

# Inquiry into the competitive neutrality of the national broadcasters

# Issues Paper

26 April 2018

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## Introduction

In 2017, the Australian Government committed to conduct an inquiry into the competitive neutrality of the national broadcasters – the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS). This decision followed concerns raised with Government from sectors of Australia’s commercial media industry and from Members of Parliament as to whether the national broadcasters are operating appropriately in the modern media environment.

On 29 March 2018, the Minister for Communications, Senator the Hon Mitch Fifield, released Terms of Reference for the Inquiry and announced the appointment of an expert Panel to conduct the Inquiry. The Panel’s membership is Mr Robert Kerr (Chair), Ms Sandra Levy AO and Ms Julie Flynn. The Inquiry will examine whether the ABC and SBS are operating in a manner consistent with the general principles of competitive neutrality.

The scope of the Inquiry is outlined in the box below. The Inquiry’s full Terms of Reference are provided at Attachment A.

…It is timely to consider how the national broadcasters operate in modern media context and whether the ways they compete with the private sector are appropriate…

***Scope of the inquiry***

This Inquiry will explore the practices of the national broadcasters and advise the Government on whether they are operating in a manner consistent with the general principles of competitive neutrality.

The Inquiry will consider how Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS) operate within the markets of which they are part and the basis on which they are competing with the private sector. This should focus on:

* the application of competitive neutrality principles to the business activities of the ABC and SBS, including in operational decision making and risk management;
* the cost structures of business activities;
* the regulatory obligations for ABC and SBS compared to those for private sector operators, insofar as these relate to competitive neutrality principles;
* the adequacy of current compliance and reporting arrangements; and
* complaints and accountability mechanisms operated by the broadcasters, insofar as they relate to competitive neutrality principles.

The panel will also make observations on the role of national broadcasters in the modern media environment.

The purpose of this Issues Paper is to set out the Panel’s process and to encourage participation in the Inquiry. The Panel is consulting with industry stakeholders and seeking views on matters related to the Terms of Reference. A number of specific questions are included throughout the paper and are available to respond to online. Interested parties, however, do not need to limit their submissions to the illustrative questions shown in this issues paper. Details about how to participate are included in the ‘Consultation Process’ section of this paper.

## Media markets

This Inquiry is operating in the context of rapidly changing media markets. Boundaries between traditional media markets are dissolving, new platforms exist for distributing news and entertainment, and revenue streams are changing. Consumers are adopting new forms of media rapidly, and the increased competition between producers and distributors is evident from these developments.

*Analogue media markets*

In the analogue media landscape each television network provided a single channel free-to-air to all Australians, funded by advertising, or in the case of the national broadcasters, through triennial government funding. Similarly radio services were offered as free services either advertising or government funded.

Subscription television in Australia was established to provide multiple channels delivered by satellite and cable, operated as a premium subscription service funded primarily through subscriptions and supplemented by advertising.

All television and radio services were and are heavily regulated either through the Broadcasting Services Act or the ABC and SBS Acts.

The national broadcasters were set up and funded by government to have a broad social and cultural remit and to provide content that is guided by their Charter responsibilities. In 2017 the ABC received 94 per cent of its funding from government while the SBS operates under a hybrid model where it received 71 per cent of its funding from government and 29 per cent from advertising and other commercial activities.[[1]](#footnote-2)

The print media provided a range of news services that were and are self-regulated through the Australian Press Council. They were funded primarily from classified advertising, the so called ‘rivers of gold’.

While there was overlap between the various markets, they each operated separately in distinct markets. In the case of the national broadcasters, although they were not established to compete with media companies, their audiences overlap and therefore their activities could have effects on media markets and competition. While from time to time there were some concerns raised about this by commercial players, it was not a major area for concern due to the nature of the various markets.

*Digital media markets*

Over the last 20 years the switch to digital and online services has disrupted media markets in Australia and globally.

A combination of changes in technology and consumer behaviours has altered traditional markets:

* Digital television has enabled free-to-air broadcasters to provide multiple channels of content;
* Increased internet speeds, smart TVs and mobile devices have led to increased choice for consumers through catch up and on-demand services provided by all broadcasters and online news services provided by domestic and global operators;
* Over-The-Top[[2]](#footnote-3) (OTT) streaming services such as Netflix and Stan have enabled consumers to access a range of content at a lower price than traditional subscription services impacting the viewing habits of both free-to-air and pay TV consumers; and
* an increasing number of consumers have moved from an analogue, linear approach to consuming content to a ‘what I want, when I want, where I want and on the device of my choice’ approach to consuming content.

