

# POLICY BRIEF #20

7 December 2018

## Is VRT supporting economic growth?

*Prof. Dr. Tim Raats, Stephanie Tintel and Prof. Dr. Pieter Ballon*



Public broadcasters have existed in most Western and Northern European countries since the 1920s. They are part of our democratic societies. Even when criticised, there is a societal consensus on their contribution to information, education and entertainment. Equally so, there is a discussion on the economic impact of public broadcasters, negatively, but

increasingly, also positively. This policy brief presents some of the key findings from a report on the economic contribution of public broadcaster VRT to the Flemish economy. The study was commissioned by Vlaamse Radio-en Televisieomroeporganisatie (VRT) and carried out by imec-SMIT, Vrije Universiteit Brussel, in collaboration with Flanders Business School of KU Leuven. The research took place from January until November 2018 and is based on a combination of qualitative and quantitative research methods. The findings of the study have been presented to the VRT Board of Governors and were shared with the Flemish Parliament on 6 December 2018. The findings presented are those of the researchers.

### ***Why measure economic contribution?***

Most research on public broadcasting focuses primarily on public value and societal impact. In recent years, there is increasing attention for the economic contribution of public service broadcasting though. Politicians want to see a return on investment, while public broadcasters aim to defend themselves against allegations of market distortion. This study does not deal with issues concerning market distortion but tries to see if there is any evidence sustaining claims of market strengthening, what that evidence (if any) is, and whether there is room for improvement.

VRT, in line with its management agreement with the Flemish government (2016-2020), pursues an economic role more actively. However, that did not lead the researchers to the presumption from the outset that there is a positive economic contribution to be observed.

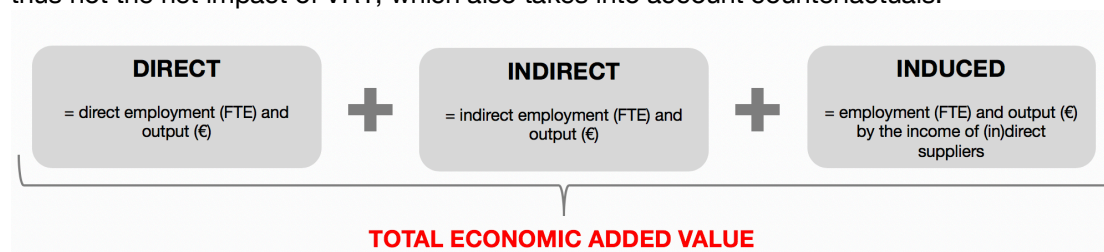
In case such a positive contribution to the Flemish economy is made by VRT – and this policy brief will show why that is indeed the case, that is, in fact, a result of VRT's operations and fulfilling its remit. The researchers would like to emphasise that the public service mission should never be made inferior to economic goals.

The objective of the research was twofold:

- (1) To get a general picture of the economic added value of VRT, which can be used as a baseline for further monitoring by VRT or bodies such as the Flemish Regulator for Media;
- (2) Provide lessons for VRT to optimise its impact in specific domains of economic activity.

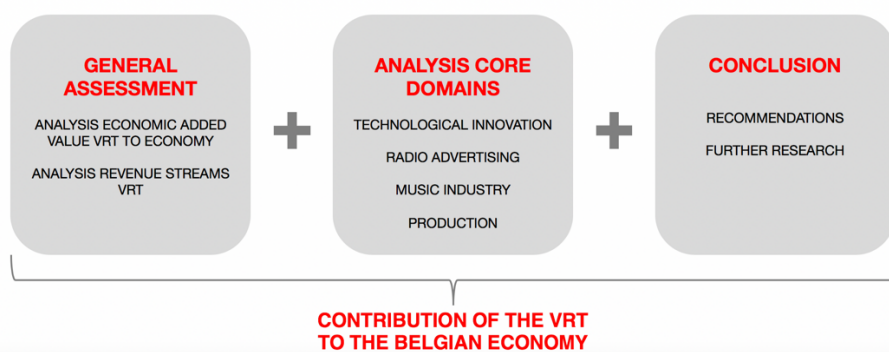
## Measuring the economic contribution of VRT

The analysis consisted of three parts. The first part provided a detailed analysis of the total revenue of VRT on the one hand and an analysis of the total spending of VRT on the other. Mapping the economic added value includes different dimensions. The 'total economic added value' is expressed through direct, indirect and induced effects. As the expenses of VRT flow through the economy, they create a multiplier effect, the so-called 'ripple' effect. This is calculated as the gross value added. The study is limited to mapping the added value of VRT, thus not the net impact of VRT, which also takes into account counterfactuals.<sup>1</sup>



The sum of the direct, indirect and induced effect is the 'total economic added value' defined in production output (€) and in employment (FTE). To calculate the total economic added value of the VRT, first, the sectoral allocation of the domestic expenditure must be determined in order to then be able to apply the sector-based multipliers<sup>2</sup> to finally arrive at an estimate of the total economic added value of VRT in the Belgian economy (2016).

