

TV VIEWERS' CHOICE: A TALE OF THREE CITIES

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A comparison of options currently available to television viewers in three cities in Australia, Canada and the U.K. identifies more extensive choice in the last two countries. Geographic location, the availability of overflow signals, attitudes to public and private broadcasting and the rate of adoption of new delivery systems such as cable and satellite are used to explain the regulatory decisions that have lead to the existing differences. Technology is expanding the range of choice and will likely leave viewers with similar options in all three markets in the near future. The article examines the use made of auctions to allocate pay television and other licences and compares it to alternative allocative mechanisms. Our discussion provides a snapshot of a rapidly changing landscape.

Keywords: Auctions, content rules, regulation, technology, public broadcasting

INTRODUCTION

From book stores and libraries, readers have a virtually unlimited choice of material to purchase or borrow. Limited government control is placed on the availability of domestic or foreign reading material other than through tariffs and the enforcement of copyright laws. Viewers have more constrained choices. Governments regulate broadcasting with restrictions placed on the ownership of firms and the content of material transmitted. In general, broadcasters are licensed to use part of the radio spectrum with conditions, such as local content rules, applying to the type of signals that may be carried. Cablecasters are also regulated as to entry and content. All this will change as technology expands capacity and permits viewers greater freedom of choice. No restrictions are placed on video stores, which operate more or less like libraries bookstores and music stores, and satellite delivery of signals makes it difficult for governments to exert control over transmissions from abroad. New multimedia forms of delivering audiovisual signals on disks played through computers will further increase the options for viewers and undermine the existing regulatory process.¹

Countries have reacted to these changes in different ways. In this article, we set out the options available to viewers in three cities, Canberra, Ottawa and London (U.K.), and explore reasons for the differences observed. Our broader interest is to

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understand the way in which regulatory regimes have evolved for broadcasting and to flag emerging issues.

The three cities are situated in major English-language markets where broadcasting has grown with a mixed public and commercial system, and a regulatory framework that has been shaped by particular circumstances. These markets are in contrast to the development in the United States of an almost purely commercial broadcasting system. Reasons for the differences between the three markets are examined in terms of two sets of factors. Each country is first characterized by its size, geographical location and the associated extent of actual or potential approach to regulation that has developed, part active and part reactive to changing technology and political pressures.

TELEVISION SIGNAL AVAILABILITY

In contrasting choice, home-viewing broadcast, cablecast and satellite options are compared for the three cities ignoring for the moment the availability of material from videostores. As new services are in the pipeline, we note what is available today (June 1994) and what will likely become available within the next 24 months.

A **Canberra** viewer can choose from three commercial and two government signals. Australian content rules apply to the commercial stations, while the government channels (The Australian Broadcasting Corporation — ABC, and The Special Broadcasting System — SBS) are required by legislation to deliver certain types of programming. The ABC is encouraged but not mandated to comply with the content rules for commercial broadcasters, and is expected to promote the use of Australian creative talent. Funding is provided by advertising revenue for the three commercial channels and by tax revenues for the other two.²

In the next few months, Pay TV licensees will probably offer Canberra viewers ten channels, four each by two private operators and two by the ABC. Details of the programming are unknown at this time, but the private operators will likely supply drama, movies, news, sports and childrens programs. The ABC will probably offer news, current affairs and quality childrens programs on its two channels.

Homeviewers in **London** have the option of receiving television signals by rooftop antennae, by cable or by direct-to-home satellite. Viewer choice has expanded considerably since August 1993 when new satellite signals became available. The four terrestrial signals are government-controlled BBC1 and BBC2, paid for by a licence fee of about £100 a year, and two commercial channels, ITV Channel 3 and Channel 4. Relatively few households have access to cable in London or throughout the UK. Those with cable receive existing terrestrial and satellite services which must include BBC1, BBC2 and Channel 4. Cost for the basic cable package is £10-12 per month.

Twenty satellite signals are available on terms ranging from free to £12 a month, with each available from four to twenty-four hours per day. Options include news, entertainment, sport, films, cartoons, soft porn, Asian mix, Japanese mix, lifestyle, family, shopping, documentary, children's. Some 20 German and other European language channels can also be accessed from satellites.³

In **Ottawa**, four channels can be received with a set top antenna, but most viewers receive these and other distant signals by cable. Viewers have the option of receiving or paying for different packages or tiers of signals. In one section of the city, the basic tier consists of 26 channels at C\$14.78 per month. It includes local terrestrial Canadian channels, five American channels — ABC, CBS, NBC, Fox and PBS — four Canadian specialty channels (Muchmusic, CBC Newsworld, YTV, TV5), TV Ontario and a community channel. The extended basic tier consists of an additional six channels at C\$19.77 per month including Arts and Entertainment, Nashville, CNN, and The Sports Network. Pay services can be purchased in addition ranging from C\$1.95 to C\$18.95 per month giving the viewer different packages including movies, the Family Channel (showing Disney product) and U.S. superstations. Finally, four channels are set aside for pay-per-view movies at C\$3.95 each and special events (sports, concerts, entertainment specials) which are individually priced.

On June 6th, 1994, the CRTC announced the licensing of ten new specialty channels scheduled to begin operation on January 1st, 1995 at an estimated cost to subscribers of C\$1.61 per month in Quebec and C\$3.00 per month outside of Quebec. The services in English cover the performing arts, country music, nature and the environment, women's programs, independently produced movies, drama and comedy, lifestyle documentaries and movies. In French, there will be an entertainment service and a 24-hour news service.⁴ A further set of applications will be reviewed by the CRTC after June 30th, 1995 and any approved new specialty services scheduled for operation from January 1st, 1997.

