
LIFE AFTER THE FDU TELEVISION AND FDU RADIO REPORTS

PART 1

The organisers of this conference asked me to attempt some kind of historical overview of the processes leading up to and flowing from the two Reports of the Future Development Unit ("FDU") of the Department of Communications - the FDU Reports as they are known to most of us.

Frankly, I suspect this may be a piece of history many of us would prefer to forget. It is Wagnerian in its complexity and my overview of it, such as it will be, will be somewhat subjective and necessarily confined to a few of the leitmotifs. I have lived through the FDU era thusfar on a client's behalf and I believe I am in good company with other FDU survivors in saying that it has been one of the most convoluted, bewildering, contradictory and cynically manipulative processes to which an industry can be subjected.

A measure of that was probably inevitable in such a process of administrative change. There is no country on earth where Government is indifferent to the role and potential influence of the media. In addition, thirty years of protection and regulation had resulted in serious structural rigidities and entrenched spheres of political influence within the Australian industry. So of course one could expect some level of arm-twisting and accommodation as change evolved. But who would have dreamt, back in November 1983, when Mr Duffy spelt out the new Government's intentions as they related to the impact of the satellite system upon broadcasting, that a Labor Government would have enveloped itself, three and a half years later, in this ghastly shemuzzle over ownership and control, and a seemingly impenetrable political impasse over television equalisation.

I don't propose to provide you with an official war historian's record of what has happened since November 1983. Rather I want to highlight one or two of the more interesting battles, some of the lost tactical

opportunities, and some of the curious ideological footwork that has been going on offstage.

Also, for those of you who have not had occasion to make a comparison between the FDU Television and FDU Radio Reports, there exists a small chest of contradictory philosophical treasure which we might look at presently.

Of all disappointments relating to the process of restructuring our commercial media by this and previous Governments three, to me, are central:

- too much of the change has been technology-driven as opposed to consumer-driven;
- there has been altogether too much political accommodation of certain entrenched corporate media interests and a cynical attempt to manipulate others;
- too little regard has been had for planning the restructuring of commercial television in the total media context (i.e. commercial and non-commercial media) or, for that matter, in a socio-cultural context.

Satellite Technology

When Mr Duffy came to the Ministry in 1983 part of the inevitable and irrevocable baggage he inherited from his Liberal predecessor was the commitment to the AUSSAT satellite system. Not least amongst the advocates for the system had been Kerry Packer and the Sydney-Melbourne networks who saw it as an opportunity for them to expand to provide additional services to regional Australia on a Direct Broadcasting by Satellite ("DBS") basis.

The regional television monopolists were, of course, appalled. To insulate them, Mr Duffy's predecessor came up with the supplementary licence concept. Like the satellite, this formed a part of Mr Duffy's inheritance. Late in 1983 he endorsed the supplementary licence scheme (something he would abandon less than three years later) and sent the issue of Satellite Program Services to the

Broadcasting Tribunal for inquiry and report.

Central to his actions then, as subsequently, was a policy concern to improve the range of services in non-metropolitan Australia with which I sincerely hope none of us has any fundamental philosophical difficulty.

The problem then, as now, lay in balancing the interests of the politically powerful networks against those of the regional monopolists in such a way as to ensure clients for AUSSAT's satellite transponders and new commercial television services in regional Australia where Federal Labor holds a brace of particularly marginal seats.

If those elements were not already difficult enough to reconcile the Broadcasting Tribunal, when it reported in July 1984, tellingly emphasised what it termed the "structural imbalance" resulting from the two-station ownership limit in commercial television. The aggregation of smaller markets and the correction of the structural imbalance by relating ownership to population have, as we now know, become pivotal issues in the proposed reforms.

Yet in all this it was the technological capability of satellite distribution and its commercial applications for the existing television operators that was determining the nature of the restructuring. Many broad assumptions have been made about the desirability or inevitability of "networking" and the benefits of enlarged markets with competing services. Scant regard has been had to the actual nature of those services in terms of the types and quality of programs they will deliver.

Dealing with the Entrenched Interests

By the time Mr Duffy sent the issue of new regional commercial television services off to the specially created FDU of his Department in February 1985 the battle lines between regionals and networks were clearly drawn. If the networks were to lease AUSSAT's transponders for program distribution then they wanted new regional markets for those services. The regionals understandably wanted to do all they could to protect their his-

torical commercial advantage.

In the result, the sad commercial consequence of this conflict was that the Government passed up the option of permitting new, independent players to compete for the provision of these additional services alongside the already entrenched networks and regional monopolies. Equalisation became a "closed shop" in which the existing operators were compelled to meet the Government's regional television objectives. They were compelled to do so, moreover, in an environment of intense speculation about the new ownership and control provisions - provisions which, it is now quite plain, could deliver the ownership of many of these regional operators into the hands of the city-based networks if they actually pass into law.

