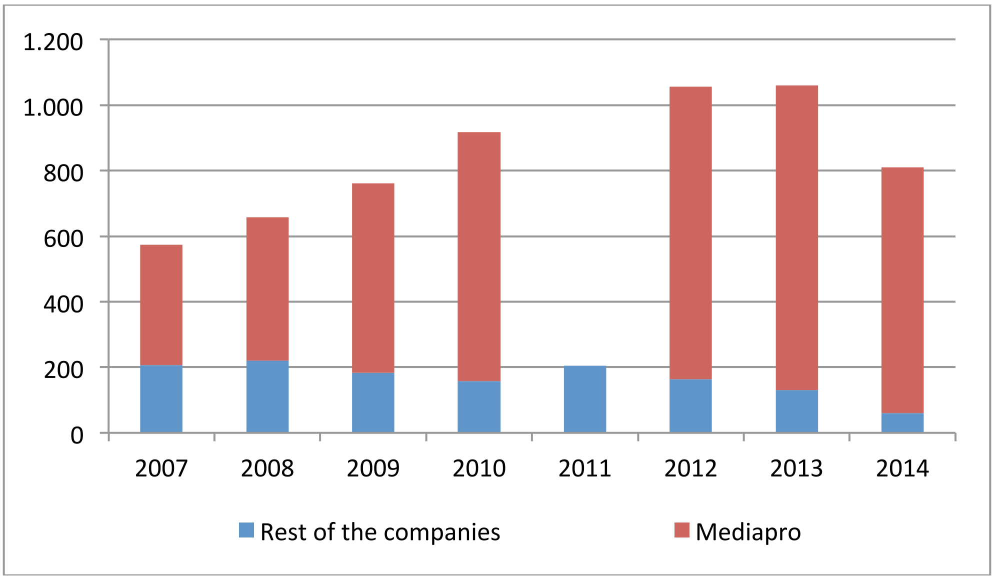
Table 2. Companies engaged in motion picture, video and television program activities in Catalonia (by number of employees)

Employees	2015	2014	2013	2012	2011	2010	2009	2008	Variation
No employees	853	801	798	852	847	859	848	759	**12.40%**
1-2	352	390	422	391	394	391	450	475	**-25.90%**
3-5	115	110	118	120	133	133	152	141	**-18.40%**
6-9	43	43	42	56	64	65	69	76	**-43.40%**
10-19	66	63	68	70	74	85	95	84	**-21.40%**
20 -49	24	33	24	31	35	32	35	34	**-29.40%**
50-99	10	9	14	17	11	9	17	13	**-23.10%**
100-199	10	7	15	13	15	12	20	19	**-47.40%**
200-499	10	14	10	3	3	2	3	17	**-41.20%**
500-1000	2	1	1	1	1	1	1	2	**0%**
1000-4999	1	0	0	0	0	0	0	2	**-50%**
5000 or more	0	0	0	0	0	0	0	0	**--**
Total	**1,486**	**1,471**	**1,512**	**1,554**	**1,577**	**1,589**	**1,690**	**1,622**	**-8.40%**

Source: Authors' own data based on information provided by the DIRCE (INE).

The crisis has also affected the size of companies. As shown in Table 2, almost all company categories lost employees, except companies with between 500 and 1000 employees, which saw no variation, and businesses without employees, which increased. According to industry representatives (Masllorens, 2015), this increase can be explained, for the most part, by the conversion of laid-off workers into self-employed entrepreneurs. In fact, the sector is increasingly fragmenting into small companies and is characterized by the growth of micro-SMEs; those with five employees or fewer rose from 84.8% to 88.9% of the total.

Figure 5. Combined turnover of production companies belonging to PROA (2007-2014) (in million euros)



Source: Authors' own data based on mercantile register information available from the SABI database. Please note: for 2011, no turnover information was available for Mediapro.

The information available from the mercantile register made it possible to fine-tune the analysis somewhat. If the data on companies belonging to the PROA is aggregated, it is clear that this group of companies, which had close production links to TV3 throughout the period analyzed, shows behavior patterns that are at least partly consistent with the expenditure policy of TV3. Figure 5 shows the total turnover of these companies during the period analyzed. It was decided that Mediapro would be treated separately, since it represents about 80% of the total and its results cause an overall rise in revenue, despite the crisis. However, the blue bar shows that, despite the upturn in 2011, the trend of the rest of the industry was towards less revenue.

