[CY] Digital Network Operator’s Financial Straits Threaten Private Broadcasters

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Christophoros Christophorou
Council of Europe expert in Media and Elections

In July 2013, two years after the switchover to digital television (see IRIS 2011-5/11), private television broadcasters were threatened that they would go off-air because of financial straits of the network operator Velister Ltd. Velister is a consortium of the major Cyprus broadcasters and two internet and cable television services providers (see IRIS 2010-9/16).

After a long period of consultation between the authorities, the broadcasters and Velister Ltd, according to media reports, the Council of Ministers decided in early August 2013 to examine the possibility of granting Velister an extension of up to five years for the payment of its dues to the State. The modalities will be negotiated between the Director of Electronic Communications and the interested parties; an eventual extension is expected to alleviate the pressure of Velister on the broadcasters raising higher fees for the access to the digital network.

The roots of the problem can be traced back to August 2010, when Velister won an ascending multiple round auction for the second digital network (one was granted to the public broadcaster Cyprus Broadcasting Corporation - RIK). The final bid of EUR 10 million is likely to have been too high for a small market such as that of Cyprus. While Velister has already paid the major part of its dues to the State, it faces financial difficulties regarding the amount of the fee. The problems have been aggravated by the financial crisis and an income considerably lower than expected, since only 14 broadcasters are on Velister’s platform, which is well below the number initially projected.

Efforts by Velister to seek modification of its contract with the authorities failed because of the eventual legal measures that participants in the auction of 2010 could take. Hence, it decided to substantially raise the network access fees for broadcasters instead. In addition, Velister issued an ultimatum to take off-air those failing to pay their dues by mid-July 2013, even though this threat was not carried out in the end. Other possible solutions included the possibility of operating only one digital network hosting both the public service and private broadcasters or generating income by shifting the transmission of Euronews and the Greek public television ERT from RIK to Velister. However, it was pointed out that the transmission conducted by RIK is based on interstate agreements that would be breached by these approaches.

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The further increase of network access fees would pose problems for the survival for small broadcasters, whereas the effect on major channels could be minimal because they are both partners in, and clients of, the network operator Velister Ltd. This prompted the introduction of more efforts on behalf of the government and political forces to ensure and safeguard pluralism in digital broadcasting services.

However, the Council of Ministers' decision possibly to extend the payment period of Velister's dues is called into question by observers and the major opposition party. According to their position, the deferment is in conflict with the legal obligations of the network operator as set down in the agreement with the government.

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