

Senator Richard Alston, Minister for Communications

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Medallion Club**

Senator Alston

Obviously the main game at the moment is Iraq and the only minister that really gets listened to in the budget process, I suspect, will be defence minister. But I think it still means that we have to focus on maintaining the enormous progress that we've made over the last seven years in government. There is no doubt that you don't become the best stand-out growth story in the OECD by accident. Our growth rate is still the best and that's because we have consistently taken tough decisions, and they've ranged from the GST, which everyone would have said was... a bit more than a near-death experience if you embarked on something like. And we managed to pull that one off and that was a reform that had been in the too-hard basket for probably 30 or 40 years.

The reform of the industrial relations system, similarly. I think flexing up the labour market has made a very significant difference even though we weren't able to get what we wanted in its entirety, thanks to some of our colleagues in the Senate. Reform of the waterfront: enormous resistance there as well. But you don't need me to tell you the dramatic improvement in crane rates, as a result, a much more competitive sector which is vital to the economy.

So the microeconomic reform agenda is something that I think has to be continuously embraced on all fronts. And whilst you might not think of it initially in these terms, I see the changes to the cross media and foreign ownership rules in that category as well. Because you know better than I do that media is a huge industry worldwide. Entertainment services dwarf almost any other. In fact, I saw recently that the games industry - the interactive games industry - now grosses more than film box office globally. So there is so much happening out there in terms of new media ... in terms of convergence of traditional platforms. And to have an industry in a straight jacket which has been in place now for some 15 years, which effectively means they can't really expand operations domestically, let alone allow new players to come into the market from offshore. It is a recipe for mediocrity and what then happens of course, and we've already seen a bit of this, is that people focus on cost-cutting. So they withdraw services from regional areas, as two of our regional television broadcasters did.

They're doing that because the growth prospects are otherwise very limited. So cross media and foreign ought to be seen in that context.

You also need to ask yourself what the legitimate role of government is in that whole area. Clearly, what happens in entertainment, I mean subject to community standards and a few other things, is essentially a business issue. The legitimate role of a government in a democratic society is to ensure that people have access to as many opinions as possible so they can make informed decisions. So that's where news and current affairs are different from the rest of the offerings in the media. And clearly that's an important issue, which we have to be vigilant to protect.

But the reality is that what technology has delivered over that 15-year period is absolutely enormous. We didn't have pay television then. We certainly didn't have the

Internet. We didn't have broadband. You didn't have SBS in anything like the roll-out that we've now got, down to, about, communities, of about 5000 or more.

There are so many things that you could access now that you couldn't access then. If there's a major disaster internationally, people rush to the website. Take the Challenger Spaceshuttle. They call up the relevant website ... get all the information they want.

People get information from sources that were just unheard of 15 years ago. And if diversity of opinion means access to news ... well on paid TV alone you can get about six different news services and it's quite likely in the not-too-distant future that you'll be able to beam in live television stations from around the world, subject to cost, I suppose.

But in principle, all these things are going to be available.

So we've never had access to so many different forms of information and therefore I would've thought that opinion is very well protected in this country.

Now there are some safeguards you could put in place and, in terms of the reforms, we've already introduced a bill that's designed to ensure that there are some minimum standards in place. In some respects regionals probably need a bit more sympathetic consideration because some of those markets aren't as competitive. But by and large I think we are in a much healthier state than some other countries.

I mean, at the height of the dot-com boom, and probably when we introduced full and open competition in telecommunications back in '97, people thought we were going to be awash with competitive players.

You go to the US and you talk to Michael Powell, son of Colin, and he will say we could end up with two or three telecommunications companies in this country. We could end up with one or two cable companies. We could end up with, if Murdoch is successful in acquiring direct television, you might end up with a single player on satellite. So, and the same happens in the UK. I mean BT is far and away the biggest game in town. It's a Telstra equivalent, except it's awash with debt. There's a few cable companies, not all that impressive. Commercial television? We've got three in each capital city, in fact in most markets around Australia, and you can't acquire more than one in a market in Australia.

In the UK, where they're reforming their cross-media laws, they've said well, three to a market commercial full stop is adequate for diversity of opinion. So if you took all the restrictions off except those, one-to-a-market television, two-to-a-market for radio and 75% audience reach, by definition you're still going to have probably half a dozen players in every market. So we are very well served in this country and therefore it's a nonsense to have these artificial restrictions placed on commercial activity. By all means, if you're concerned about ensuring that they don't just speak with a single voice in, particularly in regional areas, you could have separate and distinct editorial responsibilities to ensure that separate decisions are made by each media unit in terms of news selection and priorities. And that's a part of the legislation.

