

The federal budget doesn't do enough to save free-to-air TV

Written by The Conversation

In a bid to save free-to-air television, the government has announced plans to [repeal media ownership rules](#) and [the 2017 budget](#) included a [change to licence fees](#).

But the media landscape is undergoing a structural change as advertising dollars move online, into a marketplace dominated by Google and Facebook. The budget didn't contain enough measures to save the broadcasters, especially as the drop in licence fee pales in comparison to the industry's recent losses.

The broadcast licence fee will change from one based on revenue to one based on how much of the spectrum the networks use. This [adds up to a](#) A\$400 million reduction for all the broadcasters over the next four years.

The changes to ownership rules will see the repeal of the 75% "reach rule", which currently prevents networks from reaching more than 75% of the population. The government will also repeal the "two out of three" rule, which prevents companies from controlling more than two out of the three forms of media (radio, television and newspapers).

These regulations were developed to ensure diversity of media ownership in what was historically a very concentrated industry. But they have had the unintended consequence of preventing the industry from evolving to meet the challenges of the digital age.

The industry now faces a challenge just to survive. The loss of our free-to-air broadcasters will have widespread impacts, from the loss of regional broadcasting and domestic content, to funding elite sports.

The television industry is hurting

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Nine Entertainment Holdings [posted a loss of A\\$236.9 million](#) in the half-year to December 31, 2016. This included a reduction in the value of assets (called an impairment) of A\$260 million. Since 2014, impairments have totalled almost A\$1.3 billion.

[Seven West Media](#) reported a small profit of A\$12.4 million in the half year to December 2016. But there were A\$75.5 million in impairments, which have totalled nearly A\$2.6 billion since 2011.

Finally, Ten Network Holdings [reported a loss of A\\$231.7 million](#) for the half-year to February 28, 2017. This included impairments of A\$214.5 million, which have totalled A\$1.1 billion since 2011.

The trend is bad and it's unlikely that the impairments will stop here.

What's causing the problems?

The commercial television broadcasters and newspapers are experiencing a crisis of revenues. More specifically, a "structural change" in the advertising market, as the [Ten Network Holdings half year report](#) calls it.

Advertising is the life blood of media companies like our free-to-air broadcasters. But television advertising (excluding subscriptions) [fell by 5.4% year over year](#) , in the half-year to June 30, 2016.

In total, advertising expenditure is little changed in nominal terms over last decade. But the television networks have taken a hit. Whereas they once accounted for 30% of total advertising expenditure in Australia, [free-to-air TV now claims just 21% of the total advertising spend](#) .

Firms such as Google and Facebook are benefiting as advertising moves online, but they are not constrained by rules about media formats or audience reach.

Saving free-to-air television

Google is also [pushing for a greater expansion of "fair use"](#) in copyright laws. Their aim is to keep using (free) content, often developed by the very media companies that are currently suffering, to keep attracting more viewers and advertising revenue.

If free-to-air television is to survive, they must be able to offer advertisers something competitive. For starters, their copyright must be protected, and copyright laws should be strengthened, not weakened. For instance, networks should benefit from their own news gathering, without Google News sharing the spoils.

But this won't stop the decline in the advertising market for conventional media. So cost reductions will also be critical. The elimination of the reach rule is a boon here, as it will allow for consolidation in the industry, although this might also lead to a decline in regional content.

Policymakers should also consider the role of taxpayer-funded media operations such as the ABC, SBS, and community media. We need to ask whether and how they compete with commercial media enterprises, and what might be done to ease the pressure.

This matters, because free-to-air television has a role in maintaining our Australian identity just as much as taxpayer-funded media. The loss of our free television stations will create a void in preserving Australian identity, as well as broadcasting in regional Australia.

Peter Wells does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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