

From: Paul Budde [paul@budde.com.au]  
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To: 'broadcasting@pc.gov.au'  
Subject: Broadcasting - Submission to Productivity Commission

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Over the next three to five years broadcasting will go through the most important change in its 60 years of existence.

The industry will have to change from a broadband service (a handful of channels) to a narrowband service (thousands of individual services). This will take place through the digitisation process which will basically turn broadcasting into a computer technology. The effect of this will be to enable an unprecedented manipulation of the service and the industry will change from one based on hardware to a software-driven application-based service.

It will also change the total market paradigm of the broadcasting industry from one that has advertisers as its customers to one that will have the viewers as its customers. This is a totally unprecedented situation and it will involve massive cultural changes within the existing industry.

It is highly unlikely that the current commercial broadcasters will be able to adapt sufficiently to enable them to fully participate in this development. Over a period of 5-10 years the new multimedia industry will be dominated by other companies, including: publishers, software developers, content owners, service providers, entertainment distributors, etc. Programming and distribution costs will amount to only a fraction of current costs, thus enabling many others to participate in the industry. It will follow the same pattern as the Internet and will have an enormous democratising effect on the broadcasting industry.

The new digital TV platform will become a major interactive platform, second only to the Internet.

The PC-based Internet will stay very much where it is now, a personal device for individuals looking for information, education, transaction services etc.

Digital TV will be the best vehicle for entertainment-based Internet applications. Of course there will be an overlap in the middle, but the two will never merge. Because of this, the digital TV platform will be able to bring a whole new group of users onto the information highway - people who don't currently work with computers (low income families), people who don't like computers, new groups of elderly people, etc. Digital TV will be far better suited for their interactive multimedia needs.

The role of the government in all of this is to foster the development and make sure that the maximum number of people will be able to participate in the knowledge-based information highway developments. In order to derive the greatest benefits the government should eschew technical regulations such as splitting digital TV into 'pretty pictures' (broadcasting) and interactive services (datacasting). By continuing in its current direction, splitting the technology, the government will deprive a very large (generally information-poor) part of our society of their chance to participate in the information highway.

Over the last 15 years it is apparent that whenever the government has tried to regulate technology it has failed dismally and has done more harm than good - pay TV, MDS, mobile communications and satellite TV, for instance. There is not one single example in Australia where the government can prove that technology-related policies have been beneficial for its citizens - or for its industries, for that matter, with the exception of a very few, very powerful media and telecommunications companies. It is sad to see that Australia is the only country in the western world where the government wants to split the digital TV developments into broadcasting and interactive services. The USA began to do this, but disappointment with the broadcasters who promised digital TV but didn't deliver are, at this very moment, forcing the FCC to review its policies.

It is also impossible to avoid the conclusion that the main incentive behind this policy is not the good of its citizens, but a wish to please a very small proportion of the industry, the incumbent commercial broadcasters. By doing this the government is blocking the development of a whole new industry based on interactive multimedia, which has the potential to provide tens of thousands of new jobs.

We estimate the value of the total new interactive multimedia market will be around \$75 billion by the year 2006. This is more than double the current value of the combined telecommunications, video and broadcasting markets. Blocking off this market from an emerging industry will not only be detrimental to the people of Australia - the economy will also be affected, as it will prevent Australian companies from finding their place in this new global market.

In previous submissions (eg Broadband Services Expert Group, Communications Futures Project and the Deregulation Process of 1997) we have also argued for a comprehensive all-inclusive regulatory environment.

Currently the market is regulated by ABA, ACCC, ACA, ACIF, DOCA, and others, making Australia one of the most over-regulated countries in the world. All these bodies have their own agendas and are sending conflicting messages to the Minister and the government, making it even harder for Australia to develop its own industry and its own market for these new broadband services.

Paul Budde

Paul Budde Communication Pty Ltd  
PO Box 2643  
Bucketty NSW 2250, Australia  
<http://www.budde.com.au>  
Tel 02 4998 8144, Fax 02 4998 8247  
Tel Int. 61 2 4998 8144, Fax Int. 61 2 4998 8247  
<mailto:paul@budde.com.au>  
<mailto:psc@budde.com.au>