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COMMERCE AND TRADE
GOVERNMENT OF WESTERN AUSTRALIA

Office of Information and Communications

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Professor Richard Snape
Broadcasting Inquiry
Productivity Commission
Locked Bag 2, Collins Street East Post Office
MELBOURNE VIC 8003

Fax: (03) 9653 2305 E-mail: broadcasting@pc.gov.au

FAXED

Dear Professor Snape

PRODUCTIVITY COMMISSION: BROADCASTING INQUIRY

The Department of Commerce and Trade welcomes the opportunity to participate in the Productivity Commission's inquiry into broadcasting and to comment on the *Broadcasting Issues Paper (March 1999)*. The submission is attached.

The Western Australian Government is primarily concerned with improving the interests of consumers and the balance of social, cultural and economic dimensions of the public interest. A competitive market for broadcasting is needed that will be responsive to both audience needs and new technology.

As Channel 31 Perth commences broadcasting on 18 June 1999, the Government has highlighted the interests of community television in its submission.

Officers from the Department of Commerce and Trade will be available to participate in your hearings through video or audioconferencing on Wednesday 9 June 1999 at 1pm Western Time. For more information, contact Ms Donna Wood at the Office of Information and Communications on (08) 9327 5666.

Yours sincerely

Richard Muirhead
CHIEF EXECUTIVE OFFICER

1 June 1999

Att.

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DEPARTMENT OF COMMERCE AND TRADE

168-170 St George's Terrace, Perth, Western Australia
Postal Address: PO Box 7234 Cloisters Square, Perth, Western Australia 6850
Telephone: (08) 9327 5666 • Fax: (08) 9327 5481 • Freecall: 1800 628 767
World Wide Web: http//www.wa.gov.au/gov/commerce/

Submission to the Productivity Commission Broadcasting Inquiry

by the Department of Commerce and Trade
Western Australia
May 1999

Introduction

The Department of Commerce and Trade is pleased to make a submission to the Inquiry into Broadcasting by the Productivity Commission. The submission takes the form of four parts. The first three parts cover the three main considerations from the terms of reference with a final recommendation. The fourth part is an appendix with detailed comment and information on some of the questions from the *Issues Paper*, March 1999.

CONSIDERATION ONE: Balancing the Social, Cultural and Economic Dimensions of the Public Interest

Broadcasting, with its current technological and industry convergence, presents a very complex scenario in Australia. The balance between social, cultural and economic dimensions of the public interest is a delicate one at best.

A healthy broadcasting industry should be encouraged in Australia, but social and cultural dimensions should always be at the forefront. The danger is that the social and cultural aspects can gradually erode as the industry thrives. The ultimate result will be economic benefits to the private sector, but loss to consumers in terms of significant unmet local information needs. There will be a concomitant economic loss to local production interests. The resulting homogeneous culture will not only lose the flavour of localism, it will also devalue events of local significance.

Immense Value of Broadcasting to Western Australia

Broadcasting has been exceptionally important to the state of Western Australia due to its geographical isolation both from the rest of Australia and the world. Western Australia represents approximately one third of the Australian land mass. The population outside the Perth metropolitan region is relatively small, unevenly distributed and is characterised by a lack of services when compared to the metropolitan area.

What should not be forgotten is the tremendous economic contribution of this sector of Western Australia where 2.5% of the Australian population is producing over 26% of Australia's export income. As well as social equity, there is strong economic argument for ensuring these isolated people have equitable access to services including broadcasting. This scattered population has critical needs for information, education and entertainment which are ideally satisfied by broadcasting.

Broadcasting in Regional Western Australia: Critical Consumer Needs

Historically, broadcasting has served as a lifeline to regional people. ABC Regional Radio has provided immense benefits to country people. Commercial radio has provided diversity in those towns where it is commercially viable. Choice of television services outside the three most populous towns originated in 1986 with the

commencement of the Western Australian Government subsidised first commercial television service. This has improved with the launch of the second regional television service in early 1999 and a trend towards provision of SBS TV via self help retransmission.

Convergence of technology, namely the use of satellite Direct to Home (DTH) reception through digital decoders, commenced in January 1998. It has brought diversity to regional consumers, but at quite a cost. Despite Networking the Nation subsidies for decoder changeover, consumers' costs are often $1500 per household. Numerous complaints about cost and lack of full service have been made to the Western Australian Government from individual consumers and organisations such as the Isolated Children's Parents' Association which represents remote home schooling interests. Complaints to the Commonwealth Minister for Communications, Information Technology and the Arts have not led to a satisfactory solution.

Unintended Results of Competition: Detriment to Regional Consumers

Traditional theory has competition bringing the best products and services to the consumer at the lowest cost. However, this has not proved to be the Western Australian experience in broadcasting.

A recent example of the failure of theory to deliver benefits is the consumer detriment experienced in remote area television services. Satellite delivered services converted to digital from an analog format in 1998. The broadcasters' economic considerations were paramount as the digital conversion was driven by satellite transponder cost savings. This was at the expense of the viewers who were all, in theory, only going to be forced to buy new decoders. Practice proved otherwise.