This variation can be seen more clearly in Figure 6, which shows how the average turnover of the sector (excluding Mediapro) fell in spite of the 2011 upturn. In this case, the trend started with the crisis and even occurred in the years prior to 2010, when CCMA was investing substantial amounts. The downward shifts after 2011 do, however, correlate slightly with the broadcaster's behavior. If the number of employees of companies belonging to PROA is used as an indicator, it is difficult to link the rise identified in 2009 to the higher investment levels of the public service broadcaster. The slight declines that occurred later certainly show clear parallels, especially with the most significant cuts made after 2012. In any case, job losses were significant between 2009 and 2014 (although it is important to treat

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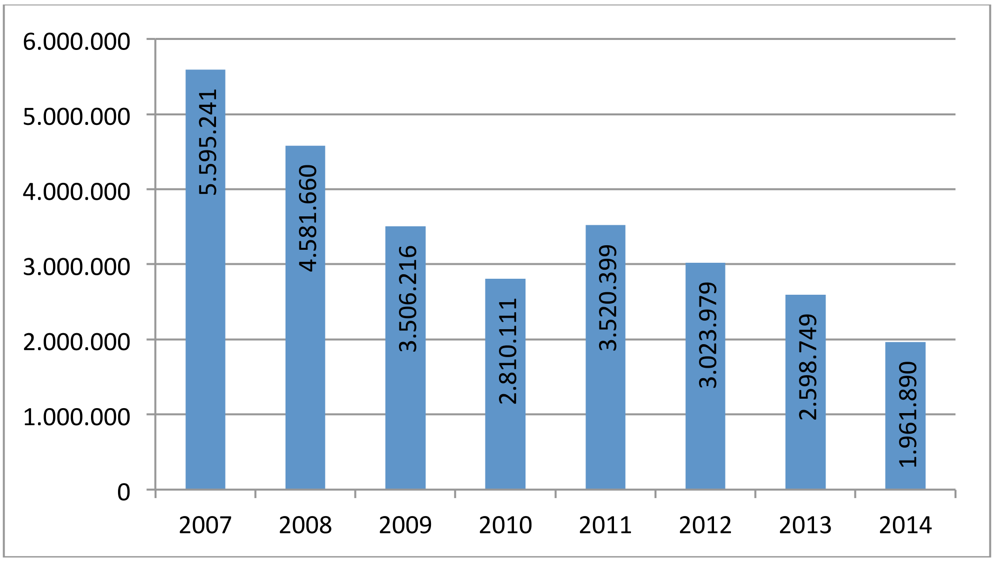
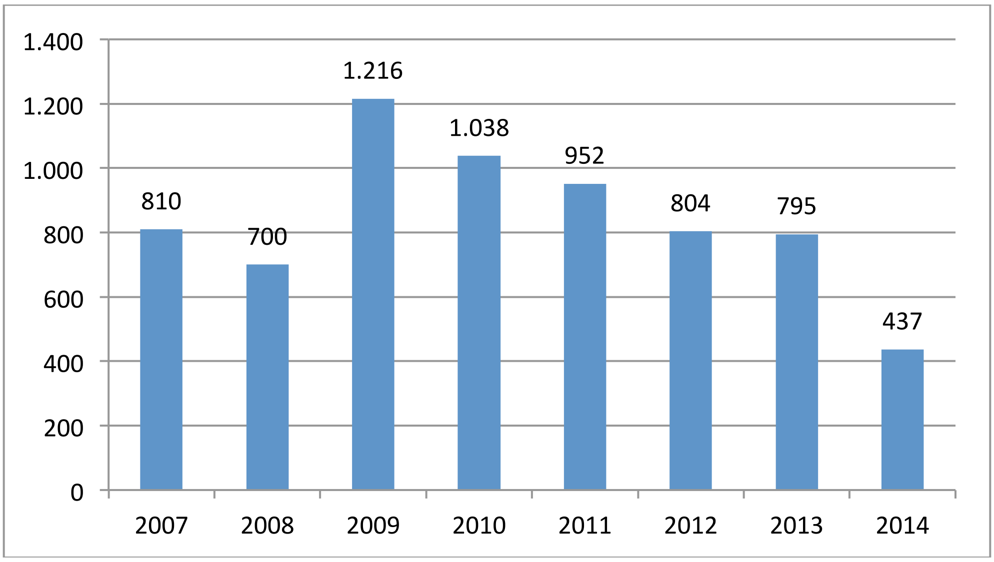
this information with caution, since the number of companies for which data was available in 2014 was much lower than the other years).

