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Senator Sam Dastyari
Chair
Select Committee on Future of Public Interest Journalism
Department of the Senate
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Dear Senator

Free TV Australia (Free TV) welcomes the opportunity to provide the attached submission to the Select Committee on the Future of Public Interest Journalism.

Free TV is the peak industry body representing six of Australia's commercial free-to-air television broadcasting licensees. At no cost to the public, our members provide a significant amount of quality news and current affairs programming across Australia.

This submission demonstrates the extent of our commitment to high quality journalism. We also highlight the urgent need for the Parliament to support the media reform package so that our members can continue to provide these important services.

If you or any other member of the Committee would like to discuss the matters raised in this submission, please do not hesitate to contact me on 02 8968 7100.

Yours sincerely

A handwritten signature in black ink, appearing to read "P Longstaff", written in a cursive style.

Pamela Longstaff
A/g Chief Executive Officer



**Submission by
Free TV Australia**

Senate Select Committee

Future of Public Interest Journalism

22 June 2017

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
Supporting public interest journalism vital in our democracy.....	3
Our commitment to quality journalism	3
TV provides diversity in public interest journalism	4
Australians consistently rate us as most trusted	4
The new competitive landscape – dominance of the tech media giants.....	5
Urgently needed media reform package.....	6
Diversity will be lost without urgent action	7
Supporting the media package will enhance public interest journalism.....	7
Well-functioning Copyright protections are also important	8

EXECUTIVE SUMMARY

- Commercial free-to-air television is the recognisable and trusted face of Australian news and current affairs and our members are proud of their commitment to public interest journalism.
- Australians rely on commercial free-to-air television to be the on the ground source for local news across the country.
- Free TV Australia's members employ hundreds of journalists throughout Australia, producing over 430 hours of news and current affairs related programming every week.
- This is an unrivalled commitment to high quality and award-winning journalism, provided free of charge to 98% of Australian households.
- However, the capacity of free-to-air networks to continue to provide these services is being threatened by the growth of huge foreign multinational companies like Google, Facebook, Apple and Amazon.
- These foreign giants are having a major impact on TV viewing habits, advertising revenue, and our capacity to keep supporting Australian jobs and producing high quality news services.
- Google, Facebook, Apple and Amazon are worth \$3.2 trillion—almost 80% more than the total value of the Australian stock market. They are 1000 times bigger than our local commercial free-to-air broadcasters.
- Over the last ten years, online advertising revenue has grown by 460% in real terms, while TV ad revenue has fallen 22%. In 2016, online advertising revenue was double that of free-to-air television.
- This picture is mirrored in other sectors of Australia's media landscape—across print, subscription TV and radio.
- That is why all sectors of the local media support the urgently needed media reform package announced by the Government on 6 May 2017.
- The package will remove some of the biggest regulatory shackles on Australian media companies, like the out-dated two-out-of-three and 75 per cent reach rules.
- Removing these pre-internet era rules will allow Australian media companies to invest and transform to meet the challenge of the digital era and continue to provide high quality public interest journalism.
- Just as important are the changes to the out-dated licence fees that are not required to be paid by any of our competitors—these must be brought in line with international best practice levels.
- We urge the Parliament to support Australian media companies and vote to pass the reform package.
- Without this package, Australian jobs will continue to be lost and services will be cut. Whenever the community loses uniquely Australian perspectives, public interest journalism loses out to generic "click-bait" news.
- The best way to support public interest journalism across Australia is to support the media reform package.

Supporting public interest journalism vital in our democracy

Free TV Australia (Free TV) would like to thank the Select Committee for this opportunity to highlight the immense value to society of public interest journalism. This inquiry is timely as the impact that ‘fake news’ or public disinformation can have on political discourse and even election outcomes is top-of-mind for many policy makers around the world.

Against this backdrop, it is more important than ever to support Australian media companies that invest in the creation of high quality public interest journalism, to the benefit of all Australians.

Supporting measures that ensure the growth and financial viability of the commercial free-to-air industry is critical not just for the role that broadcasters play in informing the community, but also the role that public interest journalism plays in our democracy.

Indeed, it is fundamental to our democracy.

The free-to-air sector’s employment of high calibre, award winning investigative journalists plays a key role in providing important checks and balances on our political and legal processes by facilitating transparency and accountability.

