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Friends of the ABC submission to the Inquiry into the Broadcasting Services Amendment (Media Ownership) Bill 2006 and related bills

This submission has been prepared by Darce Cassidy and is endorsed by Friends of the ABC organisations in New South Wales, Australian Capital Territory, South Australia and Western Australia.

According to the Explanatory Memorandum associated with this Bill:

The proposed changes will encourage greater competition and allow media companies to achieve economies of scale and scope, while protecting the diversity of Australia's media.

Friends of the ABC submit that recent developments, both in old media and new media, have already led to significant economies of scale and scope, while at the same time the diversity of Australian media is under threat.

This threat to diversity comes not only from this proposed legislation, but also from other technological and economic developments. There has been a huge growth in networking and syndication of content. There has been a significant increase in vertical integration where the one company can massage, rehash, and repurpose essentially the same content through newspapers, magazines, DVDs, radio, television, web pages, email services and podcasts. In many cases these same companies own or at least own the franchise to, the distribution mechanism as well as the content creation capacity.

If we are to have greater competition in the media, and protect media diversity, this proposed legislation needs not only to be examined in its own terms, but also in the context of other parallel developments in the media. The effects of this legislation are effectively magnified by these other economic and technological developments. We fear that this proposed legislation would only accelerate other forces that are leading to a loss of diversity. We are concerned that the legislation will strengthen already powerful media companies, while reducing citizens to consumers.

In looking at the diversity of Australia's media we can distinguish between the diversity of ownership of the media, the diversity of editorial content, the diversity of funding, and the diversity of delivery platforms. Of these, the critical form of diversity relates to content.

There are a number of ways in which owners influence the media. Their personal beliefs and values may influence content. Their broader business interests may influence content. The pressure to achieve economies of scale and scope, for more and more networking, syndication and re-purposing has also diminished diversity.

It is said that various forms of new media, and in particular the internet, have led to an increase in diversity. While there is some truth in this statement, especially in the early days of the internet, there are forces working in the opposite direction.

While the new media exist, much of it is simply old media content, repackaged. Creating a diversity of delivery platforms does not, in itself, increase the diversity of content. Moreover, many of the old media owners stand at the gateway to the new media. They don't own that gateway, but they do own most of the signposts, the road maps and the larger venues.

Drawing on data compiled by Roy Morgan Research, a recent study by the Australia Institute found:

...despite the rise of new media over the past decade, only a very small proportion of Australians rely on the internet for news and current affairs and, amongst those who do, the vast majority turn to websites that are either controlled by traditional media providers or draw their content from traditional media sources.ⁱ

The growth in the media is not so much a growth in more original voices, in more journalists and more playwrights, but rather a growth in sub-editors, producers, publicists technicians and repackagers. Put simply, fewer messages but more massagers

The other important form of diversity is diversity of funding. In theory Australia has three distinct media sectors, each with its own unique funding model.

- Commercial media are privately owned, are independent of government, and are funded by selling audiences to advertisers. Their programming is influenced by not only by their owners, but also by the funding source, the advertisers. Advertisers are interested in the both the quantity and the value (the spending power) of the audiences that they can buy from the broadcaster.
- Public Service Broadcasters are funded by the government, and their role determined by parliament. While they operate at arms length from government, and are promised editorial independence, that independence is, in practical terms, limited.
- Community broadcasters are owned by community groups and originally were primarily funded through voluntary labour and listener/viewer subscriptions.

The three distinct sectors provided a good framework for diversity. However this has been undermined by developments limiting diversity both within each sector, and between the three sectors.

We have argued that recent developments, including the vertical integration of media companies, combined with the abolition of the cross media ownership rules, will diminish diversity in the dominant sector – commercial media.

However this has been exacerbated by other developments that have reduced diversity in the two other sectors.

The original concept of the community sector would be local, owned by communities, funded by communities and staffed by amateurs. Over time the community sector has been increasingly networked and syndicated, staffed by professionals and funded by advertising.

A 2002-3 survey conducted by the Community Broadcasting Association of Australia found that advertising was the largest single source of funding for community broadcasters. On average it accounted for 32% of income. While 32% is an average figure, some community stations are barely distinguishable from commercial radio. A study by Kitty van Vuurenⁱⁱ found that one community station received 80% of its income from advertising..

