



Seven West Media

Media Reform Green Paper: *Modernising  
television regulation in Australia.*

Submission

May 2021

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## Executive Summary

1. Seven West Media (Seven) welcomes the review of the regulatory environment for free-to-air television in Australia initiated by the *Media Reform Green Paper: Modernising television regulation in Australia* (the Green Paper).
2. The Green Paper has sparked an important conversation about the future of the sector and has provided a platform for constructive industry and government engagement to ensure a vibrant and exciting future for Australian free-to-air television.
3. Seven supports the Free TV Australia submission made on behalf of all commercial broadcasters. The Free TV submission details the industry's concerns with the new licence proposed by the Green Paper and sets out a roadmap for the industry's future including regulated prominence, net neutrality, improvements to the anti-siphoning framework and a review of the spectrum tax.
4. Seven's submission builds on the industry submission to demonstrate the extensive work already undertaken by Seven to build a TV business of the future and why it is imperative we retain all our services. This submission also provides examples of why the key reforms the industry is advocating for are so important to the industry's future.
5. Seven is willing to engage in the process outlined in the Free TV submission to evaluate the options to achieve a spectrum release, however any release cannot come at the expense of our services and future technology options. The process needs to be understood in the context of how Seven is shaping our business for the future.
6. Seven's multi-channels are critical to the economic model for the network and support a considerable proportion of the network's content investment, which would otherwise be reduced if there was any impact to this revenue streams.
7. This submission outlines the future of our business in a multi-screen and multi-carriage environment.

### Regulatory priorities focused on online viewing

8. Seven submits the immediate regulatory priorities are to address the challenges presented by the growth of online content viewing. These priorities, which are outlined in detail in the Free TV submission are:
  - **Regulated prominence:** Commercial free-to-air TV delivers trusted and verified news, Australian stories and sport. This content is important for our national identity and representative democracy. However, as television screens become more cluttered with digital menus, preloaded apps and the

new advertising business models of original equipment manufacturers (OEMs),<sup>1</sup> free-to-air services are becoming less visible and less accessible.

As the regulatory framework evolves it is important that commercial free-to-air services are easily accessible and prominent at no cost to commercial free-to-air businesses. Furthermore, it is important our content is not saturated by the introduction of OEM advertising in the increasingly crowded screen environment.

- **Legislatively embedding net neutrality:** Online TV is part of how Australians want to consume their content. NBN and telecommunications retail service providers should be prohibited from discriminating between different online businesses which have the ability to pay for higher quality of service or priority carriage.
- **Addressing the anti-siphoning framework:** The importance of universal access to free sport cannot be understated. Sport is an essential part of Australian culture. It is crucial that the regulatory framework is extended to online video platforms to ensure all Australians continue to have access to free sports and they are not locked behind a paywall. Further Seven submits the list should accommodate a multi-screen environment. Listed sports that are broadcast on linear TV should also be made available for free through the broadcaster's online services without the need for separate licensing.
- **An immediate review of the spectrum tax:** Commercial free-to-air should not be paying more than the Government's administrative costs.

Seven's future is multi-screen and multi-carriage.

9. Seven is a content-led company with a multi-carriage distribution model designed to meet the needs of how Australians are choosing to consume their content. Seven is setting up for a future which is multi-screen and multi-carriage. Spectrum carriage of our content is still the predominant carriage technology and will remain the core of our business model for the foreseeable future. Supplementary to this is the digital and IP growth engine. **It is not an either/or proposition.** Seven's content will continue to be distributed over different technology and found on various screen types and sizes in order to meet the shifting demands of Australian TV viewers.
10. Over the coming decade any spectrum release needs to ensure Seven has the ability to retain all current services, has upgrade options for new technologies and is not adversely financially impacted. The current Green Paper proposal of realising a spectrum release through MPEG-4 technology and a multiplex sharing arrangement is

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<sup>1</sup> OEM includes, manufacturers of connected TVs, Set top boxes, tablets and phones, including Samsung and LG

**akin to asking Telstra, TPG and Optus to stop at 5G with no ability to innovate or upgrade.**

11. Narrow conversations focused on just live linear TV no longer reflect the TV business of today. This review of the regulatory model for free-to-air TV is an important opportunity to shape the future of Australian television/content businesses reflecting how modern Australia consumes content.
12. The commercial television regulatory framework needs to be set up for a multi-platform environment, ensuring commercial sustainability, discoverability for our content, and that our unique and important business model, which focuses on locally relevant content, continues to be found on the multiple screens audiences are discovering our content so that we thrive in the online world.

#### Multi-channels are integral to our content and commercial model

13. Seven's multi-channels are integral to audience reach and revenue success, which cannot come at the expense of other spectrum uses.
14. Seven's multi-channels deliver more than 30% of the network's reach and deliver important strategic demographics to our advertisers.

#### Regional TV requires a national footprint

15. Seven submits the majority of the issues facing regional broadcasters remain commercial matters. Seven remains interested in developing a national business with TV licences across the country as envisaged by the removal of the 75% reach rule. A national TV network will unlock value for our viewers and shareholders, including the cost synergies we discuss in section 8.
16. Many of the issues facing the future direction of regional TV networks are a commercial matter for their owners in an environment where these networks remain sustainable and profitable going concerns. The Government must exercise extreme caution in considering any potential remedies that may impact on these commercial issues, such as through a regional-only removal of the one-to-a-market rule or the voices test.

