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<th>Deregulation and commercialization of the broadcast media : implications for public service programmers - the case of Indonesia.</th>
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Disclaimer: Let me first introduce myself. I am working as an advisor at a new TV station in Indonesia, Indosiar Visual Mandiri. At the same time, I am a professor of communication at Purdue University in the U.S.A. I took a leave of absence at Purdue to work on launching this new TV station. I have been involved in the project for almost one and a half years. However, the views I expressed here only represent myself a communication specialist and they do not represent the views of Indosiar.

Rise of Commercial Broadcasting in Indonesia

1. The introduction of commercial television in Indonesia is only a few years old. RCTI was the first commercial television, but it could be received only by a decoder box that viewers had to buy. Then, in January 1995, the fifth commercial television, Indosiar Visual Mandiri (IVM), was launched. As the "newest kid on the block," IVM's rating performance caught all broadcasters by a big surprise. When IVM began to broadcast a Kung Fu drama series dubbed into Bahasa Indonesia, "The Return of the Condor Heroes," during prime time from 7:30 to 8:30 each evening, its ratings stayed as number one. Its average rating during prime time was as high as 40, or about 80% audience share.

2. Comparatively speaking, TVRI's channels during prime time achieved an average of 3 to 5 rating points during prime time. Therefore, all commercial TV stations dominated the audience share each night. The government station also is facing a big challenge in defining its programming content in this competitive multi-channel electronic media environment in Indonesia.

3. When we examine the broadcasting policies, I think we basically are exploring the triangular relationship between the government, broadcasters and people. There are two questions in examining this triangular working relationship:

The first question is: (1) What is the degree of competition in the media environment?
The second question is: (2) How well can the regulatory framework serve the best interests of the people?

4. The second question has to do with the degree of competition in the marketplace. If it is a monopolistic situation, the question the government has to answer is: Why is a monopoly necessary? Would a monopolistic situation best serve the interests of the people?

5. As we can see is that in the study of the mass media market structure, many scholars have advocated liberalization, privatization or deregulation. The purpose is to encourage competition so that the competing forces in the marketplace will best serve the interests of the people.

6. In this study of monopoly versus competition, there is an economic subfield called the Industrial Organization Model. This model examines the degree of competition based on the following factors:

   Barriers to Entry and Technology As a Barrier to Entry

   Product Differentiation—That has to do with programming strategies, content and program sourcing.

7. Barriers to Entry is basically the examination of the regulatory framework. The Indonesian government has introduced a liberalization policy in July 1994 to encourage more competition. Also, most recently the Investment Coordinating Board also tried to take measures to ensure competition in all business sectors in Indonesia. Therefore, the overall trend in Indonesia is to encourage competition.

8. However, in the area of mass media, which concerns the mind or the ideological orientations of the people, the Indonesian government has been more cautious. There was a talk in the July 1994 liberalization to introduce foreign ownership of the mass media. However, this idea was later dropped.

PRODUCT DIFFERENTIATION

9. The impact of the commercial broadcasters in Indonesia centers on its programming strategies, content and where they receive their sources of programs.

10. Perhaps I can use my observations in Indonesia to provide some ideas for later discussion at this conference.
11. One positive impact of more commercial broadcasters in Indonesia is that it benefits the public broadcaster directly because of the government's policy on how public broadcaster is financed.

Financing of Public Broadcasting Service in Indonesia

11. TVRI was funded partly by the commercial broadcasters. Each commercial TV station is required to pay 12.5% of its gross advertising revenues to TVRI. According to the Adex (i.e., Advertising Expenditure Index), the total advertising revenues on TV in 1995 is about 70 billion rupiah, (about 300 million US dollars). Then, TVRI's revenues are about US$37.5 million. The projection in 1996 is that total TV advertising revenues are about 990 billion rupiah, that is about 440 million US dollars. Then, in 1996, TVRI's source of funds from the commercial broadcasters are about US$55 million.

