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The Hon Bronwyn Bishop MP  
Chair  
Standing Committee on Communications and the Arts  
PO Box 6021  
Parliament House  
**CANBERRA ACT 2600**

By email: [communications.reps@aph.gov.au](mailto:communications.reps@aph.gov.au)

Dear Ms Bishop,

### **The importance of commercial broadcasting to rural and regional Australia**

Thank you for the opportunity to make a submission to the Committee's inquiry into the importance of public and commercial broadcasting, online content and live production to rural and regional Australia.

Free TV Australia (Free TV) is the peak industry body representing Australia's metropolitan and regional commercial free-to-air television broadcasting licensees. At no cost to the public, our members provide fifteen channels of content across a broad range of genres, as well as rich online and mobile offerings. On any given day, free-to-air television is watched by more than 13.5 million Australians.

Free TV members have a fundamental role in bringing local content to Australian audiences. This includes the provision of local news services, current affairs, sports and other culturally significant programs that are relevant and responsive to regional and rural areas.

### **Local content requirements and compliance**

Regional commercial television licensees in regional aggregated licence areas (Regional Queensland, Northern New South Wales, Southern New South Wales, Regional Victoria, Eastern Victoria, Western Victoria and Tasmania) are subject to licence conditions requiring minimum levels of "material of local significance" (which includes local news and information).

This is in accordance with:

- s 43A of the Broadcasting Services Act 1992 (BSA), which requires the ACMA to have in place at all times a licence condition that requires the licensee of a regional aggregated commercial television broadcasting licence to broadcast a minimum level of material of local significance during specified periods; and
- the *Broadcasting Services (Additional Television Licence Condition) Notice 2014* (the 2014 licence condition), the licence condition in place in accordance with section 43A, which commenced on 1 October 2014.

The 2014 licence condition defines material of local significance and mandates its broadcast while also defining local areas and stipulating certain record keeping and reporting requirements. Points are allocated for broadcast material in accordance with its significance to the local area in which it was broadcast.

All regional licensees have consistently met and exceeded the quotas provided for under these regulatory obligations (including under the previous 2007 licence condition).<sup>1</sup> In the case of some licensees, material of local significance (whether local news or other information) accounts for close to 100% of the content they produce. In addition, in making the 2014 licence condition the ACMA noted in its 2015 Annual Report<sup>2</sup> that there were no valid complaints or reported breaches of the 2007 licence condition and that the levels of compliance and visibility of that compliance were high.<sup>3</sup>

In addition to services provided in accordance with the current licence condition, all regional broadcasters provide local news and other material of local significance in excess of requirements in areas where quotas apply and/or provide local content in areas where no quotas apply (as documented in the ACMA 2013 report, *Regional commercial content local content investigation*). For example:

- Prime Media provides a 30 minute weeknight local news service on GWN to regional WA from studios in Bunbury. This service is supported by 15 staff located throughout Western Australia, and including Perth, Geraldton, Broome, Kalgoorlie and Albany.
- Southern Cross Television provides 5 weekly half hour bulletins for Spencer Gulf on GTS/BKN. This news is sourced entirely by reporters in Port Pirie, Port Augusta, Port Lincoln, Whyalla and Broken Hill. Southern Cross also delivers Mon-Fri news updates for Remote Central and Eastern Australia and Darwin.
- Seven Queensland exceeds quota requirements throughout its license area including with two additional services in Rockhampton and Toowoomba not required under the current quota. All content is produced by journalists and producers operating out of local offices in the relevant communities.

### **Value of commercial free-to-air television to regional and rural viewers**

Television reaches almost 4.8 million regional Australians every night between 6pm and midnight. People in regional Australia watch on average just under 3 hours and 15 minutes of television per day.<sup>4</sup> Commercial free-to-air television is highly valued by viewers in regional and rural Australia. Overall, 80.9 percent of regional Australians watch commercial free-to-air television in any week.<sup>5</sup>

In 2013 the ACMA conducted an investigation into the operation and effectiveness of the existing regulatory arrangements for the broadcast of material of local significance on regional commercial television, including community research conducted by Newspoll, to identify community attitudes and behaviour relating to local content in regional Australia via a national omnibus survey.