#### Regulatory reform must be holistic

17. Seven recognises the need for commercial free-to-air television regulatory reform. Any reform must include the various carriage and digital technologies that Seven utilises today and which will become more important into the future. This is necessary to ensure the vital content we produce remains discoverable, accessible and available to all Australians for free regardless of the screen, carriage technology or location.

## Section 1: Introduction – Multi-Screen, Multi-Carriage Future

18. Seven thanks the Government for the opportunity to respond to the Green Paper.
19. Seven makes this submission as supplementary to the position put forward in the Free TV submission.
20. Seven submits that the Green Paper does not adequately consider the public policy settings and access to premium Australian TV content in an Internet Protocol (IP) based world, therefore any discussion regarding modernising the television regulatory framework **must and needs to include digital and broadband regulation**.
21. As the Green Paper states, it is important that free-to-air commercial networks remain financially viable. Australians need ongoing access to our services to ensure access to trusted and verified news, Australian stories and Australian sport for free, regardless of the technological platform through which they access them.
22. The free-to-air TV business model is a balance of the commercial imperative of attracting the attention of audiences to sell to advertisers, and a regulatory framework to deliver the public policy goals of a strong national voice and sense of identity achieved through Australian news and current affairs, entertainment programming and sport.
23. This and the Free TV submissions should be read in the context of the regulated framework that commercial free-to-air broadcasters are required to deliver their services. This is made clear in part 2 section 14 of the *Broadcast Services Act 1992* outlined below.

Commercial broadcasting services are broadcasting services:

- (a) that provide programs that, when considered in the context of the service being provided, appear to be intended to appeal to the general public; and
- (b) that provide programs that:
  - (i) are able to be received by commonly available equipment; and
  - (ii) are made available free to the general public; and
- (c) that are usually funded by advertising revenue; and
- (d) that are operated for profit or as part of a profit-making enterprise; and
- (e) that comply with any determinations or clarifications under section 19 in relation to commercial broadcasting services

24. Seven, as a content business, relies on multi-carriage technologies to distribute content to all Australians. Spectrum remains our dominant delivery path, however

IP technologies are becoming increasingly important as Australians find and enjoy our content on different screens through different technology paths.

25. Seven conditionally supports planning for a spectrum dividend as outlined in the Free TV submission. The realisation of the dividend, however, cannot adversely affect the services we offer, the options for service upgrade, and the financial position of our business.

## Section 2: Seven – Bringing Australians Closer to The Moments That Move Us.

26. With origins that stretch back to 1956 (the year Channel 7 launched in Melbourne and Sydney), Seven West Media is one of Australia’s leading integrated media companies, with a market-leading presence in broadcast television, newspaper publishing and online.
27. The company is home to some of Australia’s most renowned media businesses, including the Seven Network and its multi-channels 7two, 7mate, 7flix; broadcast video on demand (BVOD) platform 7plus; 7NEWS.com.au; *The West Australian*; and *The Sunday Times*. With iconic brands such as Australia’s leading news and breakfast programs *7NEWS* and *Sunrise*, *Big Brother*, *SAS Australia*, *Farmer Wants a Wife*, *The Voice*, *Dancing with the Stars: All Stars*, *Home and Away* and *Better Homes and Gardens*, Seven is also the broadcast partner of the AFL, Cricket Australia, Supercars and the Olympics.
28. Seven employs over 2,000 people including journalists, content creators, developers, digital experts, sales professionals, and administrators.
29. In the 2019-20 financial year, Seven West Media achieved revenue of \$1.26 billion, predominantly from linear TV advertisers. Our digital revenue continues to grow as we find audiences online and invest in new and innovative digital advertising services. At the same time, Seven is focused on prudently managing its cost base and has successfully actioned a \$200 million cost out program across the business over the past 18 months.
30. As one of Australia’s leading news brands Seven broadcasts 5523 hours of news and public affairs annually. We have newsrooms across the country engaging with local issues of local importance.
31. Seven has a proud history of telling Australian stories. We convey a sense of national identity through popular entertainment formats including *Big Brother*, *SAS Australia*, *Farmer Wants a Wife*, and a connection to who we are as a nation through our sport, including AFL, Supercars, cricket and the Olympics. We continue to invest strongly in scripted drama including Australia’s most popular drama, *Home and Away*.

Figure 1. Seven's Content Mix



32. Seven is also a regional TV provider. Seven Queensland reaches 1.9 million regional Australians with studios located in Maroochydore on the Sunshine Coast. Seven Local News bulletins are broadcast at 6pm each weeknight; they are followed by an edited 30-minute edition of Seven News Brisbane at 6:30pm. Both the local and Brisbane bulletins are repeated on 7two at 6:30pm and 7pm, respectively.
33. Seven requests any process regarding the future of regional TV includes the interests of Seven Queensland.