Figure 6. Average turnover of production companies belonging to PROA, except Mediapro (2007-2014) (in euros)



Source: Authors' own data based on mercantile register information available from the SABI database.
Please note: The average was calculated by dividing the total turnover of the PROA companies (for which data was available) for each year by the number of companies that year. The number of companies was not regular throughout the whole period, and the companies were not the same every year.

Figure 7. Workers at companies belonging to PROA (2007-2014)



Source: Authors' own data based on mercantile register information available from the SABI database.

When analyzing this data, there is little doubt that the reduced investment of CCMA had a direct impact on the sector; all those interviewed for this study (Duart, 2015; Guitart, 2015; Masllorens, 2015; Mercadé, 2015; Sallent, 2015) agreed that at least part of the crisis in the sector can be directly linked to the cuts made by CCMA. In fact, there was a clear consensus that, up until the crisis, the Catalan public service broadcaster was a "driving force for the sector" and "a major client" (if not the only client, as in some cases). However, Xavier Guitart (2015), the representative from the Audiovisual Cluster of Catalonia, and Raimon Masllorens (2015), the representative from PROA, also highlighted other factors. The globalization of the audiovisual market has greatly increased competition and has made internationalization a necessary strategy for survival. Likewise, changes in consumers' viewing habits due to new online distribution platforms have affected revenue because of piracy (Masllorens, 2015).

Beyond this consensus on CCMA as a cause of the impact on the industry, those interviewed voiced significantly different views regarding its possible role in alleviating it. The PROA called for a "lighter" television model, without as much production capacity. Masllorens (2015) argued that it is not a case of putting staff out on the street, and trusted in the capacity of the independent sector to absorb TV3 workers. The Chairman of CCMA largely agreed about the lighter model and argued that "other than news, which is the mainstay of public service broadcasting, it is necessary to analyze whether or not it makes sense to produce other programs in house." Duart (2015) cautiously advocated a negotiated and progressive process of greater outsourcing.

The position of the Workers' Committee was the opposite. Its Chairwoman, Roser Mercadé (2015), defended the current model, in which approximately 25% to 35% of programs are produced externally, provided that internal resources are fully occupied and the budget for purchases is determined annually through a transparent system. At the same time, however, she admitted that "we can't expect the level of investment to be the same now as it was before the crisis; everyone, including the workers, have tightened their belts." Guitart (2015), the cluster representative, argued that "CCMA will not be the solution to the crisis experienced by part of the sector", and called for greater insourcing and more collaboration between the companies in the sector. At the same time, he called on the public sector to modernize and show greater flexibility.

5.2. *Impact of the economic crisis on the audiovisual production sector in the Basque Country*

As occurred with ETB's budgets, the crisis did not start to become evident until 2010 or 2011. Between 2008 and 2010-2011, the number of companies in some subheadings increased, including production and post-production activities, fields that are still showing a certain level of increase in the number of companies. In most cases, these figures have declined in recent years, but some activities such as television program production have seen a continuous increase, in contrast to the decline in the number of motion picture production companies. The very nature of these two production types can help shed light on this; television production companies generally have a more stable structure, with a broader project catalogue, and develop projects for periods of up to several years, while production companies that strictly focus on movies (within a system such as that of the Basque Country) are "often micro-SMEs consisting of one or two partners, created with the sole purpose of developing a single project" (Rotaeche, 2015).

In any case, if we focus on the number of companies based on the number of employees, we can see how this increase does not necessarily mean that the sector has been strengthened. The following figure shows how the rise in the number of companies occurred almost exclusively in the category of companies without employees or with only one or two employees. By contrast, the number of companies with more employees experienced a substantial decline across all categories. In practice, this implies that companies have downsized or closed and professionals have entered the market after their companies have closed or they have been laid off.

