

# Chapter 41

## Industry–Led Standardization as Private Governance?

### A Critical Reassessment of the Digital Video Broadcasting Project’s Success Story

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#### ABSTRACT

*Industry-led technical standardization is often cited as an example for private governance. And the Digital Video Broadcasting (DVB) Project is often presented as a particularly successful case of such governance without government. The successes of the industry-led DVB Project have often been cited as evidence for the superior governance capacity of private industry. While the commercial and engineering success of the DVB Project is unequivocal, this chapter raises the question whether it has been equally successful in governing a complex sector that is confronted by a range of market failures, with direct implications for important public policy objectives such as media pluralism and diversity.*

#### INTRODUCTION

At the example of the DVB, Project, this chapter examines whether and, if so, under what circumstances governance through industry-led standardization processes, may provide a solution to the challenges posed to conventional government-led technology policy, in which governments try to select and enforce technology standards. These challenges of government-led standardization policy are well illustrated by the history of government involvement in international and European high-definition

television (HDTV) standardization. First, the case of HDTV standardization demonstrated the difficulties of global governance where governments need to collaborate and agree to common measures. When HDTV standardization was first brought onto the agenda of the CCIR (Consultative Committee for International Radio) by the government of Japan the international community failed to overcome its divergent interests and to find agreement on a common standard. As each government sought to install its domestic technology as the international standard, the negotiations quickly erupted into an

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international standards war, which could not have been any more passionate, as demonstrated by the following statement by an executive of the French company Thomson:

*High-definition television was to be the [Japanese'] ultimate weapon—an instrument with which to squeeze their European competitors out of their own domestic market and blitzkrieg the wide-open American market. In short, move in for the kill [...] This was to be the new Verdun. (Interview with an unnamed Thomson executive in The Economist (The world at war, 1990))*

Secondly, the story of HDTV standardization also demonstrated the information problems faced by governmental actors that seek to influence standardization processes in high tech industries. Upon the initiative of the French government and the European Commission close to €1 billion in public subsidies were sunk into the development of an HDTV standard, which was never deployed (Cawson, 1995; Peterson & Sharp, 1998). Many commentators began to refer to this failure to support their arguments that governmental actors should stay out of technical standardization processes (Cave, 1997; Cawson, 1995; Galprin, 2002; Levy, 1997).

The subsequent success of the industry-led Digital Video Broadcasting (DVB) Project was then celebrated by the critics of government interventionism as evidence for the superior governance capacity of industry-led technical standardization processes. DVB standardization was a great engineering and commercial success (de Bruin & Smits, 1999; Cave, 1997; Reimers, 2006). Its standards are today used in nearly one billion devices all over the world (DVB Project, 2013, p. 2). This led many commentators to the conclusion that industry knew best what technical standards were needed and how to develop these and that government should stay out of industry standardization processes (de Bruin & Smits, 1999; Dai, 2008; Watson, 2005).

This article challenges this conclusion. From an engineering and from a commercial perspective the success of the DVB Project cannot be disputed. Governance, however, is concerned with the solution of all sorts of interaction problems that occur in the economy and society at large. In the case of digital television, governance is concerned with the creation and regulation of the market as a level playing field on which companies compete for the benefit of the consumer. Governance is also concerned with a range of other public policy objectives, such as media pluralism and diversity. As argued below, standardization has a critical impact on all of these governance issues. Therefore, this chapter will raise the question whether and, if so, to what extent, the DVB Project was able to address these governance issues.

The following Section provides a brief introduction to and definition of the concept of governance, which is applied in this chapter. This is followed by a detailed empirical investigation of the DVB case.

## **GOVERNING THROUGH STANDARDS**

This chapter starts from the institutionalist premises that economic exchange cannot take place or create value without the presence of institutions, such as property rights, antitrust rules, contract law, enforcement mechanisms, payment systems etc. (see North, 1990; Fligstein, 1996). The process of creating and maintaining these institutions is described as governance. It is the institutionalized social coordination that is necessary to produce and implement collectively binding rules or to provide collective goods (Mayntz, 2004). As market competition depends on institutions to function properly or to take place at all, markets cannot provide governance, i.e. the institutions that constitute and govern them themselves. Governance, by definition, is thus a coordinative, non-competitive process.<sup>1</sup>

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