### Section 3: Seven's Future-Facing Business Model

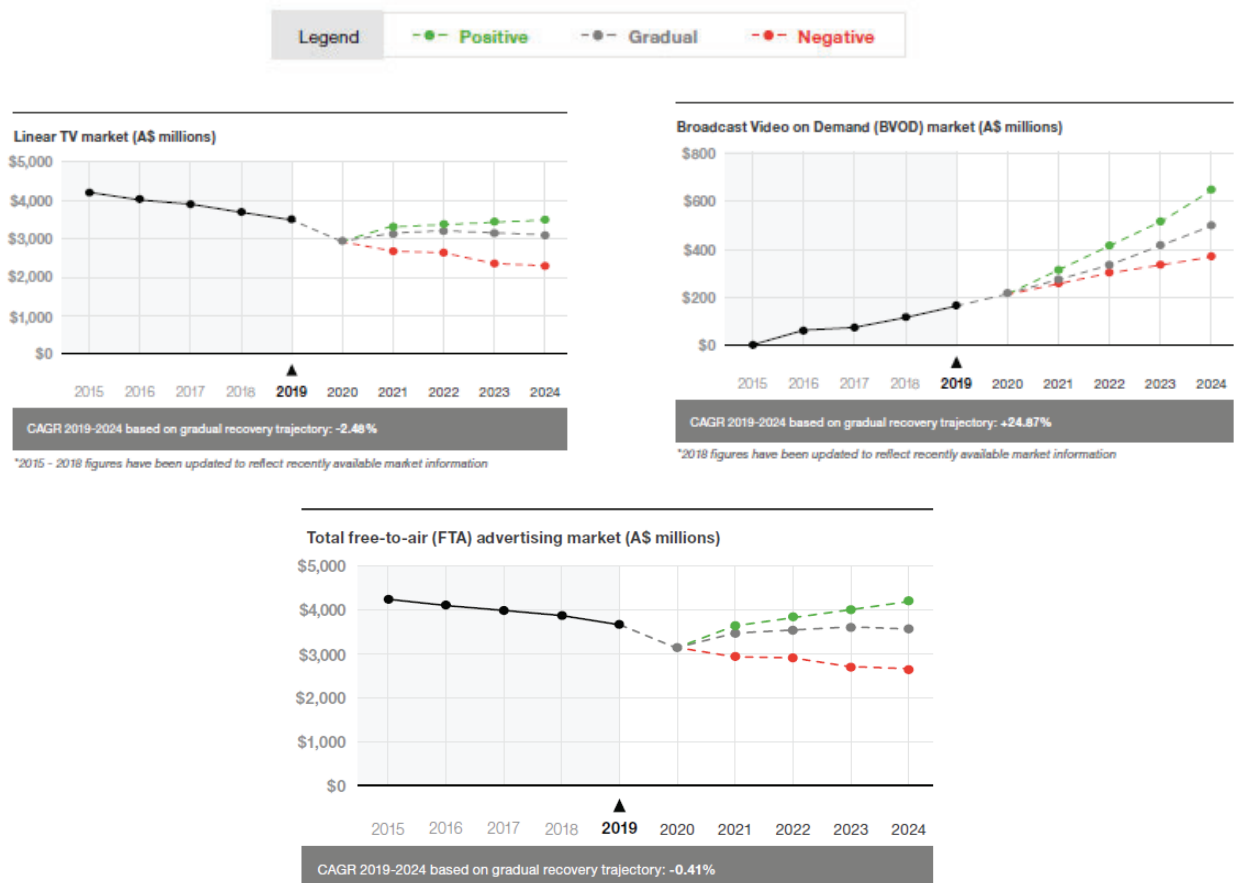
34. Seven is positive about the future of our industry. Going forward Australians will continue to require access to trusted, verified and independent news, as well as engaging with Australian entertainment and sports programming. We recognise, however, that how Australian viewers access our content is rapidly changing and they expect more flexibility and choice in the access technologies.
35. Seven is a future-facing business with a new breed of leadership and management mix that embraces the evolving state of television. We have deep expertise in multi-platform content creation mixed with a depth and breadth of digital skills from data scientists, UX designers and software engineers. Seven is a true multi-media business.
36. Seven has been investing in our digital future for the past decade. We have a growing BVOD and live streaming product in 7plus and a popular digital news destination in 7NEWS.com.au. We understand that data is key to advertising effectiveness in an online environment and we are setting ourselves up for success in this new environment by building a TV business of the future.



7plus – A growth engine

- 37. With more than six million registered users, 7plus is one of Australia’s leading BVOD and streaming platforms, home to Australian hits such as *Big Brother*, *Farmer Wants a Wife* and *SAS Australia*, and a deep library of exclusive and classic content.
- 38. During 2020, 7plus increased its total viewership by 112%, almost double the market’s total growth rate of 59.8%. 7plus led the commercial free-to-air BVOD market, including in key age groups such as 25 to 54s. This year, 7plus will capitalise on its continued growth in 2020 by offering the best content line-up in its history including the biggest sporting event in the world: the Olympic Games in Tokyo.
- 39. Seven is investing heavily to meet the demands of the modern audience. This investment is paying off as the audience mix changes with rapid adoption of Seven’s market-leading BVOD product 7plus.
- 40. The below tables from the PwC report ***Australian Entertainment & Media Outlook 2020-2024, the 19th edition*** demonstrates the projected offsets achieved by BVOD products and the industry’s ability to retain strong audience numbers on multiple platforms. Seven has and will continue to increase investment in its 7plus platform including a significant investment in exclusive content.