In the meantime, the regional industry has tried to make the best of it, doing its share of horsetrading with the Minister and his Department, attempting to get the best deal it can under the equalisation and aggregation formula developed by the FDU. The issue has been further complicated by differences within this group over the way these services are to be provided - that is, by extending competitive services into adjacent service areas under the market aggregation plan, or by providing additional services within the licensee's existing market - the so-called multi-channel services option. As things stand, two additional services are to be phased-in to four re-defined markets in Eastern Australia between now and 1993, becoming fully competitive by 1996, once again provided the Government can get its legislation through the Parliament.

The relationship between sections of the Cabinet and certain media "moguls" as journalists have generally referred to Mr Murdoch, Mr Packer and the Fairfax group, is one that has occupied very many newspaper column inches indeed, as well as quite a lot of time on the ABC. These relationships are characterised, in general, in terms either of political mateship or enmity and, by implication I suppose, editorial mateship or enmity - especially at election time.

So that when, as happened on

December 12, 1985, the Minister, Mr Duffy, took the question of ownership limits on commercial television into the Cabinet, the ensuing stand-off between him and the Prime Minister produced some very detailed, damaging and divisive copy, still, so far as I am aware, undenied.

Mr Duffy, you'll recall, was advocating a population "cap" of 53%; the Prime Minister was understood to favour 35% with the Packer and Murdoch interests excepted - a preference which reportedly led Senator Button to suggest to him that he had better tell the rest of the Cabinet just what it was that his "mates" wanted. The ALP Caucus Infrastructure Committee, incidentally, had wanted to limit population access to 33% with the Packer and Murdoch interests subject to "grandfathering" clauses.

How long ago all that seems, and how low all those percentages proved to be. Now the limit is to be 75%. As a trade-off we have a barrier on cross-media ownership. The market shakeout has already begun. Astonishing premiums have made their exit as TV moguls; the Herald and Weekly Times is no more; Fairfax entered the great carve-up to buy HSV-7 and now provocatively straddles print and television interests in a manner which conflicts directly with the proposed new rules; and, if all the relevant legislation were to pass through both Houses of Parliament and into law it would become possible for all free-to-air commercial television stations in Australia to become concentrated in the hands of just four owners.

The question needs to be posed: if there has been a potential hitherto for an unholy alliance to develop between the media moguls and the political process, how much greater is that potential when there are not only few moguls, but when they have paid the sorts of outrageous premiums we have seen in the market place in order to join that select and influential group?

I said earlier that the third of my disappointments was that the restructuring of commercial television had not been planned in the total media context. It has generally been administratively (and, one suspects,

politically) convenient to keep the commercial and non-commercial sectors more or less separate.

In one sense this can be seen as desirable in as much as each sector is allowed to develop its own set of creative, cultural, editorial and administrative values independent of the other.

Yet there is another sense in which there is a clear responsibility to plan across the various sectors to ensure maximum diversity of services as well as cost-efficient expenditure of public funds within the broadcasting system.

David Hill of the ABC identified this nexus very clearly in March when he pointed to the vicious circle of, on the one hand, declining community support and audiences which lead to a drop in funding and therefore production and, on the other hand, the concentration of ownership in the commercial sector and the consequentially higher prices that would be bid for network products.

I would doubt that the interests of the ABC, the SBS and public (community) broadcasting groups have received anything but the most cursory attention in the preparation of these proposed structural changes for the commercial sector.

As for the examination of these questions in a socio-cultural context, while I realise that it is not very fashionable these days to talk about these sorts of things when one is dealing with political pragmatists and hard-headed commercial entrepreneurs, I nevertheless believe that a mature society would wish to keep an eye on such things as localism, job creation, multicultural identity, diversity of production sources and editorial independence when undertaking a restructuring as profound as this one will be.

I mentioned at the start of this address that I believed that, for the FDU enthusiast, there was treasure to be had in a comparison of the philosophies which inform the FDU's Television and Radio Reports.

I spent some time, in fact, attempting to place these before the Senate Select Committee on Equalisation and succeeded in exciting the

enthusiasm, so far as I could tell, of no one at all.

Now I know that there are many differences between the radio and television media relating to scale, cost, operation, audience and so on. But the differences I identified seemed to me to illustrate a quite fundamentally different policy approach to the two sectors.

At the risk of replicating what seemed to be the Committee's reaction in this forum, I'll have a try with you.

New Players

Unquestionably the element which most distinguishes the FDU Television Report is the precept that new television services will be provided by existing operators whereas new radio services will be provided preferentially by new independents.