On some community stations, most notably those connected with the Rhema franchise of Christian stations, the broadcasters are paid professionals.ⁱⁱⁱ

The public service sector has also become less distinct, especially the SBS. Since advertising has been allowed on the SBS there has been a gradual but significant change in the output of SBS TV, to the point where the station's original constituency has become increasingly disaffected. These developments are detailed in Appendix 1.

Semi-commercial SBS TV is starting to look more and more like its fully commercial counterparts.

At a broader level the effects on advertising on SBS TV were reflected in McKinsey and Co.'s study on nineteen public service broadcasters around the developed world. They found:

Our analysis shows clearly that an increased dependence on advertising has led inexorably to a more populist and less distinctive schedule^{iv}.

As for the ABC, advertising is prohibited on its broadcast outlets, but while it is against the spirit of the ABC Act and the ABC Charter, it may well be that advertising on the ABC's internet site is not illegal.

As new media have developed, the ABC has struggled to keep pace. As the number of TV and radio channels grow, and as the number of new media outlets multiply, the ABC

has had to rob Peter to pay Paul. With the exception of some additional funds for regional radio (for which both the ABC and the government deserve credit) all of the ABC's other ventures into new networks (such as ABC 2) and new media, such as its successful podcasting initiatives, have had to come at the expense of its mainstream activities.

It is little wonder then that ABC second TV channel, ABC 2, has become little more than a time shifting service to reshuffle the schedule for the ABC's main TV channel.

Media companies have already begun to take advantage of economies of scale and scope. While this has led to a diversity of delivery platforms, alternative voices are pushed to the sidelines. In a media world where not only the gateways, but also the high ground, are dominated by Microsoft and Murdoch, Bertelsmann and Berlusconi, diversity is not so much suppressed as simply crowded out.

To protect Australia's media diversity Friends of the ABC submit that the Committee should recommend that:

- The existing cross media ownership rules be retained.
- The government should properly fund an advertising free ABC and the SBS to deliver original content in digital radio and television, the internet and other forms of new media.

ⁱ The Australia Institute, *New media or more of the same – the cross media ownership debate*, May 2006

ⁱⁱ Kitty van Vuuren, *Community Participation in Australian Community Broadcasting: A Comparative Study of Rural, Regional and Remote Radio*

<http://www4.gu.edu.au:8080/adt-root/public/adt-QGU20040720.153812/>

ⁱⁱⁱ Darce Cassidy, *Australia's broadcasting system – the need for distinctive programming*, Submission to the House of Representatives Inquiry into community broadcasting, 2005

http://www.aph.gov.au/house/committee/cita/community_broadcasting/subs/sub58.pdf

^{iv} McKinsey and Co, *Public Service Broadcasters Around the World*, (mimeo) 1999

It won't happen overnight, but it will happen.

1. The impact of advertising on the SBS.

There have been major changes to the SBS since the introduction of advertising, but they have not happened overnight. We can chart developments at the SBS since strictly limited advertising was introduced in 1992-3.

- **1992**
SBS Managing Director Brian Johns moves programs in languages other than English (LOTE) out of prime time as advertising is about to start.ⁱ Subsequent chief executives maintain the practice of English language domination of prime time, with LOTE programs broadcast either in the mornings, afternoons, or late at night, when many people would be at work, asleep, or otherwise occupied.
- **March 2003**
SBS management is involved in a dispute with its own journalists over the introduction of advertising into news programs, which had previously been exempt. MEAA NSW secretary says 40 journalists had written to management claiming that sponsorship of news and current affairs programs compromised editorial integrity and could result in reporters being disciplined or fired for airing unfavourable stories about advertisers.ⁱⁱ
- **November 2003**
More key staff to leave. "Since the arrival in January of former Television New Zealand (TVNZ) executive Shaun Brown as the head of television, there has been a succession of changes on and off screen at the Special Broadcasting Service. At first they seemed incremental. But over the past few months, long-established people and programs have been removed or relocated, new line-ups have been launched and pivotal programs reshaped. Since August 2002, the head of television has left, the chief programmer has resigned and the head of internal production has been told his job no longer exists".ⁱⁱⁱ
- **December 2003**
The Federation of Ethnic Communities Council says that SBS has lost its way. FECCA Chairman Abd Malak claims "The only people who like SBS TV now are the cappuccino crowd – well-educated, middle-class people, it's mainly sex and soccer, I think" He added that his organisation was "very close to giving up on SBS TV.....In the last three or four years they have separated themselves from ethnic communities. They don't come to our functions or religious festivals"
The dismissive, not to say insulting, response from SBS Managing

