Television – the next decade

The following extracts have been edited from a recent one-day seminar in Sydney which looked at the options for new television technology, media, regulations and markets in the next decade. The seminar was organised by Strategic Technology Management Pty Ltd and attracted more than 100 senior professionals from the broadcast industry, academia, advertising, film industry and government bodies.

When is pay on the way?

It is apparent that an array of complex questions would confront government consideration of the possible introduction of pay television, and I have no doubt that others will emerge from industry and the community.

I am sure that you will be interested in the timetable for the process.

My department has nearly completed an options paper, which is intended for public release early in the new year. I would like to stress that it is an options paper rather than a definitive prescription of the future for pay TV.

After public release of the report, I expect that a period of several months will be set aside for public and industry comment and discussion on the matters raised.

During this period it is likely that the House of Representatives Standing Committee on Transport and Communications and infrastructure will also conduct an inquiry into pay television.

After this period of public comment, I intend to take a submission to cabinet to establish a clear government policy on pay television.

As I said earlier, there is a moratorium on pay television until at least September 1990. If it is decided to proceed with pay television, the timetable I have just outlined will enable an announcement well in advance of that date.

The future for pay television in Australia will depend very much upon the public response to this review process. It is apparent from experience in other countries that pay television has the potential to make a major contribution to the future of television. Nevertheless, the possible introduction also raises matters of concern to which the government needs to give careful attention.

Ralph Willis
Minister for Transport and Communications

New opportunities for cable television in Australia

Although never introduced into Australia, cable television systems have achieved substantial penetration world-wide especially in North America and parts of Europe. In 1988, more than 50% of US homes have cable services, and more than 80% of homes have the opportunity to access these services if required. These services however, because of their historical nature, use mature coaxial cable technology and are limited in the number of channels available, the quality of the video services and the degree of interactivity available to users.

Australia, because of its decision not to introduce cable television prior, has the opportunity to introduce a cable television service without the technical and regulatory restrictions existing elsewhere in the world. The use of an optical fibre infrastructure provided by the common carrier will allow users access to an unlimited range of increasing quality video services. In turn, the close relationship with the telecommunications switched network will introduce new interactive service opportunities.

The operational model traditionally utilised in North America and in parts of Europe, requires both cable television services and the infrastructure to be provided to an area on a franchise basis, ie, a single body controls both the services available to the user, and the infrastructure used to deliver the services.

The objective driving the introduction of pay television services in Australia is to increase the diversity of choice available to Australian consumers. To this extent, pay television services provide opportunities for narrowcasting services aimed at specific consumer requirements and preferences. Three elements are required to ensure that a large range of diverse services are made available in Australia:

- a pay television industry model which ensures that no restrictive practices can be used to control the variety of choice available to the consumer.
- an economically viable infrastructure which will not technically restrict the number of programs available to the user.
- a competitive market capability for the supply of pay television services to provide both the number and range of different services.

Considerable technical advances have been made in recent years which allow these three elements to be incorporated in Australia. In particular, optical fibre technology developments allow an infrastructure to be established in the 1990s which will both integrate telecommunications services and cable television services onto a single infrastructure. The multi service nature of this infrastructure makes available for the first time the economical viability of separating cable television programs from the cable television carriage. This service content and service carriage separation model

for the pay television industry ensures that no restriction can be made by the infrastructure provider on the programs available to the user, satisfying the first requirement outlined above. Furthermore, the nature of an optical fibre switched network will provide an unlimited availability of channels to the consumer, allowing the second requirement above to be satisfied.

The third necessary element in this model can be achieved by ensuring that the common carrier provides non-discriminatory access to any pay television program supplier who wishes to reach the consumer base. Free competition in program supply and non-discriminatory access by the common carrier will ensure that no restrictions are placed on what the consumer may view, subject to the censorship laws provided by the Government.

The use of this service content - service carriage separation model in Australia will therefore position Australia with a more open and competitive industry than that available even in the United States.

Telecom believes that the adoption of this model positions Australia to achieve the efficiencies of an integrated cable television telecommunications network whilst opening up and stimulating the supply of program material to optimise the choice of programs available to users.

John Burton
Director Strategic Planning
Telecom Australia

Pay-TV via satellite

Aussat believes that, given a decision by the government to proceed with Pay-TV, the only practical commercial solution in the first instance will be via satellite. The terrestrial alternatives are essentially UHF transmission or fibre optic cables into the home.

UHF does not appear to offer a viable proposition, since only one frequency is available in the majority of capital cities.

