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Policy Implications Of New Communications Technologies
Privatization And Its Consequences

By

Ross E Petzing
Good afternoon.

I'm happy to be able to participate in this interesting and important conference.

Most conferences are interesting, but not all of them are important. This one is important, because it is examining not only what's happening in broadcasting, but the impact of today's developments- and tomorrow's- not just on radio and television itself, but on broadcasting's audiences and, indeed, entire societies which are, after all, the recipients of broadcasting.

Broadcasting's Origins- Private and Public

Broadcasting on a regularly-scheduled basis has been with us in one form or another for nearly 75 years. It started in the eastern United States, when radio station KDKA in Pittsburgh, Pennsylvania broadcast the American presidential election returns in November 1920.

It's historically significant, I think, that the first regularly-scheduled radio program was a news broadcast. This certainly underscored the importance of radio in informing people of important events.
Of course, experimental and occasional broadcasts had been conducted off and on for several years before that and in several countries. What apparently was the first wireless transmission of voice and music using electronic equipment was made in New York as early as 1907 by the American scientist and inventor Lee de Forest.

A little earlier, De Forest had invented the triode vacuum tube, which he found could generate radio waves at what were then fairly high frequencies. He also discovered that the triode could amplify radio waves, as well as voice and music signals from a microphone. And the tube also could be used to receive radio transmissions.

The triode, of course, made possible long-distance telephony, radio, television, computers, radar and virtually everything else in the field of electronics that we simply take for granted today.

While regularly-scheduled broadcasting began in the U.S. in 1920, other countries rapidly launched radio stations of their own. By the mid-twenties, broadcasting in Europe and in some Asian countries, especially Japan, was commonplace.

Regulation of Broadcasting

From the earliest days of broadcasting, governments were faced with the question of whether and how to administer or regulate radio.

Should broadcasting be a totally free enterprise, run like a business, such as a department store or a pizza parlor? Or should the government play a role in broadcasting, and if so, what role? If the government were to be involved, should it confine itself only to technical matters, such as the location, frequency and power output of transmitters? Or should governments have control over what is broadcast and what is not broadcast.

Well, the interaction between government and radio from the 1920's onward fell into two broad categories: private, commercial operation, and government-controlled broadcasting. But there was some blurring between these categories in a few countries.

Broadcast Regulation in Asia, Europe, Other Areas

In some Asian and European countries, radio was launched as privately-operated businesses. However, in most cases, central government authorities, realizing and also fearing the impact of this new mass medium, quickly established firm control, not only of broadcasting facilities, but especially of program content.
The amount of control over programming varied country by country; but it was generally pretty tight. People in power in Asia, the Mideast, Latin America and Europe in the twenties and thirties were not about to allow any criticism or opposing views to be broadcast. Unfortunately, this is still the case today in some countries.

Broadcast Regulation in the U.S.

In the United States, an interesting development occurred. The U.S. government's Department of Commerce assigned radio stations to operate on one of two frequencies in the medium wave band. From the start, there was no government control over programming, as Washington felt it would be a violation of the U.S. Constitution for the government to dictate the content of radio programs.

Having two medium-wave frequencies for radio stations was fine, as long as there were only a few stations and their transmitters couldn't generate more than a few hundred watts. And certainly this was the case in the early 1920's.

However, two things happened fairly soon that produced serious problems. First, radio in the United States became extremely popular very quickly. While only 30 stations had been licensed by the end of 1920, that figure grew to 200 a little over a year later. By early 1923, 576 stations were on the air. And some of them were even forming radio networks, with stations linked by telephone lines, so they could broadcast the same programs from a single studio simultaneously.

Broadcasting was being run as a business, and indeed, the first radio commercials were aired on a New York station as early as 1922. The sponsor was a real estate firm.

Many people felt that starting radio stations would be an attractive business proposition. Accordingly, the number of radio stations in the U.S. began to multiply, and multiply fast.

