"Ownership, Diversity and the Public Interest"

Network Ten Pty Ltd ACN 052 515 250
Submission to the
Productivity Commission Inquiry into Broadcasting Legislation
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Executive Summary

Network Ten's submission focuses solely on ownership of the media and the ways in which plurality of ownership ensures diversity of views. Other issues are covered comprehensively in the Federation of Commercial Television Stations' submission to the Inquiry.

Diversity remains an important principle underlying regulation of Australian media. Liberalisation of any aspect of the current ownership and control rules should only be permitted if it promotes diversity and does not result in undue concentration of influential media.

The media landscape has changed since the passage of the Broadcasting Services Act in 1992. Despite new technologies and new media, Australia risks a reduction in diversity of viewpoints as a result of the trends towards convergence and concentration of ownership.

New media is not a guarantee of diversity. Convergence is driving further concentration of ownership, with existing media owners taking significant stakes in new media. Mass media is so named because it effectively reaches the vast majority of the population – televisions and radios are in every home and available at the flick of a switch. Newspapers and magazines are familiar and easy to obtain. New media is targeted to the interests of individuals, rather than to a mass audience, and for that reason it remains less powerful and with less ability to influence.

Despite rapid technological developments, newspapers, television and radio remain the most influential media at this time. Diversity of opinion is best ensured through diversity of ownership of these influential media.

The initial objectives of the cross-media rules remain valid – there is a continuing need to ensure the plurality of ownership across influential media which is the best assurance of diversity of opinion. However, there is no longer a need to distinguish between the individual media (newspaper, television and radio).

The current cross-media rules should be abolished and replaced with an objective, flexible diversity test which facilitates growth of new media while limiting concentration of ownership of influential media. One possibility is a hybrid diversity test, combining objective measures such as revenue together with geographic market restrictions.

Foreign investment is an important contribution to media diversity and effective competition. Foreign investment provides social and economic benefits through growth capital and global expertise.

Foreign ownership restrictions should be liberalised to facilitate increased investment in Australian media.

Any liberalisation of cross-media restrictions must be balanced by liberalisation of foreign investment restrictions.

A further anomaly in existing regulation is the 75% audience reach rule limiting national broadcasting coverage. This rule should be abolished and broadcasters allowed the same audience reach that pay TV, radio, newspapers and new media are allowed - 100% of the population.

1. Introduction: Mass media, new media and plurality of ownership

The media industry is unique, requiring balance between protection of the public interest and operation of market forces.

Ten's submission focuses on ownership and control issues arising from the changing media landscape.

Despite new technologies and new media, Australia risks increased media concentration and loss of diversity.

The media, particularly the mass media, remains a unique industry providing public services essential to the operation of a democratic, tolerant society. The modern media is expected to inform and to entertain; to reflect and challenge community views; and to objectively report on politics, public policy and those accountable for society's smooth functioning.

The mass media is also, in the main, a commercial industry, operating in a competitive market. It seeks to satisfy its consumers through content mix and satisfy its advertisers through audience reach.

Balancing public and commercial interests is the basis of media regulation. At the macro level, regulation impacts on plurality of ownership; at the micro level it addresses content and community standards; and at the market level, regulation sets parameters for competition. This submission focuses solely on the macro issues relating to media ownership and the impact of ownership on the public objectives of diversity. The other issues are covered comprehensively in the Federation of Australian Commercial Television Stations' submission to the Inquiry.

The mass media is so called because it is accessible and appealing to a large number of people. At any point in time, a significant proportion of the population will be reading, watching or listening to newspapers, radio and television. It is this high level of penetration that makes the mass media so influential – the same message is efficiently relayed to a broad audience.

New media such as the internet are potentially widely accessible, but the audience is fragmented and targeted on the basis of specific interests, rather than broad appeal. As a result, new media does not have the same ability for widespread influence as mass media.

