

# **ABC Submission: Inquiry into the Competitive Neutrality of the National Broadcasters**

**29.06.18**



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# Executive summary

The Australian Broadcasting Corporation (the **ABC**) welcomes the opportunity to respond to the Issues Paper for the Australian Government's (**Government's**) inquiry into the competitive neutrality of the national broadcasters (the **Inquiry**) — and the opportunity it provides to reinforce the value public broadcasting brings to Australian society.

## Local and global disruption to the media sector

This Inquiry comes at an important time in the evolution and disruption of media markets in Australia and globally. The growth of the internet, smartphones and tablet use, and the rise of digital giants (such as Google, Facebook and Netflix) has significantly changed audience behaviours and expectations. Old boundaries between traditional markets and platforms have been blurred, and, in many ways, content markets are now global. The Government's concern about the impact of digital platform services on the state of competition in media and advertising services markets resulted in the Australian Competition and Consumer Commission (**ACCC**) being directed to conduct a public inquiry into these matters.

The new media environment has benefitted audiences, including through expanding choice. Yet it has also created challenges for traditional media companies, including by placing pressure on existing commercial business models. One of the key challenges across the industry is to ensure that quality, adequately-funded Australian content for local audiences continues to find a place in a globally disrupted market. The ABC has not been immune from these new dynamics. It too has faced challenges to adapt to remain relevant, meet audience expectations, deliver on its legislative Charter<sup>1</sup>, and continue to offer taxpayers value for money.

## The Australian 'mixed media' model

Public and commercial media organisations have successfully co-existed in Australia since 1932. The 'mixed media' model has contributed significant benefits to Australia's broader media ecosystem, including comprehensive choices for audiences, a well-informed public, a distinctive Australian culture, and supports a stable liberal democracy. Under that mixed model, the ABC has always been charged with the responsibility to produce both specialised programs and programs of wide appeal. Furthermore, the presence of the ABC has had a positive influence on the commercial sector, as it acts, among other things, as a vanguard for innovation and a launchpad for new ideas, initiatives and talent.

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<sup>1</sup> As set out in the *Australian Broadcasting Corporation Act 1983* (Cth) s 6.



## Applying existing competitive neutrality policy to public broadcasting

The Commonwealth's competitive neutrality policy has operated in Australia since 1996 with a defined scope and purpose.<sup>2</sup> This policy requires that significant government **business activities** — that is, those which fall within the category of user-pays activities (among other threshold criteria) — should not enjoy net competitive advantages simply by virtue of their public-sector ownership.

The ABC supports the principles underpinning the development of the Commonwealth's competitive neutrality policy and acts in accordance with the policy guidelines — which under the current regime relate solely to specific business activities of the ABC Commercial division. The ABC's support for this Policy includes adherence to the application of the existing complaints handling mechanism overseen by the Productivity Commission. The ABC has been subject to one complaint under this regime (in 1999); no adverse findings were made against the ABC.

This Inquiry is not a response to complaints made through the existing complaints mechanism.

## The risks associated with a broader interpretation of competitive neutrality

The current Inquiry is focussed on whether public broadcasters are operating in a manner consistent with the 'general' or 'broad' principles of competitive neutrality.

In its Issues Paper, the Panel identifies that commercial media companies have raised concerns about the activities of the national broadcasters and their impact on competition in the context of evolving media markets. These concerns are described by the Panel being centred around the 'broad principles of competitive neutrality'. Notably, the most recent comprehensive review of Australia's competition framework (the Harper Review) did not raise concerns about competitive neutrality policy with respect to public broadcasters.<sup>3</sup>

Framed in terms of '*broad principles*' and without reference to specific complaints, this wider concept of competitive neutrality is difficult to define, analyse and apply to the advertising-free broadcasting and digital media services provided under the ABC Charter. At an extreme, the Panel might be asked and encouraged to assess whether the ABC '*competes unfairly*' in some broader sense with its commercial counterparts across the full range of its functions under its Charter (not just its business activities).

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<sup>2</sup> Australian Government, *Commonwealth Competitive Neutrality Statement Policy Statement* (1996) <[archive.treasury.gov.au/documents/275/PDF/cnps.pdf](http://archive.treasury.gov.au/documents/275/PDF/cnps.pdf)>; Australian Government, *Australian Government Competitive Neutrality – Guidelines for Managers*, Canberra, 2004 <<http://archive.treasury.gov.au/contentitem.asp?ContentID=274>>

<sup>3</sup> Australian Government, *Competition Policy Review – Final Report*, 2015

## The ABC does not compete unfairly with the commercial sector

Even under such a broad interpretation of competitive neutrality, the ABC considers that complaints that its services constitute ‘*unfair competition*’ are unfounded, for several reasons.

### Competition and content

The ABC Charter requires the ABC to provide innovative and comprehensive broadcasting services, and to offer a range of programs of both wide and specialised appeal. In fulfilling these requirements, the ABC actively strives to ensure its content is distinctive and differentiated from the content provided by the commercial and community sectors and takes account of services provided by the commercial and community sectors. For example, while the commercial free-to-air broadcasters provide coverage of major live sporting events and reality TV, these areas are not a focus for the ABC.

In the news genre, and in line with its Charter, the ABC maintains an independent news service (free from commercial considerations) that *contributes* to a sense of national identity, *provides* trusted, independent and verified facts and information, and *promotes* the public interest through in-depth investigative journalism.

To ensure its services remain accessible to Australians who increasingly choose to access content online, the ABC also provides digital media services, including online news services. The online news market is diverse, with a range of alternatives for consumers. The evidence suggests that those consumers shop around — for example, 96% of online ABC news audiences also visit other news websites, consistent with trends around the world (see section 3.2 of the submission).

### Competition and audiences

It is not inconsistent with the principles of competitive neutrality, however understood, for the ABC to use government funding to deliver on its Charter obligations and provides high-quality content. This provides audiences with choice — increasing competition for the benefit of those audiences and drives innovation and value across the media sector more broadly. It also ensures that the fundamental purpose for creating the ABC in the first place – to provide an independent, non-commercial voice in the media landscape alongside commercial voices – continues to be met, delivering a richer and more diverse offering to Australian audiences.

The ABC spends a very modest amount (0.2% of its total budget) on digital marketing activities in order to ensure that its content remains relevant and provides value for taxpayers who fund it. The ABC’s spend in this area is significantly smaller than its commercial counterparts yet remains a cost-effective way for the ABC to promote taxpayer funded Australian content with audiences.

### Competition and ‘crowding out’

There is no substantive evidence that the ABC’s activities crowd out commercial media companies in the market — a point supported by analysis undertaken for the ABC by RBB Economics (see **Attachment B**). In fact, the weight of evidence (from Australia and several other countries) is that the activities of public broadcasters are positively correlated with the strength of the commercial media sector. Further, there are clear examples of the ABC’s

activities helping to drive innovation across the Australian media sector more broadly, which benefits all players in the market.

### **Competition and regulatory asymmetry**

There are a wide range of legislative restrictions and regulations placed on the ABC. Some of these regulations mirror those faced by other content suppliers, but in many areas, as a Commonwealth entity, the ABC is required to operate within a regulatory environment which is more rigorous than that which its commercial counterparts face in the supply of comparable services (as outlined in section 4 of this submission). In the provision of broadcasting services and digital media services, the ABC is held to a higher standard (by law, parliamentary accountability and community expectation) than its commercial counterparts, and it also operates robust, comprehensive and transparent editorial policies and complaint mechanisms.

Differences in the regulation that apply to public broadcasters and commercial media organisations reflect the fundamentally different purpose and motivations of these entities. Assessing regulatory symmetry between organisations characterised by public purpose objectives and entities participating in a market for profit is inherently difficult. However, most importantly, the ABC does not derive any unfair competitive advantage as a result of different regulatory treatment in some areas when the relevant regulations and obligations are examined holistically.

### **Competition and globalised media markets**

The ABC has operated alongside commercial counterparts for over 85 years and has never held a dominant position in any of the markets in which it operates (unlike public broadcasters in some other regions which commenced as monopoly providers). The ABC has always produced distinctive, innovative and high-quality content. Today, this content is distributed in new ways to meet the changing preferences of audiences, but the fundamental objectives of the ABC have not changed.

What has changed is the arrival of large global competitors such as Facebook, Amazon, Apple, Netflix and Google as players in the market for digital media services. While benefitting audiences in many ways, these companies have also fundamentally disrupted traditional media business models the world over; that disruption is completely unrelated to the activities of public broadcasters. This raises challenges for all media companies, the ABC included, to adapt to the contemporary media environment. It also raises the prospect that, as traditional business models supporting local content are disrupted, the importance and value of an appropriately funded public broadcaster committed to quality local content has never been greater.

## **Scope of this review**

In Australia, competitive neutrality policy arose out of competition reforms aimed at increasing competition in key sectors of the economy for the benefit of the Australian public.

The ABC considers that there is a risk that some participants may use this Inquiry as a vehicle to reframe unrelated complaints loosely under the guise of ‘*competitive neutrality*’ as a tool for protecting businesses from competition by curtailing the activities of public broadcasters. If this happens, the main losers will be Australian audiences. The ABC believes it would be inappropriate for this Inquiry to be used as a means of reviewing the ABC’s public service obligations outlined in its Charter, given that the existence of such obligations is not in any way inconsistent with competitive neutrality policy objectives, or the guiding principles outlined by the Panel in its Issues Paper.

## A guide to reading this submission

This submission is organised into four sections:

**Section 1 – Background.** Provides an overview of ABC’s purpose, a short history of reviews into its activities, and the changing market dynamics.

**Section 2 – The ABC and the principles of competitive neutrality.** Describes the way that the ABC applies competitive neutrality policy in its commercial activities and discusses the broader application of competitive neutrality and competition principles, as well as the ABC’s Charter obligation to take account of the commercial and community sectors.

**Section 3 – The ABC and commercial content providers.** Provides evidence that the ABC does not take advantage of its government ownership to the detriment of competitive outcomes and appropriately and actively balances its content with the interests of the commercial and community content sectors.

**Section 4 – Regulatory neutrality.** Provides a detailed overview and comparison of the regulatory obligations on the ABC and commercial networks and describes how the ABC does not enjoy an overall competitive advantage by virtue of differential regulatory treatment.

This submission is designed to be read alongside the following:

**Attachment A – Responses to the Panel’s specific questions.** The material in this submission responds to the Panel’s Issues Paper overall, including responses to the specific questions where they relate to the ABC. This attachment lists those questions and identifies the corresponding areas in this submission that address those questions, supplementing with additional specific responses where necessary.

**Attachment B – RBB report – The ABC and the Australian media market.** The ABC has sought assistance from economic experts at RBB to provide a report on some of the economic effects of the ABC’s activities on Australian media markets. It includes a statistical analysis that tests whether the activities of the ABC impact the audiences and associated advertising revenue of commercial content providers. This report is referred to throughout this submission and is also attached in full.

**Attachment C - Overview of regulatory obligations.** The information in this attachment supplements the analysis of regulatory neutrality in section 4 of this submission.

**Attachment D – ABC Investing in Audiences Strategy.** Launched in 2017, *Investing in Audiences* outlines key initiatives designed to strengthen the ABC and enhance its ability to deliver on its Act and Charter.

**Attachment E – Application of Competitive Neutrality Principles to ABC’s Commercial Activities.** An analysis of ABC Commercial’s compliance with the Commonwealth Government’s Competitive Neutrality Policy Statement.

# 01 Background

- The ABC is a custodian of Australian identity and has been valued and trusted as the national public broadcaster since the formation of the Australian Broadcasting Commission in 1932.
- Across its diverse activities, the ABC fulfils a public interest mandate in accordance with the *Australian Broadcasting Corporation Act 1983* (Cth) ('ABC Act'), including the ABC Charter.
- The ABC is not motivated by profits but strives to deliver high-quality, innovative and comprehensive content, including independent news and information of the highest standard. In all its services, across new and traditional media platforms, the ABC strives to ensure its contribution is distinctive.
- Complaints about the ABC are not a new phenomenon. Since the 1930s, commercial entities have sought to restrict ABC activities. Independent public inquiries about the role, purpose and importance of the ABC have consistently recognised the clear public benefits of a ubiquitous national broadcaster with a broad public service remit.
- The ABC is subject to extensive regulatory and oversight measures, many of which are specific to the ABC. The Australian public holds the ABC to a higher standard than its commercial counterparts.
- The ABC has a long history of innovation. At a time of evolution and disruption of media markets in Australia, the ABC has embraced digital transformation and new opportunities as a means of ensuring that its high-quality, innovative and comprehensive content is accessible to all Australians, including the increasing number of people who access content online.

## 1.1 The ABC's purpose and activities

When launching the Australian Broadcasting Commission on 1 July 1932, Prime Minister Joseph Lyons stated that it was an important national service tasked with providing information, entertainment, culture and gaiety and was established to “*serve all sections and to satisfy the diversified tastes of the public*”.<sup>4</sup> While many decades have passed, and media markets look fundamentally different today, the ABC's purpose remains as relevant and important as ever.

Today the ABC is internationally recognised as a multi-platform source of Australian conversations, cultures and stories. Ever-evolving its content and services to meet changing audience demands, the ABC has been valued and trusted as the national public broadcaster since its formation. An overview of the breadth of the ABC's activities is set out in **Figure 1**.

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<sup>4</sup> Ken Inglis, *This is the ABC – The Australian Broadcasting Commission 1932-1983* (Black Inc., 2006) 5

Figure 1 – Overview of ABC activities

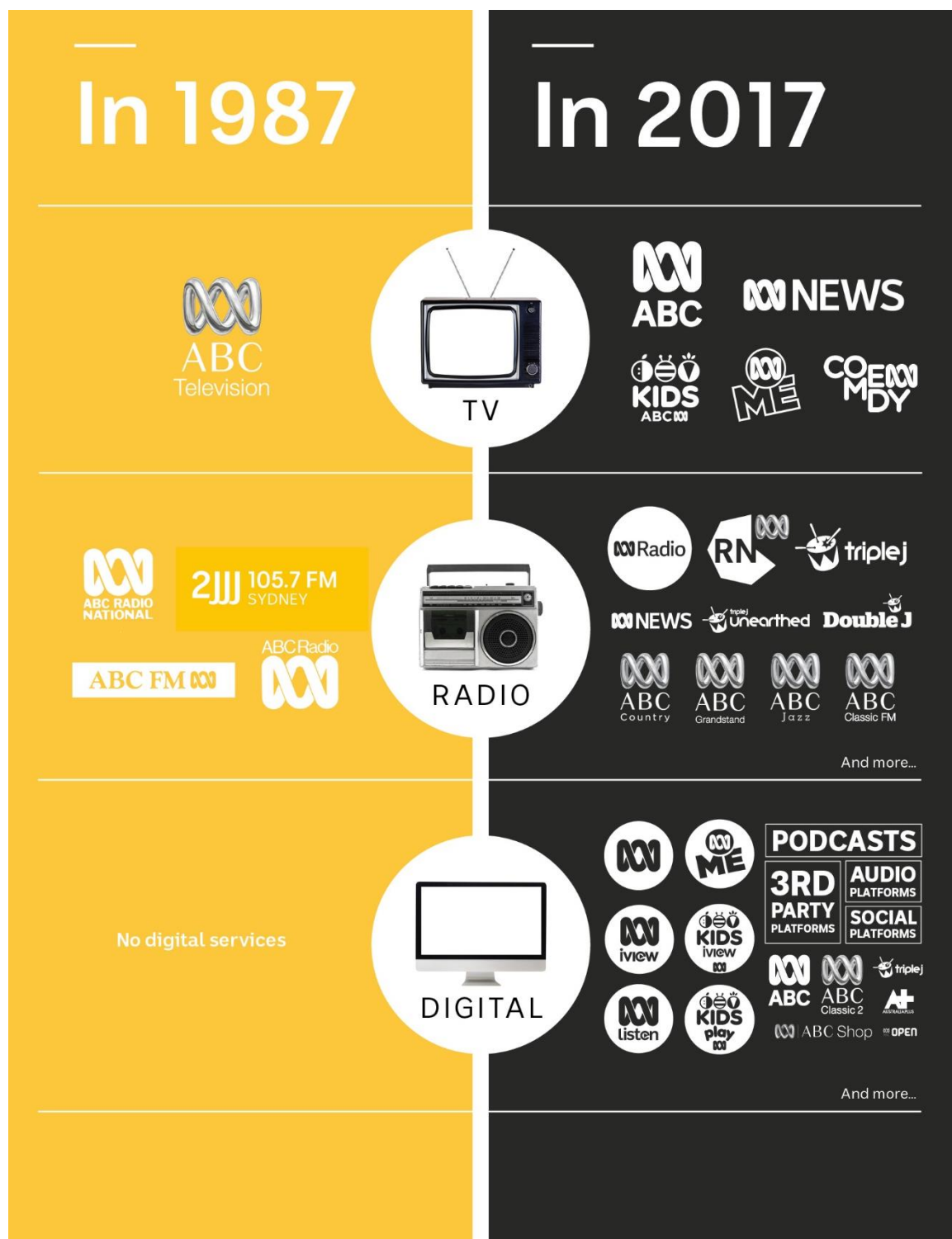


Figure 2 – Overview of ABC activities (continued)





A custodian of Australian identity, the ABC is guided by its Charter to:

1. 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:
  - a. broadcasting programs that contribute to a sense of national identity and inform and entertain and reflect the cultural diversity of, the Australian community; and
  - b. broadcasting programs of an educational nature.
2. Transmit to countries outside Australia broadcasting programs of news, current affairs, entertainment and cultural enrichment that will:
  - a. encourage awareness of Australia and an international understanding of Australian attitudes on world affairs; and
  - b. enable Australian citizens living or travelling outside Australia to obtain information about Australian affairs and Australian attitudes on world affairs.
3. Provide digital media services.
4. To encourage and promote the musical, dramatic and other performing arts in Australia.<sup>5</sup>

The ABC has operated alongside commercial media organisations for more than 85 years. The ‘mixed model’ of public and private organisations has been recognised as a strength of the Australian media landscape. The Australian model was distinct from those in some other regions (such as the UK and Europe) where the national broadcaster originated as a monopoly provider.

As noted by Dr Rob Nicholls in his paper on competitive neutrality and the ABC:

*“The creation of the Australian Broadcasting Corporation... produced a broadcaster which was never a monopoly provider of services and which has always competed with commercial broadcasters. The ‘dual system’ was significantly different in its approach from both the completely commercial American approach and the dominance of public service broadcasters in Europe”.*<sup>6</sup>

Across its activities, the ABC is guided by Charter obligations rather than any commercial imperatives to copy successful programs or formats broadcast by other Australian content providers, or to win audience or market share from other providers. The ABC strives to create high-quality, innovative and distinctive content to benefit audiences and contribute to Australia’s shared cultural experience. In doing this, the ABC seeks a balance between broadcasting programs of wide appeal and specialised broadcasting programs, as is required

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<sup>5</sup> *Australian Broadcasting Corporation Act 1983* (Cth) s 6(1).

<sup>6</sup> Dr Rob Nicholls, ‘Making the dual model work: Competitive neutrality and net neutrality issues facing the Australian Broadcasting Corporation’ (2018) 25.3 *Competition and Consumer Law Journal*, 1.

by its Charter. Unlike its commercial counterparts, the ABC is not motivated by profits or ratings.

In a new media environment, the ABC has adapted its services to ensure that its content can be accessed on digital platforms. This evolution of ABC services has been an important step to ensure that ABC content is accessible to the broadest possible Australian audience and, in turn, maximises the value of the national broadcaster to Australian taxpayers.

Across the breadth of its distribution channels and platforms, the ABC provides Australian audiences with independent news and information services of the highest standard, fosters the performing arts and reflects the nation's cultural diversity.<sup>7</sup> Outside Australia, the ABC offers unique Australian perspectives to the Asia Pacific region, and connects with Australians living and working overseas.

The ABC seeks to provide alternative and complementary content to commercial media offerings, ensuring a plurality of voices in the marketplace. Launched in March 2017, the ABC's *Investing in Audiences* strategy demonstrates the ABC's absolute focus on delivering “*quality and distinctive programming, independent news and information, and content that enriches Australian communities*”.<sup>8</sup> A copy of the strategy is included with this submission at **Attachment D**.

## 1.2 The ABC's scope and regulation

Complaints about the ABC's activities from its commercial counterparts are not a new phenomenon; they have a long history. Since the 1930s, Australian newspaper proprietors campaigned to restrict the provision of news by the ABC:

*“For three years, he [Sir Keith Murdoch] and other newspaper owners insisted that the ABC be restricted to no more than 200 words a day of overseas news and limited its presentation of news bulletins to five minutes in the evening – but not before 7.50pm, by which time it was thought people would have finished reading their newspapers”.*<sup>9</sup>

It seems unthinkable now that the ABC should be hindered in the ways described above in the provision of news and information to Australians.

The potential dangers of limiting the ways in which public broadcasters can deliver highly-valued content to their audiences is particularly pertinent today in the light of the rapid and profound change being experienced by the media sector throughout the world. As noted in the report of the Senate Select Committee on the Future of Public Interest Journalism in the context of news content:

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<sup>7</sup> Australian Broadcasting Corporation, ‘ABC Corporate Plan 2017-2018’ (Corporate Plan, 2017)

2.

<sup>8</sup> Australian Broadcasting Corporation, ‘Annual Report 2017’ (Annual Report, 2017) 27.

<sup>9</sup> June Factor, ‘Aunty's enemies: ABC still under attack after 80 years’, *The Sydney Morning Herald* (online), 8 February 2014 <<https://www.smh.com.au/opinion/auntys-enemies-abc-still-under-attack-after-80-years-20140207-3278b.html>>.

*“As the Finkelstein Report prefigured, the sector has seen low barriers to entry encouraging innovation and proliferation of new media in the sector, new modes of delivery and technology platforms being developed, both in Australia and globally, and a promising range of new partnerships between journalists, publishers, universities and private institutions. However, it is also clear that the scale and speed of these changes has had profoundly negative effects on the traditional news media sector, including a depletion of the capacity of many organisations to provide quality public interest journalism”.*<sup>10</sup>

Sentiments about the importance of public broadcasters are not new. Throughout the ABC’s history, a number of independent inquiries have recognised the clear public benefits flowing from the ubiquitous availability of an innovative and distinctive national broadcaster that has a broad public service remit to deliver a wide range of services and not merely those for which the market does not cater. Key findings of those inquiries are set out in **Figure 2**.

**Figure 3 – Selection of findings of past reviews**

**Past inquiries and the ABC**

The Dix Review (1981) examined all aspects of the national broadcaster’s activities, culminating in a report to the Minister of Communications in May 1981. Among other things, the report concluded that: *“The National Broadcaster plays an important role in the lives of many Australians ... Its activities form a significant part of the mainstream of national life and it remains a symbol of Australia’s identity in the eyes of both supporters and detractors of the ABC.”*<sup>a</sup> ... *the case for relegating the National sector [ABC and SBS] to a particular or specialised role in broadcasting has an intrinsic weakness.”*<sup>b</sup>

The Mansfield Review (1997) was commissioned by the Howard Government to examine the future role and functions of the ABC in Australia’s broadcast landscape. The report observed that it was vital that technological change does not disenfranchise Australians in terms of access to the national broadcaster (p.20). The report also rejected the notion that the ABC should only cater to gaps in commercial broadcasting, concluding that: *“it is neither feasible nor desirable to restrict the ABC to the role of simply complementing the programming of the commercial sector.”*<sup>c</sup>

Fifteen years later, the Convergence Review (2012) reiterated that the value of the ABC stems from its Charter mandate of *“targeting all Australians, not just niche audiences.”*<sup>d</sup> Accordingly, the Convergence Review recognised the significance of the ABC’s programming and digital platforms in a disrupted and convergent media environment and recommended that the ABC Charter be updated to reflect the range of new online services that extended the reach and impact of publicly funded programming.<sup>e</sup>

Most recently, the Senate Select Committee on the Future of Public Interest Journalism noted that importance that the ABC holds in the supply of news and journalistic content:

*“The committee reaffirms the importance of Australia’s public broadcasters to our media landscape, particularly the ABC as one of our most trusted national institutions, and that government should support both their capacity to report in the public interest and their journalistic independence.”*<sup>f</sup>

a Commonwealth of Australia, Report by the Committee of Review of the Australian Broadcasting Commission (29 May 1981), Vol 1, [1].

b Commonwealth of Australia, Report by the Committee of Review of the Australian Broadcasting Commission (29 May 1981), Vol 2, [30].

c Bob Mansfield, The Challenge of a Better ABC - A review of the Role and Functions of the ABC (January 1997) at 5.

d Department of Broadband, Communications and the Digital Economy, Convergence Review, Final Report (2012), 85.

e Department of Broadband, Communications and the Digital Economy, Convergence Review, Final Report (2012), xv.

f Select Committee on the Future of Public Interest Journalism, Senate, Public Interest Journalism Report (2018), 111-112.

<sup>10</sup> Senate Select Committee on the Future of Public Interest Journalism, *Future of Public Interest Journalism Report* (2018) 23,

<[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Future\\_of\\_Public\\_Interest\\_Journalism/PublicInterestJournalism/Report/c02](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Future_of_Public_Interest_Journalism/PublicInterestJournalism/Report/c02)>.

The ABC is also subject to extensive regulatory and oversight measures, many of which are specific to the ABC. The ABC's specific regulatory framework is summarised in **Figure 4**. Section 4 of this submission provides a more detailed explanation of the ABC and regulation in the context of 'regulatory neutrality'.

**Figure 4** – Select regulatory obligations that apply to the ABC.

ABC Act		Commonwealth entity obligations	
Legislative Charter	Restrictions on ability to advertise	Parliamentary oversight	Governance, transparency and accountability requirements
The Act holds the ABC to high standards on diversity, quality and comprehensiveness	Outlined in section 31 of ABC Act	Senate estimates and Parliamentary inquiries	Range of legislation including public expenditure and resource management, freedom of information, audit, archives

In recent years the level of scrutiny of the ABC has resulted in a number of inquiries into various aspects of the ABC.

Whilst the Board of the ABC is given independence to make decisions on how the ABC spends its appropriation, the ABC is held to a high standard of Government scrutiny with regard to spending. Recent decisions taken by Government require the ABC to contribute to fiscal repair, which has seen over \$254 million in cumulative budget cuts over the last 5 years along with a 'pause in indexation' over the forward estimates (financial year 2019/20 onwards).

The ABC has also had over 10 efficiency reviews over the last 15 years. The next efficiency review, announced as part of Budget 2019 measures, is due to report in September 2018.

These factors are an additional constraint on the ability of the ABC to plan and operate in a media environment which is agile and innovative. These regulatory standards are unique to public service broadcasters in Australia and are not imposed on commercial operators, even when they receive taxpayer funding.<sup>11</sup>

### 1.3 The ABC in the changing media landscape

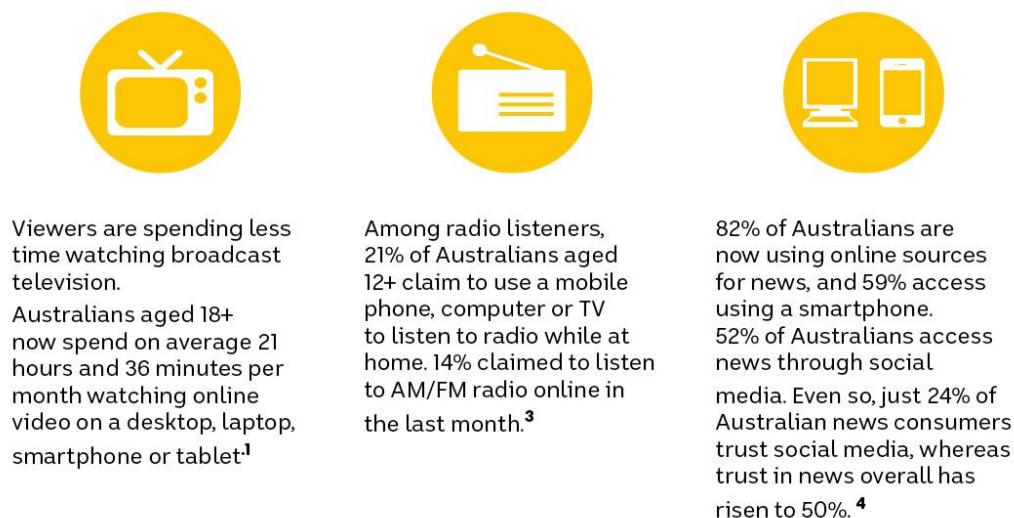
New entrants, digitisation, innovation and changing consumer preferences have led to many changes in Australia's media landscape in recent years. New ways of digital content distribution mean that traditional broadcast networks and distribution systems are no longer bottlenecks to accessing audiences and have thus reduced barriers to entry for media content creators and eroded geographic borders.

<sup>11</sup> Luke Henriques Gomes, '\$30m to Fox Sports, \$84m from the ABC: a tale of two broadcasters', *The NewDaily* (online), 15 May 2018

<<https://thenewdaily.com.au/news/national/2018/05/15/abc-cuts-foxtel-womens-sport-grant/>>.

On the audience side, the growth of the internet, smartphones and tablet use, and the rise of digital giants (such as Google, Facebook and Netflix) has dramatically expanded the range of choices for audiences, both in terms of the content available, and how it can be consumed. Key trends include audiences spending more time online, greater use of smartphones to access content (including news), and growth in use of on-demand catch-up services (**Figure 5**). Moreover, unlike radio and television broadcasts, the delivery of digital content, can be tailored to the individual user.

**Figure 5** – Changes in audience behaviour.



Sources: <sup>1</sup>Australian Video Viewing Report (Q4, 2017); <sup>2</sup>Screen Australia, Online & On Demand 2017: Trends in Australian online viewing habits; <sup>3</sup>The Infinite Dial Australia 2018; <sup>4</sup>Digital News Report 2018,

Today's new digital distribution platforms have created competitive pressure on commercial, community and national broadcasters alike. Technological changes have dramatically shifted the media marketplace, fragmenting audiences, and allowing new international providers to exploit scale in borderless markets. Today's media landscape is characterised by:

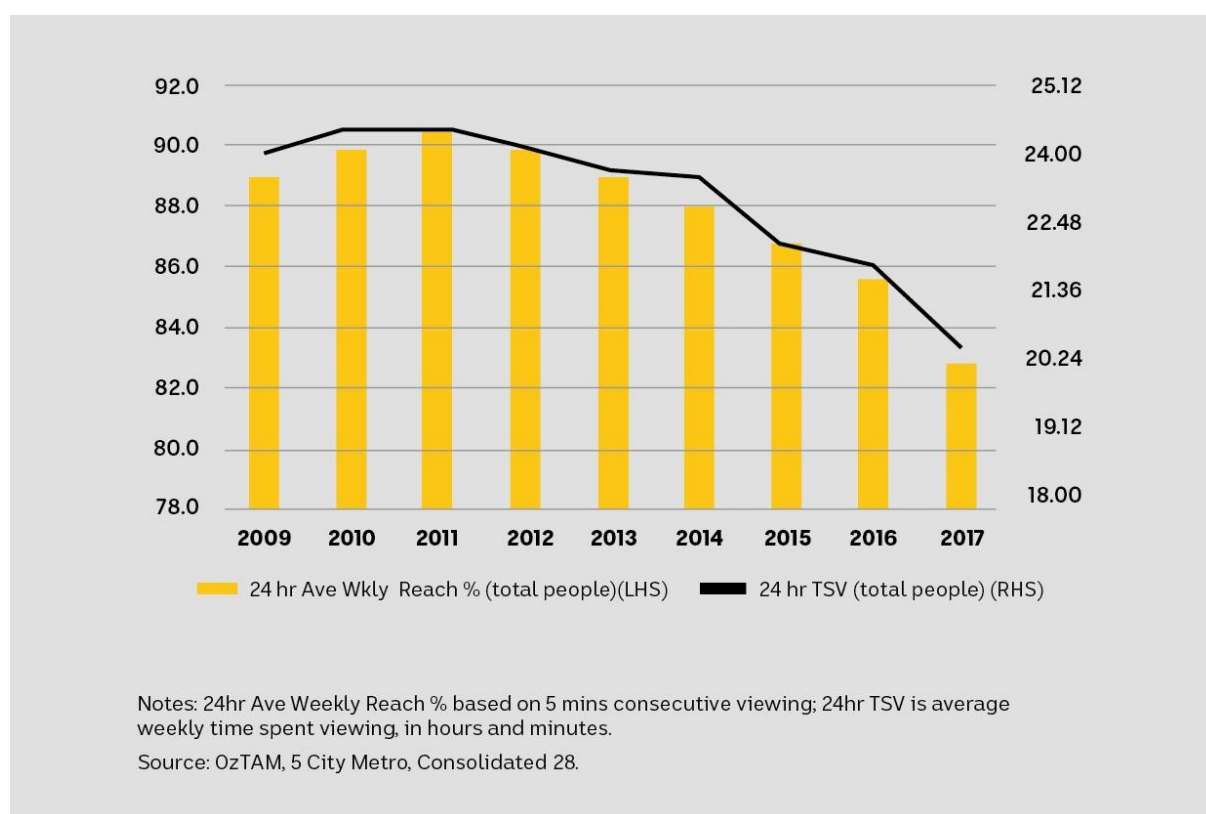
- audiences that enjoy a dramatic increase in choice and availability of content;
- rising audience expectations for high production values which drive up production costs; and
- increasing global use of audience insights data to tailored programming.

In this environment, traditional broadcasters have experienced a decline in reach and relevance. In Australia, total television reach has declined from a high of 89% in 2009 to 83% in 2017 (**Figure 6** - Decline in average weekly reach and time spent watching television). The decline has been sharper for younger audiences — for example, amongst 18-24 year old audiences, television reach has declined from 79% to 64% since 2011, and this decline is expected to accelerate.



Viewers are also watching less broadcast television. Today, viewers watch around 3 fewer hours of broadcast television per week than they did in 2009. Younger viewers in particular are large consumers of on-demand catch-up television services. For example, the 18-24 year old age group spends more time watching online video (including broadcast television and streamed services such as Video on Demand (VOD) services and YouTube) than any other age group.

**Figure 6** - Decline in average weekly reach and time spent watching television.



**Notes:** 24hr Ave Weekly Reach % based on 5 mins consecutive viewing; 24hr TSV is average weekly time spent viewing, in hours and minutes.

**Source:** OzTAM, 5 City Metro, Consolidated 28.

The shift of audiences online has also affected traditional commercial business models. Most significantly, it has led to a material increase in the share of online advertising (as a proportion of the total) in the last decade, largely at the expense of print advertising. Digital platforms, such as Google and Facebook, capture a large share of the online advertising market; by some estimates this share is over three-quarters of revenue in 2016.<sup>12</sup> Submissions to the ACCC's current inquiry into digital platforms have highlighted online advertising as a driving factor placing pressure on commercial media companies.

The history of the ABC has been one of adapting to audience trends and technological innovation. The ABC has a long-established online presence including the Video-on-Demand service, ABC iView, and a range of websites and apps delivering television, radio and news content and, more recently, a suite of successful podcasts.

<sup>12</sup> Australian Competition and Consumer Commission, *Digital Platforms Inquiry – Issues Paper* (26 February 2018); See **Attachment B**, s 3.3.5.

As recognised in the Australian Government's Convergence Review in 2010, the ABC was among the first in Australia to embrace digital technologies and new platforms, being the first Australian media organisation to introduce podcasts (late 2004), and launching iView in July 2008.<sup>13</sup> To maintain reach and relevance, the ABC has invested in new ways to leverage new technology and new platforms to better serve its audience.

Digital transformation creates new opportunities to produce high quality, innovative and comprehensive content that contributes to the Australian identity and informs, entertains, educates and reflects the cultural diversity of the Australian community. The ABC strives to be at the forefront of media changes to remain a trusted source of Australian conversations, cultures and stories. In circumstances where audiences are increasingly consuming content online, the ABC seeks to ensure that its publicly-funded content is accessible by all Australians.

In 2013, amendments to the ABC's Charter were passed on a bipartisan basis to ensure the continued provision of digital media services by the ABC.

Today, the ABC is engaging with digital audiences through distribution of content on its own and third-party platforms. In accordance with its Charter obligations, the ABC is focussed on efficiently engaging through platforms that have the broadest audience reach.

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<sup>13</sup> Department of Broadband, Communications and the Digital Economy, *Convergence Review, Final Report* (2012) xv.

## 02 ABC and the principles of competitive neutrality

- Formal Commonwealth competitive neutrality policy, as outlined in the 1996 Competitive Neutrality Policy Statement, only applies to the activities of Commonwealth entities that meet specific criteria in relation to Business Activities, Significant Activities and Public Interest.
- The ABC is generally not subject to direction by, or on behalf of the Government including policy statements like the 1996 Competitive Neutrality Policy Statement. However, the ABC supports the policy's underlying principles and has always sought to comply with the policy in relation to its Business Activities.
- The 1996 Competitive Neutrality Policy Statement does not apply to the activities of the ABC outside those undertaken by ABC Commercial. In line with its Charter, the ABC does give regard to the impact of its activities on the commercial and community sectors.
- In assessing the extent to which the national broadcasters have acted in accordance with general principles of competitive neutrality, the Panel should be guided by the following principles:
  - Competitive neutrality does not require that government entities should not compete with the private sector;
  - The legislated scope of the ABC Charter is not within the terms of reference of the Inquiry; and
  - The ABC is required to fulfil an important public service mandate, and using transparent government funding to fulfil this mandate is not inconsistent with competitive neutrality.
- Broad public interest – including but not limited to principles of economic efficiency – should be the primary focus of the Inquiry.

**2.1 The ABC and Australian competitive neutrality policy** In Australia, Commonwealth, state and territory governments committed to implement competitive neutrality regimes in the 1995 *Competition Principles Agreement (CPA)*. For Commonwealth entities, this commitment was implemented in the Commonwealth's 1996 Competitive Neutrality Policy Statement (**CN Policy Statement**) and the 2004 Competitive Neutrality Guidelines for Managers (**Guidelines for Managers**). The key policy objective outlined in the CN Policy Statement is:

*that government business activities should not enjoy net competitive advantages over their private sector competitors simply by virtue of public sector ownership.*

Formal Commonwealth competitive neutrality policy, as outlined in the CN Policy Statement, only applies to the activities of Commonwealth entities that meet each of the following criteria:



- **Business Activities.** To be considered a Business Activity the following criteria must be met:
  - there must be user-charging for goods or services;
  - there must be an actual or potential competitor; and
  - managers of the activity have a degree of independence in relation to the production or supply of the good or service and the price at which it is provided.<sup>14</sup>
- **Significant activities.** Only ‘significant’ Business Activities are subject to the policy. Broadly, this includes activities of an entity with a commercial turnover of at least \$10m per annum as well as a range of entities which are deemed to be significant.<sup>15</sup>
- **Public interest.** The CPA only requires that Australian Governments apply competitive neutrality principles to the extent that the benefits of implementation outweigh the costs.

Complaints from commercial organisations about unfair competition in relation to Commonwealth government entities are heard by the Australian Government Competitive Neutrality Complaints Office (**AGCNCO**). This is a unit within the Productivity Commission which receives and assesses complaints and makes recommendations to the government following its own investigations. The ABC considers that any further regulation in this respect, for example, by extending the role of the ACMA to consider issues relating to competitive neutrality and the national broadcasters, is unnecessary in light of the existing complaints mechanism. It is a fundamental tenet of sound policy development to only impose additional regulation where deficiencies with the current arrangements have been clearly identified. In the present context, any proposals to give ACMA extra powers to regulate the ABC is unwarranted. There is also a risk that such additional regulation may have the effect of undermining the ABC’s independence as the ACMA is subject to Ministerial direction.<sup>16</sup>

The ABC is generally not subject to direction by or on behalf of the Government, including policy statements such as the CN Policy Statement.<sup>17</sup> However, the ABC supports the principles underlying competitive neutrality policy and has always sought to comply with the Government’s policy in relation to its Business Activities. The ABC acts in accordance with the CN Policy Statement in relation to its Business Activities in the same way that other government entities do, in that:

- **Parties can make complaints to AGCNCO about unfair competition from the ABC.** This was demonstrated in 2000 when a complaint was brought against the ABC over the commercial activities of its studio rentals business (**ABC Productions Facilities**). The ABC cooperated with the Productivity Commission in its investigation of the complaint. The investigation found that no further action was required to be taken by the ABC because there was no contravention of competitive neutrality policy in the

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<sup>14</sup> Above n 2, 7.

<sup>15</sup> Above n 2, 8.

<sup>16</sup> *Australian Communications and Media Authority Act 2005* (Cth) s 14.

<sup>17</sup> *Australian Broadcasting Corporation Act 1983* (Cth) ss 78(6), 78(7).

commercial activities of ABC Productions Facilities.<sup>18</sup> This is the only complaint made to the Productivity Commission about the ABC.

- **ABC Commercial's operations are conducted in accordance with the Competitive Neutrality Guidelines for Managers.** As outlined in section 2.2 in more detail, ABC Commercial has mechanisms in place to ensure that its activities do not have competitive advantages over private competitors with respect to principles of taxation neutrality, debt neutrality, regulatory neutrality, rate of return and cost allocation.

The Government's competitive neutrality policy, as outlined in the CN Policy Statement, does not apply to activities of the ABC outside of those undertaken by ABC Commercial. The ABC's broadcasting services and its own digital services (e.g. ABC iView and the ABC News website) do not involve user charging and so do not constitute Business Activities for the purpose of the CN Policy Statement.

## 2.2 Application of competitive neutrality principles to ABC Commercial's activities

ABC Commercial has operated in various forms for more than 40 years. ABC Commercial's primary purpose is to generate revenue for the ABC that can be applied to its Charter activities. It does so through five key business areas (Figure 7).

Figure 7 – Business areas of ABC Commercial.

Content Sales & Distribution	Music	Publishing	Retail	Studio Media Productions
<ul style="list-style-type: none"> <li>Represents the television, digital, and DVD program catalogue of the ABC, as well as programs sourced from independent producers in Australia and internationally.</li> <li>Sale of content across genres in multiple formats globally to broadcasters, digital platforms, producers, distributors, corporate, government and education sectors, as well as home viewers.</li> <li>Business partners include Netflix, Stan and iTunes.</li> </ul>	<ul style="list-style-type: none"> <li>ABC Music is Australia's largest independent record label.</li> <li>Offers digital and physical music content to global service providers.</li> <li>Genres include children's, country, compilations, blues &amp; roots, jazz, alternative and classical (ABC Classics).</li> </ul>	<ul style="list-style-type: none"> <li>Books and magazines for children and adults in print and digital formats.</li> <li>Partnerships held with HarperCollins Publishers Australia.</li> </ul>	<ul style="list-style-type: none"> <li>Established as a fully functioning e-commerce operation in 1998. ABC Shop Online provides a physical product offering online servicing customers within Australia and internationally.</li> <li>Sale of DVD, Books, Music, Toys, clothing, merchandise and games through the ABC Shop website.</li> </ul>	<ul style="list-style-type: none"> <li>The ABC owns production facilities and equipment and employs staff to produce television programs for broadcast on its network.</li> <li>These production facilities and labour can be hired by other film and television producers on a commercial basis subject to ABC operational needs.</li> </ul>

<sup>18</sup> Commonwealth Competitive Neutrality Complaints Office 2000, *ABC Production Facilities, Investigation No. 4*, AusInfo, Canberra < <https://www.pc.gov.au/inquiries/completed/abc-production/report4.pdf> >.

ABC Commercial currently meets the threshold for being a ‘significant business activity’ under the Guidelines for Managers. The ABC’s Finance Division has undertaken a review to determine whether ABC Commercial operates with a competitive advantage in any of the five areas identified in the Guidelines for Managers:

- taxation neutrality;
- debt neutrality;
- regulatory neutrality;
- rate of return allocation; and
- costing of shared resources.

The results of this review are summarised in Attachment E which demonstrates that ABC Commercial operates in a manner that is consistent with the CN Policy Statement.

ABC Commercial also sets the pricing for services it operates at market rates:

- ABC Commercial does not offer products at less than market price on ABC Shop Online.
- ABC Commercial charges for content distribution in accordance with market rates set through contracts held with industry leaders, (including Netflix, Stan, Apple etc.). Revenue from these contracts is based on content quality and is driven by the customers and their purchasing requirements.
- Studio Media Production’s (SMP’s) policy is to set labour costs in accordance with known industry/market rates. SMP’s pricing is allocated a share of overheads on a pro-rata basis.

The analysis undertaken shows, ABC Commercial operations currently adhere to the principles of competitive neutrality in all areas that have been identified as areas of potential advantage in the Guidelines for Managers.

## **2.3 The general principles of competitive neutrality**

The Terms of Reference for the Inquiry state that:

*“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”.*

In order to undertake an analysis of these matters, it is important to be clear what is meant by the ‘general principles of competitive neutrality’ and how they apply to the activities of the public broadcasters in Australia.

As outlined in section 2.1, formal Commonwealth competitive neutrality policy in Australia only applies to a defined set of ‘significant Business Activities’ by Commonwealth government entities. This formal policy, if applied to the ABC, only relates to the commercial activities of the ABC, which are conducted through ABC Commercial.

It is clear from the Issues Paper that the Panel will assess a broader range of issues than whether or not the national broadcasters have operated in a manner consistent with formal competitive neutrality policy in relation to their Business Activities as defined in the CN Policy Statement. The Issues Paper discusses a range of broad trends in media markets and refers to the fact that “*commercial media companies have raised concerns about the impact on competition of the activities of the national broadcasters*” and describes these complaints as being centred “*around the broad principles of competitive neutrality*”.<sup>19</sup> This broad frame of reference and the generality in which the concerns of commercial broadcasters have been described, renders the concept of competitive neutrality difficult to define, respond to and operationalise.

In assessing whether national broadcasters have operated in a manner consistent with the general principles of competitive neutrality in a broader sense, the ABC considers that the Panel should be guided by the following principles:

- **Competitive neutrality does not require that government entities should not compete with the private sector.** It has been suggested that in order to be consistent with competitive neutrality principles, the ABC should only deliver content that cannot be easily provided by the commercial and community sectors, i.e. that it should function solely as a ‘market failure’ broadcaster.<sup>20</sup> This position is inconsistent with a proper understanding of competitive neutrality policy and the public purpose Charter obligations of the ABC. Competitive neutrality is a tool designed to improve competition, for the benefits of consumers and the public more broadly, by ensuring that government entities do not have net competitive advantages by virtue of their government ownership. Competitive neutrality is not designed to shield private entities from actual or perceived competition from government-owned entities. The proposition that the ABC should function as a ‘market failure’ broadcaster is also inconsistent with the principle that competition drives choice and innovation to the benefit of audiences.

The ABC considers that competitive neutrality principles should not be used as a tool for protectionism; any attempt to curtail the activities of actual or perceived government-owned competitors would run contrary to those principles. As noted in the CN Policy Statement, “*Competitive neutrality does not imply that government businesses cannot be successful in competition with private businesses. Government businesses can achieve success as a result of their own merits and intrinsic strengths, but not as a consequence of unfair advantages flowing from government ownership*”. As the application of competitive neutrality policy is predicated on there being a continued level of competition between government entities and private businesses, there is no basis on which to consider that it requires any competitive overlap to be eliminated.

- **The ABC Act and Charter reflect the scope of activities to be undertaken by the ABC; the appropriateness of that scope is not within the terms of reference of this inquiry.** The current ABC Charter, introduced in 1983, establishes the functions of the ABC and the scope of those functions. The Charter has been subject to a number of explicit reviews since its introduction. The Terms of Reference for the review of the

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<sup>19</sup> Above n 12, 7.

<sup>20</sup> See e.g., James Paterson, ‘ABC exists for market failure, not to be media conglomerate’, *The Financial Review* (online), 27 May 2018 <<https://www.afr.com/opinion/columnists/abc-exists-for-market-failure-not-to-be-media-conglomerate-20180527-h10lc7>>.

ABC conducted by Bob Mansfield in 1996 were to make recommendations on “*the future role and functions of the ABC*” and the report of that inquiry made a number of specific recommendations relating to the ABC Charter. The ABC considers that an assessment of this nature is not within the Terms of Reference of this Inquiry, nor is it necessary to undertake such an assessment in order to determine whether the activities of the ABC are consistent with the general principles of competitive neutrality.

- **In assessing whether the ABC operates with any ‘net competitive advantages’ by virtue of government ownership, the Panel should have regard to various legislative restrictions on the ABC’s activities.** Competitive neutrality policy is only concerned with circumstances where government entities operate with an overall competitive advantage over private sector competitors. This requires an assessment of the totality of advantages and disadvantages that a government-owned enterprise has as a result of government ownership in its particular circumstances. For example, it would be incorrect to regard the ABC as necessarily engaging in ‘unfair’ competition where it supplies content produced using its government funding, because it also faces legislative restrictions on its ability to commercialise its content due to advertising prohibitions in the ABC Act.<sup>21</sup> It must also deliver all Charter requirements within the triennial funding provided by the Commonwealth (together with a small amount of revenue from ABC Commercial) and does not have flexibility to cease fundamental Charter activities.
- **The ABC has an important public service mandate, which it is required to fulfil** As noted in the CN Policy Statement, “*Competitive neutrality does not require governments to remove community service obligations (CSOs) from their government business*”.<sup>22</sup> The CN Policy Statement, consistent with OECD practices in relation to public service obligations,<sup>23</sup> suggests that it is appropriate for these obligations be funded directly through transparent budget mechanisms.<sup>24</sup>

In the case of the ABC, the Charter reflects a form of community service obligation that the ABC is required to perform. This includes an obligation to provide “*innovative and comprehensive broadcasting services of a high standard*” and to provide “*broadcasting programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community and... broadcasting programs of an educational nature*”. The ABC does not violate principles of competitive neutrality by accountably using its transparent budget funding to fulfil the public policy objectives in this legislated mandate.

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<sup>21</sup> *Australian Broadcasting Corporation Act 1983* (Cth) s 31.

<sup>22</sup> Above n 2, 5.

<sup>23</sup> The Organisation for Economic Co-operation and Development, ‘Competitive Neutrality, a compendium of OECD Recommendations, Guidelines and Best Practices Bearing on Competitive Neutrality’ (2012).

<sup>24</sup> Above n 2, 5.

## 2.4 Interaction between general principles of competitive neutrality and the ABC Charter

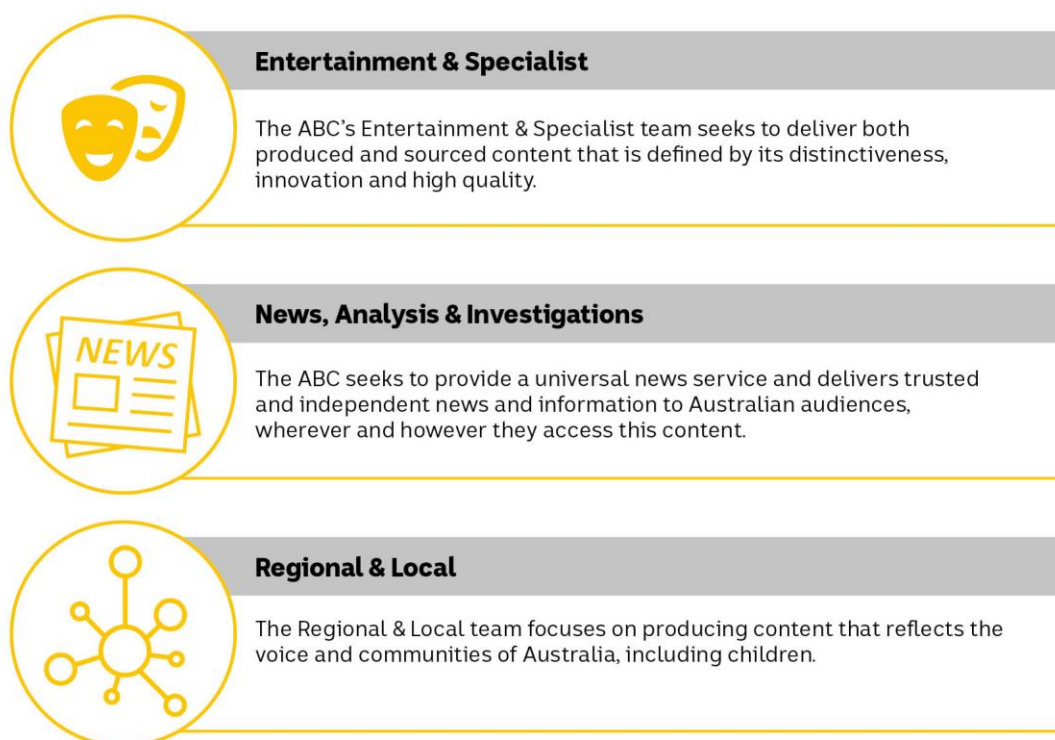
The ABC considers that the Government's competitive neutrality policy does not apply to its non-commercial activities. However, in line with its Charter obligations, the ABC does give appropriate regard to the impact of its activities on the commercial and community sector in its broader content activities and does not use its government funding to compete unfairly for content or audiences. This is consistent with the requirements in the ABC Charter that the ABC 'take account' of the broadcasting services provided by the commercial and community sectors.

The requirement that the ABC take account of services provided by the commercial and community sector does not require the ABC to make decisions solely based on assessments of the impact of its activities. The ABC has a range of obligations under its Charter, including content obligations, and the requirement cannot be seen as requiring that the ABC refrain from undertaking any activities which might be said to have a potential impact on the commercial and community sectors.

The ABC's content strategy is driven by principles which include striving to ensure that its content is of a high quality and distinctive as compared with the service offerings of the commercial and community sectors. The ABC's approach to creating and sourcing content is the same in respect of its broadcast and digital activities.

Under its current organisational structure, the ABC creates and sources content in three main areas, each of which is governed by the same guiding principles shown in **Figure 8**:

**Figure 8** - ABC guiding principles



Further descriptions of the way in which each of these teams source, produce and deliver content, including specific examples of how each of these areas of the ABC produce content

and the ways they take into account the commercial and community sectors in their activities, are provided in section 3.

## 2.5 Principles for considering competition in the market

The ABC considers that the Panel's guiding principles on competition outlined in the Issues Paper are well expressed and will usefully inform the Panel's analysis.

In particular, the ABC agrees that broad public interest should be the primary focus of the Inquiry rather than the interests of any particular sector or organisation. While competition is important for consumer choice and innovation, it is of critical importance that the Panel take into account a broader range of public interests rather than principles of strict economic efficiency. This approach is particularly important given the context in which successive Australian governments have funded and supported the national broadcasters. Nevertheless, the ABC recognises that competition is an important tool for promoting innovation and consumer choice, including in the media sector.

The ABC agrees that transparency on the part of government entities is important. Transparency can help to build public confidence that government entities are meeting their obligations and properly implementing policies. However, the ABC considers that effective complaints-handling mechanisms can be an equally effective way to ensure confidence in its activities. Where the overarching assumption is one of compliance with obligations, such mechanisms have some advantages over formal monitoring and reporting functions, which create ongoing compliance costs and inefficiencies. The ABC notes that the effectiveness of the existing complaints-handling policy in relation to competitive neutrality, through the AGCNCO, is currently being assessed as part of the Government's review of the CN Policy Statement.

The Issues Paper states that the recommendations of the Harper Review "*suggests application of competitive neutrality principles to the national broadcasters as the market forces alter the media landscape*".<sup>25</sup>

The ABC can find no foundation for this suggestion in the Harper Review.

The Harper Review conducted a very detailed analysis of competitive neutrality policy, which included concerns raised by businesses in "*insurance, transport, energy, telecommunications, health, commercial land development, construction, accommodation, waste collection, printing, legal services, agriculture, tourism, childcare and education*". The Harper Review was described by Treasury as "*the most comprehensive review of Australia's competition institutions, policies and laws in a generation*".<sup>26</sup>

At no point in the Harper Review Final Report was the application of competitive neutrality to the free-to-air or non-commercial digital activities of the national broadcasters discussed, nor were the activities of the national broadcasters the subject of complaints about competitive neutrality as part of that process. None of the Harper Review's three specific recommendations

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<sup>25</sup> Above n 19, 12.

<sup>26</sup> Australian Government, *Review of the Commonwealth Government's Competitive Neutrality Policy – Consultation Paper* (March 2017) 4.

in relation to competitive neutrality related to the national broadcasters or suggested that non-Business Activities should be subject to competitive neutrality policy.

While the ABC supports the principles of competitive neutrality and strives to comply with them in its Business Activities, it should not be suggested that the Harper Review recommended that competitive neutrality be applied to the free to air broadcasting and associated non-commercial digital activities of the ABC. The relevant recommendation in the Harper Review was confined to 'Government business activities' which is clearly understood in the context of competitive neutrality policy to involve circumstances in which there is a user paying for services, even if the relevant government activity is 'not for profit'.



## 03 The ABC and commercial content providers

- Across its activities, the ABC is guided by its Charter obligations rather than any commercial imperatives to attract advertising revenue. The ABC's *Investing in Audiences* strategy aims to create distinctive, unique content taking into account the service offerings in the commercial and community sectors.
- The ABC operates as an innovator and a supporter of local production industries which has broader benefits to all parts of Australia's creative industries. ABC innovations include its Double J and triple j Unearthed digital radio services, ABC KIDS Listen, and the ABC Audio Studio.
- The ABC's Entertainment and Specialist Division undertakes a rigorous editorial assessment of the content it commissions against the ABC Charter and *Investing in Audiences* strategy. This approach ensures that ABC content is distinctive, relevant and of value to the Australian public.
- The ABC also acquires content through its Entertainment and Specialist Division from third parties. The value of an acquisition is assessed by considering how well the content complements the ABC's commissioned content, the distinctiveness of the content, audience preferences and value for taxpayer money. The ABC does not bid for content if it does not fulfil the ABC content strategy.
- The ABC Charter requires the national broadcaster to maintain an independent news service. ABC News, Analysis and Investigations provides trusted, independent and verified facts and information. The News team produces content that ensures broad coverage, distils complex issues in context, and promotes public interest through in-depth investigative journalism.
- Free from commercial considerations, the ABC maintains trust from its audience with more than 80% of Australians trusting the ABC.<sup>27</sup> According to a 2018 Roy Morgan survey, the ABC is Australia's most trusted media organisation.
- The ABC fulfils its public mandate to provide a comprehensive news service through ABC NEWS - the only 24-hour news service on free-to-air television – and ABC digital news services. Rather than crowding out commercial news audiences, the ABC helps break major news stories that form the basis of coverage by other media organisations, and further public scrutiny.
- The ABC creates distinctive content reflecting the voices of Australians through its dedicated Regional and Local Division. The ABC's regional focus ensures the national broadcaster's presence in remote corners of Australia that are rarely the subject of media coverage from other organisations.

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<sup>27</sup> Australian Broadcasting Corporation, 'Efficient, Trusted, Valued' (Efficiency Paper 2018) [http://about.abc.net.au/wp-content/uploads/2018/02/FINAL\\_all\\_abc\\_Efficiency\\_Paper\\_A4\\_Final-Amended.pdf](http://about.abc.net.au/wp-content/uploads/2018/02/FINAL_all_abc_Efficiency_Paper_A4_Final-Amended.pdf).

Guided by its *Investing in Audiences* strategy (see **Attachment D**), the ABC aims to create distinctive, unique content in all of its activities, and therefore explicitly and effectively ‘takes account’ of the services provided by the commercial and community broadcast sectors, in accordance with its Charter. Across its activities, the ABC is guided by Charter obligations rather than any commercial imperatives to copy successful programs or formats broadcast by other Australian content providers or to win audience or market share from other providers. The ABC strives to create high-quality, innovative and comprehensive content which will be of interest to either broad or specialised segments of the Australian population. However, its influence on the broader market in this respect is primarily beneficial as it operates as an innovator and a supporter of local production industries, which has broader benefits to all parts of Australia’s wider creative industries.

This section discusses, in more specific detail, the ways that the ABC takes into account the commercial and community sectors in its content activities, across each of its three main content areas – Entertainment & Specialist; News, Analysis & Investigations; and Regional & Local.

### **3.1 Entertainment and Specialist content**

The Entertainment and Specialist (E&S) Division commissions content to be produced (internally and externally) and acquires content from distributors. Externally commissioned content is where the ABC fully or partly funds production or contributes a licence fee (and equity in some cases), has editorial oversight, and where the ABC’s funding contributes to the finance plan for the production of the program. All produced content, internal or external is subject to a commissioning process. By comparison, acquired programs are already completed. As a result, the ABC pays a licence fee only and generally does not have any creative input other than editing for compliance with ABC Editorial Policies.

Commissioned content is focussed on engaging younger and new audiences whilst maintaining appeal for its existing, loyal audiences. Commissioning Australian content is the ABC’s priority and its acquisition strategy is focussed on how best to complement the Australian content that has been commissioned. The process for each is discussed below.

#### **(a) E&S content commissioning**

As with all of the ABC’s content activities, the E&S’s content commissioning strategy is driven by the Charter imperative to produce innovative, high-quality and distinctive content. Distinctiveness for the ABC is defined specifically by reference to content that is distributed by other suppliers, including by those in the commercial and community sectors. Underpinning all commissioning decisions is a commitment to providing relevant and valued content for all Australians, that reflects the culture and community of the population.

When commissioning content, the ABC assesses the editorial aspects, costs, target audience, and the alignment with the *Investing in Audiences* strategy and the associated KPIs. Fundamental to this assessment is a ‘distinctiveness test’ which contemplates and analyses whether similar content is being produced by other content providers. There are many examples where the ABC has considered commissioning programs that ultimately did not proceed because either in the development phase, or sometimes after the production of a pilot,

it becomes apparent that the programs would be too similar in execution to existing commercial programs.

While both the ABC and commercial operators aim to deliver programs that entertain, the way they achieve this is different, reflecting their different audience priorities and content drivers. Examples of the different approaches of the ABC television services and commercial networks, and ABC radio services and commercial networks, to commissioning various genres of entertainment programming are shown in **Table 1** and **Table 2**, respectively.

**Table 1** – Comparison of differences in approaches between the ABC television services and commercial broadcasters to major types of entertainment content.

Genre program format	Comparison of ABC television services and commercial broadcaster approaches.
<b>Reality TV and mainstream sports</b>	Programming in these genres drives a significant proportion of commercial television revenues and audiences. For example, every one of the top 20 programs on commercial free-to-air (FTA) television in 2017, measured by total metropolitan audience, were in these genres. <sup>28</sup> The ABC does not broadcast these genres. This approach reflects the ABC's distinctive content offering taking into account that these services are already offered by the commercial broadcasters.
<b>Lifestyle programming</b>	Lifestyle programming, including cooking, travel and home or garden is a staple of commercial television (e.g. <i>Better Homes and Gardens</i> , <i>Kitchen Rescue</i> , <i>Getaway</i> ).  The ABC does do some lifestyle programming (e.g. <i>Gardening Australia</i> and <i>Dream Gardens</i> ). However, the emphasis of these programs is educational and personal stories. ABC lifestyle programming does not feature commercial sponsorship or cross-promotion and therefore is not competing with commercial operators on a revenue basis.
<b>Quiz / game show</b>	The ABC broadcasts a number of quiz shows such as <i>Hard Quiz</i> , <i>QI</i> and <i>Think Tank</i> . Contestants on these programs do not receive large cash prizes. This is a clear difference in focus to quiz or game shows on commercial networks such as <i>Family Feud</i> , <i>Millionaire Hot Seat</i> and <i>The Chase</i> where large cash prizes and sponsorship tie-ins are integral to driving audiences and therefore advertising dollars to networks.

<sup>28</sup> Arvind Hickman, 'AdNews Analysis: The top 20 TV shows of 2017', *AdNews* (online), 1 February 2018 <<http://www.adnews.com.au/news/adnews-analysis-the-top-20-tv-shows-of-2017>>.

<b>Short-format comedy programs (&lt;30 minutes)</b>	<p>The ABC broadcasts a diverse range of these programs including on its primary channel (for example <i>Shaun Micallef's Mad as Hell</i>, <i>The Weekly with Charlie Pickering</i>, <i>Black Comedy</i>, <i>Squinters</i> and <i>Back in Very Small Business</i>).</p> <p>Commercial broadcasters tend not to commission scripted comedy in the half hour format, choosing instead to prioritise longer-running programs in prime time. Reality or competition formats that extend over traditional scheduling junctions allow commercial broadcasters to retain their audiences throughout the night, which impacts positively on their advertising revenue.</p> <p>The ABC, without having to consider commercial outcomes, has a higher willingness to take risks on new and established talent alike to broadcast a diverse slate of short format comedy programs. This offers audiences an alternative and complementary offering to the commercial networks reality and competition formats.</p>
<b>Movies</b>	<p>Movies account for a significant proportion of FTA prime time programming. For example, more than 20% of Channel 9's prime time programming in 2017 was movies. Movies may be attractive to commercial channels as they are long-format programs which keep an audience for a sustained period of time. Movies are rarely shown in prime time on the ABC; they accounted for less than 5% of its prime-time programming in 2017.<sup>29</sup></p>
<b>Consumer product / advertising analysis</b>	<p>ABC programs such as <i>Gruen</i> and <i>The Checkout</i> critically analyse commercial advertising and popular brands.</p> <p>These programs are among the ABC's most popular and resonate well with its audience; they would be all but impossible for a commercial broadcaster to produce as they target and critically examine the very advertisers that commercial operators depend upon. These are programs that only the ABC could make.</p>
<b>Premium drama</b>	<p>The ABC strives to source and commission premium Australian drama that can stand alongside the very best drama from around the world (e.g. <i>Mystery Road</i>, <i>Harrow</i>). Whereas commercial networks are focussed solely on domestic audiences to deliver advertising revenues, the ABC can take risks on stories that not only resonate domestically but which can showcase the best of our Australian talent to the world. This differentiation results in complementary programming with commercial networks tending towards lighter, relationship driven dramas and the ABC tackling more serious subject matter, including dramas about great and iconic Australians (e.g. <i>Mabo</i>) or stories that chronicle our social</p>

<sup>29</sup> See Attachment B, Figure 4.

	history (e.g. <i>Riot</i> ) that would otherwise have very limited appeal for commercial operators.
<b>Specialty genres (e.g. science, arts, religion)</b>	The ABC is required under its Charter to broadcast programs of an educational nature and to balance programs of wide appeal with specialised broadcasting programs. In pursuing this mandate the ABC broadcasts a range of programs such as <i>Catalyst</i> , <i>Ask the Doctor</i> and <i>Stargazing</i> , which are not similar to the types of programs widely supported by commercial networks.

