



Broadcasting—moving to more efficient broadcasting fees

Modern regulation for a new media environment

Australia's commercial broadcasting sector provides Australian audiences with free access to iconic cultural and sporting events, news, current affairs and high quality entertainment. The sector plays an important role in reflecting and informing Australian cultural life.

The capacity of free-to-air broadcasters to continue to fulfil this role is being challenged by rapid changes in the media environment. Audiences now have more viewing opportunities than ever before, and are able to choose from multiple services including free-to-air TV, pay TV, catch-up TV, streaming services, subscription video on demand and user generated video. This has led to a fragmentation of audiences and general erosion of advertising revenue for the traditional media outlets, including commercial television and radio.

This level of competition for audiences was not always the case. Traditionally, Australia's commercial broadcasters occupied a dominant position in the Australian media market. With limited competition and a near monopoly in the provision of audio and audio-visual content, commercial broadcasters were highly profitable. Broadcasting licence fees were introduced in that environment to return to the Commonwealth (and the public) a portion of the super-profits able to be earned by the holders of commercial television and radio broadcasting licences.

The operating environment is now radically different and the rationale for the imposition of broadcast licence fees on Australia's commercial broadcasters has been eroded. Revenues are flat or declining in real terms as online and on-demand services draw audiences away from traditional broadcast platforms. At the same time, costs are rising, and the capacity of broadcasters to contain further cost growth is limited given the need to invest in programming and technology across multiple media platforms.

In summary, broadcasting licence fees are now a relic of a bygone age—they unfairly saddled free-to-air broadcasters with fees their competitors did not pay.

What changes has the Government made?

To enable broadcasters to compete in the modern media environment, the Government has abolished broadcasting licence fees, saving broadcasters around \$130 million per year. At the same time, the Government has introduced a price for the use of radiofrequency spectrum for commercial broadcasting that more accurately reflects its use.

Spectrum is essential to a digitally networked economy and a major contributor to Australia's economic and social wellbeing. It is critical infrastructure enabling production for industrial, commercial, educational and other social services. The Government needs to manage this resource carefully, in recognition of its public value. Commercial broadcasters have been paying a very small amount compared to the value of the spectrum they actually use—about \$75,000 per year.

Under the *Commercial Broadcasting (Tax) Act 2017*, broadcasters will pay for the spectrum they use at a level more reflective of its value. The broadcasters will pay for each spectrum transmitter they use. Higher value transmitters will attract a higher fee. In total, the sector will pay around \$40 million per year for spectrum use.

The move from a revenue based fee to a spectrum use fee will provide an overall reduction in fees to broadcasters. This fee relief will enable broadcasters to better compete with online competitors, invest in their businesses and produce Australian content. Broadcasters will also benefit from the reduced administrative and regulatory burden coming from abolishing broadcasting licence fees and the associated yearly reporting.

No broadcaster worse off

Under the new arrangements the vast majority of broadcasters will see significant reductions in fees. However, with the change to a per transmitter rather than revenue approach, a small number of broadcasters in regional areas will see an increase in fees.

To provide these broadcasters with time to adjust to the new fee structure, the Government will provide a transitional support package over five years. This package will fully compensate these broadcasters for any additional fees incurred.

The ACMA will be directed to conduct a review of spectrum pricing within 5 years to examine the operation of the new pricing structure and ensure the arrangements remain appropriate.

Further information

Visit www.communications.gov.au/bcrp for more information on the Broadcasting and Content Reform Package.