



Submission by

Prime Media Group

Southern Cross Austereo

WIN Network

Imparja Television

Media Diversity in Australia

December 2020

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

By email: ec.sen@aph.gov.au

17 December 2020

1. Executive Summary

- This submission outlines the following key points:
 - It is immutable that economics determines diversity;
 - Thirty year old media regulations are out of step with contemporary market economics; and
 - This set of circumstances is the principal cause of the decline of media diversity in regional Australia.
- Prime Media Group (**Prime**), Southern Cross Austereo (**SCA**), WIN Network (**WIN**) and Imparja Television (**Imparja**), welcome the opportunity to make a joint submission to the Senate Inquiry into the state of media diversity, independence and reliability in Australia (the **Inquiry**). Please find a letter endorsing this submission from Australian Community Media (**ACM**) attached at Appendix 1.
- We represent some of the largest regional media businesses in Australia. We are responsible for delivering television news content to close to 9 million regional Australians. Together with ACM, regional television and radio broadcasters are the only businesses that employ journalists in numbers in regional Australia.
- Local news and community information services are critical to the millions of Australians living outside capital cities. However, the costs to regional media businesses to produce news and community information programming far outweigh the financial benefits. The advent of digital platforms and streaming services have seen dramatic declines in advertising revenue for regional broadcasters, however operating costs remain high. Regional media businesses continue to incur substantial annual losses from their production of local news programming.
- We are of the view that media diversity is fundamentally linked to the economics of individual markets and the prevailing regulatory framework; if the two are not aligned, diversity is reduced – as evidenced by the closure of local television news services and local newspapers across regional Australia.
- We believe the solution to preserve media diversity in regional Australia lies in regulatory reform for regional media businesses, not ongoing Government funding for public interest news, for example, in the form of the Public Interest News Gathering Trust as outlined in the Media Reform Green Paper, November 2020 (**Green Paper**). The future of media diversity in regional Australia rides singularly on the creation of a regulatory environment that sustains

regional voices and drives ongoing commercial investment in the regional media sector. Our sector currently does not operate under such a regulatory environment.

- The proposition that voices should be funded by the public purse is an admission that the existing regulatory framework has failed. It is ironic that the regulations once intended to protect media diversity are now threatening it.
- In order to ensure a sustainable, robust, independent and diverse media in regional Australia, and to prevent any further reduction in essential news services, we believe urgent regulatory reforms must be made to allow regional media businesses to merge to achieve the scale necessary to compete in today's media environment. Scale through consolidation is the one option that will create the opportunity for regional television to reinvent itself and provide the capacity for regional television to fund its own growth and sustainability.
- A merged regional entity would consolidate substantial capital to continue to invest in journalists and other news gathering personnel in regional Australia, therefore maintaining media diversity.
- Prime, SCA, WIN and Imparja would be happy to engage further with the Committee in relation to this submission.

2. Background

2.1. The Value of Regional Media

Regional free-to-air television broadcasters provide an essential service. They inform, unite and enrich regional communities with local information, connectivity and support. They promote informed public debate and are vital to a healthy democracy. In times of crisis – including bushfires, floods, storms, drought and COVID 19 – they provide regional Australians and emergency services with critical and timely news and information relevant to those communities.

Collectively, Australian regional free-to-air television broadcasters:




- provide a free-to-air television service to close to 9 million people or approximately 36% of Australia's population each week – regional Australia is as large as Sydney and Melbourne combined, and larger than Brisbane, Adelaide and Perth combined;
- employ around 2,100 people in regional Australia, including with ACM, being one of the largest employers of journalists and news staff in regional Australia;
- deliver over 10,000 hours of free-to-air content each month – 24 hours a day;
- deliver 700 hours of local news and current affairs each month; and
- provide over \$40m in free airtime to local charities and community services each year.

The ACCC's Digital Platforms Inquiry Final Report (the **DPI Report**) recognised the importance of the availability of a wide range of high quality news and journalism and the resultant benefits to Australian society and a healthy, functioning democracy.¹

Without immediate action from the Government, it is inevitable that more communities will lose their access to local news and media support for community endeavours, leaving many regional Australians disconnected.

