



Richard Hooper, Chair of the Radio Authority, UK was the final keynote speaker at the second annual ABA Conference 2002. Below is a transcript of his address.

ABA Conference 2002

Closing Keynote Speech: Richard Hooper, Chair of the Radio Authority, UK

A visiting 'pom' travels cautiously through Australian conferences. Whilst he can give plenty of needed advice and instruction to Australians on matters such as how to win at cricket or rugby union, he is wisely more humble on matters concerning public policy, broadcasting, regulatory regimes. Indeed, as the Chairman of the ABA, David Flint, said yesterday when opening this conference, Australia has led the way in a number of broadcasting policies.

Over many years, and helped by having had the good sense to marry an Australian from Adelaide, Australia has influenced my own thinking in the converging media and telecommunications space which has been my passion for nigh on 40 years. For example, your development here of community radio has helped to guide the creation by the Radio Authority and the British Government of a new tier of not-for-profit Access Radio in the UK. Some 12 pilots are now running, selected from over 200 applications. Lyn Maddock,

the Deputy Chair of the ABA, over dinner last night was giving me useful advice about how to identify not-for-profit structures which might be skewed by the less community-minded in improper ways.

Another useful model in Australia is the auctioning of broadcast spectrum. This led the Radio Authority to suggest to the British Government that it had two policy choices – it could continue as today and give spectrum free to local commercial radio choosing the winning licensees by means of a beauty parade, and then obliging those licensees via format regulation to broadcast in the public interest – ie obeying rules on networking and automation, proper investment in 'localness', proper news provision. Or, in the Australian manner, auction the spectrum, require no format regulation and see the money from the auction as a very tangible, and in David Flint's favoured word 'pragmatic', form of public interest.

A final example of my learning from Australia relates to regulatory structures. There is a very interesting model here

under which the competition/economic regulation of telecoms has passed from the sectoral regulator Austel (now ACA) to the ACCC, thus keeping all competition regulation in one consistent place and not spreading it around. This will be a useful addition to the 'design of OFCOM' debate which rages in the UK – OFCOM will be a convergent regulator encompassing the ACA, ABA and the telecoms economic regulation team in the ACCC.

Let me now turn to a quick-fire tour d'horizon of the new media landscape in a global context before ending on some brief observations on the Australian media landscape. The new media landscape worldwide was well summed up by Malcolm Long yesterday when he showed a graph of the share price of one unnamed, now liquidated, media company. He called it 'Mount Disappointment'.

Internet

I was chairing Peter Chernin, 'Citizen Rupert's' no. 2 at Newscorp, at a *Financial Times*

conference in London recently. He said that there was 'no viable economic model for the Internet'. Paul Chapman, who hails from Citizen Rupert's home town of beautiful Adelaide, said earlier this morning: 'no model to profit from broadcast-like services over narrowcast technologies.' Forget stand-alone models. Internet complements your existing business but does not replace it; complements your existing business model, but does not replace it.

Interactive television (iTV)

Depending on how you define iTV, this is a very slow burn indeed. Don't hold your breath. Again, difficult to make money out of. Duane Varan's slide yesterday read rather ominously: 'quest for business model continues.'

Digital TV

Another tough one. As Damian Tambini pointed out earlier this morning, there are different drivers for digital TV in different markets. Pay TV

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has been a calamity in Germany but a huge success and driver of digital in the UK.

Digital radio

This is very slow burn as well. It is all about receiver manufacturing volumes and hence price reductions. There is no killer app for digital radio compared with pay-TV's use of premium sports and premium movies. The UK is at the cutting edge of digital radio (Eureka 147) but is trying to keep clear of the blade which is very sharp. As one of my American mentors said to me many years ago, 'It is better to be right than first.'

DVD

This is becoming a huge success and will take over from VCRs when they are recordable. But recordability brings great angst to Hollywood. The protection of intellectual property rights in the digital easy-to-copy era might be a good subject for inclusion in the the next ABA conference. Look at the misery of the global music industry in the wake of

Napster and Internet-enabled illegal copying.

PVR/TIVO

This has been much much slower than proponents predicted – 'twas always thus! But it is slowly establishing itself. As my American mentor said many years ago, 'We all overestimate in the short term and probably underestimate in the longer term.'