Figure 2. PwC forecasts, Linear, BVOD and Total TV



7NEWS.com.au

- 41. With content from Australia’s most-watched television news service, 7NEWS, plus a digital newsroom dedicated to local breaking news and original reporting and content, 7NEWS.com.au has become a significant force in just two years.
- 42. Last year, 7NEWS.com.au cemented its position as the leading news website for Australians aged under 40, according to Nielsen data. 7NEWS.com.au is now Australia’s largest social news brand, reaching more than 13 million people. This is more than 50% of the population. It is also home to Australia’s #1 digital news show, *The Latest*, which has accumulated more than 400 million views since it launched in August 2019.

Measuring the whole of TV audience

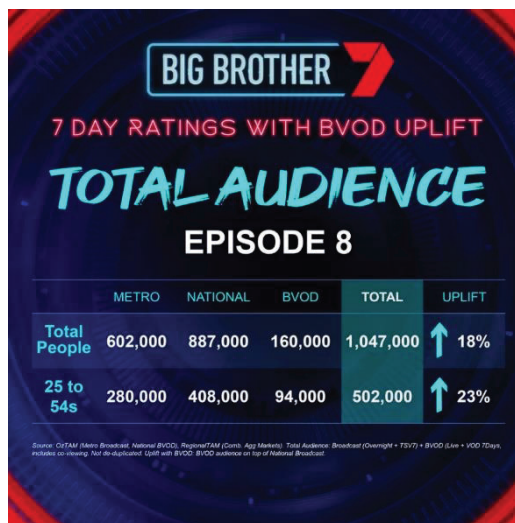
- 43. An important next step in recognising the multi-distribution, multi-screen environment in which viewers consume content is to promote total TV audience numbers as opposed to the current focus on broadcast overnight numbers.
- 44. Seven’s daily audience reports now cover seven-day consolidated and BVOD, using standardised program ranking tables. We recognise there will need to be some exceptions such as live sport overnights but the true picture of free-to-air viewing is better reflected when reported as a consolidated number from all viewing platforms.

As the consumption of BVOD services continues to rise, the ability to buy and measure total television consumption - across all platforms and screens - will be increasingly important to advertisers.

PWC Australian Entertainment & Media Outlook 2020-2024

- 45. Seven has already begun promoting the total audiences directly to advertisers and to our employees to ensure the whole viewing audience is understood.

Figure 3. Total Audience Reporting



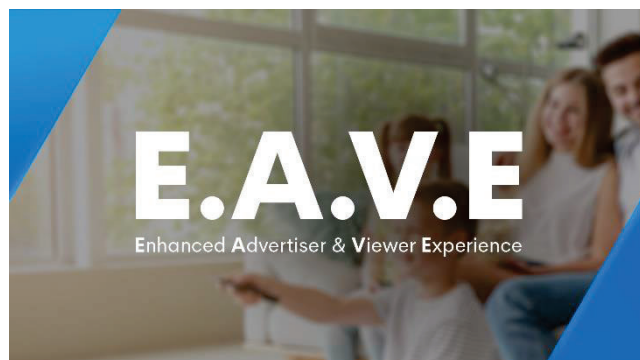
## Data Partnerships

46. A number of years ago Seven identified the importance of being able to better understand our audience and set on a path to transform into an audience-centric organisation, focused on being able to cultivate high-value audiences within premium broadcast environments.
47. This strategic path resulted in a number of key initiatives being developed to ensure Seven’s advertising proposition remained relevant and attractive to advertisers. In 2020 we launched 7REDiQ, which through strategic partnerships with TEG Analytics, FlyBuys, LANDMARK ID, Mastercard, Weatherzone and others evolved our ability to build comprehensive profiles of our audiences, offering clients a solution that enabled them to find and observe their current or potential consumers within our eco-system.

48. 7REDiQ has fast become central to our commercial, marketing and programming functions, as an easy-to-use platform that enables both our teams and our clients to “plan, buy and measure” our high-value audiences. 7REDiQ is a true end-to-end solution, from insight to activation, built off the Seven West Media ID and powered by our verified audiences, who actively choose to identify themselves across our digital assets.




49. In parallel with 7REDiQ, we have been focused on our EAVE strategy, finding new and better ways to ‘Enhance our Advertiser and Viewer Experience’. We have launched a number of products and solutions to deliver on these outcomes.



50. Most recently we launched our 7Impact brand sponsorship solution, which gives brands the ability to own a single program in the extensive range of first-run and library content on the 7plus platform. 7Impact will inform users who have watched consecutive episodes of the same show in a row that reduced ad breaks will occur in the following episodes, thanks to the advertiser’s sponsorship. The formats are personalised through insights and addressability, powered by 7REDiQ. Our digital advertising strategy has brought together our data and product ambitions into one solution that enables brands to cut through the clutter and engage audiences in more meaningful ways.

51. In addition to 7Impact, we recently launched a new shoppable ad experience, 7ACT. This product enables advertisers to have even greater access to viewers, inserting QR codes into video assets, enabling brands to showcase products and other relevant information within programs and ads.
52. Seven has a range of advertising products which drives revenue across platforms. We continue to innovate and offer our clients new and exciting ways to engage with audiences to promote their brands, businesses and products.