The conversion to digital did not result in an automatic better grade of service but a degraded one. Many have had to upgrade dish antennas and other components to restore the level of service they were previously enjoying. The problem for the viewers was further compounded by the broadcasting services being split not only between two satellites but also using two different conditional access technologies. The two services require two different dish alignment positions or separate dishes. The different conditional access technologies introduced prevent the use of a common decoder box. Federal Government policy failed to mandate a single "set top box" solution, thus failing to meet the needs of consumers.

The need to regulate this area was raised by the Western Australian Government in its 1995 submission to the ABA on Major Broadcasting Issues for Remote Western Australia but no action was taken. In the end, Rural Telecommunications Infrastructure Fund (RTIF) funds have been diverted to help offset some of the costs carried by the viewers. However, the RTIF was not intended for this purpose. The viewer conversion costs could have been carried by the broadcasters who are directly benefiting from reduced transponder costs. In effect, the Federal Government through the RTIF has subsidised the broadcasters at the expense of the public.

Early adopters of the technology have been penalised as they lack the full range of services on their particular brand of set-top box. A glaring omission is educational programming, which is delivered via two free channels on the other brand of decoder. Temporary "gentlemen's agreements" have been established by the satellite providers for free carriage of some of the services, such as Telstra's recent announcement that

WIN TV will be on PanAmSat. However, the technical quality is low and the consumers have no guarantee how long such services will continue.

The competitive rush to satellite delivery has also delivered a product which has not met consumers' expectations for a robust service. The digital technology proved less forgiving than analog. Consumers complain that in the days of analog, signals would degrade, but they could continue watching. Digital signals do not degrade, they simply drop out. Consumers can miss the end or the beginning of a program and are frustrated by the lack of continuity. Consumer satisfaction is not at a high level because of these problems.

Competition has lead to other losses. When the second regional broadcaster commenced, GWN dropped the educational component of its programming as a result of a commercial decision made by its Eastern States' parent company. Isolated parents particularly valued this component and have complained that they are losing services, not gaining them as time goes by.

Communications Impact Assessments

Over all, an aspect that has been neglected by broadcasters and the Federal Government is the impact on consumers by changes in licensing and by commercial decisions on the part of broadcasters. The Western Australian Government has recommended the use of a tool similar to an environmental impact statement and has developed a methodology called *Communications Impact Assessments* which has been recommended to the Federal Government, but not yet accepted, to manage these changes.

Another example of change which caused consumer complaints was the WAFM licence transfer to NorthWest Broadcasters in May 1998. Representing the largest commercial radio licence area in Australia, the service area covers communities as disparate as Karratha (NorthWest iron ore own), Moora (Wheatbelt agricultural centre) and Pemberton (South West timber community). A great part of the service area is covered at a financial loss to the company. A key issue is that the very size of the service area causes complaints as it is not economically possible to provide local content and advertising to all areas at all times.

CONSIDERATION TWO: Improving Competition, Efficiency and the Interests of Consumers: A Western Australian Perspective

Economic Reality: Neglected and Lost Local Content

Regarding the interests of Western Australian metropolitan consumers, only a minimum of locally produced programming is provided by local commercial television stations and the ABC. The Special Broadcasting Service (SBS) Television rarely provides Western Australian content. A survey undertaken in 1996 identified only an hour per day of local content on each station. This is a far cry from the previous days of broadcasting when local content, local producers and presenters were the norm. The economics of networking from the Eastern States has not served the Western Australian audience well. The continuing trend to networking from the Eastern States is demonstrated by the weekend news decreasing its local content.

ABC Returning to Localism

The Western Australian manager of the ABC is trying to counteract the lack of local content by innovative projects such as *Westside Stories,* where regional radio staff were given low cost digital cameras to produce local programs. The ABC also intends to use the multi-channelling facilities offered by digital to improve local content to the regions. However, this return to localism is still on a very small scale.

Regional Commercial Television: Lack of Local Significance

Consumers of regional television in Western Australia are hardly faring better. When the new regional broadcaster WIN TV commenced, the existing broadcaster (GWN) shortened its local news program in favour of networked news. WIN has put a significant investment into Western Australia and satisfied its 4th year licence requirements on the first day of broadcasting by reaching 85% of its potential audience. However, even though its reach is great, WIN TV is only providing a smattering of Western Australian content each morning.

More Channels: No Guarantee of Diverse Services

There is a difference between consumer choice, that is, being able to pick between a variety of channels, and diversity for consumers, which guarantees that a different service will have different content. The national broadcasters play an important role in providing diversity. However, should a fourth commercial channel be introduced, it is unlikely to produce diversity services. Advertising growth for stations is limited and competition from other media is increasing. Introduction of a new commercial television network would only produce an increased threat to Australian produced programming. The commercial networks are cutting costs and reacting to pay TV competition by cutting locally (*ie* Eastern States) produced programs. As of June 1999, Australian produced shows will represent only 7 ½ hours of the total 21 hours available to the three commercial networks between 9am and 4pm weekdays. In contrast, in 1989 there were 14 hours a day of local content (*West Australian, 22 May 1999, pp. 56-7).* Prime time programs produce the most revenue and day time shows, traditionally locally produced, become expendable.