It found that local content was very important to regional Australians and that satisfaction with existing sources of local content was high. In particular:

- 91% of regional Australians consider local content to be important and 62% consider it to be very important;

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<sup>1</sup> Broadcasting Services (Additional Television Licence Condition) Notice 8 November 2007.

<sup>2</sup> ACMA Annual Report 2014-2015, at 81.

<sup>3</sup> For example see: <http://www.acma.gov.au/Industry/Broadcast/Television/Local--regional-content/remaking-of-local-content-licence-condition>

<sup>4</sup> Source: RegionalTAM, 6 aggregated regional markets, all people, Total TV, based on survey 1-10 2015 ex Easter (08/02/2015 – 28/03/2015; 12/04/2015 – 28/11/2015), based on average daily reach and time spent viewing consolidated data.

<sup>5</sup> Source: RegionalTAM, 6 aggregated regional markets, all people, Free TV, based on survey 1-10 2015 ex Easter (08/02/2015 – 28/03/2015; 12/04/2015 – 28/11/2015), based on average weekly cumulative reach, consolidated data.

- 91% of regional Australians report having access to all the local content they would like;
- Television is the preferred source for local news;
- While regional Australians do access local content online, a significant amount of online local content is re-purposed content from television broadcasters, which would not exist but for the presence of the regional broadcasters; and
- Television is the preferred source for local news in regional Australia ahead of both radio and local newspapers.<sup>6</sup>

These findings demonstrate the significance of local content provided by commercial free-to-air television to regional and rural Australians.

### **The Significance of Sports to Rural and Regional Communities**

The availability of significant sporting events on free-to-air television is also of high importance to rural and regional communities, with millions of regional viewers watching a variety of sport programs on commercial free-to-air television every week.<sup>7</sup> Sporting events play an important role in Australia's cultural and social life and Australians should not be denied access to these events based on where they live and/or their ability to afford the high cost of pay television services.

The anti-siphoning rules deliver free major sporting events to all Australians no matter where they live or their capacity to pay. These rules are particularly important for regional Australians, who are less likely to have subscription television (over 75% of regional-based Australian households don't have pay TV)<sup>8</sup>, and may not be able to attend matches in person.

### **Contribution of commercial free-to-air broadcasters to local content and the economy**

In 2013/14 commercial free-to-air broadcasters invested a record \$1.54 billion in Australian content including drama, light entertainment, children's programs, documentaries, sports, news and current affairs. In the same year Australian content represented 79 percent of commercial free-to-air networks' total content spend. Over the last five years, Free TV broadcasters have invested \$6.62 billion in Australian content.<sup>9</sup>

Free TV networks are by far the largest contributor to the domestic production sector, employing over 15,000 people both directly and indirectly.<sup>10</sup> This investment represents the delivery of a number of public policy outcomes, including a strong and vibrant production sector, skilled local employment, and ensuring a strong Australian cultural voice is accessible to all viewers for free.

A report by Venture Consulting, *The Value of Free TV*, released in May 2015 found that the commercial free-to-air television industry:

- generates \$3.2 billion per annum of economic surplus;
- pumps \$2.8 billion per annum of economic investment back into the Australian economy;
- contributes \$6 out of every \$10 spent on Australian content;
- directly employs 7,232 people across technical, operational, financial and management roles; and

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<sup>6</sup> ACMA, Regional commercial television local content investigation, December 2013, at 29.

<sup>7</sup> Source: RegionalTAM, 6 aggregated markets, average weekly come reach for programs coded Sport, Survey 1-10 ex Easter 2015.