To make matters worse, radio technology was not standing still. And that produced another problem. While the strongest radio stations in 1921 could only produce about 300 watts of power, by 1924 radio transmitters of five thousand watts had been developed. And in 1927, the first fifty thousand-watt radio station was on the air in Chicago. This was followed about six years later by a huge transmitter in Cincinnati, Ohio with a power output of half a million watts. It was operated by radio station WLW in Cincinnati, which called itself "The Nation's Station," and for a good reason. With half a megawatt on 700 Kilohertz, WLW could be heard throughout North America!
As you can imagine, the growth in the number of radio stations and their transmitter power levels resulted in serious interference on the air. Also, the law of the jungle began to take hold.

Stations suffering interference from other broadcasters simply changed their frequencies or increased their transmitter powers, or both, in desperate attempts to reach audiences. By the mid-twenties, the chaos created by radio stations interfering with each other was so extreme that the broadcast industry asked the federal government in Washington to do something, and do it quickly, to solve the problem.

By the way, this was the first time in American history, and possibly world history, that a private industry had turned to the government and said, in effect, "Regulate us!"

To make a long story short, Washington established the Federal Radio Commission in 1927 to license and regulate the technical aspects of broadcasting. This ended the chaos that was threatening the development of radio in the U.S.

Seven years later, the U.S. Congress passed the Communications Act of 1934. It established the Federal Communications Commission or FCC, which still exists.

But here again, the role of the U.S. government was basically technical. The FCC assigned frequencies to organizations desiring to operate radio, and later TV, stations. Broadcast licenses were granted on the basis of what was then a relatively new concept: whether awarding the licenses would serve the "public interest, convenience and necessity." The location and power output of transmitters, radiation patterns of antennas and the like were controlled to prevent interference.

But the FCC was and still is specifically prohibited from interfering in program content. About the only exception to this is when competing applications are submitted by two or more parties for the only available radio frequency or TV channel in a given area. Applicants must describe the kind of programming they plan to offer, and this plays a role in who gets the license.

For example, let's say an area is served by several radio stations featuring popular music formats. But the area has no all-news station. And there is only one more radio frequency available in that area.
In such a case, an applicant proposing an all-news station would be more likely to receive a broadcast license than one wanting to start yet another pop music station, the idea being foster a diversity of radio program services.

Beyond that, the U.S. government doesn’t get much involved in program content, because to do so would violate the first amendment to the U.S. Constitution guaranteeing freedom of speech. The amendment was enacted about 205 years ago and, of course, concerned the print media. Decisions by the U.S. Supreme Court have extended the amendment’s protection to cover the electronic media and motion pictures.

Privatization of Broadcasting- A Growing Phenomenon

I’ve been discussing the American system of private broadcasting in some detail, because it seems to be spreading around the world in one form or another.

For example, in many countries where broadcasting systems were totally non-commercial and financed by license fees or taxes levied on owners of radio or TV receivers, such as Britain, advertiser-supported radio and TV stations now are in operation.

In Germany, where public broadcasters ARD and ZDF have long run commercials during certain periods of their broadcast day, but without interrupting programs, private, fully commercial stations are also on the air.

In Latin America, privately-owned stations have been the norm for decades. And here in Asia, there’s quite a mix between state-owned and controlled, public, semi-private, and fully private commercial and non-commercial broadcasters, depending on where you look.

In many, if not most countries, there is a rapidly growing trend toward at least partial privatization in broadcasting and in many other fields, as well.

Reasons for Privatization

Why has this happened?
I think there are several reasons, and they are somewhat interrelated. They involve recent history, especially in Europe, and also financial and ideological concerns. The development of democratic principles and expectations of the expanding middle classes in Asia, as well as the impact of new communications technologies and other factors also have influenced this move.