Signals will soon be available from satellites launched by Hughes Communications and the United States Satellite Broadcasting Company (USSB). About 140–180 channels of television programming will eventually be available to Canadians owning an easily-installable 18 inch satellite dish. The programming service will require a hardware package that starts at US\$700 and provides for add-on features at an additional cost. The basic package consists of a decoder, dish, remote control and cables. The decoder will have a parental lockout feature and the ability to set a maximum dollar amount for pay services.

Programming services will be provided by Hughes-owned DirecTv which will deliver about 160 channels, and by USSB offering 25 channels. For DirecTv there will be approximately,

- 50 Channels of major cable services
- 30 Channels of sport
- 30 Channels of special interest/niche programming
- 50 Channels of Pay Per View movies

Services (see Exhibit 1.) will be offered by DirecTv in packages ranging from US\$22 upwards. Other services will be available on a pay-per-view (PPV) basis. About 25 to 30 different movies will be shown each day starting at 30 minute intervals and costing one to four dollars per movie. DirecTv states that it has technology to control whether a movie is being recorded. The firm has contracts for films and programs with Paramount Pictures, Universal Pictures, Sony Pictures Enter-

tainment, Columbia Tristar and Turner Broadcasting (including access to classic MGM movies).⁵

EXHIBIT 1 Services on DirecTv

A & E	ESPN
Bloomberg Direct	Family Channel
CBC Newsworld	Golf Channel
CNBC	Learning Channel
CNN	Nashville Network
CNN Headline News	Northstart
C-Span	Sci-Fi Channel
Cartoon Network	Superstation TBS
CMT	TNT
Court TV	Travel Channel
Discovery Channel	Trio
Disney Channel	Turner Movies
E! Entertainment TV	USA Network
Encore — 6 genres	Weather Channel

Source: see footnote 5

Special interest and niche programming, which may appeal to one percent of TV households in the US and Canada would attract an audience of one million households, perhaps two to three million viewers, and at least one million dollars in revenue at US\$1.00 per program. This could provide a source of funding for delivering programming of interest to specialised audiences.

USSB expects to start with 25 channels supplied in four programming packages. The basic package, at US\$8.00 per month will consist of an All News Channel, MTV, VH-1, Lifetime, Nickelodeon, and Comedy Central. The most expensive Premium Package at US\$35.00 per month will consist of the six basic channels plus HBO, Cinemax, Showtime, Flix and the Movie Channel. The promoters estimate one million subscriptions by the end of 1994 and from 12 to 50 million subscriptions by 2000, optimistic estimates probably used to discourage future entrants. Note that a number of the services listed in Exhibit 1 are already available with existing cable packages. For these services DirecTv would not offer additional choice but would compete for the delivery of existing signals.⁶

It is forecast that the DirecTv/USSB service will be the first to offer High Definition Television programming and widescreen NTSC broadcasts. The existing system will also likely provide data services, for example hotel, travel and financial information.

Primetime viewing

In order to highlight the differences, Exhibit 2. outlines the program choices available to viewers in the three cities at the same time on the same day.

EXHIBIT 2**TELEVISION PROGRAMS BY CITY — JANUARY 17, 1994 AT 8PM**

(some programs may be in progress at 8pm).

Canberra

Drama 4
Documentary 1

London

BBC1 Sport
BBC2 Documentary
ITV (Ch3) Drama
Ch4 Drama

20 Satellite channels showing:

Movies	5
Drama	3
News	3
Sports	2
Documentary	2
Music	1
Shopping	1
Children	2 (off air at 8pm)
Country Music	1 (off air at 8pm)

Ottawa

Thirty-six channels are available to a viewer wanting all signals, 9 in French and 28 in English. Because of duplicate programming, the total is 32 different programs from Rogers Cable which has the exclusive franchise for one part of the city.

French

Drama	2
Sports	2 (duplicate)
Documentary	2
Music Video	1
Movie	1
Off-air	1
Total	8 different programs

English

Drama	13 (4 duplicates)
Documentary	6
Movie	4
News	2
Music Video	2
Sport	1
Total	24 different programs

American signals are available directly from the major networks, ABC, CBS, NBC and Fox as well as from PBS, Vision TV, the Learning Channel, Arts and Entertainment, CNN, Nashville Network, Family Channel, and Movie Network. American and other foreign programs may also be available on Canadian channels. Viewers in Ottawa and London have, or will shortly have, a choice similar to that available to a food shopper in a well-stocked supermarket, especially when the selection in a video store is added to that offered by broadcasters, cablecasters and those providing satellite signals. The Canberra viewer has a similar choice from video store outlets but a more limited range of choice from broadcasters and no cable or satellite choice to date. Why the difference between the cities and especially between Canberra and the other two?

The answer lies in the combined effects of geography and the evolving regulatory framework. Technology has shrunk distance and increased foreign competition for domestic broadcasters and required alterations to regulatory regimes. The timing of some regulatory reforms is occurring later in Australia, but reforms are ongoing in all three countries in order to adjust to changing circumstances and meet regulatory inadequacies. The regulatory changes and the debate accompanying them can be documented. Why the political process chose the timing of the changes is more difficult to determine. Geography appears to be an important factor.

GEOGRAPHY AND OVERFLOW

The U.K. has a population of about 56 million predominantly English-speaking people living in a relatively small geographic area but neighbouring a much larger foreign speaking continental Europe. For radio, overflow broadcast signals in foreign languages were accessible but with the exception of Radio Luxembourg, established in the 1930s, there was no English-language radio competition for the BBC.⁷ In the 1950s, further commercial competition came from pirate radio ships anchored in the North Sea.

