



**AUSTRALIA**

# Submission by Free TV Australia

## **Inquiry into Australia's regional newspapers**

## **Standing Committee on Communications and the Arts**

January 2022

## 1. Summary

- Free TV Australia thanks the Committee for the invitation to provide a submission regarding the Inquiry into Australia's regional newspapers.
- In making this submission, Free TV highlights the important role played by commercial free-to-air television in regional and remote areas in providing localised news services to communities across Australia.
- Only commercial free-to-air television networks produce regional television news services in local markets across Australia, with the national broadcasters producing only state-wide television news bulletins.
- Research has consistently found that commercial television news is the most relied on and trusted source of news for Australians, including in regional Australia.
- As such, any review regarding the provision of news services in regional Australia must also consider the policy settings required to ensure a vibrant regional commercial television sector.
- While the committee has been asked specifically to examine the provision of newspapers (including online), we submit that the Committee should also recommend that the Government take the urgent action that is required to ensure the long-term sustainability of a sector that is vital to news delivery in regional and remote Australia.
- Specifically, we submit that the Committee should recommend that the Government:
  - **Extend the spectrum tax support payments for regional broadcasters** – these payments commenced in 2017 to offset the disproportionate impact of the creation of the broadcaster spectrum tax that would otherwise have made regional broadcasters worse off as a result of the Government's media reform package;
  - **Direct Government funding to remote television broadcasters** – support is needed to move remote broadcasters to a more sustainable business model, including the greater use of more cost-effective satellite DTH delivery of services, and to reduce the number of terrestrial retransmission sites.

## 2. Introduction

Free TV Australia is the peak industry body for Australia's commercial free-to-air television broadcasters. We advance the interests of our members in national policy debates, position the industry for the future in technology and innovation and highlight the important contribution commercial free-to-air television makes to Australia's culture and economy.

Free TV proudly represents all of Australia's commercial free-to-air television broadcasters in metropolitan, regional and remote licence areas.



Our members are dedicated to supporting and advancing the important contribution commercial free-to-air television makes to Australia's culture and economy. Australia's commercial free-to-air broadcasters create jobs, provide trusted local news, tell Australian stories, give Australians a voice and nurture Australian talent.

A report by Deloitte Access Economics "*Everybody Gets It: The economic and social benefits of commercial television in Australia*" highlighted that in 2019, the commercial TV industry supported

16,300 full-time equivalent jobs and contributed a total of \$2.3 billion into the local economy. Further, advertising on commercial TV provided an additional \$4.4 billion worth of economic benefit.

In addition to this economic analysis, Deloitte also undertook a consumer survey that highlighted the ongoing importance of the commercial TV sector to the community, including finding that:

- 86% of people consider that commercial television supports Australian culture
- 76% of people consider commercial TV is more important than ever
- 95% believe that losing it would have an impact on society.

The commercial free-to-air broadcasting industry creates these benefits by delivering content across a wide range of genres. These include news and current affairs, sport, entertainment, lifestyle and Australian drama.

### 3. Importance of Free TV news services in regional Australia

#### 3.1 Vital news services

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Across the country, television is the main way Australians get their news. Nowhere is this more true than in regional Australia with Deloitte Access Economics analysis revealing that 41 percent of regional Australians prefer television over any other medium.<sup>1</sup> The Australian Competition and Consumer Commission (ACCC) highlighted Australian Communications and Media Authority research that found that regional Australians exhibit distinct preferences in their consumption of local news, favouring traditional media formats. This study found that the most trusted source of local news in regional areas was commercial television.<sup>2</sup>

For regional members of Free TV, their local news services are the main content that they produce or commission. Commercial television broadcasters are often first on the ground covering local issues and are able to prioritise broadcasting local information, making it more relevant to local audiences.

Collectively, regional television broadcasters provide a free-to-air (FTA) television service to close to 9 million people or approximately 36% of Australia's population each week. This makes the regional audience as large as Sydney and Melbourne combined, and larger than Brisbane, Adelaide and Perth combined. As noted by Deloitte Access Economics, '[p]oor internet connectivity can prohibit regional viewers from accessing alternative streaming or pay TV services online...[commercial television] is especially important given the age profile of these communities. Older individuals may struggle to access entertainment or news programs online, if they are unfamiliar with online platforms or the internet'<sup>3</sup>

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<sup>1</sup> Deloitte Access Economics, *Everybody Gets It – The economic and social benefits of commercial television in Australia*, page 28

<sup>2</sup> ACCC, *Digital Platforms Inquiry Final Report*, pg 291

<sup>3</sup> Deloitte Access Economics, *Everybody Gets It – The economic and social benefits of commercial television in Australia*, page 40

### 3.2 Contribution to the community

Free to air commercial television contributes to regional and remote communities, employing around 2,100 people in regional Australia, including a large number of journalists and news staff. Almost 20 percent of commercial network staff are located in regional areas<sup>4</sup>.