But beyond that, the running of the businesses is no more relevant to government than the running of something like Telstra. It just doesn't make sense. It's a.... we're not quite as involved as we are with Telstra, but as you know we are a reluctant, passive investor in that company and the idea that somehow we could be out there making big commercial decisions or taking Cap X commitments that might involve billions of dollars

is just ludicrous on its face. You won't be surprised that I say that we still have our commitment as firmly as ever to getting out of Telstra. At the moment, of course, subject to responding to a report that we got before Christmas..... But I think we can certainly address the necessary issues there. There's an issue about what we call future proofing to ensure that people in regional areas are able to get the services they want and that the funds are there to meet those needs if they are not delivered commercially. But in principle I think, if you look around the world, virtually every country has privatised its government business enterprises for pretty much the same reason that governments just don't have any real idea of running commercial operations.

Digital television is probably another issue that will get a bit of a run this year. We're not quite at the frenetic level of intensity that we were when we first introduced the regime a few years ago. But nonetheless you still get a few snipings on the subject. It's worth remembering that no other country, I don't think, is further advanced than us. Except perhaps the British, and even there they've had quite a dramatic shakeout and when we talk about digital television here the whole debate has largely been around terrestrial, which is the traditional way of getting your television signal through to your antenna.

In the UK where they introduced digital television before we did, it was essentially dominated by SKY which is a satellite service up against a terrestrial Pay TV operator. So it was a contest between two Pay TV companies, one of them not terrestrial. Here it's really about free-to-air terrestrial and that's a fairly narrow space of the market. I mean Foxtel's business case is essentially cable and satellite and they're, as we know, the dominant player. So what you do in terrestrial may be quite different to what you do elsewhere. There's nothing that's stopped cable from digitising. It's a commercial decision and Foxtel, I think, is now committed to doing that as a result of the approval of the Foxtel-Optus deal. But it's their call. It will obviously deliver a lot more channels than are available currently, but there's nothing that the government has done to stop a digital rollout in satellite or in cable. In terrestrial again, we've got a regime in place. We simply want people to take it up. But if you look at the US and the UK, you will find that there have been a lot of stops and starts. In the US, digital TV is still pretty much in its infancy although the networks are generally committed. What's going to drive the take-up there, I think, is probably the producers of the content. In other words, using digital tape rather than film. And most of the equipment these days is digital because of the obvious benefits. And I'm sure that as we move forward people will see all of the attractions that are there. But there'll be a price element and judgments made about whether what's on offer is worth paying for. People cheerfully pay for DVDs ... to the tune, I think this year, of about 930,000 units sold. When DVDs were introduced, I don't know, four or five years ago, they were selling about 20,000 or 30,000 a year for the first few years. So that's not an unusual trajectory. With the introduction of new technologies, you don't just suddenly find a huge take-up rate and we're not finding that, but again I wouldn't be surprised... If you talked to the equipment manufacturers and they have a long and distinguished history, I think, of overstating the case both here and elsewhere - but they say to you that you could well have very significant take-up within five years. You could be up around 70%. This is set-top boxes or sets.

Now, as I say, I would probably halve those sorts of estimates but that tells you, I think, that they see enormous potential for something like digital television in all its manifestations which include wide-screen, which includes quality of pictures, which includes interactivity and ultimately, I think, these technologies are inevitable. It's really the pace at which they're taken up by the market and that is not a call for government. We don't make judgments about whether people should be subscribing to the next best thing in Telecoms or 3G or anything else. So again, I think, what we've got to do is try

and ensure that everyone is pulling their weight. But beyond that it will be a matter for consumers.

So probably in view of the time, Neil, I should leave it there. I am happy to take questions.

Keith Moor from the Herald Sun. The perception is that Rupert Murdoch, who I should say is my boss, has the ability to change governments. Is it your belief that he actually does have that much power and you've obviously had a fair bit to do with him, could you just explain to us your views of the matter?

RA: Well... I presume he didn't ask you to ask the question?

Well, tempting as it may be, I think I would rather approach the overall issue of the influence of media proprietors from a slightly different angle. It is a media obsession, I have to say, and I think its verging on lazy journalism to sort of demonise the proprietors or, you know, anyone who happens to be a significant player on the basis that they have enormous capacity to do this that and the other and everyone else is cringing and terrified and running their agenda. Well, if you think back a few years, I think we got a bit of a hiding from the Murdoch press for quite a while. While not just... I'm saying I don't think he is the same thing as the Murdoch press. Mr Murdoch doesn't write every editorial and article in the Herald Sun or the Daily Telegraph. In fact, the last election you had the Daily Telegraph and the Sunday Telegraph editorialising for different parties. So even within one media group you can get different outcomes and we saw the same thing with Fairfax in the last election. And I think what I would conclude is that if you are in a market like London, where you've got 10 million people and you've got 8 or 9 daily newspapers, then you can almost afford to be classically typecast. Daily Telegraph: Tory newspaper. Daily Sun: Labour newspaper. You can't do that here. You'd lose half your audience if you are clearly on one side of the political fence or the other. And the commercial imperative, as we know, is to generate controversy at all cost. It's not to get out there and barrack for one team and think somehow that sells newspapers or radio stations or anything else. I mean you're in it and you don't need me to give you gratuitous assessments, but the reality is that the media prospers on controversy. So there will always be a built-in incentive to criticise pretty much all that governments do. And that's testing in the market place in a sense. And the challenge for governments is to stand firm if you think you're right. So the last thing we would be doing is thinking that somehow media proprietors have got the capacity to deliver political outcomes. I think if you go back over our seven years in government, I think we have withstood a fair bit at various times and that's as it should be. So I just wouldn't get sucked into it and I'm sure you don't either.