Canada, on the other hand, with a current population of 26 million people, of which approximately a quarter are French-speaking, has a long land border with the United States. Overflow competition in the English market has, from the outset, been a fact of geographic life, first in the print media with books, magazines and newspapers, then with films, music, radio and, from the 1950s, television.

More like Canada in terms of land area and population size, Australia, with a population of 17 million English speakers (the population of English Canada is around 20 million) is relatively isolated from neighbouring markets, especially English language markets. Overflow broadcast competition, before the advent of satellites, has not been a major concern for Australian broadcasters. Foreign, especially British and American programs, have been broadcast in Australia but as a result of the purchase of rights by Australian broadcasters.

Geography has influenced regulatory policies affecting viewer choice in the three countries. Canada has always had to contend with extensive overflow English-language competition from a market about ten times larger in population terms.

Overflow from Europe into the United Kingdom existed but was primarily in foreign languages, while Australia has, until very recently, been isolated from overflow signals. However, despite differences in foreign competition, governments in all three countries have worked to promote domestic broadcast industries. The nature of their response to changing technology has differed due in part to geography.⁸

REGULATORY APPROACH

All three countries have had a broadcast system with a prominent role played by the public broadcaster, the British Broadcasting Corporation (BBC), the Canadian Broadcasting Corporation (CBC), and the Australian Broadcasting Corporation (ABC). The CBC and ABC were influenced by developments in the UK, but unlike the UK, Canada and Australia permitted commercial radio broadcasting from the outset. All three permitted a combination of private and public television broadcasting in the 1950s, but the UK had a tightly controlled duopoly of one BBC station and one private station and only opened up to more private channels in recent years.⁹ The CBC differs from the other two in that advertising revenues account for about 30 percent of its expenditures on television services and one fifth of its total expenditures. It is thus influenced by commercial ratings.¹⁰

The contrast between public and private broadcasting was seen by supporters of the BBC to be the difference between God and Mammon. Sir William Haley, a Director General of the BBC, described public service broadcasting as cultural mountaineering with the public broadcaster assisting the "viewer's and listener's involuntary ascent of the cultural pyramid." Another Director General, Charles Curran, stated that the BBC's responsibility was to educate

The audience to make choices which have been communicated to it. We must not allow ourselves to slip into the despairing attitude of seeing ourselves as casting pearls before swine. That would be the most arrogant folly. The course of wisdom is for us to see ourselves as casting our pearls before people who have been taught by us to appreciate their value.¹¹

This view not only underpinned developments in the UK, but influenced supporters of public broadcasting in Australia and Canada past and present. The latter two countries added a special twist by introducing specific content policies aimed at ensuring signals acceptable to the government would be broadcast. These policies applied to private broadcasters in the case of Australia, and to private and public broadcasters in the case of Canada.

A variety of reasons underlie the regulation of content. First, there was a desire to ensure that viewers had the option of watching local Canadian and Australian content. Second, domestic content was seen to be important for creating and sustaining a sense of nationhood. Broadcasting could help to bind together a young country covering a large area with regional and ethnic differences. Third, broadcasting was considered to be a strategic industry producing cultural messages needing special treatment. And fourth, the industry could provide employment for domestic labour and help to develop an infant or sustain an existing industry. While content policies apply to private broadcasters, governments are also able to control the

content of public broadcasters by the appointment of directors and guidelines to management. No one however could force viewers to watch prescribed content and as choice expanded the effectiveness of the policies has diminished.

Over time, arguments were made that the restrictions applying to television in the three countries were excessive, that public broadcasting catered to an elite group of viewers, and that consumers should be allowed to express their choice by being offered a broader menu and ways to express the intensity of their preferences through user-pay mechanisms. The timing of these changes differed, influenced by the peculiarities of the situation, but by the 1970s there were pressures to open up broadcasting to market forces thereby altering the balance between public and private broadcasting. Experiments were made with a variety of policies in the three countries.

United Kingdom

Over the past three decades, two reports addressed changes to broadcasting in the UK, the Pilkington Report of 1962 which sustained the authoritarian and paternalistic Reithian view with emphasis on the role of the public broadcaster, and in 1986, the Peacock Report which put forward an alternative view emphasising the importance of the viewer and the role of the market.¹²

The Committee of Inquiry headed by Professor (now Sir) Alan Peacock addressed the issue of whether the BBC should be financed by advertising rather than by a licence fee. It recommended against advertising but also came up with a range of proposals affecting other aspects of broadcasting, especially the ITV. Noting that spectrum scarcity would soon no longer be a problem, the Report recommended that freedom of entry and consumer sovereignty should apply to broadcasting, subject to rules for consumer protection and mechanisms to ensure the provision of minority and experimental programs.

Following a government issued White Paper in 1988, a new Broadcasting Act 1990 was enacted with provisions for a new terrestrial channel (Channel 5); for Channel 4 (now an independent corporation) to sell advertising time in competition with ITC; for quotas of independently produced programs on all channels (a 25% target for qualifying programs from the start of 1993 with the ITC monitoring Channel 3's performance and the Office of Fair Trading the BBC's performance); for the allocation of Channel 3 (ITV) licences and the new Channel 5 licence by a system of competitive tendering; and for certain programming requirements for Channels 3 and 5.

Before the 1990 Act, licences for commercial radio and television stations were issued by the Independent Television Authority, renamed in 1972 The Independent Broadcasting Authority or IBA, on the basis of applicants submitting programming plans, staffing proposals and financial intentions. The award of highly profitable licences without the regulator being required to give detailed reasons caused concern. Lord Thompson of Monifieth, head of the IBA, stated, after the 1980 licensing round, that "there must be a better way."

