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# A simulation analysis of the market effect of the Australian Broadcasting Corporation

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## Abstract

In this paper we utilise a stochastic address model of broadcast oligopoly markets to analyse the Australian broadcast television market. In particular, we examine the effect of the presence of a single government market participant in this market. An examination of the dynamics of the simulations demonstrates that the presence of a government market participant can simultaneously generate positive outcomes for viewers as well as for other market suppliers. Further examination of simulation dynamics indicates that privatisation of the government market participant results in reduced viewer choice and diversity. We also demonstrate that additional private market participants would not result in significant benefits to viewers.

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## 1. Introduction

Recent micro-economic reform of Australian industry has sought to increase market place efficiency via two primary strategies: (a) liberalisation of some markets by removal of regulatory barriers to entry and other regulatory reforms to increase private participants and viewer choice in a market and (b) the privatisation and/or corporatisation of government enterprise.

So far as the television broadcasting industry is concerned the discussion of regulatory reform covers a variety of policy areas including the optimal number of suppliers, cross media ownership issues, adoption of new technologies and their convergence, and the role of public broadcasters and their funding. In the Australian context, many of these issues have been examined in a recent investigation by the Productivity Commission entitled *Broadcasting: Inquiry Report (2000)*.

The Australian television broadcasting industry is made up of three free-to-air commercial networks, the Seven, Nine and Ten networks; two national public broadcasters, the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS); three major subscription television corporations (Foxtel, Optus and Austar); and three regional networks and one indigenous network, each affiliated with one of either the Seven, Nine or Ten networks; and six community television stations broadcasting on channel 31 in each of the six Australian capital cities. Indicative figures for market shares of prime time viewing (during the summer of 2002–2003) for the free-to-air networks, public broadcasters and subscription TV are shown<sup>1</sup> in Table 1.

The Broadcasting Services Act 1992 (BSA) is the principal legislative framework for regulating “Australia’s complex mix of national (public), commercial and community broadcasting services” (Productivity Commission, 2000, p. 47). The BSA allows the federal government to “regulate the number of stations, station types, the technology employed, access to broadcasting platforms (radio-frequency spectrum, cable, satellites), company ownership and structure, program content, and even sources of revenue in some cases (Productivity Commission, 2000, pp. 47–48).

National broadcasters are identified as a public provider category under Part 2 of the BSA, and separate Acts for the ABC and SBS set out their objectives and provide the regulatory framework governing their operations. The charters of the ABC and SBS outline specific public interest objectives. The main objectives of the ABC are detailed below. For SBS the charter states that the principal role of the SBS is “to provide multilingual and multicultural radio and television services that inform, educate and entertain all Australians, and, in doing so, reflect Australia’s multicultural society” (Special Broadcasting Service Act, 1991, s. 6).

While the Productivity Commission’s report covered a number of aspects of public broadcasting, an analysis of the regulations governing the public broadcasters was

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<sup>1</sup> Note: the total ratings do not add to 100% due to the contributions of “Spill-in” and Community Television, whose ratings are not freely known.

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