

**aap Information Services Pty Ltd**

**Submission to the Productivity**

**Commission**

**Inquiry on Broadcasting**

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JL/BKW

# Submission to the Productivity Commission

## Broadcasting

### Introduction

AAP is pleased to submit this document to the productivity Commission in response to its request for views on the issues paper of March 1999.

AAP is still developing its datacasting strategy – either as a wholesaler or retailer of business information services - but we are keen to evaluate the capability to enrich or extend the reach of AAP's existing content

AAP's views are expressed on three basic premises: -

**Firstly**, equal and unencumbered access to all services should be maintained for both consumers and the service providers, thus no segment should be declared either in the short or the long term the preserve of any single vested party.

**Secondly**, that the public interest is best served by ensuring a competitive playing field through a diversity of suppliers and that standards of decency and professionalism should be employed in the services to be delivered via the new digital broadcasting facilities.

**Thirdly**, the convergence of hardware, communications and software technologies will undoubtedly create new platforms, and hence opportunities, for the delivery of services, albeit in ways which are yet perhaps to evolve, over and above that already achieved through today's new media technology and Internet delivery mechanisms. Thus any legislative framework or guidelines should not be so restrictive so as to unreasonably shackle such emerging services or platforms.

Therefore this submission does not attempt to address all the questions raised in the Commission's paper. There is already much material available in the public domain regarding open access and convergence. It is not necessary to repeat in detail the views, opinions and facts contained in that material, but simply to underline or highlight the points that are relevant to AAP Information Services.

Rather it addresses those questions that relate to the above three points, since these would have a material impact on the primary business of AAP – the retail and wholesale dissemination of information in electronic form. This is the very core of AAP's business since its inception as the national newsagency, with the charter to produce and distribute news and information on a non-partisan basis.

## Summary

It is testimony to the speed of convergence that for all of its previous 64 years of operations, AAP, as a source of textual material, would have regarded the outcome of an inquiry into the Broadcasting Industry as academic, peripheral at the very best.

That fact that it is making a submission at all illustrates the all-pervasive nature of the new media and the realisation that the traditional boundaries that circumscribed the roles of traditional stakeholders in the news media no longer exist.

Thus, the national news agency can no longer be characterised in the mould of a vendor of textual news and information to the community. It is, in the widest sense of the phrase, a content provider.

Those journalistic borders that defined all the various creative arms of the news media are disappearing with increasing rapidity. An agency journalist, while still faithful to a specific credo that distinguishes the practitioner from other forms of journalism, now finds those skills being applied to audio and visual production.

The increasing popularity of the Internet as an on-demand medium for news and information means that any story can combine elements of all three disciplines. A news story delivered to a customer Internet site can be routinely enhanced by the addition of audio or video attachments, thereby fusing what for many decades were separate and distinct products.

Therefore, the converged product, far from being solely within the ambit of the broadcast medium, now automatically captures the operations of the national news agency as well, even more directly than as a wholesaler of news to the more traditionally defined broadcast industry.

AAP's original role was as a co-operative and even now, as a commercial operation, there are very few constituents of the Australian and South Pacific news industry whose products -- whether they be classified as press, radio, television, magazines, or based in the commercial, educational, government or corporate sectors -- are not serviced by the output of Australia's national news agency .

As such it is touched only marginally by those issues that drive the current debate over foreign ownership and cross media rules and therefore seeks to leave detailed submission on such topics to those organisations more intimately affected.

AAP's interests more specifically rest on the standards and controls to be applied to content as part of any revamped Broadcasting Services Act, particularly as they apply to news and information whether the conduit be FTA, datacasting, interactive links through telephone systems, the Internet or cable.

Whatever the outcome of the commission's deliberations, the ultimate shape of datacasting in Australia will be determined by: - (a) the precise definitions of datacasting, enhanced programs and broadcasting, and the distinctions between them, and (b) free and unencumbered access for all service providers to whatever datacasting capacity becomes available. The framing of any legislation in our view should therefore take into account the ability for fair and open competition across all sectors of the industry; thus there should be no monopolisation of the datacasting capacity.

Digital datacasting can provide a means for progressing the process of communications convergence overall. As we understand it a number of industry players are already considering services which would directly combine digital TV with the Internet and other on-line services.

### **The changing nature of broadcasting**

In general, AAP agrees with the views outlined in the Commission's discussion paper. Much has already been written and published about convergence of the various technologies, and there still seems to be uncertainty as to **precisely** which way convergence will occur.

Whether or not the television set, or derivative thereof, becomes the interactive centre of the home, offering a new level of functionality and entertainment and business opportunities is a moot point. What is more likely to happen in the near term is that the status quo will prevail with discrete PC and TV modules, but with the TV reception antenna or cable plugged in to offer an alternative dissemination channel.

And whether the kind of interest and growth of the Internet can be guaranteed for on-line services on the TV is also open to speculation, and of crucial business interest to many interested parties. Several factors will determine the outcome, the main ones being overall community attitude towards computers and further recession of "computer phobia", and the convergence of the TV and PCs to the point that they become modules of the same system.

The former is likely to occur until the current idiosyncrasies of operating a PC, at least for a large part of the population, are eliminated.