Regional networks also contribute to regional businesses and economies by providing an accessible and effective advertising platform, directed at local audiences. Additionally, as a direct contribution to the community, regional networks, provide over \$40 million in free airtime to promote local charities and community services each year.<sup>5</sup>

### 4. The only providers of local news services

The commercial television networks provide extensive news services across Australia, and these have increased in recent years with the main evening news bulletins now being supplemented with morning and afternoon editions. These bulletins cover issues of national importance and matters that are specific interest to communities around these capital cities.





Regional Australians not only receive these bulletins, but the commercial television sector employs hundreds of Australians as journalists, crew and production staff in sub-markets across the country to produce news specifically for regional communities.

#### *Commercial tv's regional news services*

 <b>Queensland</b>  	<ul style="list-style-type: none"> <li>• Weekday 30-minute news bulletins across Cairns, Townsville, Mackay, Wide Bay, Toowoomba, the Sunshine Coast and Rockhampton.</li> <li>• 30-minute weeknight bulletins and updates for each of the following: <ul style="list-style-type: none"> <li>○ north coast of NSW and south-east Queensland (crews based in Taree, Lismore, Port Macquarie, Ballina &amp; Coffs Harbour);</li> <li>○ north west of NSW (crews based in Tamworth);</li> <li>○ central west of NSW (crews based in Orange and Dubbo);</li> <li>○ regional Victoria (based in Albury/Wodonga)</li> <li>○ the Riverina (based in Wagga Wagga);</li> <li>○ regional WA Australia (crews based Bunbury, Albany, Kalgoorlie, Geraldton, Broome and Perth);</li> </ul> </li> <li>• Local news updates to the Newcastle/Hunter areas in northern NSW, the Wollongong and Canberra areas of southern NSW, and the Shepparton, Bendigo, Ballarat, and Gippsland areas of regional Victoria.</li> </ul>
 <b>TASMANIA</b>  <b>SPENCER GULF</b>	<ul style="list-style-type: none"> <li>• Local news updates to regional Queensland, southern NSW and ACT, and regional Victoria;</li> </ul>

<sup>4</sup> Deloitte Access Economics, *Everybody Gets It – The economic and social benefits of commercial television in Australia*, page 40

<sup>5</sup> [https://www.infrastructure.gov.au/sites/default/files/documents/mrgp-prime-media-group-southern-cross-austereo-win-network\\_0.pdf](https://www.infrastructure.gov.au/sites/default/files/documents/mrgp-prime-media-group-southern-cross-austereo-win-network_0.pdf) (page 5)

 	<ul style="list-style-type: none"> <li>• A 60-minute news bulletin and updates, 7 nights a week in Tasmania;</li> <li>• A weekday 30-minute bulletin in Broken Hill and the Spencer Gulf (sourced from reporters in Port Pirie, Port Augusta, Port Lincoln, Whyalla and Broken Hill);</li> <li>• News updates for remote Central and Eastern Australia and Darwin.</li> </ul> <p><i>These services are provided by Southern Cross Austereo (SCA) in connection with SCA's network affiliation arrangements.</i></p>
	<ul style="list-style-type: none"> <li>• Six 60-minute local news bulletins in the northern NSW licence area and the Gold Coast.</li> </ul>
	<ul style="list-style-type: none"> <li>• 14 locally tailored 30- minute bulletins with crews based in 18 regional towns across Queensland, NSW, Victoria, and Tasmania.</li> </ul>

Beyond these services, Free TV broadcasters are also highly engaged with their communities. We are proud to be involved with initiatives such as [Carols by Candlelight](#), [Royal Far West](#), [Act for Kids](#), [Surf Life Saving Australia](#), [Black Dog Institute](#) and the [WA Telethon](#).