The second part of the study focused on the economic contribution in four key domains: radio advertisement, independent production, the music industry and technological innovation. The final part presented recommendations for VRT and further research.



## Revenues: More diversified than other European PSBs, yet smaller budgets

The revenues of VRT are more diversified than those of other European PSBs. The revenues of VRT consist of three major categories: public financing (mainly the government funding), commercial income (advertising and sponsorship) and other income.

The total income of VRT is 13% lower per inhabitant and 20% lower when calculating it as a percentage of the Gross Domestic Product than the average of other European public broadcasters. VRT's public dotation is 40% lower relative to the GDP than the European average and 35% lower per inhabitant. VRT's public funding fell from 0.15% of Flemish GDP in 2007 to 0.11% in 2016. Per capita, it fell from € 48.5 in 2007 to € 41.2 in 2016.

## VRT's expenses contribute to 7 out of 10 industries in the Belgian economy

The expenditure of VRT (2016) can be divided into four main groups: 41,3% went to staff costs; 50,1% went to exploitation costs (e.g., payments to suppliers for the production of programmes, for the purchasing of foreign programmes); 7,5% is spent on barter deals (where

<sup>1</sup> The methodology has been developed by the researchers independently from VRT. In case of questions about the methodology, please contact the researchers.

<sup>2</sup> Composed and offered by the Federal Planning Bureau.

media output is generated in collaboration with third parties), and the remaining 0,9% is spent on developing brand extensions.

VRT's domestic expenditure (2016) covered 46 industry branches (out of 64) in the Belgian economy, being 7 out of 10 industry branches. After application of the sector-based multipliers to the different branches, we can conclude that 31% of the total economic added value (in €) of VRT went to the production sector and 5% to the creative sector.

### ***Every € 1 in public funding generates 2.51 euro in the Belgian economy***

**587.5m**

**added value**

The total economic added value of VRT (2016) was € 587.5 m, of which € 292.3 m direct effects, € 185.4 m indirect effects and € 109.8 induced effects could be found. Regarding employment, VRT's in-house staff counts 2,138 employees. VRT creates another 3,629 jobs in the economy, resulting in a total of 5,767.8 full-time equivalents in the Belgian economy.

**2.51 multiplier**

Taxes excluded, every euro public funding of VRT generates €2.2 in the Belgian economy (taxes excluded). If we include taxes (as a form of government return that is going back in the economy), VRT multiplier comes down to 2.51.

**28.2% of**

**Belgian audiovisual industry employment**

Looking specifically at the audiovisual industry, the study reveals that approximately 28.2% of total employment (in FTE) in the Belgian audiovisual industry<sup>3</sup> originates from VRT.

### ***Technological Innovation: Sandbox paves the way for future innovation***

VRT (technology) innovation investments amounted to € 2.4 m in 2017 or 0.52% of VRT's total expenditure. The innovation investments consisted of two main components: VRT research and development projects (€ 1.9 m) and VRT Sandbox (€ 0.5 m).

The former is conducted within research consortia with Flemish and international media players (such as European Horizon 2020 technological projects). VRT Sandbox, on the other hand, is an open innovation platform where VRT enables start-ups to collaborate and develop scale.

Our data suggest a clear uptake in the number of companies involved between 2015 and 2018, as well as uptake in staff members of these start-ups (from 62 to 116 in 2018). Start-ups themselves emphasised the opportunities of VRT providing infrastructure, the contact and feedback from VRT production and technology staff, better fit of proof-of-concepts user needs.

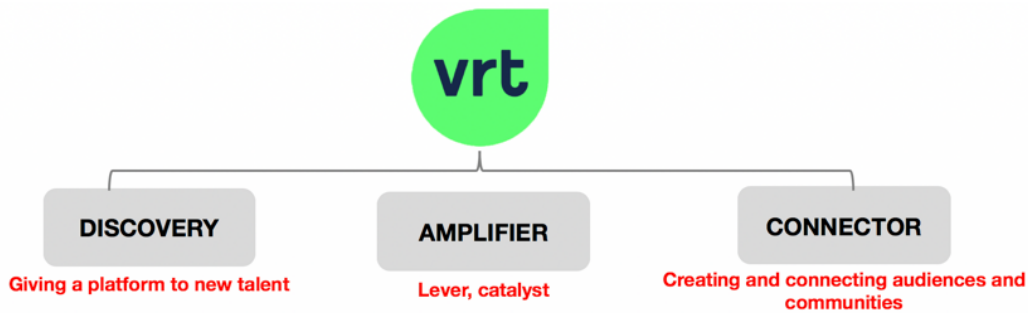
The result is a multiplier of 2.61 for innovation; for every euro VRT spends in innovation, an additional 2.61 is attracted from additional sources for innovation investments.