Fibre-optics may prove to be the ultimate means of delivery of Pay-TV and other services, but the penetration rate into domestic premises for such a solution can be expected to be relatively slow. From the point of view of the Pay-TV licensees, high levels of penetration early in the life of the service are essential for all important cash flow.

These considerations lead Aussat to the view that satellite delivery must be the solution, at least for the early years.

Regarding timetable, Aussat's first B-series satellite is due for launch in the third quarter of 1991. This timetable provides a deliberate margin of 15-18 months compared to the forecast end-of-life date of the A1 satellite (December 1992), to protect the schedule against launch delays or launch failures. However, if the market need were present, in the form of a Pay-TV requirement for example, the satellite would be placed in service early.

While this paper does not address high definition television (HDTV), several points are noteworthy. A standard for HDTV has yet to emerge, with several alternative systems currently being developed around the world. HDTV could form part of the marketing mix of a Pay-TV system introduced in the early to mid 1990s. Aussat is continuously monitoring developments in HDTV standards and believes that the B-series design will enable carriage of whatever standard or standards finally emerges.

In summary, DBS is an emerging world technology for the provision of Pay-TV. DBS services already exist in Australia, and use of this technology for Pay-TV will consolidate existing government policy for HACBSS and RCTS, both by promoting purchase of more earth stations in remote locations and by extending program choice with the addition of Pay-TV to these transponder services. A stimulus to earth station or component manufacture is also provided, with potentially positive results for investment, employment and export income.

Aussat is now committed on the B series satellites to provide a DBS capability that will enable up to fourteen channels to be operational from late 1991. Ninety per cent of the Australian population could receive pay services from these satellites by direct reception. The remaining ten per cent of the population has not been overlooked; pay services can be provided to other areas by use of local retransmission facilities and/or by use of RCTS and HACBSS transponders.

There are significant advantages in introducing Pay-TV by means of DBS. Satellite technology permits the introduction of pay services on a low cost, rapid installation and limited risk basis but will not preclude an evolution to cable or optic fibre distribution at a later stage.

Aussat strongly supports the introduction of Pay-TV in Australia in the early 1990s and believes that potential service providers should be given the opportunity to make use of satellites in the delivery of Pay-TV programs.

Richard Johnson
General Manager, Aussat Pty Ltd

Closer Economic Relations

The far-reaching decisions by the Governments of New Zealand and Australia on telecommunications and Broadcasting have coincided with an impetus under CER for an inter-governmental agreement on trade in services generally. Both areas at the moment, however, are among the few service sectors specifically exempted by both governments from the full services protocol. However, this obscures an emerging process of consultation between the authorities of both countries and the potential for developing trade in these sectors.

Broadcasting has been characterised by considerable regulation with entry and investment restrictions. Albeit to a lesser extent, these remain, and as a consequence broadcasting is not yet in the full CER services agreement.

In the meantime officials of both governments have already had to examine the consequences of television broadcasting via satellite which was brought into focus by the recent decision of the Australian Government to allow Aussat to provide international and in particular trans-Tasman services as from 1 April 1989, subject to agreement from the global satellite organisation Intelsat, and countries in the region, notably ourselves.

The issues are not simple, but they are much more readily understood if we make clear distinctions between three types of services:

The first type of service is broadcasts which are linked internationally via satellite, but which are then re-transmitted terrestrially within the recipient country. It is important to recognise that in this case, the re-transmission clearly falls within the laws and jurisdiction of the recipient country, and is therefore subject to its requirements concerning foreign ownership (of the company making the re-transmission), standards and content. Thus there are no special regulatory or access issues in this case.

Secondly, there are broadcasts originating overseas which are received fortuitously: that is, broadcasts which are not intended primarily for an overseas country, but can be picked up on a satellite dish in an overseas country. Both the Australian and New Zealand Governments have recognised that there is very little that can be done to prevent or regulate such fortuitous reception of overseas broadcasts without resorting to measures which would be unacceptable in an open society. Thus broadcasts uplinked in New Zealand primarily for New Zealand audiences, which spill-over into Australia, will not be regulated by the Australian authorities, and vice-versa. It must be noted, however, that the signal strength of such fortuitously received broadcasts tend to be weak, so that large and expensive dishes are required. This puts reception out of reach of ordinary households, and greatly limits market penetration. It is also important to note that such broadcasts are subject to the regulatory requirements of the originating country, for whose

citizens the broadcasts are primarily intended. This means that many concerns about lowering of standards are misplaced. Standards regulation on both sides of the Tasman is likely to remain tough.