## 5. Immediate action required to ensure sustainability of regional services

### 5.1 Extend the regional support payment for the spectrum tax

In 2017, the Government introduced a \$40 million annual commercial broadcasting spectrum tax as part of a package of media reform measures. A requirement for a review of this interim arrangement was established in legislation and was highlighted in the Minister's Second Reading Speech when introducing the spectrum tax legislation.

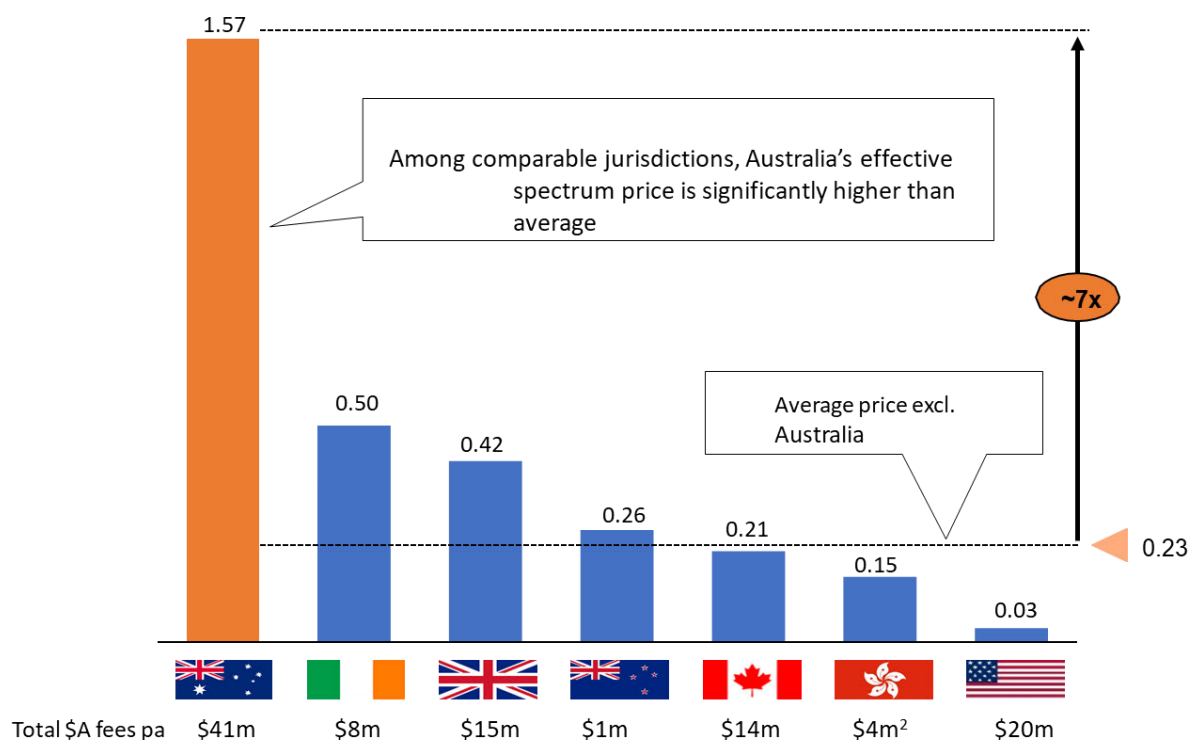
In the second reading speech, Minister Paul Fletcher noted that:

*"As a part of this package, the legislation will require the Australian Communications and Media Authority after 30 June 2019 to undertake a review and report on whether the new tax law should be repealed or amended on or before 1 July 2022. ACMA will consult on the review, enabling broadcasters to input into the development of future tax arrangements. The report would be tabled in parliament.*

*This review will be a valuable input into future spectrum taxing arrangements."*

A review of the level of the tax paid by Australian commercial broadcasters is now well overdue and should lead to a substantial reduction or abolition of the tax. Work undertaken by Venture Consulting has revealed that the level of spectrum tax faced by our local broadcast sector is significantly higher than any other comparable market and 52 times higher than equivalent per capita charges in the USA (see graph below).

*Australian broadcasters pay highest spectrum prices in the world*



Source: AU(ACMA), Canada(CRTC), US(FCC), NZ(BSA), UK(OFCOM, ITV), Singapore(IMD), Ireland(BAI), Hong Kong (Communication Authority)

More immediately and of relevance to the inquiry the Committee has been asked to undertake, regional broadcasters face losing the spectrum tax support payments that are only legislated until 1 July 2022.