<sup>8</sup> Source: RegionalTAM Universe Estimates 2016, STV estimate as at start of Q1.

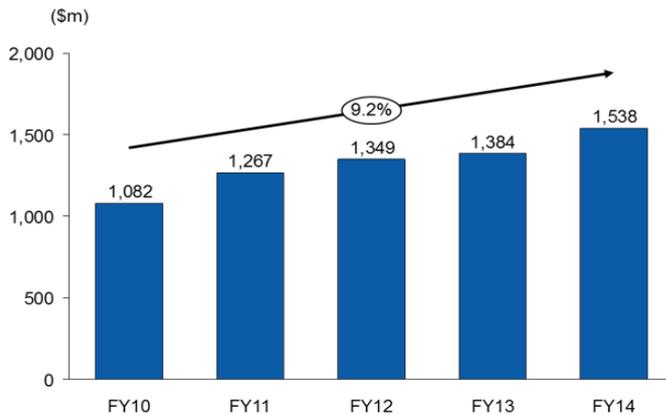
<sup>9</sup> Australian content expenditure figures are compiled by Free TV, figure for 2012-13 is adjusted (up from the previously reported figure of \$1.36 Billion). ACMA "Commercial TV licensees met Australian content quotas in 2013", July 2014.

<sup>10</sup> Venture Consulting, *The Value of Free TV – the contribution of commercial free-to-air television to the Australian economy*, May 2015, at 6.

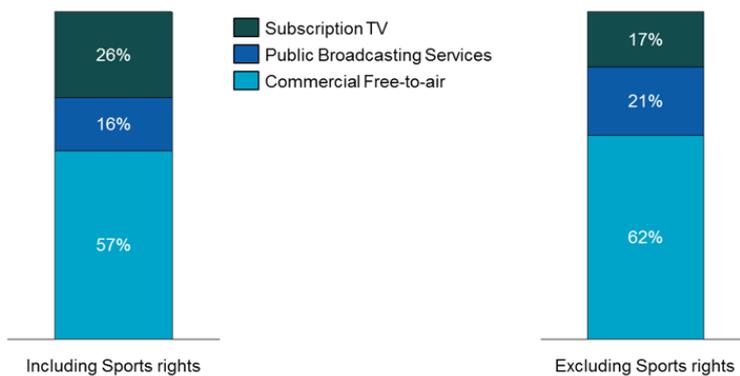
- pays significant taxes in Australia.<sup>11</sup>

Exhibits 5 and 9 in the report, copied below, illustrate the scale of the commercial free-to-air broadcasters' investment, including in relation to national and pay TV broadcasters.

Domestic content spend by commercial free-to-air TV



Spend on Local Content by Industry, FY 2014



### Licence fees and local content

There are a number of factors that impact on the nature and volume of local news and information services to regional areas, including population, financial viability, access to available content and other available sources of content.

Local news and information is expensive to produce, particularly in geographically dispersed areas. In order to produce the highly valued local content that Australians enjoy, broadcasters operate news bureaux in regional areas that employ locally based news crews and journalists. Capital and operational costs include news studio equipment, cameras, sound recording equipment, videotape and edit suites, production software, communication devices, vision transfer costs, insurance, pre-publication legal advice, captioning, training costs and staff costs.

All commercial free-to-air broadcasters (metro and regional) are under increasing competitive pressure in recent years from a combination of increased local content costs, fragmenting audiences and a dramatic increase in largely unregulated competitors, who do not pay tax or invest in Australian content or people.

<sup>11</sup> Venture Consulting, The Value of Free TV, the contribution of commercial free-to-air television to the Australian economy, May 2015.