The scope of mass media reach gives it a unique ability to influence public opinion. When only one or two owners hold this potential power to influence, there is a serious risk of abuse of power which could impact on the workings of democracy as well as the activities of the market.

As this submission will outline, diversity of views is the best protection against inappropriate use of influence. Ten's proposal seeks to ensure a sufficient number of distinct voices are reaching the majority of Australian media consumers through promoting plurality of ownership in conjunction with increased foreign investment.

"In 1996, more than 15 per cent of the total value of the worldwide mergers and acquisitions was generated by the communications sector industry and the trend seems to be intensifying."[1]

There is no question that the media landscape is evolving and developing in ways unimaginable to the developers of Australia's broadcasting legislation earlier this century.

New technologies are creating an unprecedented array of information and entertainment sources through datacasting, internet technologies and home video replacements.

Convergence is breaking down barriers between media, telecommunications and other infrastructure industries. Convergence is increasing the trend towards concentration of media ownership as media owners seek to exploit economies of scale offered by technological convergence.

In Australia, limited access to capital (as a result of our size and current foreign ownership restrictions), combined with our small, dispersed population base, restrict the opportunities for new independent media entrants. As a result, the potential for inappropriate levels of ownership concentration remains a very real concern.

As the 21st century approaches, significant social, economic and technical changes are impacting on the effectiveness of our regulatory system and raising questions about existing social objectives.

New technology does not negate the value of regulation – rather it forces us to reassess our regulatory objectives, as well as the mechanisms chosen for achieving these objectives.

Plurality of ownership is the linchpin of an independent, diverse media. Plurality of ownership in Australia is unachievable without intervention.

2. Network Ten

Independent, innovative.
Focused on youth demographic.

Network Ten has carved a particular niche in the Australian media landscape as an independent, innovative contributor to media diversity.

Ten's history is illustrative of the risks, returns and responsibilities of free to air broadcasting in Australia.

Ten has undergone a remarkable transition over the past decade. Following turbulent times in the 1980's, the company which then owned the Sydney, Melbourne and Brisbane stations was placed into receivership in 1990.

In 1992 a group of investors acquired the Ten business from Westpac. Majority shareholding interests of 85% are principally held by Australians. Canadian broadcaster CanWest Global Communications (CanWest) holds a 14.99% shareholding interest in Ten and a 57.5% economic interest in Ten.

Ten set out to target a younger audience (16-39 years of age) with a mix of innovative Australian and international programming. Since 1992, Ten has consistently held the largest commercial share of the 16-24 year old audience.

Cost management strategies were implemented through developing relationships with independent production houses and outsourcing the majority of production requirements.

Within seven years, this new approach – meeting both viewer and advertiser needs while controlling costs - has seen Ten emerge as a financially strong national television broadcaster with amongst the highest profit margins in its industry in Australia.

In 1998, the listing of Ten Network Holdings Limited enabled more Australians to share in Ten's success.

Examples of Ten's popular and innovative Australian programming include *The Panel*, *Good News Week, E News* and *Totally Wild*. Many examples of Ten's Australian programming have been exported to countries around the world, including *Neighbours*, *Medivac*, *Totally Wild*, *Breakers*, *Big Sky*, *Never Tell Me Never*, *Day of the Roses* and documentaries such as *Gorilla Gorilla*, *A Race for Survival* and *Zoo Babies*.

Ten's vision of its place in the future media landscape is as an independent, competitive force, competing against a much wider range of entertainment/information opportunities but still delivering on its two key products - innovative programming and targeted audiences.

Ten will continue to play its role in providing balanced information and programming which reflects its Australian audiences' identity and interests.

Ten is monitoring the opportunities around emerging media to further utilise Ten's balance sheet and management expertise through acquisitions in complementary businesses in the media, communications and entertainment industries in Australia and overseas.