### Freeview

53. Seven is a member of Freeview. Freeview is the free-to-air TV industry's marketing and technology platform, which comes together to actively promote the aggregate offering of the commercial free-to-air TV industry. 
54. Freeview's primary technology platform is Hybrid Broadcast Broadband TV (HbbTV), which harmonises broadcast and IPTV in the one service.
55. Freeview members have just invested in an upgrade to the HbbTV platform, launched on April 14, 2021. The new Freeview product provides access to 35 channels, a library of over 50,000 individual programs and episodes, from back catalogue, to current programs and digital exclusives.
56. Freeview's new HbbTV service aims to deliver a more simplified viewer experience. The comprehensive search function will make content easier to discover as viewers will be able to search for content across 7plus, ABC iView, SBS On Demand, 9Now and 10 play without the need to download individual broadcaster apps.<sup>2</sup>
57. Ongoing access to Freeview needs to be safeguarded with all television sets HbbTV capable and enabled for sale in Australia.

### Seven Ventures



58. As part of Seven's diversification strategy, the company launched Seven Ventures in 2014. The company's strategy has focused on helping new, disruptive Australian digital start-up businesses that are consumer orientated scale and grow, using the power of our assets.

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<sup>22</sup> Freeview.com.au

59. The current and divested businesses are across a wide range of sectors including Airtasker, a leading jobs marketplace, divested in 2021; Health Engine in the health sector, which is underpinning the digital booking platform for the national rollout of the COVID-19 vaccination program; SocietyOne, a leading fintech operator; and other investments in sectors including travel and insurance.
60. The strategy has been very effective in generating strong returns for shareholders and growing new businesses that have established sustainable positions in international markets.

#### National footprint

61. Seven's ambition to achieve scale through becoming a national TV network was flagged in late 2019 with the intention to merge with Prime Media Group (Prime). This would realise synergies and develop economic scale to build a stronger and more sustainable business.
62. A national footprint would assist both the metro and regional partners and while the Prime merger was blocked by shareholders with competing media assets Seven remains interested in developing a national business with TV licences across the country.

### Section 4: Multi-Channels - Integral to Our Business

63. Of paramount concern to Seven with the new broadcast licence put forward in the Green Paper is the requirement to cut important services provided by Seven's multi-channels. The importance of these multi-channel service offerings cannot be overstated to the ongoing strength of our business. If these services are compromised in a spectrum release it will greatly undermine our ability to invest in content across the whole network.
64. The multi-channels are integral to Seven's business model with 32% of our audience captured on multi-channels. This translates into an additional audience of just under 470,000 Australians. (CIC)
65. The multi-channels play an important role in Seven's advertising strategy as they extend the reach of campaigns and target and engage hard-to-reach audiences. This is particularly the case with 7mate. 7mate is targeted at men under the age of 55. Seven invests millions of dollars a year into the production and promotion of original Australian content through 7mate, producing shows such as *Housos*, *Outback Truckers* and *Fat Pizza*.
66. Seven's multi-channels also contribute to Australia's cultural landscape through the broadcasting of sport. For example, the AFL remains accessible, live, free and in HD on 7mate, in Sydney and Brisbane where the code is less prevalent, allowing

the primary Seven channel to carry higher rating programming in these markets. Furthermore, when the Olympics is broadcast in July it will require the use of both 7two and 7mate in addition to the primary Seven channel.

67. The multi-channels are able to engage with traditionally hard-to-reach demographics. If they were to be lost, Seven would lose the ability to retain these audiences.

#### Multi-channel breakdown



68. Of the total audience of the Seven Network, 7two captures 13% of individuals during prime time. This represents a total of 88,596 viewers. 7two is able to engage with older demographics, with 22% of women over 55 and 16% of men over 55 tuning in. As such, 7two plays an essential role in keeping the older demographics engaged with the Seven Network and commercial free-to-air television more broadly. With the upcoming broadcasting load that the Olympics will have, 7two will play a vital role. 7two will be the host of the Olympics broadcast alongside the primary Seven channel.



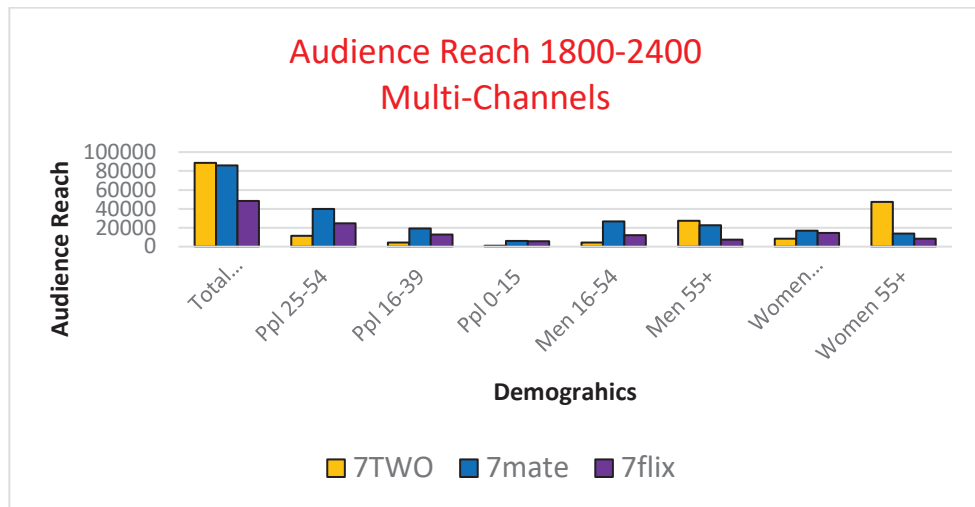
69. 7mate is the second largest multi-channel by audience reach, capturing 12% of individuals during prime time. This represents a daily average of 85,821 viewers. Importantly, 7mate appeals to men under 55 which is a difficult demographic to engage. Of the men under 55 who view Seven Network content, 22% watch 7mate. This amounts to 26,561 young men. If 7mate were to be removed, this large demographic would lose engagement with the original Australian content promoted by 7mate.