These changes have accelerated over the last two to three years. The clear boundaries between various players in media markets have blurred particularly online.

*‘…what was once measured in decades is now occurring at blinding speed. Audiences now have ready access to platforms, devices and content from anywhere on the globe. New competitors, from precocious upstarts to global giants, have emerged’* (ABC Annual Report, 2017)

*‘“Across Australia’s media and entertainment industry we continue to see a strong divergence in traditional and digital media spend. The story has been the same for a number of years now,” Ms Brownlow said. “Instead of entrenching the dichotomy between traditional and digital players, this trend is forcing companies to take a different approach and has led to blurring of business functions, business models and of industries.’* (PwC media release on PwC’s 16th annual Australian Entertainment & Media Outlook, 5 June 2017)

*National broadcasters’ response to media market changes*

All Australian media players are now being impacted by the presence of large global players such as Google, Facebook, Amazon and Apple, competing for viewers and advertising. The operating environment for commercial players has changed substantially and is likely to continue to do so for the foreseeable future. The ABC and SBS have also been impacted by these changes particularly in relation to viewing numbers and like the commercial operators, have sought to address the impacts through developing a suite on online services including catch up services, streaming services and apps.

The ABC and SBS have both actively developed their online presence and have successfully attracted audiences for them. For example, ABC news websites rank strongly for audiences compared to other commercial online news services. A recent audience measurement from Nielsen placed ABC news websites third (behind news.com.au and nine.com.au).[[3]](#footnote-4)

***National broadcasters’ online services***

*The national broadcasters have both expanded their online services over time, with both now offering online news services and online video on demand and catch up streaming services to the public free of charge. In 2013, following completion of the Convergence Review (2012), the charters of both the ABC and SBS were amended to explicitly allow both organisations to provide digital media services.*

***ABC News Online***

*The ABC first launched the* [*www.abc.net.au*](http://www.abc.net.au) *website in 1995, with news services added in 1996 and further expanded in 1998 to become the ABC News Online service, which included both audio and video offerings. This service provides a comprehensive online news service which competes directly with services provided by commercial news organisations.*

***ABC iview***

*In 2008, ABC further expanded into digital content sharing with the launch of ABC iview. This service currently includes both video on demand and catch up TV streaming services. ABC iview video content can only be viewed by users in Australia. Like SBS On Demand it competes directly for viewers with commercial players.*

***SBS On Demand***

*SBS On Demand was launched 2011 and provides free streaming of catch up and new programs, films and events. With a substantial back catalogue of popular and niche entertainment and informative content, SBS On Demand competes directly with subscription on demand services such as Stan, Foxtel and Netflix for content and viewers.*

*Commercial media concerns*

In this context, commercial media companies have raised concerns about the impact on competition of the activities of the national broadcasters. These concerns have been expressed in a range of forums and centre around the broad principles of competitive neutrality as they apply to the national broadcasters.

*“Over recent years there has been a marked rise in the extent to which the ABC and SBS directly compete with commercial free-to-air TV to acquire content with commercial appeal. This trend is accelerating as SBS, in particular, has launched or expanded its Viceland and Food Network channels…”*

(Free TV submission to the House of Representatives Standing Committee on Communications and the Arts Inquiry: Factors contributing to the growth and sustainability of the Australian film and television industry, April 2017)

*“We are not anti-ABC. The ABC is part of the Australian community. It has been for many years and does very good work. They are a partner with many stories. It is just aspects of the new world of media where we have to be careful that the decisions that government institutions make do not impinge upon the diversity and the commercial environment that I think we all value.”*

(Mr Greg Hywood, Chief Executive Officer, Fairfax Media, hearing of the Senate Select Committee On The Future Of Public Interest Journalism, Sydney 17 May 2017)

*Key trends*

Audience fragmentation and the move to online and on-demand content are the key trends impacting commercial media. The international dimension of competition is increasingly evident, drawing into sharper relief the relevance of Australian content. The international plethora of content challenges the traditional model for Australian content. The chart below illustrates the current nature of viewing habits in Australia.