3. Diversity and the Public Interest

3.1 Regulating Diversity of Views

> *Diversity of opinion is an important public benefit. Diversity of opinion is best ensured through diversity of ownership.*

As outlined in section 1, the media plays an important role in a democracy by prompting consideration of social, political and cultural issues. The best protection against undue influence is to ensure that consumers have access to many opinions. Yet diversity of opinion is difficult to regulate for a number of reasons.

Regulation of views and content at the broadcast level can act as a form of censorship, thus contradicting the initial objective of the legislation.

In addition, any regulation of this nature requires subjective judgements which are open to different interpretations and dispute. The difficulties of making subjective judgements are most evident when dealing with editorial and political opinion. Yet these are some of the areas where diversity of views is most significant.

It could be argued that in a country where journalistic independence is enshrined in a code of ethics, journalists and editors should be trusted to uphold balance and objectivity. However, without alternate potential employment with a number of other media outlets, the risk is that at the very least, some form of self-censorship will influence journalistic and editorial standards.

Another argument is that diversity is ensured by the presence at any one particular outlet of commentators with varying backgrounds and views. However, the reality is that awareness of a proprietor's viewpoint or other interests do play a role in the overall reporting of key issues.

For example, when a UK satellite broadcaster announced the purchase of Manchester United football club in September 1998, the responses were summarised as follows:

"…some of his newspapers said that supporters were keen on the move. In the rest of the British press,… fans were said to be devastated and tearful. In reality, there seems to have been widespread indifference."[2]

Diversity of ownership will help promote an independent journalistic culture, will promote additional employment paths for journalists and most importantly will guard against the creation of an environment where the power of influence may be misused.

The most effective, objective way of promoting diversity of views is to ensure diversity of ownership.

3.2 Mass Media Influence

Newspapers, television and radio remain the most influential media.

In the 1992 broadcasting landscape, it was recognised that not all media outlets have the same potential influence.

Section 4 (1) of the Broadcasting Services Act 1992 ("BSA") specifies that:
"The Parliament intends that different levels of regulatory control be applied across the range of broadcasting services according to the degree of influence that different types of broadcasting services are able to exert in shaping community views in Australia."

In the years following the introduction of the BSA, the media landscape has changed significantly.

Pay television is gaining share with a subscriber base of over 900,000 households. In March 1998, 17% of capital city households and 8% of households in all other areas were connected to the internet[3] and the numbers are rising rapidly.

The introduction of digital broadcasting is offering further opportunities for entertainment and information, through television screens, computers, telephones and other outlets.

However, there remains a significant gap between the influence of mass media and the influence of new media because their audience base and audience targeting methods are so different.

The mass media offers content of broad appeal to achieve the significant audience penetration sought by advertisers. The average Australian television viewing time is over three hours per day.[4]

On the other hand, new media offer niche programming to target the interests of individuals, usually on a subscription basis. Pay tv operators offer a package of channels, each with a different interest area. Internet sites can be extremely specific due to the low cost of publishing. Unlike the mass media, new media is not designed to capture immediate attention, at a particular point in time, of a significant portion of the population.

Mass media penetration is also assisted by ease of access. Televisions and radios are part of the furniture in an Australian household. They are familiar and accessible at the press of a button. Importantly, viewing of free-to-air television and radio is free. Similarly, newspapers are inexpensive and easily obtained.

New media is less immediately accessible because it requires additional equipment and often some form of subscription or access fee.

In addition to cost issues, the technological challenges of new media create barriers for some groups in the community. Only 2% of people over 55 years access the Internet from home.[5]

Lack of awareness of available information also limits the influence of new media. While the internet is making it possible for anyone to publish a view there are no guarantees of wide penetration of that view. The proliferation of diverse sites on the internet make it very difficult to attract large numbers of consumers to a particular site, unless it is advertised and promoted effectively. The most effective advertising opportunities are in the mass media.

For example, when the Nine Network's *Our House* broadcast included mention of the program's website, ninemsn tracked a significant increase in visits to the *Our House* web page during the evening of the broadcast and the day after.[6]

For at least the medium term, new media will not rival the existing mass media in its ability to simultaneously capture the attention of a significant portion of the population. Despite new media's continuing growth and potential, newspapers, free to air television and radio will retain their position as the most influential media.