Viability

The FDU Television Report makes little attempt to define or describe the viability concept. It identifies it as an endorsed policy objective, notes that "viability questions are at the heart of the decisions the Government will have to make" but offers little other guidance as to its meaning or possible interpretation. By contrast, the FDU Radio Report offers extensive interpretative detail and argument, citing relevant rulings in the NSW Supreme Court and the Federal Court and signals the need for a review of the existing viability provisions to include:

- the precise meaning to be given to "viability" (at both the system and station levels);
- whether the viability of new services should be considered (even *prima facie*) in deciding whether to invite applications;
- whether the expectation that the viability of existing operators will be affected should lead the Minister to refuse to invite applications for new licences;

- whether the expectation that the viability of existing operators will be affected should lead the ABT to refuse to grant new licences;
- what priority should be given to the concept of viability in relation to other major Government objectives; and
- the effect that provisions such as those protecting the confidentiality of financial information provided to the ABT have on the planning and licensing processes."

And then, just for good measure, the FDU Radio Report adds a comment of quite profound dimensions, especially had it been allowed to form a part of the FDU Television Report:

"There can be little doubt that a review would highlight the conservative and protectionist effect of entrenching viability in the legislation. The concept rests upon the implicit assumption that the broadcasting industry not only is not a free market but also SHOULD NOT BE a free market."

And just to round things off, the FDU Radio Report points to a number of other issues which would need to be considered as a consequence of such a review including the possible need to modify the interpretation of an "adequate and comprehensive service".

To all those aspiring new television independents I say, "Eat your hearts out!"

It is important to record, in this context, the significant change to the broadcasting objectives of the Australian Labor Party (ALP) Platform as passed by the 37th National Conference in Hobart in 1986. As the FDU Radio Report points out, these 1986 objectives no longer refer to viability. Yet the same concept, endorsed by the Minister in 1984, substantially informs many of the assumptions upon which the "equalisation" process is predicted (e.g. the shape of Approved Markets for aggregation).

Since so much of the process of aggregation of regional markets is supposed to turn on notions of viability it is remarkable how little is said about the concept in the FDU Radio Report.

Incidentally, the FDU Radio Report also reminds us of a couple of other changes wrought at the 1986 Hobart conference.

The old commitment "to provide broadcasting services relevant and responsive to local needs", i.e. "localism", which was another of the endorsed objectives informing the FDU Television Report, was removed from the Platform along with "viability".

Diversity of Choice

It is plain from the FDU Television Report that "equalisation" alone, (i.e. the quantitative provision of two additional commercial services) is deemed to be the mechanism by which the primary Government policy objective, diversity of choice, is to be achieved in regional commercial television.

Yet this approach is starkly rudimentary when measured against the more sophisticated approach of the FDU Radio Report.

The FDU Radio Report asserts that while it is not possible to give a fixed ranking to the Government's five broadcasting objectives, "at present diversity of choice has priority. Moreover, "diversity of choice" is here considered very much in a qualitative way. Such matters as program "formats", audience "demographics", "psychographics", "audience segmentation" etc, form part of the agenda upon which the successful implementation of the "diversity of choice" policy first priority is to be achieved in radio. Nothing remotely comparable forms a part of the FDU Television Report.

Service Areas

The FDU Radio Report goes further: the achievement of this qualitative diversity of choice extends to the question of Service Areas:

"... there is no compelling

reason why a station should not serve two or more existing markets, perhaps providing programming specifically targeted towards the 15% shares which are too small, taken by themselves, to support a competitor."

Program Regulation

And, perhaps most significant of all, the FDU Radio Report puts forward the option of Program Regulation as a possible means of achieving diversity of choice and comprehensive programming for the consumer:

"Given the Government's commitment to a policy of additional services in regional markets, the key question therefor becomes how far diversity of outlets will lead to diversity of programming choice."

Another question now needs to be posed: if consideration of such issues is appropriate in the formulation of broadcasting policy for commercial radio services, should they not (and why did they not) similarly inform the formulation of policies for the development and restructuring of commercial television?

I had the opportunity to put the substance of that question to the Secretary of the Department, Mr Charles Halton, at the Department's seminar for the radio industry in Canberra last year.

His answer was ingenuous and in two parts (I paraphrase):

First, he said, he was not Secretary at the time the FDU Television Report was prepared; second (and more seriously) the FDU had obviously evolved and improved as a consequence of preparing the Television Report and inevitably the resulting Radio Report was a better one.

True that may be, but for the regional commercial television consumer it will be a case of "tough luck, it's too late to do anything about it now".

(Cont'd next issue)

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