A system of competitive tendering for licences for a ten year period, adopted under the 1990 Act, was a distinctive first step in search of a "better way". Bidders

had to pass defined thresholds for consumer protection and specified positive programming requirements such as sufficient time allocated to high quality news and current affairs programs, and to regional, religious and children's programs. Proposed programming has to appeal to a wide variety of tastes and interests. A bid could be rejected on the grounds that it did not have sufficient financial backing. Finally, in "exceptional circumstances", the licence would not be issued to the highest bidder, if the quality of service of a lower bidder was considered to be substantially higher than that of the highest bid.

A total of 40 bids were made for 16 licences, 37 for 15 regional Channel 3 licences, and three for a national breakfast time licence. Of the 13 contested licences, six were awarded to the highest bidder leaving seven of the highest bids rejected. If all the highest bids had been accepted, the bids would have totalled £323.49m, £91.89m in addition to what was actually paid. The seven bids were rejected on the grounds either that they failed to meet the program quality test, or that the bidder would be unable to sustain the proposed service. The "exceptional circumstances" provision was not used. In three cases there was only one bidder, two where the bids were for £2000 each and it is probable that the bidders knew that they were the sole applicants.¹³

Introduction of satellite delivered television was a further example of increased competition. Driven in part by the introduction of new technology, the government recognised it would be more difficult to control the content of these programs now delivered by Murdoch controlled BSkyB.

Timing of the change to a market driven bidding system and the expansion of viewer choice is associated with the Thatcherite approach to economic management and the technological changes affecting the UK as well as other countries. Demand for change existed, technology permitted new options and the political process responded. Elements of control over programming remained in the qualifications required of bidders in the auction process, but they were different from the content rules found in Australia and Canada.

Canada

Broadcasting has been the subject of numerous official reports beginning in 1928 with a Royal Commission on Radio Broadcasting chaired by Sir John Aird, president of the Canadian Bank of Commerce. This followed the establishment in 1925 of the first radio broadcast service operated by the Canadian National Railway for train travellers, hotel guests and employees. Other private stations sprang up and broadcast mainly American material.¹⁴

Aird recommended the adoption of the British model of public broadcasting rather than the American commercial model. However a mixed model evolved with the establishment in 1932 by the Conservative Bennett government of the Canadian Radio Broadcasting Commission, which became the Canadian Broadcasting Corporation (CBC) in 1936. After an initial period of financing the CBC with a licence fee, the government took over funding the organization and later permitted it to sell some television advertising.

Bennett laid down three principles for broadcasting in 1932 that have influenced the evolution of Canadian policies including the introduction of content rules,

First of all, this country must be assured of complete control of broadcasting from Canadian sources, free from foreign interference or influence. Without such control radio broadcasting can never become a great agency for communication of matters of national concern and for the diffusion of national thought and ideals, and without such control it can never be the agency by which national consciousness may be fostered and sustained and national unity still further strengthened . . .

Secondly, no other scheme than that of public ownership can ensure to the people of this country, without regard to class or place, equal enjoyment of the benefits and pleasures of radio broadcasting . . .

(Thirdly) The use of the air . . . that lies over the soil or land of Canada is a natural resource over which we have complete jurisdiction under the recent decision of the privy council (and) I cannot think that any government would be warranted in leaving the air to private exploitation and not reserving it for development for the use of the people.¹⁵

The peculiarities of the Canadian broadcasting environment, aside from technology, that have conditioned policy have been the tension between the supporters of public versus private broadcasting, the underlying bilingual-bicultural nature of the country, the geographic area over which the population is spread, now mostly in urban areas, and the proximity of the United States with a different broadcasting culture and a hugely successful entertainment industry. Because Canadian viewers living close to the border could receive American off-air signals, those in other parts of Canada demanded similar choice and forced the development of regulations for cable delivery of television.

Pressures for Canadian programs, stemming from the reasons set out in Bennett's statement of 1932, have led to the introduction of Canadian content requirements for broadcasters as well as government support for funding Canadian produced programs some of which must show their "Canadianess".

A points system is used to determine the Canadian content of television programs broadcast by commercial stations, which must transmit a certain percentage of Canadian content in prime time. The system measures the "Canadianess" of inputs and is subject to special rulings and administrative discretion in determining the Canadian content of news, sports, animation and coproductions.

Canadian homes were extensively cabled early on, because it improved the quality of reception for local domestic and foreign signals, and provided those further from the American border with a similar range of choice. Later on Cancom was licensed to provide satellite signals to those in Northern and remote areas. Satellites are merely the latest means of assisting overflow and increasing the range of choice. Satellites make the enforcement of content rules still possible, but ineffective if no one watches the Canadian signals.¹⁶ In fact Canadians do watch local news, sports and current affairs programs, but preference is usually for imported drama and movies. The rapid reduction in the price of VCRs, their resulting ubiquity and the expansion of videostores have allowed viewers to bypass all types of content policies.¹⁷

The situation in Quebec is somewhat different, where locally produced drama programs are more popular than their counterpart programs in the rest of Canada.

Broadcasting in French as well as English is another source of choice in Canada, driven by the makeup of the country, although each group has tended to view only their own language programs which have generally not been dubbed or translated for viewing by the other language group. The CBC runs two distinct services in each language.

In introducing the most recent (June 1994) licensing of specialty television services, the CRTC argued that it was promoting the making and buying of Canadian programming. Together with its promotion of a Canadian direct-to-home satellite service, it was attempting to prevent Canadian viewers from being siphoned off to American satellite delivered services.

