HEN unveiling the Government’s recent decisions on digital television, the Minister for Communications, Senator Richard Alston, is reported to have said that the Government was particularly concerned to ensure that the decisions were ‘in the best interest of consumers and provide them with access to the world’s best services, a range of choices and quality television’ (Collins, 1999). In reality, consumers will get very little—in incumbent network owners will be the primary beneficiaries. In some ways, the digital decision is like the notorious ‘three-card trick’ where unsuspecting players have three dubious choices to part with their money; consumers should be careful not to fall for exaggerated claims.

What lies under the three digital cards facing consumers? According to the Minister’s media release (Alston, 1999), analog television viewers wanting to receive digital television will have the choice of an HDTV set that offers cinema quality pictures as well as access to the new datacasting services; a cheaper SDTV set that offers access to the new services and better reception and picture quality than existing analog sets; a set-top box that gives access through their existing analog TV set to the new services but with existing picture quality. Only those with a strong desire to acquire new technology or with money to throw away will rush to pick one of three cards on offer. Let’s look at the three choices in increasing order of their likely cost to consumers.

**GETTING NOT VERY MUCH FOR YOUR MONEY**

A set-top box is expected to cost around $500 to $1000, depending on whether it is to decode SDTV or HDTV signal. What will you get for your money? You will get a new gadget to sit on top of your current analog TV set. With it you will be able to receive a digital television signal. Why you would want to do so is puzzling since you already have access to exactly the same programmes with your analog television set. Broadcasters are required by law to supply the analog signal at least until the end of 2008. Because the digital signal is resistant to ‘snow’ and ‘ghosting’, picture quality may improve slightly. By itself, however, this is unlikely to be a sufficient motivator for people to spend $500–$1000. Most Australians are quite happy with their current analog television pictures and many of them have not even been prepared to spend an extra $50 to install an external aerial that would provide similar improvements. An expectation that they would now be prepared to spend ten times that amount for a slight improvement in quality, therefore, seems to be unfounded.

In addition to picture improvements, a set-top box may be able to provide access to ‘multichannelling, enhancements and basic datacasting’. Unrestricted use of these capacities of digital television would have provided a rich menu of new and competitive services for viewers and would have provided a significant incentive for them to spend their money willingly to get access to them. But the Government has prohibited virtually all of these appealing possibilities. The use of multichannelling will be restricted to some basic enhancements and to cater for ‘overlaps’ (for example, cricket overrunning into a scheduled news programme) and datacasting will be forbidden to provide television-like programmes. By imposing a convoluted set of restrictions, therefore, the Government has ensured that many of those likely to have been attracted by an increased and appealing range of new services will not now find the permitted ‘additional’ services a sufficiently attractive incentive to part with their money.

If you have more money to spare, you can go for the second card. For $2000 to $3000 you can get a standard digital TV set. With it, you will be able to avoid cluttering the top of your TV set with a set-top box. The services you get will be the same, except that for the extra money you also get a wide format screen. This is much like the viewing portion of the screen for foreign films shown on SBS (without the black bands at the top and bottom). The size of the screen will depend on how much money you are prepared to spend. Unless you value the wide screen format highly, there would be little reason to progress to this stage while your analog TV set continues to work well. If your set is a few years old, however, and you are thinking of changing it, you may want seriously to consider a digital set. But even then, you would have an incentive to wait a while until a significant level of market penetration by digital sets is achieved and economies of scale bring down the prices of digital TVs.

With still more money to spare, you can go all the way and buy an HDTV set for a minimum of around $8000. This will give you all the things you get with a wide-screen standard digital set and for the extra $6000 you will be able to receive 20 or more hours per week of your programming in high-definition version. A rather likely side-benefit would be that you can brag to your friends about your being one of the very few people to have an HDTV set. If US developments (where HDTV and SDTV are already available) are any guide to what is likely to happen here, you will be able to brag for quite a while, as not too many others will be following your example.

