

# SPECTRUM IS BEING SOLD OFF AT A STEAL

*It's time the free-to-air networks paid market rates for accessing the broadcast spectrum*

**STEVE BRACKS**

IMAGINE that the commonwealth owned all the prime waterfront real estate in our capital cities and just gave it away, with limited conditions and well below market rates. Scandalous, you might say. But that's pretty much the story of Australia's prime digital economy asset: our terrestrial broadcasting spectrum.

For decades, federal governments have cut deals with free-to-air commercial television broadcasters to give them access to broadcasting spectrum at discounted rates, with restricted competition and significant additional subsidies. In a quid pro

casters must provide minimum levels of Australian content that costs significantly less than the value of the various taxpayer-funded benefits they receive. They're lobbying hard to continue the easy ride.

The scale of these giveaways is staggering. And it's important to remember these are commercial operations and that there is a cost to Australians for these services. It is misinformation that we think they are "free" and available just for our viewing pleasure.

Take the pricing of spectrum. Most of us expect to be charged the market rate for the products we buy. But that's not how it works for the commercial FTA broadcasters. They were gifted large amounts of extra spectrum in the late 1990s, for no rise in licence fees. They are also charged for spectrum as a proportion of their revenue. This pricing may be appropriate for public housing tenants, but not for the profit-making occupants of these mostly foreign-owned media companies.

Then there is the protection from competition, which includes a prohibition on a fourth commercial network, and the longest anti-siphoning list in the world, which gives the FTA broadcasters first rights and access to more than 1300 sporting events ahead of any competitors. It's clear protectionism. On top of this, the government spends hundreds of millions of dollars to distribute commercial FTA signals to remote and black-spot areas.

As Deloitte Access Economics found in a recent study undertaken for ASTRA, the subscription-TV industry association, the value of these benefits last year for the FTA networks and the national broadcasters was more than \$2 billion. From 2012 to 2014 it will be more than \$7.8bn. This is the sad legacy of a bygone age of corporate and regulatory collusion that ended in other industries in the 1980s and 90s.

It's time the people got a better deal, suitable for the digital age. And with the Convergence Review under way, this is the right

time to do it. The ASTRA and Deloitte proposition for the review is simple: put consumers at the centre of media policy.

Sweep away artificial constraints on new companies entering the market. The protection for the commercial FTA broadcasters should be left as history. The anti-siphoning list should be shortened.

Normalise the treatment of spectrum, with licence fees set at market rates and FTA broadcasters paying fees based on the amount of spectrum used. The Deloitte analysis shows that last year the networks paid \$231.8 million for spectrum worth \$550m, a discount of over 50 per cent. If the networks pay market rates, they will use spectrum more efficiently, freeing it up for new commercial networks, community channels, mobile broadband and as yet unimagined digital media services.

This is also the time to create more and better Australian programs. We need better targeted content quotas that focus on

genres the market does not produce: children's shows, drama and documentaries. Broadcasters should be able to trade a portion of their quotas at an agreed cost, which would probably mean higher quality Australian productions. There needs to be increased funding for Australian content through increased producer subsidies.

On the flip side of government subsidy and privilege is the rest of the sector, including subscription TV, which today spends more than \$580m a year on Australian content, employs more than 7000 people and contributes more than \$700m a year to GDP.

It's time Australian media regulation stopped distorting the Australian digital media industry and perpetuating the misperception that free-to-air networks are "free". The advantages of a new approach will plot a way forward into the digital age.

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