**This chart, adapted from the Australian Communications and Media Authority communications report 2016-17, shows the time spent watching television and online video content. On average, Australians spend 18.9 hours over a seven day period watching television and online content. Of this, they spend 9.5 hours watching free-to-air television live, 2.4 hours watching Foxtel live, 2.3 hours watching a recording from Foxtel or free-to-air television, and 4.7 hours watching online video content (catch-up TV, subscription and free video content). Watching online content represents 25% of their time spent watching television and online video content. 
Among the 18-34 years category, they spend on average 14.9 hours over a seven day period watching television and online video content. Of this, they spend 3.8 hours watching free-to-air television live, 1.0 hour watching Foxtel live, 0.9 hour watching a recording from Foxtel or free-to-air television, and 9.2 hours watching online video content (catch-up TV, subscription and free video content). Watching online content represents 62% of their time spent watching television and online video content.
Among the 35-64 years category, they spend on average 18.7 hours over a seven day period watching television and online video content. Of this, they spend 9.4 hours watching free-to-air television live, 2.7 hours watching Foxtel live, 2.7 hours watching a recording from Foxtel or free-to-air television, and 3.8 hours watching online video content (catch-up TV, subscription and free video content). Watching online content represents 20% of their time spent watching television and online video content.
Among the 65 plus years category, they spend on average 24.9 hours over a seven day period watching television and online video content. Of this, they spend 17.4 hours watching free-to-air television live, 3.6 hours watching Foxtel live, 2.9 hours watching a recording from Foxtel or free-to-air television, and 0.9 hours watching online video content (catch-up TV, subscription and free video content). Watching online content represents 4% of their time spent watching television and online video content.**

**Time spent watching TV (live or recorded) and online video content in the last seven days (average hours)** *Source: Adapted from Australian Communications and Media Authority communications report 2016–17.*

These changes have seen audience fragmentation translate into declining revenue. For traditional media operators, obtaining a share of advertising revenue is increasingly contested.

Changes in the share of advertising across media platforms is outlined in the chart below.

This chart was created using data from CEASA’s Advertising Expenditure in Main Media reports from 2005 to 2017. It shows the share of total advertising by media platforms. 
In 2005, total advertising on television made up 33.4 per cent, radio 8.9 per cent, newspaper 37.5 per cent and online accounted for 6.1 per cent. In 2017, total advertising on television made up 23.8 per cent, radio 7.4 per cent, newspaper 9.6 per cent and online accounted for 50.7 per cent.
The 2017 report no longer includes a specific percentage for Newspapers, this is now only reported as part of the total print media value. The 2017 value used in the chart is therefore derived as percentage of the reported total print media value adjusted based on the proportion attributed to Newspapers over the previous 3 years.

**Percentage share of total advertising by media platform 2013-2017.**

*Source: Advertising Expenditure in Main Media reports 2014, 2015, 2016 and 2017, compiled and published by Commercial Economic Advisory Services of Australia (CEASA). Note: The 2017 report no longer includes a specific percentage for Newspapers, this is now only reported as part of the total print media value. The 2017 value used in the chart is therefore derived as percentage of the reported total print media value adjusted based on the proportion attributed to Newspapers over the previous 3 years.*

The Australian Competition and Consumer Commission is currently conducting an Inquiry into Digital Platforms and in its Issues Paper has provided a detailed analysis of how digital media platforms are operating in Australia. While their scope is wider than this Inquiry, the paper provides very useful information on the broad trends impacting all Australian media players.

*‘Venture Insights reports that from 2011-2015 Australian newspaper and magazine publishers lost AUD1.5 billion and AUD349 million respectively in physical print advertising revenue but only gained AUD54 million and AUD44 million in digital advertising.[[4]](#footnote-5) Within the online segment, digital platforms (and in particular Google and Facebook) have taken an increasingly large share of advertising revenue. Research by Morgan Stanley in 2016 estimated that digital platforms in media, such as Google and Facebook, would take up to 40 per cent of total Australian advertising revenue for the year.[[5]](#footnote-6) This equates to around three quarters of the total Australian online advertising expenditure for 2016.[[6]](#footnote-7)’*

(ACCC Digital Platforms Inquiry Issues Paper, 2018)

## Competitive neutrality

Competitive neutrality as it relates to government entities means that they should not gain undue competitive advantage as a result of their government ownership when competing with private sector entities.