**Table 2 – Comparison of differences in approaches between the ABC radio and commercial broadcasters.**

<b>Network Genre</b>	<b>Comparison of the ABC radio broadcast services and commercial broadcaster approaches</b>
<b>Specialty genres (e.g. science, arts, religion)</b>	<p>Reflecting its Charter obligations, ABC Radio broadcasts a range of specialist genre programming. Radio National carries a wide variety of programs on specialist topics such as science, religion, arts and culture, law, health, history and economics.</p> <p>Commercial radio networks rarely broadcast specialist genre content of this kind. While some community stations provide some specialist programming to niche audiences, RN is unique in providing a national broadcast audience with highly-researched content across a wide variety of genres.</p> <p>Much of RN's specialist content is also made available to international audiences on our international service Radio Australia, which also carries programming aimed at Asia and the Pacific.</p>
<b>Talk radio – capital cities</b>	<p>ABC Radio maintains a local talk radio station in each of the capital cities. While commercial stations also broadcast talk formats with listener talkback, the ABC's capital city stations have a different approach guided by our commitment to 'inform, educate and entertain', which is also compliant with our editorial policies. Our engagement with listeners seeks to reflect a full range of community views, in preference to showcasing the opinions of presenters.</p> <p>ABC capital city radio also differs from commercial counterparts with dedicated national and international news and current affairs programs at key points of the day, in addition to local and state news and current affairs throughout its programming. The capital city radio networks also proudly support Australian music,</p>

	<p>always exceeding the self-imposed 35% target for Australian content..</p>
<b>Talk radio – regional Australia</b>	<p>ABC Radio broadcasts local talk services throughout regional Australia. Regional commercial broadcasters are largely music formats, whereas ABC regional stations are predominantly talk formats, focussing on interviews and talkback to give local audiences greater opportunities to engage. The ABC's regional stations also focus on providing comprehensive local and state news and carry relevant specialist regional news through Rural Reports.</p> <p>The ABC's local radio services deliver emergency broadcasting to affected communities during emergency events, providing information on 290 emergency events over the 2017/18 emergency season. The ABC maintains a dedicated emergency broadcasting team and provides specialist training to all local radio staff to ensure this important service is delivered effectively..</p>
<b>News</b>	<p>ABC News on Radio is required to broadcast (Federal) parliamentary proceedings during all sitting weeks. This equates to a minimum of twenty weeks each year and is an obligation unique to the ABC. At all other times, the service provides listeners across the nation with a dedicated rolling news service. This is also unique in the Australian radio landscape.</p>
<b>Sport</b>	<p>ABC Radio's Grandstand team provides live sports coverage on the ABC's capital city and regional radio stations each weekend. While sport is also covered by commercial broadcasters, the ABC provides a advertisement free alternative and also differentiates its coverage by including a higher number of women experts and commentators. This effort is supported by podcast-only programming aimed at female audiences such as Ladies who League and The Outer Sanctum.</p>
<b>Music Networks</b>	<p>The ABC broadcasts two national radio music networks, both clearly differentiated from the commercial music services, as well as three music stations available on digital radio and two streaming-only services.</p> <p>Classic FM is Australia's only national classical music network. While there are a number of community classical music stations, no other music network provides a national service. This is</p>

	<p>especially valued by music lovers in regional locations. Classic FM works closely with Australia's classical music organisations, including the state-based orchestras and opera companies, chamber ensembles, international competitions and festivals, bringing classical music performances to a wider audience through concert broadcasts. The network increasingly champions Australian music, including emerging composers and musicians.</p> <p>Classic 2 is a streaming only service, which focuses exclusively on Australian classical performers.</p> <p>triple j is Australia's only national youth music network, which also covers other issues of importance to young people, including current affairs on Hack and sex and relationships on The Hook Up. In addition to its focus on young Australians (the network has a target audience of 18-24 year-olds), triple j also differs from commercial broadcasters through its commitment to Australian music, and in the considerably broader range of contemporary genres included on its schedule. triple j plays at least 50% Australian music.</p> <p>The ABC also caters to audiences for jazz and country music, predominantly Australian through dedicated DAB+ stations.</p> <p>Double J and triple j Unearthed are discussed in detail elsewhere in this submission.</p>
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The significantly different focus of the ABC's content activities as compared with commercial broadcasters is analysed in detail in the RBB report, *The ABC and the Australian media market (Attachment B)*. This report concludes:

- The ABC's activities are significantly different from those of the commercial broadcasters. The ABC's television broadcasting generally focusses on different genres.
- The ABC has undertaken a number of significant initiatives that have substantially boosted its own audiences, either in the short term, or over longer periods. In most cases examined by RBB, the ABC's popular television broadcasts show either no significant change, or even an increase in the audiences of commercial broadcasters.
- Longer-term initiatives, such as the launch of the 24-hour ABC television News service, or additions to the iView platform, do not appear to have had a substantial adverse effect on commercial broadcasters' audience and revenues.

#### (b) E&S content acquisition

The value of an acquisition to the ABC is assessed by considering how well it complements the ABC's commissioned content slate in terms of genre and audience, how distinctive the content

is, and whether it represents good value for money. The other key consideration is the quality of the content.

Acquisition entails a bidding process against other content networks if they are seeking the same completed programs. A large proportion of content acquired by the ABC is of limited interest to commercial networks, for example religion, arts and educational content. In other genres, such as drama and natural history, there are occasions where the ABC does compete for acquired content. However, if the content is keenly desired by another broadcaster, the budgetary constraints and restrictions on the ABC's ability to commercialise content mean that the ABC's offer will, in such circumstances, likely be lower than the competitor's bid and won't be accepted. This is the case even for content that the ABC regards as core Charter content that is highly valued by its audience and therefore, which is valued highly by the ABC.

For example, the ABC sought to acquire the David Attenborough documentary series *Blue Planet II*. This was content that the ABC regarded as core to its Charter mission of educating audiences and as high-quality content that would be highly valued by its audience. The ABC made what was, by the ABC's standards, a very significant bid for this series; however, it was outbid by Channel Nine which broadcast the show in 2018.

There are many types of content that the ABC does not consider bidding for because it does not fulfil the ABC's content strategy, or because it does not meet the overall acquisition strategy of complementing the ABC's local content commissioning. For example, commercial channels are likely to pursue high-rating American content, including sitcoms and drama series, which historically has been acquired under long-term output deals with US TV networks. This type of content is not generally regarded as meeting the ABC's content strategy and distinctiveness requirement and so is generally not sought after by the ABC.

Other types of content are acquired by the ABC after an initial acquisition by commercial content providers, where that content has not been successful with the audience of that provider. For example, the Australian rights for a British television detective drama *Endeavour* were acquired by Channel 7. *Endeavour* did not enjoy ratings success on Channel 7 and the rights for a subsequent season were purchased by the ABC. The program was aired on the ABC, where it attracted a higher audience than it did on Channel 7. This is an example of the difference between the ABC and commercial channel audiences, and this difference informs both the types of content that the ABC seeks and the value it places on that content.

Foxtel has a number of strategic output agreements with international suppliers, such as BBC Studios, HBO and Disney, which often restrict the availability of content to the ABC. The ABC may take second-window rights after pay TV, for example drama content acquired from BBC Studios (such as *Call the Midwife*) which has previously aired in Australia on BBC First on Foxtel. While these programs are distinctive and highly valued by ABC audiences, they can only be viewed on free to air television at least 12 months after they have been to air in the UK.

The ABC content strategy does not differ when acquiring content for broadcast or digital platforms. Most of the acquired content that the ABC distributes digitally on iView is the same content as it acquires for broadcast on its free-to-air channels. The ABC does acquire a small amount of niche content that is only distributed through its digital platforms, and this content is subject to the same acquisition strategy as outlined above with respect to broadcast content.



**(c) ABC digital radio case studies: launch of new services**

Ever since the ABC's first broadcast in 1932, radio has been a central part of the ABC's mission. In addition to its extensive analogue radio network, the ABC has broadcast a comprehensive range of digital radio services since the launch of digital radio in 2009.

As with all of the ABC's content activities, the ABC strives to provide high-quality, innovative, distinctive radio content. This section outlines three digital radio stations that have been launched in recent years by the ABC – Double J, triple j Unearthed, and ABC KIDS Listen – and the way that the ABC took into account the interests of the commercial and community sectors in doing so.

**(i) Double J & triple j Unearthed**

triple j is the national youth broadcaster for young Australians. It aims to bring the “*latest, greatest music and stories that matter on radio (covering over 98% of the nation), online, on your phone, and in your hood for special events*”.<sup>30</sup> The service has been in operation for over 40 years.

The ABC launched Double J in April 2014. The concept behind Double J arose from feedback that the ABC had received from the Australian music industry and its audiences asking for a service that was a ‘grown up’ version of triple j.<sup>31</sup> The ABC has a history and relationship with triple j audiences; over time, parts of this audience felt that neither the ABC nor commercial radio were providing a station that catered to their interests. In addition to feedback from the ABC's audience, feedback from the music industry indicated that there was a generation of artists who had come through triple j but were not being played on commercial radio and who were also not being played anymore on triple j as their music style was less suited to the current youth audience on Triple j.

The ABC did not consider that this new service would have any impact on commercial radio stations for a number of reasons. Double J is available as a streaming service and is broadcast as a DAB+ digital radio service. DAB+ was established in five capital cities in 2009 and was only extended to Canberra, Hobart and Darwin in the past year. Double J does not compete with commercial FM radio music services as it is broadcast on DAB+ frequency, rather than the more popular FM band. Further, Double J was explicitly targeted at a gap in the commercial networks from the point of view of both audiences and the music industry. However, the ABC recognised that there was a possibility that this new service would have some overlap with audiences targeted by the community radio sector. As a result, the ABC actively consulted with community radio about their plans for the station prior to its launch. The ABC received feedback from the community radio sector that they would face potential loss of advertising opportunities if Double J sponsored music festivals and other live events. As a result, Double J made a decision that it would not regularly pursue presenting partnerships. Double J has since taken up a couple of editorial partnerships with festivals each year, however they are non-exclusive partnerships and they expect the festivals to still pursue sponsorship and content opportunities with their local community radio station.

In the 1990s, the ABC launched the Triple j Unearthed competition and later created a website ([triplejuneearthed.com](http://triplejuneearthed.com)), which allows independent Australian artists to create an artist page

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<sup>30</sup> triple J, *About triple J* (8 August 2017) <<http://www.abc.net.au/triplej/about-page/8651702>>.

<sup>31</sup> Australian Broadcasting Corporation, *Dawn of Double J* (30 April 2014) <<http://about.abc.net.au/2014/04/dawn-of-double-j/>>.

and upload their own music tracks. In 2011, the ABC launched a dedicated Triple j Unearthed digital radio station on DAB+. There are currently over 84,000 artists who have uploaded content to [triplejunearthed.com](http://triplejunearthed.com), with approximately 635 new artists per month submitting content. The website is very popular among the ABC's audience with, as of June 2018, approximately 600,000 page-views per month.

Triple j Unearthed is an example of a commitment by the ABC to innovative, Australian content which supports, complements and contributes to the broader Australian music industry. Music on Triple j Unearthed, which involves unsigned and up-and-coming artists, is by its very nature music that is not currently being broadcast on commercial stations. However, Triple j Unearthed provides an avenue for the Australian music industry to help identify and source new Australian talent and has been instrumental in launching the careers of many Australian musicians that have had broad commercial success including Missy Higgins, Flume, Courtney Barnett, RÜFÜS Du Sol, Tkay Maidza, Grinspoon, Killing Heidi, Stonefield and Japanese Wallpaper.<sup>32</sup> The ABC anticipates that approximately 65% of artists on the line up for Splendour in the Grass 2018 (a popular Australian music festival) were first discovered via Triple j Unearthed.

#### (ii) ABC KIDS listen

ABC KIDS listen is a dedicated radio station targeted at children aged 2 - 5 which launched in March 2018. It is a DAB+ station which is also able to be streamed on the ABC KIDS listen website and app. ABC KIDS listen provides Australian families with a safe space for their children to access educational and entertaining audio content.<sup>33</sup>

The ABC has a long history of engagement with children's content on radio. Generations of Australians listened to the *Children's Hour* and *The Argonauts Club* on ABC radio from the 1930's through to the 1970s. However, with the increasing popularity of television, the ABC eventually moved away from regularly scheduled children's programming on radio.

In recent years, with the popularity of radio enduring, and in the context of increasing concern among parents in relation to excessive 'screen time' the ABC decided that it was important to refocus on radio content for children. The ABC had a large library of historic content (including book readings and high-quality children's music) and the technical and creative capacity to produce a strong audio offering. Early research indicated that a children's service would be valuable to new and under-served audiences, especially in the outer suburbs of the capital cities. The ABC also recognised that parents of this audience would welcome an advertising-free service for pre-school aged children.

ABC KIDS listen aims "*to provide children aged 0-5 and their families with a way to access the music and stories they love in a trusted online environment. ABC KIDS listen cares about providing Australian families with a safe space for their children to access educational and entertaining audio content*".<sup>34</sup> Education and early learning is central to the philosophy of ABC KIDS listen. The station is committed to the Early Years Learning Framework<sup>35</sup> and thoughtful pedagogical approaches to programming and content. The station does not include

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<sup>32</sup> Above n 30

<sup>33</sup> ABC KIDS Listen, *ABC KIDS Listen: About* <<http://www.abc.net.au/kidslisten/about/>>.

<sup>34</sup> Ibid.

<sup>35</sup> Department of Education and Training, *Early Years Learning Framework* <<https://www.education.gov.au/early-years-learning-framework-0>>.

contemporary adult music adapted for children's audiences and does not play parenting content.

During preparation for the launch of the ABC KIDS listen station, the ABC became aware that another commercial digital radio channel had launched (Kinderling). Within the KIDS listen business case, the ABC explicitly considered the relevant commercial environment, including Kinderling. The ABC considered that the ABC KIDS listen service was sufficiently distinct from other commercial children's audio services generally and from Kinderling specifically. Whereas Kinderling markets itself as "*family radio made for kids and their grown ups*",<sup>36</sup> ABC KIDS listen does not include any material that is not aimed directly at children aged 0-5 years old and explicitly applies the Early Years Learning Framework to its content. Kinderling is aimed at a broader age range of 0-7 years and also hopes to attract 'family listening' through a music mix which includes 'music for all ages', 'grown-up songs' and parenting content for adult listeners. As a result, ABC KIDS listen and Kinderling each has a very distinct sound and sensibility. With a potential audience of around 1.8 million children aged 5 years or under in Australia, the ABC considers that there is sufficient space in the market for more than one kids-focussed radio station, and readily licences ABC content to Kinderling through ABC Commercial.

#### **(d) ABC Audio Studio / Podcasts**

Podcasts provide an example of where the ABC is driving innovation in the Australian creative audio sector and nurturing broader innovation within the industry.

The ABC has offered podcasts since late 2004 and was the first media organisation in Australia to embrace this format. Originally, its podcasts were radio programs that were broadcast in the linear schedule and reformatted as on-demand digital offerings. In 2017, ABC Audio Studios was launched with the aim to produce digital-first podcasts for audiences otherwise not serviced by the ABC, for example, families, lifestyle and comedy. It also acts as a 'hub' for audio content excellence for the rest of the ABC. Kellie Riordan, Manager of ABC Audio Studios, explained its fundamental principles:

*"It's about still having all those hallmarks of great journalism, beautiful storytelling, wonderful production but also thinking about where the audience gaps are, how we cater for those underserved audiences and how we think about digital distribution and delivery of that content".*<sup>37</sup>

Distinctiveness from commercial offerings is a key part of the commissioning process for ABC Audio Studios. Its commissioning process for new programs includes preparation of a business plan, which requires the program's Executive Producer to outline "*Competitive media analysis/distinctiveness*" for a proposed podcast. The commissioning process requires the

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<sup>36</sup> Kinderling Kids Radio, *About Us* <<https://www.kinderling.com.au/about-us>>.

<sup>37</sup> Australian Broadcasting Corporation, *Backstory: ABC Radio launches Audio Studios to lead the way in podcasting and broadcasting* (23 June 2017) <<http://www.abc.net.au/news/about/backstory/2017-06-23/abc-radio-launches-audio-studios/8648016>>.

project proponent to outline how the podcast aligns with the key pillars of the ABC's strategic plan: distinctive content, diverse voices and grow our digital reach.

The ABC actively collaborates and shares its knowledge with the developing podcast sector in Australia and fosters emerging participants through OzPod.<sup>38</sup> OzPod is an annual Australian podcast conference hosted by ABC Radio, initiated in 2016. It is open to all participants in the industry, including new starters and provides advice and insights into podcasting. The ABC conducted a podcast survey in 2017 in order to track and better understand podcast listening behaviours in Australia, the findings of which are shared with industry participants at OzPod.

### 3.2 News, Analysis & Investigations content

The Charter requires the ABC to provide programs that contribute to a sense of national identity and inform and entertain. Further, the ABC is required to develop and maintain an independent service for the broadcasting of news and information.<sup>39</sup> The ABC Board is charged with ensuring that the gathering and presentation by the ABC of news and information is accurate and impartial according to the recognized standards of objective journalism.<sup>40</sup>

The strategy driving the ABC's News, Analysis and Investigations Division (**ABC News**) is to provide trusted, independent and verified facts and information. As noted by the Select Committee on the Future of Public Interest Journalism: "*The ABC and SBS have proven themselves in opinion polls to be the Australian media organisations that are regarded as most trustworthy and reliable by the general public*".<sup>41</sup>

ABC News strives to take complex issues and explain them in an accurate and impartial manner and to provide comprehensive and timely information. A key objective of ABC News is to retain the trust of Australians and protect the quality and distinctiveness of its services. The ABC's

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<sup>38</sup> Australian Broadcasting Corporation, *OzPod 2017: Australian Podcast Conference*  
<http://www.abc.net.au/radio/programs/ozpod/>.

<sup>39</sup> *Australian Broadcasting Corporation Act 1983* (Cth) ss 6(1), 27.

<sup>40</sup> *Ibid* s 8.

<sup>41</sup> Senate Select Committee on the Future of Public Interest Journalism, *Future of Public Interest Journalism Report* (2018) 96  
<[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Future\\_of\\_Public\\_Interest\\_Journalism/PublicInterestJournalism/Report/c02](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Future_of_Public_Interest_Journalism/PublicInterestJournalism/Report/c02)> citing Essential Research 'Trust in Media' Report (4 October 2017)  
<http://essentialvision.com.au/?s=media+trust&searchbutton=Search>; quoting Public Journalism Report's Committee Hansard, 23 November 2017, 26.

Director of News, Analysis & Investigations, Gaven Morris, summarises the mission of the Division as producing content that is “*distinctive, original, quality, in-depth, impactful*”.<sup>42</sup>

The ABC News team produces content which provides extensive coverage, appropriate context and in-depth analysis. Three key factors inform the way the ABC delivers news:

- **Coverage:** the ABC has regional and metropolitan journalists throughout Australia and is able to provide news and information about any news, from breaking stories to more refined in-depth broadcast.
- **Context:** the ABC team focuses on telling the story from all angles and explaining complex issues.
- **In-depth:** the ABC’s commitment to public interest journalism has seen the ABC win multiple awards for its investigative journalism, coverage of major event and long-form stories.

The ABC aims to provide a news service that all Australians find relevant and can trust. Content created within the News Division is used for radio, television and online delivery thus ensuring that content that is created for a public purpose is shared efficiently with Australians and is available to them on their platform of choice. It does not seek to be a populist news service that pursues a large audience for the sake of it. The ABC News Division does not look at the activities of commercial providers and compete directly by copying popular formats or styles which attract large numbers of viewers. Instead, it provides a comprehensive service of national and international news and current affairs of a quality and breadth that is not offered by the commercial free-to-air broadcasting sector.

The ABC’s news service is not motivated by commercial considerations. Its investigative journalism aims to be distinctive and in the public interest. The result is that the ABC delivers a news service that Australians can trust. The ABC Corporate Tracking Programmer polls a nationally representative sample of Australians annually, asking them about their trust in the ABC and other media institutions and information providers. The ABC is more trusted than other media providers, with more than 80% of Australians trusting the ABC.<sup>43</sup>

This is consistent with a recent survey conducted by Roy Morgan found that the ABC was the most trusted media brand: “*Australians told us that their trust of the ABC is driven by its lack of bias and impartiality, quality journalism and ethics*”. By way of contrast, the survey also found that 47% of Australians distrust social media organisations.<sup>44</sup>

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<sup>42</sup> Gaven Morris, ‘The ABC of News in the Age of Fake – Lunch with Gaven Morris’ (Speech delivered at Melbourne Press Club, 10 May 2018) <<http://about.abc.net.au/speeches/the-abc-of-news-in-the-age-of-fake-lunch-with-gaven-morris/>>.

<sup>43</sup> Above n 8, 28.

<sup>44</sup> Michele Levine, ‘ABC most trusted, Facebook most distrusted’ *Roy Morgan* (online) 26 June 2018 <<https://www.roymorgan.com/findings/7641-media-net-trust-june-2018-201806260239>>.

#### (a) The ABC television news bulletin

ABC News at 7pm is the most watched program on ABC TV. The 7pm news focuses on telling stories with impact to ensure that the ABC's flagship news program is distinctive. Key considerations driving the delivery of the 7pm news are:

- **stories with impact:** focus on stories that matter, locally, nationally and internationally and provide context and analysis. At the local level the focus is on stories that affect people's lives;
- **knowing the audience:** connect through social platforms and reach out to local communities to ensure the ABC is telling stories with a diversity of faces, opinions and places;
- **the ABC's own stories:** the aim is to break the news at 7pm and focus on issues like infrastructure, cost of living pressures, development and community issues like health, schools and diversity, and cover crime with meaningful impact;
- **an integrated news hour:** ABC News at 7pm and 7.30 are separate programs, however, they work together to ensure audiences receive a comprehensive hour of news and current affairs that is integrated and not repetitive; and
- **reaching the regions:** as the ABC builds a bigger regional team, with television and shooting capacity across the country, the ABC aims to increase the number of stories from outside capital cities.

The ABC delivers an independent news service that is different in many respects from commercial news services. The ABC Editorial Policies team undertook a review of key morning (radio) and evening (television) news bulletins across commercial and other national news services over an eight-week period from 21 September 2017 to 13 November 2017.<sup>45</sup> The results of this report indicated the ABC story selection often substantially differed from those made by commercial newsrooms. In particular, the ABC offers considerably more international coverage than commercial stations and more stories on 'social policy' issues (health, transport, education etc.). This review found that the ABC is much less likely to cover celebrity news, human interest stories (such as minor mishaps), or include stories solely on the basis of spectacular footage.

#### (b) ABC News channel

The ABC's 24-hour news channel, ABC News channel, is an important part of the service and value that the ABC delivers to its audience. In an era of fast-paced news and information, the ABC News channel provides Australians with a comprehensive television news service, not just regular television news bulletins throughout the day. This service is critical at times of national and international significance as it enables the thorough and in-depth coverage that such events demand.

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<sup>45</sup> Jane Connors and Alan Sunderland, *ABC Editorial Policies 'Editorial Review 15: Diversity of Broadcast News Stories'* (March 2018) <<http://about.abc.net.au/wp-content/uploads/2018/03/DIVERSITY-OF-NEWS-STORIES-FINAL.pdf>>.

The ABC News channel is a means of ensuring the full breadth of content generated everyday by the ABC is available to ABC's national audience in a convenient and accessible program format.<sup>46</sup> Without a dedicated 24-hour news service, the ABC would not have a medium through which to broadcast important, but additional, news coverage. For example, the ABC News channel broadcasts coverage of state elections in other states and special events, like ANZAC Day, or services commemorating days of national significance, such as the Bali bombings service.

The ABC News channel is the only 24-hour news service on free-to-air television. The accessibility of the ABC News channel is significant given that only approximately one third of Australian households have access to subscription television which included the 24-hour Sky News channel on Foxtel.

The ABC notes the analysis of audiences for the ABC News channel, the major free-to-air networks and SKY News from 2009 to 2018 contained in the RBB report included at **Attachment B**. The introduction of the ABC News channel has not been associated with any statistically significant reduction in audiences across other free-to-air networks or Sky News, when seasonal and trend factors are factored in.<sup>47</sup> The ABC considers that entrance of the ABC News channel into the market has increased the accessibility of news and increased the audience for live news content, while not having a measurable adverse impact on the ABC's commercial counterparts.

### (c) The ABC's digital news service

The ABC is required to provide an independent news service<sup>48</sup> and it strives to deliver a news service that is universally accessible. In order to fulfil this objective, and consistent with the ABC's Charter, it is necessary to provide a digital news and media service. If the ABC limited itself to traditional news bulletins on television, it would substantially limit its reach among the public that ultimately funds the ABC, as a large proportion of Australian audiences have moved online and seek news via digital platforms (section 1.3 of this submission). As with the ABC content on other platforms, the ABC's digital news content is provided to audiences free of charge given that Australian taxpayers have already paid for these services.

The ABC Charter also requires the ABC to "*transmit to countries outside Australia broadcasting programs of news, current affairs, entertainment and cultural enrichment that will enable Australians living or travelling outside Australia to obtain information about Australian affairs and Australian attitudes on world affairs*".<sup>49</sup> In part to help meet the policy goals behind this

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<sup>46</sup> Michael Idato, 'Pay-TV pie shrinks as ABC announces 24-hour news channel' *Sydney Morning Herald* (online) 17 April 2010 <<https://www.smh.com.au/entertainment/tv-and-radio/paytv-pie-shrinks-as-abc-announces-24hour-news-channel-20100416-skgg.html>>.

<sup>47</sup> RBB Economics, on behalf of the ABC, undertook a regression analysis of the impact of the launch of ABC News 24 on the audiences of other news channels and found that there was no statically significant reduction in the audiences of any of these channels across the time period. See **Attachment B**, s 3.2.4.1.

<sup>48</sup> *Australian Broadcasting Corporation Act 1983* (Cth) s 27.

<sup>49</sup> *Australian Broadcasting Corporation Act 1983* (Cth) s 6(1)(b)(ii).

Charter requirement, the ABC lifted the geo-block on the ABC News channel in April 2018, so its journalism is now available online for international audiences and Australians abroad.<sup>50</sup>

Consistent with its Charter, the ABC's digital news team actively considers what stories they can leave to the commercial networks and what issues the ABC can cover to deliver value to the overall media market. In considering this, the ABC looks to focus on issues and stories that are complex, relevant and require explanation. It avoids stories designed merely to attract large audiences, but which it considers do not have broader value, such as those relating to celebrities, reality television or viral social media content. The ABC applies these criteria on a daily basis in relation to its stories and does not run content the primary goal would be to merely attract audiences.

The ABC's analysis of where its services may add value to the market overall extends to decisions made about the formats that the ABC supports on its digital platforms. For example, after hosting an online opinion website *The Drum* for a number of years, the ABC closed it in 2016 because it did not consider it was an area where the ABC added sufficient value to the overall market. The ABC's Director of News, Analysis and Investigations, Gaven Morris, summarised the rationale for the closure as involving the ABC "*shifting our emphasis from traditional opinion writing towards providing more of the essential context and analysis audiences need in order to fully understand and interpret the major stories and important issues*".<sup>51</sup>

The ABC recognises that the commercial news sector faces significant challenges, with large declines in print advertising revenue being only partially offset by new digital revenue sources (section 1.3 of this submission). However, these revenue challenges are being driven by broader trends relating to the way people consume and pay for online content that are affecting news and other content providers worldwide. This position is supported by analysis by RBB Economics of trends in the Australian market and online advertising market, and by taking a cross-country view of literature examining the market impact of public broadcasters (**Attachment B**). The ABC considers that there is no causal link between the performance of its digital news service and commercial advertising revenue.

In this regard, it is instructive to note that US print newspapers are experiencing comparable patterns of revenue and circulation declines to their Australian counterparts.<sup>52</sup> Given public broadcasting in that country has low per-capita funding and plays a relatively small role in the overall media market, it seems unlikely that it is a direct cause of the challenges faced by US newspapers. Instead, as in Australia, the most likely cause lies in the public's increasing use of digital platforms to access news content. In fact, rather than crowding out commercial advertising revenue, a number of analyses of international commercial advertising revenue and public broadcasting funding show that higher per capita funding of public broadcasters is generally associated with higher per capita commercial advertising revenues.<sup>53</sup>

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<sup>50</sup> Above n 42.

<sup>51</sup> Email to ABC staff cited in Matthew Knott, 'ABC axes The Drum opinion website' *Sydney Morning Herald* (online) 5 July 2016 < <https://www.smh.com.au/politics/federal/abc-axes-the-drum-opinion-website-20160705-gpyr18.html> >

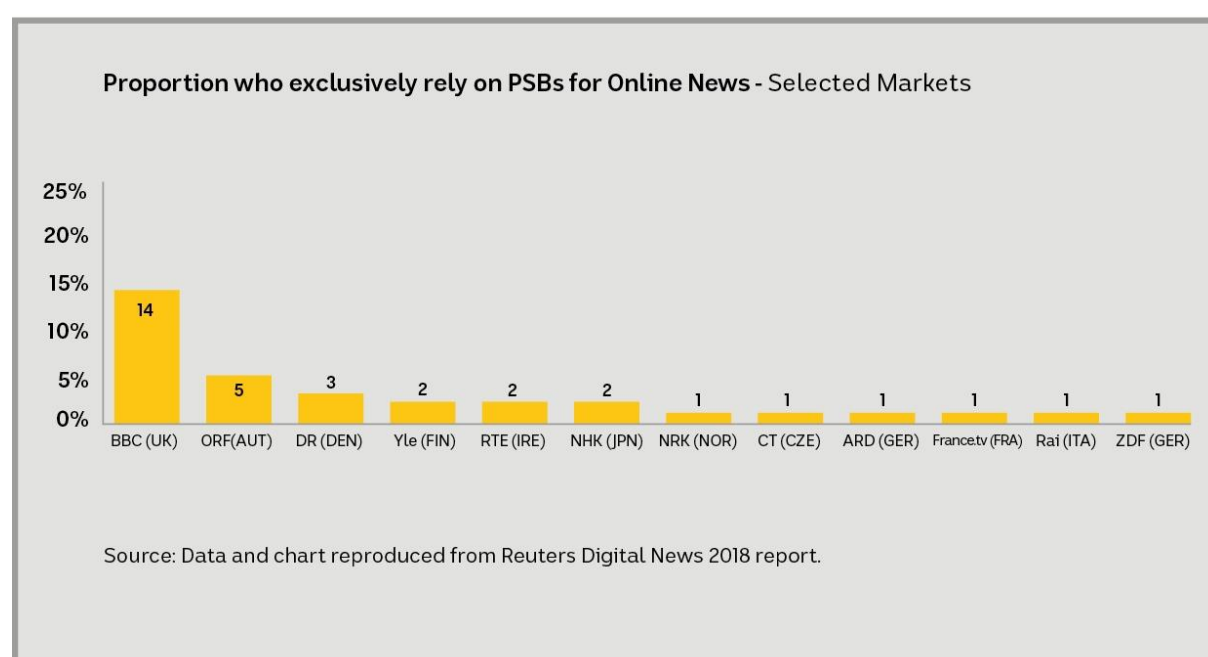
<sup>52</sup> See, for example, Pew Research Centre. "Newspapers Fact Sheet" (13 June 2018) <http://www.journalism.org/fact-sheet/newspapers/>.

<sup>53</sup> See **Attachment B**, s 3.4.3.



The online news market is increasingly diverse. There are a relatively large number of online news providers available to Australian audiences; more than 20 different news sites are regularly accessed by a material proportion of Australians.<sup>54</sup> The ABC is not the only free news service in Australia. In fact only 4% of the ABC's digital news audience source news content exclusively from the ABC.<sup>55</sup> Free content is widely available on other websites. Nine out of the top ten most visited current events and news sites in Australia provide free access to their content.<sup>56</sup> These sites include news.com.au,<sup>57</sup> nine.com.au, smh.com.au, Yahoo 7 News, the BBC, The Guardian, MSN News and Daily Mail Australia. The evidence suggests that online consumers of news 'shop around'. For example, 96% of online ABC news audiences also visit other news websites. This trend is consistent with evidence from other countries that the percentage of people who exclusively get their online news from public broadcasters is low (Figure 9).

**Figure 10** – Proportion of audiences who rely exclusively on public broadcasters for online news in selected markets.<sup>58</sup>



The ABC also understands that revenues for commercial news services have continued to decline in recent years, despite the ABC's website traffic remaining broadly similar.<sup>59</sup> This suggests that the causes of those revenue declines is not related to the performance of the

<sup>54</sup> See Attachment B, s 3.3.5

<sup>55</sup> Nielsen DRM, Jan-April 2018 data, based on the top 45 news sites in Australia.

<sup>56</sup> Nielsen, '13.9 Million Australians accessed online news content in April 2018', Media release, 22 May 2018 <<http://www.nielsen.com/au/en/press-room/2018/april-2018-digital-ratings.html>>.

<sup>57</sup> news.com.au does not have a paywall on content that it directly hosts, however it is part of the News Limited network of sites and other sites on that network such as [www.theaustralian.com.au](http://www.theaustralian.com.au) and [www.heraldsun.com.au](http://www.heraldsun.com.au) do have paywalls.

<sup>58</sup> Reuters Institute, 'Digital News Report 2018', page 25.

<sup>59</sup> See Attachment B, s 3.3.

ABC's news website but is more likely to be related to other trends in the way that audiences consume news and digital content.

#### **(d) Local and regional news**

The ABC is focussed on increasing the strength of its local news at the state and territory level.<sup>60</sup> It has an important role in ensuring local issues that contribute to the public benefit are heard, particularly in a context where commercial news providers are finding it increasingly challenging to maintain local and regional news coverage. The ABC is focussed on investigative journalism in these locations and increased reporting on issues.

In April 2018, the ABC outlined a Local Journalism Initiative to ensure state and territory audiences are equally well served by distinctive journalism. *"Australians... trust ABC NEWS for accurate and independent reporting that reflects their communities and brings their stories to the nation... [the] ABC's responsibility to provide this valued service increases as other media withdraw from local news"*.<sup>61</sup>

#### **(e) Broader market impacts of ABC News reporting**




The ABC considers that rather than crowding out commercial news audiences and making it harder for commercial news providers to obtain advertising revenue, its public interest and investigative reporting helps to break major news stories which form the basis of other media coverage and commentary. Not only has the ABC investigated and reported on a range of significant public interest stories before commercial news organisations, but its coverage has often led to government investigation or reforms. For example, the Royal Commission into the Protection and Detention of Children in the Northern Territory came as a result of the *Four Corners* investigation into the Don Dale juvenile detention centre in Darwin. These impacts and the ABC stories that have generated such coverage, and ultimately government inquiries and reform, are set out in further detail in section 4.3.1 of **Attachment A**. The ABC has also collaborated on a range of stories with other media providers and institutions on a range of stories (**Table 3**).

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<sup>60</sup> Australian Broadcasting Corporation, 'ABC NEWS: Stronger local journalism for state and territory audiences', Media release, 30 April 2018, <http://about.abc.net.au/press-releases/abc-news-stronger-local-journalism-for-state-and-territory-audiences/>.

<sup>61</sup> Ibid.

**Table 3** – Examples of ABC News collaborations with other media organisations.

 <b>STORY</b>	 <b>DATE</b>	 <b>DETAILS</b>
'Stone Cold Justice'	February 2014	Collaboration between <i>The Australian</i> journalist John Lyons and the ABC's <i>Four Corners</i> on the treatment of Palestinian children at the hands of the Israeli army. It won the 2014 all media investigative journalism Walkley in 2014.
'Soviet agents compromised Australian security in Cold War years, says former spy'	August 2015	Collaboration between Cameron Stewart, Associate Editor of <i>The Australian</i> , and 7.30 on claims soviet agents compromised Australian security.
'The Panama Papers' and follow up report 'The Paradise Papers'	April 2016, Nov 2017	Collaboration with International Consortium of Journalists, Suddeutsche Zeitung and <i>Four Corners</i> .
'Power and Influence: The hard edge of China's soft power'	June 2017	Reported by Fairfax's Nick McKenzie and former ABC journalist, Chris Uhlmann, broadcast on <i>Four Corners</i> .

### 3.3 Regional and Local content

Although the ABC has always served regional audiences, a specific Regional and Local Division was created in 2015. This acknowledged the context of an increasing internationalisation of media in Australia and a retreat of local commercial media from regional areas. These two factors highlight the importance of the ABC's ability to generate unique and distinctive content and reflecting the voices of Australia. Reflecting the lives and interests of roughly one-third of Australians who live outside of the capital cities, regional content is considered a core Charter activity by the ABC. It is an integral part of the ABC's provision of a comprehensive service that contributes to a sense of national identity and reflects the cultural diversity of the Australian community.

The ABC's regional focus is reflected in its *Connecting Communities* initiative, which is part of the *Investing in Audiences* strategy.<sup>62</sup> In implementing this strategy, and as part of its regional strategy more broadly, the ABC is not seeking to duplicate existing commercial services, but to fulfil its commitment to regional content and to complement existing commercial services. Through its *Connecting Communities* project, the ABC is particularly active in sending reporters to remote corners of Australia that are rarely, if ever, the subject of media attention.

### 3.4 Marketing

The ABC has always had a very modest paid media budget which it uses to help audiences discover new content and programs, providing value for money to the taxpayers who fund it — in 2016-17, the ABC's total spend in this area was \$4.6 million or 0.4% of its total budget.<sup>63</sup>

Within this modest paid media budget, a subset is now spent on digital marketing (0.2% of the ABC's total budget in 2016-17), including on third-party platforms, which are the dominant players in digital. The ABC undertakes these activities to ensure that its content is easily accessible and discoverable for Australians and reaches audiences where they are, in an increasingly fragmented media environment (section 1.3). Traditionally, the ABC has advertised its content mainly through outdoor, print or radio advertising. With the broader shift of media spend to digital, which can be very targeted and therefore more efficient, the ABC has also shifted its spend in line with these broader media trends. The ABC's digital marketing is the modern equivalent to historical marketing activities.

The ABC's small investment in digital marketing is an important and cost-effective way for it to ensure that its taxpayer funded Australian content reaches audiences.

The ABC's overall spend on external marketing of its content is significantly smaller than its commercial counterparts, both in terms of dollars spent, and percentage of overall expense. For example, in their latest annual reports, Southern Cross Austereo attributed 3.8% to 'promotions and marketing', and Seven West Media attributed 3.1% to 'advertising and marketing' expenses — levels which are 8-10 times higher than the proportion spent by the ABC.

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<sup>62</sup> Australian Broadcasting Corporation, 'Building the ABC's services in regional and remote Australia,' Media Release, 7 March 2017 <<http://about.abc.net.au/press-releases/building-the-abcs-services-in-regional-and-remote-australia/>>.

<sup>63</sup> Above n 8, 160.

## 04 Regulatory neutrality

- Regulatory neutrality is achieved by requiring government businesses to operate, to the largest extent feasible, in the same regulatory environment as their commercial counterparts. Regulatory reform should be appropriately targeted, cost-effective and supported by clear evidence that reform is the best way to serve broad public interest.
- The regulatory treatment of the ABC and commercial broadcasters should not be exactly the same. Regulation of commercial broadcasters is aimed at providing some constraint where their commercial incentives might drive behaviours that are not consistent with the public interest. The ABC has no equivalent commercial incentives; it is motivated to deliver against its public service mandate.
- In many ways the ABC operates within a more rigorous regulatory framework than other commercial media providers in relation to compliance mechanisms, content standards, and applicable laws such as privacy and FOI. Additionally, the ABC faces substantial restrictions on its ability to derive revenue from advertising.
- The ABC does not enjoy any material net regulatory advantage as a result of the differential way in which it is regulated compared with commercial broadcasters. To the extent that there are differences, they reflect the fundamentally different nature of public and commercial broadcasters.
- The ABC is not subject to the commercial broadcast quotas, which reflects the fact that the ABC strives to broadcast as much high quality, innovative and distinctive local content as it is able to, given budget constraints. The ABC does not have any incentive to source low-cost foreign content, which is the fundamental concern motivating the imposition of quotas on commercial broadcasters and requiring it to meet quotas on certain forms of content (e.g. drama) would potentially conflict with its broader Charter obligation to produce high quality, innovative and distinctive content.

The ABC does not use any advantages it has by virtue of it being a statutory corporation or its government funding to compete unfairly with commercial broadcasters. Taken at their broadest, the principles of competitive neutrality cannot be understood as a basis to curtail the ABC's use of government funding to fulfil a public service mandate.

By virtue of its public ownership, the ABC is heavily regulated and subject to a significant degree of scrutiny and oversight. The ABC is accountable to Parliament through Senate Estimates hearings, questions on notice, detailed annual reporting under the PGPA and s80 of the ABC Act, appearances before Parliamentary committees and audit (on finance and governance) by the ANAO. In terms of regulatory constraints, formal public scrutiny and audience expectations, the ABC is held to a higher standard than its commercial counterparts. Under the ABC Act, the Board is responsible for ensuring that the ABC fulfils its legislative Charter.

Commonwealth competitive neutrality policy in Australia only applies to the Business Activities of the ABC, and not to its broadcast and non-commercial digital activities. The Business Activities of ABC Commercial are subject to the same regulatory obligations as its private sector counterparts, and so the ABC operates with no competitive advantage due to differential regulatory treatment in its commercial activities.

The following section provides a broader analysis of regulatory neutrality with respect to the activities of the ABC as compared to its commercial broadcast counterparts. This is in accordance with the Panel's mandate to examine the general principles of competitive neutrality in addition to the existing Commonwealth competitive neutrality policy.

#### **4.1 Principles of regulatory neutrality**

Government businesses may enjoy competitive advantages as a result of exemptions from complying with the regulatory arrangements imposed on private sector competitors.<sup>64</sup> Regulatory advantages may be seen in areas such as:

- exemptions from local planning, building and environmental law;
- preferential access to land;
- exemptions from prudential requirements;
- preferred treatment by other government agencies;
- exemptions to restrictive business practices law; or
- exemptions to reporting and / or licensing requirements.<sup>65</sup>

Regulatory neutrality is achieved by requiring government businesses to operate, to the largest extent feasible, in the same regulatory environment as their commercial counterparts.<sup>66</sup>

The CN Policy Statement recognises that issues of regulatory neutrality should be assessed on a case-by-case basis.<sup>67</sup> In particular, a differential approach may be appropriate for non-GBE authorities given their involvement in both commercial and broader government program activities.<sup>68</sup> In such cases, or where government businesses are created according to corporate charter or statutory authority, the OECD recommends that certain regulatory exemptions may be afforded by law which may not be consistent with competitive neutrality.<sup>69</sup> Accordingly, regulatory reform should only be endeavoured where it is appropriate and cost-effective to do

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<sup>64</sup> Australian Government, *Commonwealth Competitive Neutrality Statement Policy Statement* (1996), 6 <[archive.treasury.gov.au/documents/275/PDF/cnps.pdf](http://archive.treasury.gov.au/documents/275/PDF/cnps.pdf).

<sup>65</sup> Above n 23, 42-43.

<sup>66</sup> Above n 64, 18; Above n 23, 11.

<sup>67</sup> Above n 64, 11.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid 7.

so,<sup>70</sup> and where clear evidence demonstrates that reform is the best way to serve broad public interest.<sup>71</sup>

## 4.2 Applicable regulation

Any review of regulatory neutrality with respect to the treatment of the ABC and commercial broadcasters requires a holistic assessment of the regulatory and oversight frameworks that govern the public and commercial broadcasters and the context in which those broadcasters operate.

It should not be expected that the regulatory treatment of the ABC and commercial broadcasters would be exactly the same. Regulation of commercial broadcasters is aimed at providing some constraint on the activities of those broadcasters where their commercial incentives might drive behaviours that are not consistent with the public interest, for example, by not including sufficient local content. The ABC has no equivalent commercial incentives, it is motivated to deliver against its public service mandate. The regulatory and oversight mechanisms of the ABC are designed to ensure that the ABC lives up to community expectations with respect to this public-sector mandate.

The different standards that the ABC is held to as compared to commercial broadcasters was clearly articulated in a speech by the then, Shadow Minister, the Honourable Malcom Turnbull MP:

*I am very pleased to see the way the ABC is putting more effort into news and information. The ABC, however, is in a very different position relative to the public than the commercial broadcasters... The ABC is a taxpayer funded entity, a chartered entity, and it has an obligation to the public, not simply as consumers but, as Jim Spigelman, its chairman, has said, as citizens, and it has a statutory obligation in the presentation of its news and information to be accurate and impartial, according to the recognised standards of objective journalism. It has that very clear obligation.*

*“We had some controversy about the Daily Telegraph this week. The Daily Telegraph is free to be as biased as it likes. Its readers can decide not to read it, they can be appalled by it, they can cancel their subscription, they can throw it in the bin or do whatever they like, but it is free to do that. The ABC is not, any more than the SBS is free to do that. These are critically important institutions and they have to maintain the very high standards of objectivity, impartiality, fairness and balance. No doubt, journalists at the ABC will look at what their colleagues and friends are doing in the commercial media and say, ‘Why can’t I be as outrageous as that?’ Well, they cannot be. They are being held to a higher standard and that is a function of their very important public status. We welcome those changes to the charter. They make perfect sense”.<sup>72</sup>*

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<sup>70</sup> Ibid 19.

<sup>71</sup> OECD, *The OECD Report on Regulatory Reform* (1997) 33, cited in above n 65, 47.

<sup>72</sup> Prime Minister Malcolm Turnbull, ‘Broadcasting – Convergence Review and Licence Fees Legislation’ (Speech to Federal Parliament 19 March 2013) <<https://www.malcolmturnbull.com.au/media/speech-to-parliament-broadcasting-convergence-review-and-licence-fees-legis>>.

A summary of the formal regulatory and oversight obligations that apply to the ABC and commercial broadcasters, and an analysis of the extent to which there is regulatory neutrality with respect to the main areas of regulation is at **Attachment C**. In summary:

- **Compliance:** the ABC and commercial broadcasters are each subject to oversight by the Australian Communications and Media Authority (**ACMA**). The ABC is not subject to as broad a range of binding directions by the ACMA as commercial broadcasters, which reflects the ABC's editorial independence from the Government. However, in addition to oversight by the ACMA, the ABC is also subject to considerable public and Parliamentary scrutiny of its purpose, functions, funding and activities under the ABC Act which commercial broadcasters are not subject to.
- **Content regulation:** the ABC and commercial broadcasters each operate under transparent broadcasting conditions or statutory obligations, standards and codes of conduct in relation to content, news and current affairs reporting, and online broadcasting. The ABC is not subject to the same content quotas as the commercial networks (see section 4.3 for a detailed discussion of content quotas). However, it is subject to a range of other content obligations in the ABC Act and elsewhere<sup>73</sup> and generally meets or exceeds the specific quotas that apply to commercial broadcasters. These obligations mean that the ABC always strives to produce content, including drama, that is high quality, innovative and distinctive. This content is costly and the ABC is subject to budgetary constraints. Unlike commercial broadcasters, the ABC does not use long running serialised drama or low-cost programs sourced from New Zealand to meet local content quotas with respect to drama as it considers that doing so would be contrary to its broader Charter obligations.
- **ABC Editorial Policies:** The ABC's Editorial Policies (EdPols) apply to all content produced, commissioned, acquired, or otherwise obtained for broadcast or publication by the ABC. The EdPols are the chief means through which content-makers and editorial managers are trained on their obligations to produce content which fulfils its functions under the ABC Act to a high standard. The EdPols are also the standards against which lapses and breaches are judged. The ABC invests substantial time and other resource into developing, reviewing and daily policing of the EdPols, as well as comprehensive, national training. This overall effort results in a rigour unmatched by any of the commercial broadcasters.
- **Advertising:** the ABC faces substantial restrictions on its ability to advertise. These statutory limits go well beyond the regulatory constraints and advertising standards imposed on commercial broadcasters.

The ABC considers that, when viewed holistically, it does not enjoy any material net regulatory advantage as a result of the differential way in which it is regulated compared with commercial broadcasters. To the extent that there are differences in the regulatory treatment of commercial broadcasters and of the ABC, they reflect the fundamentally different nature of public and commercial broadcasters and the differing incentives and operational constraints that drive their activities.

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<sup>73</sup> For example, the ABC is required to broadcast the proceedings of the Senate, the House of Representatives or a joint sitting as per *Parliamentary Proceedings Broadcasting Act 1946* (Cth) s 4.



### 4.3 Regulation of content and standards

Australia's commercial broadcasting licensing system is underpinned by the principle that users of finite public goods have public responsibilities which they must uphold in addition to their commercial interests. Accordingly, commercial broadcasters must comply with licence conditions to meet annual quotas for Australian and children's content. In television broadcasting, content sub-quotas apply to first-release Australian documentaries, P- and C-rated children's content, first-release Australian children's drama and first-release Australian adult drama.

In Australia's small screen market, quotas underpin the continued production and distribution of Australian and children's content. Given the financial incentives that underpin commercial broadcasting and the significant volume of content produced in larger English-language markets (which is then sold into the Australian market at a lower cost than Australian-produced content), commercial broadcasters would be unlikely to produce the quantity, quality and variety of content required to achieve cultural and public benefits without regulatory intervention.

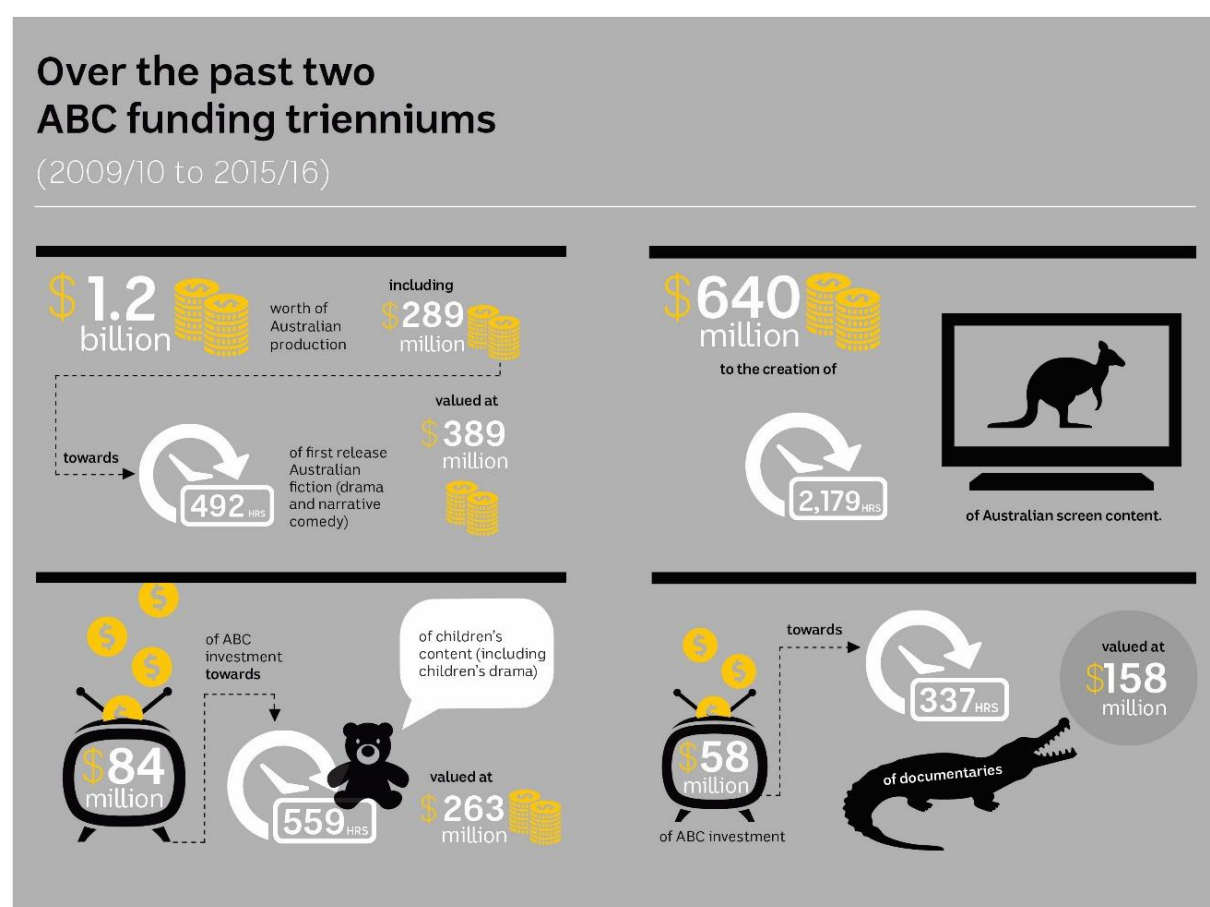
The ABC is not subject to specific content quotas. Such differential regulation is appropriate in light of the fact that the commercial 'market failure' rationale for those quotas is not applicable to the ABC as a not-for-profit, public broadcaster. Further, in contrast to the commercial broadcasters, Australian content is integral to the ABC's Charter mandate to produce high-quality, innovative and comprehensive broadcasting services "*that contribute to a sense of national identity and inform and entertain and reflect the cultural identity of the Australian community*".<sup>74</sup>

Consistent with this mandate, the ABC sources and produces as much Australian content, including high-quality children and drama programming, as its budget and other competing priorities (such as scheduling) allow (Figure 9).

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<sup>74</sup> Australian Broadcasting Corporation Act 1983 (Cth) s 6(1)(a).

**Figure 11 – ABC spending on Australian high-quality and distinctive content 2009/10 to 2015/16.**



It is true that the ABC does enjoy a degree of freedom in its programming decisions. However, the ABC Charter requires the ABC to take account of broadcasting standards determined by the ACMA, including those relating to content quotas. While this does not mean that the ABC must prioritise meeting these quotas over its other obligations, it does maintain data on the extent to which its programming would comply with the quotas if they were applied to the ABC.

As shown in **Table 4** and **Table 5**, the ABC generally exceeded the commercial quota targets across its broadcast programming in 2015-16 and 2016-17. Consistent with the ABC's prioritisation of local content, the ABC significantly exceeded the quotas in the case of overall Australian content. To the extent that the ABC does not meet these quotas, it is due to budget constraints and the requirement that content it produces be innovative, high-quality and distinctive.

**Table 4** - Australian content, commercial television comparison.

Content Standard	Commercial Broadcaster Requirement (Calendar Year)	ABC TV 2015-16	ABC TV 2016-17
Australian content primary channel	55 per cent	69 per cent	69 per cent
First release Australian documentary	20 hours	44 hours	50 hours
Australian children's P content	130 hours	1,392 hours	1,486.5 hours
Australian children's C content	260 hours	1,422.9 hours	1,469.8 hours
First release Australian children's drama	25 hours	31.7 hours	36.5 hours
First release Australian drama	250 points	249.8 points	204.4 points

**Table 5** - Australian content, commercial radio comparison.

ABC Network	Commercial Broadcaster Requirement	ABC 2016-17 Result
ABC RN	Not less than 20 per cent	38 per cent
ABC Local Radio	Not less than 20 per cent	45.6 per cent
ABC Classic FM	Not applicable	46 per cent
triple j	Not less than 25 per cent	51.5 per cent
Double J	Not less than 25 per cent	35.3 per cent
ABC Jazz	Not less than 5 per cent	23.3 per cent
ABC Country	Not less than 20 per cent	57.4 per cent
triple j Unearthed	Not less than 25 per cent	100 per cent

The ABC also has content imperatives in the ABC Act, including the ABC Charter, the ABC's Code of Practice 2016 (**ABC Code**) (which is notified to the ACMA) and the ABC EdPols, which subjects the ABC to more significant budget and operational constraints than its commercial counterparts. For example, the ABC Act imposes advertising restrictions on the ABC and requires the ABC to maintain an independent news service, to broadcast programs of an educational nature and to promote the musical, dramatic and other performing arts in Australia. Together with the ABC Code, the ABC Act subjects the national broadcaster to a higher standard of accuracy, impartiality and diversity principles than is expected of commercial broadcasters. In light of these obligations, and the significant transparency and accountability standards imposed on the ABC as a Commonwealth entity, the ABC maintains rigorous editorial policies for the quality of its content that are enforceable across the organisation.

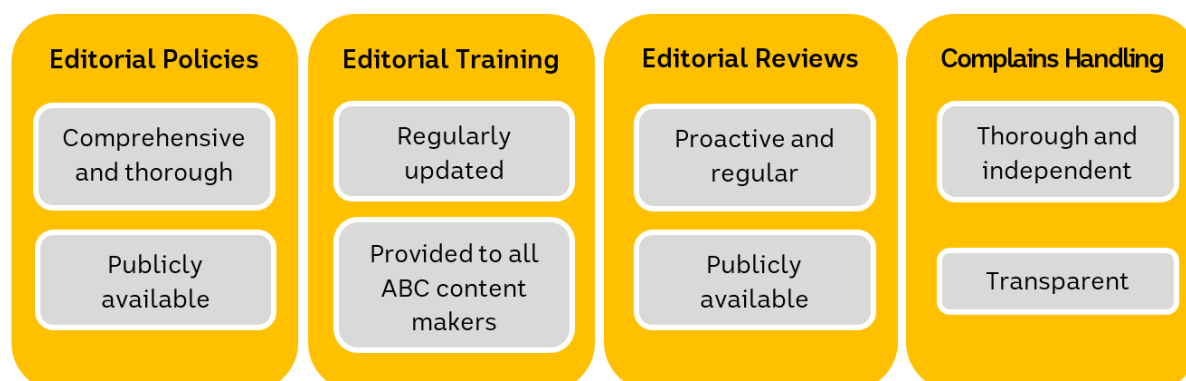
Consistent with Australia’s co-regulatory approach to the broadcasting sector, the ABC takes primary responsibility for compliance with the wide range of legislative restrictions, public interest obligations and content requirements that regulate its activities. In all of its activities, the ABC is responsive to the significant pressure of public scrutiny and remains accountable to Parliament and to its audience’s expectation that the ABC be held to a higher standard of balance and integrity than commercial broadcasters.

Application of commercial content quotas to the ABC, particularly in relation to drama, would risk creating a conflict with the ABC’s other obligations. Commercial drama quotas involve a weighted points system that favours certain formats over others. To meet quotas, commercial broadcasters are able to leverage inexpensive, long-running serial drama and New Zealand content to fulfil their drama quotas over a year. In contrast, the ABC, in meeting its Charter requirements to broadcast innovative, high-quality and distinctive content, invests its drama budget in more expensive drama formats. If the ABC were subject to commercial drama quotas and were then faced with a potential shortfall of drama relative to its quota, it would be pushed to investing in a greater quantity of drama that scored high quota points, regardless of whether it was high-quality, innovative, and distinctive content.

The ABC has argued consistently that any proposed application of the commercial quotas to the ABC fails to recognise its public character and distinct place in Australia’s media system. The market failure that underpins the policy rationale for content quotas does not apply to the ABC. Instead, the ABC Act provides clear direction on ABC activity. To apply commercial quotas would directly impinge on the ABC’s independence by effectively ensuring that Parliament can determine what portion of the budget is spent on certain types of programming. The ABC considers that the differential treatment of public and commercial broadcasters in relation to content reflects the fundamentally different nature of the broadcasters and ensures the independence and integrity that the ABC Act and ABC audiences demand of the national broadcaster.

The ABC is strongly committed to setting the highest editorial standards and ensuring compliance with them. This includes through setting clear editorial policies, training programs, review mechanisms and independent and thorough complaint-handling processes (Figure 10).

**Figure 10 – ABC Editorial standards and processes**



The ABC takes complaints about its editorial performance very seriously. It has established a specialist complaint-handling team independent of content making areas within the ABC. Written complaints alleging that ABC content has breached its editorial standards are assessed taking into account the ABC’s EdPols, the ABC Code and the Charter.

The ABC aims to respond to complaints in a timely manner. For example, in 2016-17, the ABC's specialist complaint-handling team finalised 61% of its responses to written complaints within 30 days, and 98% within 60 days.

The overwhelming majority (approximately 90%) of complaints received by the ABC are non-editorial — meaning they go to issues of personal taste and preference rather than compliance with the ABC's editorial standards. Of the complaints relating to editorial standards, typically a relatively small proportion are upheld. For example, in 2016-17, 7 per cent of cases determined that ABC editorial standards had not been met, and a further 11 per cent were resolved after the relevant content area took prompt and appropriate action to remedy the cause of the complaint.

Complaints can also be referred to ACMA for assessment against the ABC Code. In 2016-17, ACMA finalised 16 investigations into compliance with the ABC Code and found no breaches.

Having regard to its public mandate and the heavily regulated environment in which it operates, the ABC considers that formal application of the commercial quotas or other content standards is not necessary to achieve substantive regulatory neutrality between the ABC and commercial broadcasters.

# Conclusion

In the context of rapid evolution and the disruption of media markets in Australia, the ABC recognises that it is appropriate to consider the relationship between the national broadcasters and traditional content suppliers.

As clearly defined in the Commonwealth's CN Policy Statement and Guidelines for Managers, competitive neutrality policy clearly states that government Business Activities should not enjoy net competitive advantages as a result of their government ownership. While formal competitive neutrality policy does not apply to the ABC, it supports the underlying principles and has always sought to operate in a manner consistent with the government's policy in its Business Activities. The ABC complies with these policies in the same way as other Commonwealth entities.

In addition to formal competitive neutrality policy, the Panel is tasked with examining "*broad principles of competitive neutrality*". The ABC is concerned that this wider concept of competitive neutrality is difficult to define, analyse and apply to its operations and urges the panel to resist attempts to use complaints loosely defined in terms of "competitive neutrality" to protect particular competitors.

In this broad sense, the principles of competitive neutrality cannot be understood as a basis to curtail the ABC's use of government funding to fulfil a public service mandate nor to question the nature of that mandate, as expressed in the ABC Charter. In fulfilling this mandate, the ABC does not use any advantages it has as a government-owned entity to compete unfairly with the commercial sector. Operating in accordance with the ABC Act, the national broadcaster provides audiences with additional choice, increasing competition for those audiences and driving innovation and benefits across the media sector. Further, by virtue of its public ownership, the ABC is heavily regulated and subject to a significant degree of scrutiny and oversight. In terms of regulatory constraints, formal public scrutiny and audience expectations, the ABC is held to a higher standard than its commercial counterparts.

The dual model of public and commercial media organisations has served Australia well. As noted by the Select Committee on the Future of Public Interest Journalism: "*The Committee reaffirms the importance of Australia's public broadcasters to our media landscape, particularly the ABC as one of our most trusted national institutions, and that government should support both their capacity to report in the public interest and their journalistic independence*".<sup>75</sup>

The ABC cautions the Panel against attempts to mischaracterise the global forces that threaten the business models of traditional commercial media organisations. It is not the ABC but new market entrants like Facebook, Amazon, Apple, Netflix and Google that have fundamentally disrupted traditional media business models the world over.

The ABC trusts that this submission and its attachments provides sufficient information for the Panel to make an evidence-based assessment of the extent to which the ABC acts in accordance with the general principles of competitive neutrality. The ABC desires to co-

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<sup>75</sup> Above n 10, 70.

operate fully with the Panel as it prepares its final report and is happy to provide any further information to the Panel that it considers relevant to the Panel's assessment. The ABC would also welcome the opportunity to respond to any specific concerns that may be raised against its activities with the Panel and trusts that it will be provided with an opportunity to do so prior to the Panel finalising its report.

# Referenced documents attached separately

Attachment A	Responses to the Panel's specific questions
Attachment B	RBB Economics Report, The ABC and the Australian media market
Attachment C	Overview of regulatory obligations
Attachment D	Investing in Audiences strategy
Attachment E	Application of competitive neutrality principles to the ABC's commercial activities



# **Attachment A**

## **ABC Responses to Issues**

### **Paper questions**

**29.06.18**



## Attachment A ABC Responses to Issues Paper questions

The below table sets out the specific questions raised by the Panel in the Issues Paper and a summary of ABC's response.