From matters such as challenging non-publication orders, reporting on court cases and investigating instances of alleged corruption, Australians rely on us to be their eyes and ears. In doing so, our public interest journalism plays a crucial role in a healthy functioning democracy.

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Sunlight is said to be the best of disinfectants.

The Commercial Television Industry Code of Practice enshrines our members’ commitment to accuracy and fairness in news and current affairs programming. The Code requires that commercial free-to-air broadcasters present factual information accurately and ensures that viewpoints included in programming are not misrepresented.

Most importantly, our Code of Practice requires that news programs must be presented fairly and impartially. This underlines the commitment of our members to quality news programming that sets their programming apart from the ‘fake news’ that is the subject of this inquiry.

Our commitment to quality journalism

Free TV represents six of Australia’s commercial free-to-air television broadcasters. At no cost to the public, our members provide a diverse range of channels and content across a broad range of genres, as well as rich online and mobile offerings.

The value of commercial free-to-air television to the Australian public remains high. Commercial free-to-air television reaches 13 million Australians on average every day.

Nowhere is the evidence of our value to the community more obvious than in our commitment to high quality public interest journalism. Our members cover events of national significance, provide critical information in times of emergency and bring Australians together to witness moments in history, life changing occasions and times of national success.

Free TV members transmit a news service into around 40 markets across Australia. From Darwin to Hobart and everywhere in between, Australians rely on commercial free-to-air television for their news and current affairs.

Every week our members create over 430 hours of news and current affairs related programming. This is an unrivalled commitment to bringing local news and current affairs direct to Australian households.

There are hundreds of journalists and support staff employed to create this volume of news and current affairs content.

Our members also play an important role in employing and training journalists throughout Australia.

**11,181,000**

Australians tune in to commercial broadcasters' news programs each week

**Over 430**

Hours of news and current affairs related programming created every week

**Over 40**

Television markets across Australia receiving a commercial broadcasters' news service

TV provides diversity in public interest journalism

Australia's commercial free-to-air sector provides a diverse range of news and current affairs offerings. This diversity is driven by two key characteristics—a comparably large number of broadcasters and the diversity of voices within each broadcaster.

Australia has 3 primary metro broadcasters, with a further 4-5 regional and remote broadcasters providing both their own locally produced news services and programming from their affiliate partners. In the US, 4 major free-to-air networks cover a population of more than 320 million. In the UK, one dominant free-to-air player (ITV) covers a population of 65 million. By any measure, Australia has a highly competitive commercial TV market.

In addition, there is also a wide diversity of voices and analysis portrayed on each individual network. Commercial free-to-air television offers a range of news and current affairs, from the political analysis packages on the evening news, to dedicated current affairs and more discursive opinion-based panel programming.

Australians consistently rate us as most trusted

Our commitment to high quality journalism is rewarded by the Australian public every night. News and current affairs services produced by our members are consistently among the highest rating shows across all television programming. Over 11 million Australians (11,181,000) tune in to at least one of the commercial free-to-air broadcasters' news programs each week.

Beyond the ratings, consumer research has consistently shown that Australians value, rely on, and trust commercial free-to-air news services. Research undertaken for Free TV Australia revealed that an overwhelming 70 per cent of respondents agreed with the statement that commercial free-to-air TV is “what I turn on first when major news events happen”. A further 66 per cent of respondents agreed that commercial free-to-air television is “my most trusted source of news and current affairs.”¹



¹ Research conducted by independent researchers Crosby|Textor on behalf of Free TV Australia amongst n=1,000 randomly selected Australian adults nation-wide in February 2015.

A recent Australian Communications and Media Authority (ACMA) survey in regional Australia also found that commercial free-to-air TV was the most preferred source for local news and the most trusted.²

It is worth highlighting that more than twice as many people trust commercial free-to-air television for local news as compared to ABC TV. And more than 5 times as many people trust commercial free-to-air news compared to social media sites.

There are two important conclusions that can be drawn from this data. Firstly, Australians value those providers that are prepared to invest in local services. For example, ABC TV does not provide local regional TV news—providing only one state-wide news service in each state. By contrast, commercial free-to-air broadcasters provide high quality local news services in many television markets across Australia. The results of the ACMA survey demonstrate that Australians clearly value genuinely local services, like those provided by our members.