Whereas the UK, using Thatcherite policies subsequent to the Peacock Report, pried open the airwaves to give viewers expanded choice, Canada was forced earlier to offer more choice due to its proximity to the US, its inability to prevent crossborder signals from reaching a large part of the population, and the demands of Canadians living further from the American border to have similar access to programs.

Australia

The television industry evolved in Australia following the publication of a 1953 Royal Commission Report and a decision reached by the government that there would be a mixed public and private broadcasting system. In 1956, this was embodied in the Broadcasting and Television Act, 1942–1956, updating the 1942 Broadcasting Act and replacing a Television Act passed in 1953. At first each of the major metropolitan areas had two commercial and one public service (ABC) station with emphasis placed on local programming. No provision for networking was provided, but this emerged over time as firms sought means of cooperation. Later the metropolitan areas had three commercial stations, an ABC station and after 1980 a government owned SBS station. SBS represented an innovative policy of introducing programming for minority, especially minority multicultural, audiences.¹⁸

Content rules came into force in 1961, requiring stations that had been established for at least three years to transmit Australian material for a minimum of 40 percent of their total transmission time, and to transmit a minimum of one hour per week of Australian material between 7.30pm to 9.30pm. Numerous changes have been made to the policies since 1961 with the current version dating from 1990.¹⁹

Originally, drama content was almost entirely imported, "in prime time up to 1963, virtually all program material was of foreign origin, of which 83 percent was US and the rest British."²⁰ From 1964 on, with the help of Australian content rules, local programming was produced and increasingly used.

At present, the Australian Broadcasting Authority (ABA) administers the broadcasting content rules. Unlike the Canadian approach, these rules attempt to assess both program inputs and outputs because, except for children's programming, assessment is made after the programs are broadcast. While broadcasters do not know for sure what will count as domestic content, regulatory precedents provide guide-

lines.²¹

A complicated point system is aimed at ensuring that stations use Australia programs to fulfil an overall transmission quota, 50 percent of transmission time for old and new programs, and a drama quota for first release programs.

The points score for eligible programs is calculated by multiplying its duration in hours by an Australian factor and by a quality factor. The Australian factor can take the values of zero, 1.5 or 3.0 depending on the level of Australian involvement in the production of the program. The quality factor can be 1.1, 2.2, 3.5 or 5.0 and essentially reflects differences in the average purchase price per hour of the various drama formats. (Papandrea's working paper, footnote 19)

The ABA is directed to encourage programs that are identifiably Australian, that recognize the diversity of cultural backgrounds, are developed for an Australian audience and produced with Australian creative control. Rules relate to drama, variety, documentary, arts, science, current affairs and new concepts. Content rules are aimed at ensuring that viewers have the option of watching Australian programs and at providing opportunities and jobs for Australian creative talent. Rules also require that a majority of commercials are made by Australians.²²

Whereas the ABA assesses the content of most programs after they have been broadcast, childrens' programs are assessed before they are made to determine whether they meet the necessary standards. Broadcasters are required to transmit a certain number of hours of children's programming each year with individual requirements for pre-school and primary school children. Special emphasis has been placed on the content of these programs to ensure "suitability" in terms of "violence, sex stereotyping, sex and triviality."²³ How children are prevented from watching unsuitable programs, other than through parental control, is not clear. In terms of viewer choice, Australia has attempted to ensure that children's programming is available and that the quality is monitored. Technology is challenging this with the growing use of Nintendo and Sega-type video games which compete for childrens' viewing attention.

One view of the adequacy of viewer choice by 1980 is as follows:

During the 1980s in Australia, the television system had reached structural maturity and was delivering output that, in its cultural mix, was about right. By this I mean that what one might expect as possible, within the organisational, economic, policy and production parameters of a country like Australia, was being achieved. A complex confluence of factors occurred to produce this. By the 1980s, an organisational structure of *de facto* and then formally recognised networks was delivering sufficient return on revenue to underwrite the acquisition of significant levels of high quality Australian drama. Fundamentally, this was undertaken because there was stable, longitudinal evidence that indigenous product was popular and successful. Another factor was a regulatory system that was successful in building into the programming decision-making processes of commercial networks a genuine acceptance of local product in the face of the economic disincentive of their high cost relative to foreign acquisitions.²⁴

This assessment of viewer satisfaction addresses what was available at the time. Viewers are declared to be satisfied, but, with limited options, who was to know?²⁵ Meanwhile in the 1980s, Australian were revealing their demand for more choice by becoming owners of VCRs. By 1991, 72% of households owned VCRs. Debate

was also taking place over the introduction of Pay TV, suggesting that increased options were being demanded and requiring a response from the regulatory authorities.

Licences for Pay TV are presently being issued in Australia using a combined bidding and government allocation process, but consideration of the possibility of Pay TV dates back to a 1982 inquiry by the ABA entitled *Cable and Subscription Television Services in Australia*. In total there have been "three official inquiries since 1982, a moratorium on Pay TV from 1986-91, and a host of ministerial statements, conferences, fact-finding tours and other activities."²⁶

Reasons for the delay are attributed to the opposition by existing broadcasters, the financial difficulties of Pay TV in Canada and the UK, the alleged adverse impact on the existing broadcasting system, and the lack of community demand for it. The last is questionable since viewers are unaware of what will be offered to them, and unaware of the impact on existing signals, until the system is operational.

The Australian Pay TV situation for the next few years is evolving and quite complicated.²⁷ What may occur can be outlined. Technically, Pay TV can be distributed via satellite, cable (fibre optic and coaxial), possibly Asymmetrical Digital Subscriber Loop (ADSL) using existing telecommunications networks of twisted copper pair wires, Multipoint Distribution Service (MDS), ultra high frequency (UHF) or very high frequency (VHF) radiospectrum bands or some mix of the foregoing.

