Pay television - the selection process

Kim Williams argues that the Government must use broad criteria when selecting the successful pay TV bid

The release of the Broadcasting Services Bill and more recently the information paper inviting expressions of interest in the allocation of a satellite pay TV right from the Department of Transport and Communications, throw into stark relief the key elements to be contained within the process for awarding the satellite Pay TV right. Presently, as stated in the information paper (and in a less specific sense in the Broadcasting Services Bill), it is proposed that the primary mechanism, subject to certain minimum policy thresholds being met, should be price based. This is an entirely defective mechanism for achieving policy and operational outcomes which accord with the priority status the Government has indicated they have.

A competitive framework

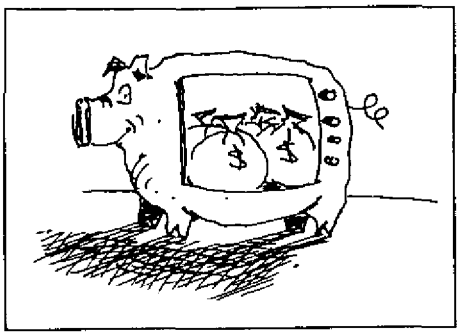
If we are going to have a competitive framework for developing an delivering a new system to the Australian public, why is it that price is to be the only uniquely objective and informative guide in realising fair and appropriate results? Why not have a competitive framework whereby the Government's stated objectives are reflected by way of competitive difference between the various bidders, providing a firm basis upon which they will be compared, evaluated and from which a winning presentation will be chosen?

Clearly, if Government is to:

- award a new service a period of exclusivity in recognition of the speculative nature of such a service and the need to raise fresh capital for it;
- indicate that it is to have a moratorium on advertising;
- require it to meet priority objectives in Australian content for manufacturing industry and production; and
- specify limits on cross media ownership and foreign ownership

then there are a variety of mechanisms available to achieve those outcomes in a robust commercial fashion where each bidder is required to properly appraise such issues. A price based mechanism will not maximise the dedicated performance on the part of bidding consortia in these issues.

Arguably a price based mechanism for a



service of this kind is commercially inimical to its operational history and moreover, will be at the real expense of such issues as Australian industry and employment policy, Australian content levels, Australian ownership, the length of any moratorium on advertising and the security of access for other program service providers in a more extended channel environment (permitted through technological change). The latter is of immense importance given that technology will, in the very near future, facilitate an immense expansion in the range of services possible.

Pay TV in focus

It would seem to me to be altogether more appropriate to embrace a competitive environment for the allocation of the sole national pay TV right that requires careful and comprehensive appraisal of the relative merits of the various tenders on each and every one of these issues.

Such an approach recommends itself as being more flexible, more creative and altogether more commercially realistic. The proposals volunteered by individual bidding consortia can be enshrined in licence conditions, against which performance (and licence continuity) can be evaluated. In particular, if such issues as the level of Australian content in manufacturing industry and programming are to have a real priority weighting, realistic commercial results can only be achieved within a competitive framework tried and tested against the business disciplines informing the development of the business plans, capital formation responsibilities and firm proposals of the various bidding consortia.

Public policy

On the other hand, a primarily price based mechanism whereby the amount of money to be returned to Government is the principal competitive tool for evaluation, will come at the cost of maximising performance in the stated areas that have public policy priority. Every extra dollar awarded Government for the operation of the service in a price based evaluation system will be lost to Australian manufacturing industry content.

Other than the maximisation of revenues to investors there are no hard and fast rules as to the financial dynamics for the operation of a pay television service. If an allocation system is to aim to achieve outcomes other than minimum performance criteria, there must be a policy framework which clearly identifies the Government's priorities and opens up such issues to the harsh realities of competitive comparison.

The cynical will immediately say that there is no constraint in such an environment against the rogue bid which overestimates the capacity of the service to deliver outcomes that are particularly palatable from a public policy viewpoint and then undercuts its stated targets progressively from service commencement.

Such a view drives at the very heart of the integrity of any selection process. A competitive licensing process should, in my view, test competitive bids against detailed business plans which prove the financial viability and soundness of such business planning and look to the demonstrated capacity on the part of the various proponents to deliver the range of activities and services they advance in the final submissions.

The alternative in providing a set of minimum fairly general criteria with the requirement to maximise pricing offers to Government is clearly a fairly blunt and very clumsy, public policy instrument.

The nexus between policy, financial resources and resource allocation, is fundamental in any such process. The choice for the Government is to provide a framework which actively encourages policy and business preoccupation addressed to identified Australian needs and priorities or which provides a licensing of legislated rights that is forever a hostage to an unsophisticated taxation mechanism under the auctioneer's hammer.

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