70. In addition to providing original Australian content to the audience, 7mate also ensures that the AFL remains accessible across the country. 7mate enables Seven to broadcast more games to more markets, for example in Perth where due to the time difference, the news broadcast takes up the primary channel, fans can still watch their AFL games on 7mate.



71. 7flix captures 7% of the total audience of the Seven Network during prime time. This represents 48,472 individuals. 7flix allows audiences across a broad demographics to enjoy internationally acclaimed content, appealing in particular to a younger demographic. Of those aged below 15 who watch the Seven Network, 14% view the content on 7flix.

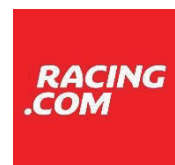
72. 7flix has also recently begun to focus its content on engaging with the younger female demographic. This has already had an effect, with 7flix over indexing on the female 16 to 54 demographic.

**Table 1. Multi-channels reach important demographics****Table 2. Percentage of multi-channel reach**

Day Part	1800-2400							
Channel \ Target	Total Individuals	Ppl 25-54	Ppl 16-39	Ppl 0-15	Men 16-54	Men 55+	Women 16-54	Women 55+
Seven Network	100%	100%	100%	100%	100%	100%	100%	100%
Seven	68%	68%	68%	68%	65%	66%	72%	68%
7two	13%	5%	4%	3%	4%	16%	6%	22%
7mate	12%	17%	17%	15%	22%	13%	12%	6%
7flix	7%	10%	11%	14%	10%	4%	10%	4%

### Other content partnerships

73. Seven's multi-channel strategy also includes important content partnerships. These important revenue partnerships contribute to the commercial success of our multi-channel strategy and our business.
74. Seven's partnership with Racing Victoria, Racing.com, broadcasts on Channel 78. The channel broadcasts live coverage of Victorian thoroughbred racing, broadcasting in both metro and regional areas.





75. Seven's other primary partnership is the Openshop channel.

Openshop is a partnership with Hyundai Home Shopping, broadcasting content on beauty, jewellery, fashion, technology, home and health to metro cities nationally as well as regional Queensland.



## Section 5: Global Business Models Cannot Replace Local TV Models

76. One of the greatest competitive challenges to the commercial free-to-air TV industry is the business models of the global digital giants. Be it the global digital advertisers or streaming giants, they have a global reach and can apply global efficiencies.
77. These global business models place challenges on local businesses which create content that directly appeals to Australian audiences with an addressable reach of just over 25 million. Conversely Netflix has over 200 million subscribers<sup>3</sup> and Facebook has 2.8 billion monthly active users.<sup>4</sup>
78. For global streaming companies, their investment in content automatically finds a global audience. With regard to the global digital advertising platforms, their investment in technology can be developed centrally and rolled out globally. The economies of scale available to the global development models is not available to local Australian businesses.
79. Seven approaches this challenge by producing content that is broadly relevant and directly appealing to Australians. However, getting this content found in a crowded market is becoming increasingly challenging.
80. This should be of concern to policy makers, not only for Australia's sense of national identity, but also to our sovereignty and the independence of our democratic system that Seven's content promotes. The amount of trusted and verified news produced by Australian free-to-air TV will not be replaced by these digital giants. This challenge highlights the importance of the right regulatory setting for content of cultural and democratic importance to ensure it is not drowned out by the sea of global content.
81. The local content we produce is popular and relevant and will always have a market in Australia. The challenge is that globally recognised brands, such as Netflix, have access to extensive production resources and do not rely on advertising revenue.
82. These businesses have created products that have changed the world, but they can't come at the expense of local businesses that cater to Australian issues and audiences. These businesses which pay minimal tax in Australia can allocate costs for technology development against a global customer base which provides for greater efficiencies and lower risks.

