Future Directions for Pay Television in Australia. Volume 1: Report; Volume 2: Appendices and Common Carriers Papers *Department of Transport and Communications*
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By the time this review reaches your desk, if the government adheres to its intention, a decision will have been announced on the introduction of Pay-TV in Australia. At present we are still within the four year moratorium imposed in 1986 by former Minister for Communications, Michael Duffy, after Rupert Murdoch convinced him that such services would not be financially viable in Australia.

This report is part of a review of Pay-TV foreshadowed by Duffy when announcing the moratorium and so does not make direct recommendations (following the terms of reference). It is, however, far from an impartial assessment of the potential for Pay-TV. Its authors clearly favour the introduction of Pay-TV according to a perceived 'natural timetable', i.e., 1990 — End of Moratorium, 1992 — Introduction of Pay-TV via Aussat's Second Generation, and 1995 — Introduction of Pay-TV via Telecom's Fibre Optic Network. The thrust of the report is for the government to do nothing and thereby allow this 'natural timetable' to come into play. The corollary is that any attempt to assess the viability of services or regulate content would be interference with the workings of the market:

> There will be some argument in the community that pay television should not be introduced because there is no real demand for such a service. However, as has been discussed in this report, pay television differs from broadcasting in that there is a much more direct relationship between the operator and the viewer. The viability of pay television services will depend upon this relationship rather than being a matter for the Government to try to determine in advance. (Vol. 1, p. 138)

This argument would be much more persuasive if publicly owned carriers were not providing funding for the necessary infrastructure development. At least in the case of satellite technology the report's authors too readily accept Aussat's assertion that this technology would be put in place without Pay-TV. What is chiefly wrong with this report is a fundamental misunderstanding of the long term strategy of the satellite authority. Aussat desperately needs to diversify its sources of revenue. The satellite system has never been able to generate the cash flow necessary to meet revenue levels promised by proponents. Each year Aussat's operating revenue slips further behind modelled predictions, and as of 1988 its accumulated losses (before tax) were $107.413 million. Thus it is difficult to reconcile the report's claim that the infrastructure would proceed as a matter of course with stating that the potential revenue to Aussat would be between $30-50 million. For those who want to look beyond the 'natural timetable' explanation for the development of Australian communications infrastructure, the conclusion that Aussat's planning has taken this into account is difficult to avoid. Broadcasters currently provide around 70 per cent of Aussat's revenue. Yet, despite vaunted industry consultation, the design of the second generation was opposed by Aussat's major customers, who wanted the emphasis to be placed on cost reduction rather than increased transponder power. In a high standard submission to the Saunderson Inquiry into Pay-TV, Channel Ten suggested halving the capacity of the second generation because of the enormous expense of satellite technology.

In terms of distribution of television and radio, satellites are clearly a 'sunset technology'. With the advent of Telecom's inter-city fibre network, the Australian television industry will decreasingly use the satellite. Whereas transponder costs continue to rise, terrestial costs are falling. This has most recently been evident in rural networks utilising Telecom bearers for aggregated markets in NSW rather than satellite capacity. On the broadcasting front, the RCTS scheme continues on shaky financial ground, propped up by state subsidies, with one of the services falling well behind in its payments to Aussat. Additionally, the ABC surmised in 1987 that the annual cost of HACBSS was $4,000 per outback receiving installation compared with a yearly programme distribution cost of $5 per head for the rest of Australia. This sort of cross subsidy will only continue as long as the ABC is required by the government to meet the $20 million annual cost of HACBSS. It should also be remembered that two of the three VAEIS operators quickly went out of business after experiencing combined losses approaching $40 million. Thus, without Pay-TV there is every possibility that Aussat's much larger second generation will have massive overcapacity along the lines of Brazilsat, Telsat, Morelos, Arabsat and most US systems.

It is not merely a question of leaving Pay-TV to the market. Aussat has suggested that it could set transponder charges below initial costs to assist services in their formative years. Clearly a publicly owned entity would be bearing risk in addition to providing the delivery infrastructure. The allocation of these resources is a political judgement made by the carriers: it is not an inevitable unfolding of progress along a predetermined path. Belief in a 'natural timetable' is a poor substitute for the critical analysis which should accompany infrastructure development by Aussat and Telecom, costed in the order of $5-8 billion. The dearth of analysis in the report is reflected in the acceptance of Aussat's suggestion that it would be able to provide 14 channels (seven on each second generation satellite) for Pay-TV. When it was pointed out that this would entail viewers purchasing two dishes or prohibitively expensive repositioning equipment, the embarrassed satellite authority reduced its offering to six channels. This type of fundamental error from the DOTAC does not inspire confidence in the competence of those sections which have been subsumed in the merger of communications and transport.

If the report's authors had any familiarity with recent history of Aussat, they would have been aware that a similar debate took place when Aussat attempted to have the ABC's HACBSS service on one satellite and commercial equivalents on another, which again would have entailed viewers purchasing two dishes to receive both signals. Unfortunately, the practice of Commonwealth Departments is to place their faith in so called economic rationalists, well described by Hugh Stretton, rather than to retain experienced bureaucrats.[1] The lack of clear thinking is also evident in the report's proposition that the ready acceptance of VCRs by the community is evidence that there is likely to be a demand for Pay-TV. An equally valid conclusion may be that the 60 per cent VCR penetration rate represents an impediment to such services. In any event, the usual bevy of overpriced consultants are queuing to transpose the 'wisdom' of foreign parent companies on the question of demand, into the Australian context. The research in Volume 2 underlying the report seems to have involved a quick phone around to give the impression of widespread consultation. One of the recipients of this consultation process told me that when he tried to qualify his answers to simplistic questions, the reply came that there was not the time for that sort of depth.