Thirdly, there are direct broadcast services or D.B.S. These are broadcasts which are transmitted via satellites with sufficient power to be received on small and inexpensive dishes easily affordable by most households. This type of satellite broadcast originating overseas raises contentious issues on content and standards. However such DBS, although increasingly common in Europe in particular, are still a few years away in New Zealand, at least because there are no satellites with genuine DBS capability operating in our part of the world. The first ones are likely to be the first generation of Aussat satellites, due for launching in 1991 and 1992. It is important to note, however, that DBS broadcasts into New Zealand are unlikely to be fortuitous that is a spill-over into New Zealand from broadcasts intended primarily for another country. This is because of our geographical isolation (unlike neighbouring countries in Europe) which means spot beams have to be focussed specifically on New Zealand to reach DBS field strength.

When it comes to DBS services, recipient countries, including New Zealand, do have legitimate concerns about standards. As part of decisions last August the Minister of Broadcasting was asked to seek inter-governmental agreements on programme standards in relation to the use of satellites for broadcasting equivalent to those to be prescribed in legislation in New Zealand. An assurance has been received from Australia that Aussat facilities will only be contracted for services which meet the regulatory requirements of all recipient countries. This will enable New Zealand to maintain whatever standards we consider appropriate for non-fortuitous broadcasts coming into New Zealand via Aussat; and of course for Australia to do likewise.

Although it has no practical effect presently, Australia has also agreed that New Zealand companies will be able to broadcast into Australia via satellite any service meeting Australia's regulatory requirements. In practice this is essentially limited to what you call VAEIS services, (Video and Audio Entertainment and Information Services). Of course your VAEIS regulations are still being considered along with the possibility of allowing pay TV for domestic subscribers New Zealand will, of course in the context of CER, be seeking to ensure that New Zealand broadcasters are able to provide pay television services into Australia if Australia decides to introduce such services.

Finally, Australia has given an undertaking that it will not use Aussat as an instrument of regulatory policy. That is Aussat will not be directed by the Australian Government (its owner) to prevent or limit any service provided from New Zealand to Australia.

Some useful progress is being made in the area of trans-Tasman relations for broadcasting services. The CER services protocol is up for review in 1990, and there is a General Review of CER scheduled for 1992. In the meantime a start has been made in evolving a framework within which television broadcasting services can be developed with market opportunities for firms on both sides of the Tasman.

James R A Stevenson
Assistant Secretary (Communications)
Department of Trade and Industry,
New Zealand

Naming sources

Mr Justice Hunt on January 6, 1989 set aside orders that Sydney Morning Herald journalist, Peter Hastings name his sources for an article which was published in The Herald on 13 January, 1985. The next issue of The Bulletin will examine the issues raised by the Hastings case.

FM Licence Grants

What makes a winner?

Paula Pazies is a media/entertainment lawyer with Blake Dawson Waldron. She represented the winning applicant in the recent Gold Coast licence grant and the runner up in the Newcastle licence grant.

In 1986 the Government announced its intention to bring commercial FM services to more than three million people outside metropolitan state markets by 1992. This plan has involved and will continue to involve the Australian Broadcasting Tribunal, in licence grant inquiries around the country-side. To date decisions have been made for Newcastle, the Gold Coast, Geelong, Gosford and Shepparton. Of the five decisions, three are currently on appeal to the Federal Court of Australia. Although the Newcastle decision was appealed successfully, the ABT found in favour of the original winner.

Currently there are a number of licence grant inquiries in train and applications for a number of markets are yet to be called. On the surface, prospective licence applicants have the benefit of five decisions of the ABT to refer to when planning and structuring their applications, to obtain some insight into the ABT's thinking on what makes an FM winner. But is that really the case?

An analysis of the five decisions to date demonstrates that there is no clear formula to be adopted which might guide prospective applicants to a win position. In fact, in all markets the make up of the winner and the grounds for decision have differed. For example, in the Geelong licence grant, the overriding determining factor for the ABT was the nature and extent of local involvement in terms of shareholding spread of the applicant company, number of local directors on the Board, the extent of local input into the application, and the encouragement for use and development of local talent and resources.

Applicants with 45% non-local shareholding were immediately disqualified from the race. One month later the ABT found in Gosford for an applicant with 50% non-local shareholding and with a Chairman and Deputy-Chairman living outside the service area having the major responsibility for implementation of the service.

The ABT has a very wide discretion within the scope of the Broadcasting Act 1942 (the "Act") to grant licences, and decisions are made with reference to the scope and intention of the Act, the public interest and the market.

Section 83(6) of the Act lists the considerations the ABT may take into account, to the exclusion of other considerations, when deciding whether or not an applicant qualifies for the grant of a licence. To satisfy the test the ABT must have regard to whether the applicant is fit and proper to hold the licence, has demonstrated