<sup>333</sup> [https://s22.q4cdn.com/959853165/files/doc\\_financials/2021/q1/Netflix-Inc.-Q1-2021-Earnings-Call-Apr-20-2021.pdf](https://s22.q4cdn.com/959853165/files/doc_financials/2021/q1/Netflix-Inc.-Q1-2021-Earnings-Call-Apr-20-2021.pdf)

<sup>4</sup> [https://s21.q4cdn.com/399680738/files/doc\\_financials/2021/FB-Earnings-Presentation-Q1-2021.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/2021/FB-Earnings-Presentation-Q1-2021.pdf)



## Section 6: Connected Devices: Disintermediating the Discovery and Monetisation free-to-air Our Content

83. The Free TV submission deals in detail with the challenges of discoverability on connected TVs (CTVs) and the issue of prominence. Seven supports the Free TV position.
84. The newer dimension in the CTV and connected devices market is the emerging advertising business models and products. OEMs, the term used for CTV and other device manufacturers, are not only charging content creators for prominent placement, but are also becoming advertisers themselves, selling audiences to advertisers based on the content they carry.
85. The OEMs' proposition is to offer advertisers first-party data from their customers' profiles which is harvested when the product is set up. For Australians with multiple devices from the same manufacturer this can be drawn from a number of devices. This, combined with second and third-party data, and the eyeballs drawn to the content from media companies, represent a powerful advertising proposition.
86. This new advertising model raises concerns with the viewer experience and the very real potential for advertising saturation. Furthermore, it is important to recognise advertising on linear TV is regulated with time limits and advertising standards, which the surrounding digital advertising is not. The new advertising real estate provided by OEMs has the potential to compromise the viewer experience and it is important that this advertising does not look to be part of, or integrated into free-to-air TV content.
87. Two leading products, Samsung Ads and LG Ads, are profiled below.
88. **Samsung Ads:** Globally, Samsung leads the global CTV market recording a 31% share in 2019.<sup>5</sup>
89. When a viewer first turns on their Samsung CTV, an ad thumbnail appears in the first slot in the home screen menu.<sup>6</sup> Hovering over the thumbnail causes the ad to expand and display the ad. Samsung notes that the proportion of Samsung smart TV users that watch advertising video on demand (AVOD) has grown steadily. In Q3 2019, it was 60% and by Q3 2020 the number had increased to 70%.<sup>7</sup> Samsung Ads has launched in Australia and is actively recruiting additional advertising sales expertise signalling their commitment to grow this product in the Australian

<sup>5</sup> <https://www.t4.ai/industry/tv-market-share>

<sup>6</sup> Ibid

<sup>7</sup>

<https://www.samsung.com/us/business/samsungads/insights/#:~:text=The%20proportion%20of%20Samsung%20Smart%20TVs%20that%20watch,opportunity%20for%20advertisers.%20Two%20format%20ecosystem%20has%20emerged>

market.

90. **LG Ads:** LG Ads, after Samsung, is the most dominant firm in the global CTV market with a 16% share.<sup>8</sup> LG Ads offers first-party LG TV data, as well as data from other OEMs. LG Ads' current OEM partners include LG, Sharp, Hisense, Toshiba, Seiki, Skyworth, TiVo and Sling Media.<sup>9</sup>
91. As part of the ad service they offer precise audience targeting with “optimal reach and frequency”. LG Ads offers its own CTV ad inventory, as well as attribution and verification services.
92. (CIC)
93. While Seven can offer comparable targeted offerings to our advertising clients through 7plus, we are an advertiser funded business which cannot recoup costs through hardware sales or subscription revenue. We provide a product to consumers for free and most importantly we invest in the production of the content that attracts the audiences to the CTV platform.

## Section 7: Free Australian News, Sport and Australian Stories in an IP World

94. Seven recognises the rebalancing of carriage technologies which sees digital and broadband playing a much larger role in the future mix of our audience reach. It is therefore important that the Government develops the right regulatory framework to safeguard the free, advertiser funded, local content regulated business model which underpins the commercial free-to-air TV industry.
95. Important regulatory initiatives are required in the broadband delivery of content to ensure the commercial free-to-air TV industry's services can be found and remains free, in the crowded digital content market. The most important initiatives are:

**Prominence** – Seven requests that the government Government regulate the prominence of free-to-air TV content on connected devices as addressed in the Free TV submission. 7plus has six million active users and has grown to be a well-loved digital brand and a highly engaging and popular digital product. 7plus is rich with Australian cultural content and important trusted news. 7plus content needs to be easily found in the sea of global content to ensure Australians continue to remain informed and connected to Australian stories and cultural programming.

Seven requests the need for regulated prominence as a matter of urgency. The prominence framework must prohibit device manufacturers,

<sup>8</sup> <https://www.t4.ai/industry/tv-market-share>

<sup>9</sup> <https://www.businesswire.com/news/home/20210302005263/en/LG-Ads-Launches-Unified-Platform-for-Connected-TV-Media-and-Measurement>

set top box providers and digital platforms from requiring payment for prominent placement, revenue sharing, access to our advertising inventory, or access to our data.

**Net neutrality** – Seven seeks the Government to enshrine in legislation the principles of net neutrality to ensure retail service providers and the NBN do not discriminate between content delivered over the internet and undermine the sustainability of the free-to-air TV business model.

**Anti-siphoning** – Anti-siphoning should focus on the universal free access to Australian sport. Seven seeks the Government to address the issue of anti-siphoning in the context of online video platforms so that important Australian sports are not locked behind a paywall and only accessible to some Australians.