Question/ Reference	Issues Paper Question	ABC response and submission reference
The Panel seeks the views of the national broadcasters on the following questions.		
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?	<p>See sections 2.1 and 2.2.</p> <p>The ABC is not formally subject to the Commonwealth Government’s Competitive Neutrality Policy. However, it supports the principles of competitive neutrality and applies them in its business activities. In doing so, the ABC conducts its business activities in a manner consistent with other government entities that are subject to the Competitive Neutrality Policy, in that:</p> <p>parties are able to make complaints about unfair competition from the ABC to AGCNO; and</p> <p>ABC Commercial’s operations are in accordance with the Competitive Neutrality Guidelines for Managers.</p> <p>The Competitive Neutrality Policy does not apply to the non-business activities of the ABC.</p>
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?	<p>See sections 2.4 and 3.</p> <p>Specific examples of how the ABC has taken into account the activities of the commercial and community sectors in relation to new activities are outlined in sections 3.1 and 3.3, in particular.</p> <p>In all of its content activities, the ABC strives to create high-quality, innovative and distinctive content. The ABC does not, in any of its activities, attempt to copy successful programs or formats broadcast by other content providers or to create, source or schedule programs with the primary aim of winning audience or market share from other providers.</p>



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”?	<p>See section 24 and section 3.</p> <p>The ABC gives appropriate regard to the impact of its activities on the commercial and community sector in all of its content activities and does not use its government funding to compete unfairly for content or audiences.</p> <p>The requirement to “take account” the services of the commercial and community sectors does not require the ABC to make decisions solely on the basis of on the assessment of the impact of its activities. However, the ABC does take account of the commercial and community sectors through its content strategy, which is driven by principles that include striving to ensure content is of a high quality and distinctive when compared with the service offerings of the commercial and community sectors.</p>
4.	How does it apply this requirement to its on air, iview and online news services?	<p>See section 24 and section 3.</p> <p>The ABC’s approach to creating and sourcing content is the same in all material respects in its broadcast and digital activities.</p>
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?	n/a
6.	Noting that this Charter provision applies specifically to television and radio, is this requirement considered in relation to SBS On Demand?	n/a

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?	n/a
<b>The Panel seeks the views of all interested stakeholders on the following questions.</b>		
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?	<p>See sections 2.1 and 2.2.</p> <p>The ABC’s Commercial operations currently adhere with the principles of competitive neutrality in all areas identified as areas of potential advantage in the Guidelines for Managers.</p> <p>It is worth noting that the ABC is publicly owned, rather than government-owned. It is a government-funded statutory corporation, the Board of which has a duty to ensure the independence and integrity of the Corporation. To the extent that ‘government ownership’ suggests a level of government control, this is incorrect (other than in relation to funding) and more in the nature of a government-controlled or state broadcaster.</p>
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?	<p>See section 4.</p> <p>The ABC considers that, when looked at holistically, it does not enjoy any material net regulatory advantage as a result of the different way in which it is regulated compared with commercial broadcasters. To the extent that there is different regulatory treatment of the ABC and commercial broadcasters, it reflects the different circumstances of the broadcasters.</p>

10.	Is the reporting and accountability by the national broadcasters on their best endeavours to observe competitive neutrality adequate?	<p>See sections 2.1, 2.2 and 2.5.</p> <p>Parties are able to make complaints to the AGCNCO if they consider that the ABC is not adhering to Competitive Neutrality Policy. The ABC has cooperated with a past investigation by the Productivity Commission under this process and would do so in relation to any future complaints.</p> <p>The ABC notes that the effectiveness of the existing complaints handling policy in relation to competitive neutrality through the AGCNCO is currently being assessed as part of the Australian Government's Review of the Commonwealth Government's Competitive Neutrality Policy.</p>
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?	<p>See sections 2.1 and 2.2</p> <p>In 2000, a complaint was brought against the ABC over the commercial activities of its studio rentals business (ABC Productions). The ABC cooperated with the Productivity Commission in its investigation of the complaint. The investigation found that no further action was required to be taken by the ABC because there was no contravention of competitive neutrality policy in the commercial activities of ABC Productions.</p>
<b>The Panel will also consider the application of competitive neutrality principles in a broader sense.</b>		
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?	n/a

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?	<p>See section 3.</p> <p>The ABC's content strategy is to produce innovative, high-quality and distinctive content. The ABC assesses distinctiveness with reference to other content distributed in the market. For example, while both the ABC and commercial operators aim to deliver shows that entertain, the way they achieve this is different, reflecting their different audience priorities and content drivers.</p>
<b>Principles to guide Panel's analysis (see page 12-13 of Issues Paper)</b>		
14.	Do you have comment on these guiding principles?	<p>See section 2.5.</p> <p>The ABC considers that the Panel's guiding principles on competition outlined in the Issues Paper are well expressed and will usefully inform the Panel's analysis.</p>



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# The ABC and the Australian media sector

A report supporting the ABC's submission to the inquiry into the competitive neutrality of the national broadcasters

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# 1 Introduction and executive summary

- 1 RBB Economics has been asked by the Australian Broadcasting Corporation (“ABC”), to prepare a report exploring the effects of the ABC on competition in the Australian media sector, within the context of the Australian Government’s ongoing inquiry into the competitive neutrality of the national broadcasters, the ABC and the Special Broadcasting Services (“SBS”).
- 2 The ABC’s enabling legislation and Charter include three economic themes:<sup>1</sup>
  - First, that the ABC should provide comprehensive broadcasting services of a high standard, including broadcasting programs of wide appeal. In this regard, there is an economic motivation to support an additional broadcaster that will expand choice for consumers.
  - Second, that the ABC should provide innovative programming. There is a strong economic motivation to support a public broadcaster that will contribute to innovations that are not only introduced by the public broadcaster but are also built on by commercial broadcasters to the wider benefit of the industry, and consumers.
  - Third, that the ABC should provide broadcasting programs that contribute to broader objectives, such as a sense of national identity, a reflection of cultural diversity, education, cultural enrichment, and the promotion of performing arts in Australia. A public broadcaster may be able to contribute significantly to the broadcasting of types of content that give rise to wider benefits that are harder to capture and commercialise.
- 3 The Commonwealth Competitive Neutrality Policy Statement notes that “*government business activities should not enjoy net competitive advantages over their private sector competitors simply by virtue of public sector ownership*”.<sup>2</sup>
- 4 Competitive neutrality principles do not require that the ABC has no adverse effect on rivals, such as taking away viewers or advertising revenues. Rather, competitive neutrality requires that the ABC does not enjoy net competitive advantages, relative to a private sector competitor, simply by virtue of its public sector ownership. Moreover, we understand that the competitive neutrality principle currently applies only to “*government business activities*”.
- 5 In this report we present a number of analyses that serve as an input into the ABC’s broader consideration of whether or not the ABC’s activities are consistent with the competitive neutrality principles. In particular, we discuss the available information on two main topics:
  - First, we consider the potential for the ABC’s activities to lead to crowding out of the audiences available to other media operators. While crowding out would not be a decisive sign of net competitive advantages, a lack of substantial crowding out would be difficult to reconcile with the ABC exerting substantial net competitive

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<sup>1</sup> The ABC Charter, The Australian Broadcasting Corporation Act (1983) (ABC Act), Section 6.

<sup>2</sup> Commonwealth Competitive Neutrality Policy Statement, June 1996, page 5.

advantages over its commercial rivals. Even if there were some diversion of audiences from rivals and towards the ABC in the short term, this does not imply that other media operators are “crowded out” or likely to be forced to reduce their own competitive initiatives, or that these other media operators are likely to exit the market. Rather, crowding out might occur through the sustained diversion of substantial audiences away from other media operators, over a long period of time, leaving other media operators with limited opportunities to attract audiences, and revenues. We examine the potential for some of the ABC’s more substantial initiatives to lead to the diversion of audiences in the longer term, such as the launch of the 24 hour ABC News TV channel or the launch of and improvements to the ABC’s iview VOD service. We also examine the potential for the ABC’s activities to lead to the diversion of audiences in the short term, for example as a result of new program launches or other ABC initiatives, although we must also consider any short term diversion in the context of the breadth of opportunities available to other media operators. Moreover, the analyses presented in this report assess the potential for the fully scope of the ABC’s activities to lead to crowding out, although as noted above, we understand that the competitive neutrality principle currently applies only to “government business activities”.

- Second, we consider the potential for the ABC’s activities to lead to pro-competitive effects on the Australian media sector, in particular the potential for the ABC’s investments and innovations to enhance efficiency and competition amongst the media operators.<sup>3</sup> We examine these likely effects in several areas, as illustrative examples of the likely overall effect of the ABC’s activities, although we have not conducted a comprehensive assessment.

## 6 We find no evidence of crowding out of the audiences of commercial media operators by the ABC.

- In the first instance, the ABC’s activities are significantly differentiated from those of the commercial media operators. In particular, the ABC’s television broadcasting often focusses on different genres and types of programming, and its radio broadcasts often target different music genres, compared with the commercial broadcasters.
- The ABC has undertaken a number of significant initiatives that have substantially boosted its own audiences, either in the short term, or over longer periods. Longer term initiatives, such as the launch of the 24 hour ABC News service, or enhancements to the iview platform do not appear to have led to substantial diversion of commercial broadcasters’ audiences. We have also considered the likely effects of the ABC’s broadcasts of popular television series, and popular episodes of programs. If there was a high degree of overlap in audiences between the ABC and commercial broadcasters, such initiatives would be expected to result

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<sup>3</sup> Efficiency can generally occur in three forms. First, productive efficiency involves a given set of products being produced at the lowest possible cost (given current technology and input prices). Second, allocative efficiency involves resources being used to produce the goods that are most valued by consumers. Third, dynamic efficiency involves firms having incentives to invest in welfare-enhancing products and technology over time.

in some diversion of rivals' audiences, at least in the short term. However, in most cases that we have examined, the ABC's popular television broadcasts are related to either no significant change, or even an increase in the audiences of commercial free to air ("FTA") broadcasters.

- Moreover, it seems unlikely that the ABC's activities have had a substantial effect on the online advertising revenues of the commercial broadcasters and news providers; rather the observed changes in online advertising revenues are more likely to be caused by other changes in the media sector, and ongoing shifts in demand and advertising expenditure towards online platforms.
- Several cross-country studies have shown no evidence of an adverse effect of public sector broadcaster activities on commercial media operators. Compared to a set of international peers, Australia experiences lower per capita funding for public service broadcasting, and enjoys higher per capita revenues for commercial operators. Moreover, our own empirical analysis show either no significant result between commercial broadcasters' revenue per capita and public sector broadcaster funding per capita, or instead show that *higher* public funding per capita is associated with *higher* commercial revenue per capita.

7 We find substantial evidence that, at least in the areas that we have considered, the ABC's activities are likely to have resulted in significant benefits to the wider media industry.

- In the first instance, the ABC's activities result in a direct benefit to the industry through licensing, partnerships, and community and cadet investments.
- The ABC has made substantial investments in initiatives such as the launch of digital multi-channels, or its iView video on demand ("VOD") service, that did not initially enjoy substantial consumer demand. However, these initiatives were later built on by commercial broadcasters, and grew substantially in popularity.
- The ABC has made early investments in a number of types of content, and talent that have been followed by further success on other platforms. In particular the ABC has invested in news reports, and investigative journalism, that has resulted in early breaking news stories that have either led to broader news coverage, or subsequent government investigations or reforms. Several television programs and concepts have been initially developed by the ABC, and have later been adopted and further developed by commercial media operators. The ABC has also invested substantially in talented producers, television hosts, journalists and musicians, who have gone on to find further success with other broadcasters. Finally, we have found some evidence that the ABC has initially promoted artists and music that have gone on to gain further success on commercial radio stations.

8 We find no substantial evidence that the ABC has a material negative effect on commercial operators. Accordingly, we find no evidence that the ABC has enjoyed a net competitive advantage, as a result of its public sector ownership. Rather, we find some evidence that

the ABC's activities are likely to result in significant positive effects on the broader media sector.

## 2 Background

### 2.1 ABC activities

- 9 The ABC is a public broadcaster and has Charter Obligations as set out in the Australian Broadcasting Corporation Act (1983). The ABC is publicly-funded through triennial funding arrangements and cannot sell advertising on its domestic TV channels or radio stations. The ABC received \$3.1bn in funding for the three years from 2016-17 to 2018-19.
- 10 The ABC uses various distribution methods and channels to provide content to Australians. Historically, it supplied content through its own services, such as through its TV, radio and digital services.
- 11 Table 1 summarises the ABC's services across TV, radio, online, and phones and tablets.

**Table 1: ABC TV, radio and online services**

	Channel, station or service	Description
<b>TV</b>	ABC	Primary FTA TV channel
	ABC Kids / Comedy	Includes ABC KIDS targeting 2 to 6 year olds and from 7pm ABC Comedy
	ABC ME	Dedicated children's channel targeting 6 to 15 year olds
	ABC NEWS on TV	24-hour TV news channel
<b>Radio</b>	ABC NEWS on radio	24 hour national news network for radio
	National Radio Networks	Four national radio networks including RN, ABC Classic FM and triple j
	Capital City Local Radio	Local radio available from all eight capital cities
	Regional Local Radio	Local radio available from all 48 regional locations around Australia
	DAB+ radio stations	Double J, ABC Jazz, ABC Country, ABC Grandstand, triple j Unearthed and ABC Kids Listen
<b>Online</b>	abc.net.au	A gateway to ABC's news, information and entertainment
	ABC iview	ABC's online television service
	Streaming	Digital radio online, including ABC Classic 2
	Podcasts	ABC's podcast services
<b>Phones or tablet</b>	Apps	The ABC distributes its content to mobile phone and tablet uses

Channel, station or service	Description
	through a variety of ABC apps

Source: ABC.

- 12 In recent years the ABC has also sought to distribute its content on third-party platforms to ensure that ABC content is easily accessible to all Australians, such as providing ABC channels on YouTube, using ABC accounts on Facebook and making The Wiggles available globally on Apple iTunes.
- 13 Additionally, ABC Commercial, the commercial arm of the ABC, generates revenue, which is reinvested in the ABC to generate new content, through five key business areas:
  - Content Sales and Distribution, which acquires and distributes ABC and other licenced content to broadcasters, digital platforms and other third-parties as well as managing the syndication of ABC content;
  - Retail, which operates ABC Shop Online and the ABC Centres network that are both involved in the sale of ABC licensed products across a wide range of categories;
  - Music, which records and represents Australian songwriters and composers as well as staging and marketing concerts and other live events;
  - Studio and Media Productions, which provides the surplus production facilities and staff capacity of ABC Radio and TV to third parties including commercial television networks and film and television production companies;
  - Publishing, which publishes children's books in partnership with HarperCollins Australia as well as books and magazines relating to ABC programming.
- 14 The ABC also undertakes activities internationally. Through Australia Plus, it supplies TV, radio and online services to audiences across Asia and the Pacific. It has an ABC International Development division that partners with media, civil society and government organisations in the Asia-Pacific region to assist in designing and delivering communications initiatives. Under the ABC Act, advertising and sponsorship are permitted on Australia Plus services.

## 2.2 Market participants

- 15 A number of media companies are active in Australia and provide television, radio, news and online media services. These companies include the following:
  - **SBS.** A national public television network that operates six FTA TV channels, and eight radio stations. SBS also offers World Movies, a subscription TV ("STV") channel, and SBS On Demand, a catch-up VOD service.<sup>4</sup>
  - **Seven West Media.** A media company that provides services in television broadcasting, news and lifestyle publishing, as well digital media. Seven Network

<sup>4</sup> See <https://www.sbs.com.au/aboutus/our-story/index/id/131/h/Our-Story>.

operates six national FTA television channels, one regional network, and has regional affiliates that broadcast its content in five other regions. Seven West also owns 20 regional news publications, as well as the Sunday Times, and PerthNow, among other news publications. Seven West also operates 7plus, a catch-up VOD service, and owns Yahoo7, a collection of news, lifestyle and entertainment websites.<sup>5</sup>

- **Nine Entertainment Co.** A media company that primarily operates five national FTA television channels, as well as 8 regional channels. Nine Entertainment also operates online brands including Nine.com.au, 9News.com.au, and Wide World of Sports. Nine Entertainment owns a 50% stake in the subscription VOD service Stan.<sup>6</sup>
- **Ten Network Holdings.** A division of CBS Studios International, that offers services in FTA television, online and digital platforms. Network Ten operates four FTA channels, and a catch-up VOD service.<sup>7</sup>
- **News Corp Australia.** A media company with interests in newspaper and magazine publishing, digital media, STV, and film and television production. News Corp owns approximately 142 newspapers in Australia, as well as digital sites that include news.com.au, Business Spectator and Eureka Report, Kidspot.com.au, taste.com.au and homelife.com.au. News Corp also owns Fox Sports Australia, and 65% of STV provider Foxtel. News Corp owns the realestate.com.au website.<sup>8</sup>
- **Fairfax Media.** A media company with activities in print media, digital media, and radio stations. Fairfax publishes a number of print publications, including The Sydney Morning Herald, The Age, The Australian Financial Review, The Canberra Times, The Sun-Herald, and The Land. Fairfax owns the news websites mh.com.au, theage.com.au and afr.com. Fairfax has a stake in radio broadcaster Macquarie Media Limited stations in Sydney and Melbourne, and owns 50% of the subscription VOD service Stan. Finally, Fairfax owns the Domain real estate website.<sup>9</sup>

16 The majority of Australia's commercial radio stations form part of a network of stations with a single owner. The major networks include the following:

- **Macquarie Regional Networks.** The owner and operator of the largest commercial radio network in Australia consisting of 87 commercial radio stations in 45 license areas;
- **Supernetwork.** A company which owns 32 radio stations in Australia.
- **Australian Radio Network (ARN).** The owner of a network of 12 radio stations, including the Mix FM and Classic Hits stations and Edge 96.ONE.

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<sup>5</sup> See <http://www.sevenwestmedia.com.au/about-us/>.

<sup>6</sup> See <https://www.nineentertainmentco.com.au/about-us>.

<sup>7</sup> See <https://tenplay.com.au/corporate/about>.

<sup>8</sup> See <https://www.newscorpaustalia.com/about-news/about/we-are-news/>.

<sup>9</sup> See <https://www.fairfaxmedia.com.au/Company/Corporate-Profile/corporate-profile>.



- **Austereo.** A radio network consisting of 10 radio stations, including the Today and Triple M networks.
- **DMG.** A network that owns 9 radio stations including the Nova and Vega stations.
- **Ace Radio.** A company which owns 13 radio stations.
- **Southern Cross Broadcasting.** The owner of 7 radio stations, including 4 talk stations and 3 music stations.
- **Grant Broadcasters.** A network that owns 15 radio stations in Australia.<sup>10</sup>

17 Lastly, in addition to the broad number of news websites available in Australia illustrated in Figure 38 below, there are a number of multinational internet-based companies that provide media services to Australian Consumers. These companies include the following:

- **Facebook.** A global social media service provider, with 15 million monthly active users in Australia in March 2018; Facebook additionally provides news and video services to users.<sup>11</sup>
- **Google.** An global digital service provider that operates a number of internet-based media services in Australia, including the VOD site YouTube, the music streaming service Google Play, the pay-per-view VOD service Google Play Movies & TV, and the news aggregator Google News.<sup>12</sup>
- **Apple Inc.** A multinational technology company that provides a number of internet-based media services in Australia, including the music streaming service Apple Music, the pay-per-view VOD and music download service iTunes Store, and the news aggregator Apple News.
- **Amazon.com Inc.** A multinational e-commerce and internet services company, which provides a number of media services in Australia. These include the subscription VOD services Amazon Prime Video, the music streaming service Amazon Music Unlimited, the e-book retailer Kindle Store. Amazon also owns Audible.com, a website that sells and produces digital audiobooks, radio and TV programs and audio versions of magazines and newspapers.
- **Netflix.** A multinational company that provides a subscription VOD service in Australia.
- **Spotify.** A multinational company that provides a music streaming service in Australia.

## 2.3 An economic framework

18 The ABC's enabling legislation and Charter include three economic themes, which are consistent with the economic rationale for public sector broadcasters:

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<sup>10</sup> See [http://musicinaustralia.org.au/index.php/An\\_Overview\\_of\\_the\\_Australian\\_Commercial\\_Radio\\_Broadcasting\\_Sector](http://musicinaustralia.org.au/index.php/An_Overview_of_the_Australian_Commercial_Radio_Broadcasting_Sector).  
<sup>11</sup> See <https://www.socialmedianews.com.au/social-media-statistics-australia-march-2018/>.  
<sup>12</sup> See <https://www.google.com/about/products/>.

- First, that the ABC should provide comprehensive broadcasting services of a high standard, including broadcasting programs of wide appeal.<sup>13</sup>

An additional broadcaster, even if publicly funded, and acting in accordance with competitive neutrality principles, is likely to increase the variety and quality of broadcasting alternatives available to consumers, enhance competition amongst broadcasters, and improve consumer welfare. Accordingly, there is a legitimate economic motivation to support such a public broadcaster.

- Second, that the ABC should provide innovative programming.<sup>14</sup>

The economics of innovation are substantially informed by the difficulties that purely private firms have in capturing the benefits of innovation, and thereby the problems in providing adequate incentives to justify substantial investments in discovering and developing new products and services. A public broadcaster may be able to contribute significantly to innovations that are not only introduced by the public broadcaster but are also built on by commercial broadcasters to the wider benefit of the industry, and consumers. Accordingly, there is a further economic motivation to support a public broadcaster that contributes towards innovation.

- Third, that the ABC should provide broadcasting programs that contribute to broader objectives, such as a sense of national identity, a reflection of cultural diversity, education, cultural enrichment, and the promotion of performing arts in Australia.<sup>15</sup>

The economics of broadcasting are likely to be characterised by substantial inefficiencies from a societal point of view in that it is unlikely that broadcasters can entirely capture the full benefits arising from investments in many types of content, which is likely to lead to incentives to under-invest, in particular in these types of content. A public broadcaster may be able to contribute significantly to the broadcasting of these types of content, in particular those content types that give rise to wider benefits that are harder to capture and commercialise.

19 Broadly speaking, the effects of public broadcasters on competition and efficiency could potentially be as follows.

- The ABC may provide content that is not adequately provided by commercial media operators yet are still valued by audiences, thereby addressing an inefficiency (in particular in regard to those types of content, or target audiences, where commercial media operators find it most difficult to capture or commercialise the benefits, and hence have the weakest incentives to invest) and benefitting audiences through expanding available options.
- The ABC may have a negative impact on commercial media operators, through the crowding out of the activities of commercial media operators, and, by virtue of being publicly funded it may do this to a greater degree than it would have done if it were privately owned because unlike commercial media operators it is not subject to

<sup>13</sup> The ABC Charter, The Australian Broadcasting Corporation Act (1983) (ABC Act), Section 6.

<sup>14</sup> The ABC Charter, The Australian Broadcasting Corporation Act (1983) (ABC Act), Section 6.

<sup>15</sup> The ABC Charter, The Australian Broadcasting Corporation Act (1983) (ABC Act), Section 6.

constraints to maximise profit. For example, in theory, the ABC could use its public funding to produce content that was not required under its charter and produce more of that content than a commercial media operator would have done by virtue of not being subject to the same constraints to earn commercial returns on its programs.<sup>16</sup>

- The ABC may have a net positive impact on commercial media operators, and competition and efficiency in the media sector more generally, through positive externalities.<sup>17</sup>

20 Competitive neutrality principles provide that “government businesses activities should not enjoy net competitive advantages by virtue of their public sector ownership”, and that the government’s “rationale for pursuing competitive neutrality is to improve the allocation of the economy’s resources and to improve competitive processes.”<sup>18</sup>

21 The Commonwealth Competitive Neutrality Policy Statement notes the following:

*“Competitive neutrality requires that government business activities should not enjoy net competitive advantages over their private sector competitors simply by virtue of public sector ownership. The implementation of competitive neutrality policy arrangements is intended to remove resource allocation distortions arising out of public ownership of significant business activities and to improve competitive processes.”*<sup>19</sup>

*“Competitive neutrality requires that governments should not use their legislative or fiscal powers to advantage their own businesses over the private sector. If governments do advantage their businesses in this way, it will distort the competitive process and reduce efficiency, the more so if the government businesses are technically less efficient than their private sector competitors.”*<sup>20</sup>

22 Competitive neutrality principles do not require that the ABC has no adverse effect on rivals, such as taking away viewers or advertising revenues. Rather, competitive neutrality requires that the ABC does not enjoy net competitive advantages, relative to a private sector competitor, simply by virtue of its public sector ownership.

23 The underlying rationale for considering the competitive neutrality of publicly funded broadcasters is to achieve an optimal allocation of the economy’s resources through the maintenance of effective competitive processes, by ensuring that public broadcasters do not enjoy a net competitive advantage through public funding that crowds-out private sector activity and investment in a way that would not occur, without public sector ownership.

24 While such a comprehensive counterfactual analysis is likely to be complex, we can consider evidence on the potential for the ABC’s activities to lead to crowding out of the audiences available to other media operators. While crowding out would not be a decisive sign of net

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<sup>16</sup> Crowding out occurs when ABC’s activity in a particular area makes it unprofitable for commercial broadcasters to undertake the same activity.

<sup>17</sup> A positive externality involves a positive side-effect of ABC’s actions on other parties. They are benefits that occur over and above the direct benefits that individuals obtain from viewing or listening to ABC content.

<sup>18</sup> Issues paper, page 10, part of an excerpt from the Final Report of the Commonwealth’s Competition Policy Review (the Harper Review), released on 31 March 2015.

<sup>19</sup> Commonwealth Competitive Neutrality Policy Statement, June 1996, page 5.

<sup>20</sup> Commonwealth Competitive Neutrality Policy Statement, June 1996, page 5.

competitive advantages, a lack of substantial crowding out would be difficult to reconcile with the ABC exerting substantial net competitive advantages over its commercial rivals.

- 25 Even if the ABC's activities did lead to some diversion of audiences away from rivals and towards the ABC in the short term, this would not imply that other media operators were "crowded out" or likely to be forced to reduce their own competitive initiatives, or that these other media operators are likely to exit the market. Rather, crowding out might occur through the sustained diversion of substantial audiences away from other media operators, over a long period of time, leaving other media operators with limited opportunities to attract audiences, and revenues.
- 26 Whether the activities of the ABC substantially crowd out the audiences of commercial media operators will depend on the degree to which the content, coverage and related activities of the ABC overlap and compete closely with those of commercial media operators, as well as the breadth of other opportunities available to the commercial operators.
- 27 If the activities of the ABC compete closely with those of their commercial rivals in certain areas, then the ABC may reduce the potential gains to commercial media operators in those areas – resulting in reduced investment in content and innovation by commercial media operators. If the activities of the ABC do not compete closely with those of their commercial rivals, then the activities of the ABC are unlikely to crowd out those of rival media operators.
- 28 Accordingly, as a starting point, we assess the degree of differentiation in the content produced by the ABC and commercial media operators, or alternatively whether the ABC engages in substantially complementary activities, either in regard to content types, target audience or delivery mechanisms.
- 29 We then consider whether or not some of the ABC's most notable broadcasting initiatives, such as investments in new channels, new delivery mechanisms, or new content types, have led to any significant and sustainable diversion of commercial media operators' audiences (ratings) or advertising revenues. We examine the potential for some of the ABC's more substantial initiatives to lead to the diversion of audiences in the longer term, such as the launch of the 24 hour ABC News TV channel or the launch of and improvements to the ABC's iView VOD service. We also examine the potential for the ABC's activities to lead to the diversion of audiences in the short term, for example as a result of new program launches or other ABC initiatives, although we must also consider any short term diversion in the context of the breadth of opportunities available to other media operators.
- 30 Conversely to any effect on the diversion of audiences, or any potential crowding out, the ABC's early investments, initiatives, and product innovations may provide a starting point on which commercial media operators could further build and develop their own new service offerings. More generally, the ABC's activities might prompt commercial media operators to invest in higher quality, more diverse programming and content, as well as drive innovation in the market more broadly, which ultimately benefits audiences.

- 31 Accordingly, we assess the extent to which investments and innovations on the part of the ABC may have resulted in similar investments on the part of commercial media operators, as well as the extent to which investments undertaken by the ABC may benefit efficiency and competition amongst commercial media operators. Further, we assess the ABC's investment in finding and training journalists, content makers and technology specialists that may benefit commercial media operators.

### 3 Potential crowding out of commercial media operators

32 In this section we consider the potential for crowding out of the commercial media operators by the ABC. As noted above, crowding out in and of itself would not be a decisive sign of net competitive advantages. However, a lack of substantial crowding out would be difficult to reconcile with the ABC exerting substantial net competitive advantages over its commercial rivals.

33 In this section we consider four broad perspectives.

- First, we consider the extent to which the ABC competes closely with the commercial media operators, or alternatively engages in substantially complementary activities, in particular with reference to the content types, or genre of programs broadcast, as well as the playlists and focus areas of the ABC's radio stations.
- Second, we undertaken an empirical assessment of the effect of some of the ABC's major broadcasting initiatives on the audience ratings of commercial broadcasters.
- Third, we consider the available evidence on the trends in advertising expenditures, which show substantial growth in internet advertising, and assess whether or not the ABC's online activities are likely to have adversely affected the online advertising revenues of commercial media operators.
- Finally we present a review of cross country studies that attempt to assess the effect of public sector broadcasters on commercial media operators, and we extend some of these analyses.

#### 3.1 Differentiation

34 In this section we examine the extent to which the activities of the ABC are differentiated from the offerings of commercial television and radio broadcasters, in particular with reference to the different broadcasters' focus on specific genres, as well as the playlists and focus areas of the ABC's radio stations.

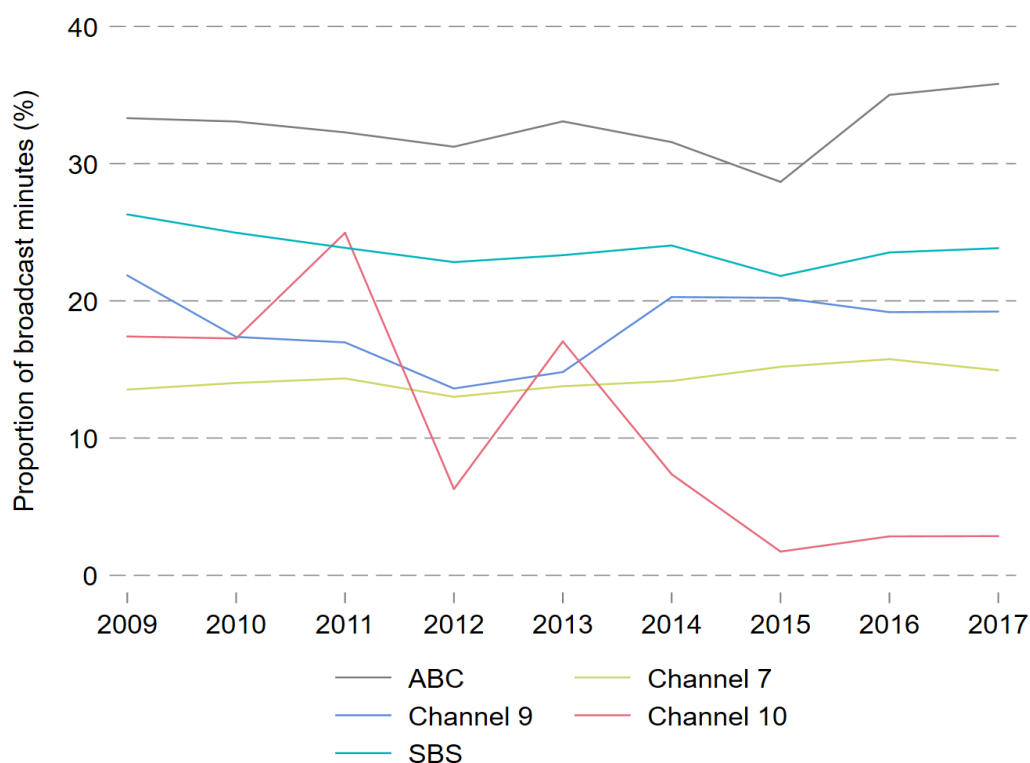
##### 3.1.1 Television and video

35 One area of differentiation that exists between the ABC and SBS and other major FTA channels is the proportion of prime-time programming allocated to programs of particular genres. In this section we examine the proportion of prime-time broadcasting that each of the major channel FTA channels allocates to programming in specific genres, such as news and current affairs, documentary and cultural, reality television, movies and sports programming.

36 A large proportion of the ABC's prime-time broadcasting falls within genres that account for only a small proportion of programming on Channel 7, Channel 9 and Channel 10.

- 37 Figure 1 below, shows that, of the five major FTA channels, the ABC allocates the largest proportion of its prime-time broadcasting to news and current affairs programming. Around one-third of prime-time broadcast minutes on the ABC's main FTA channel are attributable to news and current affairs programming. By contrast, this proportion is less than 20% for the three remaining commercial FTA channels (i.e. Channel 7, Channel 9 and Channel 10). Additionally, the ABC is the only FTA network that has a dedicated digital news channel, which broadcasts news and current affairs programming 24 hours a day.

**Figure 1: Proportion of prime-time broadcast minutes attributable to News and Current Affairs programs by major FTA channel, 2009 to 2017**

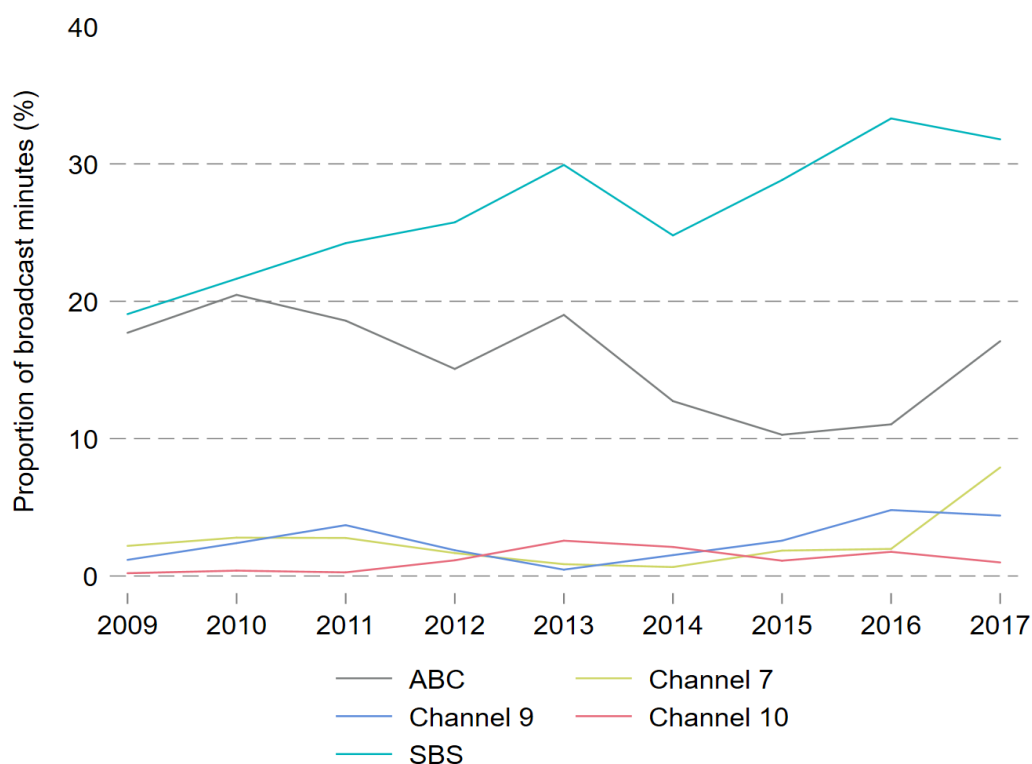


Source: RBB analysis of Daily OzTAM data.

Notes: Excludes programs of 10 minutes or shorter, and all programs broadcast during "Non-ratings weeks" over the December and Easter periods.

- 38 Figure 2 shows that 10-20% ABC's prime-time broadcasting on its main FTA channel was dedicated to documentary and cultural programming over the period 2009 and 2017. By contrast, broadcasts of documentary and cultural programming on the three remaining commercial channels consistently accounted for less than 5% of total prime-time broadcasting.

**Figure 2: Proportion of prime-time broadcast minutes attributable to Documentary and Cultural programs by major FTA channel, 2009 to 2017**



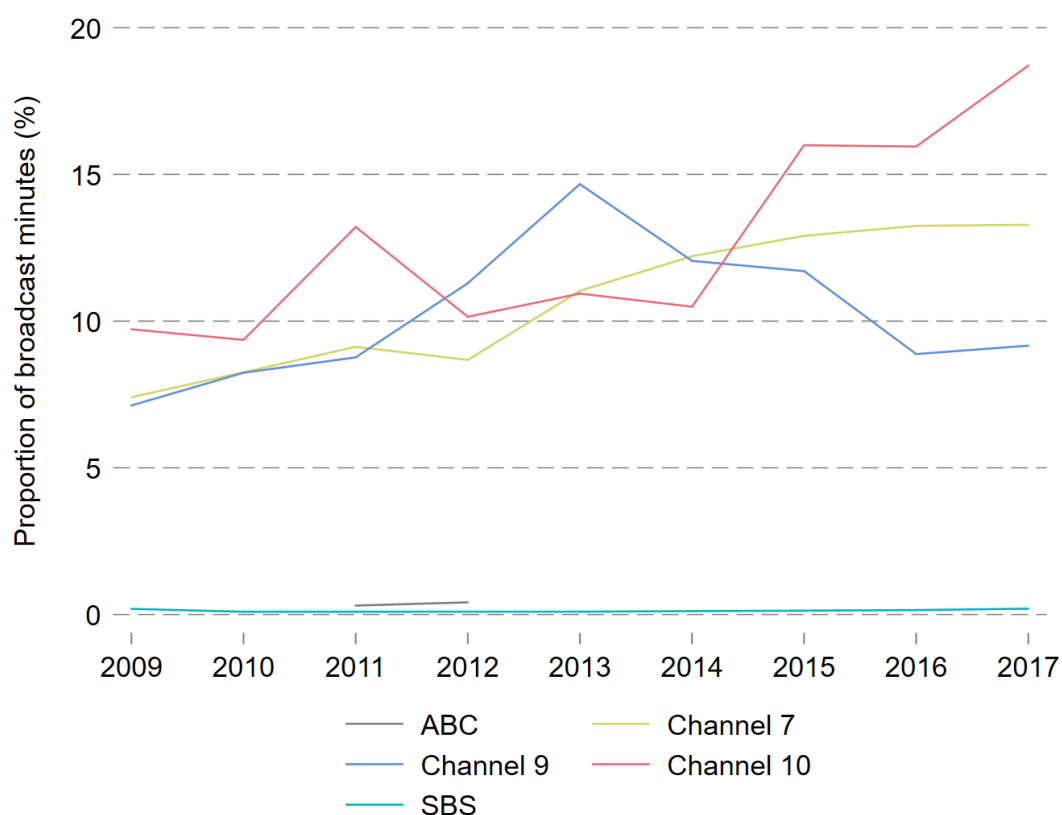
Source: RBB analysis of Daily OzTAM data.

Notes: Excludes programs of 10 minutes or shorter, and all programs broadcast during "Non-ratings weeks" over the December and Easter periods.

- 39 The types of programming that account for the majority of the ABC's prime-time broadcasting on its main FTA channel account for a much smaller proportion of prime-time broadcasting by Channel 7, Channel 9 and Channel 10. Between 2009 and 2017 the ABC consistently focussed around half of its prime-time broadcasting hours to news and current affairs and documentary and cultural programming, while these types of programs accounted for only 20-25% on the three commercial channels.
- 40 Second, there are other genres that make up a large proportion of prime-time programming on Channel 7, Channel 9 and Channel 10, but which only account for a small proportion of prime-time broadcasting on the ABC's main FTA channel.
- 41 Figure 3 below, shows that reality television programs accounted for a significant proportion of prime-time broadcasting on Channel 7, Channel 9 and Channel 10 between 2009 and 2017. Channel 10 in particular has increased its allocation of prime-time broadcasting in this genre from under 10% in 2009 to slightly less than 20% in 2017. In contrast, the ABC only broadcast reality television programming in 2011, when it accounted for an immaterial proportion of the ABC's total prime-time broadcasting.



**Figure 3: Proportion of prime-time broadcast minutes attributable to Reality Television programs by major FTA channel, 2009 to 2017**

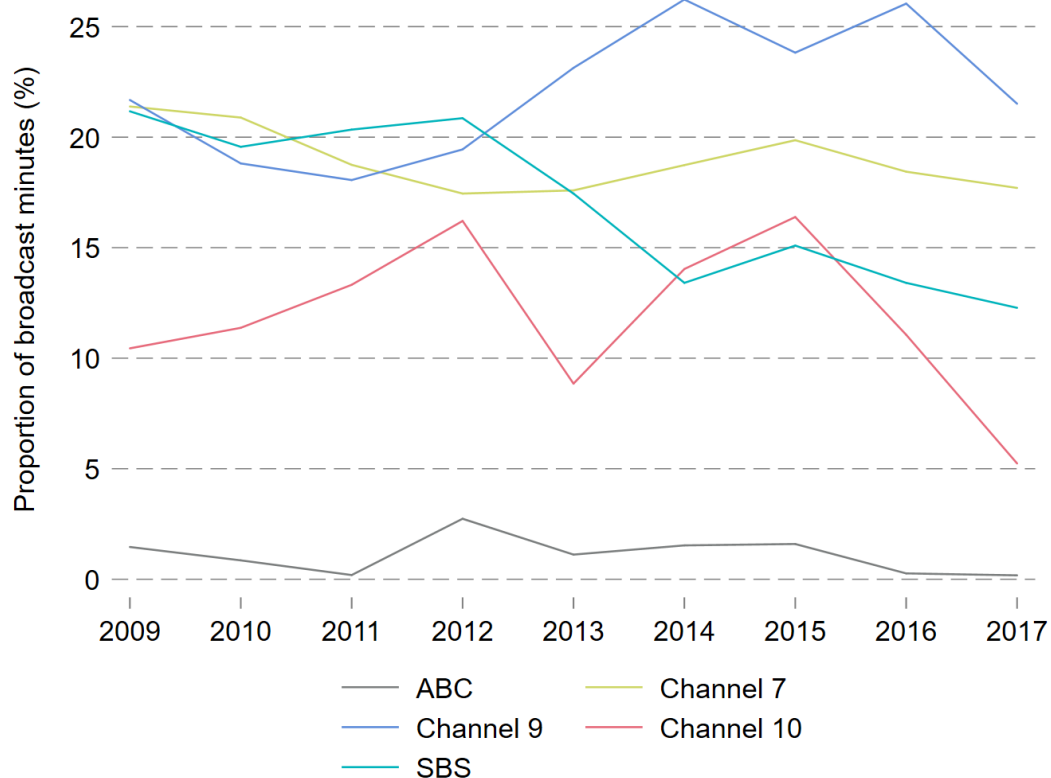


Source: RBB analysis of Daily OzTAM data.

Notes: Excludes programs of 10 minutes or shorter, and all programs broadcast during "Non-ratings weeks" over the December and Easter periods.

- 42 Similarly, while broadcasts of movies account for less than 5% of prime-time broadcasting on the ABC's main FTA channel, as shown in Figure 4 below, these accounted for between 5% and 15%, between 15% and 25%, and between 20% and 25% of prime-time broadcasting on Channel 10, Channel 7, and Channel 9, respectively, between 2009 and 2017.

**Figure 4: Proportion of prime-time broadcast minutes attributable to Movies by major FTA channel, 2009 to 2017**

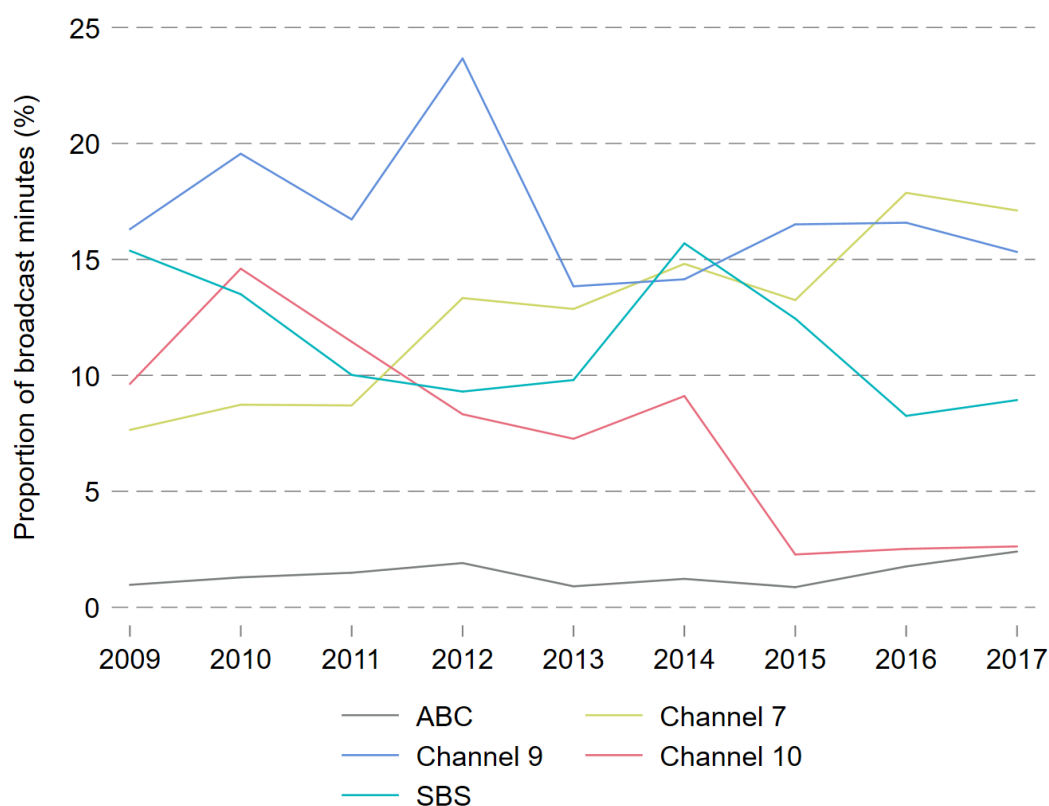


Source: RBB analysis of Daily OzTAM data.

Notes: Excludes programs of 10 minutes or shorter, and all programs broadcast during "Non-ratings weeks" over the December and Easter periods.

- 43 Figure 5 below shows that, while sports formed a material proportion of prime-time broadcasting on Channel 7, Channel 9, Channel 10, and SBS, sports accounted for an insignificant proportion of prime-time broadcasting on the ABC's main channel.

**Figure 5: Proportion of prime-time broadcast minutes attributable to sports programs by major FTA channel, 2009 to 2017**



Source: RBB analysis of Daily OzTAM data.

Notes: Excludes programs of 10 minutes or shorter, and all programs broadcast during "Non-ratings weeks" over the December and Easter periods.

### 3.1.2 Radio and audio

44 The ABC operates a wide range of radio stations throughout Australia, some of which are narrowly focused on niche genres or audiences. While ABC Radio reached 4.7 million listeners in the five-city major metropolitan areas in an average week between 2016 and 2017 (a 22.3% share of total listeners), listeners of ABC Radio were spread over a number of stations, including the following:

- ABC News on radio, a national 24-hour news radio station;
- national radio stations including RN, which focusses on arts and culture and "big ideas", ABC Classic FM, a national classical music network, and triple j, a national youth and new music network;
- capital city local radio stations in each of the 8 capital cities, which provide local news, information, entertainment, and sports relevant to the State and Territory capital cities and are also an important provider of emergency information in the country.;
- regional local radio stations available 48 regional locations in Australia;

- Double J, a digital station focussed on music for middle-aged audiences;
- ABC Classic 2, a digital station that plays music by Australian classical musicians;
- ABC Jazz and ABC Country, two distinctive digital music services responding to two major niche audiences that the ABC believe are under-served by Australian radio generally;
- ABC Grandstand, a digital station that provides a range of sports coverage;
- triple j Unearthed, a digital station that plays 100% new Australian music uploaded to the [triplejunearthed.com](http://triplejunearthed.com) website;
- ABC Extra, is a “pop-up” digital radio station that covers special-events; and
- Radio Australia, a news and informational service for the pacific region.<sup>21</sup>

45 In order to explore one aspect of differentiation in radio broadcasts, we have considered data on songs played on one of the ABC’s popular radio stations, triple j, and commercial radio stations.

46 We had access to data on the top 500 most frequently played songs on the ABC’s triple j stations each week, and the top 500 most frequently played songs across all radio stations each week, over the period from week 4 of 2017 to week 21 of 2018. We used these data to test whether or not the ABC’s triple j stations played a similar set of songs to those most played on all radio stations (predominantly the commercial radio stations).<sup>22</sup>

47 Of the 7,097 songs that featured in the top 500 most played songs on triple j in at least one week over this period, only 380 songs, or around 5%, also appeared at least once in the top 500 played songs on all radio stations.

48 Considering only the 658 songs that have appeared in top 50 songs played on triple j, in at least one week during this period, only 63 songs, or just under 10%, have ever appeared in the top 100 songs played on all radio stations. If we limit this analysis to Australian artists we find that of the 423 Australian songs that have appeared in the top 50 songs played on triple j in at least one week, only 49 songs, or around 12%, have ever appeared in the top 100 Australian songs played on all radio stations.

49 Conversely looking at the 152 songs that have featured, at least once, in the top 20 songs played on all radio stations in at least one week during this period, only 25 songs, or around 16%, have ever appeared in the top 100 songs played on triple j. If we limit this analysis to Australian artists we find that of the 90 Australian songs that have appeared in the top 20 songs played on all radio stations, in at least one week during this period, only 31 songs, or around 34%, have ever appeared in the top 100 Australian songs played on triple j.

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<sup>21</sup> ABC Annual Report 2017, vol. 1, pp. 22 and 62.

<sup>22</sup> Two versions of these charts exists, one for that presents the most frequently played songs across all artists, and one that presents the most frequently played songs for Australian artists only. The chart presenting the top 500 most frequently played songs across all radio stations is unavailable for week 18 of 2017. We identified the rankings that a song appeared on the triple j charts in each week and then identified if this song was ever included on the charts for all radio stations, and if so what were the rankings that these songs achieved.

- 50 The overlap in music played on triple j and that played on the rest of radio is relatively limited, in particular amongst these samples of the most frequently played songs. This suggests that triple j generally plays different music to other radio broadcasters and is accordingly less likely to divert the listenership of the more commercial radio stations.
- 51 While from a static point of view there is limited overlap in music played on triple j and on the rest of radio, there does exist some overlap in a more dynamic sense. Specifically, as discussed in greater detail in sub-section 4.3.4 below, where there is an overlap in the music played on triple j and that played on the rest of radio these are predominantly songs from local Australian artists that are initially played and promoted on triple j before being picked up in later weeks by other radio stations, who are required by the Code of Practice to play a certain proportion of Australian music.<sup>23</sup>

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<sup>23</sup> See <http://www.abc.net.au/news/2018-03-22/commercial-radio-missing-australian-music-quotas-researcher-says/9575146>.

## **3.2 Effect of the ABC's activities on commercial broadcasters' audiences**

### **3.2.1 Introduction**

- 52 In this section we consider the available evidence in regard to the effect of the ABC's activities on the audiences watching commercial broadcasters' programming.
- 53 We first describe the broad industry context, in particular the trends in audiences for TV and radio broadcasts, the emergence of new services, and the resulting fragmentation of audiences.
- 54 We then consider two types of event analyses, or analyses that attempt to isolate and focus on the likely effect of the ABC's activities on commercial broadcasters' audiences.
- First, we analyse the effect of initiatives undertaken by the ABC that are likely to have had a longer term impact on commercial broadcasters' audiences. In particular we look at the launch of new digital channels (such as the 24 hour ABC News channel), and improvements made to the ABC's iview offering. We use audience ratings data to consider the likely effect of these ABC initiatives on the audiences of commercial broadcasters.
  - Second, we analyse the effect of a set of substantial initiatives undertaken by the ABC, such as the launch of new programs or series, or the broadcasting of particularly popular episodes of programs, which are likely to have had a relatively short term impact on audiences. We use audience ratings data to consider the likely effect of these ABC initiatives on the audiences of commercial broadcasters. We also consider any short term effects, or short term diversion of audiences, in the context of the breadth of opportunities available to other media operators.

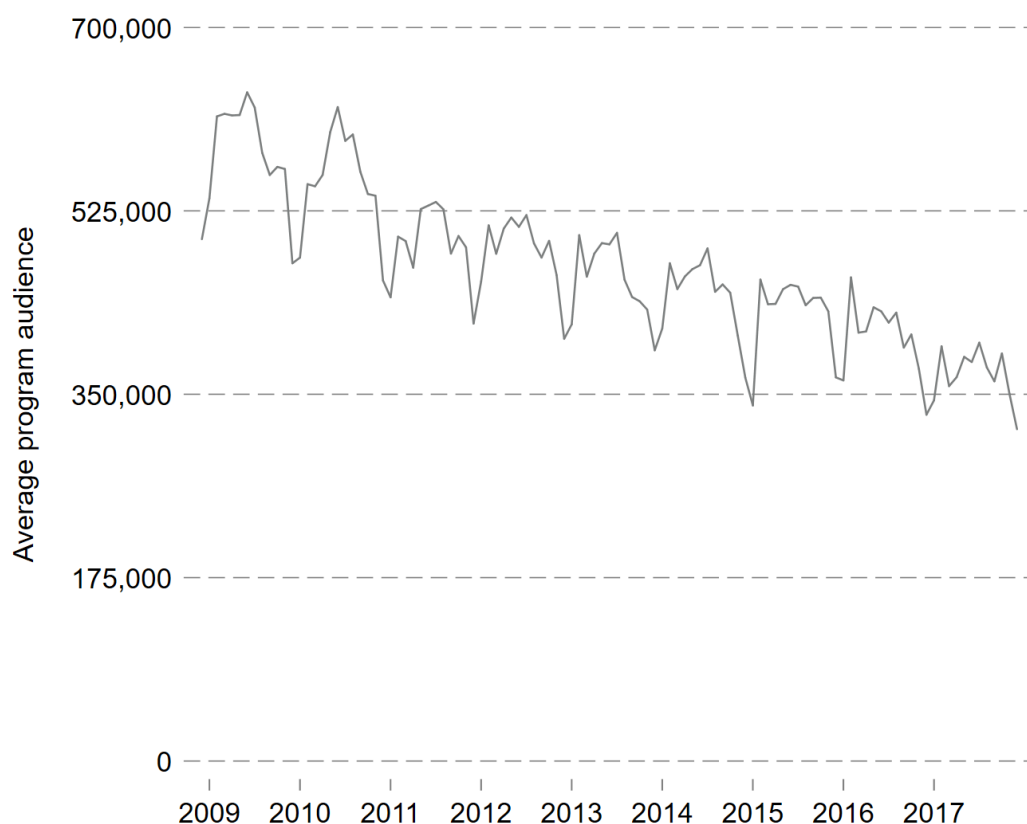
### **3.2.2 Industry context - new services and the fragmentation of audiences**

- 55 The media and broadcasting market in Australia has been substantially affected in recent years by the proliferation of new platforms and services for delivering content to audiences, and the consequent fragmentation of audiences and viewing activity across an increased number of services and platforms. In this section we explore how this trend has affected both TV and VOD, and radio and audio.

#### **3.2.2.1 TV and VOD**

- 56 There has been a significant decline in the time spent viewing the major FTA channels, but growth in time spent viewing new digital multi-channels. There has also been substantial growth in VOD, especially following the entry of Netflix into the Australian market in 2016.
- 57 As Figure 6 shows, the average audiences for prime-time programs (i.e. programs broadcast between 6pm and 12am) across the 5 major FTA channels declined significantly between 2009 and 2017.

**Figure 6: Monthly average prime-time program audience across the five major FTA channels, 2009 to 2017**

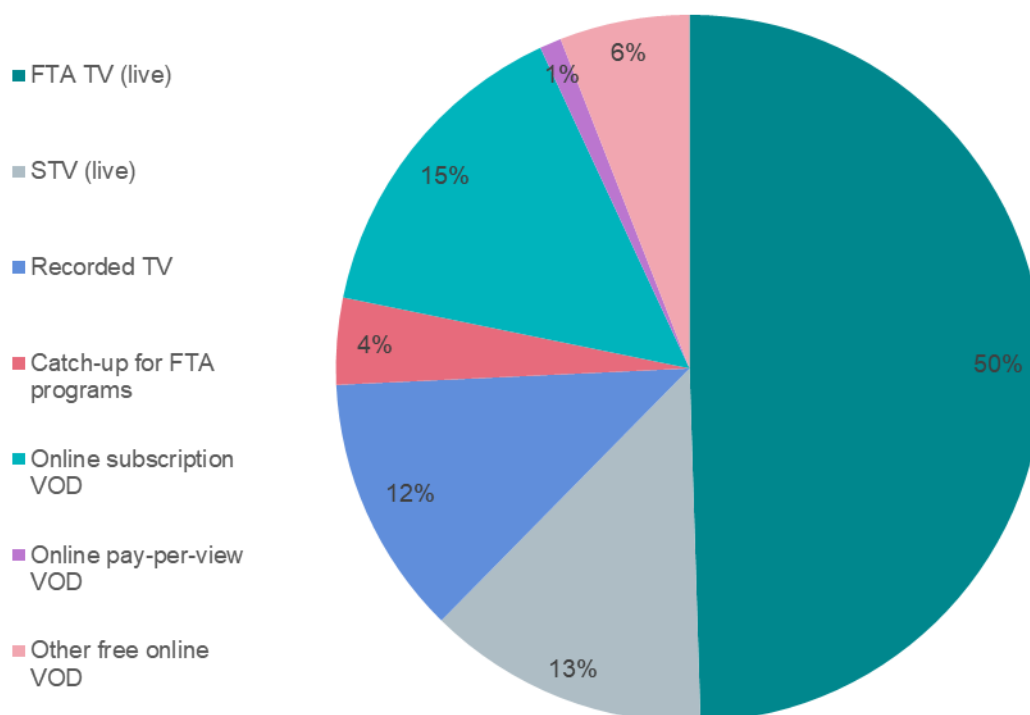


Source: RBB analysis of Daily OZTAM data.

- 58 Over the same period a number of innovations in television and video distribution have increased the quantity and variety of programming available to viewers in Australia, through the launch of new linear digital television broadcasting, as well as new content delivery through internet-based services, in particular VOD.
- 59 The adoption of digital television broadcasting by the 5 major FTA broadcasters between mid-2008 and early-2016 has significantly increased the number of FTA channels available to audiences. There were 6 major FTA channels available in the major metropolitan areas of Australia in June 2008, and 19 FTA channels by the end of February 2016.
- 60 Second, over roughly the same period, there has been significant growth in internet-based VOD services offering programming to Australian viewers outside of traditional linear television broadcasting. These new services include:
  - catch-up VOD services offered by the major FTA and STV networks;
  - subscription VOD services that allow subscribers unlimited access to an online library of programs for a fixed monthly fee; and
  - pay-per-view VOD services, which allow viewers purchase access to specific programs from an online library.

- 61 Since 2008, six catch-up VOD services have been introduced by the major television networks.<sup>24</sup> There are now over 9 major subscription VOD services available in Australia, the majority of which have been introduced since 2015.<sup>25</sup> At least 7 major pay-per-view services are now available to Australian viewers.<sup>26</sup>
- 62 As a result of rapid increase in the number options available to Australian audiences of television and other video content, audiences now distribute their viewing across a larger set of alternatives, resulting in audience fragmentation. Figure 7 below, shows a breakdown of the Australians time spent viewing professionally produced video content by platform in 2017. Whereas pre-2008 audiences viewing time would have been split between live viewing of FTA and STV broadcasts, these two platforms combined now account for only around 63% of total viewing time by Australian audiences, with VOD services accounting for over a quarter of Australians' viewing time.

**Figure 7: Time spent viewing professionally produced video content in the last seven days, June 2017.**



Source: Australian Communications and Media Authority, *Communications Report 2016-17*, p. 77.

Notes: Proportions based on Australians aged 18 and above who watched any FTA TV or professionally produced online video content in the last seven days.

- 63 There has also been fragmentation of audiences within linear television broadcasting. Figure 8 and Figure 9 below show that while the FTA television networks have managed to achieve a fairly steady share of total prime-time television audience, between 2009 and 2017, audiences are now distributed across a far larger number of channels. While the audience share has fallen for the five main FTA channels, this has been largely

<sup>24</sup> These include ABC iView (ABC), 7PLUS (Seven Network), 9Now (Nine Network), Tenplay (Network Ten), Foxtel Go (Foxtel) and SBS On-Demand (SBS).

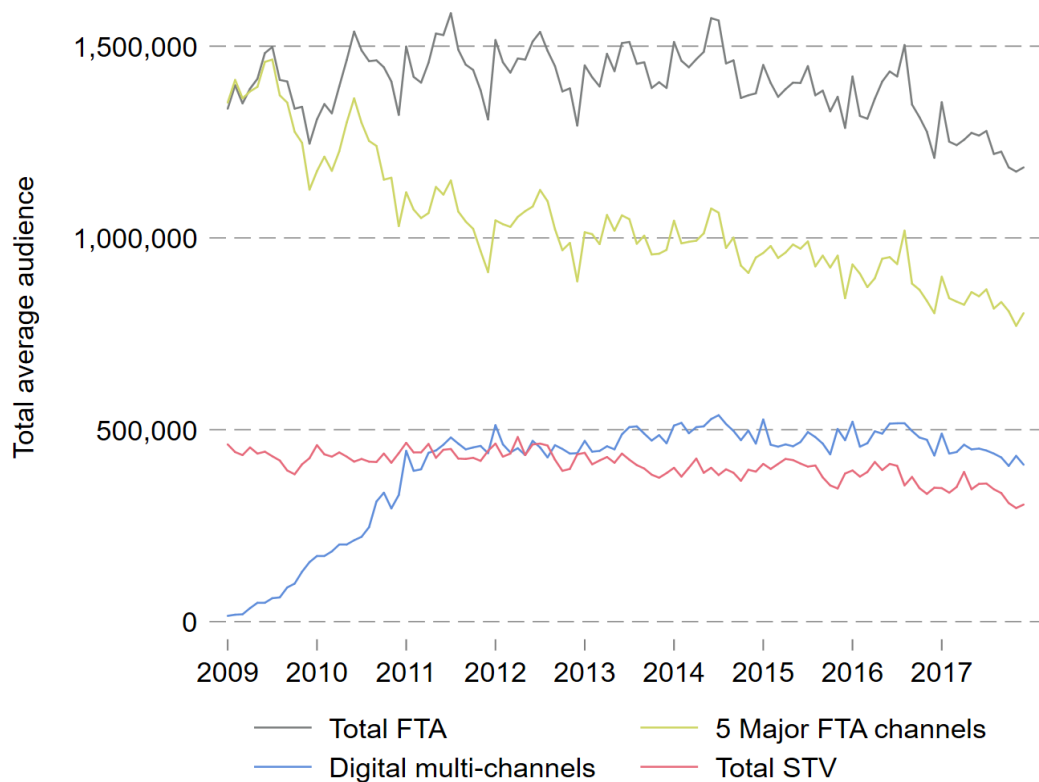
<sup>25</sup> These include Netflix, Stan, Foxtel Play/Foxtel Go, Amazon Video, Ozflix, DocPlay, Quickflix and YouTube Red/YouTube Premium.

<sup>26</sup> These include iTunes, Google Play, Dendy Direct, Bigpond, Fetch TV, and Quickflix Access.



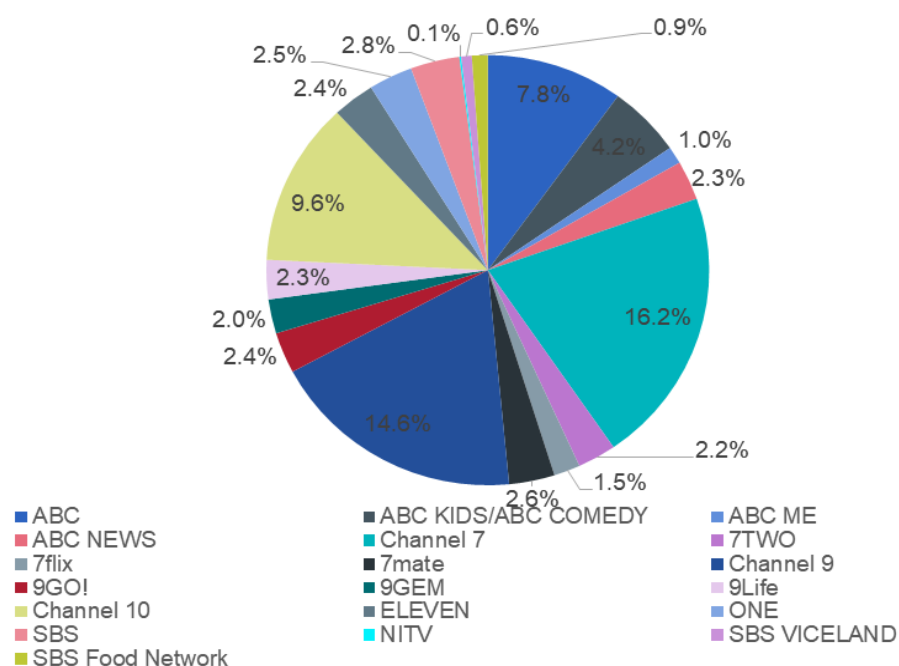
compensated by an increase in the audience share for the FTA digital multi-channels, which now account for over 25% of television audiences.

**Figure 8: Average monthly prime-time television audience share by channel category, 2009 to 2017**



Source: RBB analysis of Monthly OzTAM data.