2.2. Regional News Services

As outlined, regional television broadcasters provide extensive news services across regional Australia, including:

<p>Prime</p> 	<ul style="list-style-type: none"> • Prime produces 5 news bulletins per weekday in regional New South Wales markets, including: Albury, Wagga Wagga and the Riverina, Orange-Dubbo and the Central West, Tamworth and New England and the New South Wales North Coast stretching from Lismore to Port Macquarie; • Prime's subsidiary, GWN, produces a 30-minute news bulletin each weeknight across regional Western Australia – the only local news service in regional Western Australia; • Prime produces approximately 700 local news and weather updates each week for broadcast across its entire network.
<p>SCA</p> 	<ul style="list-style-type: none"> • For Tasmania (Hobart and Launceston), SCA produces 30-minute local news bulletin seven nights a week, along with approximately 85 local news updates each week; • For Spencer Gulf and Broken Hill, SCA produces a 30-minute news bulletin on weeknights, along with about 80 local news updates each week; • For Darwin and Central, SCA produces (in aggregate) about 140 local news updates each week; • For the three aggregated markets, SCA's affiliate partner, Nine Network, produces a 30-minute local news bulletin on weeknights (along with an aggregate of approximately 900 local news updates in the following markets: <ul style="list-style-type: none"> • Cairns, Townsville, Sunshine Coast, Rockhampton, Bundaberg, Mackay; • Canberra, Wollongong, Orange/Dubbo, Wagga Wagga; • Albury/Shepparton, Gippsland, Bendigo, Ballarat.
<p>WIN</p> 	<ul style="list-style-type: none"> • WIN produces a 30-minute news bulletin each weeknight for each of the following markets: <ul style="list-style-type: none"> • Victoria: Ballarat, Shepparton, Bendigo and Gippsland; • New South Wales: Wollongong, Illawarra region and South Coast; • Queensland: Cairns, Townsville, Rockhampton, Sunshine Coast and Toowoomba; and • Tasmania: Launceston and Hobart);

¹ ACCC's Digital Platforms Inquiry Final Report, June 2019, p. 280.

	<ul style="list-style-type: none"> • Australian News is a daily 30-minute news bulletin which airs 5 days a week consisting of daily, locally produced stories from every WIN News market; • WIN produces and airs 1700 local news updates each week; • Local news updates in all other markets.
Imparja 	<ul style="list-style-type: none"> • Imparja produced a daily news service and updates for its licence area up until 2014. However, due to the impost of multi-channels, a consequent shrinking advertising market and a one-size-fits-all regulatory environment, <u>Imparja was forced to cancel its news service.</u>

3. Terms of Reference

With regard to the Terms of Reference the subject of the Inquiry as they are relevant to regional television broadcasters, we note the following:

3.1. The impact of Australia's media ownership laws on media concentration in Australia (Point (c));

With the launch of the NBN came significant changes to media concentration in Australia. Previously exclusive regional broadcast licence markets were flooded with streaming services from global technology platforms and metropolitan broadcasters. This forever changed the economics of the market and has left regional broadcasters in an untenable situation.

The digital platforms are not constrained by the thirty year old regulations that, by comparison, suppress traditional media's ability to change and adapt to the current media landscape. Without any other recourse, regional television broadcasters have been forced to reduce their local news services which in turn, has a negative impact on diversity in regional Australia. Regional television broadcasters have very limited ability to reduce their operating costs, which increase year on year as profits continue to fall.

3.2. The impact of significant changes to media business models since the advent of online news and the barriers to viability and profitability of public interest news stories (Point (d));

Digital platforms and streaming services have forever altered the regional media landscape and introduced a level of competition never contemplated, nor catered for, under regional media regulations. Regional television companies are not opposed to the competition aspects brought about by digital platforms, but the current regulatory imbalance, particularly the 'voices test' and 'one-licence-to-a-market' rule in the *Broadcasting Services Act 1992 (BSA)*, deny regional broadcasters the potential to restructure their businesses to meet the digital challenge.

The economic and financial impacts on regional media companies as a result of digital platforms have been substantial, with dramatic reductions in revenue, profits and valuations. Regional television broadcasters have responded to the declines in advertising revenue and audience numbers by cutting local news costs, which has subsequently caused a reduction in the number of regional media voices over the past five years.

As reported in previous submissions to Government, regional audiences for free-to-air television have declined almost 26% within the last five years due to:

- competition from content streaming and catch up television services;
- increased reach into regional markets of digital products like SVOD and BVOD services operated by the metropolitan networks;
- growth in unregulated global online platform businesses competing for audience and advertising revenues; and
- changes in viewer and advertiser habits associated with these developments.

Regional advertising revenue for free-to-air television has closely followed the decline in regional audiences, being -29.4 % over 5 years.

Regional television broadcasters are limited geographically and physically in their ability to attract advertising revenue. With unregulated or lightly-regulated global-tech media giants and metropolitan television broadcasters now competing with regional media for local advertisers and audiences, the multiplicity of voices is under increasing threat, while the call for regional media reforms have been ignored.

