



ABC Jumps Gun on Pay TV

On 21 February the Trade Practices Commission rejected the ABC's proposals for linking its C licence two-channel pay TV service with the services of one or both of the other satellite pay TV licensees.

Basically, the ABC was asking the Commission to approve arrangements which would:

- bundle its services with the others so that subscribers would have to take at least one ABC pay service;
- fix the price of these bundled services;
- provide complementary rather than competitive services.

The TPC's conclusion was that each of the proposed arrangements might contravene the Trade Practices Act. It acknowledged however that circumstances might change, and that it was difficult to make a definitive decision in the absence of reliable information about the way pay TV would operate and the extent of competition which might apply. In fact, the subtext of the decision is that the TPC has chosen the course of erring on the safe side at this uncertain stage of pay TV.

As an indication of how fluid the situation is, since its decision was announced, Cable Television Services (a company headed by former Packer executive Lynton Taylor) has announced a July start-up in Sydney and Melbourne using the Telecom network, and is negotiating with CNN to provide news. CNN had submitted to the TPC that the ABC's proposals would remove any competitive situation it might have in negotiating with the A and B satellite licensees.

In its report, the TPC said that the ABC had provided it with 'incomplete information', and that additional information on consumer preferences provided by the Corporation at the TPC's request 'was not sufficient to change the Commission's conclusion on the matter', it said.

The TPC clearly thought the ABC's case less than thoroughly well prepared, with comments like; 'The absence of specific proposals makes it very difficult...to assess the likely public benefit or detriment which may arise' from the proposed arrangements. Consultants employed by the TPC to assess the ABC's financial model raised 'significant questions about the model's assumptions' on matters like the likely penetration of pay TV, the take-up rate of the C licensee's services, and the appropriateness of the rate of return benchmarks employed.

The ABC stated unequivocally that unless it was able to enter into the proposed arrangements, licence C would not be a commercially viable proposition. In view of this, the Corporation must be relieved that the Commission has not slammed the door totally on its proposals. The TPC said that its decision 'does not prevent subsequent application for similar arrangements by licensee C, or indeed licensees A and B'.

A Testing Read

The earlier part of the TPC's decision is a testing read for anyone not literate in economics and competition theory, containing as it does detailed analyses of the possible effects of the ABC's proposed bundling, and price fixing and complementarity arrangements.

Of more general interest are the TPC's conclusions on the public benefits the ABC claimed would accrue from these bundling arrangements. These conclusions touch on the kinds of public interest issues which should be central to the debate about new broadcasting services, and also represent the first real test of the ABC's claims about why it should be involved in a commercial enterprise of this kind.

The ABC said that the benefits of its proposed arrangements would be

- expanded services, and more diverse services
- better quality services
- stimulated domestic program production
- employment opportunities
- representation of the public interest in pay TV.

Regrettably, the TPC falls into some traps of the kind that have become familiar over the years when bodies like itself and the Industries Assistance Commission, whose viewpoint is primarily economic, attempt to assess industries which are essentially cultural.

For example, on the question of quality, the Commission states that its approach is to measure it in terms of what consumers are willing to pay, and that the higher the quality of services the more consumers would be willing to pay. Whether such a criterion could be applied to the offerings of pay television services may prove equivocal.

The TPC states that the ABC will participate in a similar role in pay TV to its role in free-to-air television, that is, by providing 'marginal programming as opposed to mainstream programming' - a view that must have caused some heartburn at the ABC. The Commission then reiterates the common view that the ABC share of the total audience is 'roughly 15 per cent' (based on ratings for one week in February). From this, it extrapolates that there is a consumer preference for different types of programming than those proposed by licensee C.

In taking this approach, the TPC ignores - or is ignorant of - the statistic which counts for the ABC: its **cumulative** audience, that is, the total number of people who tune to it **at different times** in any given week, to watch specific

Continued on page 6 ...

... Continued from page 5

programs. Unlike commercial television, the ABC is not in the business of attempting to maximise its audience at all times. There is programming provided by the ABC - special interest rather than 'marginal' programming - which attracts committed audiences of a kind which would no doubt be prepared to pay substantially for more of the same on specialist pay TV services. There are some clues here for how the ABC might frame a more effective submission next time.

The TPC conceded that ABC research indicates that 'viewers consider the ABC's services to be of a high quality', but added that there was no indication of their willingness to pay for that quality.

On the question of stimulating production, the TPC concluded that on current evidence, any gains in this area would be outweighed by costs in terms of anti-competitive effects and consumer detriment.

On the issue of increased employment, the TPC concluded that the claimed benefit was 'essentially private in nature, with the benefits accruing directly to licensee C and its employees'. In its view, this private benefit did not flow on to the public.

The Commission was dismissive of the ABC's claim that its involvement in pay TV would protect the public interest in these new services. 'Its role in pay TV is considered to be that of a service provider, not a regulator or representative of the public interest', it said.

The Commission reiterated the Government's intention that the ABC should participate in pay TV in a commercial manner, and said that its national broadcasting function should be confined to its free-to-air operations. Significantly, the TPC concluded that 'it is not the role of licensee C...to generate revenues and profits for the ABC to perform its national broadcasting functions'. □

New Direction for Boyer Lectures

Late last year the ABC announced that this year's Boyer lecturer would be commercial media entrepreneur Kerry Stokes, who will give his 'vision for the future of Australian communications'.

The lecture series, begun in 1961 as a tribute to the distinguished ABC chairman Sir Richard Boyer, is 'the ABC's most prestigious spoken word series' involving 'a person of unqualified eminence in any field of Australian endeavour' (Clement Semmler, *The ABC - Aunt Sally and Sacred Cow*, 1981, p.46).

The list of past Boyer lecturers is a dazzling line-up of distinguished Australians like historian Manning Clark, economist Tom Fitzgerald, writer Shirley Hazzard, medical scientist Sir Gustav Nossal, and Aboriginal academic Eric Willmot. The lectures are a showcase for leading Australian thinkers, one of the few opportunities the media offer for Australians to exercise their minds and ponder weighty questions. While the topics may vary widely, and there may be more than one lecturer in a series, the lecturers have usually presented intellectually challenging ideas and original insights. Last year, in an innovative move to mark the Year of Indigenous People, the lectures were given by a number of indigenous Australians from different spheres of activity.

The choice of media proprietor Kerry Stokes seems a radical departure from previous selection criteria. ABC chair Mark Armstrong said that he had been 'a thoughtful and courageous leader in the communications revolution and an advocate and supporter of Australian culture' (the latter no doubt a reference to Mr Stokes's seat on the board of several performing and visual arts organisations).

Perth-based Mr Stokes, who early in his career was a TV technician, has a controlling interest in a WA regional station, 6FMS and owns The Canberra

Times as well as The Chronicle, a weekly. He first came to national notice in 1987 when he was awarded the third Perth commercial TV licence by a division of the ABT, which by a strange twist of fate included Mark Armstrong in an earlier incarnation.

Mr Stokes is the attractive face of commercial media ownership. His performance during the Perth inquiry so impressed the Tribunal that it subsequently invited him to put the commercial perspective on the issue of how Australian the media could or should be at a 1987 conference, where he made a light and chatty rather than visionary contribution.

Mr Stokes said at the time of the announcement of his Boyer lectureship that this was the first time the lectures had been presented by 'someone from commerce, someone who can represent economic as well as academic interests'.

'The areas I hope to address', he said, 'will include technology, the social impact of the various choices that will be available, the desirability of these choices and the cultural effect on the Australian idiom'. □