3.3 New Media Content

Owners of influential media are at the forefront of new media. Much content for new media is sourced from existing media.

Technological convergence is providing new opportunities for media companies to exploit economies of scale.

The most significant economy of scale will be that of content. Content is essentially a fixed cost, so the more it can be utilised the greater opportunities to maximise marginal revenue.

Major media companies in Australia such as PBL, Fairfax and News Corporation are exploring new media opportunities which can exploit economies of scale through utilising the same content.

As a result, some of the most popular new media sites source the majority of content from their related influential media, thus simply reinforcing views and opinions expressed in the mass media source. Where additional information is offered, it is more likely to be expanding on existing news in the original media rather than taking a completely different perspective.

ABC Online, for example, is highly regarded because it provides additional consumer access to information sourced from ABC radio and television.

Another popular site, ninemsn, utilises substantial content derived from PBL's television and magazine information sources. Similarly, Fairfax Online derives content from Fairfax newspapers.

In both these instances, the web sites are proving a golden opportunity for cross promotion of information and entertainment products offered through related media outlets.

Pay television also offers limited sources of alternate views. The majority of programming offered by pay television in Australia relies to a large extent on purchasing existing programming rather than creating new content.

New media offers the opportunity to produce alternative content cheaply and the proliferation of web sites and internet chat rooms demonstrates the willingness to use the opportunity. However, as described in the previous section, it is difficult to attract significant number of consumers. As a result, mass penetration of alternative content is difficult to achieve.

The difficulties of gaining influence through alternative media content further emphasises the importance of ensuring diversity of views in the mass media.

3.4 Cross-Media Rules

Cross-media rules were created to avoid ownership concentration.
Cross-media rules should be abolished.
Replace with diversity test to promote plurality of ownership.

The media plays a key role in reflecting images of our society – how we engage with the world, with our history and with the future.

A variety of media sources and content should ensure a variety of perspectives are available which inform and enable the operation of a democratic, questioning, innovative society.

Concentration of ownership, however, decreases the opportunities for alternate views to be widely canvassed. At its worst it risks a concentration of power which can directly impact upon the operation of a democratic society. Inappropriate concentration of ownership can also result in undue market power which could be used to force out smaller players and further decrease diversity.

Australia is by no means the only country which promotes diversity through cross-media ownership restrictions. An OECD survey covering 24 member countries indicates 11 countries maintain cross-media ownership restrictions and a further two countries are considering the issue.[7] Countries maintaining cross-media ownership restrictions include the United Kingdom, France, Germany, Italy, Norway, Korea and Japan.

Like Australia, most OECD countries also have the benefit of public broadcasting services. Our national broadcasters, ABC and SBS, are widely respected for their contribution to innovative programming, ranging from drama to documentary and news and current affairs.

However, while the ABC and SBS offer important outlets for diversity, their combined audience share alone is not enough to counter the risks inherent in inappropriate concentration of influential media.

Australia's cross-media rules were introduced in order to ensure diversity of ownership in the most influential media. Rapid developments in the media landscape are heightening, not lessening, the importance of avoiding inappropriate concentration.

Despite the continuing need to ensure plurality of ownership, changing circumstances have proven the cross-media rules to be lacking in some respects.

Current rules have not prevented significant reductions in numbers of media owners and have not prevented a large share of influence being gained by two major media players.

The current rules have not always proved practicable for rural areas, prompting ad hoc, individual changes. For example, in 1996 Australian Provincial Newspapers commenced distributing more than 50% of their Queensland newspaper, The Queensland Times, for free outside the licence area of APN's radio station, 4KQ, to avoid application of the cross-media rules. As a result the government introduced an amendment in the Broadcasting Services Legislation Amendment Bill 1997 to specify that the cross-media rules will only apply if a newspaper is purchased by 2% or more of the population of a radio station's licence area.[8]

However, the cross-media rules have worked to ensure some level of diversity. Cross-media limitations have ensured there is space for an independent third commercial network. They have ensured the continuing existence of an independent national newspaper group.