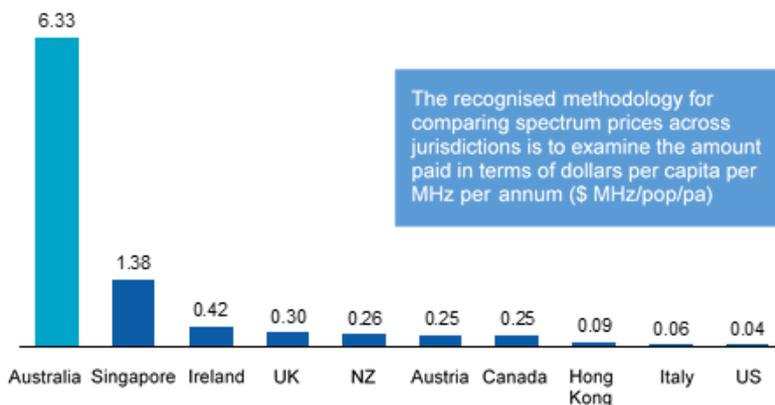
Despite the increasing array of platforms and devices delivering content, free to air broadcasters remain the most important source of news and current affairs, sport, Australian content and regional local content – all of which are highly valued by regional and rural communities and are critical to individual participation and inclusion in society and Australian cultural life. Six out of ten Australians in regional areas watch news and current affairs on commercial free-to-air television every week.<sup>12</sup>

Delivering these public goods is increasingly expensive, and broadcasters cannot continue to invest at current levels without urgent action to remove revenue based broadcast licence fees. Advertising revenue from regional commercial television services dropped 6.59% for the 6 months ending 31 December 2015.<sup>13</sup>

Australian broadcasters currently pay up to 4.5% of their gross revenue in licence fees in addition to standard corporate taxes. Analysis from Venture Consulting indicates Australian commercial television broadcasters are paying the highest broadcasting licence fees in the developed world, in addition to bearing content obligations that are at least as onerous as any comparable market. Australia is about five times more expensive than the second most onerous regime Singapore and 150 times greater than the US.<sup>14</sup>

The graphs below demonstrate costs on A\$ cents/MHz/Pop by country, and Licence Fees as a % of broadcasters’ revenues across a range of comparable jurisdictions: <sup>15</sup>

A\$ cents / MHz / Pop by country



<sup>12</sup> Source: RegionalTAM, 6 aggregated regional markets, Free TV channels only, all people, average weekly cumulative reach by genre, sport is based on 3 sport genres, 2am-2am, consolidated data.

<sup>13</sup> Data compiled by KPMG from information supplied by each TV network.

<sup>14</sup> Venture Consulting, *The Value of Free TV – The Contribution of commercial free-to-air television to the Australian economy*, May 2015, at 19.

<sup>15</sup> Source: Fee costs: ACMA, BAI, RSM, RTR, AGCOM, HBA, CRTC, MDA, FCC, and OFCOM. Revenue data: regulators and Zenith Optimedia. Population stats: World Bank.

Licence Fees as a % of broadcasters' revenue



Changes to the media market mean that licence fees are no longer an appropriate regulatory intervention, and must be abolished as a priority. A number of overseas governments have reviewed their free-to-air licence regimes in recent years, including the removal or substantial reduction of licence fees, in recognition of the changed competitive landscape and the enduring importance of a vibrant free-to-air broadcasting sector.

The commercial free-to-air television industry's ability to continue providing public interest outcomes to all Australians, particularly local news and local content, would be significantly enhanced by removal of outdated licence fee requirements.

The ACMA's final report, *Regional commercial television local content investigation*, found that:

- Providing local content on commercial television is a high cost activity and is not necessarily profitable in all markets; and
- Funding pressures affecting regional broadcasters are likely to continue. While advertising revenue will continue to decrease, future reduction of expenses is unlikely.<sup>16</sup>

**Contact**

If you have any queries or wish to discuss any of the matters raised in this letter, please contact me on (02) 8968 7100.

We look forward to engaging with you further on these issues.

Yours sincerely,



**Julie Flynn**  
**Chief Executive Officer**

<sup>16</sup> ACMA, *Regional commercial television local content investigation*, December 2013, at 29.