96. Furthermore, the artificial division between what is seen by Australians for free on a linear TV broadcast and that of connected devices through the internet requires further discussion and analysis. For example, Australians can only view Seven’s AFL home and away games through our linear broadcast channels. Australians who do not have access to an antenna cannot access it for free through 7plus, Seven's equivalent online service.
97. The above highlights the regulatory challenge of achieving the public policy objectives of the list which is particularly acute as more Australians choose different devices and different access technologies to watch TV.

## Section 8: National TV Businesses and Regional Sustainability

98. Seven shares a constructive industry and affiliate relationship with the regional TV networks and is itself a regional TV business in Queensland. However, some important points have been lost with regard to the advocacy position and regulatory changes that larger regional TV businesses are seeking through the “Save our Voices” campaign, namely, the regulatory changes to ownership rules and the voices test.
99. Seven submits that the regional TV sector is profitable and has options to improve its sustainability within the current regulatory framework. Should any regulatory relief be afforded to regional networks the equivalent should be applied in the metropolitan market.

### The sector is profitable

100. The large regional TV networks are profitable and have the capacity to invest in the future of their businesses.

101. Prime (ASX:PRT) as at 31 December 2020 generated \$19 million in earnings before interest, tax, depreciation and amortisation (EBITDA) for the six months prior and had a net cash holding of \$31.4 million<sup>10</sup>.
102. Southern Cross Austero's (ASX: SXL) regional TV business posted an EBITDA of \$19.5 million for the six months to 31 December 2020, with a healthy EBITDA margin of 23%.<sup>11</sup>
103. WIN, a private business owned by billionaire Bruce Gordon, is the major shareholder in Nine with a 15% stake valued at over \$700 million<sup>12</sup>. Furthermore, WIN has recently announced that it is switching its affiliate deal from Network 10 back to the higher rating Nine in July 2021.
104. All three regional networks benefit from the advantage of substantially lower content costs than metropolitan networks through their affiliation agreements. Through these agreements, regional networks avoid the significant risk and fixed cost that their metropolitan partner takes on to create content.
105. (CIC)

### The sector has options within the current regulatory framework

106. Seven submits there are options for the regional TV networks available under the current legislative framework that can assist in their sustainability.
107. In October 2019 Seven West Media made an offer to merge with Prime to become a national media business. The Directors of Prime unanimously recommended to Prime shareholders to vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interest of Prime shareholders.<sup>13</sup> \*

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<sup>10</sup> [2924-02346782-2A1283330 \(markitdigital.com\)](#) (accessed 20 May 2021)

<sup>11</sup> [SCA Strategy 2017 \(markitdigital.com\)](#) (Pg 17 accessed 20 May 2021)

<sup>12</sup> [www.asx.com.au](#) (accessed 20 May 2021)

<sup>13</sup> [2924-02160577-2A1180501 \(markitdigital.com\)](#) (accessed 20 May 2021)

109. Seven is confident that this merger would have delivered the required costs saving and revenue opportunities to strengthen Prime's business and underpin the sustainability of Prime's regional news services.
110. It was envisaged that a combined Seven West Media and Prime would have achieved:
- An annual cost saving of \$11 million through removing duplicated costs including Prime's ASX listing costs, operational efficiencies realised from reducing selling, broadcasting and operational costs; and
  - Delivered an enhanced audience proposition and a single platform for advertisers leading to increased revenue opportunities.
112. With the merger being unsuccessful, Seven has made several offers to utilise the shared scale of the two networks to achieve costs savings and efficiencies, including selling a national audience or joint projects to share duplicated costs. These offers have not been pursued.
113. Further, WIN, Prime and Southern Cross Austereo do not represent the entire regional Australian TV market. Seven Queensland is a sustainable regional business as we are able to enjoy the economies of scale achieved through the combination of a metropolitan and regional business.

### The Media Reform Package of 2017 was envisaged to build national TV networks

114. The media reform package in 2017 removed the 75% reach rule which restricted any one network from controlling broadcast licences that reached more than 75% of the population. At the time the argument was made that this would allow regional networks to merge with metropolitan TV businesses, enabling them to achieve economies of scale to assist with the ongoing viability of regional networks. It was transactions such as the proposed Prime/Seven merger that this reform was designed to facilitate.

## Section 9: Conclusion

115. Seven thanks the Government for the opportunity to outline how our business is evolving in a multi-screen, multi-carriage environment. There are no substitutes in the online world for the significant public policy objectives the Australian commercial free-to-air businesses provide. It is within this context that Seven submits that the Government develop a regulatory framework to ensure commercial free-to-air TV

continues to be easily found and free regardless of the screen or carriage technology.

116. Seven has evolved its business to equip it to compete in an online world. This continues to be a challenge as global online businesses secure valuable real estate in the CTV environment. Through the right regulatory framework, the Government can ensure that both linear and online content of the commercial free-to-air TV networks can easily be found.
117. Through advancements in spectrum standards and technologies, the Government's ambition for a spectrum release should be explored against the dual requirement that Seven is not required to surrender any of our valuable services, and retains a path for upgrade. Under this framework Seven is willing to work constructively with the Government to achieve the dual objective of a sustainable Australian advertiser funded commercial TV sector and a spectrum release.
118. Seven submits the Government's immediate priority is to ensure we continue to be easily found and remain free via broadcast and online carriage technologies.

Ends