Digital platforms do not produce local news, employ journalists in regional Australia and are not bound by licence requirements to meet quotas in relation to matters of local significance. The DPI Report acknowledged that the online provision of news is likely to be “most commercially viable with large audiences”² with few incentives to produce news stories on local matters such as local court and government reporting, which have more localised relevance.

With the proliferation of digital services, combined with the limited ability of regional broadcasters to adapt to the changed environment, the question must be asked: “who will provide local news services to regional Australia if the current providers fail financially?” The Green Paper acknowledges this very real possibility, linking a failure of Government to act with continued diminished revenue and the potential collapse of some television broadcasters.

3.3. The state of local, regional and rural media outlets in Australia (Point (h));

It has been well documented that Australia’s regional media industry is in a precarious financial position. Many television news rooms have already closed and we anticipate that many more will be forced to do so in the future. The statistics speak for themselves.

Regional Television Audience Declines – 4 Aggregated (East Coast) Markets		
Period	Total Audience³	Aggregate % Decline
01/07/2014 - 30/06/2015	1,436,950	-
01/07/2015 - 30/06/2016	1,355,322	-5.5%
01/07/2016 - 30/06/2017	1,262,751	-12.0%

² Ibid, p. 323

³ Source: Regional TAM Data / 4 aggregated markets / S-S 0600-24000 / Total FTA (excl. spill) / consolidated 7 data

Regional Television Audience Declines – 4 Aggregated (East Coast) Markets		
Period	Total Audience ³	Aggregate % Decline
01/07/2017 - 30/06/2018	1,184,648	-17.4%
01/07/2018 - 30/06/2019	1,087,558	- 24.2%
01/07/2019 – 30/06/2020	1,065,243	-25.8%

4 Aggregated (East Coast) Markets Revenue Decline 2014 - 2020 ⁴			
PERIOD	Total Ad Rev - \$M	Annual Percentage Decline	Aggregate Percentage Decline
01/07/2014 - 30/06/2015	688.4	-	-
01/07/2015 - 30/06/2016	646.3	-6.1%	-6.1%
01/07/2016 - 30/06/2017	622.3	-3.7%	-9.6%
01/07/2017 - 30/06/2018	599.7	-3.6%	-12.9%
01/07/2018 - 30/06/2019	572.8	-4.5%	-16.8%
01/07/2019 – 30/06/2020	486.2	-15.1%	-29.4%

The only way to ensure that independent and verified local news and community information services continue to be produced in regional Australia is for the Government to allow regional television broadcasters to merge and create a financially sustainable operating model that is able to support local content creation into the future. Media diversity in regional Australia is at risk without urgent reform of the thirty year old regional media regulations.

3.4. The role of government in supporting a viable and diverse public interest journalism sector in Australia (Point (i));

We acknowledge that there is an important role for the Government to play in ensuring a viable public interest news sector in Australia. However, ongoing Government funding such as the Public Interest News Gathering (**PING**) Program is not a workable, long term solution. Regional media businesses appreciate the financial support provided by the Government in response to the COVID-19 pandemic, however this level of targeted funding will not sustain local news services into the future.

The reality is that, subject to compliance requirements, local news costs are discretionary. They are one of the few levers left to regional television broadcasters to ensure survival. This is because the significant program supply, payout, distribution and transmission costs incurred by regional television broadcasters to provide local news and other programming to 9 million Australians are not discretionary. Indeed, these costs only increase year on year.

⁴ Source: KPMG Industry data / 4 aggregated markets (excludes Mildura) / excludes contra

It is likely that the amount needed to support regional television broadcasters over the next five years will dramatically increase as advertising revenue continues to decline.

Furthermore, Government funding of news production is likely to bring editorial independence into question. The proposition that the Government funds and maintains local news services, speaks to the very issues the subject of this Inquiry, namely, whether news can be independent and diverse if it is funded by Government.

The optimal outcome is to urgently reform the regulations so they are relevant to the current media environment and take account of market circumstances; rather than a program such as the PING Trust that avoids the necessary reforms, causes regional broadcasters to be dependent on the public purse and, in any case, will only become available several years too late to address the current problems faced by regional television broadcasters.

3.5. Any other related matters (Point (j));

It is important that regional Australia has independent and financially strong media voices that are able to grow with their audiences and communities. That will only be achieved where investment can be secured and put towards the creation of new and additional services for regional Australians.

In order for a merger of regional media businesses to take place, amendments to the BSA would need to be made, including:

- a. Removal of the 'one-licence-to-a-market' rule found in section 53 of the BSA, which currently prohibits a person being in a position to control more than one commercial television broadcasting licence in a licence area; and
- b. Amendments to the 'voices test' found in section 61AG and 61AH of the BSA to allow for a statutory exemption from the operation of the voices test specifically to account for a merged regional entity.