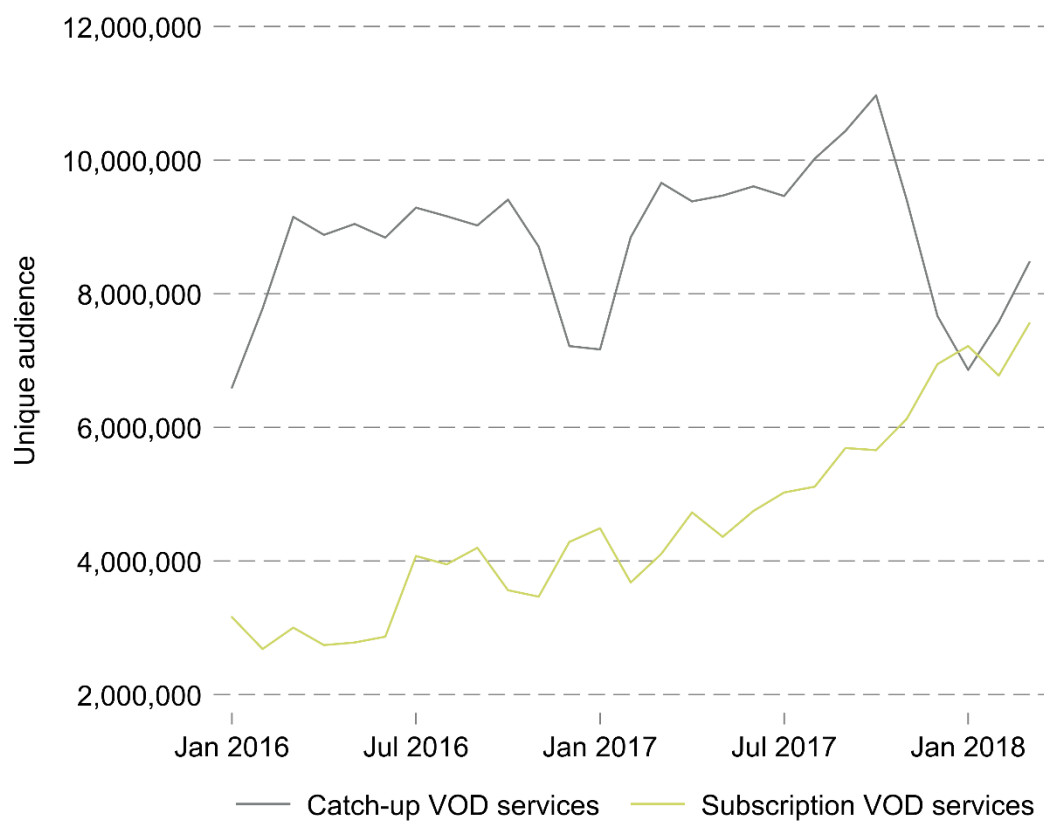
**Figure 9: Television audience share by FTA channel, June 2017**



Source: RBB analysis of Monthly OzTAM data.

- 64 There has been a significant increase in audiences of VOD services, as shown in Figure 10 below, although there has also been a substantial increase in the number of VOD services available to Australian audiences, which has resulted in fragmentation of audiences within VOD services.

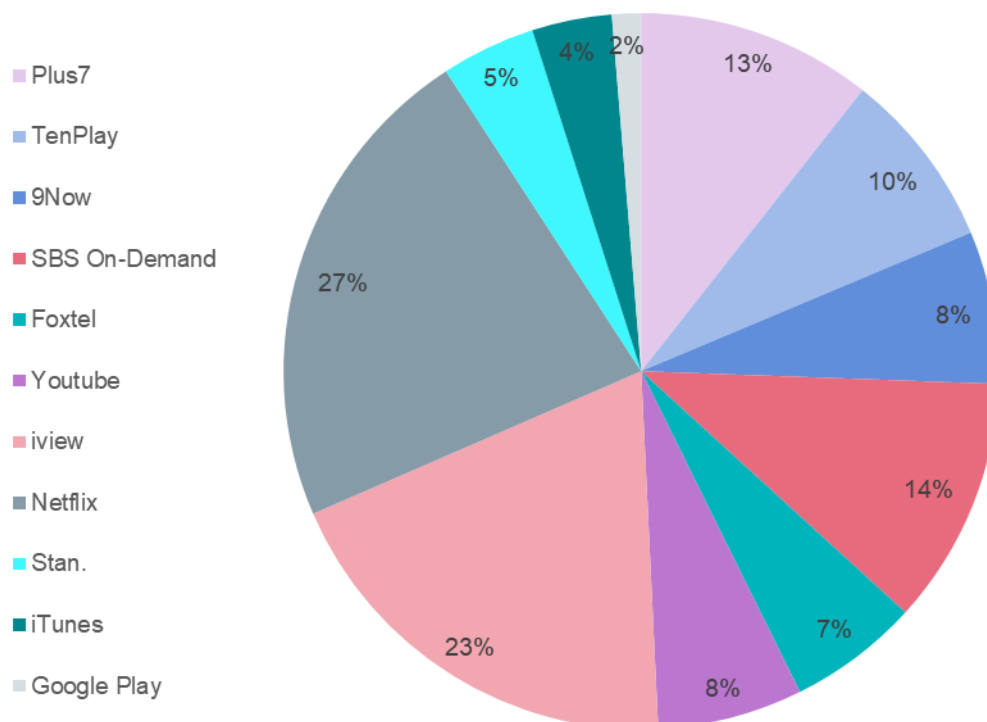
**Figure 10: Monthly unique audience across VOD sites, January 2016 to March 2018**



Source: RBB analysis of Nielsen DRM data.

- 65 As shown in Figure 11 below, while services such as Netflix and iview attract a material proportion of Australians who view VOD content, there are a significant number of other VOD services that attract a smaller proportion of this audience.

**Figure 11: Proportion of Australians who viewed professionally produced video content online in the last 6 months by service, June 2017**



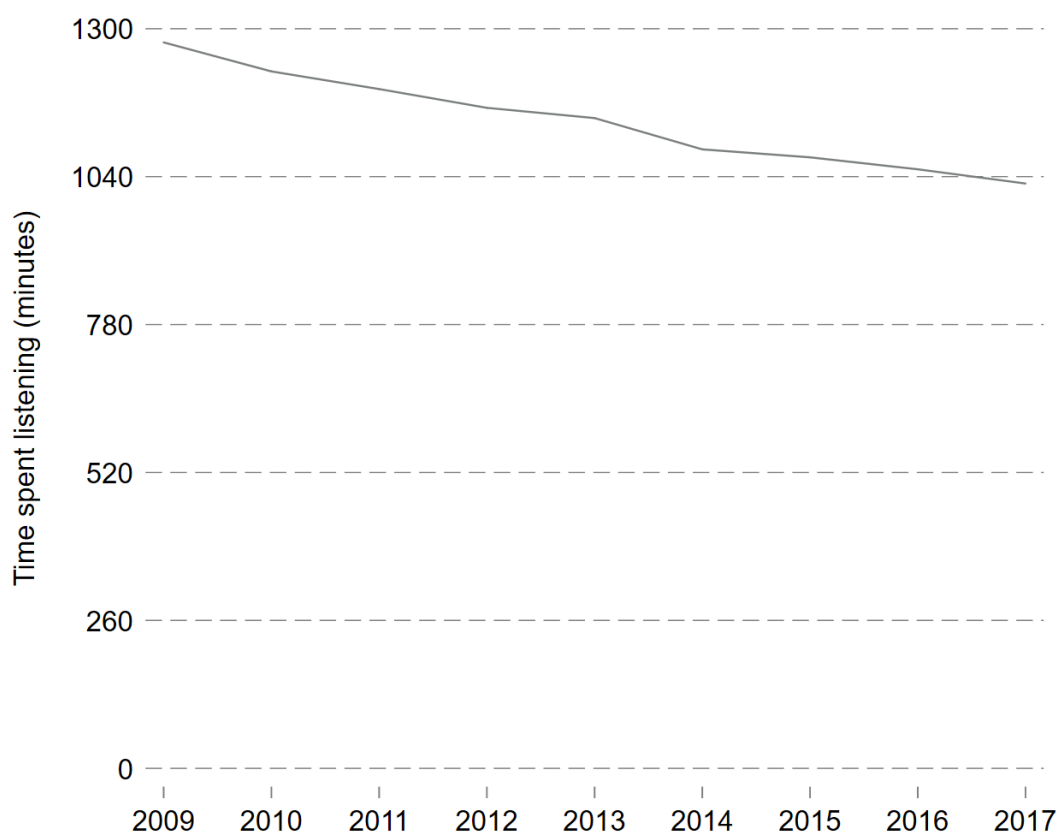
Source: RBB analysis of data contained in the Australian Communications and Media Authority, *Communications Report 2016-17*, p. 77 to 78.

Notes: Percentages add up to in excess of 100% due to Australians viewing professionally produced video content across more than one online platform.

### 3.2.2.2 Radio and audio

66 As shown in Figure 12 below, the average amount of time that Australians spend listening to radio broadcasts has decreased between 2009 and 2017.

Figure 12: Time Spent Listening to radio, 2009 to 2017



Source: RBB analysis of GfK radio data.

Notes: "Time spent listening" reflects an estimate of the amount of time a station's cumulative audience spends listening during a specified time period

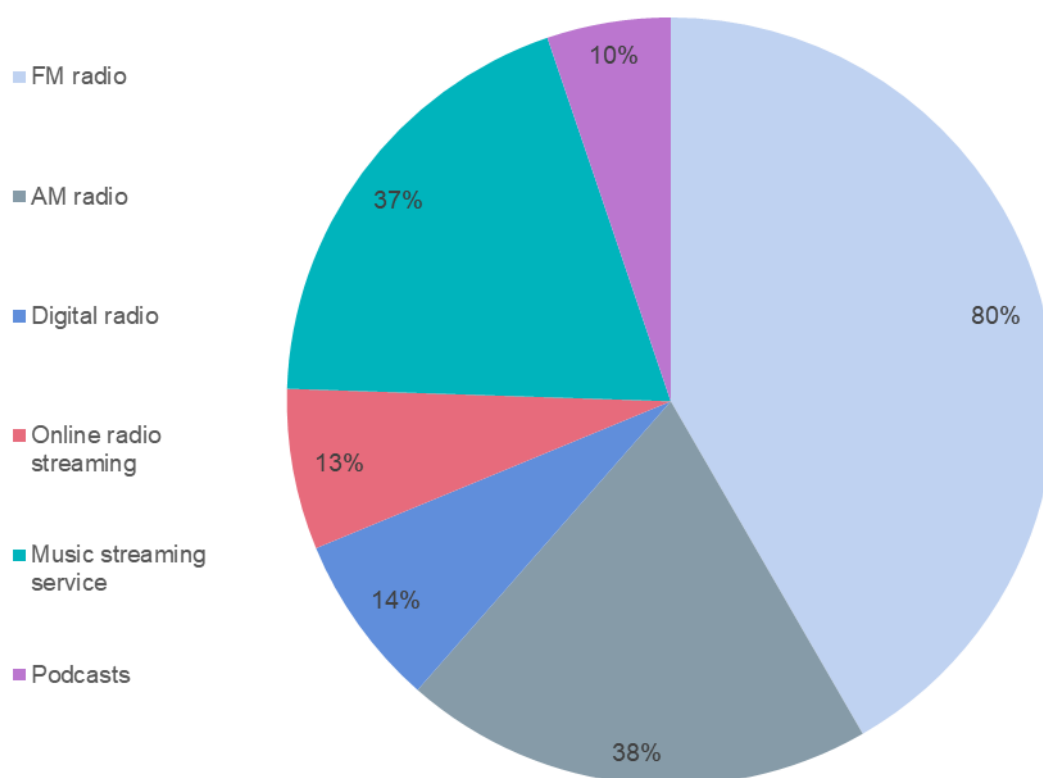
- 67 Similarly to the case of television and video broadcasting, there have been a number of innovations that have significantly increased the quantity and variety of radio and audio content available to Australians - including the introduction of digital radio, online radio streaming, online music streaming, and podcasting.
- 68 Commercial digital radio services have been operating in the major metropolitan areas (i.e. Sydney, Melbourne, Brisbane, Adelaide and Perth) since 1 July 2009, and have resulted in a significant increase in the number of radio broadcast options available to Australians in these areas. By the end of 2017 there were an average of 20 digital radio stations in each of the five major metropolitan areas in Australia.<sup>27</sup> In addition, a number of radio streaming services have been introduced in recent years that allow listeners to stream live radio over the internet. These include aggregator services, such as iHeartRadio (launched in August 2013) and RadioApp (launched in November 2016), that allow listeners to access a large number of live stations on a single platform, as well as broadcaster-specific services that

<sup>27</sup> According to data from GfK, a market research company. See <http://www.digitalradioplus.com.au/CMSPages/GetFile.aspx?guid=ea50c4b2-9131-49a4-91b3-2f2bf7bd49b5>.

allow listeners to access live streams of specific stations only, such as the ABC Listen app launched in September 2017.<sup>28</sup>

- 69 A number of standalone internet-based services have been introduced in recent years – further increasing the number of audio entertainment options available to Australian audiences. These include online music streaming services such as Spotify, Apple Music and Google Play as well as podcasts.
- 70 As a result of these new entrants Australians now access audio entertainment content through a range of different services. However, as shown in Figure 13 below, the large majority of Australians still choose to listen to audio entertainment in traditional linear broadcast formats (i.e. radio and radio streaming).

**Figure 13: Proportion of Australians who listened to audio content in the last seven days, June 2017**



Source: RBB analysis of data contained in the Australian Communications and Media Authority, *Communications Report 2016-17*, p. 65 to 68.

Notes: The data for podcasts differs from other audio platforms and reflects the proportion of Australians aged 12 and over who had listened to a podcast in an average week in the first quarter of 2017. Percentages add up to in excess of 100% due to the fact that Australians listen to audio content across more than one service.

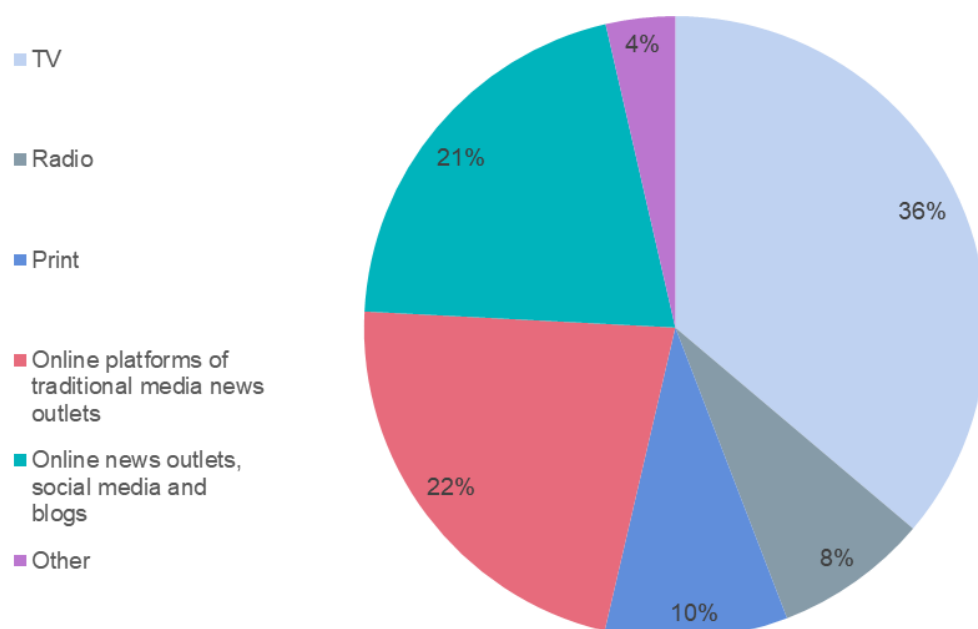
- 71 As a further illustration in the evolution of consumer preferences, and the fragmentation of audiences, we also consider the ways in which people consume news content.

<sup>28</sup> See iHeartRadio (<https://mumbrella.com.au/iheartradio-app-launched-australia-177754>), RadioApp (<https://mumbrella.com.au/radio-unites-one-app-play-stations-400289>) and ABC Listen (<https://radio.press.abc.net.au/abc-launches-new-abc-listen-audio-app>).

### 3.2.2.3 The consumption of news content

- 72 Patterns in the consumption of news by Australians have undergone significant changes in recent years that reflect many of the trends described above. While television and radio broadcasts remain the primary source of news for a number of Australians, the role of print news publications has declined significantly; print newspaper circulation in Australia declined by 25.3% between 2012 and 2017, while consumption of news on digital platforms has grown.<sup>29</sup>
- 73 Figure 14 below, shows that news consumption has become highly fragmented across platforms. Approximately 25% of Australians now use online platforms as their primary source of news, while print news is only the primary news source for around 10% of Australians.

**Figure 14: Main news sources of Australians, 2017**



Source: RBB analysis of data contained in *Digital News Report: Australia 2017*, News & Media Research Centre, University of Canberra, p. 7.

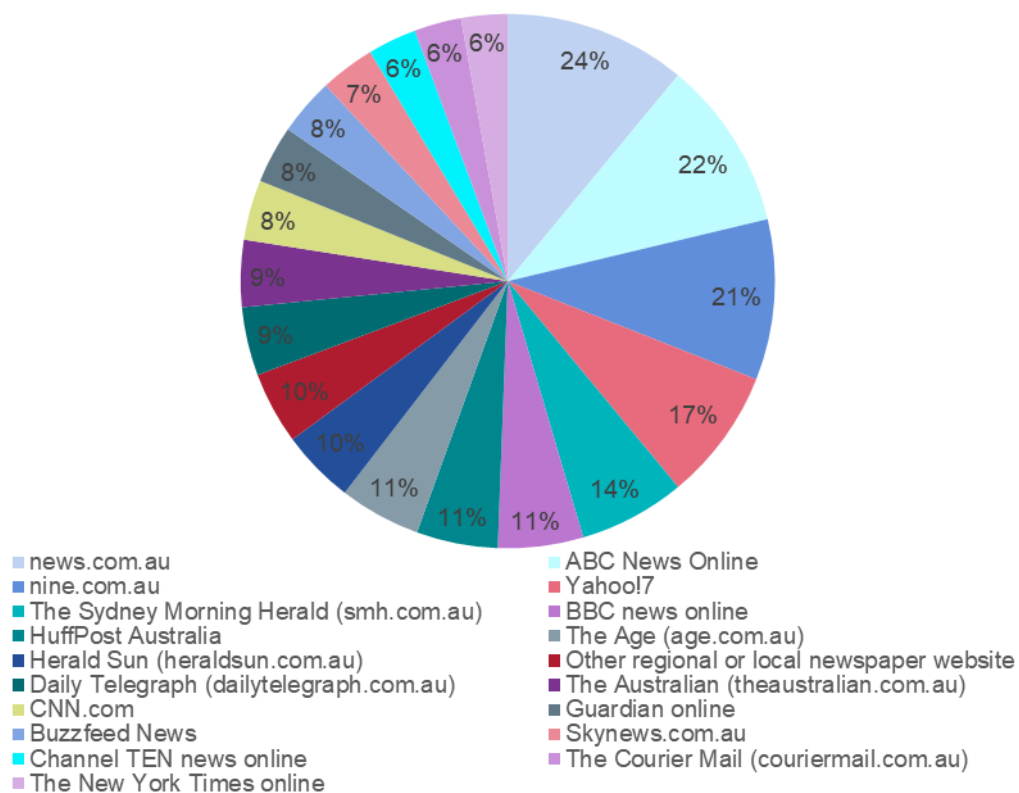
Notes: Percentages add up to in excess of 100% due to the effects of rounding.

- 74 Figure 15 below, shows that there has also been fragmentation within online news sources. While traditional news outlets remain amongst the most utilised news sources online, these now compete against a large number of online-specific news sources. These data are consistent with lower barriers to entry in the provision of online news services.
- 75 However, the increase in the number of news sources, together with the fragmentation of audiences between these different sources, has coincided with the rise of news aggregators such as Google, Facebook and Apple News that refer the vast majority traffic to online news sources. By way of illustration, in 2016, Facebook and Google accounted for three-quarters

<sup>29</sup> RBB analysis of data contained in PwC, *Entertainment and Media Outlook 2017-2021* and in PwC, *Entertainment and Media Outlook 2018-2022*.

of all referrals to major news and entertainment sites, while fewer than 25% of visitors come directly to a site or app.<sup>30</sup>

**Figure 15: Online news brands accessed by Australians in the past seven days, 2017**



Source: RBB analysis of data contained in the Australian Communications and Media Authority, *Communications Report 2016-17*, p. 82.

Notes: Percentages add up to in excess of 100% due to the fact that Australians accessed more than one online news brand.

<sup>30</sup> Australian Communications and Media Authority, *Communications Report 2016-17*, p. 81.



### **3.2.3 Longer-term event analyses**

- 76 In this section we present a number of empirical analyses that aim to assess the effect of the ABC's broadcasting activities on the audiences of commercial broadcasters. We do this using "event analysis" whereby we use a change that occurred at a particular point in time or over a period over time, such as the launch of a new service, or a popular ABC program being taken off air, to attempt to identify the impact that the ABC has on commercial broadcasters.
- 77 Using television ratings data, we consider the likely impact of specific ABC initiatives that resulted in a significant change in the ABC's audience on the audiences on the other FTA broadcasters.
- 78 We focus on average audiences as this is likely to reflect the expected target audience for advertisers airing advertisements during a given program or time slot. Average audience sizes may vary for a host of reasons, and there are likely to be a large number of factors that might affect audience sizes on any particular occasion. We did not have data on many of these potential factors, and in particular we did not have comprehensive data on the competitive initiatives, strategic responses, and programming choices undertaken by other broadcasters. In this section we have attempted to focus on the most significant ABC initiatives, and to assess the likely effect of those ABC initiatives on the measures of commercial broadcasters' audiences that are most likely to be affected (such as during prime-time broadcasts, on relevant regional FTA broadcasts, or on relevant STV channels), in order to try to isolate and focus on this likely effect.

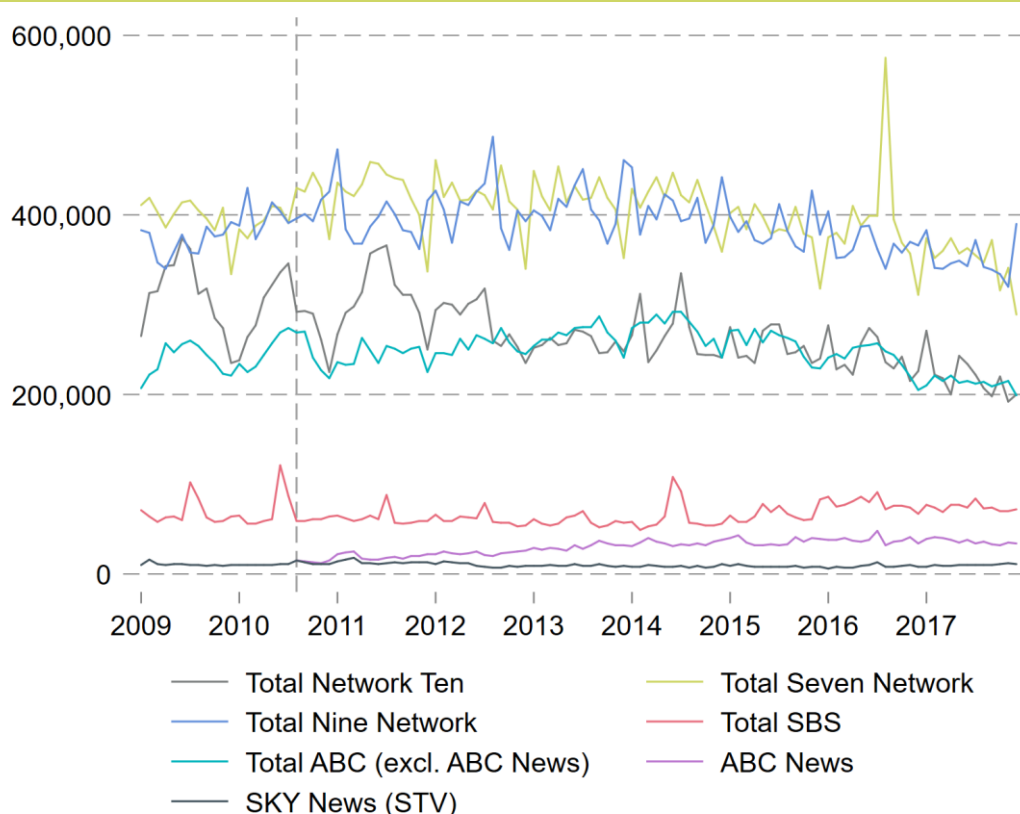
#### **3.2.3.1 Effect of the launch of ABC News**

- 79 In this section we examine the longer-term impact of the launch of the ABC News TV channel on the average monthly audiences of the 3 major FTA networks, as well as the Sky News channel – a dedicated STV news channel.
- 80 Figure 16 below shows the average monthly audiences for each of the major FTA networks (i.e. the sum of monthly average program audiences across all FTA channels owned by the network in question) as well as for Sky News – a 24-hour news channel available on the Foxtel and Optus Television subscription platforms, before and after the launch of ABC News in August 2010. There is significant seasonality in the data – with regular fluctuations in audiences in the course of each year, as well as a downward trend in audiences across years. However, the launch of ABC News does not appear to have had any appreciable effect on the audiences of other FTA networks, or Sky News.
- 81 The analysis presented in Table 2 below attempts to control for seasonality and trend effects, and performs a statistical test to assess if there is any meaningful difference in audiences on each of the FTA networks and Sky News before and after the launch of the ABC News channel. The results show that the launch of ABC News is not correlated with any significant change in the audiences of programs broadcast on Network Ten's and SBS' FTA channels or the Sky News channel. This means that after the launch of ABC News,

audiences on each of these rival channels were sometimes higher and sometimes lower, but we can't say that the average effect is any different from zero. Moreover, the launch of ABC News is correlated with a small but significant *increase* in the audiences of programs broadcast on Seven Network's and Nine Network's channels.

- 82 These results are not consistent with the ABC's launch of new digital multi-channels leading to any sustained diversion of the audiences of rival commercial channels.

**Figure 16: Effect of the launch of ABC News on audiences of the major FTA networks and SKY News, 2009 to 2018**



Source: RBB analysis of Monthly OzTAM data.

**Table 2: Regression of average monthly audiences of the major FTA networks and the SKY News channel on a dummy variable indicating the presence of the ABC News channel, 2009 to 2017**

Explanatory variables	Seven Network	Nine Network	Network Ten	SBS	Sky News	Net effect
Effect dummy coefficient	0.086***	0.097***	-0.084	0.038	-0.003	0.041
	(0.028)	(0.034)	(0.059)	(0.071)	(0.051)	(0.031)

Source: RBB analysis of Monthly OzTAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex C.1 for the full set of parameter estimates and details of the estimation methodology.

- 83 We have extended this analysis to estimate the specific effect of the launch of the ABC News channel on the prime-time audiences of news and current affairs programs broadcast on other FTA channels, as well as Sky News. While the analysis above considered the

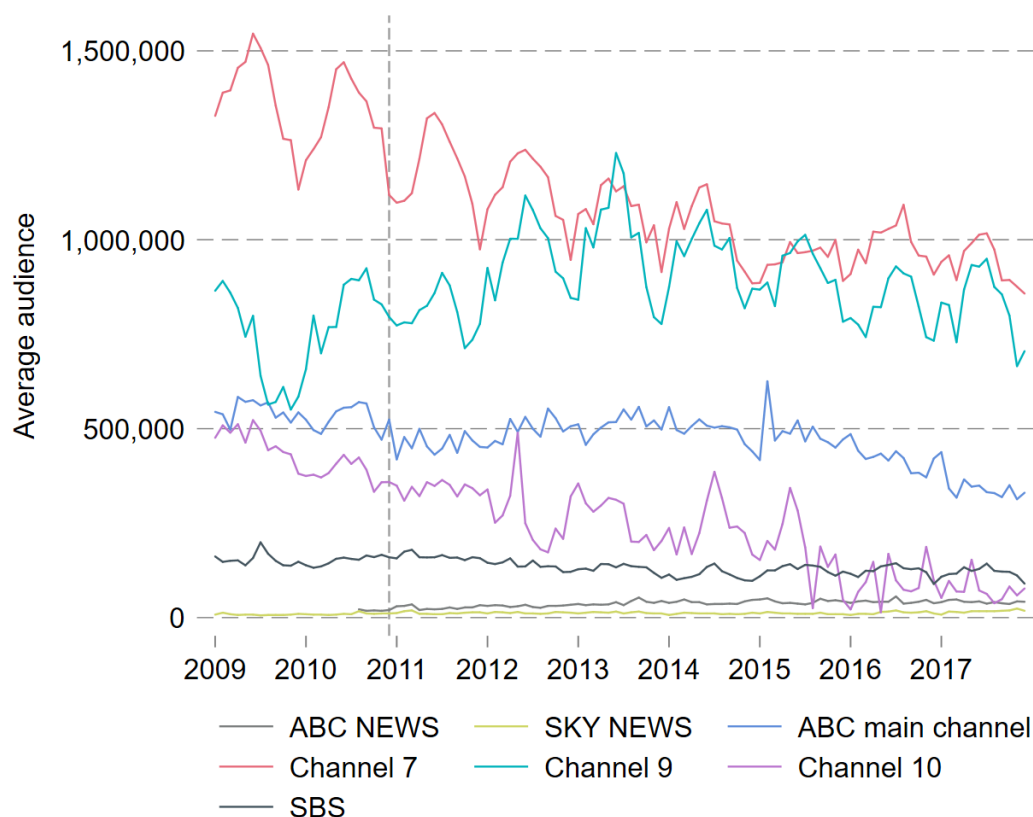
broad impact on other channels, this analysis focusses on the specific impact of the launch of ABC News on other news broadcasting.

- 84 Figure 17 below shows average monthly audiences for prime-time broadcasts of news and current affairs programs for each of the main FTA channels and Sky News, before and after the launch of ABC News in August 2010. There is no significant change in audiences on any of the channels considered immediately following the launch of ABC News. While average monthly news audiences on Channel 7 and Channel 10 appear to decline slightly over the post-August 2010 period, these channels merely continue a trend that was present prior to the launch of ABC News.
- 85 Table 3 below presents a statistical analysis that tests for a change in prime-time news and current affairs audiences following the launch of ABC News, while controlling for the effects of trend and seasonality on these audiences. The launch of ABC News was correlated with a small *increase* in the prime-time news and current affairs audiences on Channel 9, SBS and Sky News, no significant change in these audiences on Channel 7, and a decrease in audiences on Channel 10. The estimated net effect on all of these competing channels is that the launch of ABC News was correlated with an overall increase in prime-time audiences for competitors' news and current affairs programs.<sup>31</sup>
- 86 These results are not consistent with the ABC's launch of new digital multi-channels leading to any significant diversion of the audiences of programs broadcast on rival commercial channels, even when we have focussed on the same genre of news and current affairs broadcasting.

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<sup>31</sup> These results are robust to the use of program duration-weighted average audience as the dependent variable. See Annex C.1.3 for full regression estimates.

**Figure 17: Effect of the launch of ABC News on prime-time news and current affairs program audiences of the major FTA networks and SKY News, 2009 to 2018**



Source: RBB analysis of Monthly OzTAM and Daily OzTAM data.

**Table 3: Regression of average monthly prime-time news and current affairs program audiences of the major FTA channels and the SKY News channel on a dummy variable indicating the presence of the ABC News channel, 2009 to 2017**

Explanatory variables	Channel 7	Channel 9	Channel 10	SBS	Sky News	Net effect
Effect dummy coefficient	0.016	0.455***	-0.639***	0.138***	0.683***	0.080***
	(0.038)	(0.071)	(0.127)	(0.042)	(0.072)	(0.028)

Source: RBB analysis of Monthly OzTAM and Daily OzTAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See AnnexC.1 for the full set of parameter estimates and details of the estimation methodology.

### 3.2.3.2 Effect of the inclusion of new content on iview

87 In this sub-section we examine the effect on commercial broadcasters of the ABC expanding the content available to viewers through iview.

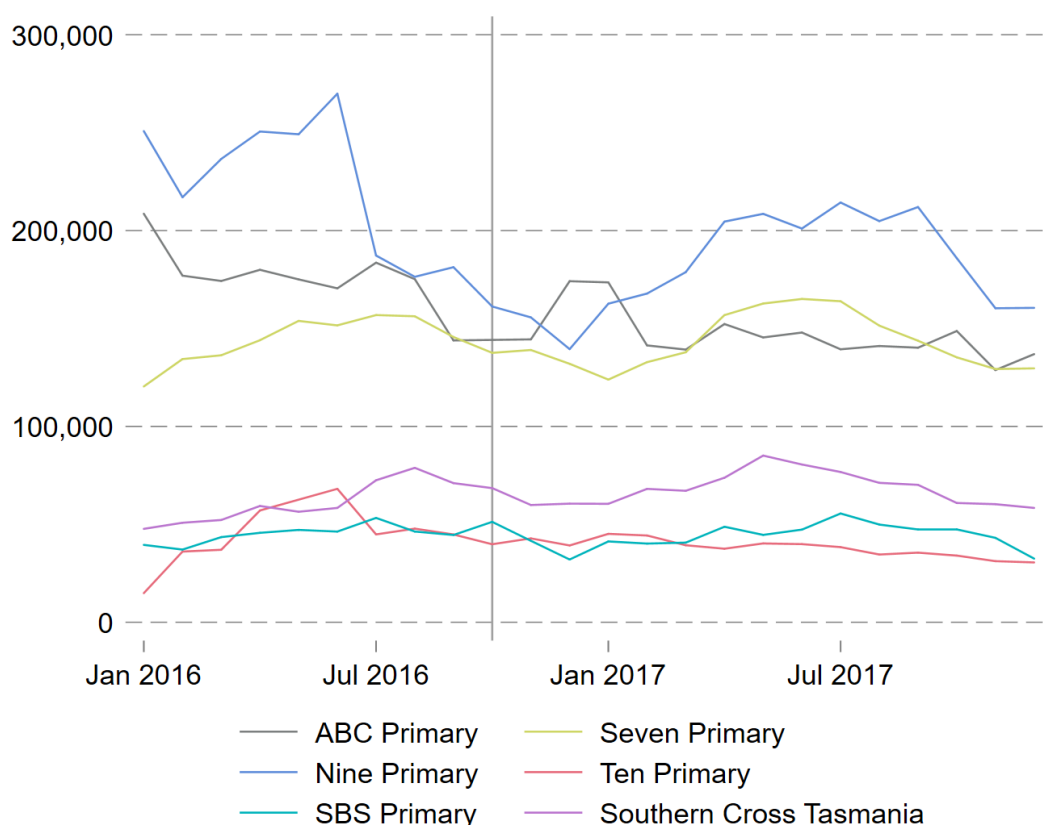
#### 3.2.3.2.1 Regional Australia

88 In this sub-section we assess the impact of the addition of a “Regional Australia” category on iview, which allowed audiences to access content focusing on regional and rural news and stories through the online catch-up service for the first time. We assess the impact of this

change on the news and current affairs program audiences of regional television broadcasts. This analysis should provide some indication of the degree to which the ABC's activities in catch-up VOD services might have either diverted audiences from regional FTA broadcasters, or attracted new viewers.

- 89 Figure 18 below shows monthly news and current affairs program audiences on each of the major regional FTA channels from January 2016 to December 2017. The vertical line represents the addition of "Regional Australia" on iView in October 2016. As can be seen from this figure, there does not appear to be any material change in average audience for news and current affairs programs on any of the major regional FTA channels after October 2016. However, average audiences do appear to be subject to seasonal and trend effects.

**Figure 18: Average monthly news and current affairs program audiences on the major regional FTA channels, January 2016 to December 2017**



Source: RBB analysis of Regional TAM data.

- 90 Table 4 below presents the results from a more formal analysis of the effect of the addition of "Regional Australia" on iView, by attempting to account for seasonality and trend in a simple regression analysis. The results suggest that, with the exception of Nine Primary, the inclusion of regional news content on iView is either correlated with an increase in audiences of regional FTA broadcasters (for example for Southern Cross Tasmania) or no significant change in the audiences of news and current affairs programs of the major regional FTA channels. In the case of Nine Primary, the introduction of regional content on iView was correlated with a reduction in audience for news and current affairs programs on Nine

Primary. The estimated net effect on all of these competing regional FTA channels is that the introduction of regional content on iview was not correlated with any overall change in audiences for regional FTA competitors' news and current affairs programs.<sup>32</sup>

**Table 4: Regression of average monthly audiences of news and current affairs programs on the major regional FTA channels on a dummy variable indicating the presence of "regional Australia" on iview, 2014 to 2017**

Explanatory variables	Seven Primary	Nine Primary	Ten Primary	SBS Primary	Southern Cross Tasmania	Net effect
Effect dummy coefficient	0.110**	-0.210***	0.122	0.143**	0.309***	-0.002
	(0.048)	(0.060)	(0.119)	(0.069)	(0.062)	(0.045)

Source: RBB analysis of Regional TAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex C.2.1 for the full set of parameter estimates and details of the estimation methodology.

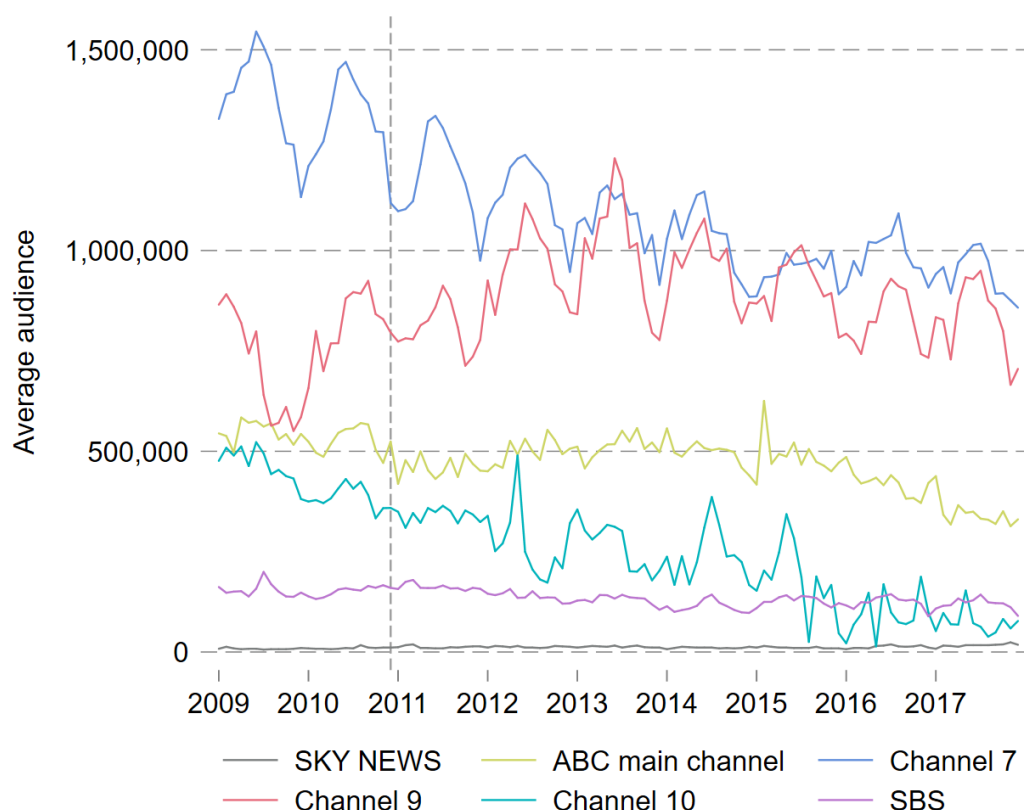
### 3.2.3.2.2 ABC News live stream

- 91 In this sub-section we assess the impact of the addition of a live stream of the ABC News channel to iview in December 2010 on the prime-time news and current affairs program audiences of the major FTA channels and Sky News. As above, this analysis should provide some indication of the degree to which the ABC's activities in catch-up VOD services might have either diverted television audiences of commercial FTA networks, or alternatively attracted additional viewers.
- 92 Figure 19 below shows average monthly prime-time news and current affairs program audiences on each of the major FTA channels, with the vertical dashed line representing the addition of a live stream of ABC News to iview. There does not appear to be a material change in average audiences after December 2010 on any of the channels considered. However, average audiences do appear to be subject to seasonal and trend effects.
- 93 Table 5 below presents the results from a more formal analysis of the effect of the addition of the ABC News live stream on iview, while attempting to account for seasonality and trend in a simple regression analysis. The results suggest that, with the exception of Channel 10, the addition of a live stream of ABC News to iview was correlated with either an increase (or no significant change) in the average prime-time news and current affairs program audiences on the major FTA channels and Sky News. The launch of the ABC News live stream on iview is correlated with a decrease in the prime-time news and current affairs audiences on Channel 10. The estimated net effect on all of these competing FTA channels is that the additional of a live stream of ABC News on iview was correlated with no significant change in audiences for competing FTA channels' news and current affairs programs.<sup>33</sup>

<sup>32</sup> These results are robust to the use of program duration-weighted average audience as the dependent variable. See Annex C.2.1.2 for full regression estimates.

<sup>33</sup> These results are robust to the use of program duration-weighted average audience as the dependent variable. See Annex C.2.2.2 for full regression estimates.

**Figure 19: Effect of the addition of an ABC News live stream on iView on prime-time news and current affairs program audiences of the major FTA networks and SKY News, 2009 to 2018**



Source: RBB analysis of Monthly OzTAM and Daily OzTAM data.

**Table 5: Regression of average monthly prime-time news and current affairs program audiences of the major FTA channels and the SKY News channel on a dummy variable indicating the presence of the ABC News stream on iView, 2009 to 2017**

Explanatory variables	Channel 7	Channel 9	Channel 10	SBS	Sky News	Net effect
Effect dummy coefficient	-0.055	0.367***	-0.709***	0.053	0.555***	-0.003
	(0.043)	(0.078)	(0.130)	(0.052)	(0.100)	(0.033)

Source: RBB analysis of Daily OzTAM and Monthly OzTAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex 0 for the full set of parameter estimates and details of the estimation methodology.

### 3.2.3.2.3 Addition of live streams of FTA channels to VOD services

94 In this sub-section we assess the impact of the launches of a number of different VOD services, which each occurred within a similar time frame, on the prime-time program audiences of the major FTA channels.

95 In particular, the following changes to VOD services all occurred between November 2015, and February 2016:

- Seven Network launched a live stream of its FTA channels on its VOD service in November 2015;
- The ABC added a live stream of the ABC main channel to its iview service in December 2015.
- Network Ten launched live streams of its FTA channels during selected hours in January 2016; and
- Nine Network launched live streams of their linear FTA channels in February 2016.<sup>34</sup>

96 Table 6 below then shows a simple regression analysis which attempts to estimate the changes in prime-time audiences of the FTA channels, before and after December 2015, after accounting for seasonality and trends. In the period after December 2015, there was a decline in prime-time audiences of approximately 13% for Channel 7 and approximately 10% for both Channel 9 and Channel 10, and 9% for the ABC, and the net effect across all of these FTA channels was also a decline of around 9%. This indicates that these additions to VOD services had a similar effect on the audiences of each of the major FTA channels. In summary, these broadcasters' expansion of content on their VOD services was associated with similar declines in their traditional television audiences.<sup>35</sup>

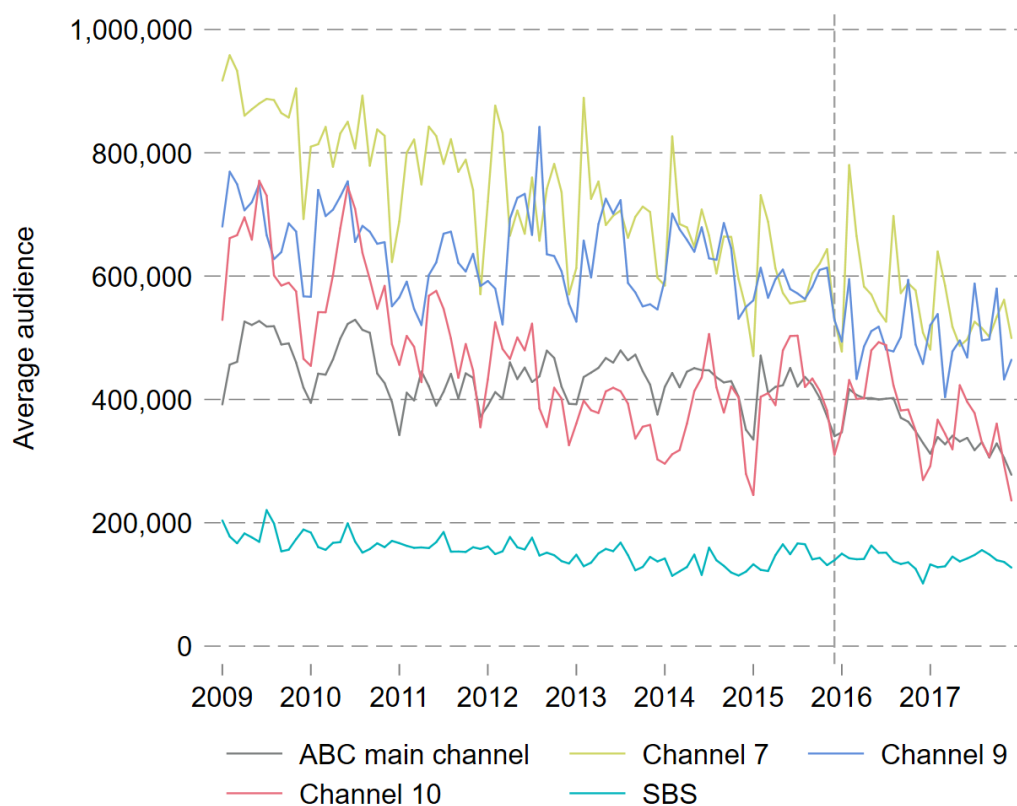
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<sup>34</sup> See Seven Network (<https://mediaweek.com.au/mediaweek-1231-inside-the-new-issue/>), Nine Network (<https://www.techradar.com/news/television/network-ten-launches-catch-up-service-tenplay-1184846>) and Network Ten (<https://mediaweek.com.au/cnet-takes-technology-reporting-masses/>).

<sup>35</sup> These results are robust to the use of program duration-weighted average audience as the dependent variable. See Annex C.2.3.2 for full regression estimates.



**Figure 20: Effect of changes to VOD services on prime-time program audiences of the major FTA networks, 2009 to 2018**



Source: RBB analysis of Daily OzTAM data.

**Table 6: Regression of average monthly prime-time audiences of the major FTA channels on a dummy variable indicating the timing of changes in VOD services, around December 2015, 2009 to 2017**

Explanatory variables	Channel 7	Channel 9	Channel 10	ABC	SBS	Net effect
Effect dummy coefficient	-0.134***	-0.103***	-0.102*	-0.085**	0.037	-0.088***
	(0.032)	(0.036)	(0.053)	(0.033)	(0.034)	(0.025)

Source: RBB analysis of Daily OzTAM data.

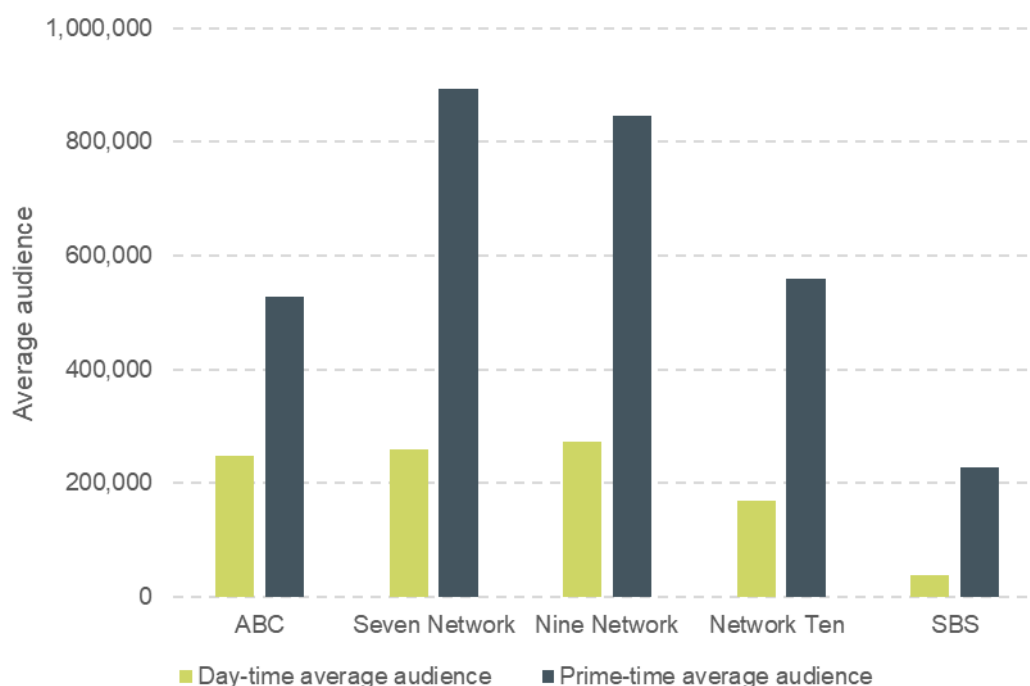
Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex 315 for the full set of parameter estimates and details of the estimation methodology.

### **3.2.4 Short-term event analyses**

#### **3.2.4.1 Introduction**

- 97 In this section we present a number of empirical analyses that aim to assess the effect of the ABC's broadcasting activities on the audiences of commercial broadcasters in the short term. We do this using "event analysis" whereby we use a change that occurred at a particular point in time or period over time, such as a popular ABC program being taken off air, to attempt to identify the impact that the ABC has on commercial broadcasters.
- 98 Specifically, using daily prime-time television ratings data, we consider the likely impact of specific ABC broadcasts that resulted in a significant change in the ABC's audience (for example, particularly popular episodes of a regularly broadcast program or one-off broadcasts of programs) on the audiences of the four major commercial FTA channels.
- 99 We restrict our analysis to prime-time broadcasts, since this is the time during which programs attract the largest audiences, and therefore represent the most significant broadcasts for commercial FTA networks in terms of advertising revenue. As shown in Figure 21 below, programs broadcast during prime-time attracted average audiences that were three to four times larger than programs broadcast outside of prime-time for Seven Network, Nine Network and Network Ten. Consequently, if the ABC's broadcasting activities do have a significant impact on commercial broadcasters' advertising revenues, it is likely to occur within prime-time broadcasts. Based on this high level overview, substantial crowding out by the ABC seems unlikely. While the ABC's average day-time audiences are similar to those of Channel 7, Channel 9 and Channel 10, the ABC's prime-time audiences are lower than those on each of these commercial channels.

**Figure 21: Average audience for the major FTA networks by day part, 2017**



Source: RBB analysis of OzTAM data.

100 The analyses we conduct below assess the potential that significant ABC prime-time broadcasting activities resulted in a diversion of audiences away from commercial channels. In particular, we focus on the likely impact of the ABC's broadcasting activities on the audiences of the major commercial FTA channels with reference to three different types of changes in ABC's broadcasting activities:

- a break in the regular annual broadcast of a popular ABC entertainment program
- popular one-off program broadcasts by the ABC; and
- the ABC having achieved a particularly high audience for a regularly broadcast ABC program.

101 In this section we have attempted to focus on the most significant ABC initiatives, and to assess the likely effect of those ABC initiatives on commercial broadcasts (such as those broadcasts in the same time period, or of the same genre), in order to try to isolate and focus on this likely effect. In particular, we have focussed our analyses on the programs broadcast on commercial FTA channels that are most likely to have been materially affected by the ABC's broadcasts, focussing specifically on:

- all programs broadcast on each of the commercial FTA channels during the same two hour time slot as the relevant ABC broadcasts; and
- prime-time broadcasts of programs on each of the commercial channels that fall within the same or similar genre to the relevant ABC program.

- 102 As noted above, even if the ABC's activities did lead to some diversion of audiences in the short term, this does not imply that other media operators are "crowded out" or likely to be forced to reduce their own competitive initiatives, or that these other media operators are likely to exit the market. Rather, crowding out might occur through the sustained diversion of substantial audiences away from other media operators, over a long period of time, leaving other media operators with limited opportunities to attract audiences, and revenues. Accordingly, below these event analyses we consider any diversion of audiences within the context of the breadth of opportunities available to other media operators.
- 103 Moreover, average audience sizes may vary for a host of reasons, and there are likely to be a large number of factors that might affect audience sizes on any particular occasion. We did not have data on many of these potential factors, and in particular we did not have comprehensive data on the competitive initiatives, strategic responses, and programming choices undertaken by other broadcasters.
- 104 Rational responses by commercial broadcasters are likely to exaggerate any diversion shown in the analyses presented below. Since networks have only limited funds to invest in producing or acquiring popular programs, it is likely that these channels will choose not to broadcast their most popular shows, or at least not their most popular shows within a similar genre, during time slots in which audiences are most likely to be diverted to the ABC or other rival broadcasters. By way of example, knowing that there will be a popular, one-off broadcast of an ABC current affairs program on a particular day, during a particular time slot, rival broadcasters may be able to choose to broadcast their most popular current affairs programs on a different day, in a different week or during a different time slot to the ABC broadcast.
- 105 As noted above, even if the ABC's activities did lead to some diversion of audiences in the short term, these event analyses should be considered within the context of the breadth of opportunities available to other media operators.
- 106 By way of example, each broadcaster has a number of alternate time slots during which programs on average attract a material number of viewers, and to which they could potentially shift broadcasts of their most popular programs. Similarly, each broadcaster has a number of alternate days on which programs on average attract a material number of viewers, and to which they could potentially shift broadcasts of their most popular programs in response to a potential diversion of audiences to the ABC. Likewise, there is substantial variation in the audiences attracted both by the ABC, and by other FTA broadcasters over the course of a year, further indicating the breadth of opportunities available to FTA broadcasters wishing to attract viewers, and hence advertising revenues.
- 107 Finally, since each broadcaster has a number of different genres with programs that on average attract a significant number of viewers, knowing that there will be a popular, one-off broadcast of an ABC program of a particular genre, rival broadcasters may choose to broadcast popular programs of a different genre on that day in order to minimise the likelihood that the ABC's broadcasts will result in a material diversion of audiences.

108 Consequently, the estimated change in audiences resulting from the short term event analyses below are likely represent two separate effects: the diversion of audiences away from the commercial broadcasters to the ABC, and the shift in commercial broadcasters' audiences to programs of a different genre, or broadcast on a different day or in a different time slot as a result of programming changes by those commercial broadcasters. The estimates below are therefore likely to reflect a conservative, or upper-bound, estimate of potential diversion from these commercial broadcasters to the ABC.

#### **3.2.4.2 Effect of a temporary break in the broadcast of popular programs**

109 First, we use a break in the regular annual broadcast of a popular ABC entertainment program to assess the likely impact of the ABC's broadcasting activities on the audiences of the major commercial FTA channels.

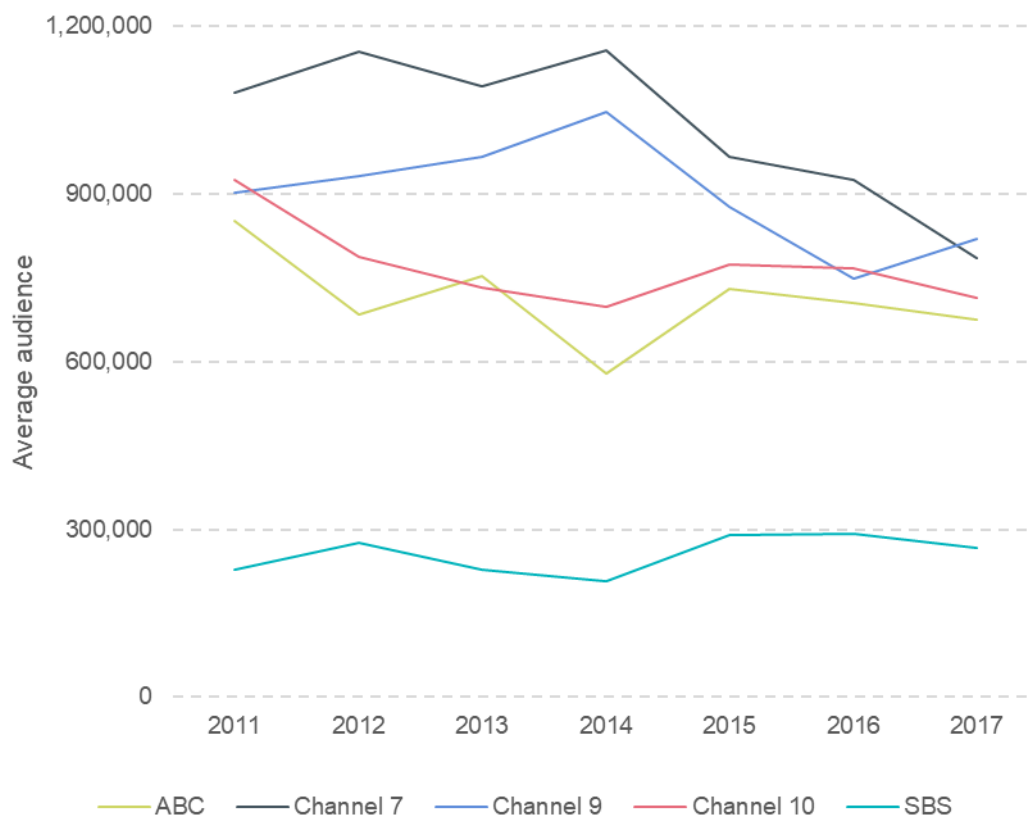
110 Specifically, we assess the impact of the ABC not airing a season of Gruen in 2014 – a program which was broadcast on the ABC's main FTA channel in every other year between 2010 and 2017 during a similar period of the year, on the same day of the week, and at a similar time during prime-time hours.<sup>36</sup> Broadcasts of Gruen have attracted significant audiences to the ABC: in 2013 and 2015 Gruen broadcasts attracted an average audience of slightly more than 1 million viewers. By contrast, over the same period in 2014, the ABC attracted an average audience of approximately 570,000 viewers to programs of the same genre, broadcast in the same time slot and on the same day as Gruen broadcasts in other years.

111 As discussed above, any diversion of audiences to the ABC due to regular broadcasts of Gruen on the audiences of commercial FTA channels is likely to be limited. Figure 22 below shows that Channel 7, Channel 9 and Channel 10 all consistently achieve average audiences during the time slot in which regular Gruen episodes are broadcast that exceed those of the ABC.

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<sup>36</sup> The program is currently broadcast under the title "Gruen", and was previously broadcast alternatively under the title "The Gruen Transfer" between 2008 and 2011 and under the title "Gruen Planet" between 2011 and 2013.

Figure 22: Average annual audiences during the Wednesday 20:30 to 21:00 time slot, 2011 to 2017



Source: RBB analysis of OzTAM data.

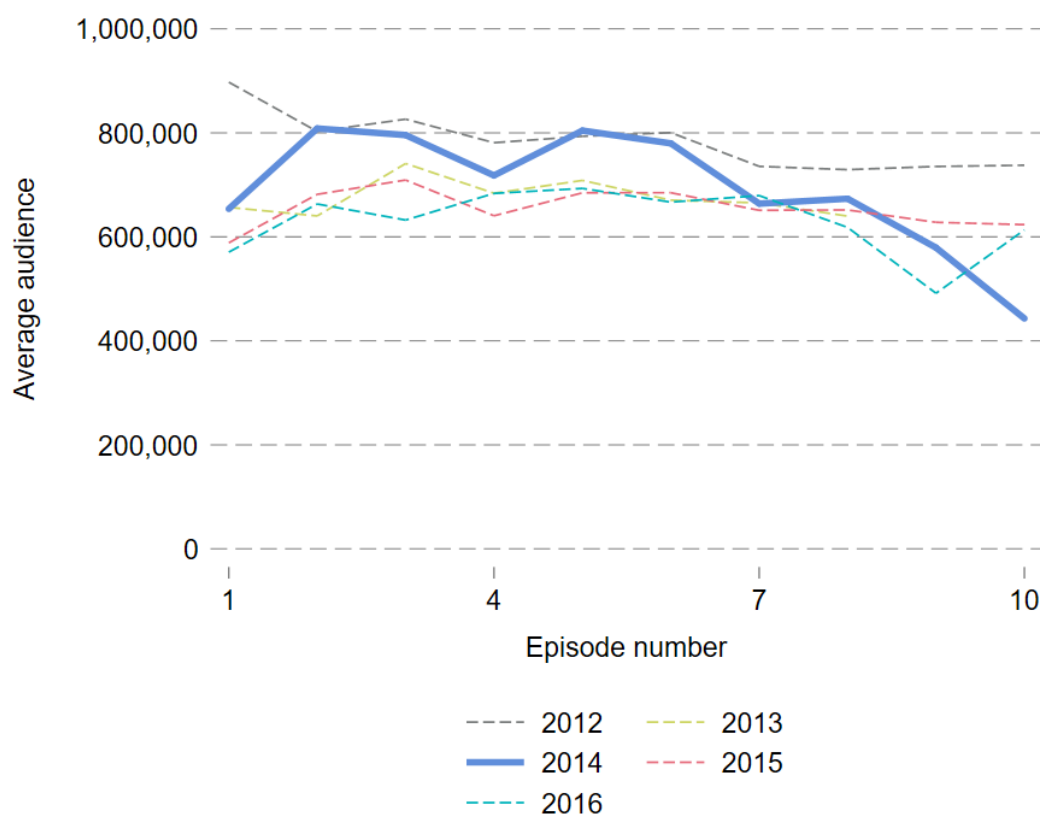
- 112 While the ABC broadcast other programs during the same time slot, in 2014, audience figures in 2014 provide some indication of what the audiences on the major commercial FTA channels might have been if the ABC had not broadcast seasons of Gruen in other years.
- 113 If the ABC's broadcasting activities (and in particular, the ABC's broadcasting of popular entertainment shows) were to substantially crowd out audiences on the major commercial FTA channels, then one should expect to observe materially larger audiences on the commercial FTA channels in 2014 compared to other years.
- 114 We have focussed our analysis on the programs broadcast on commercial FTA channels that are most likely to have been materially affected by the ABC's broadcasts of Gruen episodes, that is programs broadcast on the same day of the week (i.e. Wednesday), and during the same period of the year (i.e. between approximately August and November), as regular broadcasts of Gruen episodes between 2010 and 2013, and 2015 and 2017. We have focussed separately on the effect of Gruen broadcasts on the average audiences of two samples of commercial FTA programs:
- all programs broadcast on each of the commercial FTA channels during the same time slot as Gruen episodes (i.e. starting or ending between 20:00 and 22:00); and

- prime-time broadcasts of programs on each of the commercial channels that fall within a similar genre to Gruen (i.e. entertainment, documentary and cultural, and news and current affairs programming).

#### **All FTA broadcasts during the same time slot**

115 Figure 23 below shows average audiences across the 3 major commercial FTA channels for programs broadcast during the same time slot as Gruen episodes, for 2014 and for two years on either side. If the ABC's broadcasting activities do lead to significant diversion of the audiences of commercial channels then we should expect to see materially higher average audiences on those channels in 2014 compared to other years. Audiences on commercial FTA channels in 2014 tended to be slightly higher than those in 2013, 2015 and 2016 during the time slot in which Gruen episodes were typically broadcast. However, any difference in the audiences on commercial FTA channels is small, relative to the change in the audience on the ABC. Moreover, there is a background trend of decline in the audiences on these commercial FTA channels declined over the period 2012 to 2016, which may confound the apparent effect of Gruen being taken off the air in 2014.

**Figure 23: Audiences on commercial FTA channels broadcast during the same time slot as Gruen (2012-2016)**



Source: RBB analysis of Daily OzTAM data.

116 Table 7 below presents the selected results from a simple statistical analysis that also attempts to account for a background trend of decline in total audiences over this period, as

well as seasonal effects. The full regression estimates, together with a description of the estimation methodology are set out in Annex B.1.2 below.

- 117 The absence of regular broadcasts of Gruen episodes in 2014 was associated with a significant decrease in audiences of approximately 23% for programs broadcast on the ABC's main FTA channel during the same time slot in that year. However, the absence of regular broadcasts of the popular Gruen series in 2014 is not associated with any significant change in the audiences of programs broadcast on the 4 other major FTA channels during this time slot. Similarly, the lack of regular Gruen broadcasts in 2014 were not associated with any significant overall change in audiences of programs broadcast in this time slot across all 5 major FTA channels.
- 118 This analysis suggests that the ABC's regular broadcasts of its popular Gruen series in the adjacent years did not lead to any significant diversion of audiences from the major FTA channels, even within the same time slot.<sup>37</sup>

**Table 7: Selected regression estimates analysing the effect of Gruen broadcasts on the audiences of programs broadcast during the same time slot on the major FTA channels**

	ABC	Other channels	All channels
Effect dummy coefficient	-0.227***	-0.008	-0.056
	(0.053)	(0.064)	(0.045)

Source: RBB analysis of Daily OzTAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex B.1 for the full set of parameter estimates and details of the estimation methodology.

