



Submission to the Senate Environment and Communications Legislation Committee on Broadcasting Legislation Amendment (Media Reform) Bill 2016

From WIN Network

23 September 2016

This is an update of the submission made by the WIN Network only 6 months ago on the same issue. The updated submission reflects the substantive changes to WIN and other regional broadcasters in the period since the March committee hearing.

In the short period since the last Senate committee hearing on the same subject WIN has ended a 27 year program supply agreement with Nine Entertainment Co (NEC) after NEC demanded 55 per cent of WIN's gross advertising revenue to air Nine programming across regional Australia. WIN was not prepared to pay such a high fee and as such has entered into a program supply agreement with Ten Network whilst Southern Cross Austereo (SCA) has agreed to pay NEC 50 per cent of its gross advertising revenue for the use of its programming in Southern New South Wales, Queensland and Victoria.

At the time of the recent March committee hearing WIN expressed a view regarding the inability of a regional broadcaster paying such high program supply fees to a metropolitan broadcaster to continue to invest in local programming.

The delay in repealing the outdated media ownership rules was a major contributor to the changes in program supply agreements between WIN, TEN, NEC and SCA and the subsequent impact it has had on the Regional Television Industry.

WIN NETWORK

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About WIN Network

The WIN Network is Australia's largest regional commercial television network, broadcasting to more of regional Australia than any other regional commercial network. WIN broadcasts into twenty two markets across six states of Australia, Queensland, New South Wales, Victoria, Tasmania, South Australia, Western Australia as well as the Australian Capital Territory. In all of these markets WIN Broadcasts programming acquired from Ten Network via a program supply agreement, on the following channels; WIN, One, Eleven and WIN HD. WIN also airs two datacasting channels, GOLD and TVSN across its markets.

In Mt Gambier and the Riverland in South Australia and Griffith in NSW, WIN also broadcasts the Seven West Media Channels (7, 7 Mate and 7 two) as well as the Nine Entertainment Co channels (9, 9Go and 9Gem). In these markets WIN is broadcasting 10 commercial channels plus two datacasting channels to populations of around 130,000 for the South Australian markets and 70,000 for the Griffith Area.

WIN is also a 50% shareholder with Prime Media in Mildura Digital Television and Western Digital Television (Regional WA) and a 50% shareholder with Southern Cross Austereo in Tasmanian Digital Television. All of these businesses broadcast three Nine Entertainment Co channels in competition with WIN's main signals in these markets.

In WIN's markets, 98%-100% of its broadcast content is acquired from Ten Network, Nine Entertainment Co or Seven West Media.



Aside from the high cost of acquiring programming from these metropolitan networks, WIN's major expenditure includes the cost of broadcasting across such a large geographic footprint (construction and maintenance of transmission sites, playout infrastructure and connectivity), sales of airtime (WIN operates 30 sales offices in regional and metropolitan Australia) and local news and content generation (including facilities). WIN employs over 650 staff in regional Australia.

WIN's regional Local News and Local Content

WIN Network is Australia's most prolific producer of regional News bulletins. WIN produces sixteen half hour regional bulletins each day (Mon-Fri) as well as weekend bulletins in Tasmania and local News segments in Mildura, the Riverland and Mount Gambier. WIN also produces and broadcasts daily the one hour All Australian News which airs across the WIN Network twice daily (7 am and Midnight) on WIN's main channel. The All Australian News highlights regional stories gathered by WIN's News resources across the country. WIN has been producing and broadcasting these local News services in regional Australia in some cases for over 50 years.

WIN produces and broadcasts a daily local regional News bulletin in the following markets;

Queensland

Cairns

Townsville

Rockhampton

Wide Bay

Sunshine Coast

Toowoomba

Southern NSW/ACT

Illawarra

Australian Capital Territory

Wagga/ MIA

Orange Dubbo



Victoria

Ballarat

Bendigo

Shepparton

Albury

Gippsland

Tasmania

WIN produces and airs a half hour News bulletin in Tasmania seven nights a week.

WIN produces and airs local News, sport and weather updates across these markets with generally no less than 10 minutes of updates per market per weekday. On an annual basis WIN Network produces and broadcasts over **3000** hours of local regional News each year. WIN is the most prolific producer of regional local News bulletins in Australia.

WIN produces and broadcasts local news because WIN believes in the importance of providing a local voice for our regional viewers but it needs to be pointed out that providing such a high level of local News is not a profitable exercise. The amount of revenue generated within the 30 minute local news bulletins is less than the cost of producing and distributing those 30 minutes of content. More so, as WIN Network's affiliation fees are paid on the overall revenue generated, WIN pays a very large percentage of the revenue in the WIN local News bulletins to Ten Network even though WIN incurs the cost of production and distribution and all of the infrastructure costs that go with the production of those bulletins. In essence WIN pays twice for that 30 minutes of content that goes to air each weekday in the aggregated markets and every night in Tasmania.