Table 3. Companies engaged in motion picture, video and television program activities in the Basque Country (by subheadings in the CNAE 591 heading)

Year	Total	Movie, video and TV post-production	Movie projection	Movie and video production	TV program production	Movie and video distribution	TV program distribution
2008	45	29	275	34	26	5	414
2009	49	28	312	39	24	7	459
2010	50	28	332	38	23	6	477
2011	44	29	347	38	25	5	488
2012	46	23	337	35	20	3	464
2013	47	29	323	34	16	.	449
2014	56	29	315	36	18	.	454
2015	59	33	298	44	16	2	452
Var. 08/15	9,2%	31,1%	13,8%	8,4%	29,4%	-38,5%	-60,0%

Source: Authors' own data based on information provided by the INE.

The producers' association EPE-APV also pointed out the impact this has had on the quality of productions: "There are fewer jobs and the quality is much lower. We've gone from seeing supposedly permanent structures to seeing freelancers with more amateur profiles, and this has had a negative effect on production" (Juárez, 2015). In addition to the unemployment problems reflected in these figures, it is important to note the structural implications for a sector that was already highly fragmented and needed larger driving-force companies that could undertake insourcing strategies with certain guarantees of success.

Table 4. Companies engaged in motion picture, video and television program activities in the Basque Country (by number of employees)

	2014	2013	2012	2011	2010	2009	2008	Var. 2008-2014
Total	452	459	475	463	428	419	408	
No employees	220	222	242	232	201	183	166	32.5%
1 to 2	162	155	127	136	129	136	128	26.5%
3 to 5	28	34	44	35	30	40	45	-37.7%
6 to 9	13	19	19	21	18	12	18	-27.7%
10 to 19	22	19	27	29	40	33	36	-38.8%
20 to 49	6	6	10	7	6	12	11	-45.4%
50 to 99	1	2	4	2	4	2	1	0
100 to 199	0	2	2	1	0	1	2	-100%
200 to 499	0	0	0	0	0	0	0	
500 to 999	0	0	0	0	0	0	0	-
1000 to 4999	0	0	0	0	0	0	1	-100%
5000 or more	0	0	0	0	0	0	0	
Total	904	918	950	926	856	838	816	10,8

Source: Authors' own data based on information provided by the INE.

The turnover data (Figure 8) very clearly shows the consequences of the reduced investment of ETB. Although the number of companies is similar, the result is a sector with

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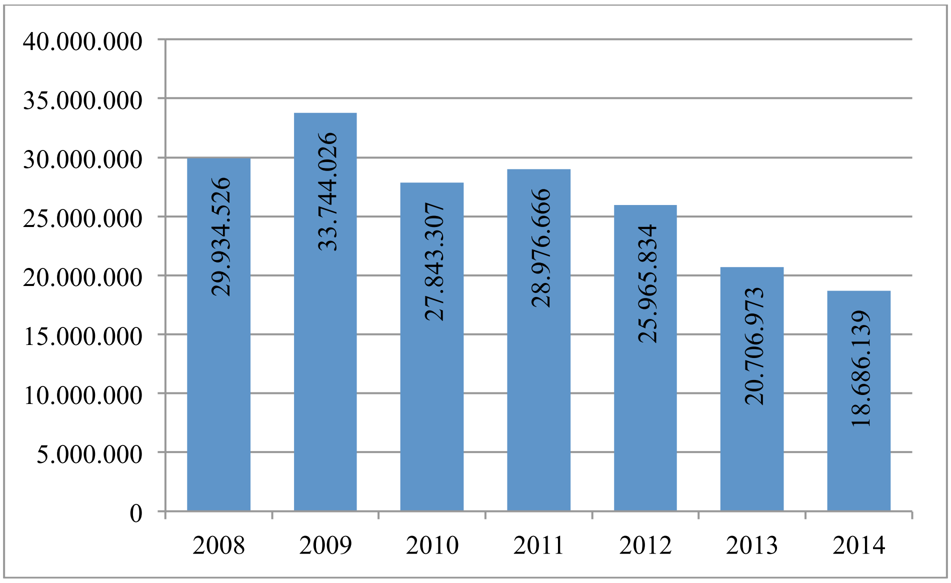
a turnover well below the pre-crisis years. During this period, the average turnover per company fell from €1 million in 2008 to €650,000 in 2014. The other producers' association IBAIA directly links this decline to the reduced investment of ETB: "Dependence is a reality for each and every company. A broadcaster like ours can't produce fiction for two years because it doesn't have the resources, and what it does produce is done with a budget that makes it unsellable later. With our current hiring costs, it's impossible" (Rotaeche, 2015). It is also necessary to keep in mind that the impact on turnover goes beyond the mere purchase of products; for audiovisual producers it is essential to have a broadcaster as a reference when they go and sell their work outside: "If it hasn't been tested by a broadcaster, you're going to struggle. Without television you're nobody. It's your calling card for festivals" (Juárez, 2015).