12. TVRI is expected enjoy more financial income because TV's total advertising expenditures will grow significantly. TV's advertising expenditures surpassed all other media for the first time in 1993. With its growth rate of at least 10% per year, advertising expenditures on TV in Indonesia is expected to grow bigger in the next 10 years, according to ADEX's projections.

13. Therefore, TVRI should enjoy more financial support based on the gross revenues from the commercial TV broadcasters. On the other hand, there are rumors circulating that the total advertising revenue pool is not sufficient to support five commercial broadcasters. So, who will be the first one to go under will be an interesting thing to watch in the future.

PROGRAMMING STRATEGIES AND CONTENT

14. In our observation of the programming trends in Indonesia, we are confident to predict that

Local programs will replace foreign, especially Hollywood stuff, as the most popular programs in Indonesia.

We believe that this is the result of the increasing competition among the commercial broadcasters.

15. However, this transition will be by various phases and both the public and commercial broadcasters have to prepare themselves for the coming of this new trend. And, we predict that this change will come very quickly, perhaps within this year or next year.
16. Before IVM was launched in January 1995, rating results consistently show that Hollywood programs always received high ratings. For example, the action packed "McGayver" was consistently the number one program even in its third or fourth run on Indonesian TV. Therefore, prime time programs in Indonesia before 1995 were dominated by English-language Western programs.

17. However, the Western-originated foreign programs popularity is quickly fading in Indonesia. The immediate replacement was the Kung Fu series made in Hong Kong and Taiwan. So, we do see a change from Western to Asian programs, and perhaps the cultural proximity and the great improvement of Asian tv program quality contributed to this happening.

18. In May this year, when IVM began to broadcast a Kung Fu drama series dubbed into Bahasa Indonesia, "The Return of the Condor Heroes," its ratings in prime time stayed as number one. Its average rating during prime time was as high as 40, or about 80% audience share.

19. Then, other TV stations, for example, SCTV, TPI and RCTI, have plans to change their programming strategies during prime time. They have scheduled more Kung Fu series during prime time in order to compete for the audiences. Bruce Owen, an American media economics in his early 1980s study suggest that all commercial broadcasters tend to go after the same mass audience than trying to find their niche market segment, or what we call "alternative programming strategies."

20. Competition during prime time is very keen. At present, the total number of audience watching TV each night during weekday was about 45 rating points. With each rating point represents about 200,000 viewers, a 45 rating points means 9 million people watch TV at night.

21. However, TV penetration rate in Indonesia in 1995 is about 26%. The penetration rate is even lower in the rural areas.

22. The reason I mentioned the rural and urban population in Indonesia is that the rating results show that there is a clear difference in terms of program preference between them.

23. Let me elaborate on this point. In Indonesia, five cities are included in the regular weekly rating reports. These five cities are: Jakarta, Bandung, Surabaya, Semarang, and Medan. When we do the rating analyses, we also find that the top 10 programs for the viewers in Jakarta and other cities are different. Kung Fu drama series are not as popular in markets outside Jakarta. The Jakarta audience prefer more cosmopolitan-look programs and informational programs.
24. Therefore, the lesson here is that: When we talk about the impact of commercial broadcasting on the public broadcasting, we may have to examine the target viewers in two groups, broadly defined as the rural and urban population. Then, the question for the public broadcasters is: would they prefer to cater for the urban viewers or try to maintain their popularity with the rural viewers?

25. Therefore, going back to the programming strategies and content, the commercial broadcasters have to decide which audience should be the target. In the case of Indonesia, IVM's ratings performance showed that it managed to capture the rural audience groups with Kung Fu drama series and Telenovellas from Mexico to maintain a dominant market share.

26. Furthermore, IVM introduced the first strip programming concept. That is to say, during the same slot, IVM scheduled the same program for several consecutive days during the week. Rating results show that this strip programming works better in the rural areas because it offers a simple and straight forward programming pattern. The rural viewers expect to follow the development of the drama series on a regular basis. These programming strategies also affect the public broadcasters in Indonesia in terms of production costs and creative process.

