

Is Pay TV Meeting its Promise?

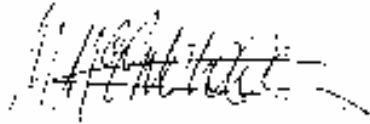
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I declare that this thesis is my own account of my research and contains as its main content work which has not previously been submitted for a degree at any tertiary education institution.

A handwritten signature in black ink, appearing to read 'Marion McCutcheon', with a horizontal line drawn through the middle of the signature.

Marion McCutcheon

Abstract

The broadcasting sector is a subject of continual debate in modern society. One of the oldest segments of the rapidly-evolving information technology and communications industry, it is still the most content rich and the most popular. Australians who watch television spend more time doing so than doing any other leisure activity – except those who fish (ABS 1998). Broadcasting is highly pervasive. Some kind of service is available and used in every Australian household. Everyone is an expert, everyone has an opinion. Since the Federal Government decided to allow the introduction of domestic subscription television in 1992, pay television has been broadly dismissed by its media rivals as being unpopular, unprofitable and unnecessary. In turn, the Australian pay television industry considers that it is over-regulated, especially compared to the free-to-air sector, and that much of this regulation severely constrains its ability to grow its subscriber base. This thesis examines whether the Australian subscription television industry has achieved the aims set for it by the legislators in 1992 – that is, whether it has ‘met its promise’. To achieve this, the thesis first identifies the ‘promises’ of an Australian subscription television industry. In assessing whether the industry has met its promise, the thesis considers various aspects of the industry, including what the industry has needed to do to make itself profitable and ensure its longevity and the environment within which the industry operates. The thesis examines the role that content plays in attracting subscribers and considers whether minimal content regulation has resulted in a paucity of local content on subscription television in Australia. The thesis draws on existing academic literature, government publications, information released by the subscription television industry itself and interviews conducted in the course of the project with the Australian subscription television sector. It also uses and builds on ratings data to examine the programs and channels that are offered by Australian pay television services. In concluding, this thesis makes an assessment of whether the Australian pay television industry has met its promise.

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Abbreviations

| | |
|-------|---|
| ABA | Australian Broadcasting Authority |
| ABC | Australian Broadcasting Corporation |
| ABCB | Australian Broadcasting Control Board |
| ABT | Australian Broadcasting Tribunal |
| ACA | Australian Communications Authority |
| ACCC | Australian Competition and Consumer Commission |
| ACMA | Australian Communications and Media Authority |
| AETN | A&E Television Networks |
| AFC | Australian Film Commission |
| AIM | Australian Information Media (a partnership between the ABC, Fairfax, Cox Communications, Turner International and Nickelodeon) |
| APO | Australian Post Office |
| ASIC | Australian Securities and Investment Commission |
| ASTRA | Australian Subscription Television and Radio Association |
| BTCE | Bureau of Transport and Communications Economics |
| BTA | Broadcasting and Television Act 1942 |
| BSA | Broadcasting Services Act 1992 |
| CEASA | Commercial Economic Advisory Service of Australia |
| CHAMP | Castle Harlan Mezzanine Partners |

| | |
|----------|---|
| CLC | Communications Law Centre |
| CRU | Communications Research Unit |
| CSA | Content Sharing Agreement |
| DCITA | Department of Communications, Information Technology and the Arts |
| DOCA | Department of Communications and the Arts |
| DOTAC | Department of Transport and Communications |
| EBITDA | earnings before interest, tax, depreciation and amortization |
| EPG | electronic program guide |
| FFC | Film Finance Commission |
| GDP | gross domestic product |
| HFC | hybrid fibre cable |
| HREOC | Human Rights and Equal Opportunity Commission |
| HRSCFIPA | House of Representatives Standing Committee on Financial Institutions and Public Administration |
| HRSCTCI | House of Representatives Standing Committee on Transport, Communications and Industry |
| iTV | interactive television |
| MDS | multi-point distribution system |
| MSO | multiple service operator (US term) |
| NVOD | near video on demand |
| OECD | Organisation for Economic Cooperation and Development |
| PBL | Publishing and Broadcasting Limited |

| | |
|---------------------|--|
| PMG | Premier Media Group |
| PMP | Premium Movie Partnership |
| PC | Productivity Commission |
| Radcoms Act | Radiocommunications Act 1992 |
| SBS | Special Broadcasting Service |
| SECITALC | Senate Environment Communications Information Technology and the Arts Legislation Committee |
| SMA | Spectrum Management Authority |
| Telecoms Act | Telecommunications Act 1997 |
| Trade Practices Act | Trade Practices Act 1974 |
| UnitedGlobalCom | United Global Communications |
| VOD | video on demand |

Preface

Although the first subscription television service was launched more than ten years ago, it is continuing to evolve. This thesis examines the period leading up to the established of the industry, to the release of the Federal Government's proposals for media reform in March 2006. It includes some commercial events and commentary up to 1 May 2006.