Figure 8. Turnover of Basque production companies (2008-2014) (in euros)



Source: Authors' own data based on mercantile register information available from the SABI database.

In the case of the number of employees (Figure 9), the decline in the number of people employed by the production companies belonging to the two associations of Basque production companies is dramatic: from around 350 employees in 2008, to barely 171 in 2014. The average number of employees per company during this period fell from 13 to 8[9].

Although the audiovisual industry welcomes the steps that had been taken in these policies up until the crisis, it argues that the current situation is the result of a lack of long-term vision and of a genuine strategic commitment to the sector, which will need years to return to the previous level. According to Carlos Juárez, "There has never been a clear direction in cultural policy; just random leaps. Some specific measures have worked, but a clear roadmap is needed". Meanwhile, at IBAIA they spoke about how "support for the cultural sector has been watered down, and not only in the audiovisual industry." (Rotaeche, 2015).

[9] The average was calculated by dividing the total turnover of the PROA companies (for which data was available) for each year by the number of companies that year. The number of companies was not regular throughout the whole period, and the companies were not the same every year.

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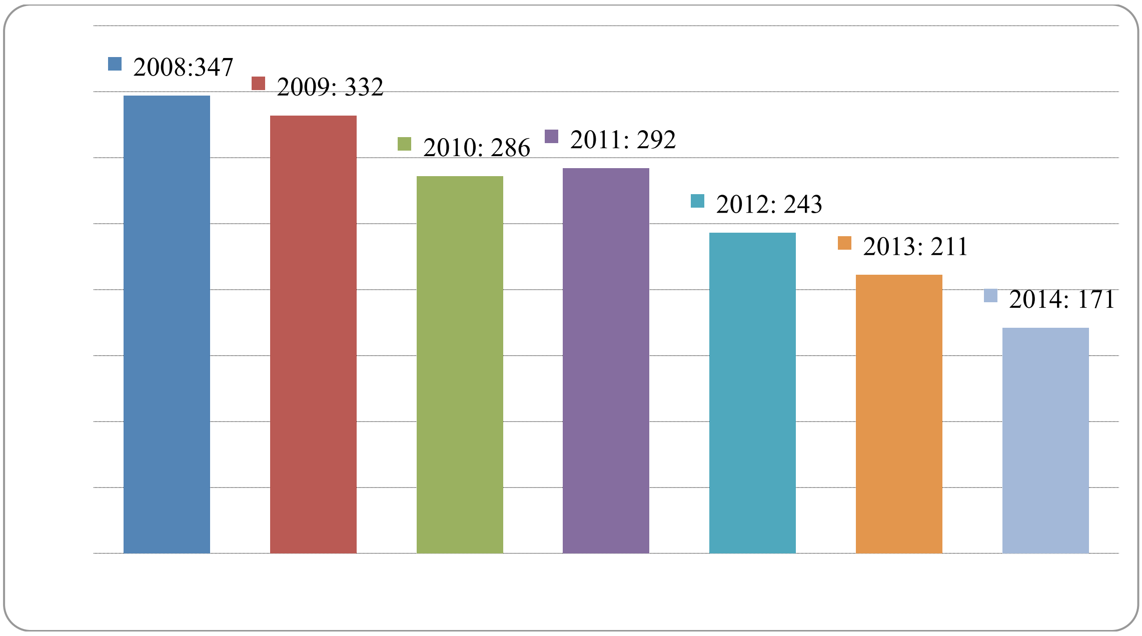
Figure 9. Employees at Basque production companies (2008-2014)



Source: Authors' own data based on mercantile register information available from the SABI database.