At present (June 1994), as noted, bids are being evaluated for two Pay TV licences, the A and B licences, which must use the Optus satellite (privately-owned) until July 1st 1997.²⁸ The C licence, also using Optus, will be issued by the Minister to a subsidiary of the ABC. Bids have been made for the A and B licences, each of which can supply four channels. The ABC will be issued the C licence with two channels so that a market such as Canberra can expect to receive ten Pay TV channels once the licensees are operating. Subscribers will likely select signals from either the A or B licensee as each may offer similar program genres.

The expectation is that the A and B licensees will provide some combination of movies, drama, sports, documentary and childrens programming, while the ABC with the C license will provide news and current affairs on one channel and quality childrens and current affairs programs on the other.

Since receiving the licences, the holders have become more specific. Noting the possible adverse consequences of head to head competition with similar programs, the ABC has asked the Trade Practices Commission (TPC) for authorization to bundle their offerings so as to avoid duplication and competition. After the TPC issued a draft determination proposing to deny authorization, the ABC withdrew the application. Other requests may be forthcoming.

Pay TV viewers will require a satellite dish and decoder box at an estimated cost of A\$1000 to A\$1200. In addition there will be monthly program costs. Unlike off-air broadcasting, Pay TV has limited Australian content requirements. Section 102 of the Broadcasting Services Act requires at least 10% of program expenditure for

a drama service to be spent on new Australian drama. No advertising can be carried until 1997.

The bidding process for licences has been chaotic and an embarrassment to the Commonwealth government. An official inquiry reported on whether the Minister or his officials was responsible for the failure. It did not examine the underlying problem of defects in the auction process.

In the near future, increased competition will occur from alternative delivery systems. From January 1995, Pay TV can be delivered by MDS. Each city has a possible 18 MDS licensees, with each licensee covering the same geographic area. At present, MDS offers analog service. If converted to digital, each licensee could offer about six channels or 108 (18 x 6) channels in a given area. Some of the MDS licences have already been issued. Others will be subject to a bidding process and if used for Pay TV must be subject to a broadcasting licence issued by the ABA. The latter does not involve bidding. From 1995, an operator owning MDS licenses in different cities could offer a national service competitive with the A, B and C licenses.

From July 1997, the A, B and C licensees are free to use alternative delivery mechanisms. An alternative satellite carrier and cable are the likely alternatives. At present, Australia is not cabled, except for telephone service, but there is no limit to the number of cable operators and no bidding process for the entry of new operators, although an ABA licence would be required for offering a Pay TV service. Telecom Australia has announced that it will lay fibre-optic or coaxial cable past 1.1 million homes over the next three years and Cable Television Services Pty. Ltd (CTS) announced on March 3rd, 1994 in Sydney that it has been granted ten cable television licences which will use Telecom's cable network. CTS has signed programming agreements with Turner Broadcasting for rights to CNN International News, Turner's Cartoon Channel including the Hanna Barbera library, and TNT, an entertainment channel featuring the MGM film library, as well as music and sports specials.

An imminent challenge to Australian media policies will be the launch in 1994–95 of a number of second-generation Asian-Pacific satellites. What programming will be available in English and whether it will target Australian viewers is unclear at present. Whether they will watch new offerings is an additional question. Presenting them with the choice is one way to find out.²⁹

The Australian government has indicated that it does not wish to regulate foreign competition from satellites, but recognises that Asiasat 2, expected to be launched early in 1995, will carry the five Star TV free-to-air channels and have a footprint from Moscow to Melbourne. Potential capacity is 20 channels. Panamsat 2 will likely be launched with an Australian footprint allowing reception with a 0.9 metre dish in most of the populated parts of Australia, and 1.2 metre dishes in Adelaide, Darwin and New Zealand.³⁰

In sum, the video market is fluid but the expansion of viewer choice is imminent through three Pay TV licenses delivered by satellite-to-home. Additional delivery systems and signals will shortly be available further increasing choice for Austral-

ians. Government policy has responded with difficulty to the changing technological circumstances as it introduced a bidding system to allocate Pay TV licences.

FUTURE REGULATORY ISSUES

A number of regulatory issues are suggested by these three examples. Four are noted here, the extent to which additional systems add more choice, the suitability of the auction process for issuing licences, the future of content rules, and the role of public broadcasters.

There is little doubt that as new delivery systems such as cable, satellite or MDS are first added to free-to-air television viewers receive additional choice. However, the addition of say satellite-to-home when the market already has free-to-air and cable delivery may not significantly increase choice but merely provide an additional way of providing existing programming. What it will do is create competition for the purchase of programming and the delivery of signals to consumers. Delivery systems will also look for new services to provide consumers such as home shopping, classified advertising, travel information and financial services.³¹

While the auctioning of television licences in the U.K. and Australia has encountered difficulties, it is not clear whether the problem lies in the way the auctions were structured or whether an auction is an unsuitable allocation process. In both countries, the conditions surrounding the bids and the choice of the winning bid were complicated. As noted, in the U.K., the highest bids were not the winning bids in seven of the fifteen cases, while for three licences there was only a single bid with the winner paying £2000 in two instances. In Australia, the bidders were not required to provide a non-refundable deposit with their bids and the winning bids were unable to raise the money. This was repeated with the next highest bids until the conditions for bidding were changed.