WIN's commitment to local content is not limited to regional News. WIN produces other regionally focused content above and beyond this commitment to local News. Each year WIN produces 130 half hour episodes of Alive and Cooking, a cooking program that is produced entirely in regional Australian markets. WIN also produces 16 half hour episodes of Fishing Australia each year, a program that is shot exclusively in regional locations, as well as producing a number of one off regional programs such as Convoy Illawarra, a documentary about i98fm's fundraising event that has raised nearly \$12million for Camp Quality.

As a regional broadcaster, and importantly a business based in regional Australia WIN is conscious of the role it plays in assisting to raise awareness and funds for local charities, events, sporting and cultural groups throughout regional Australia that may otherwise not be in a position to do so without WIN's support. It is difficult to define accurately the level of support that WIN gives annually through airtime and cash across regional Australia but we would be comfortable estimating around \$20 million per year.

Save our Voices

Save our Voices is a campaign organised by the four independent Regional broadcasters, WIN Network, Prime Media, Southern Cross Austereo and Imparja Television, with the aim of highlighting the need for change in outdated media ownership legislation and ensuring that regional television networks are, as a result of that change, best placed to organise their businesses efficiently and to be able to continue to provide the same level of voice, local News content and community support, to the 9 million Australians that live in Regional Australia. WIN, Prime, Southern Cross and Imparja have been for the past year, and continue to be unified in the view that in light of increased programming costs (from affiliation agreements) and very high distribution and infrastructure costs across a large geographic footprint (unlike metropolitan broadcasters), the best chance to ensure that regional content and support (and indeed regional broadcasters) continue is to remove the 75% Reach Rule and the Two out of Three Rule and give regional broadcasters the opportunity to either acquire, merge, partner within a material fashion or sell into a metropolitan broadcaster.

Regional media is being challenged at an accelerating pace by increased, unregulated competition coming into regional markets, mainly in the form of unregulated online players taking regional audiences and regional revenue. Regional broadcasters are also being challenged by their own affiliate partners who not only utilise regional audiences by placing advertisers content in program but also have commenced streaming (broadcasting over the internet) the channels that regional broadcasters pay a large percentage of their gross revenue to have the rights to broadcast into regional Australia.

The intent of metropolitan broadcasters in streaming their programming across regional Australia is best highlighted by the words of David Gyngell (former NEC CEO and current NEC Director). In November 2014 Gyngell stated "In five years' time we will just go around regional television and stream our content into those regional markets. We ultimately won't have a regional affiliate deal." He added "I think it's going to be disappointing for regional viewers. They will get no local News, nothing."

According to SMI figures regional Television's industry revenue is down 8.6% this calendar year to date. Regional Audiences on the commercial networks were 7% down this calendar year to date during the key prime time viewing period 1800-2230 and 9.8% down this financial year.

With these alarming regional television audience and revenue numbers in mind and with the metropolitan networks now charging as much as 50% of gross advertising revenue to regional networks for programming, without the abolition of the 75% audience Reach Rule and the Two out of Three cross media control Rule, regional broadcasters will have to re assess their operational expenditure. Broadcast infrastructure across such a geographic footprint is expensive and necessary and sales staffs are essential in generating revenue to fund the businesses leaving regional content production as the area most at risk.

Abolition of the 75% Audience Reach Rule

The WIN Network is supportive of the recommendation to abolish the 75% Audience Reach Rule.

In this internet enabled era the Reach Rule has been rendered redundant and is merely an unnecessary restriction on regional and metropolitan television networks at a time when other media are free to broadcast into licensed markets unrestricted and without paying for the right to do so.

WIN fails to understand the necessity or the practical application of legislation that restricts commercial television networks from broadcasting to a population greater than 75% when the content and importantly News services of the Seven, Nine and Ten networks are broadcast across the entire country through their regional affiliates (who are often bound by these agreements not to alter the schedules). The Reach Rule is even harder to comprehend with recent announcements that Nine Entertainment Co will produce a local News service for Southern Cross Austereo in 2017. Further, it is hard to fathom the relevancy of the Reach Rule when pay TV platform Foxtel, including Sky News, is free to broadcast its content to 100% of the Australian population and the Government's own broadcasters, ABC and SBS, are free to broadcast to 100% of the population. Both of whom are direct competitors for viewing audience of WIN in regional Australia and the latter, SBS, being a direct competitor for revenue with WIN in Regional Australia. WIN questions why a Government broadcaster is free to compete for regional advertising revenue whilst not being constrained by the 75% Audience Reach Rule and also not being required to work to the local content obligations that apply to regional broadcasters.