Community Broadcasting: Consumer Benefits through the 6th Channel

In an attempt to redress this situation of lost localism, the Western Australian Government has long been a supporter of the concept of the 6th channel for community / educational television. The Department of Commerce and Trade is currently acting as an advocate for Channel 31 Perth, which is due to go to air on 18 June 1999. The station represents the now unique scenario of local content, local management and local production.

The survival and long term tenure of a local 6th channel through Channel 31 Perth is essential to WA consumer interests. Historically it has been shown that advertising revenue in Western Australia is finite. Should a fourth commercial station appear, it would result in the broadcasting revenue pie being sliced even finer, rather than creating new revenue. A serious concern is the projected long term revenue stream of the Free to Air broadcasters. In the US, pay TV has made serious inroads into the FTA viewing audience as has the Internet. In contrast, converging technologies such as Web TV have not turned into the widespread commercial successes which were originally mooted.

Community television broadcasters operate from the invidious position of realising that the scarce radiofrequency spectrum could ultimately be reassigned to a fourth commercial network. The consequences of this would be unfortunate as the community sector guarantees diversity and content of local significance which, based on experience to date, is unlikely to be supported by commercial stations.

CONSIDERATION THREE: The Impact of Technological Convergence on Markets

Convergence offers the possibility of increased consumer benefits. A case in point assisted by the Western Australia Government is the provision of Information Radio via satellite reception to digital decoders. This is accomplished via an audio channel on Westlink, the Western Australian Government Talkback Television Channel. Disabled and print handicapped people, regardless of their location in the state, can achieve equity through digital technology. Western Australia was a pioneer in this service and it serves as an illustration of the immense benefits possible to consumers through technological convergence. Another consumer benefit through convergence is the planned multi-channelling of ABC television to regional areas to deliver local content. It is not only consumers who benefit from the convergence. Enhanced competition is a direct result of the low entry barriers to broadcasting on Internet. Extremely expensive capital purchases such as transmitters can be avoided by a low cost investment in a web site. Established broadcasters such as the Canadian Broadcasting Corporation have reported large cost savings through efficient use of Internet technology. Innovative startups are encouraged by the ease of establishment and maintenance of live audio sites via RealAudio and other RealMedia technologies. The BRS Radio Directory at www.radio-directory.fm currently lists live audio on the Web from 2200 stations including 29 in Australia.

RECOMMENDATION:

It is recommended that a balance be struck between the interests of the broadcasting industry and the interests of the consumers. The current legislative framework is coping with the existing environment, but the Broadcasting Services Act 1992 was designed for an analog world and cannot remain static. Nevertheless, it would be premature to consider new or amended legislation until a more accurate picture of changing consumer behaviour emerges. Changes made now to legislation would tend to favour the industry at the expense of the consumer.

Detailed comment on the Productivity Commission's *Broadcasting Issues Paper* of March 1999 is attached to this submission as an appendix in response to the request for information.

Contact Officers:

Phillip Skelton
Leader, Telecommunications Task Force
Office of Information and Communications
Department of Commerce and Trade
PO Box 7234
Cloisters Square
PERTH WA 6850

Phone: (08) 9327 5627
Fax: (08) 9481 4191
Pager: (08) 9476 0222
E-mail: pskelton@commerce.wa.gov.au

Donna Wood
Broadcasting Services Policy Officer
Office of Information and Communications
Department of Commerce and Trade
PO BOX 7234
Cloisters Square
PERTH WA 6850

Phone: (08) 9327 5666
Fax: (08) 9481 4191
E-mail: dwood @ commerce.wa.gov.au

Attach: Appendix *Comment on Broadcasting Issues Paper, March 1999.*

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APPENDIX
To Submission

Comment on Productivity Commission
BROADCASTING ISSUES PAPER
March 1999
by
The Department of Commerce and Trade
Western Australia

Comment on: Productivity Commission Broadcasting Issues Paper

1 Management

1.1 Role of the Australian Broadcasting Authority (ABA)

There is a demonstrated need for a central agency such as the Australian Broadcasting Authority to administer the Broadcasting Services Act. In the absence of Government intervention, Australia's broadcasting industry would not address the range of social, cultural, administrative and economic problems the legislation covers. In particular, from the consumer point of view, there is a need for a specialised organisation with an understanding of the issues involved in the broadcasting industry, and a staff with appropriate knowledge and skills. Despite convergence, broadcasting issues remain a discrete area from telecommunications and its regulation. The continued separation of the ABA and the Australian Communications Authority is supported at this time. The two organisations currently have the ability to recognise areas of convergence without conflict. ABA duties such as planning, licensing and regulation of broadcasting services are critical elements which help ensure wise use of a finite resource (the radio frequency spectrum). To meet consumer needs, use of the broadcasting spectrum must be planned efficiently by a specialised organisation.

The fine details of the ABA's responsibilities and how it carries out its duties, should be subject to review and change, but the need for such an organisation is not disputed. That the organisation is busy and should not be impeded by frequent reviews, is also acknowledged.

Regarding revenue raised by ABA, the organisation has proved itself efficient and effective. However, a mechanism needs to be established to guarantee a return to broadcasting of the funds raised. The substantial licence fees collected should be directly returned to broadcasting benefits for the Australian public.