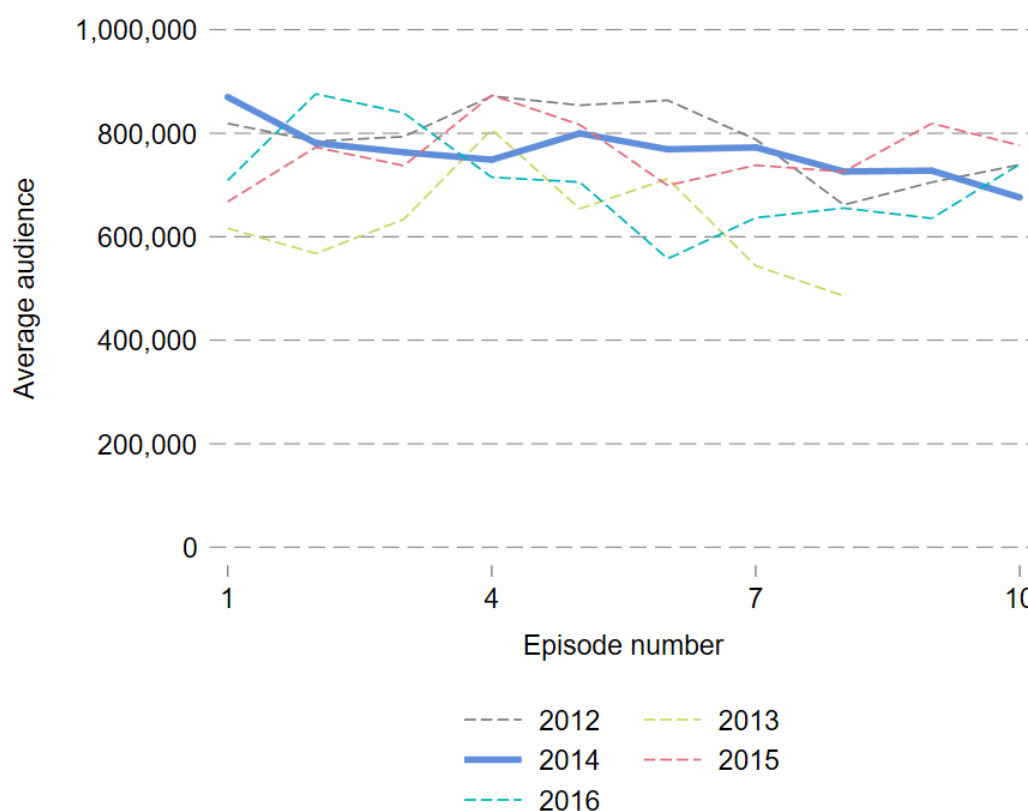
### **All FTA broadcasts of a similar genre**

- 119 Figure 24 below shows average audiences across the 3 major commercial FTA channels for prime-time broadcasts of programs of a similar genre to Gruen, for 2014 and two years on either side. There does not appear to be any clear pattern in the changes in average audiences over this time period. As noted above, average audiences have declined over this period, which may confound the effect of the absence of Gruen broadcasts in 2014.

<sup>37</sup> These results are robust to the use of program duration-weighted average audience as the dependent variable. See Annex B.1.1 for full regression estimates.



**Figure 24: Effect of Gruen broadcasts on the prime-time audiences of programs of a similar genre broadcast on commercial FTA channels**



Source: RBB analysis of Daily OzTAM data.

- 120 Table 8 below presents the results from a simple statistical analysis that also attempts to account for the decline in audiences over this period, together with seasonal effects. The full regression estimates, together with a description of the estimation methodology is set out in Annex B.1.3 below.
- 121 The results from the simple regression analysis suggest that the absence of regular broadcasts of Gruen episodes in 2014 was associated with 11% lower average audiences for prime-time broadcasts on the ABC, of programs of a similar genre to Gruen. The absence of regular broadcasts of the ABC's popular Gruen series is associated with an increase in the audiences of programs of a similar genre to Gruen broadcast on the 4 other major FTA channels of approximately 9%.<sup>38</sup>
- 122 This analysis suggests that the ABC's regular broadcasts of its popular Gruen series in adjacent years lead to some diversion of audiences from the major FTA channels, within the same genre.

<sup>38</sup> The estimated effects on other channels as well as across all channels are robust to the use of program duration-weighted average audience as the dependent variable, while the estimated effect on the ABC is not statistically significant using this specification. See Annex B.1.2 for full regression estimates.

**Table 8: Selected regression estimates of the effect of Gruen broadcasts on the prime-time audiences of programs of a similar genre broadcast on major FTA channels**

	ABC	Other channels	All channels
Effect dummy coefficient	-0.114*	0.091***	0.059**
	(0.066)	(0.032)	(0.029)

Source: RBB analysis of Daily OzTAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex B.1 for the full set of parameter estimates and details of the estimation methodology.

123 When considered together with the lack of evidence of any statistically significant diversion from programs in the same time slot, as well as the conservative nature of these estimates, these above two analyses do not provide any clear evidence of a substantial diversion of audience from the major FTA channels as a result of the regular broadcast of Gruen episodes.

### 3.2.4.3 Effect of special broadcasting events

124 In this sub-section we analyse the impact of popular one-off program broadcasts on the ABC's main FTA channel on the audiences of major commercial FTA channels.

125 Specifically, we assess the impact of the ABC's broadcast of Gruen Nation. These series, which consisted of only four episodes each, were broadcast during the Australian federal elections of 2010 and 2013, respectively.

126 The broadcast of Gruen Nation provides a useful event to assess the likely effect of significant ABC broadcasting initiatives on the audiences of programs broadcast on the major commercial FTA channels. The broadcast of Gruen Nation attracted a significant number of additional viewers to the ABC's main FTA channel in comparison to other years. Gruen Nation episodes attracted an average audience of approximately 1.6 million and 1.2 million viewers in 2010 and 2013, respectively. In comparison, broadcasts in the same time period, on the same day of the week and in the same time slot attracted an average audience of 685,000 and 525,000 in 2009 and 2012, respectively.

127 If the ABC's broadcasting activities (and in particular, the ABC's broadcasting of popular entertainment shows in response to particular events) crowd out audiences on the major commercial FTA channels, then we should expect to see a material decline in such audiences during the periods in which these popular Gruen Nation episodes were broadcast. It may still be the case that the timing of the Gruen Nation broadcasts might coincide with an increase in audiences (for example if audiences naturally increase during the election period), although the relative magnitudes of changes in audiences on each channel gives us some indication of the likelihood that there is such a general background increase in audiences.

128 Similarly to the approach taken above, we have sought to focus our analysis on those commercial FTA programs that are most likely to have been materially affected by the ABC's broadcasts of Gruen Nation episodes, by focussing on only programs broadcast on the same

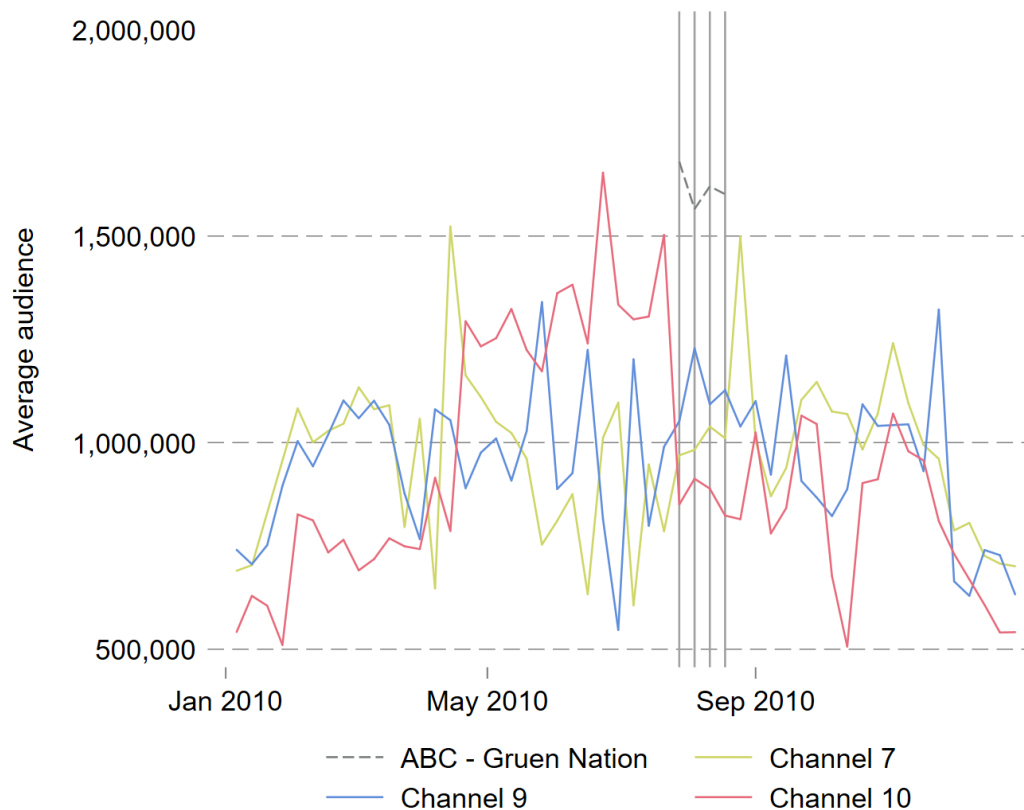
day of the week (i.e. Wednesday). We have focussed our analysis separately on the effect of Gruen Nation broadcasts on the average audiences of:

- all programs broadcasts on each of the commercial channels broadcast during the same time slot as Gruen Nation episodes (i.e. starting or ending between 20:00 and 22:15); and
- prime-time broadcasts of programs on each of the commercial channels that fall within a similar genre to Gruen Nation (i.e. entertainment, documentary and cultural, and news and current affairs programming).

#### **All FTA broadcasts during the same time slot**

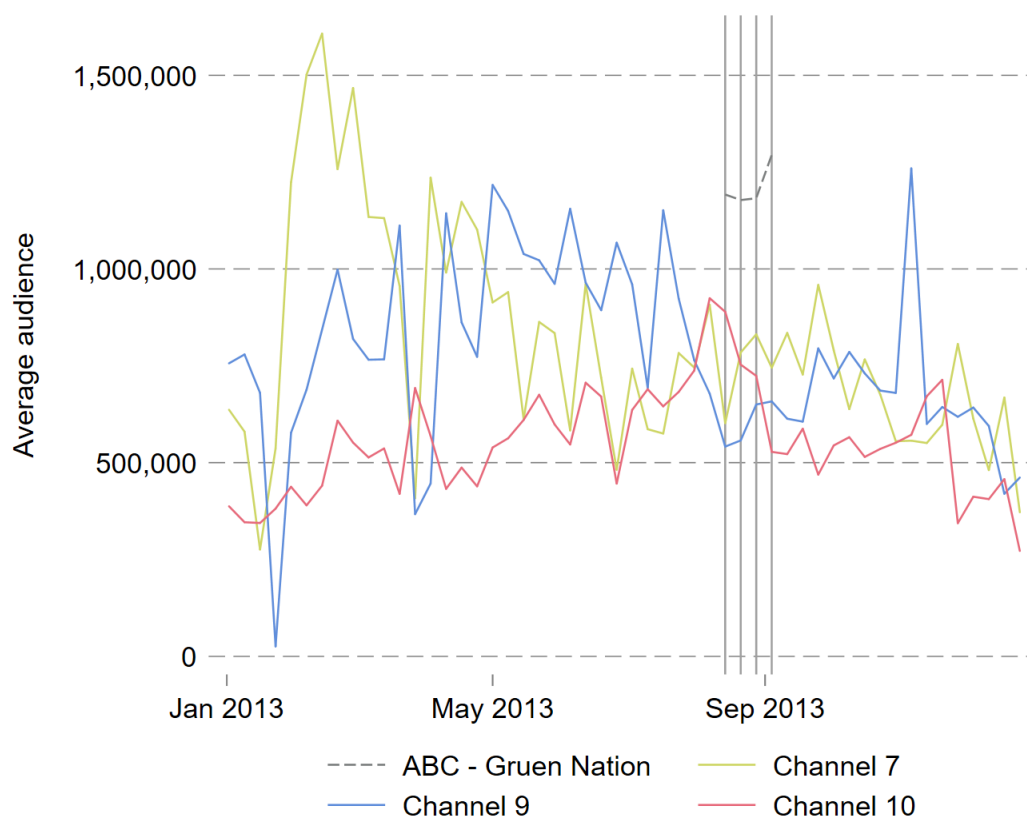
129 Figure 25 and Figure 26 below show the audience of Gruen Nation episodes together with the average audiences of programs broadcast on the same day and in the same time slot as Gruen Nation episodes on each of the major commercial FTA channels for 2010 and 2013, respectively.

**Figure 25: Effect of Gruen Nation on audiences of programs broadcast during the same time slot on commercial FTA channels, 2010**



Source: RBB analysis of Daily OzTAM data.

**Figure 26: Effect of Gruen Nation on audiences of programs broadcast during the same time slot on commercial FTA channels, 2013**



Source: RBB analysis of Daily OzTAM data.

- 130 Table 9 below presents the results of a simple regression model that attempts to estimate the impact of Gruen Nation broadcasts on the average audience of programs broadcast on each of the major FTA channels during the same time slot as Gruen Nation while controlling for seasonal and trend effects. The full regression estimates, together with a description of the estimation methodology is set out in Annex B.2.2 below.
- 131 The results of this regression analysis show that the Gruen Nation broadcasts were associated with an increase in programs broadcast during this time slot on the ABC of approximately 48% compared to other years, after controlling for the effects of trend and seasonality. However, the broadcast of Gruen Nation by the ABC, is not associated with any significant change in the audiences of programs broadcast on the 4 other major FTA channels within the same time slot.<sup>39</sup>
- 132 This analysis suggests that the ABC's broadcasts of its popular Gruen Nation program did not lead to any significant diversion of audiences from the major FTA channels, even within the same time slot.

<sup>39</sup> The results for the estimated effect on the ABC and across all channels is robust to the use of program duration-weighted average audience as the dependent variable, while the estimated effect on other channels is negative and significant at the 10% confidence level using this measure of audience. See Annex B.2.2 for the full set of estimates.

**Table 9: Selected regression estimates analysing the effect of Gruen Nation broadcasts on the audiences of programs broadcast during the same time slot on the major FTA channels**

	ABC	Other channels	All channels
Effect dummy coefficient	0.476***	-0.035	0.065
	(0.064)	(0.036)	(0.042)

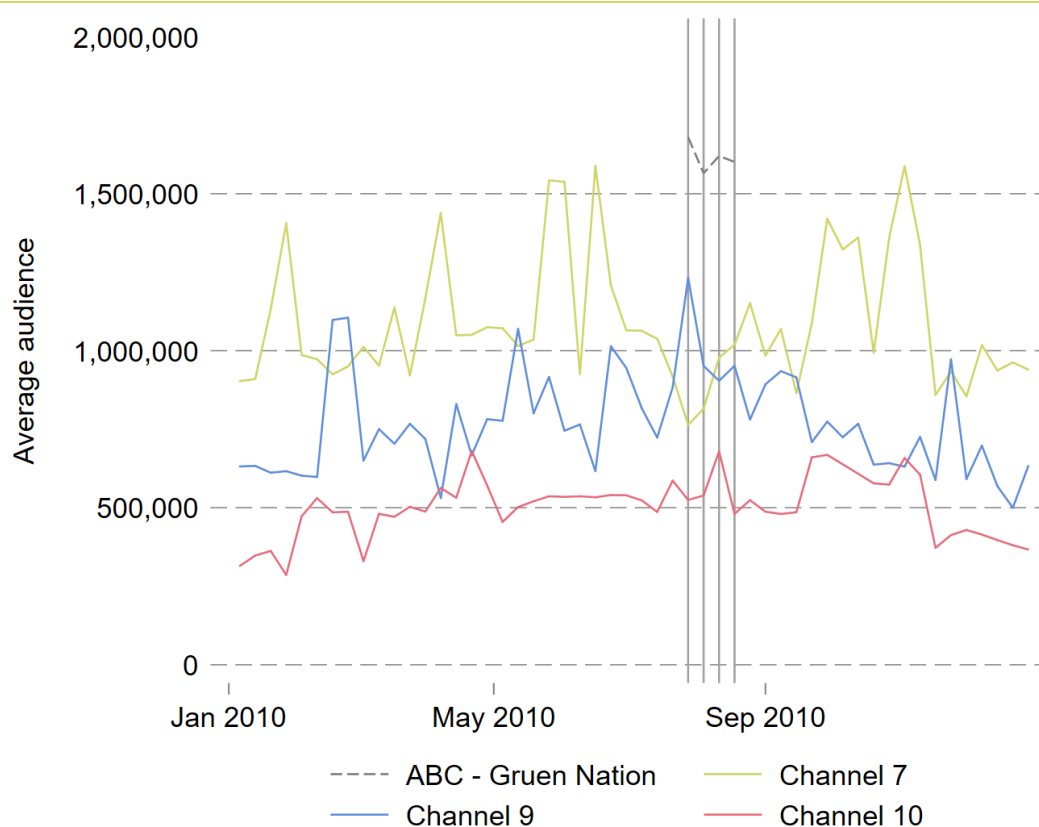
Source: RBB analysis of Daily OzTAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex B.2 for the full set of parameter estimates and details of the estimation methodology.

### All FTA broadcasts of a similar genre

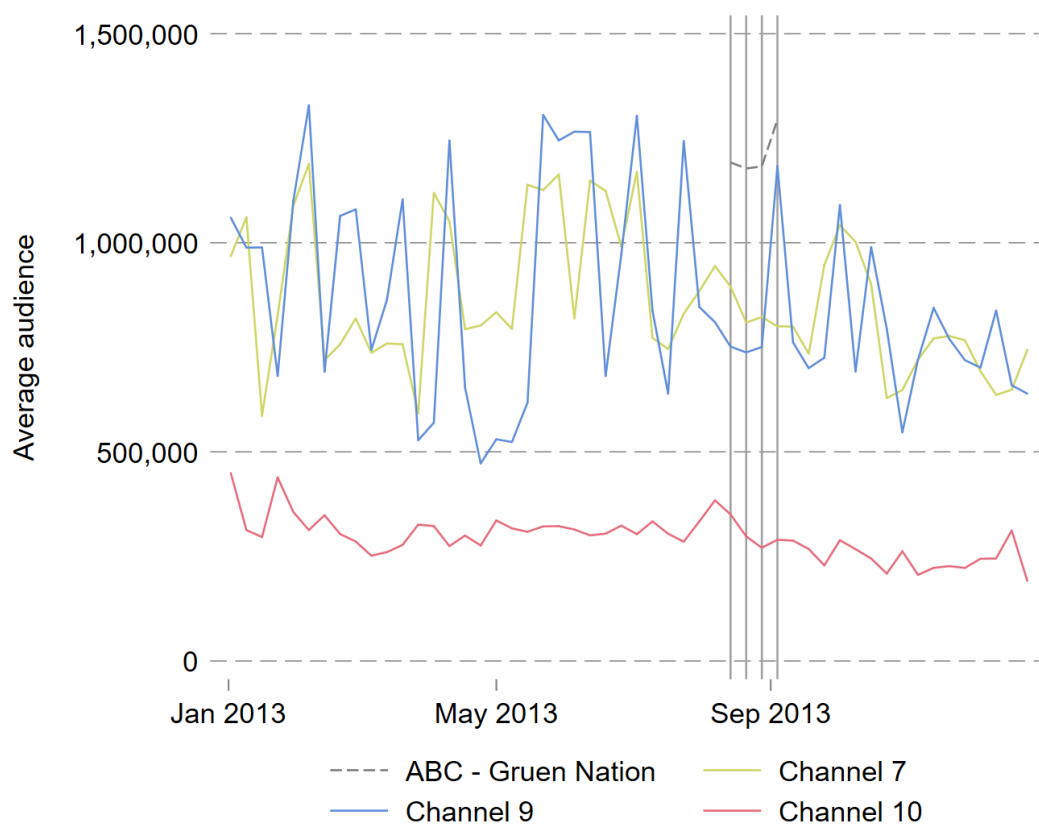
- 133 Figure 27 and Figure 28 show the audience of Gruen Nation episodes together with the average audiences of prime-time broadcasts of programs of a similar genre to Gruen Nation on each of the major commercial FTA channels for 2010 and 2013 respectively.

**Figure 27: Effect of Gruen Nation on audiences of prime-time programs of a similar genre broadcast on commercial FTA channels, 2010**



Source: RBB analysis of Daily OzTAM data.

**Figure 28: Effect of Gruen Nation on audiences of prime-time programs of a similar genre broadcast on commercial FTA channels, 2013**



Source: RBB analysis of Daily OzTAM data.

- 134 Table 10 below presents the results of a simple regression model that attempts to estimate the impact of Gruen Nation broadcasts on average audiences of prime-time broadcasts of programs of a similar genre to Gruen Nation on each of the major commercial FTA channels, while controlling for seasonal and trend effects. The full regression estimates, together with a description of the estimation methodology is set out in Annex B.2.3 below.
- 135 The broadcast of Gruen Nation by the ABC, is associated with a small decrease in the prime-time audiences of programs broadcast on the 4 other major FTA channels within the same genre of approximately 5%.<sup>40</sup>

<sup>40</sup> These results are robust to the use of program duration-weighted average audience as the dependent variable. See Annex B.2.3 for full regression estimates.

**Table 10: Selected regression estimates of the effect of Gruen broadcasts on the prime-time audiences of programs of a similar genre broadcast on major FTA channels**

	ABC	Other channels	All channels
Effect dummy coefficient	0.387***	-0.051*	0.010
	(0.064)	(0.029)	(0.034)

Source: RBB analysis of Daily OzTAM data.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex B.2 for the full set of parameter estimates and details of the estimation methodology.

- 136 On balance, the above two analyses do not provide any conclusive evidence that suggests that the ABC's broadcasts of Gruen Nation resulted in a substantial diversion of audiences away from other commercial FTA channels.

#### 3.2.4.4 Effect of popular program episodes

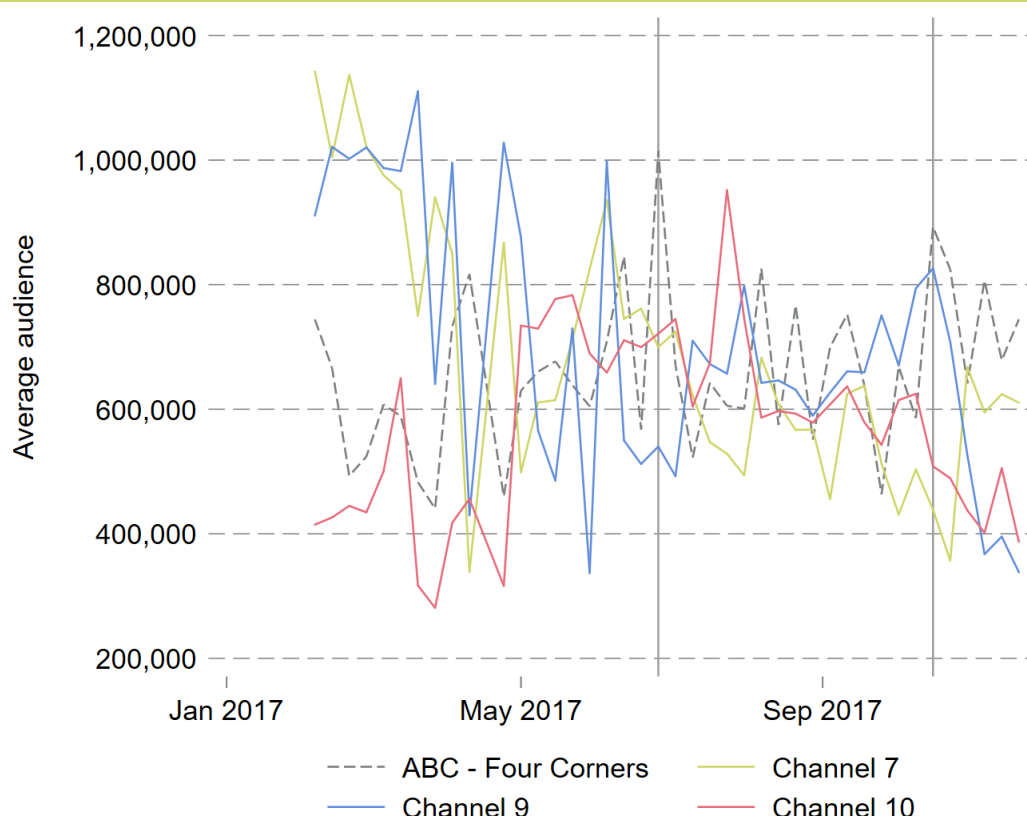
- 137 In this sub-section we assess the degree to which ABC broadcasts appear to lead to the diversion of audiences of commercial FTA broadcasters by analysing the change in these audiences when the ABC has achieved a particularly high audience for a regularly broadcast ABC program. ABC's Four Corners program is an investigative journalism/current affairs program that is broadcast weekly on its main FTA channel. Due to the nature of the program content, there is significant variation in the number of viewers that each episode attracts and, in particular, certain episodes attract a significantly larger audience than others. The two most popular episodes of Four Corners in 2017 attracted an average audience of approximately 954,000 viewers compared to an average audience of approximately 645,000 for episodes broadcast in other weeks in that year.
- 138 The broadcast of particularly popular episodes of Four Corners provides a useful mechanism through which to assess the likely effect of ABC broadcasts on the audiences of programs broadcast on the major commercial FTA channels. In particular, we consider whether or not there is a material decline in commercial FTA audiences in weeks when the most popular episodes of Four Corners were broadcast.
- 139 In particular, we assess the impact of the two most popular broadcasts of an ABC's Four Corners program in each year between 2009 and 2017 by comparing average program audiences on the major commercial FTA channels in these weeks to the average program audiences in all other weeks in which a (less popular) episode of Four Corners was broadcast.
- 140 Similarly to the approach taken previously, we have sought to focus our analysis on those programs that are most likely to have been materially affected by the particularly popular episodes of Four Corners by focussing on commercial FTA programs on the same day that an ABC Four Corners episode is broadcast. We have focussed separately on the effect of the two most popular Four Corners episodes of each year on the average audiences of:
- all programs broadcasts on each of the commercial channels broadcast during the general same time slot as Four Corners episodes (i.e. starting or ending between 20:00 and 22:00); and

- prime-time broadcasts of news and current affairs programs on each of the commercial channels.

### **All FTA broadcasts during the same time slot**

- 141 Figure 29 below plots the audience of Four Corners broadcasts together with the average audiences of programs broadcast on the same day and in the same time slot as Four Corners episodes on each of the major commercial FTA channels for 2017.

**Figure 29: Effect of the most popular Four Corners broadcasts on the audiences of programs broadcast during the same time slot on commercial FTA channels, 2017**



Source: RBB analysis of Daily OzTAM data.

- 142 Table 11 below presents the results of a simple regression model that attempts to estimate the impact of the two most popular episodes of Four Corners in each year on the average audience of programs broadcast on each of the major FTA channels during the same time slot, while controlling for seasonal and trend effects. The full regression estimates, together with a description of the estimation methodology is set out in Annex B.3.2 below.
- 143 The results indicate that, once trend and seasonality have been controlled for, the most popular Four Corners broadcasts are associated with an average increase in audiences of a programs broadcast during the same time slot on the ABC of approximately 17%. However, the most popular Four Corners broadcasts were not associated with any significant change



in the prime-time audiences of programs broadcast on the 4 other major FTA channels, even within the same time slot.<sup>41</sup>

- 144 This analysis suggests that the ABC's most popular broadcasts of Four Corners did not lead to any significant diversion of audiences from the major FTA channels, even within the same time slot.

**Table 11: Selected regression estimates analysing the effect of the most popular Four Corners broadcasts on the audiences of programs broadcast during the same time slot on commercial FTA channels**

	ABC	Other channels	All channels
Effect dummy coefficient	0.170***	-0.029	0.012
	(0.030)	(0.022)	(0.016)

Source: RBB analysis of Daily OzTAM data.

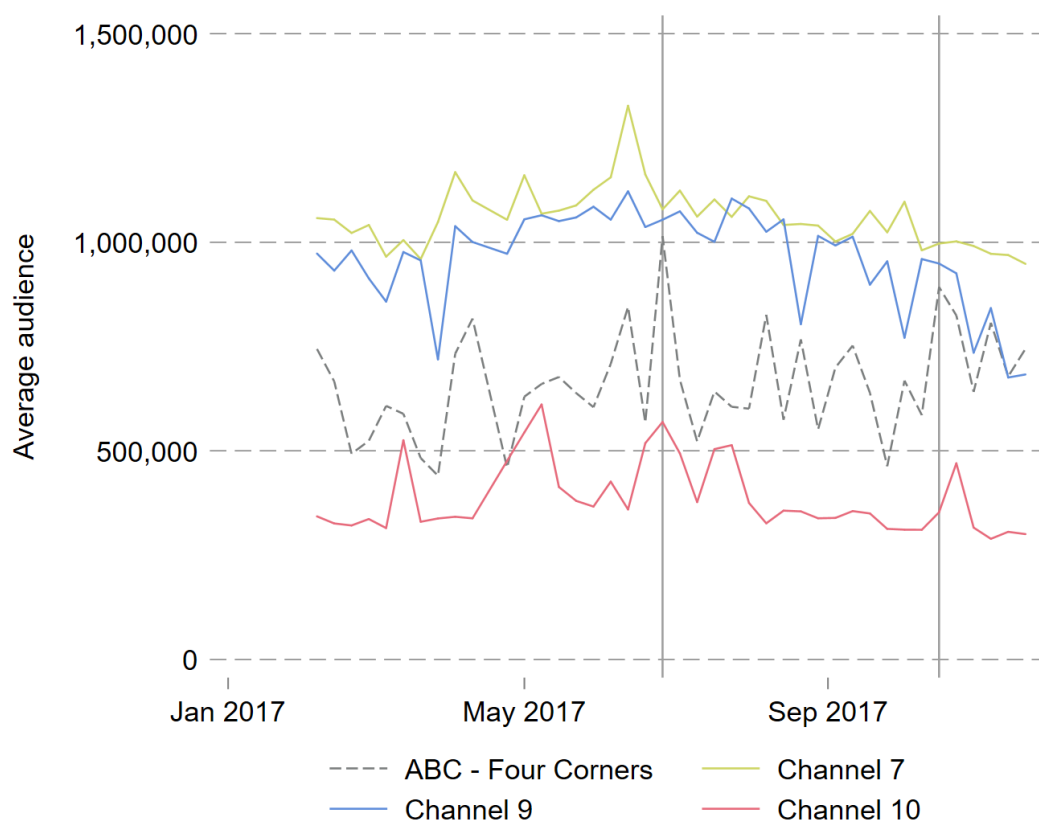
Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex B.3 for the full set of parameter estimates and details of the estimation methodology.

### **All FTA broadcasts of the same genre**

- 145 Figure 30 below plots the audience of Four Corners broadcasts together with the average audiences of news and current affairs programs broadcast on the same day as Four Corners episodes, on each of the major commercial FTA channels for 2017.

<sup>41</sup> The results for the estimated effect on the ABC and across all channels is robust to the use of program duration-weighted average audience as the dependent variable, while the estimated effect on other channels is negative and significant at the 10% confidence level using this measure of audience. See Annex B.3.2 for the full set of estimates.

**Figure 30: Effect of the most popular Four Corners broadcasts on the audiences of prime-time broadcasts of news and current affairs programs on commercial FTA channels, 2017**



Source: RBB analysis of Daily OzTAM data.

- 146 Table 12 below presents the results of a simple regression model that attempts to estimate the impact of the two most popular episodes of Four Corners in each year on the average audience of news and current affairs programs broadcast on each of the major FTA channels on the same day as the broadcast of a Four Corners broadcast. The full regression estimates, together with a description of the estimation methodology is set out in Annex B.3.3 below.
- 147 The results suggest that, after controlling for the effects of seasonality and time trends, the most popular broadcasts of Four Corners represented a 13% increase in the average audiences of prime-time news and current affairs programs broadcast on the ABC. However, the most popular Four Corners broadcasts were not associated with any significant change in the prime-time audiences of programs broadcast on the 4 other major FTA channels, even within the same genre, of news and current affairs programs.<sup>42</sup>
- 148 This analysis suggests that the ABC's most popular broadcasts of Four Corners did not lead to any significant diversion of audiences from the major FTA channels, even within the same genre.

<sup>42</sup> These results are robust to the use of program duration-weighted average audience as the dependent variable. See Annex B.3.3 for full regression estimates.

**Table 12: Selected regression estimates assessing the effect of the most popular Four Corners broadcasts on the audiences of prime-time broadcasts of news and current affairs programs on commercial FTA channels**

	ABC	Other channels	All channels
Effect dummy coefficient	0.128***	0.007	0.027**
	(0.020)	(0.014)	(0.012)

Source: RBB analysis of Daily OzTAM data.

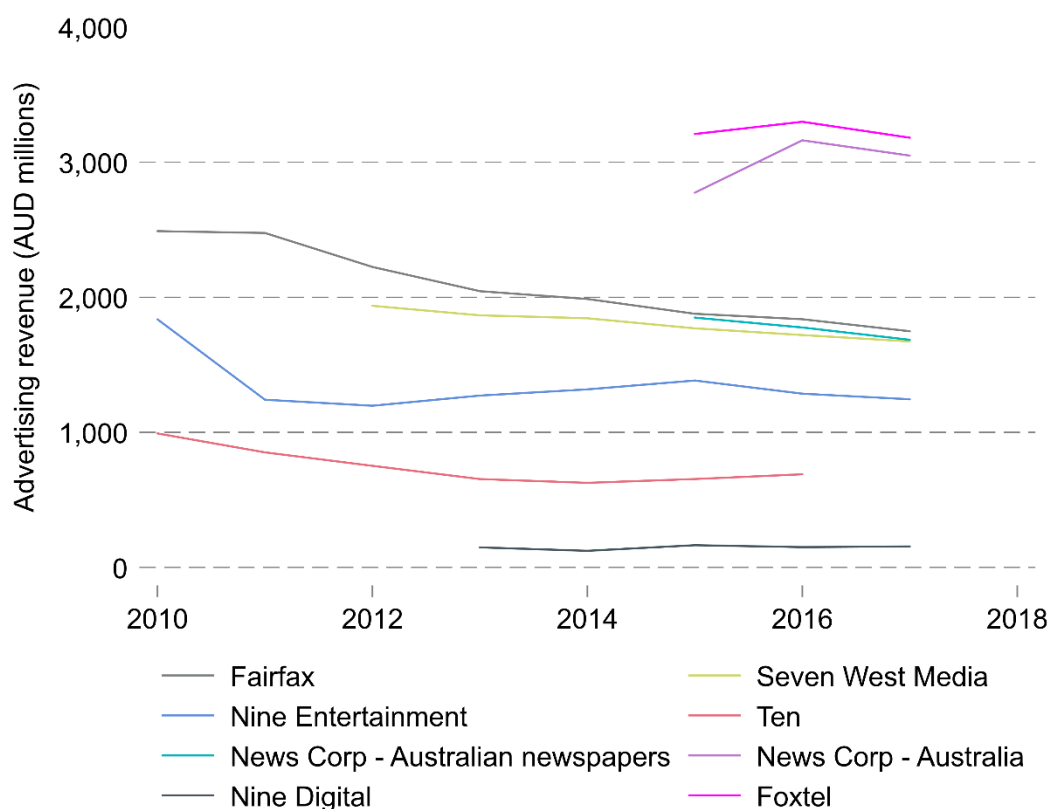
Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . See Annex B.3 for the full set of parameter estimates and details of the estimation methodology.

### 3.3 Effect of the ABC’s online activities on commercial media operators online advertising revenues

#### 3.3.1 Introduction

149 Commercial broadcasters and news providers have experienced declines in their revenues over the period 2010 to 2017. Figure 31 shows that Fairfax’s revenues declined from 2010 to 2017, Seven West Media revenues declined from 2013-17, Nine Entertainment revenues declined from 2010 to 2011 and have been relatively stable since, while Nine’s digital revenues have been relatively stable since 2013, and Network Ten revenues declined between 2010 and 2014 before stabilising since then. News Corp’s Australian revenues have been fairly stable over the period for which we have data (2015 to 2017).

**Figure 31: Commercial broadcasters’ and news providers’ revenues, FY 2010-17**



Source: Fairfax annual reports for 2011, 2012, 2016 and 2017; Seven West Media annual reports for 2014-17; Nine Entertainment annual reports for 2011-17; Ten annual reports for 2011-16; and News Corp annual reports 2015-17.

Notes: Revenue numbers are total figures taken from the Comprehensive Income Statement. The most recent information has been used to obtain the revenue for each year. For example, the 2016 revenue is taken from the 2017 annual report. Seven West Media was formed following the merger between the West and Seven Media Group in 2011. News Corp Australia revenues are converted from USD to AUD using the average over each financial year of the monthly USD to AUD exchange rate provided by the Reserve Bank of Australia, although the USD figures are identical for each of the three years provided.

150 In this section we consider the available evidence in regard to the effect of the ABC’s activities on the online advertising revenues of commercial broadcasters and news providers.

- We first consider the trends in the revenue streams that are potentially addressable by commercial broadcasters and news providers. While print newspaper revenues have fallen, and revenues from FTA and STV broadcasting have been fairly flat, there has been substantial growth in internet advertising spend.
- As the ABC is not involved in print news nor STV broadcasting, we then consider online activities. There has been very strong growth in internet usage, and across each of the internet advertising categories of search, classified, display and video. In particular display advertising revenues, which may be targeted by online news providers, form a substantial proportion of overall internet advertising, and have grown strongly over the past 5 years.
- The most significant reasons for accessing the internet remain banking, social networking, online shopping and entertainment, based on data from the Australian Bureau of Statistics ("ABS"). Within the category of entertainment, there has been substantial growth in online video consumption. In particular, subscription and pay-per-view VOD have shown the strongest growth within time spent viewing professionally produced video content. Netflix has accounted for by far the largest growth, and now accounts for the largest share of all VOD services; its unique audiences roughly tripled from 2016 to 2018.
- We then proceed to consider the ABC's activities within the context of the demand for online news services. We consider the substantial proliferation in sources of news content, in particular online sources, and the trends in accessing of these different sources. The importance of 24 hour news channels, radio, and the print and online editions of newspapers has fallen. The importance of websites/apps of TV and radio have also fallen slightly. The importance of other online news outlets has increased, and TV news bulletins and social media remain the most important sources of news.
- Even within this wider context of multiple sources of news, the ABC online accounts for only a relatively small, and stable share of internet traffic to online news sites. There are a number of other news websites that consistently receive a monthly unique audience that is similar to, or exceeds, that of ABC news sites, and moreover there is a long tail of many smaller news websites, which collectively account for a far larger monthly unique audience than the ABC's news sites.
- Accordingly, we conclude that the changes in the commercial broadcasters' and news providers' revenues seem more likely to be related to the overall trends affecting the sector, changes in internet usage and the shift towards internet advertising rather than any specific activities of the ABC.

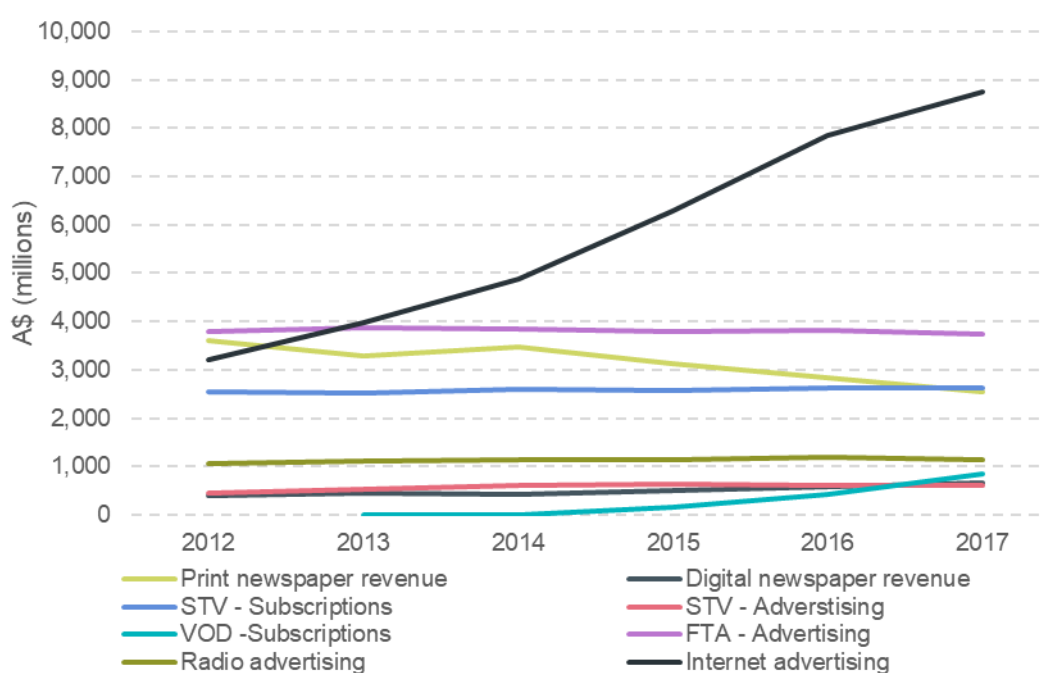
### **3.3.2 Commercial media operators can access a range of revenue streams**

151 Figure 32 below, provides a broad overview of the trends in the revenue streams that are potentially addressable by commercial broadcasters and news providers.

- Print newspaper revenues (from both advertising and sales) have fallen.

- Advertising spend on FTA broadcasting, remains substantial, although flat, even in nominal terms. Advertising spend on radio also remains flat, in nominal terms.
- Revenues from STV broadcasting, and advertising spend on STV broadcasting, have also been fairly flat, again in nominal terms.
- There has been significant growth in internet advertising. This includes advertising on platforms such as Facebook, Apple and Google, but also includes internet display advertising (which could be addressable by broadcasters' or news providers' websites or VOD platforms), and digital classifieds.<sup>43</sup>
- Digital newspaper revenues (from advertising and subscription) revenues have also grown.

**Figure 32: Revenue streams potentially addressable by commercial broadcasters and news providers, 2012 to 2016**



Source: RBB analysis of PWC Australian Entertainment and Media Outlook data.

Notes: Revenue includes both revenue derived from advertising expenditure and expenditure by end-consumers (i.e. newspaper sales revenue).

152 As noted above:

- The ABC is not involved in print news.
- The ABC accounts for only a minority, and a relatively stable share, of audiences of each of FTA television and radio broadcasting. Moreover the ABC's broadcasts are significantly differentiated from those of the commercial broadcasters, focussing on

<sup>43</sup> This is consistent with the shift in advertising expenditures outlined in the ACC Digital Platforms Inquiry Issues Paper, which highlights the decrease in print media's share of advertising expenditure and the growth in the share of online advertising. See ACC, *Digital Platforms Inquiry Issues Paper*, 28 February 2018, pp. 16-17.

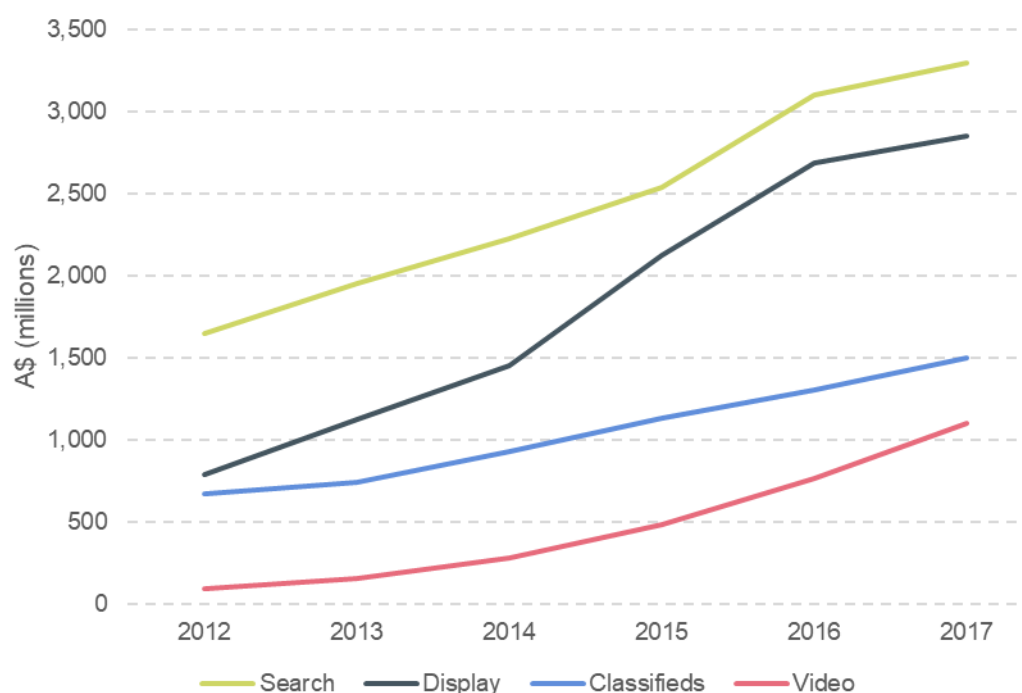
different genres, and the ABC is most popular with a different demographic of viewers.

- The ABC is not involved in STV broadcasting.
- Conversely, internet advertising has grown strongly, and now accounts for the largest share of advertising revenues. Accordingly, in the remainder of this section we consider the likely impact of the ABC's activities on the online revenues addressable by commercial broadcasters and news providers, within the context of changes internet uptake, and changes in the demand for different types of content on the internet, as well as some of the key drivers behind these changes.

### 3.3.3 Internet uptake, and internet advertising has grown strongly

153 As noted above, there has been significant growth in online advertising expenditures. The growth in Internet advertising has been led by search advertising, followed by display advertising and online classifieds. These trends are shown in Figure 33 below.

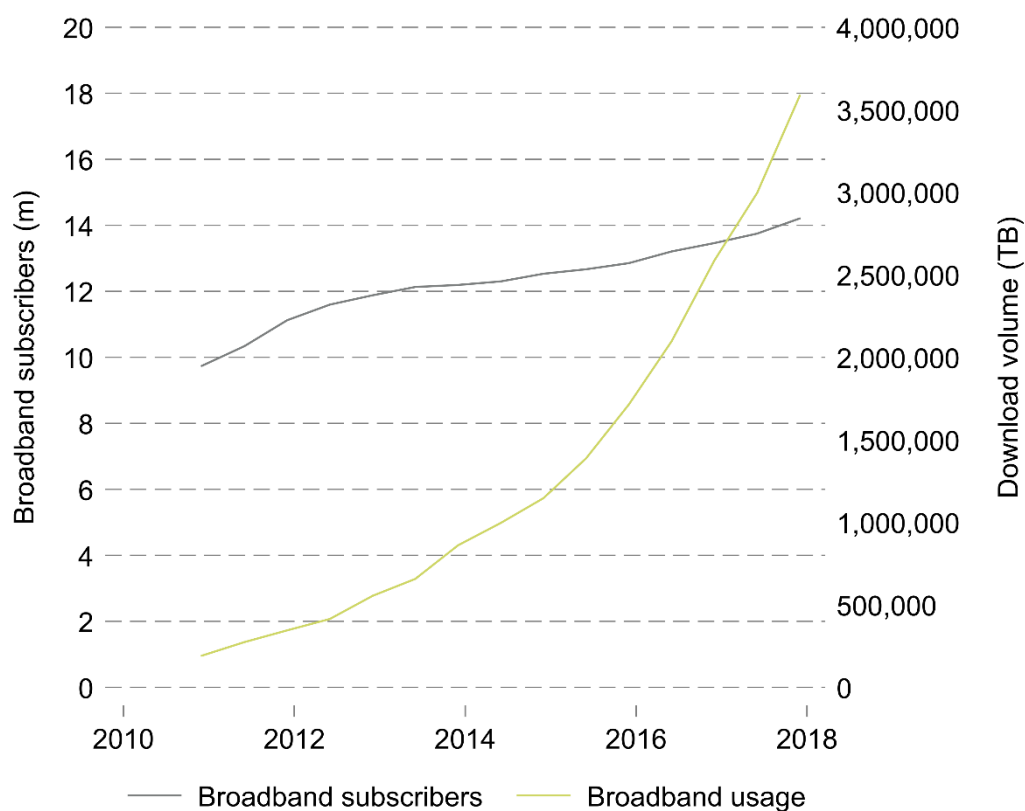
**Figure 33: Australian Internet advertising (2012-16)**



Source: RBB analysis of PWC Australian Entertainment and Media Outlook data.

154 This strong growth in internet advertising is related to strong growth in internet usage by consumers. There has been significant growth in the number of broadband subscribers in Australia between 2010 and 2017. Broadband download volumes have grown even more substantially over the same period, by more than ten times. These trends are shown in Figure 34 below.

**Figure 34: Broadband subscribers and broadband usage (download volumes), December 2010 to December 2017**

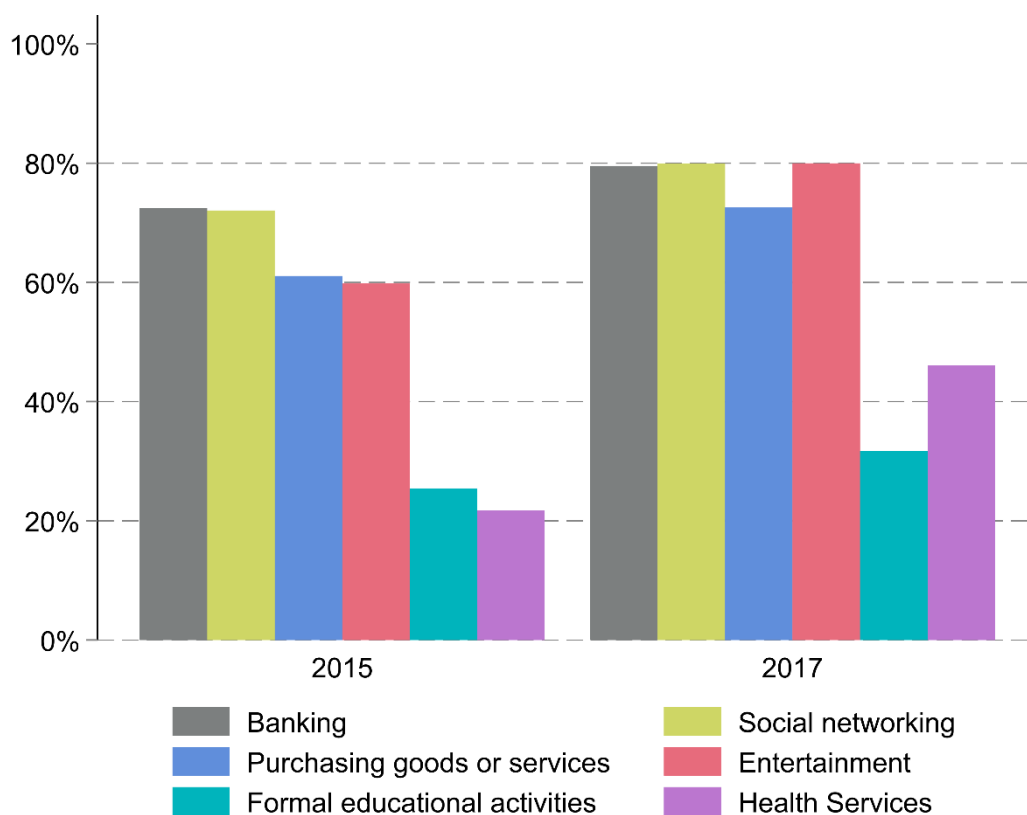


Source: ABS, 'Internet activity', December 2017, and ABS, 'Internet activity', December 2015.

- 155 Consumers access the Internet for a variety of reasons. Figure 35 below, presents a high level overview of the reasons that individuals use the Internet.



**Figure 35: Internet users, by reasons for accessing the internet, 2014-15 and 2016-17**



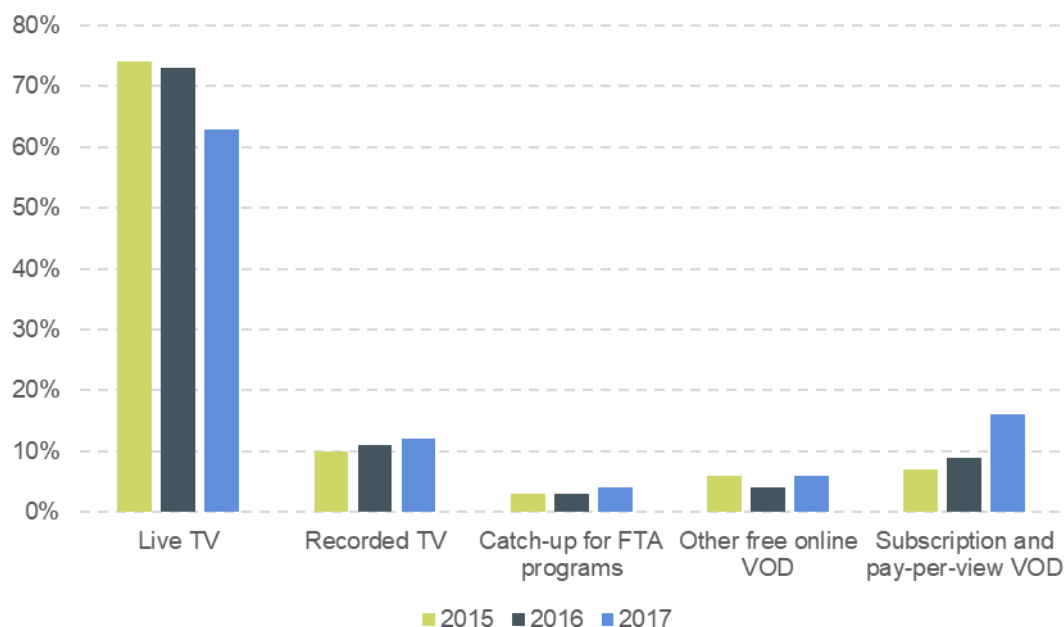
Source: ABS, Household Use of Information Technology, 2014-15, and ABS, Household Use of Information Technology, 2016-17.

- 156 The biggest reasons for accessing the internet remain banking, social networking, online shopping and entertainment. Within the category of entertainment, there has been substantial growth in online video consumption.

### 3.3.4 There has been substantial growth in subscription VOD consumption

- 157 Figure 36 shows changes in the time spent viewing professionally produced video content over the period 2015 to 2017. This graph again reflects the migration of audiences from television to online viewing. While the proportion accounted for by live TV has fallen, it still accounts for by far the largest share of time spent viewing. The biggest growth has been in time spent watching subscription and pay-per-view VOD. In contrast, catch up for FTA programs and other free online VOD remain small, and have not grown as strongly.

**Figure 36: Time spent viewing professionally produced video content in the last seven days, 2015 to 2017.**

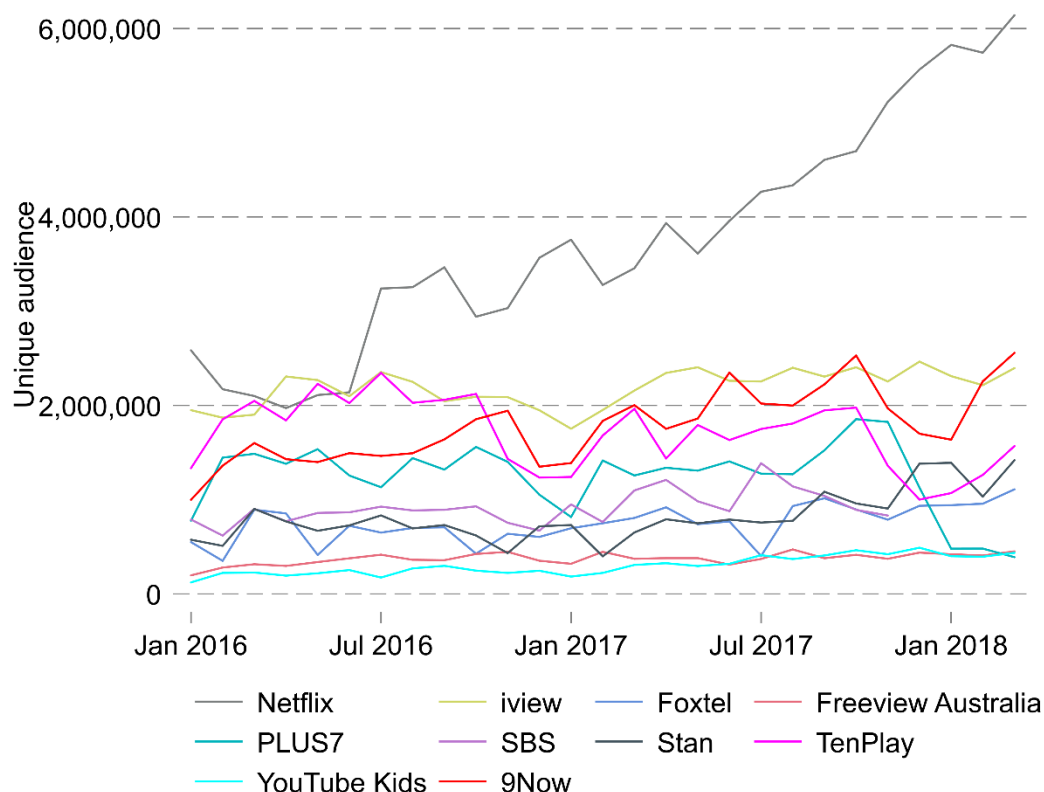


Source: Australian Communications and Media Authority: Communications Report 2016-17, p. 77; Communications Report 2015-16, p. 82; Communications Report 2014-15, p.69.

Notes: Proportions based on Australians aged 18 and above who watched any FTA TV or online video content in the last seven days

158 Figure 37 below shows the monthly unique audience across the 10 major VOD sites from January 2016 to March 2018. While Netflix's unique audience was comparable to that of other VOD providers, even around 18 months after its launch, this has grown remarkably from around 2 million in the first half of 2016, to over 6 million by March 2018. The unique audience measures for all other VOD sites, have remained far more stable over this period.

Figure 37: Monthly unique audience of 10 major VOD sites, January 2016 to March 2018



Source: RBB analysis of Nielsen DRM data.

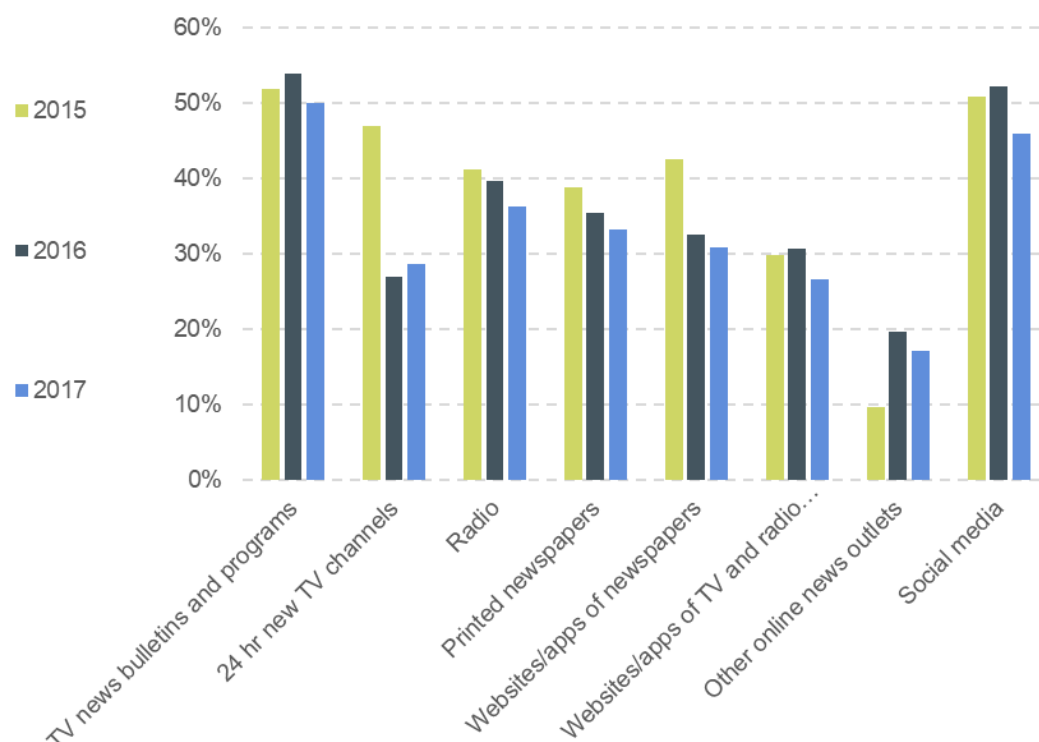
Note: Unique audience measures may overlap between channels as viewers may have use multiple channels in each month. Netflix, Foxtel and Stan are subscription VOD services.

- 159 While access to news websites was not cited as one of the primary reasons for accessing the internet, in Figure 35, we proceed to consider the ABC's activities within the context of the demand for online news services.

### 3.3.5 There has been substantial proliferation in online sources of news content

- 160 Figure 38 shows the changes in the news sources accessed over the period 2015 to 2017. The importance of 24 hour news channels, radio, and the print and online editions of newspapers appears to have fallen. The importance of websites/apps of TV and radio have also fallen slightly. The importance of other online news outlets has increased, and TV news bulletins and social media remain the most important sources of news.

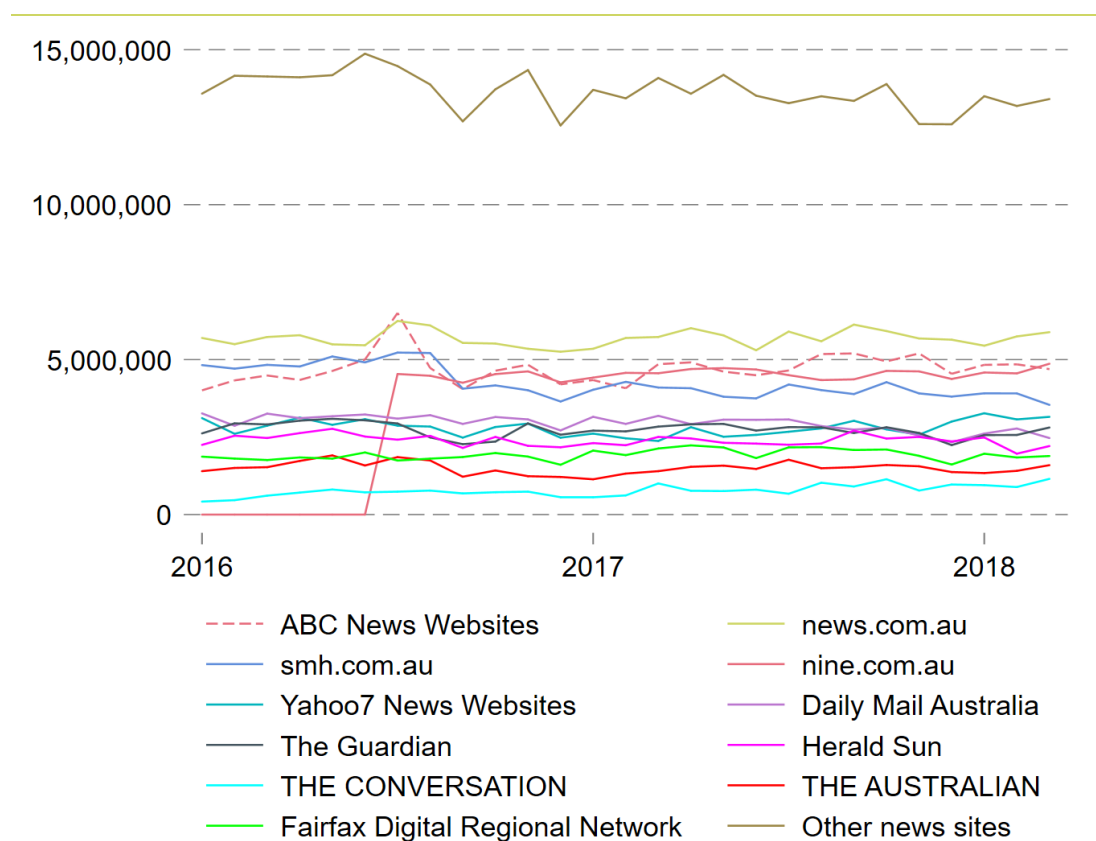
**Figure 38: News sources accessed in the last week, 2015 to 2017**



Source: News & Media Research Centre, University of Canberra: *Digital News Report: Australia 2017*; *Digital News Report: Australia 2016*, *Digital News Report: Australia 2015*.

161 Even within this wider context of multiple sources of news, the ABC online accounts for only a relatively small share of internet traffic to online news sites. As illustrated in Figure 15 above, in June 2017 over 20 different news sites had been accessed by a material proportion of Australians in the previous week, with ABC news websites having been accessed by approximately 22% of Australians during that period. Figure 39 below shows the monthly unique audience of different news sites in Australia over the period January 2016 to March 2018. In the first instance, the audience of the ABC News sites is fairly constant over this period. Moreover, there are a number of other news websites that consistently receive a monthly unique audience that is similar to, or exceeds, that of ABC news sites. Finally, there is a substantial long tail of smaller news websites, which collectively account for a large and stable monthly unique audience, far larger than the largest individual websites.

Figure 39: Monthly unique audience for Australian news sites, January 2016 to March 2018



Source: RBB analysis of Nielson DRM data.

- 162 Accordingly, the changes in the commercial broadcasters' and news providers' revenues seem more likely to be related to the overall trends affecting the sector, changes in internet usage (in particular shifts in demand from viewing on traditional platforms towards digital platforms) and the related shift towards internet advertising, rather than any specific activities of the ABC.

