Recommendations for Australian media regulatory change.

Prepared by Roger Colman - 22th September 2016

---

1. **The Reach rule is irrelevant for protecting local regional content**.

The Seven West Media (SWM) March 2016 Senate submission objected to the reach rule relaxation. However the submission actually, given the heavy boasting about what SWM did in Sunshine TV QLd areas for local news (79 staff out of 179), meant that SWM is producing above the minimum requirements and local news competition is economically worthwhile for a network. This is a prime example of a wholly owned regional affiliate providing a better local service than an independent affiliate would. Nine Entertainment Co (NEC) does similarly in Northern NSW with its NBN 100% owned local affiliate. Likewise NEC is now directly supporting its regional affiliate Southern Cross Media (SXL) local news budgets (circa $2.5m pa). Most network ratings announcements now include national audiences for programs.

---

2. **The 2/3 rule is irrelevant when NEWS has blocking , management, or controlling stakes of 5 out of 4 Media** (including Foxtel PAY TV).

NEWS has management control of Foxtel (50% equity). Its wholly owned newspapers account for over 60% of Australian newspaper print circulations, and against Fairfax over 50% of online news share of Australian news sites. Rupert Murdoch's son and Lachlan (also NEWS Co Chairman) owns 100% of the DMG national radio network. NEWS owns a blocking and largest individual 15% stake in APN (ARN radio network). The family Murdoch family controls either directly or through NEWS 23% of TEN. These media positions are far away a much larger combination than any other Australian media company owns. **It would be better if the rest were allowed to catch up in weight by going 3/3 - still less than NEWS**. As long as NEWS's size relative to competitors is so large, Parliament will need to accept the ABC as a counterweight. The rest of the commercial media- other than the small Macquarie Radio Network has not the weight and political desire to play domestic politics like the ABC or NEWS. Therefore unless the 2/3 rule is relaxed to allow some measure of size equalisation between all non NEWS media and NEWS, the ABC is a Commonwealth Government defence against NEWS dominant media weight. Thus, if The Government wishes to reduce ABC/SBS funding, one has to make media weights more level.

---

3. **The prescribed interest provisions need to be tightened**

The Act should be changed that tracing provisions cover family interests and that a single shareholder is restricted to under 10% of capital, above which is the blocking % for compulsory takeovers. If retained at 15%, a >10% but less than 15% shareholder is a blocking shareholder. Existing >10% stakes should not be grandfathered as anything greater than 15% is control in the negative. E.G NEWS owns 14.9% of APN NEWs and Media (ARN radio network) and 14.9% of TEN Network. Lachlan Murdoch owns a separate 7.8% of TEN directly, making 23.8% held by the Murdoch family.

---

4. **Foreign ownership limit should also be at a limit of 10%.**
It would be disastrous diplomatically for Australia, if a Chinese bidder (say State owned) was to bid for Fairfax, or a FTA network, or a radio network. It is better to eliminate this possibility now. As Australia is 4th in world ranking in superannuation savings pool, capital supply to media is not an issue when considering restricting overseas capital into Australia in this nationally sensitive sector. You wouldn't want *Pravda* or *The People's Daily* running a major Australian media outlet.

---

5. **Retransmission rights**.

This is copyright 101. The networks should have the right to charge anybody retransmitting their signals in linear form, as in the USA. The income stream - in the USA circa 23% of USA Free to Air (FTA) revenues- can be used to increase local content in conjunction with the Government lowering the licence fee.

---

6. **Anti-syphoning**. **No relaxation – if not a tightening**.

Just the Commonwealth Australian Institute of Sports (AIS) sports budget of $311m in FY15 is not materially different to Fox Sports (Foxtel) total costs (last release of total programming costs in FY12: $352m). Federal, State (massive stadia spending – e.g. NSW $1.6b spend proposed) and local government (sports ovals and facilities) provide further significant support to sports. Australian tax payers have substantial equity in sports and the elite segments thereof. This public equity should not be privatised at the peak level where Governments funding is still significant, by allowing Foxtel to increase its hold on Australian sports. Overseas is largely irrelevant, unless a national contest such as the Olympics.

---

7. **ABC/SBS. These organisations don't need a budget cut, but a directional reset.**

Filling in the holes in Australia inadequately met by commercial media is their primary task. It is a big hole that the metro centred ABC/SBS simply cannot address in the current unified structures. The regional economics in the commercial world can never allow the level of dedicated local programming that regional Australia is missing out of. Indicatively regional affiliate FTA news budgets are, in total (ACMA 2013 data) circa 10% of metro FTA TV (news and current affairs spend). After decades of trying, regional TV gains just 22% (FY16) of FTA advertising revenues for 35% of the population. **This 10%/22%/35% ladder is the unfairness of regional Australia**. Not enough money to make localism as in-depth worthwhile as in a lush metro media markets.

By implication the **ABC should be operational split into regional ABC and Metro ABC.** The regional ABC should have its own CEO based in one or both new ABC regional centres-say Albury and Toowoomba - and rebroadcasting only what it selects from ABC metro that is appealing to its regional audiences. **It should have the population proportion of the >$1b pa ABC budget - 35%.** Ultimately the ABC should have separated CEO's reporting directly to the Board.

The ABC does, but should not compete at the level it does in the metro markets. ABC TV ratings over the past 25 years has risen from circa 16.5% (1991) to 24.8% (weeks 28-32 2016), and in metro radio over 3 decades , from 10.8% (Survey 1, 1988) to 22.1% in the latest 5/2016 survey. No one could argue that the ABC, in both cases is filling a gap, but one could also argue **that it is displacing commercial enterprises**, **especially in those Current Affairs and News programs** where the ABC/SBS represents a view incompatible with regional audiences and conservative voters in metro markets.

---

8. **Licence fees and local content**.

Increase the local content requirements as an offset to reduced licence fees and retransmission rights. SWM has demonstrated the economics of programme exporting. In FY16 SWM lifted overseas sales revenues 91% to $88m. NEC is to pursue the same strategy with an estimated target of circa $20m pa of OS sales. This should be encouraged. The licence fee should be dropped to say 1% or less, and local content requirements in drama/local productions increased. Most importantly with retransmission rights delivering legally logical revenue stream, these two income and expense reductions should pay for higher local content. The FTA's are still using spectrum that mobile carriers would dearly like to buy - so some give and take.