Sam Edmond from the Herald Sun. I was just wondering, you touched on digital television earlier. Just exactly, if could you explain to us, why it probably hasn't taken off as much as you would have liked in comparison to other places, I guess, to a certain extent the UK?

RA: I think, as I said, it's doing reasonably well here. We have not had Pay TV in this country for anywhere near as long as they've had in the UK. And it's been a Pay-driven operation there. They gave away free set-top boxes built in to your subscription fees. Both ITV and SKY and again, I think, that would have been reasonably attractive. The virtue in Pay is that by definition it's multi channels. So you will be more interested if you could get 50 or 60 channels on two different offerings. Whereas here, on Pay until fairly recently, you know, the market was split. You couldn't get the AFL on one of the

Pay TV operators. But again, as I say, it's largely commercially driven. There's nothing to stop Foxtel other than they would say they have been in the red for a number of years. But there's nothing that stops them from digitising. They could have done it years ago.....similarly nothing to stop someone digitising *a la* SKY in the UK. But again, it hasn't happened to date, presumably because the market is too small or the time is not right.

In terms of terrestrial free-to-air, that's a very small market in the US, for example. There's only, you know, 15% of people at most who would have those sets. The rest have cable and satellite. In the UK similarly, the digital take-up has been minuscule for people just wanting terrestrial free to air. So you're dealing with a different animal in Australia. They only have one and a half commercial stations. We've got three here. Here there is a bit of a debate between those stations about what will drive it. But, you know, it will be quality of content, it will be quality of picture, wide-screen obviously, the ability to interact -you know, buying items of voting, you know, registering your views on programs. It will be the combination of all that. What normally ends up happening is people say "did you see that last night?", you know, whatever it might be "Walking with Dinosaurs", you know, in beautiful wide-screen colour. "No I didn't, do you want to watch it next week?" That's probably more powerful. But you haven't seen much promotion. You're starting to see it on the free-to-air networks and that's a good thing. But these guys will proceed at their own pace unless they think it makes more sense to do the alternative. And to date, I think, they've been not as enthusiastic as they might have been. But again, it's up to the consumer.

I'm Jason Nelly (new cadet at The Age). What would be the minimum share price that you would consider the government would sell the remainder of Telstra for?

RA: Well ,just remember that whenever you made a decision to go to market, it's likely to be six months before you actually do. And I can recall on T2, with about a week to go, we had the Democrats saying ... "aaah the share price is pegging, you know, call it off, call it off". And then, of course, when it went well they came out and said this is disgraceful, you obviously sold it too cheaply. So, there is no right price ,but what I think the PM, the Treasurer and others have said is that at current prices the amount that you would be able to use for repayment of debt and public debt interest savings would probably not exceed the amount that you are currently getting by way of dividend stream. So that crossover is of some significance. Now at the end of the day, it probably isn't the only factor but our current view is that you wouldn't sell at these prices. But you know, you're a long way away from selling. So I don't think I'd ever want to put a figure on that because you... you couldn't have any influence over it.

Journalist from The Australian: . Can you tell us what sort of progress on the framework for the ... report and when you expect it to be released?

RA: It's looking quite good. I had a look at the final draft the other night, so you probably don't have much longer to wait. I think it still has to be looked at by some of the people who have contributed to it. This is something that's designed to give us a, not just a snapshot of the current ICT industry in Australia, but as a foresighting exercise to make sure that we are up with world's best practice and we've got a general sense of where the market's likely to be. Probably beyond five years is pure guesswork. But nonetheless...and we've had a number of global advisers on that exercise that have been very valuable and I think by and large we are doing pretty well... but that document will be an important blueprint. And I think if you take that in conjunction with a lot of the effort we have made to promote the importance of ICT in

recent years. I mean it's now recognised in the science community as a key enabler to transform a lot of traditional industry sectors -you know, insurance, banking and finance, even mining and even the wine industry. A lot of those so-called old economy sectors have benefited enormously from ICT. So the focus these days is much more on the use and intelligent application and not on the production and that's why we had that debate about an ICT deficit. But I think you'll find when the framework for the future document comes out, that it'll say we've got it pretty much right to date. But there are always interesting challenges ahead.