Director Nigel Milan was “We’re not going to cover the clog dancing from Brisbane Town Hall.”^{iv}

- **January 2004.**
The Age’s media writer Ross Warneke comments on the banishment of non-English programs from prime time. “The bulk of its ‘ethnic content’ these days is its morning news marathon, with hour after hour of foreign language news services relayed from everywhere from Manila to Madrid”.^v
- **May 2004**
Staff become disenchanted. The Age’s Debi Enker writes that SBS staff fear “that the search for a broader audience is leading to the acquisition and commissioning of programs that are ‘safer and blander’, that SBS will become ‘a poor man’s version of a commercial network rather than providing a challenging alternative’. The harshest critics fear SBS will end up looking like a second-rate cable-TV station, running reality TV shows and English-language drama series that the free-to-air channels have rejected as either being too limited in their appeal or too provocative.”^{vi}
- **June 2004**
SBS joins with commercial broadcasters to oppose the tightening of restrictions on tobacco advertising through the insidious practice of product placement.^{vii}
- **October 2004**
SBS joins with the existing commercial stations to restrict competition and to argue against the granting of an additional free to air TV licence. The reason – more competition would impact on their advertising income.^{viii}
- **November 2004**
Veteran SBS film critic Margaret Pomeranz, who together with co-host David Stratton deserted SBS for the ABC comments:
“I think that the current management has a much more commercial bent than any previous management. They seem to be after the young female demographic, and I worry about this, because this is a demographic already catered to in excess on the commercial television stations. SBS was meant to broaden the scope of television in this country, extend what was already available, or that was always my vision of it. And I think it was the vision of a lot of people there as well. We were so little we didn’t rate very well, although during the ‘90s under Peter Cavanagh, our ratings increased at really a remarkable rate. And for all of this new direction towards a more commercial bent, young female demographic, SBS is appealing to less viewers than it did before.”^x
- **June 2005**
George Zangalis, President of the National Ethnic and Multicultural Broadcasters Council, and a former member of the SBS board, issues a media release criticizing the direction of SBS TV. He says, “The SBS was established as a multicultural broadcaster, but has been moving away from its original charter. Programming in community languages has shrunk, while English programming has grown. Advertising has increased and become increasingly strident. Rather than focusing on different

cultures, the SBS seems to be moving towards mainstream sports like cricket and now AFL. There is plenty of this type of programming on the ABC and the three commercial channels.”^x

- **August 2005.**

When first introduced, advertising on SBS is limited to five minutes per hour, and is not permitted to interrupt programs. It can only be used to top and tail programs. There are media reports that the SBS Board wants these restrictions lifted, and Managing Director Nigel Milan commissions a confidential survey on possible audience reactions to program interruptions.^{xi} However the government does not remove the ban on advertisements interrupting programs. The experience of the early history of advertising in the US is relevant here.

- **February 2006.**

The SBS confirms the complaint made by George Zangalis, President of the Ethnic Broadcasters Council, in June 2005, that SBS advertising has increased and become increasingly strident. **SBS's** director of commercial affairs, Richard Finlayson says that the broadcaster has reviewed “the type of ads it will and will not accept. In the past SBS has been reluctant to carry some ads, such as hard-hitting, in-your-face retails ads. That’s changing”^{xii}

2. How corporate underwriting changed to sponsorship and then became full blown advertising – the U.S. experience.

Sometimes “sponsorship” or “corporate underwriting” is raised as a more palatable alternative to brash and hard-sell advertisements. What is wrong, it has been asked, about “The Macquarie Bank Einstein Factor” – a simple announcement at the front of the program that it is supported by the Macquarie Bank?

