

AANA SUPPLEMENTARY SUBMISSION TO THE PRODUCTIVITY COMMISSION

[1] This is a supplementary submission from the Australian Association of National Advertisers (“AANA”) to the Productivity Commission in response to your invitation to comment on the Commission’s Draft Report “Broadcasting” of October 1999. AANA is pleased to have the opportunity to comment on the Draft Report, and to participate in the Commission’s public hearings.

Background

[2] AANA provided a submission in response to the Commission’s initial invitation for written submissions to this Inquiry.

[3] It was the AANA’s primary contention that the Broadcasting services market should operate without current regulatory barriers to entry, and in an environment of free and open competition.

[4] Consistent with that fundamental principle AANA supported the application of a public benefits test in matters of spectrum access and datacasting, and the deregulation of foreign ownership and cross media limitations.

[5] The AANA also supported a modified ABA administration, and the continuation of a degree of regulation in relation to Australian content.

Comments on Draft Report

[6] The AANA notes and concurs with the following basic principles espoused by the Commission in its Draft Report:

[7] Australia’s broadcasting policy should:

- promote the interests of consumers;
- promote the community’s social and cultural objectives in broadcasting programming;
- secure diversity of major sources of information and opinion in the market for ideas;
- promote efficient resource allocation in the broadcasting and related industries and for the Australian economy as a whole;
- ensure that Australia makes the best possible use of its radio frequency spectrum resources and that the community gets a fair return from the use of the spectrum;
- provide for equitable access of Australian consumers to broadcasting services;
- encourage innovation in the provision of broadcasting services; and
- promote the efficient, effective and transparent public administration of broadcasting.

[8] In particular, AANA supports the view that:-

1. the Commission should focus on balancing the social, cultural and economic dimensions of the public interest, having regard to technological convergence to the extent it may impact on broadcasting markets and the range of service offerings to consumers;

2. a market characterised by more open competition is needed, and that deregulation of the broadcasting industry will enable a free and more open market to develop;
3. a “public benefit” test should be applied in matters relating to access and allocation of spectrum resources and datacasting;
4. the allocation of access to the spectrum should not be allowed to be monopolised in such a manner as to promote or permit anti-competitive or restrictive practices; and
5. the spectrum is a valuable public resource, and the public should receive a fair and appropriate return from the use of that spectrum.

[9] The AANA notes the Commission’s proposal to achieve a more competitive environment by particular legislative amendment. The AANA recognises that there may well be a variety of approaches to such legislative amendment, and would encourage the Commission to recommend the course of action which they consider would most rapidly bring about the desired structural changes.

[10] AANA notes and supports the Commission’s view that foreign investment in broadcasting should be handled in accordance with Australia’s Foreign Investment Policy, and that restrictions on foreign investment, ownership or control in the BSA should be repealed.

[11] The AANA also supports reform of the cross-media ownership rules. We would, however, urge the Commission to ensure that the pre-conditions which it has proposed are not allowed to become an excuse for the delay, or worse, the shelving of such reform. AANA supports the proposition that it is desirable to remove the cross-media ownership rules as currently formulated, being consistent with the principal of establishing an open and competitive market.

Further submission in relation to High Definition Television (HDTV)

[12] AANA notes the Commission’s proposal that HD Transmission should be permitted, but no longer mandated. If that were to be the case, AANA submits that there should be a review of the allocation of the relevant portion of the spectrum “earmarked” for HDTV.

[13] Indeed, even if HD Transmission continued to be mandated, AANA would recommend such a review.

[14] Consistent with the basic principles which AANA has espoused in relation to the other matters raised in its submissions, AANA submits that the Commission should be guided by the following matters in this regard:-

- (a) the opening up of HDTV and the industry generally to competition;
- (b) the application of a “public benefit” test to the allocation of scarce resources, in this case the spectrum;
- (c) ensuring that the community obtains a fair return from the use of the spectrum.

[15] At this stage AANA would encourage the Commission to investigate and consider the following questions:-

1. Is the degree of definition which has been proposed for HDTV really proven to be the optimum standard?

2. Acknowledging the very real benefits offered by digital TV, do the supposed benefits of such high definition as is proposed outweigh the costs to the public, in terms of the alternative potential range of services?
3. Will the allocation of portions of the spectrum "earmarked" for HDTV result in an institutionalised, de facto anti-competitive framework by significantly limiting the spectrum available to subsequent competitors wishing to enter the market and the attendant potential range of services?
4. Is the Commission satisfied that the public is aware of the very real costs which will be associated with a change to HDTV, which cost will ultimately be borne by advertisers and consumers?

[16] AANA wishes to support a more competitive broadcasting environment whilst minimising the costs of converting to digital transmission. It supports the move to digital transmission, but does not wish to see the information superhighway unnecessarily blocked by the premature allocation of spectrum in the absence of a discernible need or demand from the public for digital transmission with such high level of definition.