A case in point is the $36 million raised by the sale of the second regional television licence for Western Australia to WIN TV in April 1998. None of the revenue raised has been returned to broadcasting in Western Australia. There has been considerable outcry from consumers and local government in regional areas regarding this issue. A fund to establish equity in broadcasting to regional Western Australia would be a fit purpose for this revenue raised from a regional licence.

It is of concern that a trend has developed in the ABA where the skills base of the majority of high level staff is legal. This may lead to all issues being addressed from the legalistic point of view, to the detriment of consumers. The technical skill base of the ABA is being eroded by this trend. Without technical skills is not possible to establish a framework that will work or ultimately enforce legal requirements. An appropriate mix of skills is necessary for the principal body administering the Broadcasting Services Act.

One role of the ABA which could be developed more from the consumers' perspective is that of research. Much has been written about technological change and what might happen. Little has been written about what actually has and is happening to consumer behaviour. The recent research released by the ABA about youth and the music industry is a case in point. It is a useful, well documented study on consumer behaviour. More studies are needed about the impact of technological and industry convergence on Australian consumers. The ABA would provide a convenient source of such information.

1.2 Spectrum Availability – Management of a Finite Resource

Broadcasting relies on the use of spectrum for the delivery of the services. A key principle in broadcasting is that the radio frequency spectrum is a finite quantity. It needs to be distributed between various applications. Broadcasting is but one application for the spectrum just as emergency services communications and mobile telephony are others.

Digital conversion may result in some additional channel capacity but care needs to be taken in this area not to make unrealistic assumptions. For instance, for mobile phones, digital GSM has not produced the great spectrum efficiencies that were originally claimed. It may well be that digital broadcasting may end up with similar results.

Any spectrum efficiency gains that may be achieved through digital conversion are likely to be short lived. New applications invariably demand more bandwidth. The classic example can be found with computer networks. With ever increasing applications and popularity of networks, there is a constant demand for more bandwidth. Fortunately this can be catered for by increasing the network speed (*ie* use more spectrum) as there is still spare capacity available. Unfortunately with radio / television services there is no spare spectrum available. All available spectrum is already in use. Again, the key principle is wise management of a finite resource.

The current licensing arrangements when first viewed appear to create an artificial scarcity. However, if the principle of equal access to services is to be applied then the available spectrum needs to be distributed equitably between all areas. Some areas, because of their current low populations, may not be in a position to make use of all of the spectrum allocated to the area. However if this is not carefully planned and spectrum is allocated without considering the consequences, the situation will quickly develop where the high demand areas lock out further development in other areas. This is a situation from which it will be extremely difficult, if not impossible, to recover.

Spectrum availability needs to be distributed so that all areas have access to a reasonable spread of services. If this is not carried out, the high-density markets will lock up all or most of the available spectrum at the expense of rural and remote area users. The broadcasting industry cannot be relied upon to do this due to its inherent conflict of interest. In summary, spectrum is a finite resource. It needs to be managed carefully or all stakeholders, including the broadcasting consumer, will suffer.

1.3 Spectrum Anarchy

Inadequate control on broadcasting can result in a myriad of services. These in turn can interfere with each other and the public suffers. The public is generally unaware of the cause of the interference and cannot understand why reception is getting worse. Broadcasting services suffer from high levels of interference in countries where lax spectrum controls are in place. Technical considerations require that the use of the spectrum be controlled if interference is to be kept to an acceptable level.

1.4 International Spectrum Considerations

The use of radio frequency spectrum is governed by international conventions that designate specific bands for different purposes. Compliance with these conventions ensures that products are readily available for both broadcasters and the public. However, as a result of the 1962 "Huxley Report," Australia unwisely adopted the use of the international FM Band for television broadcasting. This has severely restricted the development of FM radio services in many areas. An attempt was made to clear this band of television. However this became too difficult and has been effectively abandoned. As a direct result of poor initial planning and lack of resources committed to solving the problem, FM radio development in the South West of Western Australia continues to be severely restricted. This unacceptable situation should be rectified by conversion to UHF without further delay.

Prospective FM radio services are unable to be established as they do not have the resources available to the established, larger budget television broadcasters. Consumer complaints are received, but the public has little appreciation of the whole picture. Considering the importance of broadcasting to the social and economic fabric of communities, this is not an acceptable situation.

1.5 Shortcomings in Current Licensing System: Satellite Delivery

There is a weakness in the current system for broadcasting services carried over satellites. A licence to broadcast can be issued by the ABA but it carries no spectrum access with it, hence no guarantee that the service will be able to be delivered. This situation is unsatisfactory.

The move to digital broadcasting with the prospect of the transmission being provided via a common transmitter by a service provider may result in similar situations arising. Broadcasters, especially low budget community stations, may find themselves at the mercy of the service providers. It is difficult to see how competition will be present at the transmission provider end. The transmission provider with the transmitter and license for the spectrum will hold all the cards.