Looking at Europe for a moment, privately-operated and commercial radio stations are nothing new. Radio Luxembourg was broadcasting commercials before World War Two over powerful transmitters that could be received in most of Europe, especially at night. Radio Luxembourg's popular music programs early had a wide following, especially with younger audiences dissatisfied with the often boring material on their own countries' state-controlled stations.

Also, in the years after World War Two, several pirate radio stations went on the air, often operating on ships anchored in the English Channel. They ran popular music and advertising and were a thorn in the sides of state-owned broadcasters.

Some European countries attempted to close down the pirates, occasionally by boarding the floating stations and seizing broadcasting equipment and the broadcasters themselves. But eventually, most European governments began to lighten up their state-controlled stations' programming and appeal to audiences they had largely ignored.

In Holland, a couple of the pirate broadcasters actually became legitimate stations.

Another reason for privatization is cost. Running radio and television networks costs money, and lots of it. Also, in most cases, government-run enterprises are not noted for being cost-effective operations, but quite the opposite.

For example, in Germany a few years ago, I saw a TV feature program produced by the public broadcaster "Bayerisches Fernsehen," the Bavarian Broadcasting Corporation's TV network. It concerned a radio station operated in the northern Bavarian city of Nuernberg by AFN, the American Forces Network, which broadcasts to U.S. military forces in Germany.

The Bavarian TV reporter noted that the jobs of radio program producer, announcer or presenter and audio technician were all handled at AFN's Nuernberg station by one person. He said three people would be employed at a German radio station to do the same work as a single person did at the American station.
Now, I'm not saying that all German radio or TV stations have three times as many people as they need, but I think this story illustrates what can happen to staff levels and expenditures in government-run or government-administered organizations. There are plenty of other examples that could be cited in countries around the world.

Private businesses tend to pay more attention to operating efficiency and bottom-line costs. So saving taxpayer money is another reason for privatization.

Another rationale for privatization is to generate revenue for governments. For example, my company, the International Broadcasting Corporation, operates a six-channel subscription television network in Thailand. It's a private company and pays the Thai government six and a half percent of its gross revenue for the privilege of providing subscription television services throughout the kingdom. We also pay taxes.

I should mention that we're running six channels now, will start a seventh next week and two more channels in the next couple of months. Later this year, we'll launch a direct-to-home satellite pay TV network. More on that later.

Still another reason for privatization in broadcasting is ideology. And coupled with it are such factors as the expansion of democratic forms of government and the expectations of the expanding middle classes. This is especially the case in Asia, but is also a factor in Europe.

Educational levels have risen considerably in recent years. And a result of rising educational levels is a growth in the size of the middle classes. More often than not, the growing middle classes are more critical in their expectations and demands, including what they want from radio and TV.

This includes entertainment programming, but especially news.

Most governments today simply are not equipped—financially, ideologically or otherwise—to meet these standards. And while governments could afford to largely ignore what audiences wanted from broadcasting some years ago, or just pay lip-service to their demands, new communications technologies, particularly satellite-delivered television and radio broadcasts, have ended that era.

In an age of TV by satellite, audience demands will be met, if not by broadcasters within a country, then by broadcasters outside the country who beam their signals from satellites.
We're all familiar with several recent examples of what happens when audience demands are not met. Perhaps the most prominent was STAR TV's carriage of BBC World Service newscasts into India. The BBC gave audiences information on conflicts in the subcontinent that they weren't getting from government-operated broadcasters.

We're also familiar with the important changes in television in India which were largely sparked by STAR TV's satellite feeds of news and entertainment programs.

Obviously, receiving television broadcasts in the home straight from satellites not only has been a major technological change in broadcasting, but a dramatic development with multi-faceted social, cultural, political and other implications.

Some governments have responded to this technical advance by banning their citizens from having satellite receiving equipment. But here again, technology is moving fast and will very soon render these bans meaningless.