In terms of movies, there was a positive view of the recent years at EITB and the role of public service broadcasters in general: "It is my opinion that, had it not been for Basque television, products such as *Loreak* wouldn't have been made. Similarly, *Magical Girl* wouldn't have been made without TVE, and if it hadn't been for public television, Montxo Armendariz's *Tasio* would never have been made. None of Buñuel's films would have come to light without public involvement. It would be a tragedy if none of these works existed. That's the public domain for you" (Juárez, 2015). Thus, there is a fear that, after years of a certain degree of consolidation that has paid off with the success of the latest films, the decline in production that has occurred in recent years means that "the teams that have been working continuously may not be able to continue doing so and may have to go elsewhere." (Rotaeche, 2015).

In any case, if we consider the high degree of dependence of the Basque companies upon ETB, some self-criticism is also called for: "The problem arises when you're an enslaved company, when you're associated with a single channel. Perhaps we're not producing interesting enough things to capture that interest. Serious thought should be given to genuinely promoting success and encouraging capable people. Things haven't always been done well. Not everyone is cut out for it" (Juárez, 2015).

6. Conclusions

The widespread economic and financial crisis faced by public administrations since 2008 has led to a significant reduction in the revenue of regional broadcasters from advertising and subsidies, especially since 2011. This has resulted in a policy of spending adjustments that has had a particular impact on the purchase of content from independent companies. While there have also been cuts in the area of human resources, the figures clearly show that externally produced content has been most affected by the cuts. According to CCMA managers, content considered less strategic (soccer league matches and co-productions) has been most affected by the cuts, often through the termination of contracts. Instead, associated production has seen a reduction in the prices paid for productions, which public service broadcasters have wished to retain due to the strategic nature of the products, many of which are broadcast during prime-time slots. In the case of ETB, in addition to the loss of these rights, many of these fiction products have been replaced by cheaper products such as reality shows and talk shows.

In line with previous studies, there was a broad consensus in the industry about the high level of dependence of the Basque and Catalan audiovisual sectors on their respective regional broadcasters. In both cases, the current public service broadcasting model was called into question for its lack of flexibility, and the need for greater private sector participation was underlined.

Although there is a major difference in size between the Catalan and Basque audiovisual sectors in favor of the former, common trends can be observed in both cases as a result of the reduced investment in the sector by regional broadcasters. While the Basque Country has not seen the same reduction in the number of companies that has occurred in Catalonia, only companies without employees or with only one or two employees have increased in both regions. In any case, it is important to bear in mind that, even if companies continue to operate, their activity may be low or non-existent. The turnover and number of employees declined significantly in both cases. The figures show a reduction of 1,000 direct jobs in audiovisual production companies between 2008 and 2014 and a decrease in turnover of around €200 million (excluding Mediapro).

Despite these common features, there have been different reactions to the change in behavior of the public service broadcaster. In the Basque Country, all indicators except the number of companies show (almost) direct correlations with the resources allocated by EITB to local production. However, this correlation is less intense and in some years even contradictory in Catalonia. This could be explained by the size of the Catalan sector, which is much larger than the Basque sector, and the size of its companies (which are much larger; in some cases, even multinationals).

The cost-cutting policy has led to a debate about the size of regional broadcasters and, in particular, their workforce and production capacity. Thus, it seems clear that both the independent production sector and the current managers of CCMA agree on the need to outsource production as a way of enhancing the development of the sector, attracting external talent and streamlining the production and management model. However, the situation created by the crisis has also given rise to another issue relating to Catalan production: the (excessive) dependence of independent production companies on contracts with CCMA. A number of industry voices warn of the risks involved in turning CCMA into the only way out of the obvious crisis that is occurring in the sector. In an increasingly globalized world with a growing number of platforms for distributing and consuming audiovisual content, innovation and internationalization appear to be almost inevitable strategies. In the case of the Basque Country, however, although many voices also advocate internationalization, there are very few prospects for undertaking projects outside the mantle of ETB, given the limited size of the vast majority of Basque audiovisual production companies.

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