Broadband

Another very slow burn indeed. But do be wary of definitional issues. When people talk about broadband, ask them what speed they are talking about. Paul Chapman's definition for his broadband study earlier was 256 kbps. That cannot deliver quality moving pictures, for which 1.5 to 2 megabits are needed. Broadband wireless will be much slower than broadband fixed. You will not soon be getting 1.5 megabits to a moving vehicle. South Korea leads the world in broadband penetration and the UK is near the bottom of the league. Which

technology will win – cable modems or ADSL over copper wire. My own view is that these are transitional technologies and the long term winner will be fibre, not FTTK (fibre-to-the-kerb) but FTTH (fibre-to-the-home).

Finally, some observations on the Australian media and communications landscape.

Let me develop the remark that I made at the opening analysts' session yesterday morning. I apologise for any inaccuracies – it is very difficult to understand other countries' regulatory regimes. I said that I found a certain schizophrenia in Australian media policy.

On the one, light touch, hand, you are perceived in Europe as very liberal, very deregulatory, for example:

- Spectrum auctioning with no format regulation, as already noted.
- A very interesting model of self-regulation which OFCOM is considering. Broadcasters have to resolve complaints first and only unresolved complaints go to the regulator. The broadcaster has to keep and submit a

quarterly report on all complaints handled.

On the other, heavier touch, hand, you are also quite restrictive:

- Quotas for high definition TV (HDTV). It is interesting to note that I have not heard the topic of HDTV raised at any media conference in the last three or four years. It is not even on the radar in the UK (although there was a time when it was).
- Australian content. This is very understandable to a Canadian or French citizen. It is seldom debated in the UK which holds the number two slot in film and TV production after the USA, not including Bollywood or the Chinese film industry. British content is probably taken for granted and the issue instead is quotas for independent TV production.
- Anti-siphoning. This is a much more restrictive regime than in the UK. If I was an Aussie Rules player, I might see it as a restraint of *my* trade.
- Internet regulation. Neither the UK nor the USA



ask the sectoral regulator to get involved with Internet – it is left entirely to self-regulation plus the bite of the general law. The ABA is thus rather unusual in having a role in Internet regulation. It is familiar in places like Singapore. The next ABA conference should see John Rimmer joust with Malcolm Long on the topic of the regulation of point-to-point communications!

Lastly, there is a cluster of restrictive rules which I would like to take together:

- No multichannelling on free-to-air TV.
- No new free-to-air TV players beyond the current three until 2007/8.
- Commercial radio spectrum lying unused because a) incumbent licensees want no more competition, and b) there is a public policy view that too much competition leads to reduced quality and 'more of the same'.

I have to admit to being disappointed by this cluster, for three reasons.

- Existing broadcasters should not be allowed in a democratic society to get into

the profit-making castle, let down the portcullis and allow no-one else in. (However, to be fair, an incumbent broadcaster who won the spectrum by open auction and was told explicitly as part of the auction process that there would be no more stations in that market for 'x' years, has a rather different case).

- I do not think that governments or regulators are the best people to make market decisions, eg how many radio stations can the Sydney market take. As a side comment, the artificial restriction on commercial broadcasting licences can force regulators into creating new licence categories, like narrowcasting, which are frankly a bit of a 'fudge'.
- Thirdly, and most important, there is an absolutely key public policy question in all jurisdictions. Does competition, do market forces yield the public interest in broadcast markets? The evidence is difficult to interpret but the US and New Zealand experience might suggest that

the answer is 'no'. It would be great if Australia, which has much more spectrum available than a continent-locked country like the UK, experimented with allocating all broadcast spectrum assuming that there were men and women good and true who wished to run stations. Would the resultant competition yield the cultural objectives of diversity, quality, plurality and universality? Looking at my chairman for this session, Lyn Maddock, I am conscious that I am showing alarming signs of being an economic rationalist!

My final memory of this enjoyable conference is from the radio session after lunch yesterday with Batman and Robin, aka Mulray and Cameron. They were describing a person who had a 'smile like a knee reflected in a hubcap'. I wish I could have written that.

Thank you.



For transcripts of other papers and presentations from the second annual ABA Conference 2002, go to www.aba.gov.au/abanews/conf/2002.