

by James Bunn

CABLE CARDS ON TABLE

HISTORY has shown that Australian consumers embrace new technology with enthusiasm. Some would say the number of mobile telephones on Sydney restaurant tables bears witness to this. Nevertheless, despite a presumed latent consumer demand for pay-TV, it has taken until January this year for the first channel to launch.

Much has been said about government and corporate hindrance in the past but, for whatever reason, Australia has come to "cable television" late. Some two years ago, an aggressive management team led by broadcasting entrepreneur Steve Cosser finally broke the log jam, under the banner of Australis Media/Broadcom, and the first cards were laid on the table.

Early priorities have focused on technical and production issues. Australis Media and its franchisees first acquired the majority of microwave MMDS licences and with associates at East Coast TV gained control of eight satellite DBS licences, with the remaining two in the hands of the government-run ABC. Clearly then, the Galaxy camp (as they became collectively known) positions themselves well ahead of their competitors in what has become a fiercely competitive poker game.

SIPHONING

With talk of 200 channels for the State of the art digital Australian pay-TV market, everyone is chasing a piece of the action. Many strategic alliances have come and gone, and the triving telephone carrier, Optus Communications have teamed with Kerry Packer's PBL/Nine Network and US cable experts Continental Cablevision to put together a traditional cable operation known as Optus Vision. Meanwhile, across Sydney Harbour Bridge, Rupert Murdoch's News Limited have aligned with the government owned Telstra telephone carrier to offer a second cable system under the banner of Foxtel. To secure an immediate market presence until their cable network is ready, they have also absorbed Galaxy.

In the UK, the legendary BSkyB soccer rights acquisition made programming the cornerstone of its pay-TV success. The Australian government, anxious to prevent a similar siphoning situation from arising, has legislated to ensure that certain popular sporting events are shown on free-to-air TV first. Nevertheless, the new players have now identified the marketing power of quality programming, and, between Optus Vision and Foxtel, most Hollywood studios are now signed up to exclusive deals.

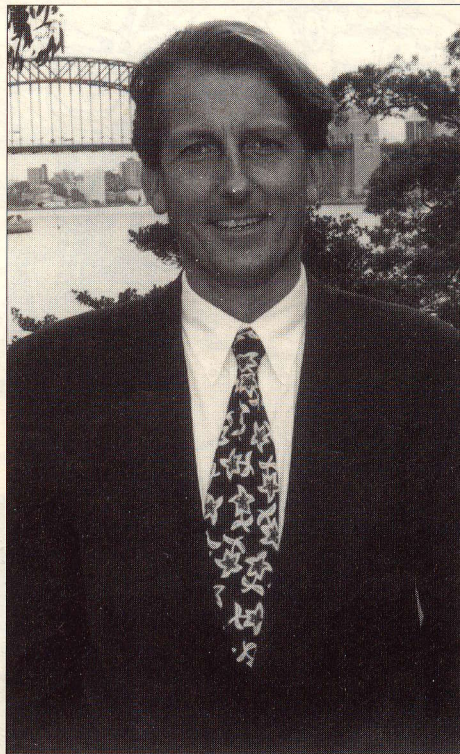
With Foxtel now aligned with TCI's Prime International, ESPN is expected to operate an Australian sports channel on the Optus Vision service. This channel will naturally gain access to the strong Nine Net-

work portfolio of sports. Meanwhile, the Seven Network recently announced a rights deal for the Atlanta and Sydney Olympics, and this, combined with its AFL Aussie Rules and rugby union rights, adds credence to its reported strategy of remaining a programme supplier to the new pay operators.

NEW DEMAND

If television can be broken into three basic elements of programming, a delivery mechanism and (revenue-generating) viewers, clearly each player in this poker game holds some of the winning programming and delivery cards. Who will eventually win subscriber revenues depends on ability and luck as they play their cards. The game stall has many hands to be played, and undoubtedly bluffs will be called, cards will be shared, and some will go bust.

Meanwhile, many hours of programming will be needed to satisfy the new channels every week and programme suppliers will naturally thrive on the new demand. All this for an estimated two million (pay) TV households by the turn of



the millennium. Clearly the crock of gold at the end of this rainbow is not a large one.

That is, of course, unless the Sydney 2000 Olympics event brings unexpected market factors into play. Or perhaps someone actually knows what the mysterious information superhighway will do, and sees untold wealth in that opportunity. No doubt the telephone carriers hope so.

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