1.6 Channel Bandwidth Limitations

Again, finite resources will have a major impact on consumers. The world of digital television will produce an "either/or" scenario. Digital television broadcasting will enable the delivery of High Definition TV (HDTV), multi channelling and enhanced programming. However, all these options compete for the same limited spectrum space available. It will not be possible to deliver all of them at the same time (*eg* HDTV will not be available while multi-channelling is used).

1.7 Spectrum for Community Broadcasters

It is obvious that with a finite resource such as the spectrum, there will be contention over its use. A significant problem is that the spectrum allocated to community broadcasters will be coveted by commercial operators who may want the same area. Rather than be available to community broadcasters for multi-channelling and datacasting, a commercial operator would use the resource for a fourth commercial service which is unlikely to add value to consumers as it would duplicate the sort of

services already available on other commercial channels. This is a significant problem for Australia, not just Western Australia.

Community broadcasting should not be undervalued. Community broadcasters should be allowed to broadcast effectively through spectrum availability. Communities have diverse needs, interests and values. The needs of consumers should be considered carefully as part of the management of the spectrum. Part of the rationale for the establishment of the sixth channel as being available to community broadcasters was the establishment of diversity and the fact that the market was unlikely to support more commercial services. The demography of Australia needs to be considered with its varied consumer needs. An analysis of commercial channels would not produce a huge diversity of offerings and localism of content is becoming minimal. A scarce resource such as the spectrum needs to be allocated extremely carefully with value added considerations paramount.

2 The Market

2.1 Future Demand for Broadcasting Services

There will always be a place for traditional style broadcasting services, particularly radio. The human element guarantees this popularity as radio requires minimal listener physical interaction. Traditional broadcasting relies on "passive" participation. Other activities can be performed at the same time. The popularity of the "Walkman" demonstrates this user friendly aspect of radio. The current human trend to "multitask" is served well by such devices.

In contrast, interactive services such as the Internet and planned interactive television services require constant user interaction for them to work. They cannot be successfully carried out while performing other tasks. It is possible to iron while listening or watching television but the same cannot be performed while surfing the Internet.

Markets for broadcasting in Australia are still healthy as the ABA's annual financial results, issued March 1999 indicated. Television profits are up 6.9 per cent and radio up 26.8 per cent.

2.2 Additional Services

The availability of additional channels and program sources when first considered gives the appearance of satisfying consumer wants and needs. However, in practice this does not happen. Additional services normally mean more of the same. This is typified in the American experience of many channels, but "nothing on."

There is a shortage of quality program material. What there is will be distributed over more outlets, competing for the same viewers/listeners at the same time. The end result will be that the viewers/listeners will miss out on some programs as they will only be able to receive one at a time. Examination of the program content of subscription television services shows a high degree of duplication of programs and re-runs of old programs between the services.

The availability of extra program delivery capacity will require extra program content. Much of this will invariably be lower grade and sourced from overseas. Local production is unlikely to benefit. Current pay TV provides a good example of the

quality and source of material that is likely to become available. Nearly all is imported from overseas and most of it is old. It is not of high definition quality. Most is of the 4:3 aspect ratio and not the 16:9 that will be used by digital television.

2.3 Market Size

The market place can only support a certain number of players. The theory of having more players producing healthy competition with resultant consumer benefits has not been borne out in fact in many areas. Instead, having more players will result in poor returns to all with a corresponding reduction in the quality of services. A good example of this in Western Australia was the Geraldton FM radio market where competition between the radio stations for the same limited market resulted in all running at a loss. The need to limit the number of players has however to be balanced so as to prevent the existing players from operating inefficiently or taking advantage from their privileged positions.

2.4 Finite Market

There are only 24 hours in a day. All activities compete for this time. As the number of services increase, there are likely to be fewer viewers/ listeners per service or less time will be spent on each. A recent study quoted by Arthur Andersen on the activities prioritised for the 24 hour day, indicated that Australians are starting to watch less television as they spend more time on the Internet.

3 Program Content

3.1 Market Forces vs National Interest

Market forces place little value on national interests unless there is a return associated with the activity. A good example can be found by the superficial interest that the commercial broadcasters showed on Anzac Day 1999. Current sporting events and their heroes featured rather than heroes of military history. If there is an interest in preserving a national identity suitable controls must be in place to ensure commercial interests to do not override national interests.

3.2 Overseas Content – National Identity

Unless there is some government intervention, there will be an even greater flood of overseas products. These will contribute to the loss of national identity.

Examination of the current program content provides a good indication of the level of imported programs already broadcast. If it were not for current local content regulations even more imported content would be present.

3.3 Local Relevant Content

Regional and remote areas have a need for local content but economics works against this. Economic forces encourage broadcasters to network, often nationally, with the corresponding reduction in local content and relevance. Rural and remote areas with their low population numbers are particularly susceptible to loss of local relevant content. Items of local significance are rarely covered as no advertising revenue will be gained by the coverage. In particular, the needs of regional and remote viewers of television are neglected. There is a need to ensure that a certain amount of local

content is present. Loss of local content will result in loss of local identity and interest in the local community. Local content can only be ensured by regulation and the efficient use of new technologies such as digital multi-channelling.

3.4 Demographics and Program Content

The model for Free To Air (FTA) broadcasting consists of market forces focused on particular demographics. This directly influences the type of programs that are selected for broadcast. The merit of the program is of secondary importance. All that matters are the ratings as these determine the returns.