## 3.4 Cross-country analyses

### 3.4.1 Introduction

163 In this section we assess international evidence on associations between the scale and scope of public service media and commercial media sector outcomes. We discuss the literature on the impact of public service media on commercial media outcomes, including a 2013 cross-country TV analysis and a 2015 UK time series analysis assessing TV and news (section 3.4.2). We then update the cross-country TV analysis and extend it over time using annual data for 2009-16 from the UK's telecoms regulator, Ofcom (section 3.4.3).

### 3.4.2 Literature on the impact of public sector media on commercial media

164 The Oxford University Consulting Reuters Institute for the Study of Journalism report entitled an 'Analysis of the Relation Between and Impact of Public Service Media and Private Media' provides an overview of studies that have sought to assess the relationship between the scale and scope of public service media and commercial media sector outcomes.<sup>44</sup> The report states that "[t]here is little research that assesses the market impact of public service media".<sup>45</sup> It reviews two academic studies and seven stakeholder studies and finds that "[o]n the whole, existing studies provide little evidence for a negative market impact of public service media upon domestic private sector media".<sup>46,47</sup>

165 Of the small number of studies that have sought to assess the market impact of public service media on commercial media market outcomes, even a smaller set have done this using econometric analyses of actual data. In section 3.4.2.1, we discuss three cross-sectional analyses and in the following section we discuss one time-series analysis. These studies are also similar and directly relevant to the analysis that we carry out using Ofcom data in section 3.4.3 below, especially the 2004 McKinsey & Company study and the 2013 cross-country study for the BBC.

#### 3.4.2.1 Cross-section analyses

166 The cross sectional studies that we examine are:

- an early 1999 study by Berry and Waldfogel of US radio markets;
- a 2004 cross-country study by McKinsey & Company for Ofcom examining the correlation between public service broadcaster ("PSB") funding and commercial television broadcaster outcomes; and

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<sup>44</sup> Oxford University Consulting Reuters Institute for the Study of Journalism, 'Analysis of the Relation Between and Impact of Public Service Media and Private Media', 2016.

<sup>45</sup> Oxford University Consulting Reuters Institute for the Study of Journalism, 'Analysis of the Relation Between and Impact of Public Service Media and Private Media', 2016, p. 16.

<sup>46</sup> Oxford University Consulting Reuters Institute for the Study of Journalism, 'Analysis of the Relation Between and Impact of Public Service Media and Private Media', 2016, p. 17.

<sup>47</sup> The seven English-language studies reviewed are (i) Barwise, P., and Picard, R.G., 'What if there were no BBC television? The net impact on UK Viewers', Oxford University Reuters Institute for the Study of Journalism, 2014; (ii) BBC, 'Public and private broadcasters across the world – the race to the top', 2013; (iii) KPMG, 'An economic review of the extent to which the BBC crowds out private sector activity. A KPMG report commissioned by the BBC Trust', 2015; (iv) Oliver & Ohlbaum, & Oxera Consulting, 'BBC television, radio and online services: an assessment of market impact and distinctiveness', 2016; (v) PwC, 'The impact of a change in the BBC's licence fee revenue', 2015; (vi) van der Wurff, R., 'Competition, concentration and diversity in European television markets', Journal of Cultural Economics, 2015, 29(4), pp. 249–275; and (vii) Waldfogel, J., 'Station Ownership and the Provision and Consumption of Radio News', 2011.

- a 2013 cross-country by Dr Jonathan Simon from the consultancy Inflection Point for the BBC examining the relationship between PSB funding and commercial television broadcaster outcomes, as well as investment in TV content and audience perceptions of TV quality.

- 167 Berry and Waldfogel (1999) examines US radio markets.<sup>48</sup> The study uses data for 165 major metropolitan markets in the US from the spring of 1993. The authors carry out a number of regressions that seek to explore the impact of PSBs on commercial broadcasters, focussing on the main formats offered by PSBs, namely news, classical music and jazz. The regressions control for demographic and economic variables, such as the percentage of people that are college educated and per capita income.
- 168 The study does not find a statistically significant relationship (at the 5% level) between the presence of a public news or jazz radio station and commercial listening of the same genre. Each public classical radio broadcaster within the same market reduces commercial listening by 0.15 percentage points.<sup>49</sup> Because the size of the effect is small, the authors conclude that not all listeners would have listened to commercial classical radio absent public classical radio.
- 169 The authors group different metropolitan markets into quintiles based on population size, and examine whether there is a statistically significant relationship between the number of public radio stations and the number of commercial radio stations for a particular genre. The study finds no clear pattern of displacement for news and a weak relationship for jazz.<sup>50</sup> For classical music, they find no statistically significant relationship for the three smallest quintiles. In the second-largest quintile, public classical radio stations reduce commercial radio stations by 0.2 and in the largest quintile, they reduce commercial classical radio stations by 0.5.<sup>51</sup>
- 170 The 2004 McKinsey & Company study examines 13 Western industrialised countries using data from 2003.<sup>52</sup><sup>53</sup> Using a cross-sectional analysis, it finds no statistically significant effect of public funding per capita on overall commercial funding per capita, or on advertising or funding per capita.<sup>54</sup> It also notes that public funding per capita, advertising funding per capita and subscription funding per capita all grew between 1998 and 2003, which does not

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<sup>48</sup> Berry, S. T. and Waldfogel, J., 'Public Radio in the United States: does it correct market failure or cannibalize commercial stations?', *Journal of Public Economics*, Issue 71, 1999, pp. 189-211.

<sup>49</sup> See Berry, S. T. and Waldfogel, J., 'Public Radio in the United States: does it correct market failure or cannibalize commercial stations?', *Journal of Public Economics*, Issue 71, 1999, pp. 199-200. The effects are smaller for jazz, 0.06 percentage points, and news/talk, 0.11 percentage points, and only significant at the 10% statistical significance level.

<sup>50</sup> Based on the results in Table 2 of Berry, S. T. and Waldfogel, J., 'Public Radio in the United States: does it correct market failure or cannibalize commercial stations?', *Journal of Public Economics*, Issue 71, 1999, p. 204, the results for the top quintile are statistically significant at the 5% statistical significance level and suggest that each public jazz radio station is associated with 0.3 fewer commercial jazz radio stations. This result by adding 1.96 multiplied by the reported standard error of 0.148 to the coefficient estimate of -0.2938. Since this is still less than zero, we conclude that this is statistically different to zero at the 5% statistical significance level.

<sup>51</sup> Berry, S. T. and Waldfogel, J., 'Public Radio in the United States: does it correct market failure or cannibalize commercial stations?', *Journal of Public Economics*, Issue 71, 1999, p.205.

<sup>52</sup> McKinsey, 'Review of Public Service Broadcasting around the world', September 2004.

<sup>53</sup> The 13 countries it examines are: Australia, Canada, France, Germany, Italy, Japan, Netherlands, New Zealand, Portugal, Spain, Sweden, the UK, and the US.

<sup>54</sup> McKinsey, 'Review of Public Service Broadcasting around the world', September 2004, p.2 and pp.10-11, Exhibits 9-11.

suggest that public funding per capita crowds out advertising or subscription revenue per capita.<sup>55</sup>

171 The cross-country study for the BBC in 2013 examines the association between the scope and scale of PSBs and commercial broadcaster outcomes for 14 countries.<sup>56, 57</sup> The study finds an association between countries that have well-funded PSBs investing in high-quality, diverse content and commercial sectors that generate high revenues and also invest in high-quality, diverse content.<sup>58</sup>

172 The study finds the following positive correlations.

- **Public funding and commercial revenues.** The study finds a statistically significant at the 5% level positive correlation of 0.65, implying that an extra \$1 of PSB per capita funding is associated with \$0.65 higher commercial revenues per capita.<sup>59</sup>
- **Investment in originations by the lead public TV channel and investment in originations by the lead private TV channel.** The study examines the correlation between the investment in original content per capita by the PSB channel that invests the most and the commercial broadcast channel that invests the most. It finds a positive and statistically significant correlation of 0.53.<sup>60</sup>
- **Diversity of schedule in the main public and private TV channels.** The study defines the following genres as being of public service: children's programs, education, religion, music, news and information. The study finds a statistically significant at the 5% level positive correlation of 0.83.<sup>61</sup>
- **Audience perceptions of quality of the main public and private TV channels:** The study relies on an international audience survey undertaken by the BBC, asking respondents their views on the quality of each of the main channels. Each channel was given a quality score as the proportion of respondents that viewed it as being "very good". The study finds a statistically significant positive correlation between the two of 0.83.<sup>62</sup>

173 The study claims that "[t]his pattern is most pronounced in the Nordic countries, Australia and the UK".<sup>63</sup> By contrast, countries with less strong PSBs, such as Portugal and Italy had less strong commercial sector outcomes.

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<sup>55</sup> McKinsey & Company, 'Review of Public Service Broadcasting around the world', September 2004, p.3 and p.11, Exhibit 12.

<sup>56</sup> See BBC, 'Public and private broadcasters across the world – the race to the top', December 2013.

<sup>57</sup> The 14 countries the study examines are: Germany, Denmark, Spain, France, the UK, Italy, Netherlands, Norway, Portugal, Sweden, Australia, Brazil, Japan and the US.

<sup>58</sup> See Oxford University Consulting Reuters Institute for the Study of Journalism, 'Analysis of the Relation Between and Impact of Public Service Media and Private Media', 2016, page 58, for some limitations of the study, including that it only presents a cross-sectional analysis at a point in time rather than over time.

<sup>59</sup> This correlation analysis excludes the US, which has very low PSB funding and very high commercial revenues. The authors claim that the US is atypical because its large population enables US commercial networks to sustain high levels of programming investment and the appeal of English-language programming allows them to export their content globally. See BBC, 'Public and private broadcasters across the world – the race to the top', December 2013, p. 5.

<sup>60</sup> Data were available for 10 countries: Germany, Denmark, Spain, France, the UK, Italy, Norway, Sweden, Australia and the US.

<sup>61</sup> Data were available for 8 countries: Germany, Denmark, Spain, France, the UK, Norway, Portugal and Sweden.

<sup>62</sup> Data were available for all countries in the study except Norway.

<sup>63</sup> See BBC, 'Public and private broadcasters across the world – the race to the top', December 2013, p. 1.



### 3.4.2.2 Time series analysis

- 174 The time series study for the BBC by KPMG in 2015 examines the impact of the BBC TV on commercial TV and BBC Online on local print news.<sup>64</sup> The report finds no clear evidence from the available data that any increase (or decrease) in the level of BBC activity has had any impact on commercial broadcasters' viewer hours or revenues, or local newspapers' readers or revenues.<sup>65</sup>
- 175 The TV analysis attempts to explain whether UK commercial channel viewer hours and revenues are influenced by BBC viewer hours and revenues over the period 2002-14, after accounting for other factors that could influence commercial channel viewer hours and revenues, such as commercial spending over time. The regressions do not provide any strong evidence that the BBC's activity crowds out commercial broadcasters' activity.
- 176 Of the two measures of BBC entertainment activity examined, number of minutes of entertainment TV broadcast by the BBC and BBC spending per minute of entertainment TV broadcast, only the second measure had a statistically significant negative effect on commercial broadcasters' entertainment viewer hours, and this was only a weak level of statistical significance of 10%.<sup>66, 67</sup>
- 177 The study found no statistically significant impact of number of minutes of news TV broadcast by the BBC or BBC spending per minute of news TV broadcast, on commercial broadcaster news viewer hours.<sup>68</sup>
- 178 The study was unable to explain commercial broadcaster revenues, due to a lack of available data.<sup>69</sup>
- 179 The newspaper analysis finds that UK local newspaper circulation and revenue can be explained by the degree of internet penetration, the growth of household income, advertising revenues, and time trends over the period 2001-14 for circulation and 1982-2014 for revenue, rather than the number of hits for BBC news websites, available from 2005 onwards.<sup>70</sup>

### 3.4.3 Analysis using cross-country Ofcom data for 2009-16

- 180 We use data gathered from the UK telecoms regulator, Ofcom, covering 17 countries including Australia, in order to assess the correlation between PSB funding and commercial broadcaster revenues.<sup>71</sup> The Ofcom commercial broadcaster data include TV revenues from

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<sup>64</sup> KPMG, 'An economic review of the extent to which the BBC crowds out public sector activity', 2015.

<sup>65</sup> See Oxford University Consulting Reuters Institute for the Study of Journalism, 'Analysis of the Relation Between and Impact of Public Service Media and Private Media', 2016, page 61, for some limitations of the study, including that the results only apply to the period examined and could change if the BBC were to increase or decrease its activities to a greater degree in the future.

<sup>66</sup> KPMG, 'An economic review of the extent to which the BBC crowds out public sector activity', 2015, p. 28.

<sup>67</sup> Statistical significance at the 10% level means that there is a 10% or less chance of obtaining the observed results if the null hypothesis of no relationship is true. A stronger standard of statistical significance is the 5% level. If results are statistically significant at the 5% level, this means that there is only a 5% or less chance of obtaining the observed results if the null hypothesis of no relationship is true.

<sup>68</sup> KPMG, 'An economic review of the extent to which the BBC crowds out public sector activity', 2015, p. 29.

<sup>69</sup> KPMG, 'An economic review of the extent to which the BBC crowds out public sector activity', 2015, p. 30.

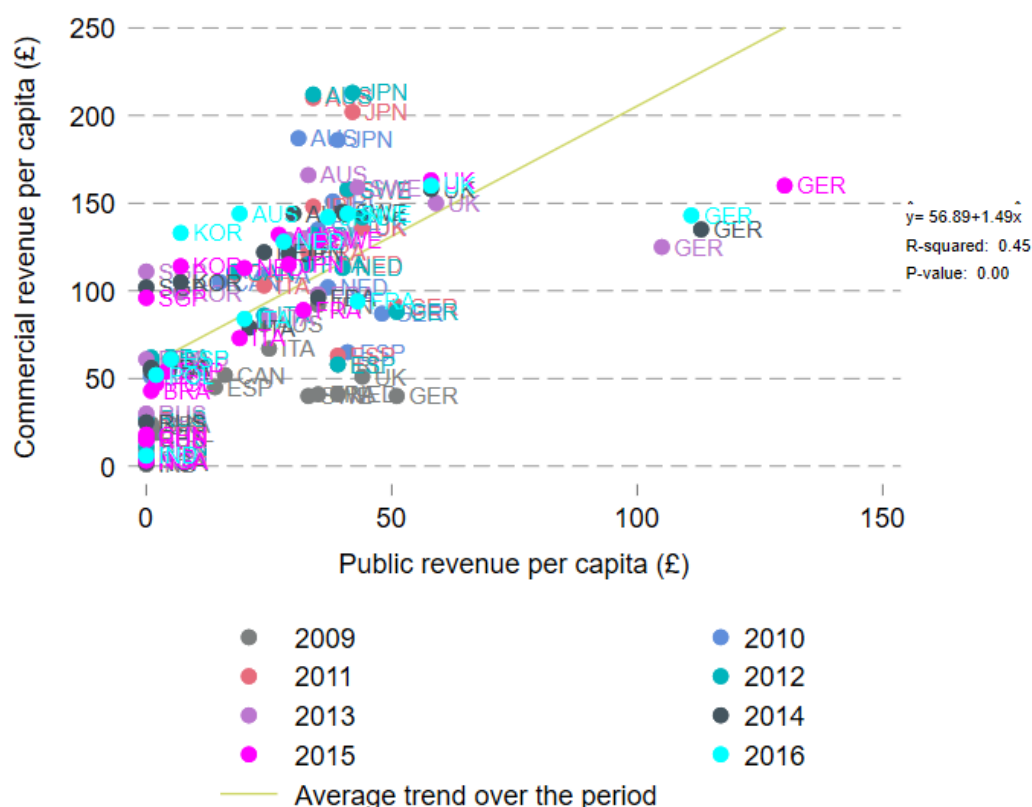
<sup>70</sup> KPMG, 'An economic review of the extent to which the BBC crowds out public sector activity', 2015, p. 34.

<sup>71</sup> The 17 countries included are: Australia, Brazil, China, Spain, France, Germany, India, Italy, Japan, Korea, Netherlands, Nigeria, Poland, Russia, Sweden, the UK and the US.

advertising and subscription. The evidence is consistent with public broadcaster funding not having a significant negative impact on commercial television broadcaster revenues. This enables us to update and extend the analysis of McKinsey & Company (2004) and BBC (2013) discussed above.<sup>72</sup>

- 181 Figure 40 below shows the linear trend between commercial revenue per capita and public revenue per capita for all years from 2009-16. The commercial sector revenue per capita is the sum of the advertising revenue per capita and the subscription revenue per capita, which are both provided in the Ofcom reports. The final component of revenue per capita in the Ofcom reports is public sector revenue per capita. It shows a relatively consistent pattern across countries (including Australia) and multiple years of higher per capita public funding per capita being associated with higher commercial revenue per capita. Relative to this set of comparator countries, Australia shows lower per capita funding for public service broadcasting, and higher commercial sector revenues per capita as shown by the fact that Australia is towards the top-left of the chart, and above the line depicting the average trend over the period 2009-16.

**Figure 40: Commercial revenue per capita versus public funding per capita (2009-16, excluding US)**



Source: Ofcom, 'International Communications Market Report', 2010, Ofcom, 'International Communications Market Report', 2011, Ofcom, 'International Communications Market Report', 2012, Ofcom, 'International Communications Market Report', 2013, Ofcom, 'International Communications Market Report', 2014, Ofcom, 'International Communications Market Report', 2015, Ofcom, 'International Communications Market Report', 2016

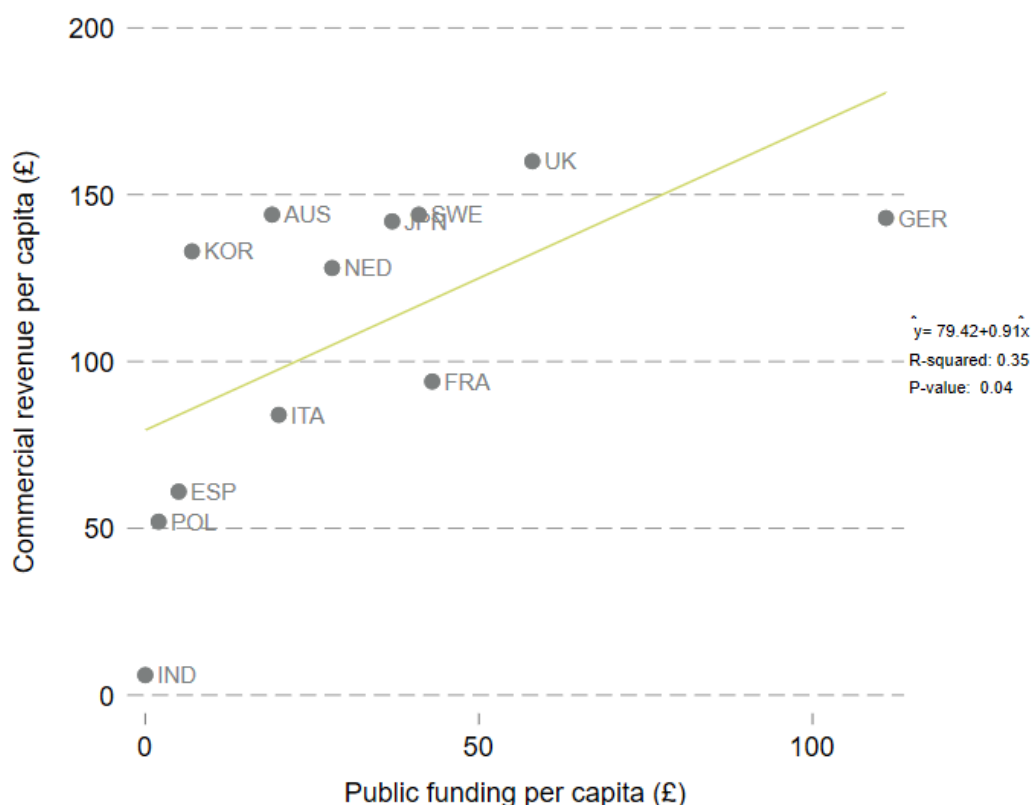
<sup>72</sup> The use of annual data over time helps address a criticism of the BBC (2013) report made in the Oxford University Consulting Reuters Institute for the Study of Journalism (2016) report. The Oxford University Consulting Reuters Institute for the Study of Journalism (2016) states at page 58 that the BBC (2013) report's "central limitation is that it presents a cross-sectional analysis of relationships at one particular point in time, rather than observations of change over time. It is thus helpful for identifying associations, but an actual study of impact would involve examining markets over time, especially in terms of whether decreases or increases in public service media funding were associated with significant changes in private sector media revenues. We have not been able to identify any studies conducting this kind of analysis in a comparative perspective."

Report', 2013, Ofcom, 'International Communications Market Report', 2014, Ofcom, 'International Communications Market Report', 2015, Ofcom, 'International Communications Market Report', 2016, and Ofcom, 'International Communications Market Report', 2017, RBB analysis.

Notes: The fitted line shows that £1 higher public revenue per capita is associated with £1.49 higher commercial revenue per capita for 2009-16, excluding the US. This uses a pooled ordinary least squares regression across all countries (except the US) and years. This result is statistically significant at the 1% statistical significance level.

- 182 This pattern is fairly consistent across years. Figure 41 shows public revenue per capita on the x-axis and commercial revenue per capita on the y-axis for 2016. Countries that tend to have higher public funding per capita also have higher commercial revenues per capita. This is consistent with public funding not crowding out commercial revenues, but rather both public funding and commercial revenues are determined by factors that vary across countries, such as average income per capita. Relative to these comparator countries, Australia had a relatively low level of public funding per capita, and enjoyed a relatively high level of commercial revenue per capita, and so is towards the top-left of the chart, and above the fitted line showing the association between public funding per capita and commercial revenue per capita for 2016.

**Figure 41: Commercial revenue per capita versus public funding per capita (2016, excluding US)**



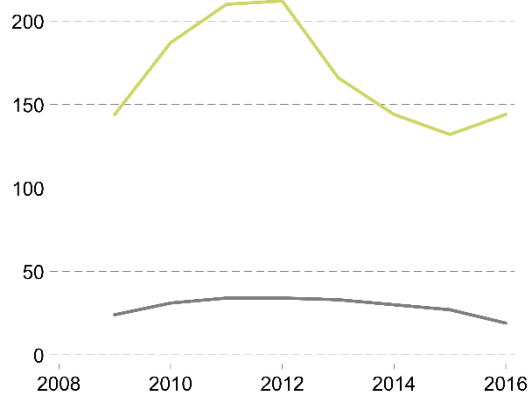
Source: Ofcom, 'International Communications Market Report', 2017, RBB analysis.

Notes: The fitted line shows that £1 higher public revenue per capita is associated with £0.91 higher commercial revenue per capita for 2016, excluding the US. This uses an ordinary least squares regression across all countries (except the US) for 2016. This result is statistically significant at the 5% statistical significance level.

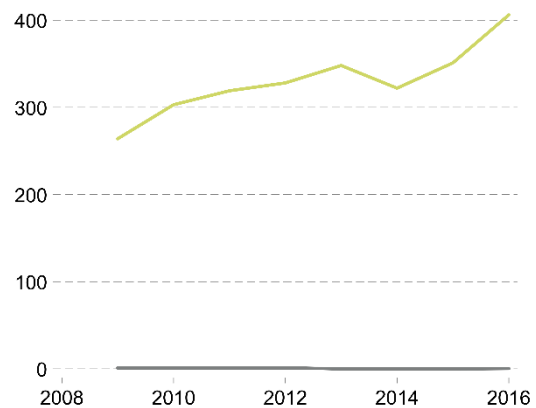
- 183 The following figures show time series trends for a selection of countries for which data covering the full number of years were available and that have a similar level of income per capita to Australia. Generally, there is no clear pattern between changes in public funding

per capita in a country (including Australia) and commercial revenue per capita, which is consistent with there being no crowding out of commercial revenue by public funding. The figures show for each country, the commercial revenue per capita (£), depicted as a green line, plotted against the public sector revenue per capita, depicted as a grey line, for 2009-16.

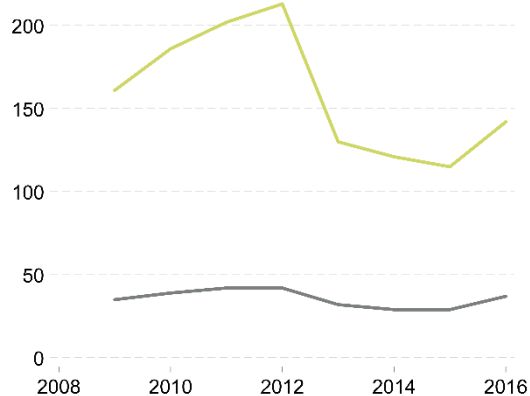
**Figure 42: Australia**



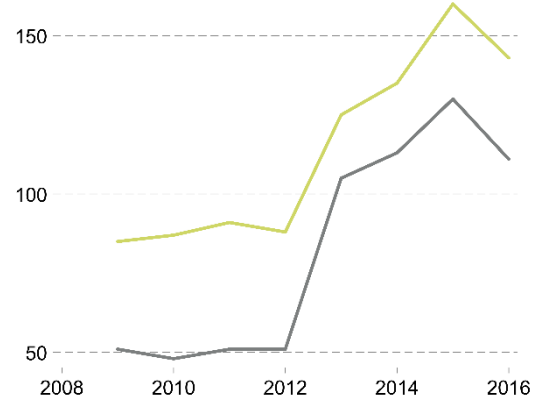
**Figure 43: US**



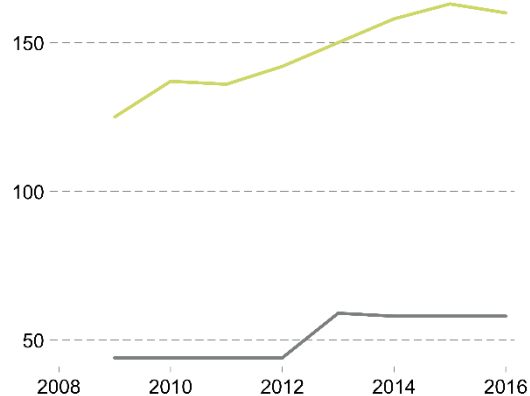
**Figure 44: Japan**



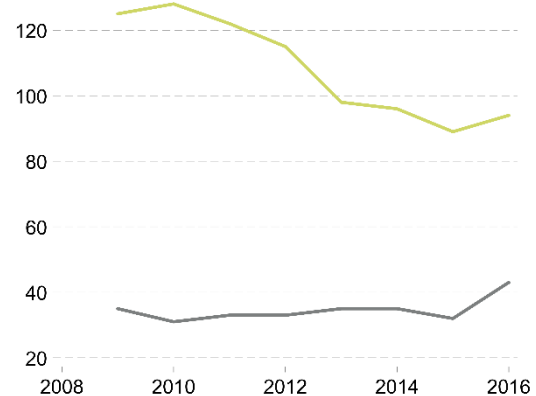
**Figure 45: Germany**



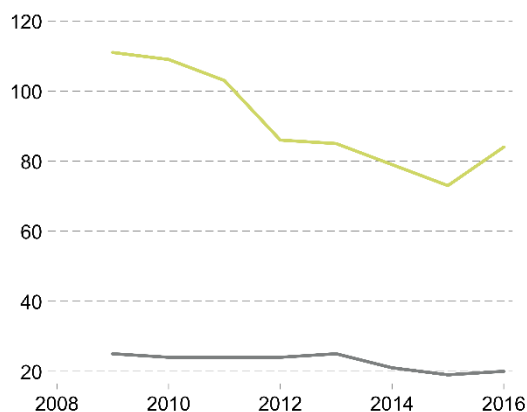
**Figure 46: UK**



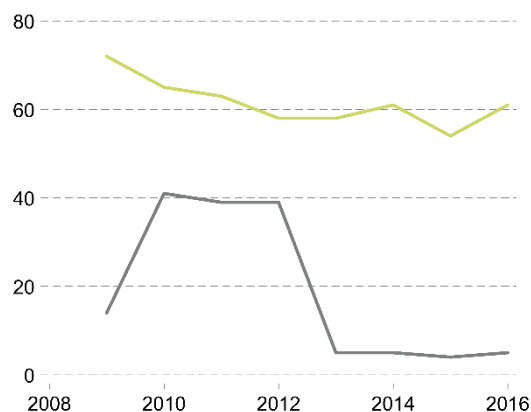
**Figure 47: France**



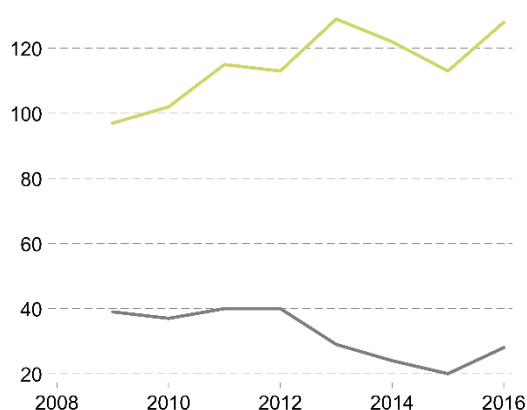
**Figure 48: Italy**



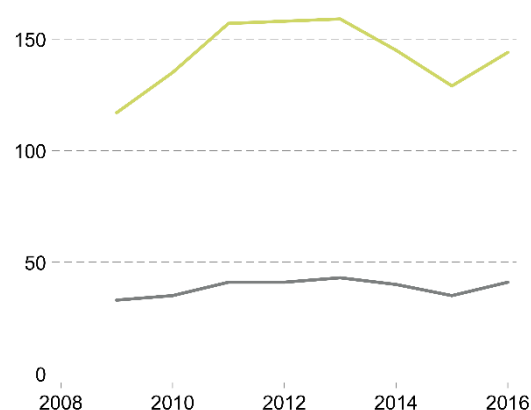
**Figure 49: Spain**



**Figure 50: Netherlands**



**Figure 51: Sweden**



Source: Ofcom, 'International Communications Market Report', 2012, Ofcom, 'International Communications Market Report', 2013, Ofcom, 'International Communications Market Report', 2014, Ofcom, 'International Communications Market Report', 2015, Ofcom, 'International Communications Market Report', 2016, and Ofcom, 'International Communications Market Report', 2017, RBB analysis.

- 184 To examine whether there is a statistical relationship between changes in public sector revenue per capita in a country over time and changes in commercial sector revenue per capita, we use an econometric method called fixed effects. This technique controls for all factors affecting commercial revenue per capita that vary across countries but are constant over time (for example, viewer tastes).
- 185 As shown in Table 13, the results do not suggest that higher public funding per capita is associated with lower commercial revenue per capita, lower advertising revenue per capita or lower subscription revenue per capita. Where we obtain statistically significant results,<sup>73</sup> the effect is the other way around, i.e. higher public funding per capita is associated with

<sup>73</sup> The p-value is the probability of obtaining the observed results when the null hypothesis of no relationship is true and can be used to determine the statistical significance of the results. For example, a p-value of 0.05 or less implies that the results are statistically significant at the 5% statistical significance level, i.e. there is only a 5% or less chance of obtaining the observed results if the null hypothesis of no relationship is true.

higher commercial revenue per capita, higher advertising revenue per capita and higher subscription revenue per capita.

- First, examining the association between the level of public funding per capita and commercial revenue per capita shows that £1 higher public funding per capita is associated with £0.84 higher commercial revenue per capita. Similarly, £1 higher public funding per capita is associated with £0.49 higher advertising revenue per capita and £0.35 higher subscription revenue per capita.
- Second, we examine the association between the level of public funding per capita and commercial revenue per capita after controlling for changes in the nominal GDP per capita in each country over time. This shows that £1 higher public funding per capita is associated with £0.56 higher commercial revenue per capita and £0.37 higher advertising revenue per capita.
- Finally, we examine the association between percentage changes in public funding per capita and percentage changes in commercial revenue per capita after controlling for percentage changes in the nominal GDP per capita in each country over time. We do this using a regression in logs.<sup>74</sup> This shows that 1% higher public funding per capita is associated with 0.005% higher commercial revenue per capita. Similarly, 1% higher public funding per capita is associated with 0.007% higher commercial broadcaster advertising revenue per capita.

**Table 13: Fixed effects regression results**

No.	Regression	Public sector coefficient	P-value
1a	Commercial revenue	0.837***	0.000
1b	Advertising revenue	0.491***	0.000
1c	Subscription revenue	0.346**	0.014
2a	Commercial revenue (GDP per capita control)	0.562**	0.018
2b	Advertising revenue (GDP per capita control)	0.372***	0.000
2c	Subscription revenue (GDP control)	0.190	0.301
3a	Commercial revenue (GDP per capita control, logs)	0.005**	0.012
3b	Advertising revenue (GDP per capita control, logs)	0.007***	0.000
3c	Subscription revenue (GDP control, logs)	0.003	0.430

Source: Ofcom, 'International Communications Market Report', 2012, Ofcom, 'International Communications Market Report', 2013, Ofcom, 'International Communications Market Report', 2014, Ofcom, 'International Communications Market Report', 2015, Ofcom, 'International Communications Market Report', 2016, and Ofcom, 'International Communications Market Report', 2017, World Bank nominal GDP figures in USD, OECD annual USD to GBP exchange rates, RBB analysis.

Notes: The standard errors are clustered on the country. \*\*\* Statistically significant at the 1% level; \*\* statistically significant at the 5% level.

<sup>74</sup> For a regression in logs, the coefficient shows the percentage impact on, for example, commercial revenue per capita for a 1% change in public revenue per capita (so long as the coefficient is small).

- 186 The econometric studies available in the literature and our own analysis do not suggest that public funding has a negative impact on the revenues generated by commercial broadcasters. Moreover, we note again that the competitive neutrality principles do not require that the funding provided to the ABC has no negative impact on commercial broadcasters' revenues, merely that the ABC does not obtain any net benefit from public funding, relative to the situation without that public funding.

## 4 Potential positive effects on the industry

### 4.1 The ABC's activities that benefitted the wider media sector

187 In this section we consider the ABC's activities that might lead to direct benefits to the wider media sector.

188 The ABC has partnerships with third party platforms, commercial media operators and community organisations, which enable those organisations to benefit directly from ABC's content and resources. For example, the ABC has a number of commercial and content partnerships with third-parties. The use of ABC content on a third party platform can make that platform more attractive and enable it to attract more viewers. Similarly, the ABC has community partnerships that involve working with community based organisations to improve engagement and reputation, reach new audiences, build trust with existing audiences, and to contribute to the creation of content through community connections. The ABC's engagement with community organisations is likely to lead to longer term benefits from increased trust in media as well as the creation of new content that relies on the community links established through these partnerships.

189 Community partnerships aim to develop and manage mutually beneficial partnerships with schools, universities, and community, multicultural and indigenous media. They aim to promote and support Australian media, and to identify new media talent. The ABC has the following objectives for the following organisations.<sup>75</sup>

- **Regional primary schools:** the ABC aims to strengthen relationships between the ABC and regional schools. The ABC plans to establish a network of regional schools and provide them with digital content engagement packages linked to the ABC programs. The program is likely to cover 20 regional schools this year.
- **Metropolitan secondary schools:** the ABC aims to build connections and to improve digital literacy. Its metropolitan secondary school program includes media education, including careers workshops, studio tours, and mentoring via an ABC Digital Journalism Club. The program will be introduced to one school in each of the eight ABC metropolitan locations.
- **Universities:** the ABC aims to discover new media talent and to collaborate on journalism projects. It planned to pilot programs in New South Wales, Queensland, South Australia and Victoria with initiatives managed by senior personnel including State Editors, Regional Editors and Chiefs of Staff.
- **Community, multicultural and indigenous media:** the ABC aims to promote Australian media, develop talent pools and better understand the issues that matter to local communities.

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<sup>75</sup> Information provided by the ABC.



- 190 The ABC has run a news cadet program for eight years, taking on between eight and ten news cadets each year.<sup>76</sup> Cadets complete a 60 hour multiplatform training course designed to give them basic skills in digital, radio and television. They then shadow experienced reporters, receive mentoring, and receive training and feedback from experienced ABC news reporters.<sup>77</sup> The ABC also has a scholarship program that funds a cadet from an Aboriginal or Torres Strait Islander background who aspires to be a journalist.<sup>78</sup> This is a full-time 12 month program and involves work placements with The Specialist Reporting Team, the ABC Investigations Team, and Foreign Correspondent or Four Corners.<sup>79</sup>
- 191 The ABC runs a media cadet program through which it seeks to discover and develop new content makers or digital specialists. Applicants do not require any formal qualifications to apply for the program. Moreover, the program is particularly aimed at groups that are underrepresented in the media industry and who might otherwise not have entered the industry. The ABC selects and employs 10-12 employees that then participate in a 12 month training program across the ABC. The training includes two one week “boot camps”, placements in content making or digital technology areas and a one month placement at a regional site.<sup>80</sup> These cadets may go on to seek employment at the ABC or at commercial media operators.

## 4.2 The ABC’s initiatives or investments that were built on by commercial media operators

- 192 In this section we discuss examples of initiatives that were first undertaken by the ABC, but later prompted imitation, quality improvements, further investment and innovation by commercial media operators. In particular, we assess the impact of the ABC’s initial investments in digital broadcast TV (section 4.2.1) and its development of iview and the benefits to commercial media operators from the subsequent growth in VOD (section 4.2.2).

### 4.2.1 Adoption and growth of digital broadcast TV

- 193 Digital FTA broadcast television was launched in January 2001 in the five major metropolitan markets of Sydney, Melbourne, Brisbane, Adelaide and Perth. As part of a Government push to encourage the uptake of digital TV and to free spectrum for other purposes such as 4G mobile services, the ABC was the first television network to launch digital multi-channels, which helped build digital TV awareness and audiences.
- 194 Digital TV provided consumers with access to a higher-quality picture in widescreen format and higher quality sound, in standard definition (“SDTV”) and high definition (“HDTV”). As digital TV relies on less bandwidth, more bandwidth was made available for 4G mobile phone services.<sup>81</sup>

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<sup>76</sup> Information provided by the ABC.

<sup>77</sup> Information provided by the ABC.

<sup>78</sup> Information provided by the ABC.

<sup>79</sup> Information provided by the ABC.

<sup>80</sup> Information provided by the ABC.

<sup>81</sup> Jolly, R. 2010, ‘Going digital: tracing the transition to digital television in Australia’, Research Paper No.7 Australian Parliamentary Library, available at [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1011/11rp07](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1011/11rp07). See also <https://www.communications.gov.au/what-we-do/spectrum/digital-dividend-spectrum>.

- 195 The SDTV signal uses about one quarter of the spectrum of an analogue signal, broadcasts the same resolution as an analogue system, and avoids analogue transmission issues. The lower spectrum requirement of SDTV also meant that broadcasters could transmit at least four times the number of channels as they did under analogue signals (through multi-channelling), and offer a broader variety of content.<sup>82</sup> HDTV allows broadcasters to transmit image resolutions superior to SDTV and analogue TV, improving the detail by up to six times that of SDTV.
- 196 The ABC led the launch of digital multi-channels, which helped to drive the take-up of digital FTA TV, which in turn allowed the rapid spread of the resulting consumer benefits.
- ABC launched Australia's first digital multi-channel, ABC Kids, in August 2001. ABC launched Australia's second digital multi-channel, Fly, targeted at teenagers, in November 2001.<sup>83</sup> These channels were closed in May 2003.
  - In the second wave of digital only FTA channel launches, ABC launched ABC2 (now ABC Comedy) in March 2005.
  - Following a government proposal in September 2007, ABC launched ABC3 (now ABC Me) in December 2009, aimed at 8 to 14 year olds. It launched Australia's first FTA news channel, ABC News 24, in July 2010.
- 197 SBS and the three major commercial broadcasters have introduced their own digital only channels, such as Nine Network's 9GO!, which broadcasts children's TV. The top FTA digital multi-channels are provided by Channel 7 (7TWO and 7mate) and Channel 9 (GO!) respectively. The increased presence of multi-channels enables consumers to target TV that more closely suits their needs. For example, the ABC Kids channel allows families to access children's programming right through the day and into the early evening.<sup>84</sup> These channel launches and the growth in digital TV audiences are shown in Figure 52 below.

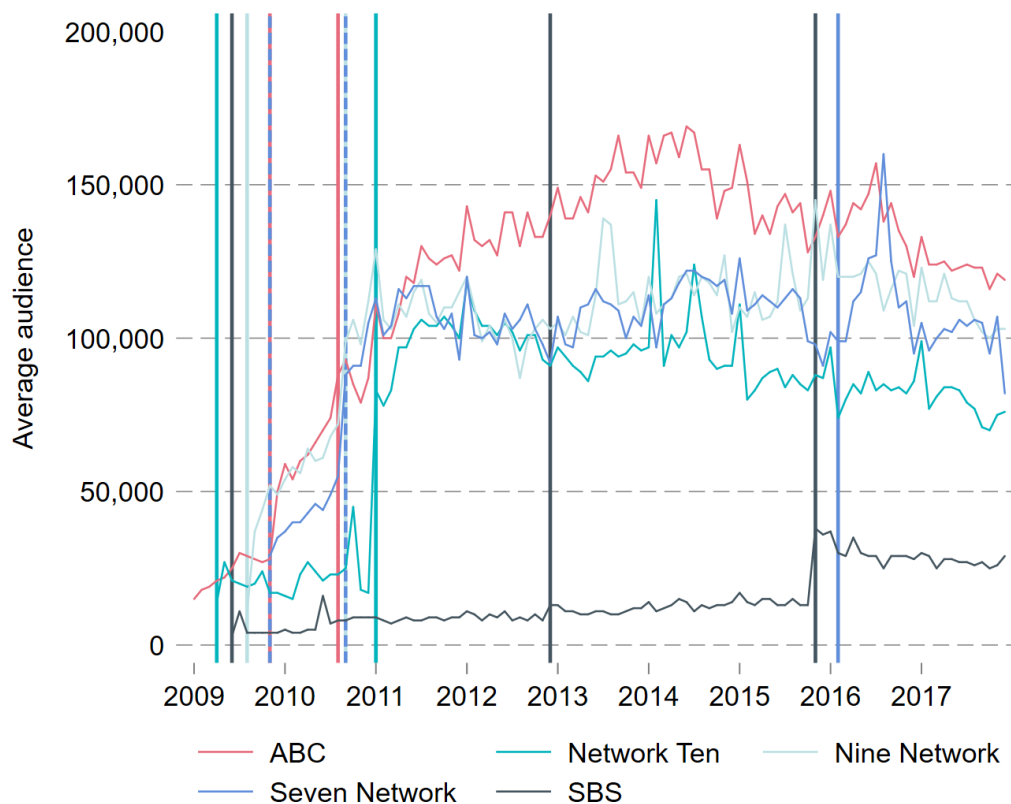
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<sup>82</sup> Committee on Communications, Information, Technology and the Arts 2006, 'Digital Television: Who's Buying It? Inquiry into the update of Digital Television in Australia'

<sup>83</sup> ABC Annual Report 2001-02, p. 57. ABC Kids was broadcast from 6am to 6pm, while Fly was broadcast from 6pm to 6am.

<sup>84</sup> Committee on Communications, Information, Technology and the Arts 2006, 'Digital Television: Who's Buying It? Inquiry into the update of Digital Television in Australia'

Figure 52: Growth in digital multi-channel audiences, 2009 to 2017

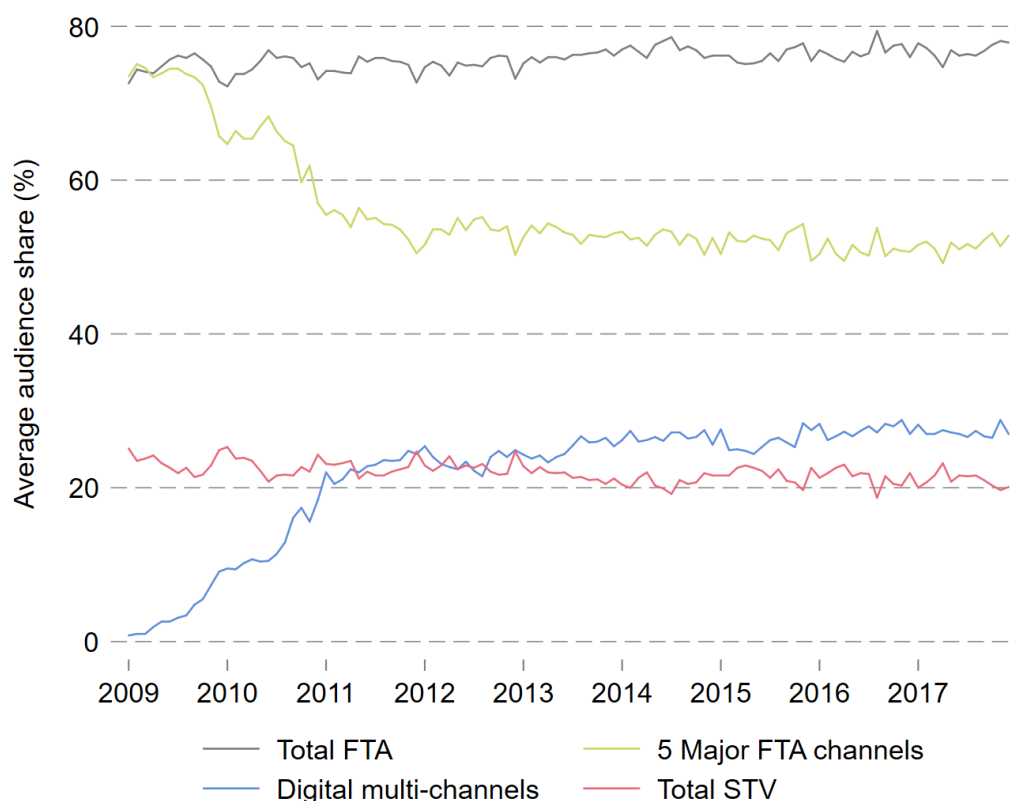


Source: RBB analysis of Monthly OzTAM data.

Notes: Vertical lines represent the launch dates for digital multi-channels by the network with a corresponding colour in the legend. Multi-coloured dashed lines reflect months in which two networks launched a digital multi-channel.

- 198 As noted above, the rise of FTA digital multi-channels has partly offset the decline in audiences for the five major FTA channels provided by ABC and the commercial broadcasters. While overall FTA TV audiences have declined over the period 2009-17, digital multi-channel TV audiences have increased. STV audiences have remained relatively stable. These trends are shown in Figure 53 below.

Figure 53: All FTA versus digital FTA audience trends



Source: RBB analysis of Monthly OzTAM data.

#### 4.2.2 The development of iview

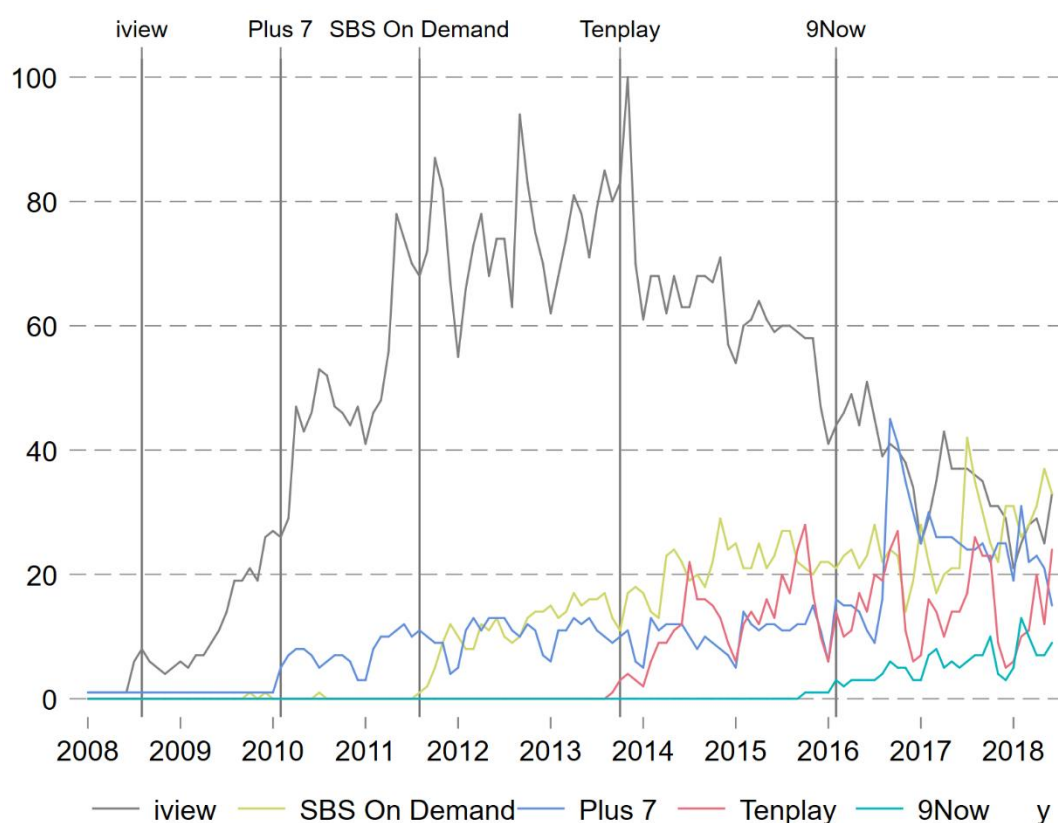
- 199 ABC was one of the first broadcasters to launch a VOD platform in Australia. It did so when the VOD segment attracted a relatively small number of viewers. Since the launch of iview, commercial media operators have launched their own VOD platforms and VOD usage has experienced strong growth. The launch of Netflix in Australia in March 2015 had a substantial impact on the popularity of VOD services, although some other VOD platforms have still continued to grow, even following Netflix's entry.
- 200 The popularity of VOD services is largely driven by the flexibility to watch video content at any time that suits the viewer, in contrast to watching linear broadcast television content. This is reported by 49 percent of VOD users as one of the main benefits amongst Australians aged 18 and over who used VOD services in the six months to June 2015. The second main benefit of VOD services is reported to be the greater choice of content, followed by lower costs.<sup>85</sup>
- 201 ABC launched iview in July 2008. It was Australia's first high-resolution, full-screen online video service,<sup>86</sup> and was developed in-house by ABC's Innovation department.<sup>87</sup> Following

<sup>85</sup> ACMA Research and Analysis section, 'Subscription video on demand in Australia 2015', available at <https://www.acma.gov.au/theACMA/engage-blogs/engage-blogs/Research-snapshots/Subscription-video-on-demand>

<sup>86</sup> ABC Annual Report 2008-09, pp. 15, 17.

the launch of iview, SBS launched SBS On Demand, and the commercial broadcasters also launched their own online catch-up services including PLUS7, TEN Play, and 9Jumpin. The time lines for the launches of catch-up VOD platforms is shown in Figure 54 below, along with Google Trends series, showing the relative popularity of common search terms for each of these VOD platforms. The relative popularity of these search terms is one potential measure of the likely interest by new users in each VOD service, even if these trends might not correlate precisely with the relative popularity of each underlying VOD service; by way of example a new VOD service might prompt relatively more Google searches, while a more established VOD service might be more popular even though much of its established user base do not need to search for its web address.

**Figure 54: Launch dates for catch-up VOD services in Australia, along with Google Trends relative popularity of common search terms for each VOD service, 2008 to 2018**



Source: RBB analysis of Google Trends data.

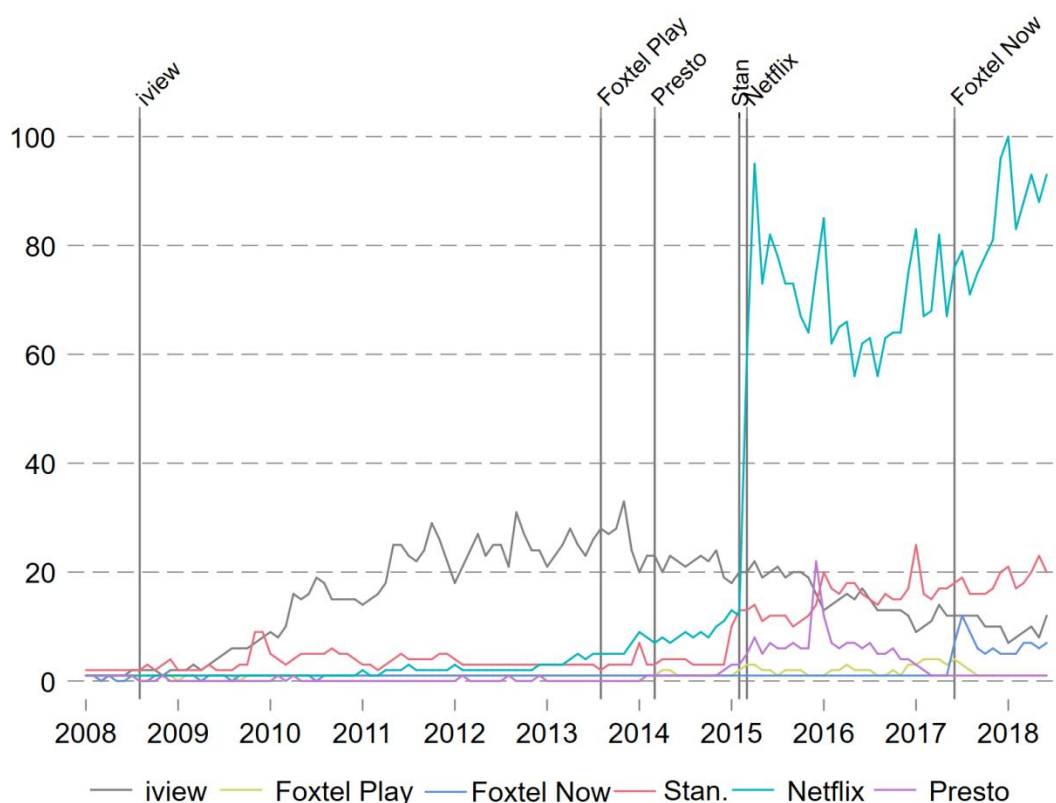
Notes: Vertical lines represent the launch data for each respective catch-up VOD service.

202 iview, which was the first of these VOD services launched, soon accounted for a relatively large proportion of Google searches, growing strongly from 2008 to 2012. However, as other VOD services were launched, the relative popularity of Google searches for iview declined, and the relative popularity of searches for other sites caught up.

203 Figure 55 below, shows a further timeline of the launch of subscription VOD services. Following the launch of iview, a number of subscription VOD services have been launched in

Australia, and have each gained a degree of popularity, in particular Netflix, at least as reflected by the use of these terms in Google searches.

**Figure 55: Number of Google searches and launch dates for subscription VOD services in Australia, 2008 to 2018**



Source: RBB analysis of Google Trends data.

Notes: Vertical lines represent the launch data for each respective subscription VOD service.

204 In Australia, VOD services comprised only a small proportion of overall viewing as recently as 2014, when iview was the leading VOD service in Australia, with 20 million program plays per month.<sup>88</sup> However, while traditional FTA average audiences have declined over the last ten years, there has been strong growth in VOD usage from 2014. Commercial media operators have benefited from this growth in the form of increased use of their catch-up VOD platforms over this period, as well as their jointly- and wholly-owned subscription VOD services. Following the launch of Netflix in Australia in March 2015, it has accounted for the bulk of VOD growth, although some commercial broadcaster VOD platforms have continued to grow.

### 4.3 The ABC's early investments in content and talent that led to further success on other platforms

205 In this section we consider examples where the ABC's early investments in content and talent led to further promotion or development on other platforms. We consider four types of investments:

<sup>88</sup> Screen Australia, *Online and on demand: Trends in Australian online video use, 2014*, p. 2.

- ABC news reports that were picked up by commercial media operators, and have led to wider public benefits, such as through government investigations;
- Television programs that initially started on the ABC, but were later picked up by commercial networks;
- Talent (such as journalists, presenters or producers) who started and/or developed their careers at the ABC and who have gone on to have a career outside of the ABC; and
- triple j Hottest 100 and triple j Unearthed, which promote local talent which has then gone on to find commercial success on commercial radio stations.

#### 4.3.1 ABC news reports

206 In addition to being part of the ABC's core remit to provide high quality and informative journalism, ABC news stories can lead to positive externalities through their impact on commercial news organisations and society more broadly.

- First, the ABC may discover stories that commercial news organisations may not otherwise have discovered (or the ABC may discover these stories earlier). Commercial news organisations may then also cover these stories, which could boost their circulation and advertising revenue.
- Second, ABC news stories can lead to socially beneficial government investigations and reforms.

207 Table 14 shows ABC's stories that have led to a government investigation or reforms. Most of these stories resulted from ABC investigations and were subsequently covered by commercial news organisations.

**Table 14: ABC stories that have led to government investigations or reforms**

Story	Date	Program	Impact
Cruelty at Indonesia abattoirs	30 May 2011	Four Corners	Ban on live exports to Indonesia and an inquiry into the live cattle export trade
Greyhound live-baiting investigation	16 February 2015	Four Corners	Special Commission of Inquiry into the greyhound racing industry, which initially led to a greyhound racing ban in NSW and its subsequent ban in the ACT
7-Eleven investigation	31 August 2015	Four Corners	Multiple inquiries into convenience store chain 7-Eleven, and the standing down of its chief executive and board.
CommInsure investigation	07 March 2016	Four Corners	ASIC investigation into Commonwealth Bank

Story	Date	Program	Impact
			insurance arm CommInsure
Investigation into Don Dale detention centre	25 July 2016	Four Corners	Royal Commission into the Protection and Detention of Children in the Northern Territory
Retirement village investigation	26 June 2017	Four Corners	Urgent inquiry into exploitation of aged-care residents
George Pell sexual abuse allegations	27 July 2016	7.30	Criminal investigation into George Pell and committed to stand trial
Murray-Darling Basin Plan	24 July 2017	Four Corners	Inquiry into the Murray-Darling Basin Plan
Waste managed investigation	07 August 2017	Four Corners	Urgent inquiry into waste management
Unethical behaviour at ATO	09 April 2018	Four Corners	Treasury investigation into the Australian Tax Office
Ms Mullins sexual assault story	08 May 2018	Four Corners	The next day the NSW Attorney-General referred that State's sexual consent laws to the Law Reform Commission, where they will examine if they meet community standards
Story of Mackenzie Casella, who was born with the fatal genetic condition Spinal Muscular Atrophy and died six months ago, at seven months old	22 Feb. 2018	7.30	Health Minister Greg Hunt met the Casellas in March. The Government allocated \$500 million for the Australian Genomics Health Futures mission. The first project will be Mackenzie's Mission, with \$20 million being provided for a pre-conception screening trial for rare and debilitating birth disorders, including SMA

Source: ABC. See, in particular, speech by Gaven Morris, 'The ABC of News in the Age of Fake', 10 May 2018, available at <http://about.abc.net.au/speeches/the-abc-of-news-in-the-age-of-fake-lunch-with-gaven-morris/>.

- 208 Reports from iSentia for the investigation into Don Dale detention centre and the George Pell story illustrate the wider media impact of the ABC news coverage. Table 15 below shows the media impact of the Don Dale detention centre story on Four Corners over the period 25 July to 25 August 2016, which covers the month following the initial publication of the story, and of the George Pell sexual abuse allegations story over the period 27 July to 10 August 2016, which covers the two weeks following the initial publication of the story on 7.30, and for the period 26 October to 9 November 2016, which covers the two weeks following the ABC's follow-up story on George Pell's interview with Victoria Police. The figures are shown across all media types, i.e. TV, radio, internet and press publications.



**Table 15: Wider media impact of ABC stories**

Story	Period	News reports	Potential cumulative audience	Percentage produced by non-ABC outlets
<b>Investigation into Don Dale detention centre</b>	25 July - 25 August 2016	23,173	156,288,308	58%
<b>George Pell sexual abuse allegations</b>	27 July - 10 August 2016	8,692	82,064,418	64%
	26 October - 9 November 2016	3,935	36,091,855	50%

Source: *iSentia.insights, Media Coverage Report, 'ABC: Four Corners "Australia's Shame", 25 July - 25 August 2016, slide 2; and iSentia.insights, Media Coverage Report, 'ABC: 7.30 – George Pell story impact, 27 July - 10 August 2016 and 26 October - 9 November 2016, slide 2.*

### 4.3.2 Television programs developed by the ABC

209 There are a number of examples of successful television programs that were initially produced by the ABC and have subsequently been taken up by commercial networks.

210 A recent example is the “Dr Blake Mysteries” series, an Australian series that was produced and aired by the ABC between 2013 and 2017, for which Channel 7 acquired the rights to produce further episodes in 2018, rebranding the series “The Blake Mysteries”.<sup>89</sup>

211 Other examples include:

- Kath and Kim, a show that was first aired by the ABC between 2002 and 2005 and subsequently aired on Channel 7 in 2007, made into a film in 2012, before Nine Network acquired the rights to the show in 2017;
- Good News Week, a show that originated on the ABC between 1996 and 1998 before being acquired by Network 10 in 1999 with several subsequent seasons and spin-off series; and
- The Paralympics, which were originally broadcast by the ABC between 1992 and 2012, before the rights were purchased by Seven West Media for the 2016 summer game and 2018 winter games.<sup>90</sup>

### 4.3.3 Talent developed by the ABC

212 The ABC has provided a platform for the development of local talent, who have later gone on to find broader success outside of the ABC.

213 One example of talent development by the ABC is that of producers who initially gain exposure by working with the ABC. One example is that of Chris Lilley, who co-produced 5

<sup>89</sup> See <http://www.news.com.au/entertainment/tv/channel-7-is-set-to-screen-more-of-the-doctor-blake-mysteries-but-they-will-be-telemovies/news-story/292c9f6a0a1cef498a8f53467a7a0182>.

<sup>90</sup> See Kath and Kim (<https://tvtonight.com.au/2007/04/kath-and-kim-quit-abc-for-7.html>), Good News Week (<http://www.gnwtv.com.au/good-news-week/>), and Paralympics ([https://eprints.qut.edu.au/115247/1/115247\\_9773053\\_michael\\_ward\\_thesis.pdf](https://eprints.qut.edu.au/115247/1/115247_9773053_michael_ward_thesis.pdf), page. 88 and <https://www.smh.com.au/sport/they-should-be-all-over-the-media-right-now-seven-taken-to-task-for-paralympics-coverage-20180314-p4z4dj.html>).

popular shows with the ABC between 2005 and 2014, and has subsequently produced shows for Seven Network and Netflix.<sup>91</sup>

214 Similarly, the ABC has provided initial support and exposure to a number of television and radio hosts and sports commentators. Examples include:

- Andrew Denton, who initially gained attention as the writer and host of the ABC's shows "Blah Blah Blah" and "Enough Rope" and now hosts a popular show on Channel 7;
- Rob Sitch, Magda Szubanski, Jane Kennedy, and Mick Molloy, amongst others, who appeared early on in their careers on the ABC's *The D Generation*, and found commercial success later outside of the ABC;
- Merrick and Rosso, Roy & HG, Wil Anderson and Adam Spencer, Charlie Pickering, Jane Gazzo, Angela Catterns, Helen Razer, and Mikey Robins, radio presenters that started and/or developed on ABC radio stations and have gone on to have successful careers outside of the ABC; and
- Kelli Underwood, Time Lane, and Gerard Wheatley sports commentators that started with the ABC and have subsequently moved to commercial radio and television channels.<sup>92</sup>

215 In addition, the ABC has played an important role in the career development of a number of journalists. Such journalists include:

- Myf Warhurst, a journalist that initially joined the triple j Drive Show in 1999, and has written a weekly column for *The Age* and *The Guardian* as well as reported for a shows on Network Ten;
- Marlina Whop, now with Channel 7;
- Chris Uhlmann; now with Channel 9;
- Nia Owens and Ticky Fullerton, now with Sky News; and
- Vanessa O'Hanlon, now with WIN News.<sup>93</sup>

<sup>91</sup> See <http://www.rgm.com.au/portfolios/chris-lilley>.

<sup>92</sup> See Andrew Denton (<http://www.saxton.com.au/andrew-denton/>), *The D Generation* (<https://www.imdb.com/title/tt0090413/>), *Working Dog* (<https://www.theaustralian.com.au/arts/review/working-dog-trio-become-figures-of-speech-for-the-stage/news-story/d3e760ee4cce9c2cee1cf1cc1feef9d1>), Merrick and Rosso (<http://www.abc.net.au/news/2009-12-04/merrick-and-rosso-sign-off-after-11-years/1169414>), Roy & HG (<http://www.celebrityspeakers.com.au/roy-hg/>), Wil Anderson and Adam Spencer (<http://token.com.au/wp-content/uploads/2017/07/WIL-Biography.pdf> and <http://www.saxton.com.au/adam-spencer/>), Charlie Pickering (<http://token.com.au/wp-content/uploads/2017/07/CHA-Biography-1.pdf>), Jane Gazzo (<https://www.penguin.com.au/authors/jane-gazzo>), Angela Catterns (<http://www.angelacatterns.com.au/bio/>), Helen Razer and Mikey Robins ([https://en.wikipedia.org/wiki/Helen\\_Razer](https://en.wikipedia.org/wiki/Helen_Razer) and [http://mikeyrobins.com/mikeyrobins/Mikey\\_Robins.html](http://mikeyrobins.com/mikeyrobins/Mikey_Robins.html)), Kelli Underwood (<https://www.theherald.com.au/story/916929/kelli-underwood-never-an-under-achiever/>), Tim Lane (<http://www.saxton.com.au/tim-lane/>) and Gerard Wheatley (<http://www.abc.net.au/news/2018-01-01/gerard-wheatley-leaves-grandstand-after-13-years/9297054>).

