

## CABLE '93 - A REVIEW

BY PAT MANSER, DIRECTOR LICENSING, ABA

**THE AMERICAN NATIONAL CABLE TELEVISION ASSOCIATION HELD ITS ANNUAL CONVENTION IN SAN FRANCISCO FROM JUNE 6 - 9 THIS YEAR. ITS DELIBERATIONS AND CONCERNS PROVIDE CONSIDERABLE FOOD FOR THOUGHT FOR AUSTRALIANS INTERESTED IN THE DEVELOPMENT OF PAY TV.**

The capacity of fibre optic cable combined with digitised transmission and delivery systems was much on the minds of convention participants.

The increased capacity that the combination can deliver caused considerable debate. People spoke of a '500 channel universe', while others indicated their reservations that there would be 'still nothing on'.

The tussle between the extraordinary capabilities of the hardware and the relative scarcity of program material continues. Computer companies displayed software on the exhibition floor of the convention that will assist people to 'navigate' through the channels.

The use of a standardised digital system (such as the one agreed upon by members of the Motion Pictures Experts Group) and 'open architecture' which will allow for compatibility of systems (called 'interoperability' in the US) are concepts well on their way to acceptance.

These will allow cable subscribers access to all the systems they are able to receive in their particular area. Different hardware systems will no longer interfere with program choice.

The driving force behind the enthusiasm for all the technological changes is the capacity for interactivity. While a vast array of channels may well mean each individual will find something to suit him or her, the major change will be towards the use of the television set as a two-way system of communication.

Shoppers' channels are available already: products can be viewed and then ordered via telephone. In the future, cable networks themselves will be able to receive orders or reroute information sent back by consumers to the appropriate business house. Banking, insurance,

indeed any kind of transaction, will be possible through the cable system entering the subscriber's home.

Promoters of the standardised digital system are keen to point out the 'pro-social' uses for the capability also: libraries will be able to access each other's resources; schools, colleges and universities will be able to provide access to the best teachers; medical and legal advice could be supplied to people distant from

family literacy program).

The social implications of all this innovation are being discussed along with implementation methods. Everything from the relationship you have with your television set through to the social consequences of making the changes was canvassed at the convention. One speaker asked (rather plaintively) 'do I really want to interact with my television? I come home from work, worn out, and turn on the box. I don't really want to interact with it.' Clearly, both the couch potato and the navigator in us will be able to be satisfied. Both scenarios are equally possible. It is also conceivable that children brought up on video games and computers will have far less difficulty with the notion of navigating than adults whose main interaction with their television to date has been to present themselves obediently at an appropriate time to receive a program of their (limited) choice. The brave new world confers more control than the old one did.

This points to the way in which people's resistance to these sorts of changes will be broken down (if it exists at all). This is likely to occur through pay-per-view. The linear, time-dominated workings of your present television viewing will be turned over completely by your capacity to order a film or other program by simply dialling it up. It's the difference between going to the restaurant, takeaway, and home delivery! Pay-per-view will undo radically all our thinking about television. It will be followed (if the cable operators have their way) by a sophisticated agglomeration of information, education, entertainment and interactive transactions that will make maximum use of the screen in the corner of your living room.

Interestingly, broadcasters and film producers are presently holding out



*Pat Manser, Director Licensing*

the more specialised kinds of services.

While all these applications are theoretically possible, no one disputes that entertainment applications will lead the way. The Clinton administration has set aside funds for the National Telecommunications and Information Administration (an office of the Department of Commerce) to stimulate pilot projects in these areas. The administration has taken the view that the industry itself will either not provide these services or will be so late doing so that they will be of minimal value to the community. (I noted with interest that the cartoon channel carries a

against pay-per-view. Advertisers don't like it either. However, the huge profits to be made by the first cable channel to run a new film to a sizeable audience which has chosen it through pay-per-view will soon change that. Backend distribution rights will still exist for theatre, broadcast or video applications.

Another significant feature of the system as it is being rebuilt in the United States is the coming together of the 'telcos' (telephone companies) and the cable operators. In the past, these two industries were head to head there and the Federal Communications Commission (FCC) rules kept telcos out of television operations. Experience in Europe, and now the UK, has shown the smart solution to both consumer acceptance and profit is collaboration between the two. Cable can carry both telecommunications and television traffic and, with its capacity vastly expanded by fibre optics and digitisation, it makes sense for the systems to come together. Revenue from both streams is clearly also healthy for the operator. AT&T is talking to Viacom and USWest to Time-Warner about mounting joint ventures in the US. Other telcos have gone overseas to offer their services and the United Kingdom and other parts of Europe are presently the scenes of intense activity that will result in the provision of both telephone and television to subscribers.

What impact does all this have for regulatory agencies? A number of concerns are raised by the 'electronic superhighway'. Privacy, universal accessibility, 'interoperability' of systems, customer service, copyright and content are all issues the FCC has flagged with operators. Rate regulation and customer service obligations were addressed in the recent *Cable Act 1992* (see box). Content issues include the problem of the portrayal of violence and the industry has to create its own code or Congress will do it for them. In other contexts, cable seems to answer some requirements. The FCC

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**CONTEXT OF THE 1993 CONVENTION**

The convention brought together 16 000 people from all over the world who run cable systems, produce programs for them, regulate them, or devise, sell and maintain the necessary hardware. There were also a sizeable number of participants from telecommunications companies around the world.

The US has had cable systems of varying size and sophistication since the 1940s. The genesis of the early systems lay largely in difficulties in reception of free-to-air services in many parts of the country. There are now 56 million cable subscribers in America - with 90 million television households.

The industry is divided into MSOs (multiple service owners) who run the technical systems, cable networks providing packages of programs, houses making programs for cable and film producers who sell to cable operators. There are 11 000 cable operators in the US -

and allowing other broadcasters to charge the cable operators a fee for retransmission of their signal. Because of limitations on present capacity, some subscribers will lose channels they have previously received and receive channels they may not care for. Foreign-language programs and minority religious services should do well out of 'must-carry'.

In addition to these provisions, the Cable Act carries a raft of customer service obligations which were not previously legislated for. These include:

- community television services
- rate regulation
- cable to schools (cable in the classroom)
- local programming.

The local franchise authority - usually the city government - is also now able to place conditions on the franchise, depending on the size of the system.

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many with only a few thousand subscribers each in say, a cluster of three or four country towns. The big operators are Tele-Communications Inc. (TCI), Time Warner and Continental Cable. Some cable operators are also producers.

A typical cable operation looks like a very large warehouse with a fleet of small vans for delivery, installation and maintenance of set-top boxes and a bank of staff answering telephones and soliciting subscriptions. Maps of the actual cable system are everywhere - and not a television in sight.

In October 1992, in response to a huge outcry about hiking of cable rates (by both big and small operators) Congress intervened and passed the *Cable Act 1992*. The Act rearranges the industry, requiring cable operators to carry some broadcasters (the 'must-carry' provisions)

The industry has also to come up with a code on portrayal of violence, or Congress will regulate that too. (This is a battle presently being fought with broadcasters).

The conference heard a good deal from small cable operators who fear they will go out of business; and from larger operators devising new methods of pricing in order to remove cable networks from regulatory attention. At this stage, it is 'bundles' of cable services (or networks) that are the focus of the Act. 'A la carte' pricing is proposed as a way of circumventing the rules. In such a system, the services would be unbundled and each would attract an individual pricetag. Advertisers are unhappy about this approach.

Digital compression and interactivity will change the ball game again. A key alliance is that of the phone companies and the cable networks. (See main article).