

The Future of the Television Industry

Gary Rice surveys the impact of future developments on commercial television

By 1993, Australian viewers will have what to many will be a bewildering range of entertainment choices available to them in their homes. And, by then, the newer TV sets themselves could probably look quite different.

Technological developments

A number of European manufacturers — Philips and Thomson included — have developed wide screen television sets, which, with adjustments to our broadcast signal, can accommodate the now common wide screen movie formats without chopping off part of the picture or the compression of images which now occurs. These sets have already been demonstrated in Australia and off-shore factories are geared up for any launch of the technology here.

Somewhat further down the track is High Definition Television, known as "HDTV". On 25 November, 1991, Japan's NHK began broadcasting eight hours a day of high definition television. Brilliant, sharp images on large screen television sets. But at \$AUS30,000 a set it is not surprising that only 2,000 high definition TV's have been sold in Japan and most of those are located in hotel foyers and other public places. However, once volume production takes place, particularly of the computer chips and integrated circuits involved, the inevitable reduction in prices should lead to a veritable bonanza for the Japanese electronics industry.

We as Australian television operators cannot ignore overseas developments such as wide screen or high definition, because we are likely, at the very least, to receive requests from overseas broadcasters for coverage in these formats of major Australian events, including sporting events. Wide screen and high definition are some way off here. But of immediate relevance to viewers are laser videodiscs, CD ROM and, of course, pay TV in 1993.

We are all familiar with the extraordinary penetration of the video cassette recorder in Australia. A few years ago attempts were made here to market the video equivalent of the compact disc — the laser disc — but it did not take off. However, over the past two years, laser discs have begun to make quite strong inroads into the home video market in Japan and the United States. Viewers are attracted by the clarity of the 400 line

images, the CD quality stereo sound and the random access facilities, which are not available with home video. Buoyed by the success of laser discs overseas, a major Australian home video distributor has begun a monthly release program of movies on laser disc.

The digital technology which led to the development of CD's and laser discs has also contributed to the development of a further home entertainment medium, the interactive CD ROM.

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You will hear the word "interactive" used more frequently in Australia from now on. With free to air television, interactive TV will enable viewers to participate in game shows or order advertised goods, via phone lines at first, but later by fibre optic cable, connected to a central computer linked to the television program.

CD ROM is available in Australia now. Discs contain text, sound, animation and video and are played in a special machine, linked to the home TV. Among the titles of the discs available is a tour of the Smithsonian Museum that lets viewers inspect statues at various angles, examine the detail of paintings or hear the sounds of musical instruments on exhibit.

Home video, laser discs and now CD ROM certainly provide viewers with a number of alternative viewing choices to free to air television — that range of choices will be greatly expanded by the introduction of Pay TV in 1993.

Broadcasting Services Bill

The Government's decision to lift the moratorium on Pay TV as from 1 October 1992, and the proposed enabling legislation, the Broadcasting Services Bill, represent, to my mind, examples of "ivory tower" thinking which is quite out of touch with economic reality.

It may surprise you to hear that free to air television is, at best, a marginal undertaking. And this has got nothing to do with the present state of the economy, or the fact that we face competition for the advertising dollar from the Government's own publicly funded Special Broadcasting Service television network. For the most part, the commercial television industry is now lean and efficient, with realistic costs being achieved in many areas of production, administration and the purchase of overseas programs. We also have more realistic and manageable debts.

As a result, we are a more efficient industry which is more responsive to the demands of our viewers. But the inescapable fact is that this is a country with a relatively small population base and, as a consequence, a limited advertising expenditure base. The prospects for growth in advertising revenue in the short to medium term are modest at best. Against this background, we are faced with a number of heavy fixed costs resulting from Australian Content and Children's Program requirements imposed on us by the Australian Broadcasting Tribunal. The new Broadcasting Services Bill would empower the new Authority to regulate

both Australian Content and Children's programs. It is reasonable to assume, therefore, that our present costly levels of production on these programs will continue.

Given the stagnant advertising revenue position and our expenditure on Australian programs, I am concerned, to say the least, by the future scenario laid out before us in the Broadcasting Services Bill.

The Bill does have some positive aspects. It is a major advance over the confusing patchwork which the *Broadcasting Act 1942* has now become and is to be commended for its proposal to implement a 75 per cent audience reach policy.

However, these are among the few positive things I can say about the Bill.

Among the aspects which concern me are the prospect of:

- fragmentation of the television audience by the introduction of Pay TV in 1993 and competition for the advertising dollar by Pay TV operators after 1997 (even though they will continue to be subsidised by viewers by means of Pay TV subscriptions).
- the increased power of the proposed Australian Broadcasting Authority with greater investigatory powers than the present Tribunal and the ability to impose very substantial fines (up to two million dollars per day in the case of a company found to be in breach of the control provisions);
- the removal of existing commercial viability criteria, which up to this time has been an important consideration in the planning of new services and has taken into account whether sufficient revenue exists to support new stations, and
- the adoption of a virtual auctioning process for the allocation of new licences, which will have no regard to the impact the new operator will have on existing stations and the quality and diversity of programming they already provide.

Effects of pay TV

We need look no further than the United States to see that the introduction of Pay TV will lead to the inevitable erosion of both the revenue and the audience base of free to air television. In the States, cable revenues are currently in the order of 17 billion dollars, including two billion in revenue from advertising. However, the free to air networks are receiving only ten billion on advertising revenue. Any repeat of this scenario here will inevitably lead to cost cutting. The brutal reality of the 1990's is that we have

very little left to prune other than program costs. It is not too simplistic to predict that free to air television is likely to be reduced to an unadventurous regime of low cost studio based productions, such as talk shows, and repeats with, of necessity, far fewer Australian productions of quality such as one off specials and mini series.

This situation will have grave consequences for the Australian production industry, for writers, actors and all the other highly skilled Australians who daily enrich our television screens with quality Australian programming. We also need to be concerned about the impact this will have on people, such as those on fixed incomes, who will not be able to afford access to Pay TV services.

In painting this grim scenario, I am not adopting a Luddite approach to the introduction of new technology. Pay TV is about to be introduced here, whether we like it or not. However, the commercial television industry has argued quite forcibly to the Minister for the introduction of Pay TV in a manner which causes the least harm and disruption to the high quality free to air television which Australians have enjoyed for the last 30 years.

Conclusion

To sum up, I see the future of the Australian television industry in terms of exciting new technology. But our regulators must start to recognise not only the unique nature of Australian television and the extraordinarily high quality programming we have been able to provide to a relatively small and widely scattered population, but the economics of the free to air commercial television industry.

No other country with a population of fewer than 30 million has three national commercial television networks which broadcast a larger proportion of local programming, most of it of world standard. The proposed Broadcasting Services Bill in its current form poses a very dramatic threat to the viability of a high quality commercial television industry.

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