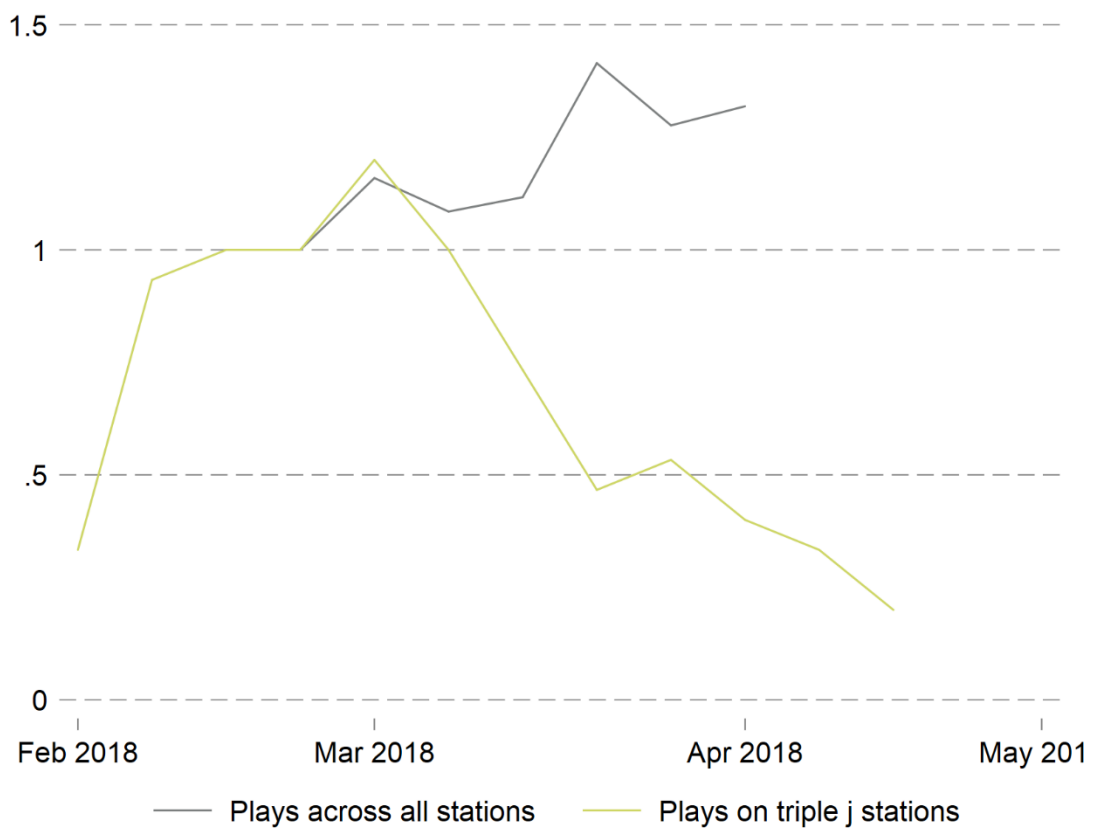
<sup>93</sup> See Myf Warhurst (<http://www.abc.net.au/tv/agonyants/characters/myf-warhurst.htm>), Marlina Whop (<http://www.abc.net.au/local/photos/2015/07/07/4268788.htm>), Chris Uhlmann (<http://www.abc.net.au/news/2017-08-30/chris-uhlmann-leaving-abc-for-channel-nine/8856430>), Nia Owens (<http://www.abc.net.au/profiles/content/s2573385.htm>), Ticky Fullerton (<http://www.platinumspeakers.com.au/Speakers/Ticky-Fullerton.aspx>), and Vanessa O'Hanlon (<http://vanessaohanlon.com/about/>).

- 216 The ABC has also helped to launch the careers of a number of Australian musicians. The ABC has often given Australian artists air time on its Double J and triple j radio stations that allowed these artists to gain more popularity. These artists include AC/DC, INXS, Powderfinger, You Am I and more recently Flume and Sia. Below we discuss some more recent examples of songs that first gained popularity on triple j before achieving further success on other radio stations.

#### **4.3.4 Songs initially promoted on triple j**

- 217 In this section we consider whether songs that were initially played on the ABC's triple j that were later played more extensively on commercial radio stations.
- 218 The ABC's radio stations, including the original Double J station and the triple j station, provide an important platform to Australian artists by giving airplay to these artists that then aides them in gaining popularity more broadly. Particularly notable examples include AC/DC and INXS in the 1970s, Powderfinger and You Am I in the early 1990s and, more recently, first airplay for Flume and SIA, all of which received airplay on ABC stations early on in their careers.
- 219 The charts below illustrate that this trend is on-going, and true for lesser known artists as well. Specifically, the charts below show the trends in plays of a number of songs on triple j and across all radio stations. In general, the number of plays that a song receives on triple j stations is many multiples lower than the number of plays that same song receives across all stations; by way of example a song might have 20 plays on triple j stations in a week and may appear as the top played song, while the top played song across all radio stations might have 450 plays in a week. Accordingly, we have normalised the number of plays of each song to be equal to one in the week in which the song appears on both the triple j chart and the all radio chart.
- 220 Figure 56 shows plays of "Need You" by Flight Facilities featuring Nika, an Australian song, which first appeared on the triple j top 500 charts for three weeks, while not appearing at all on the all radio top 500 charts. In its fourth week on the triple j top 500 charts, it appeared at 285 before making its way to 165 on the all radio top 500 charts, and shows that the number of plays of this song on triple j decreased once it appeared on the all radio charts. A number of further examples of this dynamic are set out in Annex D below.
- 221 The pattern illustrated by in the figure together with those presented in Annex D - whereby songs first appear on the ABC's triple j stations' charts and then later appear on the charts for all radio stations - is consistent with the ABC investing in and promoting the discovery of new talent, who then go on to gain further success and popularity on other stations.

Figure 56: Normalised plays of Need You by Flight Facilities feat Nika



Source: RBB analysis on Radiomonitor data

## Annexes

### A Description of the datasets used in preparing this report

222 Below we describe the main datasets utilised in the analyses presented in this report.

#### A.1 OzTAM TV data

223 OzTAM TV ratings data provide audience estimates based on actual viewing behaviour in a panel homes in Australia's five mainland capital cities (i.e. Sydney, Melbourne, Brisbane, Adelaide and Perth), as well as nationally for subscription television.<sup>94</sup>

224 The two metrics utilised in the analyses of this report are:

- average audience, a measure of the average number of people (or homes) in a target market who were watching a specific event or time band each minute, expressed in absolute figures for that demographic; and
- audience share, a measure of the viewers of a particular event or time band per minute expressed as a percentage of Total TV viewing during the same time period.<sup>95</sup>

225 The two primary OzTAM datasets utilized (described in turn below), cover programs broadcast during the period 2009 to 2017. The data includes 'Live' viewing for the full period, viewing of broadcast content that is played back through the television set at normal speed either within seven days of original broadcast from the beginning of 2010, and within 28 days of original broadcast from the beginning of April 2016.

##### A.1.1 Daily OzTAM data

226 The "Daily OzTAM" data consist of program-level ratings for programs broadcast on the 5 major FTA channels (i.e. Channel 7, Channel 9, Channel 10, SBS, and the ABC main channel) during prime-time hours (i.e. 18:00 to 23:59).

227 The data include the following variable that were used in the preparation of the analyses of this report:

- average audience and audience share;
- program start and end time, which represents the start and end time of the program in Sydney; and
- program name and program genre.

228 In addition, the data contain audience and audience share by:

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<sup>94</sup> See <http://www.oztam.com.au/AboutOzTAMRatings.aspx>.  
<sup>95</sup> See <http://www.oztam.com.au/TermsAndDefinitions.aspx>.

- capital city;
- age category; and
- gender.

### **A.1.2 Monthly OzTAM data**

- 229 The “Monthly OzTAM” data consists of a channel-level dataset of monthly frequency, covering broadcasts on the 5 major FTA, the FTA digital multi-channels, and Sky News, as well as a total for all STV channels.
- 230 The data include audience and audience share, which included separately for the broadcast during prime-time hour and during any point during the day.

### **A.2 Regional TAM TV data**

- 231 Regional TAM TV ratings data provide audience estimates based on actual viewing behaviour in a panel homes in Australia's five east coast aggregated regions (i.e. Queensland, Northern NSW, Southern NSW, Victoria and Tasmania) and regional Western Australia.<sup>96</sup>
- 232 The data utilized cover programs broadcast during the period 2009 to 2017. Regional TAM covers live viewing as well as time shift viewing within 28 days of original broadcast.
- 233 The data consist of program-level ratings for programs broadcast on the 7 major regional FTA channels (i.e. ABC Primary, Seven Primary, Nine Primary, Ten Primary, SBS Primary, TDT Tasmania, and Southern Cross Tasmania) during prime-time hours (i.e. 18:00 to 23:59).
- 234 The data include the following variable that were used in the preparation of the analyses of this report:
- average audience and audience share;
  - median program start and end time; and
  - program name and program genre.

### **A.3 GfK radio data**

- 235 The GfK radio data provide radio audience estimates based on surveys conducted in Australia's five mainland capital cities (i.e. Sydney, Melbourne, Brisbane, Adelaide and Perth).
- 236 The methodology relies on respondents to record their radio listening for a specified period of time. The radio ratings survey is conducted using a multi-mode methodology, with 70%

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<sup>96</sup> See [https://www.regionaltam.com.au/?page\\_id=14](https://www.regionaltam.com.au/?page_id=14).

door-knock recruitment and 30% online recruitment.<sup>97</sup> Surveys are conducted 8 times per year.

- 237 The primary measure used in this report was reach, which reflects the total number of different people who listen to a station for at least eight minutes (one quarter-hour) during a time period. Reach is used to illustrate audience size, as it estimates the unduplicated number of people reached by a station at least once during a particular time period.

#### **A.4 Radiomonitor data**

- 238 The Radiomonitor data provide the weekly number of plays of songs on radio stations in Australia (i.e. radio airplay).<sup>98</sup> The data are available by radio station/radio network, are differentiated between Australian and all artists, and contain artist name and song title. The data are available beginning from the week commencing 16 December 2016.

#### **A.5 Nielson Digital Ratings Monthly data**

The Nielson Digital Ratings Monthly (“Nielson DRM”) data provides data on internet usage across a range of media platforms and websites. The data are available at monthly frequency for the period January 2016 to March 2018.

- 239 The Digital Ratings (Monthly) methodology is confidently.<sup>99</sup>

- 240 The data available to us cover:

- digital radio and music streaming sites;
- news websites; and
- VOD sites.

#### **A.6 PwC Entertainment & Media Outlook**

- 241 The PwC Entertainment & Media Outlook 2017-2021 and PwC Entertainment & Media Outlook 2017-2022 reports provide historical annual end-user and advertising expenditure for the period 2012 to 2017 for a number of media industry segments. The report draws on historical data from trade associations and publications, government agencies and other industry sources. Spending is at the end-user level and includes retail mark-ups where applicable. Advertising is measured net of agency commissions. All figures are presented in Australian dollars.<sup>100</sup>

- 242 Media industry segments covered include:

- newspapers;

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<sup>97</sup> See [https://www.gfk.com/fileadmin/user\\_upload/dyna\\_content/AU/Documents/Resources/2018/GfK\\_Tool\\_Kit\\_2018\\_v1.pdf](https://www.gfk.com/fileadmin/user_upload/dyna_content/AU/Documents/Resources/2018/GfK_Tool_Kit_2018_v1.pdf).

<sup>98</sup> See <http://www.radiomonitor.com/>.

<sup>99</sup> See <http://digitalmeasurement.nielsen.com/digitalmedialandscape/methodology.html>.

<sup>100</sup> See <https://www.pwc.com.au/industry/entertainment-and-media-trends-analysis/outlook/methodology.html>.

- FTA television;
- STV;
- filmed entertainment;
- music;
- radio; and
- Internet advertising.

## **A.7 Ofcom International Communications Market Report data**

243 The data contained in the Ofcom *International Communications Market Report* for 2010 through 2017 contain comparative international data on the communications sector for the UK and 16 comparator countries. The reports provide annual data for each of these countries which include:

- total commercial broadcaster TV revenue per capita (in GBP); and
- total public broadcaster TV funding per capita (in GBP).<sup>101</sup>

## **A.8 Google Trends**

244 Google Trends data have been collected to measure the relative popularity of various search terms.<sup>102</sup> Google Trends data is an unbiased sample of Google search data, which indicates the relative popularity of different search terms over time. The popularity of different search terms are reported as proportionate to the time and location of a query.

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<sup>101</sup> See <https://www.ofcom.org.uk/research-and-data/multi-sector-research/cmr/cmr16/international>.  
<sup>102</sup> <https://trends.google.com/trends/>



## B Short-term event analyses

### B.1 Effect of a temporary break in the broadcast of popular programs

#### B.1.1 Methodology

245 Below we describe the econometric methodology employed in order to assess the impact of the ABC not airing a season of Gruen in 2014 – a program which was broadcast on the ABC's main FTA channel in every other year between 2010 and 2017 during a similar period of the year, on the same day of the week, and at a similar time during prime-time hours. Specifically:

- *The Gruen Transfer* was broadcast on Wednesday nights between 21:00 and 21:30 in 2009, 2010, and 2011;
- *Gruen Planet* was broadcast on Wednesday nights between 21:00 and 21:30 in 2011, and between 20:30 and 21:00 in 2012 and 2013; and
- *Gruen* was broadcast on Wednesday nights between 20:30 and 21:00 in 2015, 2016 and 2017.

246 We analyse the change in audiences by comparing average audiences in the affected period to average audiences in the comparator periods.

- We define the *affected period* in 2014 to be the weeks between 3 September and 5 November 2014, a ten week period. The selection of this period was informed by the period during which is based on the period over which Gruen Planet and Gruen were broadcast in 2013 and 2015, respectively.<sup>103</sup>
- We define the *comparator period* as Wednesdays in weeks in which The Gruen Transfer, Gruen Planet or Gruen were broadcast in 2010 to 2013 and 2015 to 2017 (2009 is excluded since The Gruen Transfer was aired significantly earlier in that year than latter years).

247 Each regression specification employs the natural logarithm of average program audiences as the dependent variable. We test the sensitivity of the use of the simple average of program audiences with a specification that employs the natural logarithm of the program duration- weighted average audience as the dependent variable. Additionally, we focus separately on average audiences of two sub-sets of programs, namely:

- all programs broadcast on Wednesdays during the 20:00 to 22:00 time slot (i.e. FTA programs broadcast during the same time slot); and
- all Wednesday prime-time broadcasts of light entertainment, infotainment, lifestyle, documentary, cultural, news and current affairs programs (i.e. FTA programs of a similar genre).

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<sup>103</sup> Specifically, in 2013 8 episodes of Gruen Planet were broadcast between 11 September and 30 October. In 2015 10 episodes of Gruen were broadcast between 9 September and 11 November.

248 The regression specifications include controls for trend and seasonality.

- We control for the effect of *trend* using a linear time trend, which captures a constant rate of change in audiences over time for reasons due to factors other than the ABC's broadcasts of Gruen.
- We control for the effects of *seasonality* using quarterly fixed effects, which captures the effects of the regular increase in audiences over the winter months and decrease in audiences of the summer months in each year. We also test the sensitivity of the specification to the inclusion of seasonal control with a specification that includes only a linear time trend.

249 The change in audiences is captured by coefficient estimate on the relevant *effect dummy* or effect dummy interaction term, depending on the specification in question. The effect dummy is defined as being equal to one over the affected period, and equal to zero over the comparator period. Since audiences are log transformed, the estimated coefficient on the relevant effect dummy can be interpreted as the expected percentage change in audiences when Gruen was not broadcast in 2014.<sup>104</sup>

250 Lastly, we use separate estimation strategies to estimate (i) the effect on average audiences of individual channels, and (ii) the net effect across channels.

- **Individual channel effects.**

Individual channels effects are estimated using a panel fixed effects regression, which controls for unobserved channels-specific effects. The channel-specific effects on average audiences are reflected by the coefficient estimates on the interactions between the effect dummy and the panel (channel) fixed effects dummies.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ the non-parametric covariance matrix estimator proposed by Driscoll and Kraay (1998) which produces heteroscedasticity and autocorrelation consistent standard errors that are robust to general forms of spatial and temporal dependence.<sup>105</sup>

- **Net effect on other channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10 and SBS are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all four of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

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<sup>104</sup> More precisely, the percentage change in audiences is calculated as  $(e^{\beta} - 1) \times 100$ , where  $\beta$  is the coefficient estimate on the effect dummy.

<sup>105</sup> Driscoll, J. C., & Kraay, A. C. (1998). *Consistent covariance matrix estimation with spatially dependent panel data*. Review of economics and statistics, 80(4), 549-560.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ Newey-West standard errors, which are robust to both arbitrary autocorrelation (up to the order of the specified lag) as well as arbitrary heteroscedasticity.<sup>106</sup>

- **Net effect on all channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10, SBS and the ABC are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all five of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

We employ Newey-West standard errors to ensure validity of the statistical results.

251 Below we present the full set of regression estimates.

## B.1.2 All FTA programs broadcast during the same time slot

252 The table below presents the full set of regression estimates for the specification that includes a linear time trend and quarterly fixed effects.

**Table 16: Regression with a linear time trend and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Time trend	-0.003***	-0.004***	-0.004***
	(0.000)	(0.001)	(0.000)
<b>Seasonal dummies</b>			
Quarter 3	-0.075*	-0.116**	-0.079**
	(0.041)	(0.046)	(0.035)
Quarter 4	-0.128***	-0.208***	-0.137***
	(0.034)	(0.037)	(0.028)
<b>Effect dummies</b>			
Channel 7	0.136***		
	(0.051)		
Channel 9	-0.082		
	(0.267)		

<sup>106</sup> Newey, W. K., & West, K. D. (1987). *A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix*. *Econometrica*, 55(3), 703-708.

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Channel 10	-0.278***		
	(0.085)		
SBS	-0.099		
	(0.098)		
ABC	-0.227***		
	(0.053)		
Net effect		-0.008	-0.056
		(0.064)	(0.045)
Constant	15.233***	17.531***	17.877***
	(0.281)	(0.406)	(0.283)
Observations	430	86	86
Number of groups	5		
Within R-squared	0.156		
F-statistic	68.03	51.61	108.8

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 253 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.

**Table 17: Regression with a linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Time trend	-0.003***	-0.005***	-0.005***
	(0.001)	(0.001)	(0.001)
<b>Effect dummies</b>			
Channel 7	0.126**		
	(0.053)		
Channel 9	-0.092		
	(0.273)		
Channel 10	-0.288***		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
	(0.095)		
SBS	-0.109		
	(0.106)		
ABC	-0.238***		
	(0.041)		
Net effect		-0.026	-0.067
		(0.077)	(0.053)
Constant	15.363***	17.753***	18.021***
	(0.348)	(0.523)	(0.352)
Observations	430	86	86
Number of groups	5		
Within R-squared	0.146		
F-statistic	52.29	17.55	39.67

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 254 The table below presents the full set of regression estimates for the specification that includes a linear time trend and quarterly fixed effects, but with the dependent variable being average audience weighted by program duration. Notably, the results from this specification are materially different to that which employs simple average audience as the dependent variable.

**Table 18: Regression with a linear time trend and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Time trend	-0.003***	-0.005***	-0.005***
	(0.001)	(0.001)	(0.001)
<b>Seasonal dummies</b>			
Quarter 3	-0.115**	-0.144***	-0.101**
	(0.045)	(0.051)	(0.039)
Quarter 4	-0.158***	-0.228***	-0.153***
	(0.039)	(0.044)	(0.032)
<b>Effect dummies</b>			
Channel 7	0.135**		
	(0.055)		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Channel 9	-0.069		
	(0.271)		
Channel 10	-0.259***		
	(0.080)		
SBS	-0.071		
	(0.104)		
ABC	-0.258***		
	(0.066)		
Net effect		-0.002	-0.059
		(0.064)	(0.043)
Constant	15.375***	17.846***	18.084***
	(0.326)	(0.453)	(0.320)
Observations	430	86	86
Number of groups	5		
Within R-squared	0.145		
F-statistic	86.71	56.67	113.6

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

### B.1.3 All FTA programs of a similar genre

255 The table below presents the full set of regression estimates for the specification that includes a linear time trend and quarterly fixed effects.

**Table 19: Regression with annual fixed effects and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.002***	-0.001*	-0.002***
	(0.000)	(0.001)	(0.001)
<b>Seasonal dummies</b>			
Quarter 3	-0.084***	-0.129***	-0.098***
	(0.026)	(0.036)	(0.029)
Quarter 4	-0.149***	-0.238***	-0.187***
	(0.029)	(0.048)	(0.040)

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Effect dummies</b>			
Channel 7	0.114***		
	(0.035)		
Channel 9	0.123*		
	(0.066)		
Channel 10	0.137**		
	(0.054)		
SBS	-0.198***		
	(0.050)		
ABC	-0.114*		
	(0.066)		
Net effect		0.091***	0.059**
		(0.032)	(0.029)
Constant	0.000	15.638***	16.435***
	(0.000)	(0.401)	(0.354)
Observations	430	86	86
Number of groups	5		
Within R-squared	0.203		
F-statistic	29.17	22.43	48.72

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 256 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.

**Table 20: Regression with a linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.003***	-0.002**	-0.003***
	(0.001)	(0.001)	(0.001)
<b>Effect dummies</b>			
Channel 7	0.102**		
	(0.040)		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Channel 9	0.110		
	(0.069)		
Channel 10	0.124**		
	(0.063)		
SBS	-0.210***		
	(0.048)		
ABC	-0.126**		
	(0.052)		
Net effect		0.070*	0.043
		(0.038)	(0.029)
Constant	14.862***	15.902***	16.650***
	(0.336)	(0.521)	(0.448)
Observations	430	86	86
Number of groups	5		
Within R-squared	0.176		
F-statistic	13.83	3.662	7.995

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 257 The table below presents the full set of regression estimates for the specification that includes a linear time trend and quarterly fixed effects, but with the dependent variable being average audience weighted by program duration. Notably, the results from this specification are not materially different to that which employs simple average audience as the dependent variable.

**Table 21: Regression with annual fixed effects and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.003***	-0.002**	-0.003***
	(0.000)	(0.001)	(0.001)
<b>Seasonal dummies</b>			
Quarter 3	-0.052*	-0.077	-0.067*
	(0.028)	(0.048)	(0.038)
Quarter 4	-0.122***	-0.192***	-0.163***
	(0.030)	(0.060)	(0.049)



Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Effect dummies</b>			
Channel 7	0.176***		
	(0.049)		
Channel 9	0.147*		
	(0.081)		
Channel 10	0.053		
	(0.056)		
SBS	-0.157***		
	(0.049)		
ABC	-0.089		
	(0.071)		
Net effect		0.110***	0.079**
		(0.037)	(0.033)
Constant	14.860***	15.948***	16.623***
	(0.279)	(0.501)	(0.433)
Observations	430	86	86
Number of groups	5		
Within R-squared	0.186		
F-statistic	18.60	7.452	16.33

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

## B.2 Effect of special broadcasting events

### B.2.1 Methodology

258 Below we describe the econometric methodology employed in order to assess the impact of the ABC's broadcast of Gruen Nation. These series, which consisted of only four episodes each, were broadcast during the Australian federal elections of 2010 and 2013, respectively. Specifically:

- in 2010 four episodes of Gruen Nation were broadcast on Wednesday evenings between 21:00 and 21:45; and
- in 2013 four episodes of Gruen Nation were on Wednesday evenings between 20:30 and 21:15.

259 We analyse the change in audiences by comparing average audiences in the affected period to average audiences in the comparator periods.

- We define the *affected period* to be days on which Gruen Nation episodes were broadcast (i.e. Wednesdays between 28 July and 18 August 2010, and 14 August and 4 September 2013)
- We define the *comparator period* as Wednesdays in all weeks in which Gruen Nation episodes were not broadcast between 2009 and 2017.

260 Each regression specification employs the natural logarithm of average program audiences as the dependent variable. We test the sensitivity of the use of the simple average of program audiences with a specification that employs the natural logarithm of the program duration- weighted average audience as the dependent variable. Additionally, we focus separately on average audiences of two sub-sets of programs, namely:

- all programs broadcast on Wednesdays during the 20:00 to 22:15 time slot (i.e. FTA programs broadcast during the same time slot); and
- all Wednesday prime-time broadcasts of light entertainment, infotainment, lifestyle, documentary, cultural, news and current affairs programs (i.e. FTA programs of a similar genre).

261 The regression specifications include controls for trend and seasonality.

- We control for the effect of *trend* using annual fixed effects, which capture year-specific changes in average program audiences to factors other than the ABC's broadcasts of Gruen Nation episodes.
- We control for the effects of *seasonality* using quarterly fixed effects, which captures the effects of the regular increase in audiences over the winter months and decrease in audiences of the summer months in each year. We also test the

sensitivity of the specification to the inclusion of seasonal controls and annual fixed effects with a specification that includes only a linear time trend.

262 The change in audiences is captured by coefficient estimate on the relevant *effect dummy* or effect dummy interaction term, depending on the specification in question. The effect dummy is defined as being equal to one over the affected period, and equal to zero over the comparator period. Since audiences are log transformed, the estimated coefficient on the relevant effect dummy can be interpreted as the expected percentage change in audiences when Gruen Nation episodes were broadcast.<sup>107</sup>

263 Lastly, we use separate estimation strategies to estimate (i) the effect on average audiences of individual channels, and (ii) the net effect across channels.

- **Individual channel effects.**

Individual channels effects are estimated using a panel fixed effects regression, which controls for unobserved channels-specific effects. The channel-specific effects on average audiences are reflected by the coefficient estimates on the interactions between the effect dummy and the panel (channel) fixed effects dummies.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ the non-parametric covariance matrix estimator proposed by Driscoll and Kraay (1998) which produces heteroscedasticity and autocorrelation consistent standard errors that are robust to general forms of spatial and temporal dependence.<sup>108</sup>

- **Net effect on other channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10 and SBS are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all four of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ Newey-West standard errors, which are robust to both arbitrary autocorrelation (up to the order of the specified lag) as well as arbitrary heteroscedasticity.<sup>109</sup>

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<sup>107</sup> More precisely, the percentage change in audiences is calculated as  $(e^{\beta} - 1) \times 100$ , where  $\beta$  is the coefficient estimate on the effect dummy.

<sup>108</sup> Driscoll, J. C., & Kraay, A. C. (1998). *Consistent covariance matrix estimation with spatially dependent panel data*. Review of economics and statistics, 80(4), 549-560.

<sup>109</sup> Newey, W. K., & West, K. D. (1987). *A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix*. Econometrica, 55(3), 703-708.

- **Net effect on all channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10, SBS and the ABC are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all five of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

We employ Newey-West standard errors to ensure validity of the statistical results.

264 Below we present the full set of regression estimates.

## B.2.2 All FTA programs broadcast during the same time slot

265 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 22: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			
2009	0.513***	0.580***	0.492***
	(0.034)	(0.040)	(0.039)
2010	0.447***	0.582***	0.481***
	(0.032)	(0.041)	(0.039)
2011	0.328***	0.425***	0.347***
	(0.040)	(0.043)	(0.044)
2012	0.350***	0.453***	0.344***
	(0.035)	(0.039)	(0.035)
2013	0.275***	0.340***	0.265***
	(0.033)	(0.039)	(0.034)
2014	0.210***	0.313***	0.218***
	(0.026)	(0.034)	(0.028)
2015	0.260***	0.274***	0.206***
	(0.037)	(0.044)	(0.038)
2016	0.199***	0.194***	0.129***
	(0.037)	(0.041)	(0.038)
2017	0.133***	0.148***	0.076*
	(0.042)	(0.048)	(0.044)

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Seasonal dummies</b>			
Quarter 2	0.111***	0.138***	0.127***
	(0.028)	(0.038)	(0.033)
Quarter 3	0.126***	0.107***	0.132***
	(0.028)	(0.038)	(0.033)
Quarter 4	-0.036	-0.082**	-0.050
	(0.030)	(0.041)	(0.037)
<b>Effect dummies</b>			
Channel 7	-0.019		
	(0.051)		
Channel 9	0.067		
	(0.146)		
Channel 10	0.084*		
	(0.044)		
SBS	-0.357**		
	(0.144)		
ABC	0.476***		
	(0.064)		
Net effect		-0.035	0.065
		(0.036)	(0.042)
Constant	12.813***	14.264***	14.555***
	(0.030)	(0.041)	(0.037)
Observations	2335	470	470
Number of groups	5		
Within R-squared	0.146		
F-statistic	442	353.4	316.7

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

266 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.

**Table 23: Regression with a linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.003***	-0.005***	-0.004***
	(0.000)	(0.000)	(0.000)
<b>Effect dummies</b>			
Channel 7	0.061		
	(0.065)		
Channel 9	0.147		
	(0.161)		
Channel 10	0.164***		
	(0.049)		
SBS	-0.277**		
	(0.127)		
ABC	0.557***		
	(0.078)		
Net effect		0.051	0.166***
		(0.051)	(0.056)
Constant	15.373***	17.602***	17.618***
	(0.298)	(0.311)	(0.298)
Observations	2335	470	470
Number of groups	5		
Within R-squared	0.0970		
F-statistic	88.50	47.91	51.48

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 267 The table below presents the full set of regression estimates for the specification that includes annual and quarterly fixed effects, but with the dependent variable being average audience weighted by program duration. Notably, the estimated effect on individual channels under this this specification are not materially different the estimated effects from the model that employs simple average audience as the dependent variable. However, using weighted-average audiences results in a statistically significant estimated effect on other channels, while this estimated is not statistically significant using the simple average of audiences.

**Table 24: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			
2009	0.473***	0.573***	0.483***
	(0.032)	(0.041)	(0.040)
2010	0.417***	0.573***	0.470***
	(0.035)	(0.042)	(0.041)
2011	0.292***	0.423***	0.344***
	(0.043)	(0.045)	(0.046)
2012	0.336***	0.453***	0.342***
	(0.039)	(0.043)	(0.039)
2013	0.258***	0.335***	0.259***
	(0.036)	(0.043)	(0.038)
2014	0.194***	0.319***	0.219***
	(0.027)	(0.036)	(0.031)
2015	0.240***	0.274***	0.200***
	(0.037)	(0.044)	(0.039)
2016	0.152***	0.173***	0.105***
	(0.039)	(0.044)	(0.040)
2017	0.118***	0.153***	0.074*
	(0.040)	(0.049)	(0.043)
<b>Seasonal dummies</b>			
Quarter 2	0.120***	0.153***	0.139***
	(0.028)	(0.039)	(0.034)
Quarter 3	0.136***	0.116***	0.139***
	(0.028)	(0.039)	(0.034)
Quarter 4	-0.036	-0.089**	-0.056
	(0.031)	(0.042)	(0.039)
<b>Effect dummies</b>			
Channel 7	-0.051		
	(0.042)		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Channel 9	0.037		
	(0.139)		
Channel 10	0.061		
	(0.044)		
SBS	-0.375**		
	(0.155)		
ABC	0.497***		
	(0.063)		
Net effect		-0.062*	0.054
		(0.032)	(0.036)
Constant	12.829***	14.263***	14.560***
	(0.031)	(0.042)	(0.039)
Observations	2335	470	470
Number of groups	5		
Within R-squared	0.134		
F-statistic	373.5	332	281.1

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

### B.2.3 All FTA programs of a similar genre

268 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 25: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			
2009	0.165***	0.118***	0.130***
	(0.027)	(0.031)	(0.027)
2010	0.101***	0.084***	0.088***
	(0.021)	(0.024)	(0.020)
2011	0.022	-0.009	-0.015
	(0.023)	(0.023)	(0.019)



Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
2012	0.044**	0.027	0.012
	(0.020)	(0.021)	(0.021)
2013	-0.042*	-0.057*	-0.049*
	(0.022)	(0.029)	(0.026)
2014	-0.002	0.052**	0.019
	(0.024)	(0.025)	(0.023)
2015	0.030	0.041	0.010
	(0.026)	(0.025)	(0.024)
2016	-0.037*	-0.013	-0.055***
	(0.020)	(0.024)	(0.019)
2017	-0.145***	-0.131***	-0.173***
	(0.021)	(0.023)	(0.020)
<b>Seasonal dummies</b>			
Quarter 2	0.084***	0.087***	0.086***
	(0.015)	(0.018)	(0.015)
Quarter 3	0.101***	0.102***	0.108***
	(0.015)	(0.018)	(0.015)
Quarter 4	-0.035*	-0.048**	-0.036**
	(0.018)	(0.020)	(0.017)
<b>Effect dummies</b>			
Channel 7	-0.188***		
	(0.041)		
Channel 9	0.105**		
	(0.047)		
Channel 10	-0.040		
	(0.148)		
SBS	-0.241**		
	(0.122)		
ABC	0.387***		
	(0.064)		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Net effect		-0.051*	0.010
		(0.029)	(0.034)
Constant	12.987***	14.605***	14.799***
	(0.018)	(0.020)	(0.017)
Observations	2348	470	470
Number of groups	5		
Within R-squared	0.196		
F-statistic	114.9	44.52	48.64

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 269 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.

**Table 26: Regression with a linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.002***	-0.002***	-0.002***
	(0.000)	(0.000)	(0.000)
Effect dummies			
Channel 7	-0.148***		
	(0.030)		
Channel 9	0.145***		
	(0.053)		
Channel 10	0.000		
	(0.167)		
SBS	-0.201*		
	(0.103)		
ABC	0.427***		
	(0.082)		
Net effect		-0.010	0.067
		(0.043)	(0.046)
Constant	14.532***	15.694***	16.232***

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
	(0.215)	(0.172)	(0.152)
Observations	2348	470	470
Number of groups	5		
Within R-squared	0.109		
F-statistic	102.7	13.21	29.16

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

270 The table below presents the full set of regression estimates for the specification that includes annual and quarterly fixed effects, but with the dependent variable being average audience weighted by program duration. Notably, the results from this specification are not materially different to that which employs simple average audience as the dependent variable.

**Table 27: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			
2009	0.124***	0.154***	0.117***
	(0.030)	(0.038)	(0.033)
2010	0.074***	0.121***	0.081***
	(0.020)	(0.027)	(0.021)
2011	-0.038	0.005	-0.056***
	(0.024)	(0.028)	(0.021)
2012	-0.021	0.032	-0.031
	(0.019)	(0.025)	(0.024)
2013	-0.085***	-0.056*	-0.090***
	(0.021)	(0.032)	(0.028)
2014	-0.051**	0.066**	-0.012
	(0.025)	(0.027)	(0.024)
2015	-0.044	0.037	-0.040
	(0.028)	(0.028)	(0.026)
2016	-0.123***	-0.039	-0.120***
	(0.023)	(0.030)	(0.024)
2017	-0.229***	-0.169***	-0.248***

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
	(0.024)	(0.029)	(0.026)
<b>Seasonal dummies</b>			
Quarter 2	0.083***	0.084***	0.083***
	(0.016)	(0.021)	(0.018)
Quarter 3	0.108***	0.110***	0.114***
	(0.017)	(0.021)	(0.018)
Quarter 4	-0.031	-0.042*	-0.032
	(0.019)	(0.022)	(0.020)
<b>Effect dummies</b>			
Channel 7	-0.305***		
	(0.066)		
Channel 9	0.098*		
	(0.051)		
Channel 10	0.007		
	(0.116)		
SBS	-0.190*		
	(0.105)		
ABC	0.414***		
	(0.072)		
Net effect		-0.081***	-0.003
		(0.029)	(0.029)
Constant	13.027***	14.563***	14.806***
	(0.019)	(0.022)	(0.020)
Observations	2348	470	470
Number of groups	5		
Within R-squared	0.190		
F-statistic	76.25	37.01	34.68

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

## B.3 Effect of popular program episodes

### B.3.1 Methodology

- 271 Below we describe the econometric methodology employed in order to assess the impact of the ABC achieving a particularly high audience for a broadcast of an episode of Four Corner's, a program broadcast weekly on Mondays. Specifically Four Corner's episodes were broadcast on most Monday evenings between 20:30 and 21:15 between 2009 and 2017.
- 272 We analyse the change in audiences by comparing average audiences in the affected period to average audiences in the comparator periods.
- We define the *affected period* to be days on which the two Four Corner's episodes with the largest average audience in each year were broadcast, for the 9 years between 2009 and 2017.
  - We define the *comparator period* to all days outside of the affected period on which an episode of Four Corner's was broadcast between 2009 and 2017.
- 273 Each regression specification employs the natural logarithm of average program audiences as the dependent variable. We test the sensitivity of the use of the simple average of program audiences with a specification that employs the natural logarithm of the program duration- weighted average audience as the dependent variable. Additionally, we focus separately on average audiences of two sub-sets of programs, namely:
- all programs broadcast on a day on which a Four Corner's episode was broadcast during the 20:00 to 22:00 time slot (i.e. FTA programs broadcast during the same time slot); and
  - all prime-time broadcasts of news and current affairs programs as well as The Project broadcast on Channel 10 on days on which an episode of Four Corner's was broadcast (i.e. FTA programs of a similar genre).
- 274 The regression specifications include controls for trend and seasonality.
- We control for the effect of *trend* using annual fixed effects, which capture year-specific changes in average program audiences to factors other than the ABC's broadcasts of Four Corner's episodes.
  - We control for the effects of *seasonality* using quarterly fixed effects, which captures the effects of the regular increase in audiences over the winter months and decrease in audiences of the summer months in each year. We also test the sensitivity of the specification to the inclusion of seasonal controls and annual fixed effects with a specification that includes only a linear time trend.
- 275 The change in audiences is captured by coefficient estimate on the relevant *effect dummy* or effect dummy interaction term, depending on the specification in question. The effect

dummy is defined as being equal to one over the affected period, and equal to zero over the comparator period. Since audiences are log transformed, the estimated coefficient on the relevant effect dummy can be interpreted as the expected percentage change in audiences when the most popular Four Corner's episodes are broadcast.<sup>110</sup>

276 Lastly, we use separate estimation strategies to estimate (i) the effect on average audiences of individual channels, and (ii) the net effect across channels.

- **Individual channel effects.**

Individual channels effects are estimated using a panel fixed effects regression, which controls for unobserved channels-specific effects. The channel-specific effects on average audiences are reflected by the coefficient estimates on the interactions between the effect dummy and the panel (channel) fixed effects dummies.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ the non-parametric covariance matrix estimator proposed by Driscoll and Kraay (1998) which produces heteroscedasticity and autocorrelation consistent standard errors that are robust to general forms of spatial and temporal dependence.<sup>111</sup>

- **Net effect on other channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10 and SBS are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all four of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ Newey-West standard errors, which are robust to both arbitrary autocorrelation (up to the order of the specified lag) as well as arbitrary heteroscedasticity.<sup>112</sup>

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<sup>110</sup> More precisely, the percentage change in audiences is calculated as  $(e^{\beta} - 1) \times 100$ , where  $\beta$  is the coefficient estimate on the effect dummy.

<sup>111</sup> Driscoll, J. C., & Kraay, A. C. (1998). *Consistent covariance matrix estimation with spatially dependent panel data*. Review of economics and statistics, 80(4), 549-560.

<sup>112</sup> Newey, W. K., & West, K. D. (1987). *A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix*. Econometrica, 55(3), 703-708.

- **Net effect on all channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10, SBS and the ABC are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all five of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

We employ Newey-West standard errors to ensure validity of the statistical results.

277 Below we present the full set of regression estimates.

### B.3.2 All FTA programs broadcast during the same time slot

278 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 28: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			
2010	-0.017	0.015	0.004
	(0.027)	(0.038)	(0.030)
2011	-0.174***	-0.111***	-0.114***
	(0.023)	(0.036)	(0.029)
2012	-0.226***	-0.128***	-0.113***
	(0.024)	(0.036)	(0.027)
2013	-0.298***	-0.231***	-0.197***
	(0.025)	(0.033)	(0.026)
2014	-0.301***	-0.250***	-0.223***
	(0.024)	(0.036)	(0.028)
2015	-0.302***	-0.352***	-0.284***
	(0.020)	(0.029)	(0.023)
2016	-0.356***	-0.364***	-0.317***
	(0.025)	(0.030)	(0.024)
2017	-0.438***	-0.457***	-0.417***
	(0.024)	(0.033)	(0.024)
<b>Seasonal dummies</b>			
Quarter 2	0.019	-0.037*	-0.026

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
	(0.013)	(0.021)	(0.017)
Quarter 3	-0.035**	-0.133***	-0.098***
	(0.015)	(0.023)	(0.018)
Quarter 4	-0.061***	-0.164***	-0.119***
	(0.016)	(0.027)	(0.020)
<b>Effect dummies</b>			
Channel 7	0.016		
	(0.051)		
Channel 9	-0.045		
	(0.054)		
Channel 10	-0.096*		
	(0.050)		
SBS	0.019		
	(0.056)		
ABC	0.170***		
	(0.030)		
Net effect		-0.029	0.012
		(0.022)	(0.016)
Constant	13.559***	15.119***	15.307***
	(0.018)	(0.024)	(0.020)
Observations	1856	372	372
Number of groups	5		
Within R-squared	0.241		
F-statistic	65.33	46.15	59.67

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 279 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.



**Table 29: Regression with a linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.004***	-0.005***	-0.004***
	(0.000)	(0.000)	(0.000)
<b>Effect dummies</b>			
Channel 7	0.011		
	(0.050)		
Channel 9	-0.050		
	(0.046)		
Channel 10	-0.100*		
	(0.056)		
SBS	0.014		
	(0.062)		
ABC	0.165***		
	(0.031)		
Net effect		-0.044**	0.002
		(0.022)	(0.017)
Constant	16.107***	18.124***	17.888***
	(0.153)	(0.196)	(0.151)
Observations	1856	372	372
Number of groups	5		
Within R-squared	0.217		
F-statistic	62.08	143.7	177.4

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

280 The table below presents the full set of regression estimates for the specification that includes annual and quarterly fixed effects, but with the dependent variable being average audience weighted by program duration. Notably, the results from this specification are materially different to that which employs simple average audience as the dependent variable.

**Table 30: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
2010	-0.046	-0.016	-0.020
	(0.029)	(0.039)	(0.031)
2011	-0.185***	-0.120***	-0.119***
	(0.026)	(0.038)	(0.030)
2012	-0.232***	-0.111***	-0.097***
	(0.026)	(0.037)	(0.029)
2013	-0.309***	-0.213***	-0.184***
	(0.026)	(0.034)	(0.027)
2014	-0.327***	-0.251***	-0.225***
	(0.028)	(0.039)	(0.031)
2015	-0.316***	-0.343***	-0.280***
	(0.024)	(0.033)	(0.026)
2016	-0.371***	-0.351***	-0.309***
	(0.028)	(0.029)	(0.023)
2017	-0.451***	-0.442***	-0.409***
	(0.030)	(0.036)	(0.028)
<b>Seasonal dummies</b>			
Quarter 2	0.012	-0.041*	-0.029
	(0.017)	(0.024)	(0.019)
Quarter 3	-0.039**	-0.137***	-0.102***
	(0.018)	(0.023)	(0.019)
Quarter 4	-0.070***	-0.173***	-0.129***
	(0.018)	(0.029)	(0.022)
<b>Effect dummies</b>			
Channel 7	0.007		
	(0.053)		
Channel 9	-0.093		
	(0.060)		
Channel 10	-0.100*		
	(0.051)		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
SBS	0.007		
	(0.060)		
ABC	0.173***		
	(0.030)		
Net effect		-0.051*	-0.006
		(0.027)	(0.020)
Constant	13.592***	15.142***	15.320***
	(0.021)	(0.025)	(0.020)
Observations	1856	372	372
Number of groups	5		
Within R-squared	0.216		
F-statistic	58.01	44.21	57.22

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

### B.3.3 All FTA programs of a similar genre

281 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 31: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			
2010	0.063**	0.038	0.041*
	(0.029)	(0.027)	(0.024)
2011	-0.051**	-0.083***	-0.074***
	(0.026)	(0.025)	(0.022)
2012	-0.046**	-0.011	-0.006
	(0.023)	(0.020)	(0.018)
2013	-0.138***	-0.069***	-0.065***
	(0.021)	(0.021)	(0.019)
2014	-0.126***	-0.070***	-0.071***
	(0.023)	(0.022)	(0.019)

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
2015	-0.103***	-0.104***	-0.083***
	(0.022)	(0.021)	(0.019)
2016	-0.165***	-0.137***	-0.137***
	(0.022)	(0.023)	(0.020)
2017	-0.223***	-0.168***	-0.192***
	(0.023)	(0.023)	(0.020)
<b>Seasonal dummies</b>			
Quarter 2	0.067***	0.079***	0.069***
	(0.013)	(0.013)	(0.011)
Quarter 3	0.046***	0.041***	0.038***
	(0.015)	(0.013)	(0.011)
Quarter 4	-0.041***	-0.070***	-0.053***
	(0.012)	(0.015)	(0.012)
<b>Effect dummies</b>			
Channel 7	-0.017		
	(0.025)		
Channel 9	0.014		
	(0.051)		
Channel 10	0.039		
	(0.052)		
SBS	-0.042		
	(0.047)		
ABC	0.128***		
	(0.020)		
Net effect		0.007	0.027**
		(0.014)	(0.012)
Constant	13.210***	14.878***	15.072***
	(0.022)	(0.021)	(0.019)
Observations	1858	372	372
Number of groups	5		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Within R-squared	0.205		
F-statistic	28.08	27.79	44.91

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 282 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.

**Table 32: Regression with a linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.003*** (0.000)	-0.002*** (0.000)	-0.002*** (0.000)
<b>Effect dummies</b>			
Channel 7	-0.025 (0.023)		
Channel 9	0.006 (0.053)		
Channel 10	0.031 (0.058)		
SBS	-0.050 (0.048)		
ABC	0.120*** (0.020)		
Net effect		-0.008 (0.020)	0.016 (0.016)
Constant	14.761*** (0.168)	16.077*** (0.158)	16.328*** (0.143)
Observations	1858	372	372
Number of groups	5		
Within R-squared	0.146		
F-statistic	24.13	31.47	41.91

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

283 The table below presents the full set of regression estimates for the specification that includes annual and quarterly fixed effects, but with the dependent variable being average audience weighted by program duration. Notably, the results from this specification are not materially different to that which employs simple average audience as the dependent variable.

**Table 33: Regression with annual fixed effects and seasonal dummies**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Year dummies</b>			
2010	0.043	0.026	0.028
	(0.029)	(0.028)	(0.025)
2011	-0.054**	-0.080***	-0.075***
	(0.025)	(0.026)	(0.023)
2012	-0.058**	-0.027	-0.021
	(0.023)	(0.022)	(0.019)
2013	-0.121***	-0.065***	-0.064***
	(0.021)	(0.023)	(0.020)
2014	-0.155***	-0.100***	-0.099***
	(0.023)	(0.024)	(0.021)
2015	-0.142***	-0.140***	-0.107***
	(0.024)	(0.023)	(0.020)
2016	-0.190***	-0.168***	-0.154***
	(0.022)	(0.025)	(0.022)
2017	-0.249***	-0.196***	-0.209***
	(0.024)	(0.025)	(0.022)
<b>Seasonal dummies</b>			
Quarter 2	0.065***	0.077***	0.066***
	(0.013)	(0.013)	(0.011)
Quarter 3	0.035**	0.034**	0.033***
	(0.015)	(0.014)	(0.012)
Quarter 4	-0.053***	-0.076***	-0.059***
	(0.012)	(0.015)	(0.012)
<b>Effect dummies</b>			

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Channel 7	-0.015		
	(0.022)		
Channel 9	0.011		
	(0.051)		
Channel 10	0.036		
	(0.054)		
SBS	-0.047		
	(0.041)		
ABC	0.132***		
	(0.021)		
Net effect		0.004	0.025**
		(0.015)	(0.012)
Constant	13.245***	14.896***	15.089***
	(0.022)	(0.023)	(0.020)
Observations	1858	372	372
Number of groups	5		
Within R-squared	0.222		
F-statistic	33.72	31.63	43.44

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

## C Longer-term event analyses

### C.1 Effect of the launch of ABC News

#### C.1.1 Methodology

284 Below we describe the econometric methodology employed in order to assess the impact of the launch of the ABC News TV channel on the average monthly audiences of the 3 major FTA networks, as well as the Sky News channel – a dedicated STV news channel. Specifically, we assess the long-term, sustained change in audiences after the introduction of the ABC News channel in August 2010.

285 We analyse the change in audiences by comparing average audiences in the affected period to average audiences in the comparator periods.

- We define the *affected period* to be months after August 2010.
- We define the *comparator period* to be all months preceding August 2010.

286 Each regression specification employs the natural logarithm of monthly average program audiences as the dependent variable. We test the sensitivity of the use of the simple average of program audiences with a specification that employs the natural logarithm of the program duration- weighted average audience as the dependent variable. Additionally, we focus separately on average audiences of two sub-sets of programs, namely:

- all programs broadcast on the five major FTA networks (including both their main and digital multi-channels) during all time slots; and
- all prime-time news and current affairs broadcasts on the five major FTA channels and the Sky News channel.

287 The regression specifications include controls for trend and seasonality.

- We control for the effect of *trend* using annual fixed effects, which capture year-specific changes in average program audiences to factors other than the launch of ABC News.
- We control for the effects of *seasonality* using quarterly fixed effects, which captures the effects of the regular increase in audiences over the winter months and decrease in audiences of the summer months in each year. We also test the sensitivity of the specification to the inclusion of seasonal controls and annual fixed effects with a specification that includes only a linear time trend.

288 The change in audiences is captured by coefficient estimate on the relevant *effect dummy* or effect dummy interaction term, depending on the specification in question. The effect dummy is defined as being equal to one over the affected period, and equal to zero over the comparator period. Since audiences are log transformed, the estimated coefficient on the



relevant effect dummy can be interpreted as the expected percentage change in audiences following the launch of ABC News.<sup>113</sup>

- 289 Lastly, we use separate estimation strategies to estimate (i) the effect on average audiences of individual channels, and (ii) the net effect across channels.

- **Individual channel effects.**

Individual channels effects are estimated using a panel fixed effects regression, which controls for unobserved channels-specific effects. The channel-specific effects on average audiences are reflected by the coefficient estimates on the interactions between the effect dummy and the panel (channel) fixed effects dummies.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ the non-parametric covariance matrix estimator proposed by Driscoll and Kraay (1998) which produces heteroscedasticity and autocorrelation consistent standard errors that are robust to general forms of spatial and temporal dependence.<sup>114</sup>

- **Net effect on other channels.**

The net effect on the audiences of Seven Network, Nine Network, Network Ten, SBS and Sky News are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all four of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ Newey-West standard errors, which are robust to both arbitrary autocorrelation (up to the order of the specified lag) as well as arbitrary heteroscedasticity.<sup>115</sup>

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<sup>113</sup> More precisely, the percentage change in audiences is calculated as  $(e^{\beta} - 1) \times 100$ , where  $\beta$  is the coefficient estimate on the effect dummy.

<sup>114</sup> Driscoll, J. C., & Kraay, A. C. (1998). *Consistent covariance matrix estimation with spatially dependent panel data*. Review of economics and statistics, 80(4), 549-560.

<sup>115</sup> Newey, W. K., & West, K. D. (1987). *A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix*. Econometrica, 55(3), 703-708.

- **Net effect on all channels.**

The net effect on the audiences of Seven Network, Nine Network, Network Ten, SBS, Sky News and the ABC are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all five of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

We employ Newey-West standard errors to ensure validity of the statistical results.

290 Below we present the full set of regression estimates.

### C.1.2 Effect on FTA networks

291 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 34: Regression with annual and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
<b>Year dummies</b>			
2010	-0.001	-0.004	0.002
	(0.033)	(0.024)	(0.025)
2011	0.013	0.002	0.003
	(0.033)	(0.033)	(0.030)
2012	-0.048	-0.021	-0.008
	(0.039)	(0.033)	(0.030)
2013	-0.068**	-0.042	-0.018
	(0.033)	(0.031)	(0.029)
2014	-0.068**	-0.037	-0.008
	(0.034)	(0.032)	(0.030)
2015	-0.097***	-0.092***	-0.065**
	(0.033)	(0.032)	(0.029)
2016	-0.093***	-0.101***	-0.084***
	(0.035)	(0.034)	(0.032)
2017	-0.138***	-0.183***	-0.174***
	(0.033)	(0.032)	(0.030)
<b>Seasonal dummies</b>			
Quarter 2	0.030***	0.027***	0.032***

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
	(0.011)	(0.009)	(0.009)
Quarter 3	0.025*	0.023**	0.029***
	(0.013)	(0.010)	(0.009)
Quarter 4	-0.051***	-0.055***	-0.052***
	(0.011)	(0.011)	(0.010)
<b>Effect dummies</b>			
Seven Network	0.086***		
	(0.028)		
Nine Network	0.097***		
	(0.034)		
Network Ten	-0.084		
	(0.059)		
SBS	0.038		
	(0.071)		
Sky News	-0.003		
	(0.051)		
ABC (excl. ABC News)	0.107***		
	(0.040)		
Net effect		0.041	0.037
		(0.031)	(0.029)
Constant	11.848***	12.352***	12.353***
	(0.012)	(0.009)	(0.010)
Observations	648	108	108
Number of groups	6		
Within R-squared	0.179		
F-statistic	41.77	43.25	73.20

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

292 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification for individual network effects are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality, while

the aggregate net effects remain positive but gain statistical significance under this specification.

**Table 35: Regression with linear time trend**

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
Linear trend	-0.002***	-0.002***	-0.002***
	(0.000)	(0.000)	(0.000)
<b>Effect dummies</b>			
Seven Network	0.102***		
	(0.021)		
Nine Network	0.113***		
	(0.029)		
Network Ten	-0.069		
	(0.057)		
SBS	0.054		
	(0.065)		
Sky News	0.012		
	(0.053)		
ABC (excl. ABC News)	0.122***		
	(0.033)		
Net effect		0.085***	0.089***
		(0.027)	(0.029)
Constant	12.839***	13.620***	13.544***
	(0.152)	(0.193)	(0.215)
Observations	648	108	108
Number of groups	6		
Within R-squared	0.123		
F-statistic	35.15	22.99	15.41

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

### C.1.3 Effect on prime-time news and current affairs programs

- 293 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 36: Regression with annual and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Annual dummies</b>			
2009	-0.052**	-0.117***	-0.082***
	(0.025)	(0.028)	(0.023)
2010	-0.097***	-0.162***	-0.129***
	(0.032)	(0.027)	(0.025)
2011	-0.184***	-0.277***	-0.249***
	(0.041)	(0.035)	(0.031)
2012	-0.214***	-0.269***	-0.229***
	(0.039)	(0.034)	(0.029)
2013	-0.221***	-0.292***	-0.244***
	(0.045)	(0.041)	(0.034)
2014	-0.313***	-0.339***	-0.287***
	(0.043)	(0.035)	(0.031)
2015	-0.388***	-0.415***	-0.354***
	(0.048)	(0.036)	(0.030)
2016	-0.518***	-0.482***	-0.435***
	(0.067)	(0.042)	(0.033)
2017	-0.536***	-0.513***	-0.493***
	(0.037)	(0.035)	(0.030)
<b>Seasonal dummies</b>			
Quarter 2	0.071***	0.098***	0.087***
	(0.022)	(0.013)	(0.011)
Quarter 3	0.019	0.057***	0.050***
	(0.026)	(0.016)	(0.013)
Quarter 4	-0.047**	-0.073***	-0.065***
	(0.024)	(0.017)	(0.013)
<b>Effect dummies</b>			
Channel 7	0.016		
	(0.038)		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Channel 9	0.455***		
	(0.071)		
Channel 10	-0.639***		
	(0.127)		
SBS	0.138***		
	(0.042)		
Sky News	0.683***		
	(0.072)		
ABC	0.112**		
	(0.044)		
Net effect		0.080***	0.071***
		(0.028)	(0.025)
Constant	12.510***	14.908***	15.061***
	(0.026)	(0.017)	(0.013)
Observations	653	109	109
Number of groups	6		
Within R-squared	0.374		
F-statistic	167	215.2	222.1

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 294 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification for individual network effects are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality, while the aggregate net effects remain positive but lose statistical significance under this specification.

**Table 37: Regression with linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.005***	-0.004***	-0.004***
	(0.000)	(0.000)	(0.000)
<b>Effect dummies</b>			

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Channel 7	0.038		
	(0.045)		
Channel 9	0.478***		
	(0.086)		
Channel 10	-0.617***		
	(0.117)		
SBS	0.160***		
	(0.040)		
Sky News	0.703***		
	(0.079)		
ABC	0.135***		
	(0.046)		
Net effect		0.049	0.048
		(0.041)	(0.038)
Constant	15.633***	17.084***	17.242***
	(0.264)	(0.269)	(0.265)
Observations	653	109	109
Number of groups	6		
Within R-squared	0.355		
F-statistic	46.37	49.50	55.06

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 295 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects, with the dependent variable being average program audience weighted by program duration. Notably, there is no material difference to the results that employ simple average audiences as the dependent variable.

**Table 38: Regression with annual and seasonal fixed effects, weighted-average audiences**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Annual dummies</b>			
2009	-0.085***	-0.112***	-0.108***
	(0.029)	(0.031)	(0.028)

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
2010	-0.122*** (0.031)	-0.155*** (0.027)	-0.149*** (0.024)
2011	-0.230*** (0.040)	-0.287*** (0.039)	-0.292*** (0.033)
2012	-0.258*** (0.038)	-0.272*** (0.037)	-0.266*** (0.030)
2013	-0.266*** (0.044)	-0.295*** (0.042)	-0.290*** (0.034)
2014	-0.372*** (0.043)	-0.357*** (0.040)	-0.351*** (0.034)
2015	-0.431*** (0.047)	-0.438*** (0.040)	-0.392*** (0.032)
2016	-0.565*** (0.067)	-0.508*** (0.045)	-0.486*** (0.033)
2017	-0.587*** (0.038)	-0.538*** (0.040)	-0.541*** (0.033)
<b>Seasonal dummies</b>			
Quarter 2	0.073*** (0.021)	0.112*** (0.015)	0.093*** (0.014)
Quarter 3	0.024 (0.026)	0.071*** (0.017)	0.058*** (0.016)
Quarter 4	-0.045* (0.024)	-0.066*** (0.020)	-0.057*** (0.018)
<b>Effect dummies</b>			
Channel 7	0.023 (0.040)		
Channel 9	0.434*** (0.068)		
Channel 10	-0.699*** (0.133)		



Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
SBS	0.178*** (0.042)		
Sky News	0.699*** (0.071)		
ABC	0.118*** (0.043)		
Net effect		0.070** (0.030)	0.068*** (0.023)
Constant	12.577*** (0.026)	14.918*** (0.020)	15.110*** (0.018)
Observations	653	109	109
Number of groups	6		
Within R-squared	0.381		
F-statistic	260.4	150.8	192.7

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

## C.2 Effect of the inclusion of new content on iview

### C.2.1 Regional Australia

#### C.2.1.1 Methodology

296 Below we describe the econometric methodology employed in order to assess the impact of the introduction of the Regional Australia category on iview on the average monthly audiences of the major regional FTA channels. Specifically, we assess the long-term, sustained change in news and current affairs program audiences after the introduction of Regional Australia on iview in October 2016.

297 We analyse the change in audiences by comparing average audiences in the affected period to average audiences in the comparator periods.

- We define the *affected period* to be months after October 2016.
- We define the *comparator period* to be months after January 2014 but preceding October 2016 (months before preceding 2014 are excluded due to data limitations).

298 Each regression specification employs the natural logarithm of monthly average program audiences as the dependent variable. We test the sensitivity of the use of the simple average of program audiences with a specification that employs the natural logarithm of the program duration- weighted average audience as the dependent variable. Specifically, we focus on average audiences of news and current affairs programs broadcast on the regional FTA channels Seven Primary, Nine Primary, Ten Primary, SBS Primary, ABC Primary, and Southern Cross Tasmania.

299 The regression specifications include controls for trend and seasonality.

- We control for the effect of *trend* using annual fixed effects, which capture year-specific changes in average program audiences to factors other than the ABC's introduction of Regional Australia on iview.
- We control for the effects of *seasonality* using quarterly fixed effects, which captures the effects of the regular increase in audiences over the winter months and decrease in audiences of the summer months in each year. We also test the sensitivity of the specification to the inclusion of seasonal controls and annual fixed effects with a specification that includes only a linear time trend.

300 The change in audiences is captured by coefficient estimate on the relevant *effect dummy* or effect dummy interaction term, depending on the specification in question. The effect dummy is defined as being equal to one over the affected period, and equal to zero over the comparator period. Since audiences are log transformed, the estimated coefficient on the relevant effect dummy can be interpreted as the expected percentage change in audiences following the introduction of Regional Australia on iview.<sup>116</sup>

301 Lastly, we use separate estimation strategies to estimate (i) the effect on average audiences of individual channels, and (ii) the net effect across channels.

- **Individual channel effects.**

Individual channels effects are estimated using a panel fixed effects regression, which controls for unobserved channels-specific effects. The channel-specific effects on average audiences are reflected by the coefficient estimates on the interactions between the effect dummy and the panel (channel) fixed effects dummies.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ the non-parametric covariance matrix estimator proposed by Driscoll and Kraay (1998) which produces heteroscedasticity and autocorrelation consistent standard errors that are robust to general forms of spatial and temporal dependence.<sup>117</sup>

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<sup>116</sup> More precisely, the percentage change in in audiences is calculated as  $(e^{\beta} - 1) \times 100$ , where  $\beta$  is the coefficient estimate on the effect dummy.

<sup>117</sup> Driscoll, J. C., & Kraay, A. C. (1998). *Consistent covariance matrix estimation with spatially dependent panel data*. Review of economics and statistics, 80(4), 549-560.

- **Net effect on other channels.**

The net effect on the audiences of Seven Primary, Nine Primary, Ten Primary, SBS Primary, and Southern Cross Tasmania are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all four of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ Newey-West standard errors, which are robust to both arbitrary autocorrelation (up to the order of the specified lag) as well as arbitrary heteroscedasticity.<sup>118</sup>

- **Net effect on all channels.**

The net effect on the audiences of Seven Primary, Nine Primary, Ten Primary, SBS Primary, Southern Cross Tasmania, and ABC Primary are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all five of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

We employ Newey-West standard errors to ensure validity of the statistical results.

302 Below we present the full set of regression estimates.

### C.2.1.2 Regression estimates

303 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 39: Regression with annual and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
<b>Annual dummies</b>			
2015	-0.064	-0.100***	-0.089***
	(0.059)	(0.037)	(0.026)
2016	-0.113**	-0.180***	-0.193***
	(0.047)	(0.033)	(0.025)
2017	-0.178***	-0.196***	-0.237***
	(0.060)	(0.051)	(0.036)
<b>Seasonal dummies</b>			

<sup>118</sup> Newey, W. K., & West, K. D. (1987). *A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix*. *Econometrica*, 55(3), 703-708.

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
Quarter 2	0.110*** (0.037)	0.107*** (0.032)	0.071*** (0.023)
Quarter 3	0.100** (0.045)	0.071** (0.035)	0.033 (0.026)
Quarter 4	-0.082 (0.055)	-0.106** (0.042)	-0.111*** (0.030)
<b>Effect dummies</b>			
Seven Primary	0.110** (0.048)		
Nine Primary	-0.210*** (0.060)		
Ten Primary	0.122 (0.119)		
SBS Primary	0.143** (0.069)		
Southern Cross Tasmania	0.309*** (0.062)		
ABC Primary	-0.171** (0.065)		
Net effect		-0.002 (0.045)	-0.013 (0.029)
Constant	11.479*** (0.060)	13.267*** (0.047)	13.601*** (0.034)
Observations	286	48	48
Number of groups	6		
Within R-squared	0.312		
F-statistic	48.13	49.11	115.2

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

304 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, overall the

results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.

**Table 40: Regression with linear time trend**

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
Linear trend	-0.004	-0.006***	-0.007***
	(0.003)	(0.002)	(0.002)
<b>Effect dummies</b>			
Seven Primary	0.051		
	(0.078)		
Nine Primary	-0.269***		
	(0.083)		
Ten Primary	0.066		
	(0.138)		
SBS Primary	0.083		
	(0.093)		
Southern Cross Tasmania	0.249**		
	(0.094)		
ABC Primary	-0.231***		
	(0.057)		
Net effect		-0.003	-0.023
		(0.073)	(0.050)
Constant	13.800***	17.148***	18.099***
	(1.815)	(1.470)	(1.021)
Observations	286	48	48
Number of groups	6		
Within R-squared	0.206		
F-statistic	38.91	6.798	18.83

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

- 305 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects, with the dependent variable being average program audience weighted by program duration. Notably, there is no material difference to the results that employ simple average audiences as the dependent variable, with the exception

on the effect on the audiences of ABC Primary, which loses significance under when average audiences are duration-weighted.

