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THE NEW MEDIA FRAMEWORK

**Harold Mitchell AO
Chairman
Mitchell & Partners**

As I was thinking about what I might say today one of my staff in telling me how you can download the latest U.S. TV shows onto your computer before it arrived on free to air, said as he left my office...mumbling

'The Internet is just anarchy'.

I didn't think much about what he said at the time,

"The internet is just anarchy" as I commenced looking at the possibility of Senator Coonan's White Paper on the media, due out next week that is intended to be followed by, not to take the colour coding too far, a Blue Print for media regulation.

Or I would hope media deregulation.

I was also pondering some comments recently by Colin Segelov the Executive Director of the AANA said recently that Commercial TV only had another 4-5 years left in it as a force to be reckoned with.

I don't entirely agree with him but if advertising is going to help fund the revolution in the new media world, we have to take his and his members comments seriously.

And the TV moved from the living room to every room in the house.

Magazines proliferated to cater for the special interests of individuals as they doubled in number and the wealthier society had more leisure time and money.

Some old favourites hung on.

Classified ads in the paper.

Music on the radio.

Going to the movies.

Listening to and watching the ABC.

But with the turn to the 21st Century, you'll recall the western world paranoia with the Y2K bug, which never happened, but there was something else happening behind the scenes.

It was the digital world and the Internet.

And the move from mass media to the world of the individual.

An individual that was richer, more confident, computer literate and not wanting to be tied down to old habits and the old media.

A change was underway and now we're right in the middle of it.

And like all changes, the vast number of people will never know that it happened until it is too late.

Others pick up more quickly

Rupert Murdoch in March last year famously said, that he didn't think the Internet was going to happen some five years earlier.

But it is here. He said he was wrong and he set News Ltd on a course of quick catch up spending billions on the way.

Monumental change has happened before.

But really big ones have not happened in our lifetime.

We weren't here to see steam lose out to electricity and certainly we didn't see the followers of Ned Ludd and his Luddites move to break up the cotton spinning machines of England, when in a King Canute move they tried to hold back the tide.

So what are the effects of this revolution?

Well there are many.

Value is one.

Google was not even a word 8 years ago.

It's now worth \$107 billion (US) more than the U.S. networks.

Company	Market cap as at 10/02/2006 (all US\$)
Google	\$107bn
Time Warner	\$85bn
Oracle	\$66bn
Apple	\$57bn
News Corp	\$53.2bn
Disney	\$51bn
News Corp	\$51bn
Yahoo!	\$46bn
GE	\$386.9bn
Microsoft	\$276bn
Proctor & Gamble	\$196bn
Ford Motor Co	\$15bn
General Motors	\$12.4bn

And in Australia the mighty Fairfax worth \$3.8 Billion (now less than \$4.1 billion 5 years ago) compared to SEEK a lively upstart classified site, which might have been considered just a minnow but right now is valued by the market at \$1 billion.

So with that as part of the background, in Canberra next week we're about to see Senator Coonan call for submissions in an incredibly short 4-week window.

Perhaps Senator Coonan could look back to 16 January 1953.
- Sir Robert Menzies faced with the new world of television announced that he was repealing the legislation that prohibited the licensing of television services.

He said:

"It is obvious that the introduction of television raises many questions of great importance.....concerns in responsible educational, cultural and religious circles.....implications required close examination".

Rather than 4 weeks, Menzies went on to announce a Royal Commission and 3 years later we had the television system that we know today.

We have some clues to the thinking of the Minister.

- Possible changes could involve the lifting of foreign ownership barriers and scrapping the old cross-media rules in favour of a "minimum voices" test to ensure diversity in every market.
- Each capital city market will need to have five different media owners made up of newspaper, TV and radio companies, and each regional market will require four.
- At present, Sydney and Melbourne have nine major players: Seven, Nine and Ten in TV, Austereo, DMG, ARN and Southern Cross in radio, and News and Fairfax in print - while Brisbane and Perth have eight (as above, minus Fairfax) and Adelaide seven (no Southern Cross radio.)
- But the Government has said it will not allow a new TV network, and the use of multi-channeling by commercial broadcasters will continue to be restricted.
- The promise is to increase the range of media options available and encourage companies to improve digital content — that will throw up the biggest surprises.

- Restrictions on datacasting will be eased in an attempt to accelerate Australia's conversion to digital television.
- Analogue switch off revised date to be announced - speculation has it from 2008 to 2012, under Senator Coonan's proposals.
- Consumers will potentially have greater access to news and entertainment content in myriad formats as TV and newspaper content is supplied to portable communication devices – eg/ live sport on your 3G device, rich news images and reports delivered instantly to mobile phones. (*Tell cricket story*)
- After the white paper's release, Senator Coonan will allow only a short public consultation period of about four weeks before the paper goes back to her department in preparation for a final presentation to cabinet in May.
- The big players differ on the key digital issues of multi-channeling and datacasting.
- While Mr Stokes's Seven is keen to offer an alternative free channel, Nine is opposed on the grounds that audience fragmentation will sap advertising revenue from all the incumbents.

- The bill is expected to be presented to Parliament in the second half of the year. If the bill passes the Senate, the move will herald a wave of mergers and acquisitions not seen since the cross-media restrictions were introduced in 1987.
- "The Senator is very keen to stress that this is broad media reform, not just changes to cross and foreign."

What will the Senator's view of changes mean?

I hope that it will be so wide and far reaching that for the next 20 years; it will be of such importance that it will become known as the *Coonan Blue Print*.

