A-V Trade War Continues

The issue of trade in audiovisual material, and the impact on trade of quotas applied in some countries to films and television programs, has been highlighted by the ongoing GATT negotiations.

Past issues of *CU* have noted the Australian production industry's concerns about the US position, which is that Australian content quotas place undesirable restrictions on the free trade in audiovisual material. The local industry fears that without such protection, US distributors could swamp the Australian market with American product and destroy local production.

In Europe, the Americans have a larger fight on their hands as a result of quotas determined by the European Community. These quotas may also have implications for the Australian production sector, though at this stage their impact is difficult to assess.

The EC's single market objective extends to film and television programs, and its audiovisual policy is based on:

- ensuring the free movement of films and programs within the EC;
- encouraging the development of a European program industry to meet growing demand and compete with foreign productions;
- formulating a common technological strategy for contemporary systems and HDTV.

The Television Without Frontiers Directive, which came into force in 1991, commits all television companies in EC member countries to a minimum standard.

The main clauses of the directive are:

(Article 4) - broadcasters must transmit a majority of European works, excluding news, sports events, games, advertising, teletext. These works must be made/controlled by producers in member states. Co-productions count only if the European contribution is 'preponderant' and the co-production is not controlled by producers outside Europe.

(Article 5) - 10 per cent of transmission time or program budget is to be allocated to European works by independent producers (ie not attached to broadcasters) except for the above categories of program.

In the application of these Articles, a key phrase is 'where practical and by appropriate means', which seems to be open to wide interpretation.

So far, the directive has been ratified by only a handful of member countries. Moreover, there are already indications that there may be ways for service providers to get around these quotas. The British Home Office has stated that the nature of the service will be taken into account, and that a channel which served a 'specialised audience' such as a film channel, would not be required to meet them.

What It Means For Us

What are the implications for the Australian production industry?

A paper prepared by a UK consultant notes that the imposition of what is effectively a 51 per cent European quota has been strongly criticised, particularly by US distributors.

It is not clear however how the quota will work in practice, and some countries already operate even stricter quotas. In Britain, for example, what is effectively a domestic quota on BBC and ITV has long remained at over 80 per cent, and given the tastes of British audiences it seems unlikely that there will be a significant increase in imported programs in the foreseeable future.

In France, television broadcasters have to devote at least 60 per cent of transmission time to EC-originated programs, and at least 50 per cent of this has to be French.

Where the quota may have most effect, the consultant says, is on the new commercial channels which are proliferating in Europe and which will find it easier to fill their transmission with US programs and claim that there is not enough European programming available to attain the 50 per cent quota.

Broadcasters have to report on their performance in applying the quotas every two years, but in practice they have considerable leeway. The EC will take into account 'the particular circumstance of new television broadcasters, and the specific situation of countries with a low audiovisual production capacity'. In other words, the consultant says, 'the EC can make exceptions for fledgling services which rely on a high proportion of cheap US soaps, comedy and drama to fill the schedules and build ratings'.

It is very likely that some member states which resent the intervention or cannot monitor their broadcasters will drag their feet on implementing the directive.

Another grey area is the issue of what qualifies co-productions as 'European', where the rules are far from clear. In areas where Australia al-

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ready has co-production treaties, it seems likely that resulting productions would qualify.

Incentives

The EC legislation is backed up by a five-year program called Media 95, which offers a wide range of production incentives and has an estimated budget of 200 million ECU.

These incentives include training programs for professionals, a Media Business School, a European Script Fund providing development loans for European film and television projects, workshops for professional European screenwriters, a project to define and stimulate the documentary, and the Media Investment Club, designed to promote program creation and production by means of advanced technologies including digital and computer techniques, HDTV and interactive multimedia.

As well as the production incentives, there are a number of distribution mechanisms, like the European Film Distribution Office established to assist the distribution of theatrical films (its starting point was a finding that 80 per cent of European films were not distributed outside their country of origin), loan schemes, support for promotion and marketing, funds for dubbing and subtitling.

Euro Media Guaranties provides financial guarantees across Europe for European independent producers and financial insititutions providing loans, up to 70 per cent of the loan finance.

From its dominant position in program distribution, the United States finds it difficult to comprehend the need for this kind of assistance, including that offered through Australia's state and federal funding bodies. While smaller countries battle to sustain a production industry, the US continues to argue that subsidies and quotas give these countries an unfair advantage in the audiovisual trade war.

The battle rages on......... ❑

We Told You So!

Sometimes, there is no joy in being proven right.

In our major pricing supplement last year (*CU#80*) we warned that the benefits of telecommunications competition and price controls were likely to be unevenly spread. Telecom's recently announced price changes are a perfect example.

While the changes involve a number of price reductions, and price reductions are always welcome, closer scrutiny reveals that not everyone will share the benefits.

The real winners are those who live in a capital city and make a large volume of STD calls to other 'near' capital cities.

Second place - and much further down the scale, with a 3 per cent reduction - are other capital city residents who make calls to other capital city residents. A very poor third place - at 2 per cent - are the rural and remote telephone subscribers who make calls STD calls to destinations between 165 kms and 745 kms away.

And the ones who miss out are people who cannot afford a connection fee or the rental charges; people who make primarily local calls; and people in regional centres whose calls are to destinations less than 165 kms away. ❑

What It's All About

As *CU* explained in the earlier issue, until now Telecom has adhered to a pricing policy for trunk calls in which duration of call, time of day and distance were the sole determinants of the price. (The only exceptions to this policy were community and pastoral call rates.)

The legislation now allows Telecom to make 'reasonable' cost allowances for its prices, a process described by the cumbersome term of price 'deaveraging'. And Telecom obviously has a strong incentive to reduce prices along the more profitable routes where it is likely to encounter competition from Optus.

It has done just that. While Telecom's price reductions for some rural and remote calls is welcome, the big winners are, as predicted, the capital city users of trunk calls to other 'near' capital cities.

Sometimes it's no fun saying we told you so. ❑

THE NEW CHARGES

The new 'intercapital rate' which took effect on 6 May means that the price of telephone calls drops by up to 9 per cent on the Day Rate and up to 7 per cent on the Economy Rate for calls to 'near capitals' - cities less than 745 kms apart. Calls for capitals over 745 kms apart drops by 3 per cent.

For example, a five-minute call on Day Rate from Sydney to Brisbane - a 'near capital city' - falls from $1.88 to $1.73. A five-minute call between other capital cities - for example Sydney to Perth - drops from $2.62 to $2.54.

The other change is a 2 per cent drop in price for calls between 165 kms and 745 kms outside intercapital routes; a five minute call on Day Rate will drop from $1.88 to $1.85 for those calls. ❑