Online broadcasters such as Netflix, Foxtel Go, Stan, Presto, Quickflix, ABC iView, SBS on Demand, Ten Play, 9 Now, Plus 7, Fetch TV, Hulu, Google, YouTube and any other online media group in Australia, and for that matter the world, is able to broadcast their content to 100% of the population whilst Australian commercial television networks are constrained from gaining scale by the 75% Reach Rule.

Perhaps the most telling example of the redundancy of the Reach Rule is the recent action of Seven West Media and more recently Nine Entertainment Co in streaming their channels into regional Australia, effectively bypassing the Reach Rule. The effects of streaming broadcast channels is best exemplified during the recent Rio Olympics in which Seven claimed to have had 4.1 million streams on the first weekend of the Olympics alone and The Sydney Morning Herald reported 32 million streams over the Olympic period. Regional Broadcasters pay a large percentage of their gross revenue to these metropolitan broadcasters for the right to broadcast the programming and are being forced to compete with their own product suppliers for viewers and for revenue.

WIN, along with the other independent regional broadcasters have together argued that the abolition of the 75% audience Reach Rule will give regional broadcasters the ability to find opportunities through which to gain scale, either through acquisition, merger, partnering with, in a material fashion or selling into, a metro broadcaster. All of these options lead to the gaining of scale for television networks and create the opportunity to remove unnecessary or duplicated costs in non-generating content areas of television businesses and allowing the regional division of the up scaled business. The result being a greater opportunity to continue with the current investment into local content and support in regional communities. Examples of this include NBN Television, which is owned by Nine Entertainment Co and 7 QLD which is owned by Seven West Media. Both of these organisations are part of a broader media company and have been able, through scale and the removal of duplicated costs, to increase their



investment to regional news in the markets in which they broadcast. NBN and 7QLD are to be applauded for increasing investment in regional local news and both are doing a great job of providing a voice for their regional communities on the back of not having to bear the cost associated with being an independent regional broadcaster.

Abolition of Two out of Three Rule Cross Media Control Rule

WIN Network supports the abolition of the Two out of Three Cross Media Control Rule. The legislation is equally as outdated as the 75% audience reach rule and whilst some say the Two out of Three seeks to protect diversity of voice in Australia, in effect all it is doing is constraining the three traditional mediums of TV, Radio and Press from having the ability to organise their businesses in an efficient and competitive manner. If the 75% Audience Reach Rule can be acknowledged universally as redundant and out of date then there is no reason for not acknowledging the Two out of Three Cross Media Rule in the same way. The Two out of Three Rule may have made some sense when there was only television, radio and press as sources of information but in an internet enabled era there are enough online broadcasters and online News and current affairs provider as well as online self-publishers and social media platforms to ensure that there is diversity of voice, not just in WIN's regional markets but across the country. Media is now global - and people can source information and entertainment from a range of media outlets - international and local, so diversity is not threatened by its removal as there are many on line news sources. The Two out of Three Rule simply no longer makes sense in 2016 with hundreds of media platforms and independent voices spanning Australia without borders.

Consumers in 2016 are adept at using the internet to source independent information and do not rely solely on the press, television and radio to provide them with information and entertainment. Conversely traditional media companies are constrained by this archaic legislation that denies them the opportunity to gain scale or reorganise their businesses whilst online media companies are free to go about their business without constraint.

From WIN's perspective, the Two out of Three rule restricts the potential for WIN Network to organise itself in the most efficient way, capitalising on regional growth opportunities and investing in media assets that need scale, including our own. In a challenged regional media environment, having the potential to merge with or acquire a regional radio network and a regional newspaper publisher would provide the opportunity to bulk up and be better placed to defend ourselves from much larger, often foreign owned media organisations. At a time when organisations, some with market capitalisation multiple times that of the Australian television industry combined, are free to infiltrate Australian markets unrestricted, the two out of three Cross Media Control Rule restricts the ability of the Australian media to bulk up and compete more effectively with such organisations.

Local programming requirements for regional commercial television broadcasting.

As Australia's most prolific producer of local regional News bulletins, WIN Network is supportive of the proposed local programming requirements for regional aggregated commercial television broadcasting licensees and the proposed local programming requirements for regional non aggregated commercial television broadcasting licensees.

WIN has produced local regional news bulletins in regional markets for over 50 years and is supportive and understanding of the intent of the proposed requirements and fully supports the approach on awarding an additional point for local content depicting people, places or things in a local area. WIN is of the belief that this will result in a greater community voice in regional Australia.

WIN is supportive that these increased requirements for local content are being proposed only after a trigger event occurs and is supportive of the transitional timetable i.e. 6 months to reach the new point regime.