Keynote address by Eberhard Sinner, Bavarian minister for European affairs and regional relations, filling in for State Minister Erwin Huber. Delivered at 9 a.m., Tuesday, October 25, 2005, on the occasion of the 2nd European Television Dialogue 2005. Venue: Literaturhaus, Munich.

- Address -

I cordially welcome you to the European Television Dialogue 2005 in the Literaturhaus in Munich. I am especially pleased by the organizers' decision to hold this international media conference for a second time in the Bavarian capital. It underscores Munich's leading position among the top media locations in Europe.

Bavaria's forte as a media center lies in its diverse positioning. The companies it attracts are active in printing and publishing, broadcasting, film production and sales, as well as in the Internet and multimedia sector. The media industry has excellent production conditions in Bavaria. All stages of the production and distribution process are covered. Proximity to suppliers facilitates production, proximity to customers boosts product sales.

The agency **gotoBavaria,** which, **as a unit of FilmFernsehFonds Bayern,** co-organized this event, is an important player in our business location policy. In addition to staging media industry events, gotoBavaria supports media companies in setting up shop in Bavaria. It also markets Bavaria as a media center at trade shows, conferences and exhibitions. **gotoBavaria** played a decisive role in the transfer of Kabel Deutschland GmbH headquarters from Bonn to Munich in 2003.

Some of the largest and most respected TV companies in Germany are based in the Greater Munich area: Bayerisches Fernsehen, a large regional ZDF studio, ProSiebenSat.1, Kabel1, RTL2, Neun live, Deutsches Sportfernsehen (DSF), Tele 5, Home Shopping Europe, Disney Channel, Fox Kids, Universal Studio Networks, MGM, Goldstar TV, Discovery Channel and 1-2-3 tv. Bavarian broadcasting companies generated sales of 3.6 billion euros in 2004, accounting for 25 percent of the total revenue of the German broadcasting industry. Newly established companies such as the recently launched feature film broadcaster DAS VIERTE in Munich are proof that the industry has an optimistic outlook on the future.

We are extremely proud of this, yet the policies of the Bavarian state government are bearing fruit in many other fields—in media education and training, in our respected media awards and at events such as the Medientage (Media Days), which will start tomorrow.

The reason for our success is that we always respond promptly and flexibly to industry changes, whether technical, economic or content-related.

We are currently in a state of transition. Experts are already talking about a third developmental phase in television technology – following the invention of color TV and the launch of private television. I would like to take the opportunity today to describe eight central developments and the potential they offer.

1. Television is going mobile

One trend was unmistakable at this year's International Consumer Electronics Show in Berlin: mobile TV. New handsets have made it possible to receive mobile TV in an unprecedented quality. In the future many users—primarily young people all across Europe—will use television in the same way they use their radios and cell phones.

2. Digital technology is catching on

After satellite and cable TV, we are now seeing the introduction of digital terrestrial television. Billed as "ubiquitous television," this form of television was launched in Bavaria in the second quarter of 2005 and is already enjoying a high level of acceptance. Digital terrestrial TV is a prime example of a technical innovation that has brought advantages not only to customers and broadcasters but to the entire industry, creating a triple-win situation. It will set standards for future developments.

3. TV and radio programming on the Internet

Digitization is resulting in uniform transmission technology for images, sound and text. People often speak of multimedia, but the trend toward an “all-in-one” medium is even more remarkable: **previously discrete communication channels,** including radio, television, video on call, the telephone, letters and electronic newsletters, are being integrated on single platforms such as PCs. In the future, television sets, like computers, will fulfill all these functions.

4. Broadcasting regulations require a technologically neutral approach

The objective is a coherent, tiered legal framework that is restricted to supplying a minimum of regulation. The future legal framework in Europe will play a key role in further developments. Germany’s federal states are in favor of passing identical regulations for media that are comparable in terms of content, function and mode of dissemination.

The only way to avoid distortion of competition and to provide market participants with legal security is to create a technologically neutral regulatory framework with consistent protective standards. Protective regulations are indispensable for safeguarding the interests of minors, preserving human dignity and much more.

In addition, I believe a moderate deregulation of the European market is necessary. This is particularly true of **quantitative advertising regulations**. Greater programming diversity and the growing number of control options for users are making it possible to loosen current restrictions on when commercials are shown and how long they last. On top of this, traditional interruptive advertising its losing its significance as a result of greater individual access to films, soccer games and television shows.

In this context, let me saw a few words about the controversial issue of masked advertising. There are three good reasons why policy should not be liberalized in this field:

- We must continue to protect consumers against misleading practices. Advertising must be identified as such and segregated from “normal” programming.
- Broadcasting companies only harm themselves in the long run since they lose credibility among viewers.

- Masked advertising is probably a zero-sum game since advertising budgets do not grow randomly.

5. Television is being liberated from a set time schedule

The new technology is increasing **viewer independence.** Viewers now want to be program directors—a development confirmed by booming sales of DVD equipment and offerings. Providers will increasingly respond to this with new products such as video on demand or—as regards radio—podcasting. The significance of traditional all-round broadcasters with rigid time schedules will decline. This must be taken into account when a new regulatory framework is developed.

6. Television is becoming more individual

Digital technology is making this possible. Data compression is expanding transmission capacities. Coping with shortages will soon be a thing of the past. The traditional all-round broadcaster will be replaced or at least supplemented by a large number of niche providers. The TV will become an electronic kiosk.

7. The number of pay-per-view offerings will increase

Pay-per-view will become more popular in relation to traditional free TV. It is already widespread in Europe and not a negative development per se. On the one hand, new premium content is tempting; on the other, here, at the very latest, viewers will became aware that the day is limited to twenty-four hours and that a well-presented, diverse program is of great value. But program providers are already offering solutions in the form of program navigators or EPGs (electronic program guides).

8. TV is losing its integrative force

From a media policy perspective, these developments are problematic because they mean individual broadcasters will lose their journalistic significance. Major public broadcasting companies, which will not be able to perform the integrative function essential for our society, will be particularly hard hit.

You see that these developments raise many questions, and that they may even pose great risks. But let us remained focused on the opportunities:

- The necessary i**ntegration** of platforms is not only providing equipment manufacturers with valuable impetus. UMTS technology and mobile TV could enter into a mutually profitable alliance to develop the market.

- The tapping of new consumer groups will also eliminate a large worry over the past few years: "Internet kills the video star." In the competition between radio/TV and the Internet, it is not a question of either or. **Consumers will continue to use traditional radio and TV offerings.**

- Naturally, **additional services** will become a firm fixture in future TV viewing. These services will create new jobs, even if such jobs consist "only" of editing and re-formatting content. Above all, the services will provide **new market participants** with developmental potential.

In conclusion, I would like to address an additional topic that is close to my heart: German film and German productions. They alone feature German content and reflect our language and our culture.

Despite my commitment to national film and television productions, I am skeptical about quota regulations and similar measures such as those planned in the EU Television Directive. And I am skeptical even though German TV broadcasters generally fulfill these quotas today.

There are rational reasons for national productions:

- European productions are considerably less expensive.
- European productions satisfy audience needs.
- Programming quotas place unreasonable restrictions on the programming freedoms of TV broadcasters.

Europe is growing closer together, and its media landscape is no exception. This has made an exchange of opinions at a European level increasingly important too.

We will all profit from this converging market. It will give resourceful businesspeople immense opportunities. State regulation must support market developments without disregarding interests that need to be protected.

I hope you have a productive debate and a nice stay in Munich. May the discussions begin!