***What is competitive neutrality?***

The concept of competitive neutrality is broad. The Organisation for Economic Co-operation and Development (OECD) has defined competitive neutrality as occurring: ‘where no entity operating in an economic market is subject to undue competitive advantages or disadvantages.’

Competitive neutrality can be affected by ownership, institutional form or the specific objectives of entities.

The rationale for pursuing competitive neutrality is to improve the allocation of the economy’s resources and to improve competitive processes. Governments compete with the private sector in a variety of markets. If governments enjoy undue advantage relative to other players, this can result in them having lower costs than private sector competitors.

Government ownership can result in undue advantage if one or more of the following apply to their business activities:

* tax exemptions or concessions (for example, relating to income tax, payroll tax, land tax or stamp duty);
* cheaper debt financing reflecting the lower credit risk of governments;
* the absence of a requirement to earn a commercial return of assets; and
* exemptions from regulatory constraints or costs.

As part of the Competition Principles Agreement (CPA), all Australian governments undertook to apply competition principles to government business activities.

…

Although there is some variation, the policies require government business activities to charge prices that fully reflect costs and to compete on the same footing as private sector businesses in terms of taxation, debt, regulation and earning a commercial rate of return. The principle of competitive neutrality does not extend to competitive advantages arising from factors such as business size, skills, location or customer loyalty. As the Victorian Government Competitive Neutrality Policy states:

Competitive neutrality policy measures are designed to achieve a fair market environment without interfering with the innate differences in size, assets, skills and organisational culture which are inherent in the economy. Differences in workforce skills, equipment and managerial competence, which contribute to differing efficiency across organisations, are not the concern of competitive neutrality policy.

The information above is an excerpt from the Final Report of the Commonwealth’s Competition Policy Review (the Harper Review), released on 31 March 2015.

The Commonwealth has in place a *Competitive Neutrality Policy Statement*, which details the application of competitive neutrality principles within the Commonwealth sector. The policy statement was established in 1996. The Panel acknowledges the current review being undertaken by the Treasury into the Commonwealth’s Competitive Neutrality Policy. The Panel emphasises that its Inquiry is separate to the Treasury’s review and that any findings related to the competitive neutrality of the national broadcasters will be provided in its final report to the Minister for Communications.

## Scope of this Inquiry

The Terms of Reference define the scope of the Inquiry and provide guidance to the Panel to examine particular aspects of competitive neutrality. The Panel notes that this Inquiry is taking place in the context of a number of other inquiries including the Australian and Children’s Content Review, the ACCC Digital Platforms Inquiry and the Treasury’s Review of the Commonwealth’s Competitive Neutrality Policy. The Panel will be cognisant of the terms of reference for these other inquiries and will seek not to re-examine issues already considered.

As specified in the Terms of Reference, the purpose of the Inquiry is to examine whether the national broadcasters are operating in a manner consistent with the general principles of competitive neutrality, how they are operating in modern media context and whether they are competing in markets appropriately.

In November 2000, the Council of Australian Governments (COAG) acknowledged that some significant business activities may not be subject to Executive control, such as where their legislation states that they are not subject to government direction. COAG agreed that in such circumstances, certain Commonwealth entities including the ABC and SBS should adopt a ‘best endeavours’ approach to compliance with the Competitive Neutrality Policy.

**The Panel seeks the views of the national broadcasters on the following questions.**

**Question 1**

What awareness is there in your organisation of the requirement to undertake a “best endeavours” approach to complying with the Competitive Neutrality Policy? What organisational policies and processes are in place?

**Question 2**

What approach is used by your organisation to consider issues of competitive neutrality when commencing new activities or entering new markets? Are there examples of how this has been applied?

**Question 3**

In view of the general principles of competitive neutrality, what relevance does the ABC give to the requirement in the ABC Act Section 6 (2) that it “take account of the broadcasting services provided by the commercial and community sectors of the Australian Broadcasting system”?

**Question 4**

How does it apply this requirement to its on air, iview and online news services?

**Question 5**

In view of the general principles of competitive neutrality what relevance does the SBS give to Section 2(g) of its Charter that the SBS in relation to its radio and television services “contribute to the overall diversity of Australian television and radio services, particularly taking into account the contribution of the Australian Broadcasting Corporation and the community broadcasting sector”?