**Table 41: Regression with annual and seasonal fixed effects, weighted-average audiences**

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
<b>Annual dummies</b>			
2015	-0.061	-0.114***	-0.057**
	(0.047)	(0.036)	(0.027)
2016	-0.153***	-0.195***	-0.176***
	(0.040)	(0.031)	(0.025)
2017	-0.221***	-0.262***	-0.250***
	(0.052)	(0.052)	(0.037)
<b>Seasonal dummies</b>			
Quarter 2	0.120***	0.121***	0.075***
	(0.036)	(0.031)	(0.026)
Quarter 3	0.095**	0.083**	0.040
	(0.039)	(0.033)	(0.027)
Quarter 4	-0.090*	-0.109**	-0.112***
	(0.047)	(0.042)	(0.033)
<b>Effect dummies</b>			
Seven Primary	0.150***		
	(0.047)		
Nine Primary	-0.199***		
	(0.043)		
Ten Primary	-0.119		
	(0.085)		
SBS Primary	0.211***		
	(0.058)		
Southern Cross Tasmania	0.356***		
	(0.059)		
ABC Primary	-0.086		
	(0.069)		

Explanatory variables	Individual Effects	Effect on other networks	Effect on all networks
Net effect		0.027	0.008
		(0.045)	(0.027)
Constant	11.560***	13.332***	13.642***
	(0.052)	(0.046)	(0.037)
Observations	286	48	48
Number of groups	6		
Within R-squared	0.428		
F-statistic	75	59.37	147.6

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

## C.2.2 ABC News live stream

### C.2.2.1 Methodology

- 306 Below we describe the econometric methodology employed in order to assess the impact of the addition of a live stream of the ABC News channel to iview on the average monthly average prime-time audiences of news and current affairs programs broadcast on the 5 major FTA channels and the Sky News channel. Specifically, we assess the long-term, sustained change in audiences after the introduction of the ABC News live stream in December 2010.
- 307 We analyse the change in audiences by comparing average audiences in the affected period to average audiences in the comparator periods.
- We define the *affected period* to be months after December 2010.
  - We define the *comparator period* to be all months preceding December 2010.
- 308 Each regression specification employs the natural logarithm of monthly average program audiences as the dependent variable. We test the sensitivity of the use of the simple average of program audiences with a specification that employs the natural logarithm of the program duration- weighted average audience as the dependent variable. Specifically, we focus on average monthly audiences of news and current affairs programs broadcast on the 5 major FTA channels and the Sky News channel.
- 309 The regression specifications include controls for trend and seasonality.
- We control for the effect of *trend* using annual fixed effects, which capture year-specific changes in average program audiences to factors other than the ABC's introduction of the ABC News live stream on iview.

- We control for the effects of *seasonality* using quarterly fixed effects, which captures the effects of the regular increase in audiences over the winter months and decrease in audiences of the summer months in each year. We also test the sensitivity of the specification to the inclusion of seasonal controls and annual fixed effects with a specification that includes only a linear time trend.

310 The change in audiences is captured by coefficient estimate on the relevant *effect dummy* or effect dummy interaction term, depending on the specification in question. The effect dummy is defined as being equal to one over the affected period, and equal to zero over the comparator period. Since audiences are log transformed, the estimated coefficient on the relevant effect dummy can be interpreted as the expected percentage change in audiences following the introduction of the ABC News live stream on iview.<sup>119</sup>

311 Lastly, we use separate estimation strategies to estimate (i) the effect on average audiences of individual channels, and (ii) the net effect across channels.

- **Individual channel effects.**

Individual channels effects are estimated using a panel fixed effects regression, which controls for unobserved channels-specific effects. The channel-specific effects on average audiences are reflected by the coefficient estimates on the interactions between the effect dummy and the panel (channel) fixed effects dummies.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ the non-parametric covariance matrix estimator proposed by Driscoll and Kraay (1998) which produces heteroscedasticity and autocorrelation consistent standard errors that are robust to general forms of spatial and temporal dependence.<sup>120</sup>

- **Net effect on other channels.**

The net effect on the audiences of the introduction of the ABC News live stream on iview are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all four of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

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<sup>119</sup> More precisely, the percentage change in audiences is calculated as  $(e^{\beta} - 1) \times 100$ , where  $\beta$  is the coefficient estimate on the effect dummy.

<sup>120</sup> Driscoll, J. C., & Kraay, A. C. (1998). *Consistent covariance matrix estimation with spatially dependent panel data*. Review of economics and statistics, 80(4), 549-560.



To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ Newey-West standard errors, which are robust to both arbitrary autocorrelation (up to the order of the specified lag) as well as arbitrary heteroscedasticity.<sup>121</sup>

- **Net effect on all channels.**

The net effect on the audiences of the introduction of the ABC News live stream on iview and the ABC are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all five of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

We employ Newey-West standard errors to ensure validity of the statistical results.

312 Below we present the full set of regression estimates.

### C.2.2.2 Regression estimates

313 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 42: Regression with annual and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Annual dummies</b>			
2009	-0.056**	-0.112***	-0.078***
	(0.027)	(0.030)	(0.025)
2010	-0.051	-0.123***	-0.095***
	(0.037)	(0.033)	(0.029)
2011	-0.104**	-0.189***	-0.176***
	(0.048)	(0.041)	(0.035)
2012	-0.133***	-0.181***	-0.156***
	(0.045)	(0.040)	(0.034)
2013	-0.140**	-0.204***	-0.171***
	(0.053)	(0.048)	(0.039)
2014	-0.233***	-0.251***	-0.214***
	(0.049)	(0.042)	(0.036)

<sup>121</sup> Newey, W. K., & West, K. D. (1987). *A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix*. *Econometrica*, 55(3), 703-708.

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
2015	-0.307*** (0.057)	-0.327*** (0.042)	-0.281*** (0.035)
2016	-0.437*** (0.071)	-0.394*** (0.047)	-0.362*** (0.037)
2017	-0.456*** (0.044)	-0.425*** (0.041)	-0.420*** (0.035)
<b>Seasonal dummies</b>			
Quarter 2	0.071*** (0.023)	0.098*** (0.014)	0.087*** (0.012)
Quarter 3	0.029 (0.027)	0.063*** (0.016)	0.056*** (0.014)
Quarter 4	-0.035 (0.023)	-0.064*** (0.018)	-0.057*** (0.014)
<b>Effect dummies</b>			
Channel 7	-0.055 (0.043)		
Channel 9	0.367*** (0.078)		
Channel 10	-0.709*** (0.130)		
SBS	0.053 (0.052)		
Sky News	0.555*** (0.100)		
ABC	0.047 (0.049)		
Net effect		-0.003 (0.033)	0.002 (0.029)
Constant	12.508*** (0.024)	14.899*** (0.018)	15.053*** (0.014)

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Observations	653	109	109
Number of groups	6		
Within R-squared	0.385		
F-statistic	181	70.05	91.68

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

- 314 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are not materially different to those from the specification above which includes quarterly fixed effects to control for seasonality.

**Table 43: Regression with linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Time trend	-0.005***	-0.004***	-0.004***
	(0.000)	(0.001)	(0.000)
<b>Effect dummies</b>			
Channel 7	0.026		
	(0.046)		
Channel 9	0.448***		
	(0.090)		
Channel 10	-0.628***		
	(0.120)		
SBS	0.135***		
	(0.048)		
Sky News	0.634***		
	(0.107)		
ABC	0.128***		
	(0.048)		
Net effect		0.030	0.032
		(0.044)	(0.041)
Constant	15.622***	17.026***	17.200***
	(0.281)	(0.302)	(0.297)

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Observations	653	109	109
Number of groups	6		
Within R-squared	0.365		
F-statistic	45.07	46.29	52.12

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

- 315 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects, with the dependent variable being average program audience weighted by program duration. Notably, the results from this specification are broadly similar to the results that employ simple average audiences as the dependent variable.

**Table 44: Regression with annual and seasonal fixed effects, weighted-average audiences**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Annual dummies</b>			
2009	-0.089***	-0.107***	-0.104***
	(0.032)	(0.033)	(0.030)
2010	-0.078**	-0.120***	-0.118***
	(0.036)	(0.032)	(0.027)
2011	-0.161***	-0.195***	-0.241***
	(0.046)	(0.041)	(0.035)
2012	-0.188***	-0.181***	-0.214***
	(0.044)	(0.041)	(0.034)
2013	-0.196***	-0.204***	-0.238***
	(0.052)	(0.047)	(0.038)
2014	-0.303***	-0.266***	-0.299***
	(0.048)	(0.045)	(0.039)
2015	-0.362***	-0.347***	-0.341***
	(0.056)	(0.044)	(0.036)
2016	-0.496***	-0.417***	-0.435***
	(0.071)	(0.048)	(0.037)
2017	-0.518***	-0.447***	-0.489***
	(0.044)	(0.045)	(0.037)

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Seasonal dummies</b>			
Quarter 2	0.073***	0.112***	0.093***
	(0.022)	(0.016)	(0.015)
Quarter 3	0.033	0.077***	0.063***
	(0.027)	(0.018)	(0.016)
Quarter 4	-0.033	-0.058***	-0.050***
	(0.024)	(0.021)	(0.018)
<b>Effect dummies</b>			
Channel 7	-0.032		
	(0.043)		
Channel 9	0.353***		
	(0.077)		
Channel 10	-0.763***		
	(0.137)		
SBS	0.108**		
	(0.050)		
Sky News	0.584***		
	(0.099)		
ABC	0.062		
	(0.046)		
Net effect		-0.016	0.020
		(0.032)	(0.027)
Constant	12.576***	14.910***	15.103***
	(0.024)	(0.021)	(0.018)
Observations	653	109	109
Number of groups	6		
Within R-squared	0.395		
F-statistic	308.1	171	210.8

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

## C.2.3 Addition of live streams of FTA channels to VOD services

### C.2.3.1 Methodology

- 316 Below we describe the econometric methodology employed in order to assess the impact of the addition of live streams of the major FTA channels to catch-up VOD services on the average monthly prime-time audiences of the 5 major FTA channels. Specifically, we assess the long-term, sustained change in audiences after the introduction of a live stream of the ABC main channel to iview in December 2015.
- 317 We analyse the change in audiences by comparing average audiences in the affected period to average audiences in the comparator periods.
- We define the *affected period* to be months after December 2015.
  - We define the *comparator period* to be all months preceding December 2015.
- 318 Each regression specification employs the natural logarithm of monthly average program audiences as the dependent variable. We test the sensitivity of the use of the simple average of program audiences with a specification that employs the natural logarithm of the program duration- weighted average audience as the dependent variable. Specifically, we focus on average monthly prime-time audiences of programs broadcast on the 5 major FTA channels.
- 319 The regression specifications include controls for trend and seasonality.
- We control for the effect of *trend* using annual fixed effects, which capture year-specific changes in average program audiences to factors other than the ABC's the addition of live streams of the major FTA channels to catch-up VOD services.
  - We control for the effects of *seasonality* using quarterly fixed effects, which captures the effects of the regular increase in audiences over the winter months and decrease in audiences of the summer months in each year. We also test the sensitivity of the specification to the inclusion of seasonal controls and annual fixed effects with a specification that includes only a linear time trend.
- 320 The change in audiences is captured by coefficient estimate on the relevant *effect dummy* or effect dummy interaction term, depending on the specification in question. The effect dummy is defined as being equal to one over the affected period, and equal to zero over the comparator period. Since audiences are log transformed, the estimated coefficient on the relevant effect dummy can be interpreted as the expected percentage change in audiences following the addition of live streams of the major FTA channels to catch-up VOD services.<sup>122</sup>

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<sup>122</sup> More precisely, the percentage change in audiences is calculated as  $(e^{\beta} - 1) \times 100$ , where  $\beta$  is the coefficient estimate on the effect dummy.

321 Lastly, we use separate estimation strategies to estimate (i) the effect on average audiences of individual channels, and (ii) the net effect across channels.

- **Individual channel effects.**

Individual channels effects are estimated using a panel fixed effects regression, which controls for unobserved channels-specific effects. The channel-specific effects on average audiences are reflected by the coefficient estimates on the interactions between the effect dummy and the panel (channel) fixed effects dummies.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ the non-parametric covariance matrix estimator proposed by Driscoll and Kraay (1998) which produces heteroscedasticity and autocorrelation consistent standard errors that are robust to general forms of spatial and temporal dependence.<sup>123</sup>

- **Net effect on other channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10 and SBS are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all four of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

To ensure validity of the statistical results, we adjust the standard errors of the coefficient estimates for possible dependence in the residuals. Specifically, we employ Newey-West standard errors, which are robust to both arbitrary autocorrelation (up to the order of the specified lag) as well as arbitrary heteroscedasticity.<sup>124</sup>

- **Net effect on all channels.**

The net effect on the audiences of Channel 7, Channel 9, Channel 10, SBS, and the ABC are estimated using a specification that employs the natural logarithm of the sum of average program audiences across all five of these channels as the dependent variable. The net effect this audience is reflected by the coefficient estimate on the effect dummy.

We employ Newey-West standard errors to ensure validity of the statistical results.

322 Below we present the full set of regression estimates.

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<sup>123</sup> Driscoll, J. C., & Kraay, A. C. (1998). *Consistent covariance matrix estimation with spatially dependent panel data*. Review of economics and statistics, 80(4), 549-560.

<sup>124</sup> Newey, W. K., & West, K. D. (1987). *A Simple, Positive Semi-definite, Heteroskedasticity and Autocorrelation Consistent Covariance Matrix*. Econometrica, 55(3), 703-708.

### C.2.3.2 Regression estimates

323 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects.

**Table 45: Regression with annual and seasonal fixed effects**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Annual dummies</b>			
2009	0.093***	0.065***	0.087***
	(0.013)	(0.019)	(0.017)
2010	0.040**	0.009	0.034
	(0.017)	(0.022)	(0.023)
2011	-0.065***	-0.098***	-0.075***
	(0.015)	(0.022)	(0.020)
2012	-0.080***	-0.119***	-0.084***
	(0.014)	(0.019)	(0.017)
2013	-0.135***	-0.187***	-0.134***
	(0.014)	(0.019)	(0.017)
2014	-0.173***	-0.211***	-0.161***
	(0.016)	(0.020)	(0.018)
2015	-0.176***	-0.243***	-0.193***
	(0.023)	(0.029)	(0.025)
2016	-0.157***	-0.228***	-0.170***
	(0.035)	(0.041)	(0.037)
2017	-0.251***	-0.312***	-0.271***
	(0.031)	(0.041)	(0.035)
<b>Seasonal dummies</b>			
Quarter 2	0.061***	0.037**	0.046***
	(0.011)	(0.014)	(0.013)
Quarter 3	0.043***	0.017	0.028**
	(0.011)	(0.014)	(0.013)
Quarter 4	-0.049***	-0.066***	-0.058***
	(0.013)	(0.017)	(0.016)



Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Effect dummies</b>			
Channel 7	-0.134***		
	(0.032)		
Channel 9	-0.103***		
	(0.036)		
Channel 10	-0.102*		
	(0.053)		
SBS	0.037		
	(0.034)		
ABC	-0.085**		
	(0.033)		
Net effect		-0.077***	-0.088***
		(0.029)	(0.025)
Constant	13.020***	14.613***	14.769***
	(0.013)	(0.017)	(0.016)
Observations	545	109	109
Number of groups	5		
Within R-squared	0.585		
F-statistic	122	27.28	135

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

- 324 The table below presents the full set of regression estimates for the specification that includes a linear time trend, and does not include any seasonal controls. Notably, the results from this specification are materially different in sign to those from the specification above which includes quarterly fixed effects to control for seasonality, but lose statistical significance.

**Table 46: Regression with linear time trend**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
Linear trend	-0.004***	-0.004***	-0.004***
	(0.001)	(0.000)	(0.000)
<b>Effect dummies</b>			
Channel 7	-0.061*		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
	(0.034)		
Channel 9	-0.030		
	(0.039)		
Channel 10	-0.029		
	(0.070)		
SBS	0.110**		
	(0.048)		
ABC	-0.012		
	(0.048)		
Net effect		-0.005	-0.028
		(0.033)	(0.033)
Constant	15.387***	17.209***	17.108***
	(0.336)	(0.296)	(0.301)
Observations	545	109	109
Number of groups	5		
Within R-squared	0.511		
F-statistic	76.38	128.5	95.04

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

- 325 The table below presents the full set of regression estimates for the specification that include annual and quarterly fixed effects, with the dependent variable being average program audience weighted by program duration. Notably, there results under this specification are not materially different to the results that employ simple average audiences as the dependent variable.

**Table 47: Regression with annual and seasonal fixed effects, weighted-average audiences**

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
<b>Annual dummies</b>			
2009	0.073***	0.048***	0.070***
	(0.014)	(0.017)	(0.017)
2010	0.014	-0.020	0.008
	(0.019)	(0.023)	(0.024)
2011	-0.094***	-0.126***	-0.104***

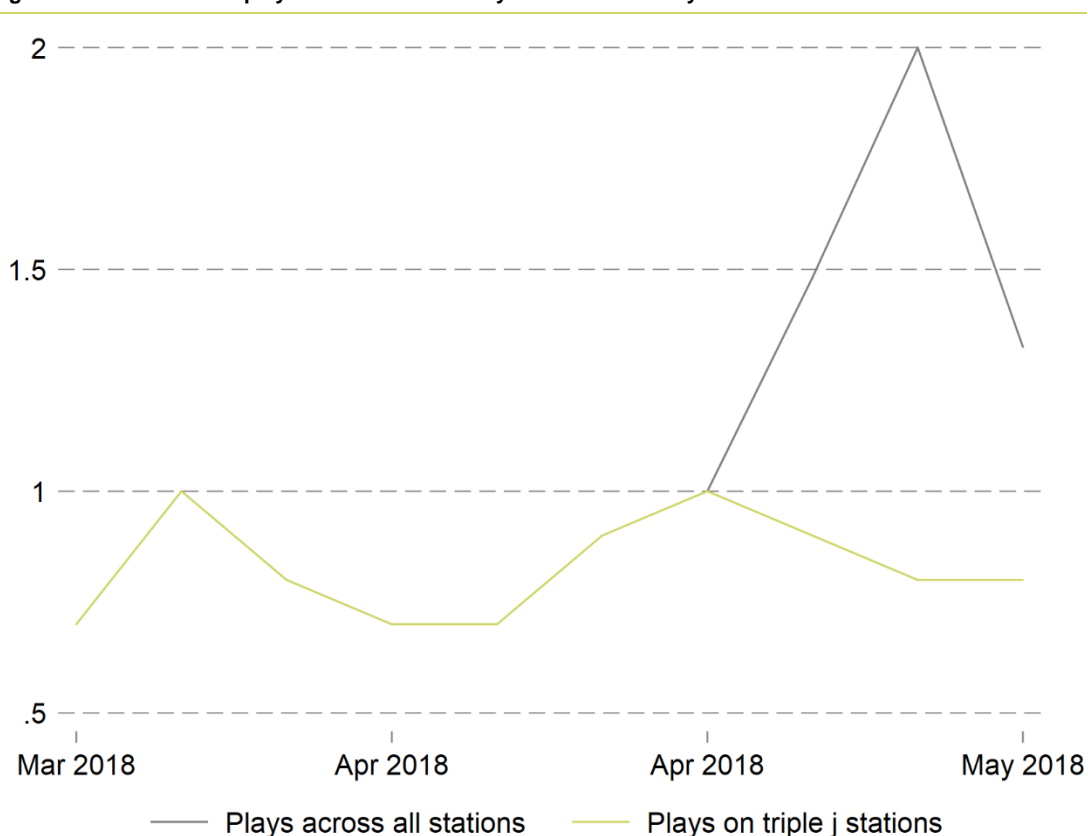
Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
	(0.014)	(0.023)	(0.019)
2012	-0.112***	-0.146***	-0.116***
	(0.016)	(0.020)	(0.017)
2013	-0.155***	-0.197***	-0.159***
	(0.011)	(0.015)	(0.014)
2014	-0.197***	-0.231***	-0.191***
	(0.015)	(0.018)	(0.017)
2015	-0.206***	-0.273***	-0.227***
	(0.020)	(0.025)	(0.021)
2016	-0.186***	-0.256***	-0.198***
	(0.031)	(0.037)	(0.034)
2017	-0.258***	-0.333***	-0.282***
	(0.027)	(0.036)	(0.031)
<b>Seasonal dummies</b>			
Quarter 2	0.049***	0.013	0.028**
	(0.010)	(0.014)	(0.013)
Quarter 3	0.039***	-0.001	0.015
	(0.011)	(0.014)	(0.013)
Quarter 4	-0.049***	-0.068***	-0.058***
	(0.012)	(0.016)	(0.015)
<b>Effect dummies</b>			
Channel 7	-0.143***		
	(0.036)		
Channel 9	-0.144***		
	(0.042)		
Channel 10	-0.075		
	(0.049)		
SBS	0.074**		
	(0.031)		
ABC	-0.061**		

Explanatory variables	Individual Effects	Effect on other channels	Effect on all channels
	(0.027)		
Net effect		-0.072***	-0.087***
		(0.025)	(0.021)
Constant	12.996***	14.577***	14.738***
	(0.012)	(0.016)	(0.015)
Observations	545	109	109
Number of groups	5		
Within R-squared	0.527		
F-statistic	168.6	188.9	43.11
Notes: Robust standard errors in parentheses. *** $p < 0.01$ , ** $p < 0.05$ , * $p < 0.1$			

## D Songs initially promoted on triple j

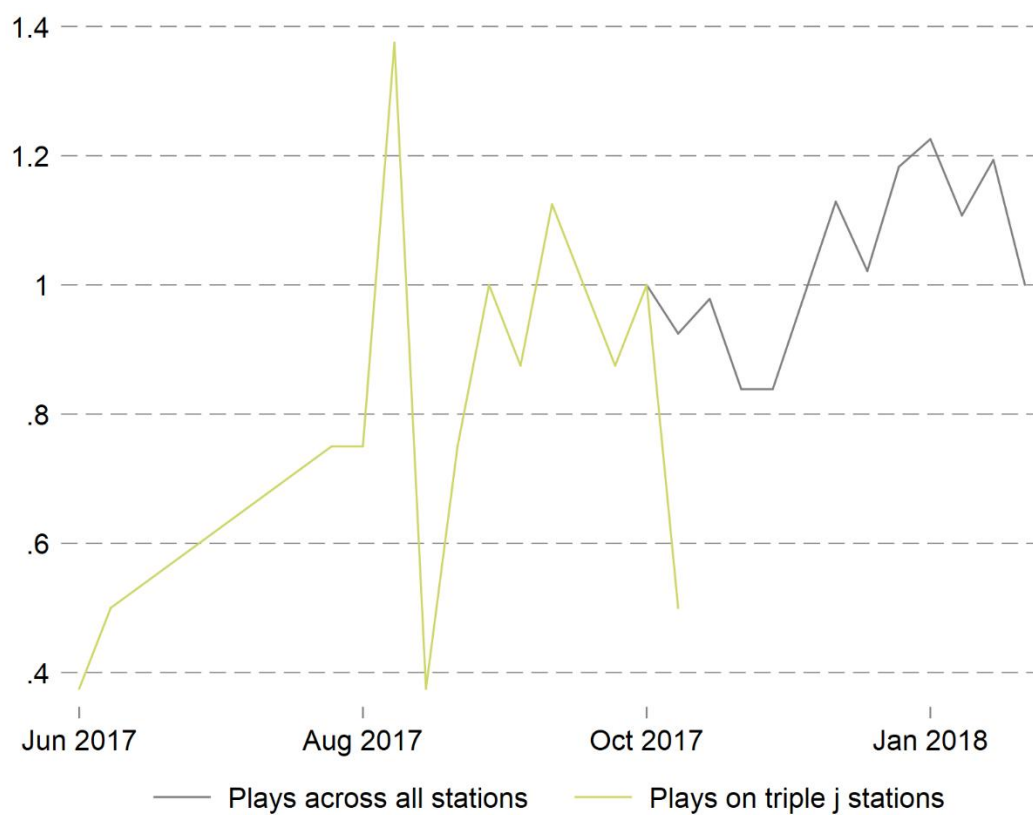
- 326 Figure 57, Figure 58, and Figure 59, respectively, show plays of the songs “I Wanna Know” by RL Grime feat Daya (which first featured at position 414 on the top 500 most played songs across all radio moving up to a peak chart position at 100), “I Only Lie When I Love You” by Royal Blood (which first entered the chart at position 288 of the top 500 most played songs across all radio before peaking at a position of 230), and “Low Blows” by Meg Mac (which first featured at position 212 before moving up to a position 121 on the top 500 most played songs across all radio). It is notable that each of these songs appeared on the triple j chart first, before later appearing on the all radio charts. The figures also show that these songs started to be played less on triple j once their popularity rose on across all other radio stations. This would seem to suggest that triple j stations play a role in raising the profile of new songs, which are later picked up by rival commercial stations.

**Figure 57: Normalised plays of I Wanna Know by RL Grime feat Daya**



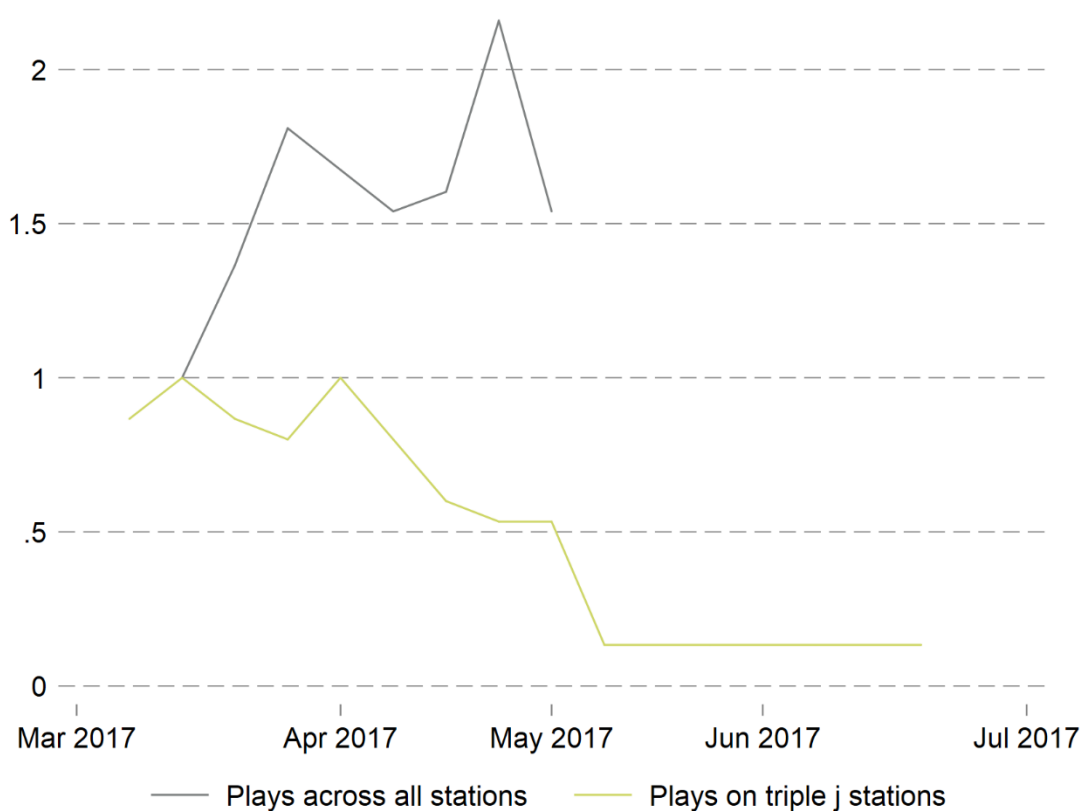
Source: RBB analysis on Radiomonitor data.

Figure 58: Normalised plays of I Only Lie When I Love You by Royal Blood



Source: RBB analysis on Radiomonitor data.

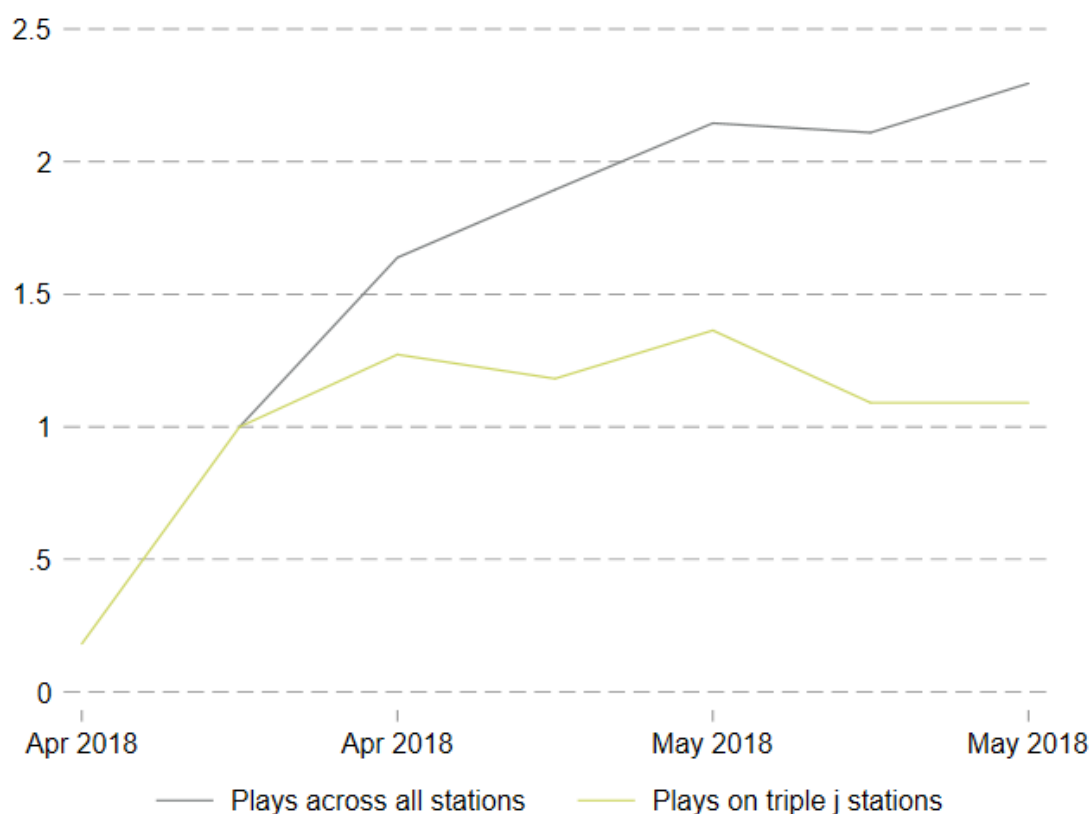
Figure 59: Normalised plays of Low Blows by Meg Mac



Source: RBB analysis on Radiomonitor data.

- 327 Likewise, Figure 60 shows plays of “I Said Hi” by Amy Shark, a song that first appeared at 26 on the top 500 songs played on all radio before moving to a peak position at 3. Notably, this song appeared at 26 on the top 500 songs played on all radio before moving to a low of 3, and was still played to a similar extent on triple j after it appeared on the all radio charts.

Figure 60: Normalised plays of I Said Hi by Amy Shark

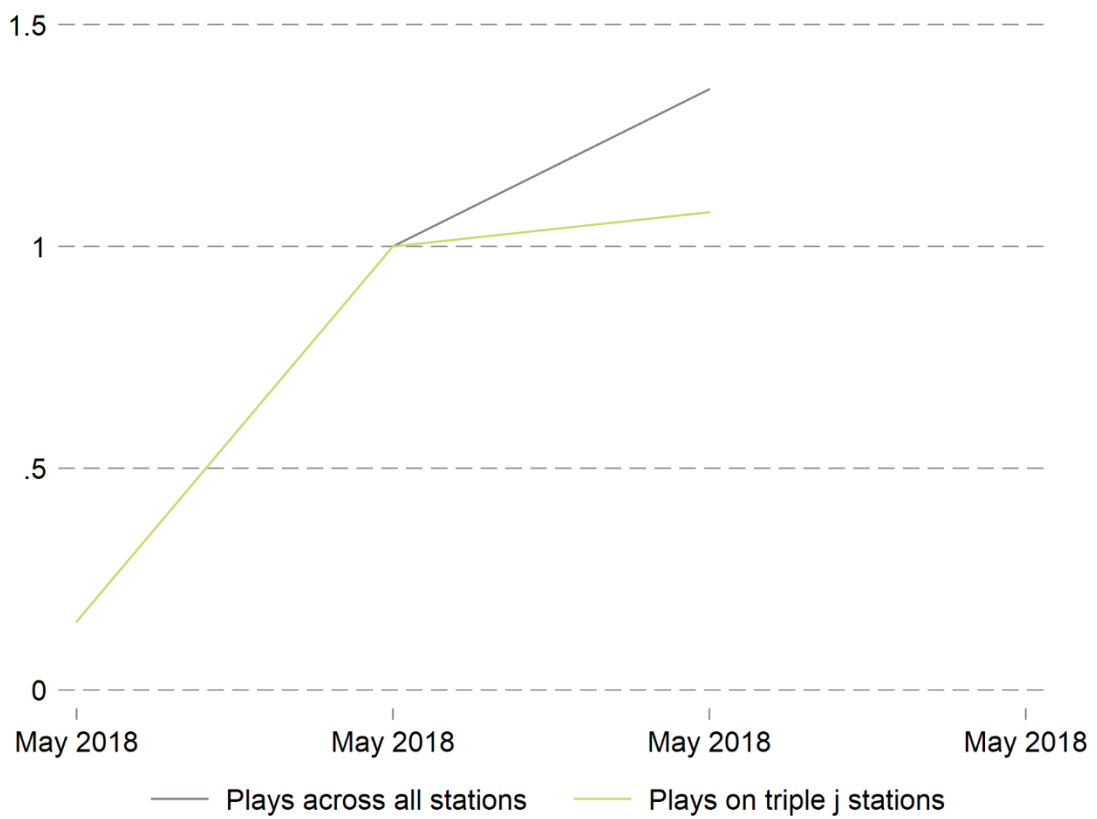


Source: RBB analysis on Radiomonitor data.

- 328 Finally, Figure 61 below shows plays of “Downtown Shutdown” by The Presets, which first appeared at 94 on the top 500 most played songs all radio making its way to a peak position at number 69 on the chart. This, which first appeared in the triple j charts and then later appeared on the all radio charts, still achieved a similar number of plays on triple J stations after it appeared on the all radio stations chart.



Figure 61: Normalised plays of Downtown Shutdown by The Presets



Source: RBB analysis on Radiomonitor data.

# **Attachment C**

## **Overview of regulatory obligations**

**29.06.18**



## Attachment C - Overview of regulatory obligations

REGULATORY FRAMEWORK	COMMERCIAL BROADCASTERS	ABC	ANALYSIS OF REGULATORY NEUTRALITY
Broadcast licence conditions and radiocommunication regulation	<i>Broadcasting Services Act 1992</i> , ss 42, 43 <i>Radiocommunications Act 1992</i> Radio licence conditions (Apparatus Licence) 2015 Radiocommunications (Electromagnetic Radiation Human Exposure) Standard 2014 <i>Broadcasting Services (Additional Television Licence Condition) Notice 2014</i>	<i>Australian Broadcasting Corporation Act 1983 (ABC Act)</i> <i>ABC Code of Practice 2016</i> <i>Radiocommunications Act 1992</i> Radio licence conditions (Apparatus Licence) 2015 Radiocommunications (Electromagnetic Radiation Human Exposure) Standard 2014	There is no material regulatory advantage for the ABC as a result of the different regulatory frameworks.
Australian content standards	Australian Content Standard 2016 Commercial Radio Code of Practice	ABC Act, s 6(1)(a)(ii) ABC Code of Practice 2016 Australian Content Standard 2016	The ABC is not subject to Australian content standards, however has a clear requirement under its Charter to create Australian content and in applying this generally broadcasts an amount of Australian content significantly in excess of the relevant quotas. See section 4.3 of the main submission for further analysis of content quotas. The framework for responding to failure to comply with the relevant codes is different between commercial broadcasters and the ABC.
Children's content standards	Children's Television Standard 2009	ABC Act, s 6(1)(a)(ii) ABC Code of Practice 2016 Children's Television Standard 2009*	The ABC is not subject to children's content standards, however has a clear requirement under its Charter to create educational content and produces a significant amount of children's content in accordance with that requirement. See section 4.3 of the main submission for further analysis of content quotas.
Educational content standards	N/A	ABC Act, s 6(1)(a)(ii) ABC Code of Practice ABC Editorial Policies	Unlike the requirements in the ABC Charter and Code of Practice, there is no requirement that commercial broadcasters provide content that educates the public.
News and current affairs standards	<i>Broadcasting Services Act 1992</i> Commercial Radio Code of Practice Commercial Television Code of Practice	ABC Act, s 27 ABC Code of Practice 2016 ABC Editorial Policies	There is no material regulatory advantage for the ABC as a result of the different regulatory frameworks. ABC Editorial Policies apply to all content produced, commissioned, acquired, or otherwise obtained for broadcast by the ABC. Commercial broadcasters are not subject to this level of rigour.
Promoting musical, dramatic and performing arts	N/A	ABC Act, s 6(1)(c)	The ABC has an obligation to encourage and promote the musical, dramatic and other performing arts in Australia. There are no equivalent obligations on commercial broadcasters.
Political and electoral content	<i>Broadcasting Services Amendment (Online Services) Act 1999</i> , Part 2 of Schedule 2.	ABC Act, s79 ABC Policy Statement: <i>Allocation of free broadcast time to political parties during election periods</i>	There is no material regulatory advantage for the ABC as a result of the different regulatory frameworks.

## Attachment C - Overview of regulatory obligations

REGULATORY FRAMEWORK	COMMERCIAL BROADCASTERS	ABC	ANALYSIS OF REGULATORY NEUTRALITY
Broadcasting Parliamentary proceedings	N/A	<i>Parliamentary Proceedings Broadcasting Act 1946 (Cth)</i> , s4	Unlike the requirements on the ABC, there is no requirement that commercial broadcasters broadcast the proceedings of the Senate, House of Representatives or a joint sitting.
Local content	<i>Broadcasting Services Amendment (Online Services) Act 1999</i> <i>Broadcasting Services (Additional Television Licence Condition) Notice 2014 (Cth)</i> <i>Broadcasting Services (Regional Commercial Radio – Material of Local Significance) Licence Condition 2014</i>	ABC Act, s6	The ABC is not subject to local content standards, however has a clear requirement under its Charter to create Australian content and in applying this, does broadcast an amount of Australian content significantly in excess of the relevant quotas. It also has an extensive regional and local offering on radio, and significant Australian content on triple j. See section 4.3 in the main submission for further analysis of content quotas.
Advertising restrictions (radio and television)	<i>Broadcasting Services Act 1992, Schedule 2</i> Television Program Standard for Australian Content in Advertising Commercial Television Industry Code of Practice Children's Television Standards Commercial Radio Australia Code of Practice Commercial Radio Disclosure Standard <i>Competition and Consumer Act 2010</i>	ABC Act, s 31 restricts advertising and sponsorship on ABC broadcasting and digital media services, with exceptions, including the international broadcasting services	Reflecting the fundamental functions of the ABC and commercial broadcasters, the ABC is at a significant competitive disadvantage with respect to its advertising and sponsorship activities.
Public governance and accountability	N/A	<i>Public Governance Performance and Accountability Act 2013</i> <i>Public Interest Disclosure Act 2013</i> <i>Freedom of Information Act 1982</i> <i>ABC Act s. 80 (Annual Reports)</i> The ABC is accountable to the Parliament as a whole through regular appearances at Senate estimates hearings, questions on notice and detailed annual reporting on its Charter The ABC provides regular reports to the Department of Finance e.g. Portfolio Budget Statements and Portfolio Estimate Statement Information	These public governance and accountability measures apply to the ABC and provide additional oversight over the activities of the ABC as compared to commercial broadcasters.
Television captioning rules	<i>Broadcasting Services Act 1992</i> <i>Broadcasting Services (Television Captioning) Standard 2013</i>		There is direct equivalence in these obligations between ABC and commercial broadcasters.
Classification standards	Commercial Television Industry Code of Practice Commercial Radio Code of Practice	ABC Code of Practice – Associated Standard: Television Program Classification	There is direct equivalence in these obligations between ABC and commercial broadcasters.
Complaints and compliance	<i>Broadcasting Services Act 1992</i> <i>Australian Communications and Media Authority Act 2005</i>	<i>Broadcasting Services Act 1992</i> <i>Australian Communications and Media Authority Act 2005</i> The Australian Government Competitive Neutrality Complaints Office	The ACMA's enforcement powers are different with respect to the ABC as compared with commercial broadcasters. See section 4.3 in the main submission for more information regarding the ABC's complaints handling procedure.



# **Attachment D**

## **Investing in Audiences**

**29.06.18**





*Yours. Now & into the Future*

**Investing in Audiences**





An aerial photograph of a person in a kayak on a body of water with a vibrant turquoise hue. The water's surface is textured with small, shimmering highlights. The kayak is positioned in the upper left quadrant of the frame, with its shadow cast onto the water below it.

**We are the  
independent source  
of Australian  
conversations,  
culture and stories.**





**For  
generations  
of Australians,  
the ABC has  
been a part of  
their daily life.**



We tell the nation's story and help Australians understand their place in the world. We connect Australians wherever they live and bring them together around the moments that matter. We are the place where unique Australian stories are created, and where young and old alike can be inspired and delighted by the arts, music and the wonders of science.

Today, the ABC offers more quality and distinctive content, across more platforms than ever before.



# About the ABC



The ABC is Australia's largest public broadcaster. It operates independently under a Charter approved by Parliament and is funded by the Federal Government on behalf of the public.



Digital services including ABC iview, Streaming, ABC NEWS and Current Affairs online, ABC Open, abc.net.au and podcasts.



The ABC is Australia's largest creative organisation, collaborating and supporting the independent creative community.



The ABC employs around 4,000 people who operate from 56 locations around Australia.



The ABC operates 6 national TV channels: ABC, ABC Comedy, ABC ME, ABC KIDS, ABC NEWS and ABC HD.



The ABC projects Australia's culture and identity overseas through international services including Radio Australia and Australia Plus.



4 national radio networks, 8 capital city radio stations, 54 local radio stations and 7 digital radio channels.



The ABC is rated by audiences as Australia's most trusted and credible media organisation.



The ABC reaches more than 20 million Australians a month.





# Investing in Audiences: Our Focus

## **Programs that matter to you**

We are committed to creating content that reflects our charter values and delivering the services audiences expect from us, while also finding new and innovative ways to tell stories.

## **The programs you want when you want them**

Exceeding the expectations of our audience is an important priority. By understanding where they live and how they seek our services we can make it easier for audiences to discover more of what the ABC offers - across TV, radio, websites, podcasts, apps and social media.

## **Ensuring a creative environment for better programs**

Our people are our greatest asset. By developing the best creative environment for our teams, our audiences will receive more of the high-quality programming they expect.

## **Programs that reach and engage with more Australians**

Audiences have access to more information and entertainment than ever before. The ABC will use innovative ways to connect with all Australians, including both loyal audiences and new audiences, to remain relevant into the future.







# Committed to the Core and Embracing the New

We are committed to creating content that reflects our charter values and delivering the services audiences expect from us, while also finding new and innovative ways to tell stories



## Quality

Iconic, high quality programs such as Gardening Australia, Landline, Catalyst, Four Corners, and Conversations with Richard Fidler that have always entertained, educated and informed.

## Distinctive

New programs Stargazing, War on Waste, Pine Gap and You Can't Ask That and podcasts such as Trace and Ladies, We Need to Talk distinguish the ABC in a crowded market. Back Roads and ABC Classic FM, among others, continue to provide distinctive content for audiences.

## Independent

The most independent voices and programs offering analysis, expertise and clarity such as Fran Kelly, Barrie Cassidy, Antony Green, Alan Kohler and Patricia Karvelas, AM, PM, Insiders and The Drum.

## Trusted

More than 80% of Australians trust the ABC, with accurate news, impactful investigative journalism and specialist content across science and health, arts and education, including ABC News, 730, Behind the News (BTN), RN, and many more.

## Australian

The ABC provides audiences with uniquely Australian content in a media landscape saturated with choices from around the globe. Gruen, Utopia, Shaun Micallef's Mad As Hell, triple j unearthed and a new generation of breakthrough comedians, musicians and entertainers.





# 2017 Highlights

- **War on Waste** mobilised the nation reaching an audience of 3.7m on live broadcast and ABC iview.
- **Podcast** services investment increased by 1m.
- **Daily investigative & specialist journalism** services broadened to become the largest in Australia.
- **Specialist science, education and arts programming** received a 2.9m investment in the form of journalists, producers and program makers working across TV, radio and online.
- **Regional Connecting Communities Program launched** funding 80 reporters and resourcing for increased local news, weather and live coverage.
- **Australia Wide launched** providing a 25-minute national current affairs radio program providing rural & regional audiences with a greater voice in national conversations.
- **ABC listen app launched** sparking 212,000 downloads since launch.
- **ABC COMEDY launched** in December 2017 providing a platform to showcase emerging Australian comedic talent.
- **Stargazing Live** event & related content reached an audience of 2.7m and enabled the discovery of a four-planet solar system.
- **Catalyst program series return** providing audiences informed, new developments in science and health.





**Our content in 2018**

# Children's programs

The ABC will continue its commitment to Australian children by championing their voices and showcasing their stories through a slate of diverse and inclusive programming across ABC ME and ABC KIDS.



Credit: Grace Beside Me



**Our content in 2018**

# News and Politics

The most trusted news, the most independent voices, the same uncompromising pursuit of the public interest. And in 2018 we will enhance our commitment to Australian democracy with greater political coverage across Television, News and Online.





Our content in 2018

# Comedy and Entertainment

The ABC has it covered in 2018 with a variety of new programming across all genres, more Australian premieres, and the return of audience favourites.



Our content in 2018

# Specialist programming

Across the arts, science and education, ABC informs, entertains and educates like no other.





**Our content in 2018**

# Live events

New Year's Eve, Australia Day, Australian of the Year, ANZAC Day, and the 2018 Invictus Games offer audiences the opportunity to connect with national conversations and celebrations.



Credit: Canberra, Australia  
Day firework ©Salty Dingo



**Our content in 2018**

# Rural and Regional

Wherever you live, the ABC will provide local news and weather information, coverage of issues and community debate that will connect you both locally and nationally.





Our content in 2018

# Community

We will continue to build strong and trusted relationships with all communities. 78% of people believe the ABC reflects the cultural diversity of the Australian community.



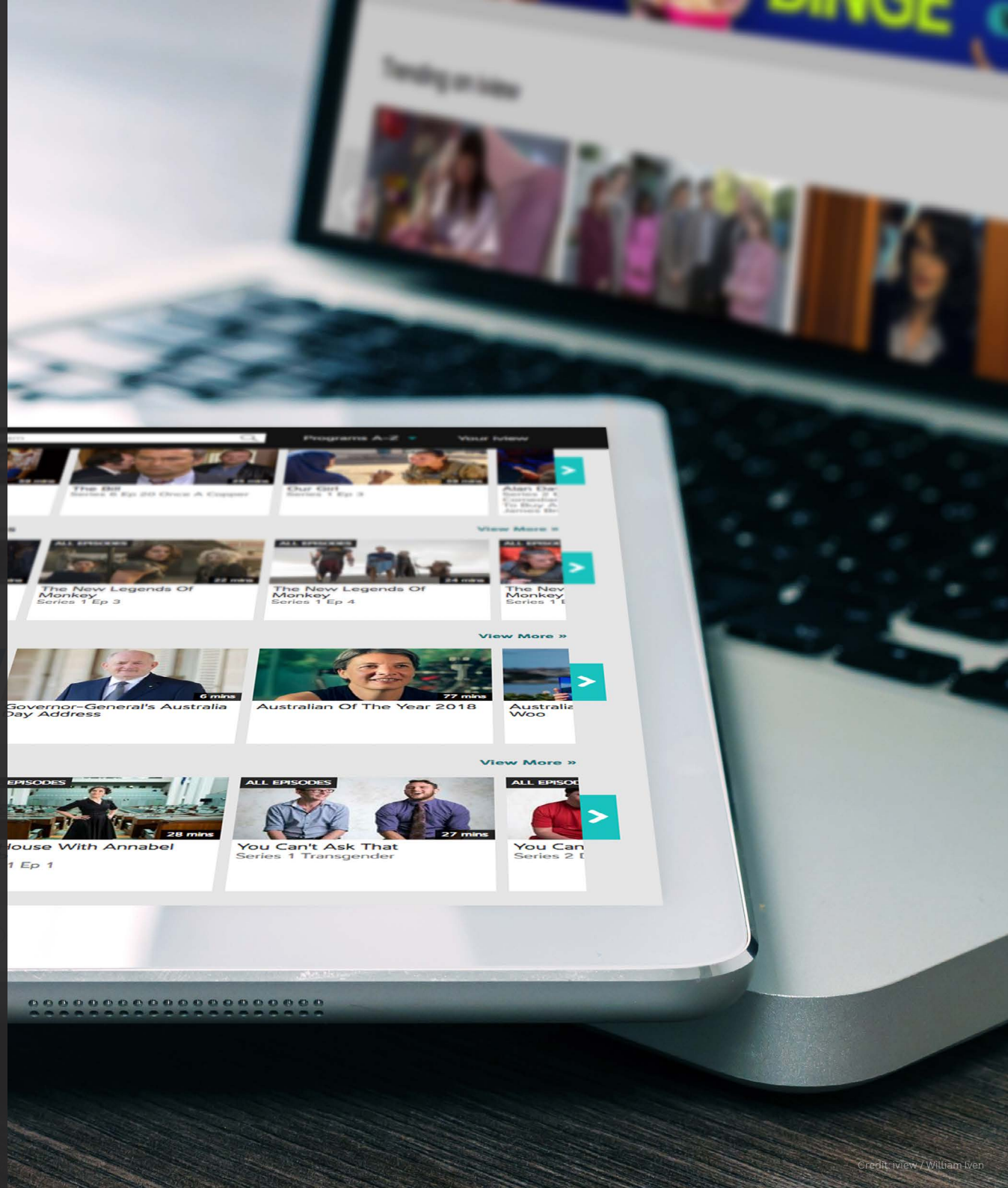
Credit: iStockphoto.com  
the Grass © David J. Lee



# Our content in 2018

## Digital

We will make it easier for you to stay informed and entertained by improving access to our content anywhere, anytime.







*Yours. Now & into the Future*



# **Attachment E**

## **Application of Competitive Neutrality Principles to the ABC's Commercial Activities**

**29.06.18**

**ABC FINANCE**



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# 01 Overview

The Australian Government's inquiry into the *Competitive Neutrality of National Broadcasters* is examining whether national broadcasters are operating in a manner that is consistent with the general principles of competitive neutrality.

## 1.1 ABC Review

The ABC has reviewed the ABC's practices relevant to key business areas where a competitive advantage may be present, as outlined in the Australian Government's Guidelines for Managers<sup>1</sup>. These known competitive advantages relate to components of the ABC which are conducting a business which is significant.

The business unit which currently meets the criteria outlined in the Guideline for Managers is ABC Commercial. ABC Commercial is responsible for the management of products and services that are distributed to the global marketplace.

The ABC has reviewed the current practices of ABC Commercial within the areas of taxation, regulation, debt, rate of return and allocation of costs. The ABC considered the relevance of the Guidelines for Managers' principles to business units within ABC Commercial and tested the current position where relevance was identified.

### Overall ABC Position

The ABC has not identified any instances where a competitive advantage is present within the operations of ABC Commercial.

### Australian Government Competitive Neutrality Guidelines for Managers

In 1998 the government published the Guidelines for Managers, which were updated in 2004. These Guidelines for Managers describe how Competitive Neutrality should be applied to government business activities in practice.

The aim of Competitive Neutrality is to offset competitive advantages (resulting from government ownership), enabling a comparable basis for competition between government business activities and those of its competitors.

The Guidelines for Managers set out five areas where Competitive Neutrality can be achieved:

- Taxation neutrality;
- Debt neutrality;
- Regulatory neutrality;
- Commercial rates of return; and
- Costing shared resources.

---

<sup>1</sup> Published by the Department of Treasury (February 2004)



## 02 Background

### 2.1 ABC Commercial

The ABC's commercial unit has been operating in various forms for over 40 years. The unit's primary purpose is to generate revenue for the ABC through five key business areas:

Content Sales & Distribution	Music	Publishing	Retail	Studio Media Productions
<ul style="list-style-type: none"> <li>Represents the television, digital, and DVD program catalogue of the ABC, as well as programs sourced from independent producers in Australia and internationally.</li> <li>Sale of content across genres in multiple formats globally to broadcasters, digital platforms, producers, distributors, corporate, government and education sectors, as well as home viewers.</li> <li>Business partners include Netflix, Stan and iTunes.</li> </ul>	<ul style="list-style-type: none"> <li>ABC Music is Australia's largest independent record label.</li> <li>Offers digital and physical music content to global service providers.</li> <li>Genres include children's, country, compilations, blues &amp; roots, jazz, alternative and classical (ABC Classics).</li> </ul>	<ul style="list-style-type: none"> <li>Books and magazines for children and adults in print and digital formats.</li> <li>Partnerships held with HarperCollins Publishers Australia.</li> </ul>	<ul style="list-style-type: none"> <li>Established as a fully functioning e-commerce operation in 1998. ABC Shop Online provides a physical product offering online servicing customers within Australia and internationally.</li> <li>Sale of DVD, Books, Music, Toys, clothing, merchandise and games through the ABC Shop website.</li> </ul>	<ul style="list-style-type: none"> <li>The ABC owns production facilities and equipment and employs staff to produce television programs for broadcast on its network.</li> <li>These production facilities and labour can be hired by other film and television producers on a commercial basis subject to ABC operational needs.</li> </ul>

### Application of Competitive Neutrality Principles to the ABC

Competitive Neutrality only applies to significant business activities of agencies. The Guidelines for Managers define a business unit as:

*...an identifiable part of an FMA Act agency or Department that has a primary objective of trading goods and services in the market, for the purpose of earning a commercial return. The management and accounting structures of a Business Unit are separate from other parts of the overall organisation.*

The Commonwealth Government's CN Policy Statement identified the sale of consumer goods and studio rentals by the ABC as a Commonwealth business activity subject to competitive neutrality.

The Australian Broadcasting Act 1983 provides the ABC with a qualified exemption from direction by or on behalf of the Government. Section 78(7) exempts the ABC from compliance with government policy orders made under the Public Governance,

Performance and Accountability Act (and prior to that the Commonwealth Authorities and Companies (CAC) Act 1997.

### **Previous Productivity Commission Investigation**

The Commonwealth Competitive Neutrality Complaints Office has conducted 15 investigations into alleged breaches of competitive neutrality since its establishment. This included an investigation in 2000 into the ABC's Production Facilities, namely studio and labour hire.

The investigation found that the method of costing labour and facilities exceeded the minimum cost benchmark consistent with competitive neutrality; the ABC's accounting and control system provided a basis for ensuring that all relevant costs were identified and its costing and pricing approach was followed in practice; and the unit generated a commercial level of profits at the time (including when costs were adjusted to incorporate taxation).

No action was required following the investigation.

## 03 Taxation Neutrality

### 3.1 Overall Principle

Taxation should be factored into the cost base, and therefore prices, of business activities in order to maintain tax neutrality between the government business and its competitors or potential competitors.

#### Relevant Guideline Requirements

##### *Commonwealth Taxes*

- Where advantages are identified in relation to Income Tax (Commonwealth), including Capital Gains Tax, the business unit should operate under a taxation equivalent regime (TER), where the tax liability is calculated comparably to competitors and an equivalent payment is potentially made to the Official Public Account (OPA).
- Commonwealth entities are required to pay Goods and Services Tax (GST) on transactions.
- Commonwealth entities are required to pay Fringe Benefits Tax (FBT) on relevant transactions.
- Commonwealth entities are required to pay Withholding Tax on relevant foreign transactions.

##### *State Taxes*

- Transactions incurred by the business unit that would be subject to payroll tax in a commercial business operation should be subject to tax under a TER.
- Transactions incurred by the business unit that would be subject to land tax in a commercial business operation should be subject to tax under a TER.
- Transactions incurred by the business unit that would be subject to stamp duty in a commercial business operation should be subject to tax under a TER.

#### ABC Position

- The ABC is exempt from some corporate and state income taxes under the ABC Act (s 71 (1)). Specific Commonwealth statutes apply certain taxes, such as GST and FBT to the ABC.
- ABC Commercial pays GST which is submitted as part of the ABC's corporate Business Activity Statement on a monthly basis.
- ABC Commercial pays FBT which is submitted with the corporate FBT return on an annual basis.
- ABC Commercial pays Withholding Tax on relevant transactions.

- The key unit within ABC Commercial that incurs payroll (labour) costs directly attributable to revenue is Studio Media Productions (SMP). SMP's policy is to set labour costs in accordance with industry rates. By aligning rates with those of a private tax-paying business the ABC is effectively factoring in the effect of payroll tax into its labour cost.
- In May 2018 the ABC compared the labour rates charged by SMP to market competitors and found the rates to be consistent with the industry.
- ABC Commercial has not entered into any transactions that would be subject to land tax, stamp duty, or Capital Gains Tax.

## **Conclusion**

- ABC Commercial's activities do not incur competitive advantages related to taxation.

## 04 Debt Neutrality

### 4.1 Overall Principle

Managers must adjust their cost base, and therefore prices, where they borrow money at a rate that reflects the credit risk of the Australian Government as a whole rather than a rate reflecting the credit risk of that type of business activity.

#### Relevant Guideline Requirements

- There are primarily two types of debt considered by Competitive Neutrality – market debt and budget debt.
- Significant business activities that receive a cost advantage in borrowing from the market or the government because of government ownership may need to make a debt neutrality payment to the OPA.

#### ABC Position

As at May 2018, the ABC has one long-term loan in its own name with the Department of Finance. The loan was obtained to finance the construction of a purpose-built facility in Southbank, Victoria.

The loan is not related to the activities of ABC Commercial. ABC Commercial holds no debt – as such, there are no cost advantages in borrowing by the business unit and there is no requirement to apply debt neutrality principles.

#### Conclusion

- ABC Commercial's activities do not incur competitive advantages related to the acquisition and maintenance of debt.
- There is currently no requirement to apply debt neutrality principles.

## 05 Regulatory Neutrality

### 5.1 Overall Principle

Managers must adjust their cost base, and therefore prices, by an amount equivalent to any advantage they accrue by not being subject to similar regulatory arrangements and obligations as their competitors.

#### Relevant Guideline Requirements

Regulatory advantages may be seen in areas such as:

- exemptions from local planning, building and environmental laws;
- exemptions from prudential requirements;
- preferred treatment by other agencies; or
- amended reporting and/or licensing requirements.

These advantages should be accounted for in the cost price of goods and services.

#### ABC Position

The ABC's obligations as a corporate Commonwealth entity requires ABC Commercial to operate within a rigorous regulatory environment. The ABC's responsibilities include compliance with the following (amongst others):

##### *Legislative Requirements*

- Australian Broadcasting Corporation Act 1983.
- Public Governance Performance and Accountability Act 2013 (PGPA Act).
- Public Interest Disclosure Act 2013
- Freedom of Information Act 1982
- Privacy Act 1988

The ABC Act restricts the ABC's ability to generate revenue through advertisements or commercial sponsorships for its domestic television and domestic and international radio services, nor for its digital media services. Amendments to the ABC Act in 2013 extended this restriction to the ABC's digital services with certain exceptions. In addition, the ABC Act allows for the ABC to produce print magazines and associated digital versions of these magazines supported by advertising and sponsorship. This is to ensure the commercial viability of ABC publications.

##### *Mandatory returns*

- Returns submitted to the Australian Taxation Office in respect of GST, Pay As You Go instalments, FBT and Withholding Tax.

- Information reported to the Department of Finance, such as Portfolio Budget Statement information and Portfolio Additional Estimate Statement information.

### ***Contractual agreements***

- ABC Employment Agreement 2013-2016.
- Licensing or rights agreements.
- Music blanket agreements.
- Agreements with Emergency Services within each state or territory in relation to emergency broadcasting and building safety.

ABC manages music blanket agreements with Australasian Performing Rights Association (APRA), Australian Record Industry Association and Phonographic Performance Company of Australia Ltd and Australasian Mechanical Copyright Owners Society Ltd (AMCOS). In order to comply with the terms of these agreements, the ABC is obliged to report music usage to these organisations. These organisations in turn use this data to distribute the licence fees, which the ABC pays to them.

### ***Better practice***

The ABC adopts or aligns with activities and processes set out in Commonwealth Guidelines and/or Better Practice and Industry Guidelines including Commonwealth Procurement Rules, PGPA Resource Management Guides and ANAO Better Practice Guides.

### **Conclusion**

- ABC Commercial's activities do not incur competitive advantages related to regulation.

## 06 Rate of Return

### 6.1 Overall Principle

Managers must ensure that the prices of their goods and services are at least sufficient to earn their business activity a commercial rate of return overall and over a reasonable period of time.

#### Relevant Guideline Requirements

- Competitive Neutrality policy requires that publicly owned businesses generate a commercial rate of return (RoR) on the assets used in conducting the activity, at least sufficient to justify the long-term retention of assets in the business, and to pay commercial dividends from those returns.
- The rate of return should, over time, be at least equal to the long-term (10 year) Commonwealth bond rate, as this is the Commonwealth's base level cost of capital, plus a margin for risk.
- A business that persistently fails to earn an adequate RoR may not be meeting its Competitive Neutrality obligations. Further, the regular financial performance assessment arrangements with your Minister should address the issues of an inadequate RoR.

#### ABC Position

ABC Commercial has been in operation for over 40 years with variations to key activities and its overall structure implemented to compete with the changing Australian market and address diversified audience needs.

The ABC reviewed the financial performance of ABC Commercial from 2008-2018 to date and found that after excluding costs in 2015/16 related to the closure of ABC Shops, ABC Commercial earned a rate of return that was higher than the 10-year government bond rate as at 30 April 2018.

#### Conclusion

- ABC Commercial meets the requirements of the principles outlined in the Guidelines for Managers for rate of return.



# 07 Cost Allocation

## 7.1 Overall Principle

Agencies should ensure that prices charged reflect full cost attribution for their business activities.

### Relevant Guideline Requirements

- Agencies subject to Competitive Neutrality must ensure that their pricing reflects full cost attribution for any business activities.
- There needs to be organisational separation (either accounting or legal) of commercial and non-commercial activities. It is necessary to separate business activities from other government activities to ensure that Budget-funded activities do not effectively cross-subsidise commercial operations.
- One method that has been adopted for cost allocation is the fully distributed cost method. The fully distributed cost method incorporates all costs that are exclusive to the business and any shared costs on a pro-rata basis. In some circumstances the fully distributed cost method can inappropriately inflate the costs of shared resources thus distorting decisions on efficient resource allocation.

### ABC Position

#### *Determination of Pricing*

- SMP charges labour at a rate which is set to cover base ABC salary costs and overheads of the employee such as superannuation and workers' compensation. The rate varies depending on the type of labour used and are consistent with those used to cost internal projects. Overtime and penalty-time are charged on top of these rates if these costs are expected to be incurred.
- SMP's policy is to set labour costs in accordance with industry/market rates. By aligning rates with those of a private tax-paying business the ABC is effectively factoring in the effect of payroll tax into its labour cost.
- In May 2018 the ABC reviewed the prices set by SMP for equipment and labour and compared this to the prices charged by competitors – SMP rates were consistent with current industry rates.
- The ABC only undertakes commercial studio and labour hire, subject to its own operational requirements and if there is an acceptable net profit to the ABC after taking all these costs into account.
- ABC Commercial has accounting separation from the ABC and is charged overhead costs such as rent and technology charges – these are allocated to ABC Commercial's

business units, including SMP. SMP's is allocated a share of overheads on a pro-rata basis.

- The method of costing labour and facilities used by SMP exceeds the minimum cost benchmark consistent with competitive neutrality principles
- In May 2018 the ABC reviewed the pricing for products sold through ABC Shop Online to industry rates and found that the pricing of such ABC products was not lower than market prices.
- Content distribution costs are based on market rates based on contracts with industry leaders (Netflix, Stan, Apple etc). The revenue from these contracts is based on content quality and is driven by the purchasing requirements of these customers. There is no opportunity to undercut the market for content distribution.

#### ***Shared Resource Allocation and Accounting Separation***

ABC Commercial predominantly operates in Ultimo and shares resources with the ABC. These include utilisation of technology, assets and corporate services.

ABC Commercial has accounting separation from the ABC and is also charged for the costs of shared resources including:

- Rent;
- Depreciation;
- Amortisation;
- Services such as finance, legal, payroll, accounts payable, accounts receivable, etc; and
- IT services and charges.

The costs are allocated to the business units within ABC Commercial on a pro-rata basis.

#### **Conclusion**

- Revenue is based on full cost distribution and exceeds the minimum cost benchmark consistent with competitive neutrality principles.
- Pricing and/or rates charged or negotiated are consistent with market rates.

## 08 Government Disadvantages

### 8.1 Superannuation

The ABC is required to pay higher superannuation costs than media companies in the private sector due to the provision of Commonwealth workforce superannuation incentives. ABC's remuneration packages are determined by the Enterprise Agreement and Senior Employment Agreements, which are negotiated with relevant Union bodies and meet the requirements of the Fair Work Act.

#### Reporting Costs

The ABC is subject to a high level of external reporting, including to the Portfolio Minister, the Department of Finance, and the Australian Senate. Regular and ongoing statutory reports include, amongst others, returns or information submitted to the Australian Taxation Office, Comcare, Comcover, APRA, AMCOS and the Department of Finance.

These are in addition to management reporting requirements consistent with industry competitors such as preparation of board and audit committee reports, compliance and preparation costs. The additional reporting results in additional costs to the business. These costs are accordingly also apportioned to ABC Commercial.