### ***Contribution to the Flemish Music Industry***

The results show VRT's significant importance to the Flemish music industry, partly following the results of its radio channels in Flanders. The added value for the music industry can be summarised in three roles.

---

<sup>3</sup> Based on Mediarte.be data; activity codes (NACE-bel) of companies in the audiovisual industry is 59, 60 or 62.



### ***Facts on music***

- Two out of three most played artists on VRT are Flemish.
- VRT's Radio 1 sessions provided a platform to over 50 Flemish artists in the past three years.
- Flemish artist Tamino's first VRT performance generated 100.000 views in one day which was the starting point of a successful career.
- VRT's talent programme 'De Nieuwe Lichting' already kick-started 18 music careers. Half of the participants played at large festivals 2 years after winning 'De Nieuwe Lichting'.
- VRT recorded 377 music events (concerts, festivals) in 2017 alone.
- VRT makes up 30% of the total revenue of the collective rights organisations in Flanders.

### ***VRT is the driver of the Flemish independent production industry***

VRT is of crucial importance for the Flemish independent production sector, which is also partly resulting from clear government commitments (quota) for investment. The analysis shows that:

- VRT invests an average of € 58.5 m per year into the independent production industry;
- VRT cooperates with a large diversity of producers (not only TV, but also documentary and film producers). On average, VRT collaborates with 68 producers per year, however, half of the expenditure is spent with six key VRT partners;
- VRT cooperates mainly with medium-sized and small houses, which moreover, have a DNA that strongly corresponds to the public values of VRT,
- VRT cooperates mainly with Flemish companies rather than subsidiaries of international companies;
- Interestingly, for a lot of Flemish producers, VRT is the only TV outlet. 43% of the companies working with VRT for television production have not worked with any other broadcaster in the past three years.

### ***Five recommendations for media policy***

- The analysis shows that VRT makes a contribution to the Flemish economy in general and the creative industries in particular acting as both a catalyst and driver. Each Euro invested in VRT generates € 2,2 elsewhere. Any cutbacks will, therefore not only impact the VRT directly, but also investments in innovation, the music industry and local independent production outside of the VRT. This should be taken into consideration when deciding on the budget for VRT in the next management agreement period.
- In small media ecosystems such as Flanders, technological innovation is driven by local support. VRT, because of its experience in this field and despite the absence of dedicated innovation subsidies, has managed to continue investments in innovation. Moreover, it has gradually developed a platform for open innovation, a.o. with VRT Sandbox. The first results of this are showing and positive effects were confirmed by, for example, start-ups interviewed. The next management contract between VRT and

the Flemish Government should devote more attention to home grown technological and user-driven innovation.

- There is definitely room for improvement. The research also identified a couple of areas where VRT can adjust and focus their current strategy to improve the impact in specific domains (e.g., in the field of documentary and film investments). It is recommended that VRT develops an approach to further its own thinking on these issues.
- To measure is to know. We strongly recommend that this study (which is the first of its kind) forms the basis for future studies to enable the generation of comparable data. Our rationale for this is twofold. Firstly, this will allow the monitoring and evaluation of VRT's performance outside its mandate (the four domains). Secondly, this will allow us to see trends. What is improving? What is not? And what are reasons and/or solutions for this?
- While economic impact is important, policy-makers and VRT should remain aware that it is an outcome of the (more) important societal role VRT as a public broadcaster should play.

---

*Prof. Dr. Tim Raats ([tim.raats@vub.be](mailto:tim.raats@vub.be)) is an assistant professor at the Vrije Universiteit Brussel and senior researcher at imec-SMIT, VUB; Stephanie Tintel ([stephanie.tintel@vub.be](mailto:stephanie.tintel@vub.be)) is a PhD researcher at imec-SMIT, focusing on audience measurement and economic valorisation of audiovisual content; Prof. Dr. Pieter Ballon ([Pieter.Ballon@vub.be](mailto:Pieter.Ballon@vub.be)) is the director of imec-SMIT, VUB, Brussels Smart City Ambassador and International Secretary of the European Network of Living Labs.*

*The study was conducted in collaboration with the Flanders Business School. Researchers involved are Prof. Dr. Bart Van Looy, Academic Dean at the Flanders Business School and Dirk Wauters, senior consultant and visiting Professor at the department of Managerial Economics, Strategy and Innovation at KU Leuven.*

*The **Media unit** of SMIT, a research group at imec and VUB, consists of 45 junior and senior researchers. The researchers are specialist in various policy, market, and user research methods. Their work spans the fields of national and European media and competition policy, cultural diversity, public broadcasting, sustainability of creative industries, immersive media, data and valorisation, privacy, media literacy, and digital inclusion. The unit is headed by Prof. Dr. Karen Donders ([Karen.Donders@vub.be](mailto:Karen.Donders@vub.be)). The unit is also in charge of **Mediahub Brussel**, that is investing in education, innovation and collaboration in the Flemish and Brussels media sectors. The Mediahub Brussel is supported by the Flemish Government.*