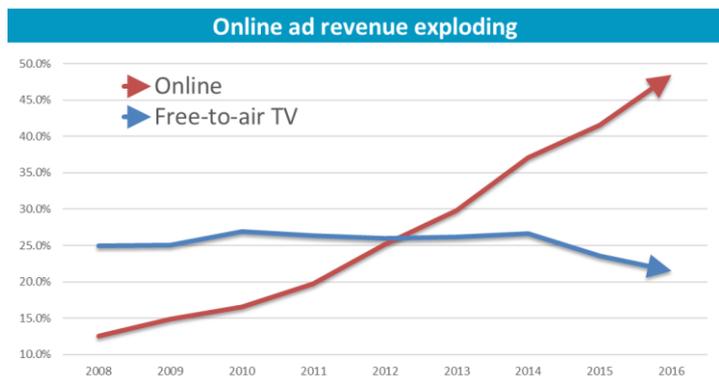
Secondly, the ACMA research confirms that commercial TV is where people turn for late-breaking news they trust. Only 13 per cent of respondents indicated that they considered websites or social media to be the most trusted source of local news.

This underlines the critical importance of enabling our local media players to compete with the foreign multinational giants—Australians want genuinely local public interest journalism. ABC TV is not providing local services and Australians do not have the same level of trust in online platforms. The best way to support public interest journalism is to support the local media companies providing the services that Australians value and trust.

The new competitive landscape – dominance of the tech media giants

Australian media companies, including free-to-air TV broadcasters, are now competing directly against the giant foreign technology media companies whose share of advertising revenue and influence is growing rapidly in Australia.

These are giant multinational companies, who are almost 1,000 times larger than all of the members of Free TV put together.³



As shown in the above graph, the share of the Australian advertising market being spent online has almost doubled over the last five years to now being almost 50 per cent. Commercial free-to-air television's share of advertising revenue has fallen to 21 per cent in 2016.

This has a direct impact on the free-to-air broadcast sector's ability to continue providing high quality news services to viewers in all parts of Australia. It also has a significant impact on free-to-air broadcasters' capacity to sustain current employment levels. As the Committee

² ACMA, Local content in regional Australia 2017 report, May 2017, pg 9

³ Value as at 15 June 2017

heard at the hearing on 17 May 2017, across the media sector over 2,500 journalist jobs have been lost since 2011.⁴

CHANGING MEDIA LANDSCAPE OVER THE LAST 5 YEARS



Local jobs are being lost

Over 2,500 local journalist jobs have been lost since 2011



Falling advertising revenue

Jobs and services are under pressure as revenue has fallen 12%



People are watching less TV

14% fall in average minutes watched



Local media getting smaller

Value of the free-to-air broadcasting companies has fallen 33%

Urgently needed media reform package

Sustaining the volume of public interest journalism produced by the free-to-air broadcast sector requires a substantial financial investment. In the face of flat to declining revenues and rising costs, this financial investment is becoming increasingly difficult to sustain. While free-to-air broadcasters have developed new, feature rich offerings to meet the changing expectations of our audience, the entire Australian media industry is competing with one hand tied behind its back.

Updating old media ownership laws

In the pre-internet era, media ownership restrictions like the two-out-of-three rule, which stops one proprietor from owning television, radio and printed local newspapers in the same market, ensured diversity by regulating the only influential media platforms available to consumers. These rules do not even recognise that the internet exists.

In the current media landscape, these out-dated rules deny Australian media companies access to scale and capital, both of which are essential to providing innovative products and services and remaining competitive against the technology media giants. Without the scale required to innovate and invest, the free-to-air broadcast sector will struggle to remain competitive, viable, and profitable, and ultimately Australian viewers could lose diversity of local voices.

Abolishing uncompetitive broadcast licence fees

The Australian broadcast licence fees are the highest in the world and directly threaten our ability to continue to produce high quality local news services.

The broadcast licence fee, starting in the mid-1960s, was essentially a super-profits tax in an era when content could only be delivered over broadcast spectrum. Today, the old policy rationale for broadcast licence fees is no longer applicable. Broadcast spectrum is no longer the only way of distributing video content, with many giant multinational companies now competing for eyeballs. Over 40 per cent of the spectrum previously allocated to broadcasters has been sold and is being used to provide competing services.

Not only do the giant multinational media companies not pay licence fees, but the Parliament has been forced to continually update tax legislation—the Diverted Profits Tax and the Multinational Anti-Avoidance Law—to ensure they pay even a moderate level of tax. In comparison, all commercial free-to-air broadcasters are subject to the corporate rate of taxation and pay tax like any other Australian company.