**Question 6**

Noting that this Charter provision applies specifically to television and radio, is this requirement considered in relation to SBS On Demand?

**Question 7**

Noting that unlike the ABC, the SBS does not have a requirement to take account of the “broadcasting services provided by the commercial broadcasters” and that the SBS has the ability to seek advertising to partially fund its activities, how does the SBS approach the broad issues of competitive neutrality in relation to commercial players?

The Inquiry’s Terms of Reference point to the investigation of some specific aspects, which have guided the questions outlined in the boxes below.

**The Panel seeks the views of all interested stakeholders on the following questions.**

**Question 8**

Considering the commercial activities of the national broadcasters (e.g. where they are selling or purchasing goods and services), is there evidence that they have taken undue advantage of their government ownership, to the detriment of competitive outcomes?

**Question 9**

What is the differential impact of regulation on commercial and national broadcasters, and is there evidence of consequent adverse impacts on competition and outcomes?

**Question 10**

Is the reporting and accountability by the national broadcasters on their best endeavours to observe competitive neutrality adequate?

**Question 11**

Are you aware of any specific instances where the ABC or SBS may have received any other competitive advantage, due to their public ownership, to the detriment of a private competitor?

The Panel will also consider the application of competitive neutrality principles in a broader sense. The Harper Review (2015) highlighted the changing media environment including the emerging technology and platforms which increasingly offer diverse methods of content delivery. That review noted as technology evolves and partnerships between media platform owners, content producers and telecommunication providers strengthen, the ability to restrict consumer choice or access would eventually become an emerging issue requiring careful observation by competition regulators.

**Question 12**

The SBS Charter requires it to take into account the activities of the ABC and community television on radio and television. In the context of the competitive neutrality principles how in your view, is the SBS complying with this requirement? From your perspective does it adequately cover the activities of the SBS?

**Question 13**

From your perspective do the national broadcasters seek a balance between competing in the market and complementing the market? Is that balance the same for traditional broadcasting and for new digital platforms?

In light of these observations, the Harper Review (2015) final recommendations called for a potential broadening of competitive neutrality principles stating, *‘Government business activities that compete with private provision, whether for profit or not for profit, should comply with competitive neutrality principles to ensure they do not enjoy a net competitive advantage simply as a result of government ownership’* . The Harper Review recommendation suggests application of competitive neutrality principles to the national broadcasters as the market forces alter the media landscape.

The Panel will consider this and other contextual factors when examining the overall impact of competition on the market. Throughout the Inquiry, the Panel intends to use the following principles to guide its analysis:

* + public interest is the primary focus;
  + competition serves the public interest by promoting efficiency and choice, but it does not encompass the whole public interest;
  + competitive neutrality is a necessary part of competition policy because of the substantial participation by government entities in markets;
  + successive governments have decided that funding of the national broadcasters is in the public interest;
  + transparency by government entities is needed for accountability and confidence that obligations and policies are being properly implemented; and
  + as far as possible, policies and regulations should be implemented in ways that do not inhibit adaptation to changing markets and technologies.

The Panel notes that these principles are of a similar nature to those the Productivity Commission, in their Inquiry into Broadcasting (2000), contemplated to guide policy specific to the media industry.

*…the Commission considers that certain basic principles should underpin the development of the Australian media industry in the future. Australia’s broadcasting policy should:*

* *promote the interests of consumers*
* *reflect the community’s social and cultural objectives;*
* *encourage diversity of major sources of information and opinion in the market for ideas;*
* *promote efficient resource allocation in broadcasting, related industries and the Australian economy as a whole;*
* *ensure Australia makes the best possible use of its radiofrequency spectrum, and the community receives a fair return from the use of the spectrum;*
* *provide for equitable access to broadcasting services for Australian consumers, including those with special needs, in regional areas and on low incomes;*
* *encourage innovation in the provision of broadcasting services; and*
* *promote efficient, effective and transparent public administration in broadcasting,*

*To achieve these aims in the face of uncertainty and change, it is important to minimise the technological specificity of regulation. Regulation should be targeted to achieve objectives rather than to balance quid pro quos among producers. Those regulations that do not contribute should be removed. Policies will also generally work better if they are set up so market forces and competition aid their achievement.*

**Question 14**

Do you have comment on these guiding principles?