Unlike the auctioning of cattle or flowers, where what you see is what you get, a television license is a right acquired for a period of time to which the government attaches certain programming conditions, the realization of which only becomes apparent with time. If the conditions are not fulfilled, certain penalties may apply, such as fines or ultimately the revocation of the license or disqualification of the licensee at time of renewal. However, failure becomes an embarrassment to the government for what appears to have been the selection of the wrong bidder, a fact publicised by those who lost and those wishing to criticize the government.

It should also be noted that the Canadian way of issuing licences involves a bidding process, where the regulator issues general guidelines for applicants, the firms bid by offering certain programming and the regulator selects the winner at which time the specific priorities of the regulator are revealed. The losing bidders, who may have spent considerable amounts in preparing the bids, are disgruntled alleging that the regulator was unclear in stating what programming it really wanted. One difference is that no lump sum payments accompany the bids in Canada as occurred in the U.K. and Australia. Our view is that auctions with payments can be made to work, but that the conditions applying to winning bidders will require a degree of regulatory involvement not unlike the Canadian process. The conclusion

reached by Williamson regarding the issuing of cable licences is supported by the circumstances revealed in our examples.³²

Once licences are issued to private broadcasters, the Australian and Canadian governments promote domestic programming through content regulations. While always creating problems concerning the determination of what is Australian or Canadian, especially for news, animation and sports programming, the effectiveness of this approach is further weakened as more options are available to viewers. No content rules apply to home viewing using VCRs or to the use of games played on television and computers, while lower levels of domestic content are often applied to satellite-to-home signals. Where rules are enforced for commercial broadcasters, which are losing audiences because of increased choice, they will tend to undermine the financial viability and force out of business those that are supposed to be the carriers of domestic content. As choice expands with the introduction of new delivery systems, the viability of content regulations is diminished and governments will have to consider other ways of promoting domestic content especially for drama, where imported American programming has always been popular.

Public broadcasting is an alternative way of managing content and providing viewers with the option of viewing domestic content, but audience fragmentation means that the public broadcaster has more competition and a smaller audience for its programming. While pressured with budget cuts or limited increases in all three countries, there appears to be more pressure on the CBC than its ABC and BBC counterparts. One difference is that the CBC receives part of its television funding from advertising (23 percent in 1993) and so has a dual mandate, placing it in competition with and criticism from commercial broadcasters. Making it responsible only to the political process with a well defined mandate is probably the preferred option although the whole question of public broadcasting needs to be re-examined, especially as in the case of Canada provincial governments now own public broadcasting entities.

CONCLUSION

In mid-1994, viewer choice differed in the three capitals, with Canberra offering fewer options than those available in London or Ottawa. However, differences in the range of viewing options may be reduced within the next 24 months. Viewers will soon experience choice similar to that long experienced by music lovers and readers. They will be able to select and acquire what they want and view it when they want.

The reasons for the existing differences can be traced to the way in which first radio and subsequently television broadcasting were introduced into the three countries. The combination of technology, geographical location, demographic makeup, attitudes towards public and private broadcasting, particular regulatory approaches with different emphases on quality, national and specialized programming, appear to have made the difference to date.

After seventy years of broadcast regulation, the control asserted by governments is in sharp contrast to that of the print media. Regulation of broadcasting has been

both reactive and proactive with policymakers engaged in public entrepreneurship to find ways to influence the content of signals through a combination of public and private broadcasting against a background of changing technology. Reforming the regulatory process will have to contend with a number of issues. Foremost among them are the extent to which new delivery systems add choice for viewers, the efficacy of an auction process to allocate licences, the use of content regulations and the role of public broadcasting.

NOTES AND REFERENCES

- 1 In a speech at the 1989 Edinburgh Festival, Rupert Murdoch stated that "technology is ahead of all the authorities and all the politicians."
- 2 The ABC receives about 15 per cent of its funding from merchandise and the remainder from the government, while the SBS receives about 10 per cent from merchandise, 2 per cent from advertising and the remainder from the government. Many bookstores in Australia have a prominent display of books, audio and video tapes supplied by the ABC.
- 3 About 15 per cent of UK homes receive satellite TV by BSkyB on 3 Astra satellites — 2.15 million dish homes with sales of 12,000 new dishes per week as of August 1993. The top rated Sky regular program to August 1993 has been "The Simpsons" with an audience of about 1 million; individual programs have had larger audiences.
- 4 *Globe and Mail*, June 7th, 1994, A1-A2.
- 5 Information on DirectTV and USSB from the Internet Homesat Network, March 1st, 1994 by Richard R. Peterson, National Computer Systems, 4401 West 76th Street, Edina, MN 55435.
- 6 Dual delivery of American signals in Canada commonly occurs when a Canadian broadcaster acquires and delivers a signal at the same time that the signal is available to the viewer from an American station. The Canadian policy of simultaneous substitution addresses this issue by requiring that Canadian advertising be carried on the signal available to Canadian cable subscribers. American regulators require that cablecasters make their programming available to alternative delivery systems.
- 7 Radio Luxembourg provided commercial broadcasting in English at a time when the BBC headed by Sir John Reith was broadcasting programs which he decided were "good" for people. On Sundays, the one day on which the majority of working people were able to listen to the radio, the BBC broadcast a dismal mix of religious services, classical and organ music in competition with Radio Luxembourg's entertainment programs. Audience appreciation of the latter is evidenced by the fact that the BBC tried on several occasions to close down Radio Luxembourg. See James Wood, *History of International Broadcasting*, London, Peregrinus Ltd., 1992, pp. 43-45.
- 8 In contrast to the United Kingdom, Australia and Canada are federal states with input for the regulatory process coming from state and provincial governments. The United Kingdom does have to be concerned about the needs of Scotland, Wales and Northern Ireland.
- 9 See Richard Collins, 'Public service versus the market ten years on: reflections on Critical Theory and the debate on broadcasting policy in the U.K.', *Screen*, 34:3 Autumn 1993, pp. 243-259.
- 10 Data from the CBC Annual Report for the year ending March 31st, 1993. The impact of advertising revenue on CBC programming is discussed in Keith Acheson and Christopher Maule, 'Canadian content rules: A time for reconsideration', *Canadian Public Policy*, 16, 3, 1990, pp. 290-1.
- 11 In A. Smith, ed., *British Broadcasting*, Newton Abbot, David and Charles, 1974, pp. 190-1.
- 12 *Report of the Committee on Broadcasting* (Pilkington) Cmnd 1753, London, HMSO, 1962: and *Report of the Committee on Financing the BBC* (Peacock) Cmnd 9824, London, HMSO, 1986.
- 13 For further details, see Martin Cave and Peter Williamson, ' "Make or Break" strategy: the great Channel 3 licence race', *Business Strategy Review*, Autumn 1991, pp. 53-90. Other conditions surrounding the bids included no provision of a reserve price for a franchise, an annual payment to the government based on a percentage of the advertising revenues earned in addition to the lump sum franchise payment, and a compliance procedure to promote adherence to programming commitments. Following warnings, financial penalties can be imposed up to 5 per cent of qualifying revenues, then reducing the licence period by up to two years, and finally revoking the licence. A licensee may request renewal four years before the existing license expires.