Abandoning cross-media restrictions without any replacement will not encourage any new entrants into the media landscape and will hasten the trend to concentration.

For these reasons, Ten recommends development of a new test for diversity which continues to address the underlying objectives of the cross-media rules, but which operates in an more objective, flexible way.

3.5 A New Approach to Regulating Diversity

An objective, flexible test for diversity which facilitates growth of new media while limiting concentration of influential media.

General competition law will not deliver effective media regulation. In considering the potential for the ACCC to monitor media on the basis of trade practices law alone ACCC Chairman Professor Allan Fels has previously distinguished between the "economic competition" covered by competition law and the "market for ideas" which is unlikely to be taken into account under the Trade Practices Act.[9] As previously outlined, the public interest in media goes beyond economics to ensuring diversity of view. As such, competition law alone is inadequate.

Other regulatory models have been considered with regard to cross-ownership. In the United Kingdom, a "share of voice" model was developed in 1996. The model aimed to designate various media according to their level of influence and set a level beyond which no further media acquisitions were possible. The complexity of the model is underscored by the fact that the UK still retains some specific cross-media ownership limits for radio / television (national and local) and for national newspapers / regional television and radio.

The difficulties of regulation should not influence assessment of the need for regulation in this area. Rather a new form of diversity test should be developed, based more objectively on competitive market principles, but while retaining recognition of the uniqueness of the mass media industry.

UK academic Petros Iosifides describes a potential hybrid approach where:

"A combined test involving advertising and/or subscription revenues and audience shares could effectively measure market power and possibly reveal influence on total media consumption. A possibility in relation to complex combinations of media would be to set a percentage of market share in terms of revenue as a threshold for further examination of the position in terms of audience share."[10]

Utilising another hybrid approach, an Australian model could incorporate objective data with geographic market distinctions:

Example of new diversity test:

Ownership across influential media will be permitted provided that no person/company is in a position to attract more than:

- a designated percentage of the national advertising market for television, newspaper and radio combined;

  and

- a designated percentage of the advertising revenue for newspaper, radio and television in any given geographic market.

For the purpose of applying the diversity test, a control threshold will need to be determined.

Under the proposed model, advertising revenue is used as an objective correlation of potential influence. This is appropriate given that advertising rates in mass media reflect the size and characteristics of audiences (and therefore the potential scope of influence).

In addition, ownership concentration potentially gives power to manipulate advertising rates, thus impacting on diversity by limiting the competitiveness of smaller media companies.

Australia's relatively dispersed population results in the need to distinguish markets geographically as well as on a national basis. Otherwise it is conceivable that States which hold a relatively small share of the national advertising total, such as Western Australia and South Australia, would be open to a media monopoly. For isolated areas with a solus tv licence it may also be necessary to vary the geographic market revenue limit.

While this submission focuses on television, radio and newspapers as the most influential media, regulators may wish to consider the inclusion of high circulation magazines within the definition of influential media, given their significant audience reach.

The definition of influential media may well change over time. For example, pay television or the internet may start reaching significant numbers. New technologies in the home may result in new ways of reaching mass audiences. Any changes in level of influence can be accommodated within this model with regular reassessments of reach and penetration.

The model proposed in this submission does raise questions in its assumptions about the influential media being defined as a single market. The Australian Press Council in its 1996 Submission to the Review of Cross-Media Rules suggested that convergence was reinforcing the trend towards a single media market (with the continuance of sub markets). One example given which suggests considerable interchangeability is the decline of the evening newspaper coinciding with the rise of the evening television newscast.[11]

Arguably the most substitutable element of radio, television and newspapers is in fact news – and this is precisely the area in which diversity is most important.