## Consultation process

The panel is inviting submissions from key industry stakeholders and interested members of the public. If you would like to respond to any of the questions contained in this paper, you can visit the website below to submit your response:

Website: [www.communications.gov.au/have-your-say](http://www.communications.gov.au/have-your-say)

The submission period closes at **5.00 pm AEST on Friday 22 June 2018**.

Responses to the questions in this Issues Paper and submissions to this Inquiry will be made publicly available on the Department’s website. If you would like to make a confidential submission or include information that is commercially sensitive, please clearly indicate this in your response.

If you have any queries in relation to this Issues Paper or the Inquiry, please contact the Department using the details below.

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The Minister for Communications has agreed to extend the completion date of this Inquiry to the end of September 2018.

Attachment A – Terms of Reference

**Inquiry into the Competitive Neutrality of the National Broadcasters**

**Terms of Reference**

Background

Government businesses compete with the private sector in a number of markets. The Commonwealth Competitive Neutrality Policy requires that government business activities should not enjoy net competitive advantages simply by virtue of their public sector ownership. At the same time, competitive neutrality principles do not imply that government businesses cannot be successful in competition with private businesses.

Both National Broadcasters provide important services for the benefit of the Australian community in line with a legislated Charter. Some aspects of this they undertake or deliver in competition with private sector operators. It is timely to consider how the national broadcasters operate in modern media context and whether the ways they compete with the private sector are appropriate. These policy issues have not been reviewed in depth since the 1997 report by Bob Mansfield considered the way in which the national broadcasters conduct business activities within the confines of competitive neutrality principles. It is also timely to conduct this Inquiry in concert with the wider review of Competitive Neutrality Policy being undertaken by the Treasury.

Scope of the inquiry

This Inquiry will explore the practices of the national broadcasters and advise the Government on whether they are operating in a manner consistent with the general principles of competitive neutrality.

The Inquiry will consider how Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS) operate within the markets of which they are part and the basis on which they are competing with the private sector. This should focus on:

* the application of competitive neutrality principles to the business activities of the ABC and SBS, including in operational decision making and risk management;
* the cost structures of business activities;
* the regulatory obligations for ABC and SBS compared to those for private sector operators, insofar as these relate to competitive neutrality principles;
* the adequacy of current compliance and reporting arrangements; and,
* complaints and accountability mechanisms operated by the broadcasters, insofar as they relate to competitive neutrality principles.

The panel will also make observations on the role of national broadcasters in the modern media environment.

Process

The Inquiry will be undertaken by an expert panel consisting of three members and will be supported by staff from the Department of Communication and the Arts. The panel will undertake appropriate consultation with relevant stakeholders, including the national broadcasters, commercial media, advertisers and viewers, and will prepare a report to the Government covering all aspects of these terms of reference.

Timing

The Inquiry will be concluded by July 2018\* and include a public call for submissions.

\*The completion date has been extended to the end of September 2018.

## Attachment B – The national broadcasters

***ABC and SBS Charters***

The functions of the ABC and SBS are defined by their Charters under their respective enabling legislation—the ABC Act and the SBS Act. The national broadcasters’ Charters detail various obligations, including those outlined below.

Section 6 of the ABC Act provides the following.

(1) *The functions of the Corporation are:*

(a) *to provide within Australia innovative and comprehensive broadcasting services of a high standard as part of the Australian broadcasting system consisting of national, commercial and community sectors and, without limiting the generality of the foregoing, to provide:*

(i) *broadcasting programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community; and*

(ii) *broadcasting programs of an educational nature;*

(b) *to transmit to countries outside Australia broadcasting programs of news, current affairs, entertainment and cultural enrichment that will:*

(i) *encourage awareness of Australia and an international understanding of Australian attitudes on world affairs; and*

(ii) *enable Australian citizens living or travelling outside Australia to obtain information about Australian affairs and Australian attitudes on world affairs; and*

(ba) *to provide digital media services; and*

(c) *to encourage and promote the musical, dramatic and other performing arts in Australia.*

(2) *In the provision by the Corporation of its broadcasting services within Australia:*

(a) *the Corporation shall take account of:*

(i) *the broadcasting services provided by the commercial and community sectors of the Australian broadcasting system;*

… (iii) *the responsibility of the Corporation as the provider of an independent national broadcasting service to provide a balance between broadcasting programs of wide appeal and specialized broadcasting programs;*

Section 6 of the SBS Act provides the following.