Yet, even if we were to accept the proposition that the delivery technology will be put in place as a matter of course, the report presents flimsy justification for the introduction of Pay-TV. Here I would briefly like to consider two of several dubious arguments forwarded in support of the introduction of Pay-TV: namely that it will improve viewer choice and increase Australian production. First, in assuming that increased capacity will improve viewer choice, scant attention is paid to any notion that this would have to take account of some measure of the quality (however subjective) of programming. Reference to the UK's Sky Channel programming shows it to be broadcasting 1970s Australian soaps, including the 'Young Doctors' and 'The Sullivans', and the 1950s US sitcom, 'Here's Lucy'. Sky's budget for programming four channels is less than 20 per cent of the BBC's expenditure on two channels. These programmes are aimed squarely at a mass market and Sky's brief for producers was not to be innovative. It is from this market that the report's authors suggest Australian Pay-TV operators will be able to purchase quality programmes.

Secondly, it would be unrealistic to expect that operators would be able to expand significantly the production of 'quality domestic programmes'. The three commercial networks spend far greater amounts on making domestic programmes than on imports, yet the ratio of Australian drama to imported equivalents shown on Australian television is small. In an unregulated market, Pay-TV would presumably follow VCR trends, where only 4 per cent of titles distributed are Australian.[2] Thus, increased capacity could hinder efforts to build cultural sovereignty. An additional problem that the report at least mentioned is that 'free-to-air' broadcasters would no doubt mount a case for deregulation predicated on the need to compete on equal terms. This would work against the ABT's attempt to increase Australian programming to 60 per cent of broadcasts.[3] We are left asking whether deregulation would lead to a deterioration in the quality of Australian television? Under Mark Fowler's guidance, the FCC deregulation of American television produced a sharp decline in the number of regularly scheduled programmes with educational content.[4] That Pay-TV is on the political agenda probably has as much to do with the failure of existing policy to ensure long held objectives of preventing the concentration of media ownership. The irony is that the economic benefits which were supposed to flow from networking have simply not materialised, while the abuse of media ownership has been the subject of a well reported ABT inquiry. Thus, if it attempts to diversify ownership through the introduction of Pay-TV, the government could further worsen the economics of an industry labouring under over capitalisation, stagnant advertising revenues, escalating programme costs, and the financial burden of equalisation of services. As in the United States, this could jeopardise the social objectives the community expects from existing broadcasters.

In conclusion, DOTAC has produced a very poor report, imbued with technological determinism, devoid of critical analysis, selective in reporting overseas experience, and short on placing the debate in the Australian context. On the latter point, the report is prone to take the existence of services (RCTS, VAEIS, HACBSS, etc.) as evidence of the successful implementation of past policy. It would have been refreshing if the debate could have proceeded from a realistic appraisal of past policy decisions and the long term strategies of Aussat and Telecom. In respect of the latter point, although both carriers observed niceties in their submissions by noting that cable and satellite were complementary, given their current planning, this is far from obvious. If it was clear that the Australian public wanted Pay-TV and that it was not going to degrade 'free-to-air' services, then a complementary system would involve Aussat shaping high powered beams to serve regional and remote areas rather than the metropolitan centres for which satellites have no advantage. The entire debate highlights the fact that decisions regarding the shape of the delivery technology have already been taken by the carriers in the closed shop of Australian communications policy making.[5] Let us hope that the decision has not been made to shore up past mistakes.

REFERENCES

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3. Australian Broadcasting Tribunal, *Australian Content Proposal For Commercial Television,* 9 December 1988.
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5. On policy making, refer to Mark Armstrong's introduction to Elizabeth More and Glen Lewis (eds), *Australian Communications Technology and Policy: A Reader,* Centre for Information Studies Publications, Kuring-gai CAE, 1988.

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The Rules Are No Game: The Strategy of Communication *by Anthony Wilden* (Routledge and Kegan Paul, London and New York, 1987) pp. xv + 432, ISBN 0-7100-9868-5

We are in the midst of an intellectual gold rush. The prize — the much sought after heavy metal — is an understanding of communication and information, for which the rich and powerful are prepared to pay a high price. From all over the world opportunistic intellectuals have converged on the potential gold fields and are busy digging away in search of the precious stuff.

The potential gold fields are easy enough to spot. Information and commuication technology, information economics, cognitive science, mass media, cultural studies, semiotics, and linguistics, are all potential places to dig. Some of them are simply different entry points on the same mountain side. The diggings are now extensive, the tunnels are labyrinthine, and the mounds of publications — the dross from all this labour — are a blot on the intellectual landscape. Yet still there are very few signs of the glittering prizes. There is no shortage of prospectors anxious to stake a claim, convince the investors, and start digging. At this stage many prospectors seem to spend more effort trying to convince the investors than doing any digging. So when a radical miner of experience returns from fossicking in the old workings, clutching, not gold, but