In considering the operation of the voices test, it should be noted that 98% of the content carried by regional television broadcasters originates with the three metropolitan network. Seven, Nine and Ten's news services and public affairs programming form part of the programs broadcast by Prime, SCA and WIN under the terms of program supply agreements providing a plurality of voices when combined with local news which would continue to be provided by a merged regional entity.

While the 'one-licence-to-a-market' rule and 'voices test' represent longstanding elements of Australia's media diversity framework, in their current form, they are no longer fit-for-purpose and do not reflect the financial threats facing regional commercial television broadcasters. Ironically, what were once intended as rules to protect media diversity are now threatening to stifle it.

4. Other Considerations

In addition to the points outlined above, there are other key considerations to note that impact media diversity in regional Australia. One of the most pressing issues is the need for Government to recognise that metropolitan television broadcasters and regional television broadcasters operate very different business models and have very different revenue opportunities. This disparity is not factored into the current regulatory regime, with all television broadcasters essentially subject to the same regulatory requirements and obligations, which results in an unnecessary and additional financial burden on regional broadcasters.

Metropolitan television broadcasters predominantly create content with a limited need to focus on geographic distribution of that content. Conversely, regional television broadcasters are principally distributors of content produced by metropolitan broadcasters, which they transmit across a complex geographic area. Regional broadcasters create only a small amount of content – being their local news services – with the costs of this news production being disproportionately high as against the revenue derived from such content.

It is imperative that regional broadcasters be viewed through a separate regulatory lens that understands the unique position of regional media in Australia. While we firmly believe that news production and public interest journalism should not be funded long-term by the Government, we are open to discussions around a dedicated line of funding to assist regional television broadcasters with their substantial infrastructure and transmission costs until such time as regional media companies are allowed to merge into a self-funding entity.

5. Conclusion

The cost of operating regional television businesses, including to ensure production of quality, independent news for regional Australians is not sustainable. To continue to operate, regional media businesses have been forced to make savings on local news production, including the closure of numerous news rooms since 2010.

The result of these closures is that many regional Australians communities will have reduced or lost access to vital news and information services and instead, will need to rely on digital platforms such as Facebook and Google for their news. The independence and reliability of these digital platforms is questionable and requires consumers to discern for themselves the source and trustworthiness of such content.

Furthermore, if more news rooms are forced to close, this will have an enormous impact on journalists working in regional areas and the future production of quality public interest journalism in Australia.

It is the view of regional commercial television broadcasters that existing regulations need urgent reform so as to properly align to today's market realities and to take into account the differences between metropolitan and regional broadcasters. In various submissions to recent Parliamentary inquiries, regional media businesses have highlighted the negative impact that the introduction of the Government-owned NBN has had on competition to regional markets from metropolitan and international media platforms.

Regional media organisations do not want to be reliant on Government funding for local news. We believe that such reliance has the potential to interfere with the ability to produce independent and impartial news. The only viable solution is for the Government to pave the way for regional media businesses to merge so that they can be self-funding and economically sustainable. A detailed plan outlining how this can be achieved was furnished to the Minister for Communications, Cyber Safety and the Arts in 2019.

A consolidation of regional television businesses may give the appearance of reducing diversity, however, the alternative – potentially no local media services at all – has far greater consequences for media diversity, independence and access to information for regional Australians.

If you have any enquiries about this submission, or would like to discuss the issues, please contact either:

- Sarah Kossew: Legal Counsel, Prime Media Group on ;
- Tony Hudson, Head of Legal and Corporate Affairs, Southern Cross Austereo on
- Stevan Djokic, General Manager Operations, WIN Network on ; or
- Joya Bryan, Media Operations Manager, Imparja Television on

Appendix 1

RURAL PRESS PTY LTD



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17 December 2020

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

By email: ec.sen@aph.gov.au

Dear Committee Secretary,

Senate Inquiry – Media Diversity in Australia

Rural Press Pty Limited, trading as Australian Community Media, wishes to endorse the joint submission made by Prime Media Group, Southern Cross Austereo, WIN Television and Imparja Television to the Senate Inquiry into the state of media diversity, independence and reliability in Australia (the **Inquiry**).

We are in agreement with the points raised in the submission and would be happy to engage further with the Committee in relation to the submission and the Inquiry generally.

Please feel free to contact me on _____ at your convenience.

Kind regards,

Antony Catalano
Executive Chairman, Australian Community Media