27. According to our research, we predict that in the next year, more and more Indonesian audience will prefer to watch programs with Indonesian actors and situations. And, this means that those commercial and public broadcasters who can better prepare for making these local productions will maintain the market share. In other words, those broadcasters who can best serve the interests of the people will do better in the rating war.

27. However, to go for all local programs during prime time is very expensive. For example, to purchase a one-hour drama program from a production house in Indonesia would cost about 80 to 100 million rupiah. That is about US$40,000 to US$50,000 per hour. Compared to the Hollywood programs, which costs about US$1,000 to US$2,000 per hour, the local programs are very expensive.

28. Then, the alternative is to produce the local dramas by the TV station in house. However, all TV stations, before the launch of Indosiar, were designed according to the U.S. model, which means that they do not intent to produce in-house programs because this kind of “vertical integration” is not accepted in the U.S. model. Also, in the past, there is no great demand for local programs. The action-packed and slick U.S. programs and movies are good enough to make a handsome profit.
29. IVM has prepared for this change of programming trend. However, this preparation is costly. This may be an economic barrier for other broadcasters, particularly the public broadcasters, to follow suit.

30. First, to build the in-house production studios are expensive. Hardware costs could be 10 to 20 million US dollars.

31. Second, Indonesia does not have enough TV professionals to carry out a "factory assembly line" production concept. This concept means that the studio production is a multi-camera process, and not the single-camera production house concept. At IVM, it is training about 600 staff in various jobs as producers, script writers, camera persons, lighting, audio, and live broadcast specialists. This is a very expensive investment and also after the on-the-job training, it will be another challenge to keep these staff when other TV stations are trying to take them away.

32. This is an area where commercial broadcasters can afford to invest, if they see a strong potential in the return of their investment. At IVM, they decided to hire advisors to help train the producers, and they do not use the local owner’s terminology, “hijack” TV professionals from other TV stations. Therefore, one contribution of commercial broadcasters can help is to upgrade the skill level of the TV professionals. The training costs could be as high as 5 million US dollars per year.

33. Besides producing its programs, commercial broadcasters have to explore new sources of programs. At present, at international program buyer and supplier meetings, such as MIP in Cannes, and newly created MIP-ASIA, Indonesian commercial broadcasters are very visible buyers. They are there to bid for the quality programs. In the past, American programs are the most sellable. Now, the Indonesian broadcasters are eager to explore new sources such as Japan or Mexico.

34. Therefore, the impact of the purchase of programs on Indonesian public broadcasters are in the following areas:

   first, the commercial broadcasters "jack up" the prices. At times, even the commercial broadcasters find the prices too high and unaffordable. Then, how can the public broadcasters find the financial support to compete the latest and expensive Hollywood programs? They will have to go for less expensive programs. Therefore, the financial factor will force the public broadcasters to re-define its program buying strategies and will lead to an "alternative programming" strategy.
second, public broadcasters will have to explore new sources of programming.

third, public broadcasters have to re-define its abilities and re-allocate its resources in producing new programs. In some places, public broadcasters have gone to produce more “high-brow” programs, or invent “new” genre of programs.

That is to say, public broadcasters have to find inexpensive means to produce new types of programs in order to have its products differentiated from other commercial broadcasters.

35. In short, the Indonesian commercial broadcasters’ motive of actively pursuing the highest profit in the next few years will bring the immediate result of an upgrade and proliferation of local programs. This will quickly build a larger pool of TV professionals. At the training program we are implementing at IVM, we are pleasantly satisfied with the progress of the production staff. We thought we have a few more years to stay to continue our training. In fact, we thought we can leave within a few short months. So, we will be out of a job soon. On the other hand, the public broadcaster in Indonesia will be facing a tougher battle in identifying its contributions in this very competitive market place.