(1) *The principal function of the SBS is to provide multilingual and multicultural radio, television and digital media services that inform, educate and entertain all Australians, and, in doing so, reflect Australia’s multicultural society.*

(2) *The SBS, in performing its principal function, must:*

… (e) *as far as practicable, inform, educate and entertain Australians in their preferred languages; and*

(f) *make use of Australia’s diverse creative resources; and*

(g) *to the extent to which the function relates to radio and television services—contribute to the overall diversity of Australian television and radio services, particularly taking into account the contribution of the Australian Broadcasting Corporation and the community broadcasting sector; and*

(h) *to the extent to which the function relates to radio and television services—contribute to extending the range of Australian television and radio services, and reflect the changing nature of Australian society, by presenting many points of view and using innovative forms of expression.*

The ABC provides national television and radio services, local radio services and digital radio services that are simulcast online. In addition, the ABC operates websites and mobile applications including the online catch-up service iview. Other activities include commercial services such as ABC Retail and international broadcasting services delivered across the Asia-Pacific region. More detailed information about the ABC’s services is available from its website: **http://about.abc.net.au/**

SBS also operates national television and radio services, and digital radio services that are simulcast online. The online services of SBS include websites and mobile applications such as the catch-up service SBS On Demand. SBS also conducts various commercial activities including the World Movies subscription television service. More detailed information about SBS’s services is available from its website: **https://www.sbs.com.au/aboutus/our-story**

Funding and revenue

In 2016-17, the ABC received total Government funding of approximately $1,036 million to help meet their outcome of ‘informed, educated and entertained audiences – throughout Australia and overseas – through innovative and comprehensive media and related services.’[[7]](#footnote-8) The ABC also generates a small proportion of revenue from other sources such as interest and the sale of goods and services. In 2016‑17, the ABC reported that it generated $70.4 million in revenue from other sources, which represented approximately 6.4 per cent of total revenue.[[8]](#footnote-9)

In 2016-17, SBS received total Government funding of approximately $281 million to help meet their outcome of ‘providing multilingual and multicultural services that inform, educate and entertain all Australians and in so doing reflect Australia’s multicultural society.’[[9]](#footnote-10) SBS also generates other revenue from the sale of goods and services, with the main component being advertising revenue. In 2016-17, SBS reported that 29 per cent of its total operating revenue was generated from the sale of goods and services, which included a component of $93.1 million in advertising and sponsorship revenue.[[10]](#footnote-11)

1. Percentages derived from the ABC Annual Report 2017 and the SBS Annual Report 2017, where ABC report revenue from Government of $1,036,090,000 and total own source revenue of $70,406,000 and SBS report revenue from Government of $281,598,000 and total own source revenue of $115,621,000 which includes $93,100,000 from advertising and sponsorship. [↑](#footnote-ref-2)
2. Over-the-top is a media distribution practice that allows a streaming content provider to sell video, audio, and other media services directly to the consumers over the internet. [↑](#footnote-ref-3)
3. Nielsen *Mediaview (digital ratings monthly)* database. [↑](#footnote-ref-4)
4. Venture Insights, Australian Advertising Expenditure Market Outlook, 7 June 2017, p. 9. [↑](#footnote-ref-5)
5. P. Coglan, ‘MORGAN STANLEY: Global tech giants are about to crush the Australian media industry’, Business Insider, 29 January 2016, accessed 25 January 2018. [↑](#footnote-ref-6)
6. Internal (ACCC) calculations based on The Australian Communications and Media Authority, Communications Report 2016/17, 8 December 2017, p. 41. [↑](#footnote-ref-7)
7. Portfolio Budget Statements 2017-18, Communications and the Arts Portfolio (p. 71) [↑](#footnote-ref-8)
8. ABC Annual Report 2017 (p. 82) [↑](#footnote-ref-9)
9. Portfolio Budget Statements 2017-18, Communications and the Arts Portfolio (p. 285) [↑](#footnote-ref-10)
10. SBS Annual Report 2017 (pp. 65, 72) [↑](#footnote-ref-11)