Having said that, one has to take a view on convergence - not only at the standards and delivery levels, but also in the evolution of the TV set vis a vis the PC. In time, whether that is one, two or even ten years, they will become a single multifunctional unit. The PC will become the "2<sup>nd</sup>" TV, if not the primary one, since more and more households are equipped with multiple sets. With the growing popularity of video attachments, PCs can today be turned into basic versions of TV. Individuals either watch TV or access their PC; rarely do they watch both at the same time so it won't matter if a particular module is

multifunctional as is technologically possible now. Anyway there are probably many users who would prefer multi media and computer capability on the one screen.

Admitted there are still uncertainties on how exactly the perceived opportunities will actually develop; cost and ease of use will be major factors. It is likely to be more like the Internet, which had been around for some time before it was apparent how best the capabilities offered would be commercially exploited. In a commercial sense it was evolutionary rather than planned, although no doubt the original conceivers of the technology had a broad vision of the possibilities.

Two factors were key in the massive explosion of Internet usage. Firstly, it was a more cost effective, convenient and generic means to access services, as opposed to the need for proprietary hardware components. Secondly, the entire structure was open and free to competition leading to innovation and clever ideas that spurred the eventual acceptance and growth patterns. Even today there is still some way to go, and this will be one of the keys to acceptance of such services to the level of a TV or VCR in the home today.

But the bottom line is that existing Broadcasting legislation does not allow for any development of the types of various commercial opportunities discussed in the public forum to date. It clearly must be modified to allow such evolution to occur, as is the case in other parts of the globe.

From a purely production perspective, the traditional distinctions between each sector of the news industry are crumbling as the Internet -- or any of its electronic bedfellows -- migrates from one medium to the domain of another.

The excellent BBC site ( [www.news.bbc.com.uk](http://www.news.bbc.com.uk)) is a case in point. Naturally enough, it provides audio and video, but somewhat unexpectedly offers full newspaper text in the manner of features and backgrounders replete with quotes. As such it straddles both the press and broadcast media in one product offering.

True, the freedom of, say, the Nine Network to extend its reach beyond broadcast into text by producing a daily newspaper in Sydney is prohibited under the cross-media ownership rules, but that is not a constraint that applies on the Internet, nor is it a limitation that the Nine Network observes.

Similarly, by joint venturing with broadcast companies, or perhaps by developing licensing agreements or even creating their own broadcast facilities, newspapers likewise have the ability to supplement text and images with audio and video.

So although some of the pillars on the original news media landscape remain, their presence in the so-called New Media demands a multi-media approach and thus reduces the obvious distinctions imposed by the medium in which they originally thrived.

For the larger and wealthier of these companies, competitive distinctions are measured only by their level of expenditures and creativity; certainly not by any reluctance to cross over to another medium.

Not that any of this gradual metamorphosis will significantly diminish competition between broadcasting and other media; on the contrary, the opposite can be argued.

The competition for the advertising dollar intensifies with the creation of what is essentially a new medium in publishing and broadcasting terms. That, in turn, increases the demands for editorial content to support the quest for new revenue.

So, assuming that Australia can maintain a diversity of editorial sources, the Internet offers a new arena for competition that more closely engages the combatants than has previously been the case when they were tied to a particular medium.

### **The public interest and the objectives of broadcasting policy – Economic dimensions**

A major issue is the ground rules for the allocation, and access to, the spectrum to be made available for datacasting purposes (whatever datacasting is eventually defined as being).

In any event, as with the current access to bandwidth for content producers to make their material universally available as they are currently able to do, then the competitive arena for datacasting should allow likewise, within reason and bearing in mind the public interest, as is currently the case through traditional suppliers (the carriers) of bandwidth.

This is because, if the pundits are right and digital broadcasting can provide a very simple extension in terms of delivery medium, then existing purveyors of content and services via the existing Internet architecture should not be prevented from accessing what is nothing more than an extension of the Internet platform.

It should not be allowed to be monopolised in such a way as to allow non-competitive access to the customer base using digital broadcasting as their means to access services - whether through terrestrial, cable or satellite delivery.

Therefore, a condition of using allocations for the spectrum should be to provide for access (on a commercial basis) to the commercial providers of Internet services: not solely for altruistic community purposes served by public broadcasting.

Full Internet interconnectivity should be made available to all ISPs and web sites on a competitive, commercial basis. Most could not justify ownership of datacasting spectrum licences, and would be at the mercy of the large players in the content, publishing and communications industries. Only then can a full range of services be made available at a reasonable cost to all willing participants.

Ideally, perhaps, licensees of datacasting spectrum should be regarded as "carriers" or providers of bandwidth for Internet connectivity, who in turn should be required to offer their capability to allcomers in a competitive manner.

## **The economics of broadcasting**

The primary markets for broadcasting to date have been the general public mainly in homes. This is due to the fact that the analogue technology limited broadcasters to receive only rather than interactive services. Digital transmission has opened up so much more possibility, at a fraction of the cost, because of the efficiencies in spectrum usage possible through digital transmission technologies.

However, another factor that inhibited development of the broadcast capabilities to expand services is the restrictive nature of the legislation for access to spare spectrum capacity, since this was owned and controlled by the licence holders. A commercial arena for the transmission of other less general material could not be created because the cost to service providers was prohibitive.

The explosion of the Internet usage is clear proof that if a cost effective convenient and generic means can be provided, together with a free and unencumbered legislative regime (for access by both service providers and consumers), then the resulting demand will provide economic viability to many if not all organisations or individuals wishing to make commercial use of the facilities at their disposal.