She truly has an opportunity in Australia to be part of history.

But any change that doesn't fully embrace the power of the technology (i.e. the internet) or tries to limit its effect on the current players is doomed to failure.

So let me for a moment return to what I said at the beginning. *The Internet is just anarchy* said my staffer.

So I went and looked at the synonym for anarchy.

- Disorder
- Chaos
- Lawlessness
- Revolution
- Mayhem
- Rebellion

Or perhaps it won't be quite like that.

What it does mean is that any laws have to be very careful not to hold us back from significant media revolution and indeed even wider, to a change in our culture.

Consider our past 20 years and the way progress can be halted.

PAY TV in Australia.

PAY TV has been restricted in its growth because of legislation, some say to protect a free to air TV industry.

The company Foxtel has not made any money for 10 years and now has accumulated losses of \$1.2 billion.

Penetration is awful. The multi channel services of satellite cable and ADSL delivery systems in the U.S. for instance, was just over 69%.

In the UK 63% but here in Australia an incredibly low 25%.

The Broadband

Broadband into offices, homes, anywhere that people are is the new marketplace encyclopaedia, learning system, way to shop, way to live your life.

Its massive interests are with both the young and the old as they reach out to a knowledge base.

My 85 year old father this week joined up to the Internet.

And where is Australia?

It's No. 21 in the world with a penetration of 28% woefully behind the top 3

- South Korea 75%
- Hong Kong 70%
- Israel 60%

Again legislation with commercial pressure has kept Australia at the bottom and if we're not careful from a city with the highest per capita income in the world 100 years ago as Melbourne did, we're headed to be the *dunces of the decade* and beyond.

Even catching up can't be done quick enough.

So what is the new media frame work?

The PM in giving hints at staying in the job says that it is now a different job and one of the reasons is the 24-hour media.

What that means is that media is our culture, but what we have is a situation where

- An established TV system that ensures continuity is no longer acceptable
- A wildly competitive radio environment
- A syndicated or pay system that has served no one well

- A stifled broadband that has held us back
- A film and production industry also stifled
- An ABC usually under attack
- A wildly rampant flow of superannuation funds not looking for a home as much as a way of a quick dollar.
- It may have served some well in the past - but NOT NOW.

It is Explosive

Suddenly the considerations of Government take on a new urgency

To do nothing or too little would be a great mistake.

A gentle change would be a waste and an unfortunate legacy.

So what should be the plan for the future?

Let me do it quickly in four headings:

1. **Broadband** - We have a plan to move from 21st in the world down there with Chile and Poland to somewhere in the top half of developed nations. Without it forget everything else. It requires legislation and use of both the carrot and the stick.

2. **Culture** - the media dominates our life and it is the media in all its forms. We must be certain that our culture and creativity remains strong. Albert Einstein said: *"Without creative personalities able to think and judge independently, the upward development of society is unthinkable..."* At the moment we're slipping badly. Another argument for another day. But our Australian films from around 8% of the box office in 2000 are now down at 2.8%. U.S. Films accounted for 54% of films screening and 81% of box office. Australian films earned a total of \$23M last year out of total \$817M. If we want the world to look we have to have something for them to look at. New Zealand can do it, why can't we? Drama on TV - again a way of saying who we are is abysmally low compared with overseas countries the number of Australian produced fiction programmes expressed, as a percentage of all fiction programmes is 9%. The UK local production 86%. US 94%. Spain & Italy 44/47% respectively.

Jenny Bott CEO Australia Council in her Hector Crawford Memorial Lecture said: *"The local can be profound, retaining individual identity and our sense of belonging is critical in an increasingly globalised world"*. As a friend of mine says *"we don't want our kids growing up having foreign dreams"*. The ABC is part of this as well. We get good value from the ABC but they seem to be the Aunt Sally of everyone. Last year we gave the ABC \$780M to run TV, radio, Internet and overseas broadcasting. Compare that to the cost of operating the 7 Network \$730M TV alone or the Nine Network \$750M.

3. **Open Ownership / Competition** - We'll see what the Government has to say about open ownership but every other sign from Government is one that encourages competition and an end to monopolies duopolies and oligopolies. They certainly have the capacity for competition in some parts of the media.

In the period from 1991 through to 2005 whilst we maintained just 3 free to air television networks, the government increased the number of radio licences both commercial, community, public and narrow casting from 251 to an incredible 744. A threefold increase. Imagine the world today with 9 TV Networks, not 3

4. **Asia** - We know that anywhere can be the centre of the world but we have an advantage in the time band that is Asia. We are highly developed, sophisticated, open and honest and we've been dealing in a consumer society for a long time. All of this Asians are now discovering. We should be driving up through Asia and encouraging our people, companies and media to do the same, building relationships. Lewis Branscomb, Harvard University, emphasises *"the success of the future is not about technology, government, management or even power; it is about people and their dynamic and emergent patterns of relationships"*.

As the Nobel Prize economist Robert Fogel says:
"Today, people are increasingly concerned with what life is all about". We must be linked in every way with what is going to become the most important part of the world, socially, culturally and economically for the generations ahead, and for the health and wellbeing of our country.

Four things:

1. Broadband
2. Culture
3. Open ownership / Competition
4. Asia

If they can all be covered in the next 4 weeks, I'll pay for my own lunch. But let's hope there's a way because if we don't embrace the entire world, then the technology will cascade down upon us and rather than coming out as top of the class in the next 10 years, we'll finish up as dunces of the decade.