There are three things that concern Friends of the ABC, and many listeners and viewers, about advertising:

First there is the concern that advertising will distort programming priorities.

Second there is the concern that managers and program makers will be wary of airing any criticism of important advertisers – it can act as an unseen form of censorship.

Third is the irritation factor – advertisements are often unduly loud, repetitive, and disruptive of the program’s flow.

Simple corporate underwriting of the “Macquarie Bank Einstein Factor” kind would be less susceptible to the third concern, but is in no way exempt from the first two concerns. Moreover such corporate underwriting would attract only a fraction of the income that “real advertising” would bring, thus defeating part of the purpose.

An account of how corporate underwriting gradually transformed into sponsorship and then into full blown advertising in the United States is relevant here.

Advertising first appeared on the SBS in 1992-3, and its effect has indeed been gradual. However the same was true about advertising in the United States, where it took some ten years to make its real impact felt. When it started, in the 1920s, it was genteel and low key, but by the 1930s it was crass, loud and aggressive.

Advertising was not the main support for radio in its early days in the US. David Sarnoff, of RCA for example, advocated a tax on radio receivers, as a way of supporting broadcasting. Some stations were funded by colleges and universities. Others received support from philanthropists. However advertising grew steadily, if slowly at first.

Initially it was very discreet. Prices were never mentioned. The mention of personal items, like toothpaste, mouth wash or underclothes was taboo. Companies attached their names to entertainers, like the Ipana Troubadours, the Browning-King Orchestra and the Goodrich Silvertown Orchestra. There was no mention that Ipana made toothpaste, Browning King made overalls and Goodrich made tires, let alone any suggestion that listeners should buy these products. A strict ban on the mention of prices and store locations remained. The broadcasting lobby group, The National Association of Broadcasters, proposed that sponsorship announcements be banned from prime time listening, on the basis that it was family listening time.

All this changed with the 1929 crash. CBS, one of the major networks was in trouble. George Washington Hill, President of American Tobacco, came to the rescue. Cremo cigars were suffering from rumours that they were made with spit. He needed to counter the rumours, and was prepared to pay. CBS capitulated, and in between tunes from the Cremo Military Band an announcer shouted: "There is no spit in Cremo." NBC soon followed suit, sponsorship became advertising, and aggressive.^{xiii}

International experience has clearly shown that advertising impacts on the program priorities of public service broadcasters.^{xiv} Despite the fact that advertising accounts for only 15% of SBS income, its impact has by now become clear.

Darce Cassidy, February 2006

ⁱ Brian Johns, 'SBS: Coping with a Strange Idea', in *Multicultural Australia: The Challenges of Change*, D. Goodman et al. Carlton, Scribe, 1991

ⁱⁱ Kylie Walker, *SBS clashes with journalists over ads*, The Age, 9 March 2003

ⁱⁱⁱ Sydney Morning Herald, 11 November 2003

^{iv} Christopher Kremmer, *Ethnic groups find SBS sex and soccer a turn off*, SMH 20 December, 2003

^v Ross Warneke, *Public broadcasters face big year*, The Age, 8 January 2004

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- ^{vi} Debi Enker, *Where to now, SBS?*, The Age, 27 May 2004
- ^{vii} Letter from Julie Eisenberg, SBS Head of Policy, to Senate Community Affairs Legislation Committee, 17 June, 2004
- ^{viii} *Provision of Commercial Television Broadcasting Services after 31 December 2006*, SBS Submission to the Department of Information Technology, Communications and the Arts, October 2004
- ^{ix} Radio National Media Report, 4 November 2004
- ^x NEMBC Media Release, 8 June 2005
- ^{xi} Errol Simper, *Borrowed time up for Milan*, The Australian, 11 August 2005
- ^{xii} Neil Shoebridge, *FIFA world cup kicks off SBS ad sales*, Australian Financial Review, 27 February 2006
- ^{xiii} Erik Barnouw, *A History of Broadcasting in the United States*, Vol 1, New York, OUP, 1966
- ^{xiv} McKinsey and Co, *Public service broadcasters around the world*, London, 1999 (mimeo)