It's easy to prohibit people from receiving TV or radio programs from satellites, if they need large dishes two to four meters in diameter. But this sort of control will be virtually impossible, once satellite transmissions start that can be picked up on small antennas around 60 centimeters or so across. Such dishes are easy to hide from the "thought police" in any country.

Also, as the Information Minister of Kuwait, Sheikh Saud Nasser al-Saud al-Sabah, told a conference in his country two months ago, "The best way to confront (the challenge of satellite TV) is to provide a better alternative." He added, and I quote, "It has to be left for the family to receive or not to receive transmission of satellite stations, and it should not come from the state."

By the way, we at the International Broadcasting Corporation will launch a satellite-delivered, direct-to-home or DTH, multi-channel, pay-TV service in Thailand this year. Subscribers will need antennas only 60 centimeters in diameter, in most cases.

Our system will use employ Ku-band transmission and the latest TV technology, including MPEG-Two video compression, in a system with an initial capacity of some 30 channels.

To do this, we'll use the Thaicom One and Thaicom Two satellites, both orbited within the past 12 months by IBC's sister organization, the Shinawatra Satellite Company.
And, in about two years, when Thaicom Three is launched, Ku-band capacity will be at least doubled. This will bring to 60 the number Ku-band channels on Thaicom satellites.

The Thaicom satellites are the first covering Southeast Asia with Ku-band transponders, and we are already using one of them to feed programming to our MMDS relay transmitters in nine cities outside Bangkok in our current "wireless cable" system.

And Thailand is not the only country launching DTH satellite television. For example, a private company here in Malaysia will start a DTH satellite system in the next couple of years.

Consequences of Privatization

So privatization in broadcasting is on the march across the globe. What are its consequences going to be?

Obviously, it's for people and governments in each country to decide how to manage privatization of radio and TV. I feel this should be done in a way that benefits audiences by fostering a lively broadcasting environment with a multiplicity of programming from local and international sources.

The role of governments should be to promote as much diversity in broadcasting as possible and not to restrict what people are allowed to see or hear. Denying audiences access to programming ultimately is not only a bad idea, but doomed to failure anyway, because of the technological advances in satellite receiving equipment I discussed earlier.

Since the American broadcasting structures, or variations of it, apparently are taking hold in many countries, I think countries should study the American system, adapt what's good in it to their own use, and avoid what's bad.

I think the broadcasting structure developed in the United States has worked rather well. The way radio and TV are run in the States has resulted in a dynamic industry producing and delivering programs that find wide acceptance, not only in the U.S., but in other countries, too. The system is not perfect; of course, no system is.
One problem I have with the American broadcasting structure, and so do millions of other people, is its extreme amounts of commercialization. The interruption of programs every ten to 15 minutes or so by two to four minutes of commercials (or more) is maddening, especially for visitors to the U.S. from countries where this is not done.

Of course, in the States, owners of radio and TV sets pay no license fees, and somebody has to pay the bills. That falls to advertisers.

This has created market where thirty seconds of advertising time can sell for more than 1.3 million Ringets, in the case of championship American football games.

So one consequence of privatization to be avoided, I feel, is a run-away, greedy commercialization of which I think the American system sometimes is guilty.

I should add, however, that for several decades, American commercial radio and TV networks used the hefty profits from their commercial activities to finance extensive news gathering operations did not make any money on their own. On the contrary, network news departments traditionally lost money. The networks also financed and continue to finance production of documentary and cultural programming with a very high standard.

The American system also has created a structure of non-commercial radio and television stations and networks which provides a good alternative to commercial programming.

So the consequences of privatization in broadcasting should be healthy and profitable radio and TV systems operated by the private sector and delivering a full range of programs free from governmental interference and control.

This will require enlightened government leadership and private broadcasters operating with a sense of responsibility. They must be dedicated, not just to making money, but to truly serving their audiences and acting in the public interest.

The broadcast industry, I feel, certainly is capable of rising to this challenge.

Thank you.