3.5 Program Content Control

Free to Air programs should be subject to a measure of control over program content (type, time, *etc*) in the public interest.

The current voluntary code of subscription television providing 10% Australian content for drama, should be replaced by developing an enforceable scheme, with enhanced reporting requirements which will encourage the development of local productions.

3.6 Media that Influence the Community

Television remains a compelling medium for influencing the community. The visual aspect of television provides an immediacy not present in other media, although the Internet is starting to impact on this with its immediacy in news reporting. No longer do consumers have to wait for news at a certain time. They can consume it 24 hours a day from web sites.

3.7 Use of National Broadcasters

The national broadcasters have performed a vital role in Australia. Although they are not ratings leaders, they provide a depth of content and meaningful diversity. Because they are not tied to ratings they are notable for innovation. The ABC was an early adopter of the World Wide Web. Web content such as regional radio items which can be accessed any time are of immense benefit to consumers. The ABC in Western Australia has also pursued a strategy which is benefiting both regional and metropolitan viewers. The State Manager is committed to an increase in local production of programs, innovative use of new technology, and optimal use of regional staff knowledge. Staff at certain regional radio sites are now multiskilled in handling digital technology and can produce television as well as radio. A recent series called *Westside Stories* was produced using low cost digital cameras. Local landscapes, cultures and people were featured. Regional radio staff were also responsible for program concepts and shooting footage. Metropolitan production staff were used to add value to the program and to conduct post production in Perth. A cost effective new means of production proved successful for regional content.

Digitisation of the ABC offers another opportunity through the use of multi-channelling. Digital broadcasting signals can be split into many different bands to offer viewers a choice of programs. Regional areas, even very small ones, can therefore be effectively served with programs such as local sporting events, including race meetings. Better service to regional audiences results which will counteract some of the losses to local content which have occurred previously.

Similarly, SBS TV and radio are notable for thought provoking programs which examine Australian issues which are easily neglected by the commercial stations. For example, SBS recently presented a "warts and all" documentary on "circuit riding" with the Aboriginal Legal Service in the North West of Western Australia. It was a unique view that metropolitan Australians would rarely see and would otherwise never be aired. These local and noncommercial productions are of immense value to the social fabric of Australia. Another SBS produced documentary presented a traditional British Christmas celebrated in a nursing home in India by elderly Anglo-Indians. The documentary probed the connections of the residents to their families who had emigrated to Australia. A recent SBS radio program discussed the use of Asian meditation techniques to control violent prisoners in Australian gaols. These programs, which would not be suitable for mainstream commercial viewing, presented thought provoking views that would not be available to consumers otherwise. The national broadcasters should be encouraged in this type of content with resultant benefits to consumers and local producers alike. Their ability to multi-channel will accelerate the benefits of this sort of programming to the public.

4 Digitisation

4.1 Demand for Digital Television

Demand for digital television in Australia does not appear to be as mainstream, as it is in cultures such as Japan. An article in the Australian Consumers journal *Choice* in 1998 stated that consumers were being told by the Government what they should want, and that it should be HDTV rather than multi-channelling. However, the appeal of HDTV for sporting events is likely to be a critical factor in encouraging demand for the new technology.

4.2 Public Uptake of Digital Television

Predicting the uptake of digital television is problematic. Douglas Peiffer, Managing Director of international ratings company Taylor Nelson Sofres, was recently reported *(West Australian, Tuesday 27 April 1999, p.39)* as saying that at the end of the first year of digital transmission only one percent of households is likely to have a digital television set. This figure is only expected to rise to twenty per cent when the simulcast of analog television is due to cease. The same article reports that managing director of ACNielsen, Andrew Floyd, is even more pessimistic. He also expects that there will be less than one percent at the end of the first year but at the end of the simulcast period, he expects that the take up is not likely to be much into double figures.

On the other hand, it is difficult to predict consumer behaviour with new technologies and some experts see Australians in their role as early adopters of the technology with a healthy take up of digital sets. Panasonic predicts that by 2005 over 64% of all television receiver sales in Australia will be digital *(Digital Broadcasting Industry Action Agenda, DCITA, 1999, p.13).* The truth probably lies in between with the majority of Australians purchasing set-top boxes as an affordable interim measure.

4.3 Speed of Transition to Digital

The pace of the move to digital broadcasting may be a problem considering the cost of new equipment to the broadcasters, the cost of new television sets or set top boxes

as well as other equipment such as compatible VCRs, video cameras, etc. On the other hand, the eight year simulcast period will prove expensive for the broadcasters. This is an area that clearly may need modification as the trends become evident.

4.4 Digital Television Conversion Cost

There are very significant costs to the Australian community in the conversion of analog television to digital. Every television set, VCR and video camera along with auxiliary equipment will need to be replaced.

Broadcasters will have to install new transmission equipment, re-equip studios and replace all recording and program storage equipment. Productions will be more expensive.