We are told that Australians are eager adopters of new technology. This is true in some respects (for example, mobile telephones), but not so for others (for example, A M stereo radio). What seems to make the difference is whether...
the new technology offers something substantially different and additional to what the old technology provides. A doption of “black and white” TV sets and colour TV sets was high because the new technology offered highly desirable benefits that were not otherwise available. It remains to be seen, of course, whether the few extra benefits that have been sanctioned by the Government will be sufficient to encourage many of you to become early adopters of digital TV.

WHAT MIGHT HAVE BEEN

It could have been different. Digital television and similar services have the capacity to offer a vast array of new services providing considerable benefits to consumers. The potential array of new products and services will undoubtedly expand, with technological advances further increasing consumer appeal. But the Government says that is not to be so. According to the Minister, we already have the best television system in the world. But even if that were true, why should it not be improved further? Implicitly, what the Minister is saying is that we should be grateful for what we have and should not yearn for what we could have. In a sense, it is like going to an appealing restaurant with an extensive attractive menu only to be told by the waiter that three-quarters of the listed items are not available.

Why is the choice denied to us? Far from offering consumer choice and promoting the public interest, the digital television decision is about protecting the interests of incumbent television network proprietors. All the elements of the convoluted set of restrictions from the Government’s decision to ban new commercial television services until at least the end of 2006. The banning of potential competitors to established television operators is not something new. Formally or informally it has been in place in larger capital cities since the licensing of the third commercial channel more than three decades ago. The introduction of pay-television was also banned for many years for the same reason.

The Government would have us believe that incumbent broadcasters deserve special treatment. When announcing the Government’s initial decision on digital television, including a ban on the licensing of new commercial services until 2006, the Minister argued that while the Government would normally welcome additional competition, in any industry, as healthy and likely to lead to benefits for the consumer, because of the special circumstances facing them, Australia’s free-to-air and pay-television industries ‘deserve a degree of special treatment, and the Government makes no apologies for [the] decision’ (Aiston, 1998). The special circumstances noted were the cost of digital conversion for free-to-air broadcasters and the relative infrequency of the pay-television industry. If the cost of introducing new technology were to be a legitimate reason for limiting competition, every industry in Australia would be seeking and would be entitled to protection. Yet the Government has been winding down protection for other industries.

The recent digital television decision is a further widening of the protection already afforded incumbent network owners. They are now not only protected from additional commercial operators but also from anything that may take viewers away from them. That is why datacasting—which has the capacity to offer many exciting and innovative services that are likely to appeal to consumers—has been banned from providing anything that remotely resembles products offered by commercial television services. The ban is as ridiculous as, say, prohibiting licensees of new pubs to sell anything that looks or tastes like beer, wine or spirits.

Protection of incumbent network owners from competition by new entrants is as shortsighted as the made-to-measure tariff protection of manufacturing industry of earlier decades. A nd, as it did for manufacturing, protection of incumbents will undoubtedly have a negative effect on the development of an innovative and competitive information services industry. In any event, it is unlikely to provide more than short-term relief to the networks. While the Government can clearly use its powers to ban competitive entry into over-the-air broadcasting and datacasting services, it is virtually powerless to prevent consumer access to alternative sources of those services. The Internet is already providing access to a vast range of information and entertainment services including some that already compete directly with established free-to-air broadcasters (for example, Internet radio services).

The history of Australian broadcasting is littered with examples of costly mistakes by governments intent on protecting the private interests of established broadcasters with little consideration of market forces and consumer demand. As a result, the Australian public has regularly been denied access to popular services that people in other countries had been enjoying for many years. The highly prescriptive digital conversion decision is simply the latest example of misguided government intervention and is likely to be as costly as previous mistakes. If the Government is really interested in advancing consumer interests rather than those of a few powerful individuals, it should do whatever it can now to amend its decision and allow orderly market processes to determine the nature and structure of services to be provided.

REFERENCES


Dr Franco Papandrea is Associate Professor of Communication, and Director of the Communication and Media Policy Institute, at the University of Canberra. His most recent IPA publication is Broadcasting Planning and Entrenched Protection of Incumbent Broadcasters. franco.papandrea@canberra.edu.au