A hybrid model offers more flexibility than the current rules in that there is an element of choice for media owners across the spectrum of influential media. In addition, the model is based primarily on objective, assessable data (revenue) thus reducing uncertainty and subjectivity.

Obviously, the proposed model requires more study, in particular in determining most appropriate measures and levels of concentration. The point of including this model is to indicate the scope for further development of new regulatory models which are no more costly, rely on objective measures and continue to protect the public interest through ensuring diversity and plurality of ownership.

4. Foreign Investment

Foreign investment provides social and economic benefits by promoting diversity, growth and global expertise.

Currently the rules governing foreign investment in Australian broadcast media are considerably more restrictive than rules governing foreign investment in other forms of Australian media.

They are also more restrictive than rules governing foreign investment in television broadcasting licences in comparable countries. OECD countries which allow unlimited foreign investment include Denmark, Finland, Netherlands, New Zealand, Norway, Sweden and Portugal.[12] In addition, most European Union countries give the same rights to citizens of other EU countries as their own, thus increasing the investment opportunities across the EU.

Yet foreign investment promotes the growth, vigorous competition and diversity which is in the community's and the industry's best long-term interests.

Growth capital
Foreign investment provides much needed additional funds to promote growth, innovation and expansion in media. In our relatively small market, too few Australian companies or individuals have the scope to be primary investors in large-scale media such as broadcasting.

Foreign investment also increases liquidity and depth in the market, which is of benefit to all Australian shareholders.

Network Ten's current ownership structure was initiated in 1992 when a consortium including Canadian broadcaster CanWest Global Communications purchased the network out of receivership.

At the time, it proved difficult to attract Australian interests to take on the majority of the investment. CanWest's persistence in seeking Australian investors for the consortium resulted in great success for the initial Australian investors, as well as ensuring future employment for the Australian staff of Ten.

Expertise
Sharing of knowledge and expertise is facilitated by foreign investment, ensuring Australia has access to international developments in the field.

Global exposure
Increased foreign participation will assist Australian media to compete in the global marketplace. For example, Ten previously joined in a consortium with CanWest to bid for the fifth UK commercial television licence.

Diversity of ownership
Diversity of ownership, in a relatively small market such as Australia, is the most significant public benefit arising from foreign investment. The benefits are outlined in section 3.

4.1 Attracting Foreign Investment

Current foreign ownership restrictions work against diversity and therefore against the public interest.
Abolish existing foreign ownership restrictions.

The current foreign ownership restrictions work against diversity and growth by unduly restricting inflow of foreign capital with no accompanying public benefit.

The original aims of foreign ownership restrictions have their genesis in post World War II concerns about national security. Any remaining community support for rigid foreign investment restrictions is more likely based on the mistaken assumption that Australian owners will be more likely to provide their audiences with Australian content. The reality is that Australian content is today determined by regulated standards, and by market demand.

As with cross-media rules, a balanced approach can promote diversity and protect the public interest.

Ten recommends the complete liberalisation of foreign ownership restrictions to facilitate increased investment in Australian media.

Foreign investors should no longer be prevented from seeking significant shareholdings in Australian media, even if that includes the potential control of Australian media.

Foreign participation in Australian media is the best way of ensuring diversity of ownership, and therefore protecting diversity of views.

No impact on content

Increased foreign investment will not impact on the reflection of Australian culture. Australian content is comprehensively regulated, as are the standards of broadcast programs.

In addition, market demands will dictate content decisions.

International connections may in fact promote the export of Australian culture through promoting sales opportunities.

4.2 Improving Regulatory Efficiency

Streamline multi-tiered regulation
Lift restrictions on foreign managed funds managers investing Australian funds in Australian media.

In the interests of promoting efficiency, two other aspects of foreign investment regulation also require review.

