

## Free-to-air television needs reform

Written by The Conversation

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Free-to-Air (FTA) television is in trouble. But the reasons are not as simple as you might think.

The trouble is clear. Ten Network Holdings share price has tanked from around \$1.50 in late 2010 to about 22 cents today. It is hoping that [Foxtel will be the white knight](#) that saves it – at 15 cents per share and subject to ACCC approval!

Shares in Seven West Media, the owner of Channel Seven, have slumped from around \$7 in late 2010 to around \$1 today. Nine Entertainment Company appeared to be performing better – until it announced a profit update in early June. Its [shares fell 8%](#) in one day.

This decline is not just due to the internet. The television remains our favourite video screen with FTA television our favourite content.

In the [first quarter of 2015](#) :

*“Australians watched an average of 89 hours and 28 minutes (89:28) of broadcast television – free-to-air and subscription channels – on TV sets per month ”.*

This is almost 90% of all time spent watching video on all devices.

The demographic data shows that the internet may kill FTA TV in the long term. But the problem today is that FTA TV has new technology with old regulation.

## Analogue regulation in a digital world

In the analogue world of the 1990s, each FTA broadcaster had enough spectrum for one channel. Today, digital technology allows those same broadcasters to use the same spectrum to show multiple channels.

But FTA television faces analogue-era regulation: A mix of competition restrictions, overlapping restrictions on content, and obsolete categories of licenses.

The result is unused and under-utilised spectrum.

The most obvious example is the home shopping channels. Commercial broadcasters use 'datacasting' to fill 'spare' spectrum with low quality content. This allows them to avoid costly content rules. But it wastes scarce spectrum.

More insidious is the missing 'sixth multiplex'. This is spectrum allocated to new FTA TV broadcasts. But it remains almost empty. Why? Because the regulations prevent any new competitive broadcaster from being licensed.

But the problem is not too much competition. It is too little. Commercial broadcasters currently waste multiple channels showing identical content because there is no pressure to improve viewer choice.

If the government auctioned off the sixth multiplex to other uses, such as mobile telephony, then it could raise around \$200m or more for taxpayers. If the rules were changed to free up the spectrum currently being wasted on home shopping and identical broadcasts then viewers would witness an explosion of free content.

## The UK experience

Sound too good to be true? It isn't. And the UK shows how it can be done.

When the UK launched digital television in 1998, it separated the right to provide programming from the right to own and operate the relevant spectrum (called a 'multiplex').

Each multiplex operator acts as a platform. It can show its own programming and/or rent space

on its multiplex to numerous licensed broadcasters.

As a result, independent specialist content providers have flourished with over 60 digital FTA channels. Innovation has occurred in news, children's programming and numerous 'niche' areas. Viewers have a wider range of content and greater choice.

### How do we do it here?

[Recent research](#) by the Monash Business Policy Forum shows how similar reforms can be introduced in Australia.

The first step is a 'no brainer'. The government should auction the sixth multiplex. It should also abolish datacasting as a license category. There is no sensible rationale to have valuable spectrum sitting idle or filled with 'home shopping' channels.

The second step is to lock in secure funding for the government-owned broadcasters, the ABC and SBS. The BBC has independent funding and any reforms need to provide the same security to our national broadcasters.

With secure funding, the ABC and SBS, like the BBC in the UK, can take on most of the content requirements for Australian drama, documentaries and children's entertainment. The commercial broadcasters will continue to provide Australian 'light' entertainment, because it is profitable. But the ABC and SBS need secure funding to fill the gap.

Once this is done, many of the content requirements can be lifted from the commercial broadcasters. This boosts their profits. But in return they have to agree to a new license system.

The third step is to split the current commercial television broadcast licenses in two:

(i) a new category of license that gives permission to operate a digital television multiplex; and

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(ii) a 'content service license' that establishes the right to provide content that can be broadcast on a multiplex.

A party with a multiplex license can either use the spectrum for its own broadcasts and/or sell space on the multiplex to specialist broadcasters.

Specialist broadcasters can apply, at minimum cost, for a content service license. They can then bid for capacity on a multiplex, both by time and bandwidth, without having to own and operate a multiplex themselves.

The commercial 'multiplex' licenses could be auctioned off and/or grandfathered to the existing commercial networks. The former is better for competition, viewers and taxpayers. The existing commercial networks will want grandfathering. A compromise is to follow the UK. Give each commercial network a license to half a multiplex (hey - they are wasting at least half at present) and auction the rest.

These reforms will reset Australia's FTA television rules and spectrum management to world's best practice.

With reform we can have a viable and vibrant mix of government-owned and commercial FTA broadcasters for many years. But without reform, the commercial FTA networks will be strangled by obsolete regulation and, eventually, meet death by internet.

**Read more** <http://theconversation.com/free-to-air-television-needs-reform-43558>