

cable's economic base is so strong. Network advertising revenue is about \$9 billion a year. Cable subscribers pay \$14 billion to get cable into their homes, and cable advertising adds over \$1 billion more. Thus cable's financial base is sufficient for it to compete with the networks for all kinds of programming — which will likely bring audience along further.

Competition

There has been a dramatic increase in the number of channels available in the average household. In 1985 the average US household had access to 19 channels; in 1988 it had 28, and the number of channels an average household views has stabilized at about 12. All television has become more competitive. Cable networks and systems are competing with traditional television for audience, programming, distribution and advertising dollars. We almost never see a first run movie over network television. Cable is also competing with networks for major league sports rights. It provides an alternate outlet to program producers for rerun syndication. And cable networks are now beginning to compete with the traditional networks for original programming.

Faced with a declining audience base, what's the future for traditional television? Developing programs for a television network is enormously risky business. Program failure is the rule. Almost 8 out of 10 new programs fail, in the sense of not returning for a second season. Only five of the new programs that started at the beginning of this past season are scheduled to return in the fall, and most of them are marginal. There were two hits in the second season, and neither of them came out of the traditional development mode. If the networks continue to invest heavily in new program development, they will remain the major players for years to come. But if they pull back into a shell and play it safe, and rely on low cost programs, their decline will accelerate.

The Future of Regulation

Regulation will continue to shape the competitive environment. During their halcyon days — when they were perceived to be all-powerful, dominating the airways — the commercial networks were subjected to strong regulatory restrictions. In the sixties, their entertainment activities were sharply curtailed: They could finance development of new programs, but they could not have a financial interest in programs produced by any outside party even though they had put up the seed money. They could not participate in domestic syndication. They could not own cable systems. And their hours of telecast were limited. These restrictions ordained their decline. In the future, too, the regulatory environment will be critical. In particular, how will financial interest syndication be handled? And what cable ownership restrictions will apply?

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TELEVISION: DBS TRANSFORMS THE SCENE IN EUROPE

By **Barrie Gunter**

Ambitious plans for more television services via satellite and cable systems are being unveiled in Europe, giving rise to increasingly intense competition to persuade viewers to pay for wider multi-channel choices. Satellite television especially is becoming an ever more serious business. Across Europe, from the Mediterranean countries in the south to Scandinavia in the north, from the UK in the west to the liberated eastern bloc countries in the east, additional television channels relayed from space direct to the home (direct broadcast satellite television) are proliferating. By the end of 1990 there will be more than 50 DBS services covering Europe.

In the main, satellite television means additional entertainment channels for general audiences. But already it is doing more — for example, providing for programs aimed at ethnic minorities scattered across a number of countries and general educational programming. On one 16-channel satellite, one service (Channel E) is being broadcast across Europe with a range of educational programs.

Despite difficulties in establishing the concept of a truly pan-European television service, one contender, Super Channel, still survives under new ownership, and is available in 21 million homes connected to cable in 18 countries. International niche markets are also being developed. Three organizations are now competing in offering financial news services to Europe: the European Business Channel from Zurich; European Business Today from Clark Television in London; and, in a joint venture with the Financial Times, CNN of the USA is launching CNN World Business Tonight.

Satellite TV Competition in the UK

The main thrust of direct broadcasting satellite television is to persuade consumers to pay for multi-channel choice. The most intense competition is in the UK where Rupert Murdoch's Sky Television is ranged against British Satellite Broadcasting (BSB), the official UK-licensed service. Between them the two competing groups — using different technology and a different programming philosophy — have committed around \$3.5 billion to establishing satellite television in the UK. It's a considerable gamble, given the reasonably high quality of traditional British broadcasting, and competition from the video tape sector. The limited evidence from the UK so far suggests, however, that there's a market for satellite television and that consumers are prepared to pay around \$15 a month for a dedicated film channel. Since Sky Television went on air in February 1989, more than 700,000

homes have installed their own receivers in Britain, with a similar number watching on cable TV networks. More than 500,000 homes have taken out subscriptions for the movie channel on Sky. It's too early to say what effect BSB will have on the development of the satellite television market in the UK. The big question is perhaps, not so much whether DBS will survive, but whether the market can long sustain two competing services.

More Choices in Scandinavia

Competition among Scandinavian-language satellite TV channels is increasing, with the expected inauguration in September of TV 4, the third main challenger in that market. Doubts are growing, though, on whether there is enough advertising revenue in Sweden, Norway, and Denmark to support all the Scandinavian channels, which include TV 3 and Nordic Channel, at a time when limits on commercials on national TV channels are crumbling. The Scandinavian satellite channels, which are mainly supported by Swedish interests, have benefited so far from a ban on TV advertising in Norway and Sweden. But the Swedish government is expected to propose allowing commercials on one of its two state-run channels, and permit the establishment of a third, private, advertising-supported channel.

TDF1 Develops in France

In France, too, radical changes to the broadcasting scene have been induced by the introduction of satellite television. France's direct broadcasting satellite, TDF1, has been in orbit for 18 months now, but broadcasters who have been awarded channels on it are not exactly hurrying to put out services. This satellite project has been plagued by technical (e.g., one of the satellite's channels is permanently inoperative) and financial problems. La Sept, the state cultural channel, was the first to start broadcasting full-time through TDF1. Euromusique, a music station started in April, currently enjoys full-time occupation of the band of TDF1 which it will eventually share with Canal Enfants, the children's channel. Canal Plus, the highly successful ground broadcast pay-TV station is, meanwhile, carrying out a few test broadcasts from TDF1.

Up-to-date figures are not available, but the Conseil Supérieur de l'Audiovisuel (CSA), the latest in a long line of French broadcasting authorities, estimates that France had around 14,000 satellite receivers in place at the end of 1988. That figure is likely to be stimulated by demand for the La Cinq and M6 channels, which could only reach 61% and 49% of the population respectively by their main ground broadcasting method. Canal Plus has taken the lead in coming to grips with the equipment distribution and penetration problem. Last October, in partnership with Compagnie Generale des Eaux, the water and services company, and with Thomson, the state-owned electronics group, it took control of Antennes Tonna and its subsidiary, Tonna Electronique. This gives it the means

to influence both the supply and the price of receivers. In the meantime, the CSA has taken a number of steps to help the TDF1 channels start up, before they are ready to survive by satellite alone, encouraging cable operators to take them on their networks, and making available new ground broadcasting wavelengths.

Kopernicus and TV-SAT 2 in Germany

In West Germany, the situation is evolving rapidly. Last year, a Luxembourg satellite called Astra gave Europeans a new means of television reception with home receivers. Following Astra's launch, West Germany staked its claim to satellite independence with Kopernicus and TV-SAT 2. The possibility of reaching more viewers via satellite has opened new options for the networks and increased competition among those offering television services. Operators are scrambling for space on satellites. Kopernicus is booked solid, with a variety of national and regional broadcasters having jumped on board. It has the added advantage of being able to reach audiences farther afield in Spain, Italy, UK, Czechoslovakia, and Norway. At the same time, the success of TV-SAT 2 could be much boosted by plans to broadcast the country's two major networks, ARD and ZDF, over it.

Burgeoning markets, coupled with widespread deregulation, have brought many changes to the European broadcasting environment. Television channels have multiplied, and viewers have been given both far greater choice and the new experience of having to pay directly for many of the new services. No one knows who the eventual winners and losers will be among the competing media. But the radical change in the shape of Europe's broadcasting industries is clearly irreversible. Choice and diversity define the new order.

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