Streamlining Regulation
The current foreign ownership restrictions are subject to three layers of regulation:
The Broadcasting Services Act;
The Foreign Acquisitions and Takeovers Act ("FATA"); and
Guidelines for Foreign Investment, issued by the Treasurer.

Under the current legislative regime, in addition to the restrictions contained in the BSA and Treasury guidelines, the Treasurer has the power to disallow any proposed investments in media under the terms of the FATA.

It is recommended that the Government adopt a clear policy statement that the Treasurer's determinations under FATA will be consistent with any media specific requirements in the BSA.

This will increase transparency and predictability, thus facilitating the further growth of foreign investment.

Foreign-owned Investment Funds
The commercial television industry has identified the treatment of investment funds managed by foreign owned funds managers as an issue to be addressed.

The current foreign investment restrictions apply not just to foreign persons and foreign corporations – they also apply to investments on behalf of Australian persons by foreign controlled institutions.

This impacts substantially on the ability of superannuation and managed funds, life insurance funds and institutions acting as custodian of securities for a third party to invest Australian funds in Australian television broadcasting companies.

It results in some serious anomalies:

- In the race for growth funding, Australian broadcast media companies are at a significant disadvantage compared with other Australian industries where Australians are not restricted in their ability to invest.

- In some cases, the superannuation funds of ordinary Australians are more easily invested in overseas media companies than they would be in Australian media.

- An Australian government superannuation fund which changes to a foreign owned funds manager may be forced to exit the share register of an Australian media company because although the funds remain Australian, the investment will now be considered foreign.

A similar anomaly has been previously addressed through legislation relating to investment in Telstra, Qantas and Australian airports.

So long as there continues to be any restriction on foreign investment in media, Ten recommends that similar amendment be made to the BSA, providing an exemption from the foreign investment rules when foreign owned funds managers are investing substantially Australian in their role as a trustee or manager.

Through this amendment, foreign-controlled funds managers would effectively be deemed Australian for the purposes of investing majority Australian funds in Australian broadcast media.

4.3 Foreign Investment and Cross-Media Restrictions

Any liberalisation of cross-media restrictions must be balanced by liberalisation of foreign investment restrictions.

As outlined in section 3, Ten submits that there is a continuing need for regulation to enable diversity of views to exist in influential media.

If, however, a recommendation is made to abolish cross-media restrictions, then the role of foreign investment becomes even more important in ensuring diversity.

In the absence of cross-media regulation, the media players best placed to take advantage will be those who already have a substantial stake in the market.

Without further liberalisation of foreign investment restrictions, there would be a real risk of a large Australian media owner dominating Australia's media, thereby fatally compromising competitiveness and diversity in our most influential media.

5. Geographical Ownership Restrictions

Abolish 75% audience reach rule.

A further anomaly exists within the ownership and control rules – the 75% audience reach limit restricting the geographical areas in which licence holders may broadcast.

This rule should be abolished and broadcasters allowed the same audience reach that pay TV, radio, newspapers and new media are allowed – 100% of the population.

This restriction is an additional layer of regulation which does not provide any positive public benefit.

The reality is that market demands will dictate the extent of local content, regardless of the size of the broadcaster in smaller regional markets.

6. Conclusion

In the rapidly changing media landscape, diversity remains the most important principle underlying Australian media regulation.

In the absence of appropriate counter measures, convergence of technologies and expansion of existing players into new media are real threats to media diversity because of their impact on ownership concentration.

The mass media will retain its position of influence while ever it continues to efficiently reach large audiences. Other forms of media will contribute to diversity but they do not offer the same level of penetration.

Appropriate regulation can promote social and economic objectives - enabling existing and new commercial players to experiment and invest in new media while at the same time ensuring there is no decrease in diversity of opinion across our most influential media.

Liberalisation of any aspect of the current ownership and control rules should only be permitted if it promotes diversity and does not result in inappropriate levels of concentration in influential media.

Plurality of ownership can be protected through an objective diversity test for influential media and by facilitating increased foreign investment in Australian media.

Further information

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