However, the opportunities to Australian industry in this changeover are obvious and are summarised in the Federal Government's *Digital Broadcasting Industry Action Agenda (DCITA, 1999, p. iii).*

4.5 Political Implications of Digitisation

Australia uses the PAL transmission standard for its television. This has better line resolution than the NTSC standard used in the USA and does not suffer the colour problems that plague NTSC. Much of the push for digital television originates from countries using the inferior NTSC transmission standard.

The political implications of the move to digital broadcasting must be considered. The closure of the analog AMPS cellular network due to its replacement by digital GSM resulted in considerable public reaction. The population made the assumption that digital equated with improvement in all areas. However, the new digital replacement failed to deliver better services in many country areas as coverage was not as wide as analog. The new CDMA technology is expected to correct this.

The AMPS closure is impacting on a minority. Mobile phones are an option whereas television is almost pervasive. Analog mobile phones involve relatively inexpensive equipment with an inherently short life. The cost of the equipment is usually not visible to the user as it is built in to the access plans. This is not the case in broadcasting. All users have to buy their own equipment. It is not uncommon for households to have many television sets, VCRs and radio receivers. All these items (in contrast with mobile telephones) have very long lives. Digital will make them all obsolete. It is likely the public will not react kindly to this.

The set-top converter box solution touted as allowing this conversion to occur is flawed. Every item of equipment will need one of these (*ie* one per TV set) and they will not interact effectively with the connected equipment (*eg* sequential VCR recordings).

No set-top box will ever be able to convert effectively the new 16:9 to the existing 4:3 picture aspect ratio (*ie* width to height ratio). Picture information will either be lost, distorted or shown at a lower grade of resolution. Full width vision will result in only three-quarters of the screen height being used, thus it will only have available three-quarters of the lines currently used. Full height vision will result in only three quarters of the picture been seen. The content on the ends of the picture will be lost.

Digital equipment will not be cheap. The aging Australian population may not easily afford to buy this new equipment, as the cost of a digital television set is anticipated

to likely be just over half the amount of the annual age pension. It is likely there will be considerable consumer backlash from the public when they become fully aware of the implications of digital broadcasting. The government of the day may have difficulties in justifying its actions. Consumers may demand a subsidy to purchase the new equipment.

4.6 Impact of Digital on Community and Indigenous Broadcasters

The conversion to digital is likely to have a major detrimental effect on community and indigenous broadcasters. These services operate on a very limited budget. They are unlikely to be in a good position to convert to digital. On the other hand, the potential of digital broadcasting, such as datacasting and multi-channelling services, are ideal technologies for these specialised groups to present diversity programs.

Community television broadcasters also operate from the invidious position of realising that the scarce radio frequency spectrum could ultimately be reassigned to a fourth commercial network. The consequences of this would be unfortunate as the community sector promotes diversity and content of local significance which is unlikely to be supported by commercial stations.

5 Regulation

5.1 Extent of Technology in Regulations

It is preferable that the regulatory approach be made technology neutral. In practice, however, this is seldom workable. A typical example is remote area television service in Western Australia. Satellite delivered services converted to digital from BMAC analog in 1998. The digital conversion was driven by satellite transponder cost savings to the broadcasters. This was at the expense of the viewers who were all (in theory) only going to be forced to buy new decoders. Practice proved otherwise.

The conversion to digital did not result in a better grade of service but a worse one. Many have had to upgrade dish antennas and other components to restore the grade of service they were previously enjoying. The problem for the viewers was further compounded by the broadcasting services being split not only between two satellites but also using two different conditional access technologies. The two dishes require two different dish alignment positions or dishes. The different conditional access technologies introduced prevent the use of a common decoder box.

The need to regulate this area was raised in the 1995 submission to the ABA on Major Broadcasting Issues for Remote Western Australia by the Western Australian Government but no action was taken. In the end, Rural Telecommunications Infrastructure Fund (RTIF) funds have been diverted to help offset some of the costs carried by the viewers. However the RTIF was not intended for this purpose.

The viewer conversion costs could have been carried by the broadcasters who are directly benefiting from reduced transponder costs. In effect, the Federal Government through the RTIF has subsidised the broadcasters at the expense of the public.

5.2 Code of Practice

The "code of practice" and similar minimalist regulatory approaches work only as long as the broadcasters are willing to co-operate. This is not always the case. Television coverage in the South West of Western Australia is a good example. The

service in the more distant towns has for a long time been poor and the commercial broadcaster has not yet improved it. This is understandable from the broadcaster's viewpoint, as the smaller population centres are simply not worth the cost of servicing based on the returns they generate. However, this approach does little to keep together rural and remote communities. It encourages further centralisation into major cities.

The current BSA broadcasting licences prevent other broadcasters from entering a licensee's service area, yet they do not require the licensee to provide an adequate service over their whole service area. This anomaly should be removed. If the licensed broadcaster is not prepared to serve a community in its licence area then others should be permitted access to the area.

If a community is required to fund television/radio transmission facilities because the licensed broadcasters are not prepared to do so, then the community should be able to choose what they transmit. If the licensed broadcasters wish to be received in the area then they can fund the retransmission facilities.

5.3 Regulations Tailored to the Application

Different delivery mechanisms have the ability to penetrate the market in different ways. It is therefore reasonable to apply regulations appropriate to the delivery mechanism used. Where different delivery mechanisms produce the same end results, then they can share the same or similar regulations.