Bringing broadcasting licence fees in line with international best practice is critical to the industry continuing to invest in high quality local content, and regional and local news. This is

⁴ Proof Committee Hansard, Senate Select Committee on the Future of Public Interest Journalism, 17 May 2017, page 9

an important part of the holistic Broadcast and Content Reform Package—a package that should be supported in its entirety.

Diversity will be lost without urgent action

Loss of diversity is often held out as a reason not to support media reform. This fails to recognise that not adopting media reform and maintaining the status quo will lead to a loss of Australian voices as local jobs and services are cut. This in itself will lead to a loss of diversity of Australian voices.

If Australian media companies cut services, with them will go professional standards, the range and volume of investigative journalism, analysis, commentary, local drama production, local news, and coverage of issues and events that affect Australians. Instead of having access to high quality public interest journalism provided by local media companies, the Australian public will only have access to generic news, often served with “click bait” headlines.

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Being able to search or share local news requires someone to invest in its creation.

While the likes of Google and Facebook are taking audience and advertising share from Australian media companies, they are not providing any contribution to public interest journalism. Being able to search or share local news stories first requires someone to have invested in their creation.

This involves having journalists on the ground who are prepared to do the hard yards to tell Australian stories. It takes

editors, camera operators and sound technicians to put the stories together.

Google and Facebook do not invest one cent in the creation of public interest journalism in Australia.

Often the work of our regional broadcast members is funded by advertisements placed by local businesses. Whether it is the local plumber or the local butcher, they know the value of local commercial TV to speak directly to their local community, grow their businesses and employ more Australians. If it was left to Google or Facebook, these local small businesses would never get a look in and regional communities would be poorer for it.

That is why it is critical that the package be supported by the Parliament to remove some of the regulatory shackles on Australian media companies. It will allow us to compete in the new media landscape and continue to produce local news and current affairs programming.

Supporting the media package will enhance public interest journalism

The future of a diverse range of uniquely Australian journalistic voices depends on sustaining the viability of local media companies. Supporting the media reform package will ensure:

- ✓ Updated media ownership laws so our companies can invest and transform their businesses
- ✓ An immediate boost for local media by replacing the licence fee with spectrum charge
- ✓ Competition laws and other media ownership restrictions remain to protect against any substantial lessening of competition.

Local communities will still benefit from Australia having one of the most diverse and competitive TV markets in the world. The “one to a market rule” is being retained meaning there will still be three competing TV broadcasters in most licence areas. Similarly, for radio,

you still will not be able to own more than two stations in the same licence area. In addition, the 5/4 minimum voices test ensures that there are at least four or five independent media sources in regional or metropolitan commercial radio licence areas respectively.

Well-functioning Copyright protections are also important

The ongoing viability of commercial broadcasting news services is also reliant on a fair and balanced copyright regime. A well-functioning and balanced copyright regime allows our members to invest in and protect exclusive content.

Free-to-air broadcasters are major owners, licensors and licensees of copyright material. Broadcasters also frequently rely on fair dealing rules and conventions that allow our members to use small amounts of others' footage for criticism and review, parody and satire and most importantly, news reporting.

As both content creators and users, our members are uniquely placed to understand the importance of a copyright framework that strikes the right balance between ensuring adequate protection of intellectual property rights on the one hand and facilitating appropriate access on the other. Getting this balance right is crucial in maximising incentives for investing in news gathering and reporting.

We are therefore very concerned with proposals to extend the safe harbour scheme to giant media companies like Google and Facebook. The safe harbour scheme is intended to incentivise Internet Service Providers and content owners (such as broadcasters) to work together to identify and eliminate pirated material online. It does this by providing immunity from the consequences of getting sued in exchange for ensuring pirated material is effectively and expeditiously removed.

The safe harbour scheme is not intended to provide protection to giant media tech companies that sell advertising space around other people's content to grow their businesses.

Extending the safe harbour scheme will disincentive these giant tech media companies from removing pirated material from their systems. When Facebook and Google drive eyeballs and revenue away from content creators, they further impair free-to-air broadcasters' capacity to continue producing high-quality news services.

Similarly, we would be very concerned about the introduction of fair use and/or the removal of fair dealing. The existing copyright regime strikes a fine balance between rights holders and users and there is no justification for disrupting this balance by removing the existing certainty provided by fair dealing.