Due to the way the taxation arrangements were designed, regional broadcasters were disproportionately impacted by the 2017 tax changes. To ensure that these broadcasters were not actually worse off as a result of the changes, additional support payments were legislated to offset the worst impacts of the spectrum tax.

Without a continuation of these payments, regional broadcasters would be required to pay spectrum taxes in excess of pre-2017 broadcast licence fees.

The Government has not indicated any process to address the financial pressures affecting the sustainability of free-to-air television broadcasting in regional and remote areas. Regional Australian viewers expect a comparable level of service to that provided in metropolitan markets, and any policy review or legislative reform must ensure that this continues.

It is critically important that broadcasters are not saddled with spectrum fees that are the highest in the world, particularly regional broadcasters who already face considerable economic pressures.

Local media binds us together as a nation. It informs us, it entertains us, and it challenges our world view. Everyone benefits from free and diverse sources of news, sport and entertainment, but excessive spectrum fees have the real potential to compromise the quality of services for regional and remote viewers.

As such, we submit that the Committee should recommend that the Government extend the support payments for regional broadcasters and conduct a proper review into the overall level of the spectrum tax levied on all commercial broadcasters, as Minister Fletcher undertook to do back in 2017.

## 5.2 Direct funding for remote broadcasters

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Remote commercial broadcasters are not commercially viable in their current form as a result of a very challenging advertising market, high costs of retransmission to very low population areas and continued uncertainty regarding future VAST funding.

Free TV submits that the Committee should recommend to the Government that remote television broadcasters require urgent and immediate Government assistance in the form of direct Government support to ensure continued service delivery to remote communities.

The already challenging regional terrestrial transmission economics are even more difficult for remote broadcasters due to vast coverage areas and low population densities. For example, SCA holds commercial television licences in the Remote Central East and Mt Isa licence areas, as well as a joint venture interest with Imparja operating the VAST service, providing free-to-air TV to Australians living and travelling in remote Australia and in black-spot areas. Equally, PRIME and WIN Television operate a joint venture servicing remote communities in Western Australia. Finally, Imparja Television delivers free-to-air content to approximately one million residents (and three million tourists) across six states and territories over an area of 3.6 million square kilometres. Imparja is the only non-Government funded not-for-profit, 100% Indigenous owned Broadcaster. Located in Alice Springs it services some of the most remote areas of Australia and provides television services to First Nations remote communities.

The low density of remote broadcast areas limits the size and attractiveness of the addressable advertising market, in turn limiting the revenue available to fund operations. Facing an increasingly competitive advertising market, as advertisers shift budgets to other channels, remote broadcasters are left with a similar choice to regional broadcasters in general: continue funding loss-making infrastructure or switch off less-profitable transmitters. The latter option would provide greater financial stability, at the cost of withdrawing locally relevant free-to-air services to millions of Australians.

These remote broadcasters are often providing the only available free-to-air service in remote communities that could not otherwise support commercial television. To support the sustainable long-term delivery of free-to-air TV to remote communities, direct Government assistance that recognises the unique position of remote broadcasting is urgently required.

In terms of remote transmission options, while satellite direct-to-home would be more cost effective to deliver free-to-air TV to remote communities from an operational perspective, neither remote broadcasters nor individual households have the resources to fund the conversion costs of non-Foxtel households. To ensure the long-term sustainability of these services, the Government should provide funding to:

- Equip remote households in very low population areas with satellite DTH; and
- Provide direct financial assistance to support ongoing terrestrial retransmission to larger population centres in remote licence areas.

Related to this is the issue of long-term funding certainty for the VAST platform. To date, the Government has extended VAST funding by short increments while examining alternative options for future delivery of TV to remote Australians. Our analysis of the alternative delivery options, including either fixed wireless or the Sky Muster (satellite IP) services of the NBN are not viable substitute for the free-to-air services provided via the VAST service. Both of these services are heavily data

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constrained and neither is designed for point-to-multipoint broadcast and this is unlikely to change in the short to medium term.

Further, this lack of funding certainty does not incentivise Optus, the satellite service provider for the VAST platform, to invest in capacity and capability upgrades. It also makes it difficult to control transponder costs, due to the short-term nature of the agreements.

Given that the VAST technology is and will remain critical to the reliable delivery of television services into the foreseeable future, we submit that the Committee should find that the Government needs to commit to longer-term contracts for remote TV delivery.