5.4 Advertising Regulations – Free to Air (FTA) vs Subscription

It is reasonable to apply different regulations to Free to Air (FTA) and subscription services. Subscription services obtain part of their income from subscriptions. Part of the attraction to subscription services can be the lack of or reduced amount of advertising.

5.5 Co and Self Regulation

The interests of the industry are well represented through the industry associations. These are well organised and financed by the industry. However, there is a lack of balance in representation from the consumer side. Consumers are at a distinct disadvantage when it comes to organising and financing groups to represent their views. Consumer response tends to be primarily centred around individual events or issues and not so much on overall long-term implications. The system is biased in favour of the service providers unless there is intervention by Government acting on behalf of the public.

The current system requires the broadcasters to regulate themselves and handle complaints. This system can be open to abuse. It is similar to allowing the police to carry out their own internal investigations. This has not proven to work all of the time. While a complaint from the public may proceed to the ABA, the process of using the broadcaster as the first point of contact gives the broadcaster a distinct advantage. They are in a position to influence many of the complainants. The ABA is less likely to receive a full picture or analyse trends as the complaints can be filtered by the broadcaster.

6 General

6.1 Broadcasting – Nature of Change

Broadcasting is by simple definition is the casting out of information or content. The nature of broadcasting is changing with technological convergence impacting on broadcasting markets. Convergence may be technical, for example, "radio over the Internet" a technical combination of computing, broadcasting and telecommunications. An example in Western Australia is "Racing Radio", available on the ordinary broadcast band, but also via accessing a web site. Consumer benefits are enormous as a listener is no longer bound to a particular geographical area and can access time critical information as long as an Internet connection is available in the area.

"Tertiary convergence" becomes more complex, with convergence of the industries of computing, broadcasting and telecommunications and print media. An example would be Nine MSN's use of web sites which support Channel 9 programs on lifestyle (eg Money, etc). In addition, print format magazines are devoted to the same topic, so publishing is part of this complex convergence. The implications for the provision of entertainment, information and education are again considerable as viewers become free of time constraints and passivity.

The conclusion is that broadcasting is no longer a discrete industry comprising radio and television. The desired outcome for consumers is an improved service which can provide interactivity, up-to-date information and a movement away from the traditional passivity and time constraints of broadcasting.

For instance, "radio over the Internet" is steadily gaining an audience, particularly amongst the youth market. It is not uncommon to see a young person listening to the radio whilst they are using a computer. Young people believe in "multitasking" and radio becomes another input. Often Internet users can now use "Real Audio" software to access radio from web sites. Live broadcasts can be enjoyed or archived material can be called up, with over 2200 sites which allow users to tune into live radio broadcasts from anywhere in the world (www.radio-directory.fm). Another important point is the impact on broadcasters. For example, downloads in "wav" formula can be sent to stations, especially community stations in order to copy broadcast material directly. This new way of "broadcasting" is a very cost effective method for both listeners and broadcasters alike.

However, it is very new and still evolving. It is only available to those who have access to, and can afford, an Internet service. The impact of technological convergence on markets is not yet clear. The element of human behaviour must be considered in this particular scenario. Although Internet via mobile phone is now available, the usual Internet connection is a fixed one and the listener loses the mobility attached to traditional radio listening with a portable radio.

6.2 Distribution of Services

There is an unequal distribution of broadcasting services throughout Australia. The large population centres are well catered by a diversity of services, but the regional and remote areas have only access to limited services, with often limited local content. Market forces prevent diversity of services in remote areas from being profitable.

7 Conclusion

Broadcasting is critical to Australian society. It is currently being strongly influenced by technological convergence, but it is too early to predict accurately what will be happening within these new scenarios. The Broadcasting Services Act 1992 does not reflect the changes in technology, but it is still valid to cover the current situation in Australia.

Competition is a vital part of the broadcasting industry, but the likely impact of competition on the consumer needs to be considered on a case by case basis by the Government in order to prevent those actions which will result in detrimental circumstances to Australians, particularly those in the regions.

The current regulatory environment delivers many consumer benefits which for the moment outweigh the cost of the restrictions placed on competition. Rapidly developing new technologies are presenting an environment friendly to competition, particularly to the entry of new and smaller players who may be more agile in delivering benefits to consumers and provide encouragement for established players to innovate. This trend counterbalances the restrictions placed on the industry through legislation. However the legislation will eventually need amendment as it was designed for an analog world which is soon to be phased out.

Contact Officers:

Phillip Skelton
Leader, Telecommunications Task Force
Office of Information and Communications
Department of Commerce and Trade
PO Box 7234
Cloisters Square
PERTH WA 6850

Phone: (08) 9327 5627
Fax: (08) 9481 4191
Pager: (08) 9476 0222
E-mail: pskelton@commerce.wa.gov.au

Donna Wood
Broadcasting Services Policy Officer
Office of Information and Communications
Department of Commerce and Trade
PO BOX 7234
Cloisters Square
PERTH WA 6850

Phone: (08) 9327 5666
Fax: (08) 9481 4191
E-mail: dwood @ commerce.wa.gov.au

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