Mark Skulley from The Australian Financial Review. Could you just tell us what sort of priority you place or how hard will you be pushing for changes in cross-media ownership laws and what details are you looking specifically to get up?

RA: Well, I'm obviously committed to it. That's why I've been ...

MS: This term sir?

RA: Sorry?

MS: This term or this year?

RA: This term, yeah, absolutely. As soon as we can basically.

We've generally taken the view that there's not much point in an exercise in futility. So if you clearly don't have sufficient support in the Senate, then there's not much point in beating your head against a brick wall. So obviously we need to talk to those with open minds to see what their views are. But the bill has already been through the House of Reps. It's waiting to be dealt with by the Senate. And on that basis, I think, we'd certainly like to see it brought forward in the not-too-distant future. So the framework is there. We've had a Senate inquiry that made a couple of recommendations about disclosure of cross-media holdings, for example. We've built that in. Also a requirement that you can't own more than two out of three print radio and television in regional areas. And we've built that in. There's a couple of others about that aren't quite immediate cross-media issues, like minimum levels of local news and current affairs in regional. So adding those onto the original bill represents our current position.

NM: Any more questions from the floor, as I appear from behind the screen. A follow-up question, yes.

RA: Supplementary ...

I'm not sure you are, but ah ...

Yes, we're probably not all that far away but we certainly haven't finalised ...

NM: The question was is Mr Reith ready for the call to the ABC Board?

RA: Well, what I have said is we generally don't like ruling people in or out but we tend to the view that we wouldn't like to appoint a former Labour Party Premier of South Australia, although I think John Bannon did a very good job when he was there. We probably wouldn't want to appoint an ALP pollster like Cameron ... offered meritorious service. We probably wouldn't appoint ALP staffers. So there's a range of people that probably won't get serious consideration. But having said that, there are some statutory criteria which we'll be looking at very closely, of course, and we'll be making a judgment in the not-too-distant future.

NM: OK, we need to wind up. Unless there are any more urgent questions or supplementary questions I've got one question, actually, given Keith Moor's question about Rupert Murdoch. Kerry Packer, no doubt a close ...

RA: I just warned you about trivialising this debate down to individual proprietors ... but go on...

NM: Kerry Packer, who no doubt, you know well and deal with often ... Ah ..all ... everything I read says he is very, very well cashed up. When Kerry Packer is cashed up the rest of the world says why? What does Kerry Packer know about media that we don't?

RA: Hmm, well I don't know, he hasn't told me. I think if you look at Kerry Packer's investment behaviour over the years he has not confined himself to media. I mean, Crown Casino is clearly a good example, but he's been in chemicals, he's been the whole range of areas. I mean I follow what the media has said about CPH, presumably they'll be making acquisitions that are not media-related. But beyond that I don't know, if you really think he knows something then I suppose you'd buy some shares, wouldn't you?

NM: Not me.

RA: Not you?

NM: Minister thank you very much. Thank you first for approving the ABC sponsorship of the Melbourne Press Club.

RA: Delighted.

NM: We look forward to Marco Bassi, or we actually look forward to Mr Reith or whoever the new Board member is, coming along and donating the cheque. We have a bit of a tradition here at the Press Club and, seriously, thank you for your time and speech, we appreciate it. It's a tradition of evil presents for our guest speakers. Sam Newman got a signed photograph of himself for example.

RA: Naked of course.

NM: Naked, yeah. Peter Costello got kick-to-kick with a couple of Essendon players. You have... it's a genuine antique telephone which works. Unfortunately, it's not plugged in. But it is one of the original Australian telephones and you can have it sitting on the desk as a hotline from the Prime Minister. Unfortunately it also has on it a little plaque from the Press Club saying it's from the Press Club, but it includes a quote from the trivialised Rupert Murdoch, who you referred to earlier. For whom I had the honour of working for 2 weeks.

RA: That long.

NM: He sussed me out quickly.

It's a quote from Rupert Murdoch which we have had mounted onto this antique telephone which no doubt will increase the value of it enormously. And it says ... its Rupert Murdoch 1977, before he and Bob Hawke had got together. And it says: "Monopoly is a terrible thinguntil you have it".

Minister, thank you.

Ladies and gentlemen, thank you for your attendance and remember the Quills and thank you again to the Minister and it really does work that phone. Libby Lyons will hook it up immediately.

RA: Very creative, I'm impressed.

NM: *Ladies and gentlemen, thank you ... and to the Minister please.*