

MEDIA RELEASE

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CONVERGENCE REVIEW INTERIM REPORT RECOMMENDATIONS WILL HAVE THE EFFECT OF INCREASING REGULATORY INTERVENTION WHILE RETAINING CURRENT IMBALANCES

Based on the Government's valuations, the annual value of spectrum allocated to commercial FTA television broadcasters would be \$612 million, meaning the total value of Government support to commercial FTA television broadcasters could be nearly \$900 million per year.

Consumer research commissioned by ASTRA demonstrates that:

- nearly 90% of Australians are unaware of the level of Government support provided to commercial FTA broadcasters and 80% believe such support should cease or be reduced;
- 74% of Australians believe that, if commercial FTA broadcasters continue to receive Government support, they should have social and cultural obligations such as investing in Australian content;
- Around 80% of Australians agree or strongly agree that FTA television broadcasters should continue to have specific social policy obligations such as time-zone classification.

The Convergence Review Committee's recommendations would reduce regulatory obligations on commercial free-to-air broadcasters and retain a number of protections and benefits that give these operators significant commercial advantages, while introducing a range of measures that would increase regulation generally across other sections of the media and communications industry, argues the Australian Subscription Television and Radio Association (ASTRA) in its response to the Committee's Interim Report.

ASTRA supports the direction the Committee has taken with some of its recommendations, such as a market-based approach to the allocation and management of broadcast spectrum, as well as recommendations to increase the Producer Offset for television production to 40% and to place Australian content obligations on the national broadcasters.

ASTRA CEO Petra Buchanan noted, "some highly significant features of the existing regulatory regime have been excluded from the scope of the Review, such as anti-siphoning and the moratorium on additional commercial television broadcasting licences. The exclusion of these issues means that the Committee's analysis is incomplete and unfortunately cannot be

considered a holistic assessment of the current and future regulatory framework for media and communications.”

Commercial FTA broadcasters occupy a distinct or “special” place in the Australian media sector, enjoying a continuing significant degree of influence through universal penetration into Australian homes. The existing regulatory framework gives commercial FTA broadcasters guaranteed and subsidised access to public spectrum (including additional spectrum for digital switchover at no additional cost), exclusive access to sports content; and protection from competition from new commercial FTA broadcasters.

As such, ASTRA registers its strong opposition to the Committee’s recommendations which would:

- increase Australian content requirements for the STV sector, and expand Australian content requirements generally to sectors previously not subject to Australian content obligations, while retaining regulatory benefits and protections for commercial FTA broadcasters;
- extend rules for media diversity to sectors that have never been subject to such regulatory control;
- introduce a public interest test on media mergers, which would be subjective and be vulnerable to political influence;
- introduce unnecessary rules to regulate competition issues in content and communications markets, and charge a new regulatory body and not the existing competition regulator, the ACCC, to administer these new rules;
- introduce a concept of ‘Content Service Enterprise’ that does not take into account existing regulatory imbalances or community expectations regarding how different services should be regulated and creates uncertainty about what content providers and suppliers would be considered Content Service Enterprises; and
- implement these reforms in a way that would appear to remove regulatory burdens on commercial FTA broadcasters in the short term, increasing the competitive advantage these broadcasters already enjoy.

As ASTRA detailed in its final submission to the Review, analysis by Deloitte Access Economics (DAE) estimated that \$792 million in net government support was provided to the commercial FTA television sector in 2010-11, including subsidised access to broadcast spectrum, a scarce public resource, to the value of \$505 million per year (in comparison, the net amount in licence fees paid by commercial FTA broadcasters in 2009-10 was \$231.4 million). This support exceeds the level of funding for the Australian Research Council in 2010-11 (\$747.8 million) or the level of drought assistance provided to rural areas in 2009-10 (\$751.7 million).

DAE’s estimate was based on a valuation of broadcasting spectrum of \$0.89/MHz/pop (that is, the amount in dollars per MHz of spectrum per head of population) and \$0.22/MHz/pop for spectrum used for electronic news gathering (ENG). On 10 February 2012 the Minister for Broadband, Communications and the Digital Economy determined the value of spectrum in the

800 MHz and 2.3 GHz bands (reasonably equivalent to spectrum currently allocated to commercial FTA broadcasters for television broadcasting and ENG) to be \$1.23/MHz/pop and \$0.03/Mhz/pop respectively. Based on the Government's valuations, the annual value of spectrum allocated to commercial FTA television broadcasters would be an estimated \$612 million, meaning the total value of Government support to commercial FTA television broadcasters could be nearly \$900 million per year.

Buchanan added, "tax payer support of nearly \$900 million per year to the commercial FTA broadcasters must not be forgotten in regulatory settings. Consumer research commissioned by ASTRA demonstrates that nearly 90 percent of Australians are unaware of the level of Government support provided to commercial FTA broadcasters and believe such support should cease or be reduced; and 74 percent of Australians believe that, if commercial FTA broadcasters continue to receive Government support, they should have social and cultural obligations such as investing in Australian content."

Note to Editors

- The direct economic contribution of STV to the Australian economy in 2009-10 is estimated at \$700 million and over \$5 billion since its inception. In 2010, the STV sector employed 7,410 people, including platform outsourcing (a growth of 6% from 2009).
- In 2010, STV platforms and channels invested \$578.4 million into Australian content, an increase from \$541.4 million in 2009, adding an estimated \$223 million to the Australian economy.
- Australia has one of the most heavily regulated broadcast sectors in the world with subscription TV (STV) operating in an increasingly competitive environment. Without the regulatory benefits of commercial free-to-air (FTA) broadcasters, STV subscriptions have increased over the last 6 years at around 9.5% compound annual growth.

About ASTRA

ASTRA is the peak industry body for subscription TV (STV) in Australia. The STV industry is the undisputed leader of digital broadcasting with 200 channels (including HD and Plus2) broadcast on the FOXTEL and AUSTAR platforms, and channel packages offered through Telstra T-Box and Xbox360. STV platforms and channels directly employ over 7,400 people and in 2010 invested \$578.4 million into Australian content. The direct economic contribution of STV to the Australian economy is estimated to be over \$5 billion since its inception. Received by 34% of Australians through their homes and over a million more through hotels, clubs and other entertainment and business venues, STV provides 24 hour news, sport and entertainment.

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