- 14 The history is summarised in *Report of the Task Force on Broadcasting Policy* (Caplan, Sauvageau), Ottawa, Supply and Services Canada, 1986, pp. 5-21. The vitality of private broadcasting in the pioneer years is discussed in Michael Nolan, 'An infant industry: Canadian private radio 1919-36', *Canadian Historical Review*, LXX, 4, 1989, pp. 496-518.
- 15 Canada, Parliament, House of Commons, *Debates*, May 18, 1932. In the pre-satellite era, a politician could reasonably expect to control the "air that lies over the soil or land," but was quite prepared to allow private exploitation of land.
- 16 The regulator in Canada argues that under existing legislative authority it can regulate direct-to-home satellite signals when the program provider acquires program rights for Canada, solicits subscribers in Canada, solicits advertising in Canada, or activates and deactivates the decoders of Canadian subscribers – see Canadian Radio-television and Telecommunications Commission, *Structural Public Hearing*, Ottawa, Public Notice CRTC 1993-74, June 3, 1993, 8. Regulation would be difficult if unscrambled signals are transmitted.
- 17 Governments will attempt to certify material sold and rented in videostores in order to monitor sex and violence but not Canadian content.
- 18 See Stuart Cunningham, 'Television', in Stuart Cunningham and Graeme Turner, eds., *The Media in Australia*, St Leonards, NSW, Allen and Unwin, 1993, pp. 19-40.
- 19 Details of the historical development of Australian content policies were kindly provided to us in a 1994 unpublished working paper by Franco Papandrea, Bureau of Transport and Communications Economics, Canberra.
- 20 Cunningham, p.25.
- 21 The ABA looks for evidence that Australians exercise direction over creative decisions in six areas, development, casting, appointment of key creative personnel, pre-production, filming and post-production of the program. "Evidence of creative direction by Australians in six fields must be provided for a programme to attract a full Australian multiplier of 3. But when all six criteria are satisfied *except* either a non-Australian writer or director is used, then the multiplier is halved to 1.5." Richard Collins, 'National broadcasting and the international market: developments in Australian broadcasting policy', *Journal of Media, Culture and Society*, Vol. 16 (1994), p. 22.
- 22 The question of Australian content policies has been debated in *Media Information Australia*, especially recent articles by Docker, Cunningham, Craik, Bennett and Hunter in No. 59, Feb. 1991, pp. 7-42 and by Flew in No. 62, Nov. 1991, pp. 22-30, subsequent to the Dec. 1988 report by the Australian Broadcasting Authority, *Australian Content Proposal for Commercial Television*.
- 23 Bob Hodge, 'Children and television', in John Tulloch and Graeme Turner (eds), *Australian Television: Programs, Pleasures and Politics*, Sydney, Allen and Unwin, 1989, p. 162.
- 24 Cunningham, pp. 31, 33.
- 25 Reported instances where stations exceeded their regulatory requirements indicate the production of Australian programs that are successfully competing for audiences.
- 26 Cunningham, p. 342.
- 27 Information on the Pay TV situation in Australia has been extracted from Reports by the Australian Trade Practices Commission (TPC) on the application for the A license, 16 June, 1993, application for the B license, 15 December, 1993, and application for the authorization by the Australian Broadcasting Commission, 21 February, 1994 – TPC, PO Box 19, Belconnen, ACT 2616, Australia.
- 28 The government promoted the launching of the Optus satellite and then supported it by requiring its use for the delivery of Pay TV for an initial period.
- 29 Viewers in northern Australia can already receive certain Asian services by satellite.
- 30 See *Courier Mail (Qld)*, March 14, 1994, p. 31; and *Exchange*, 18 March, 1994, p. 5 (Stuart Corner Information Services, Tel: 02 555 7377). Discussion of the possible impact of satellites is found in 'Media Developments in Asia, Implications for Australia – A Discussion Paper', Audiovisual Task Force, Department of Industry, Technology and Regional Development, Canberra, March 1994, pp. 25-26.
- 31 We are grateful to Aidan Vining for drawing this to our attention.
- 32 O.E. Williamson, 'Franchise bidding for natural monopolies', *Bell Journal of Economics*, 7 (Spring 1976), pp. 73-104.