

Stephen Conroy recently gave, in Tony Abbot's words, a "bribe" to the three commercial TV networks by relinquishing two years of license fees that has cost taxpayers \$250 million. Before rushing to condemn this action, though, we must ask whether the government has a right to demand such money from the TV networks to begin with. Shouldn't we be applauding anytime the government reduces license fees? What should instead be condemned is that the government doesn't allow new entrants to use a part of the spectrum, thereby enforcing the monopolistic position of the incumbents.

Introductory Comments By Luke McGrath, Mannkal Fellow

[Why Are Australian Taxpayers Forced to Pay Bribes?](#)

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Stephen Conroy's decision to gift the three commercial television networks a \$250 million [two-year break](#) on their licence fees is a scandalous misuse of taxpayer funds at a time the federal government is searching for new revenue streams to service and repay the debt mountain being accumulated to fund the stimulus we never needed.

Opposition leader Tony Abbott's description of the fee holiday as a "[bribe](#)" is appropriate and he should never have backed away – there really is no other way to describe it in terms repeatable in mixed company.

Kevin Rudd's limp-wristed demand that Abbott provide evidence of bribery is rendered nonsensical by the mere fact that such a large amount of money is being gifted. Rudd and Conroy still cannot come up with a credible explanation to justify this transfer to the networks' profits, thus guaranteeing an on-going political brawl – seen already in Joe Hockey's pugnaciousness on the issue on Meet the Press on Sunday.

And the opposition should be brawling – it is a bribe.

It is also evidence of the formidable lobbying power of the commercial networks who, time and again, have persuaded gullible politicians of both sides to grant policy favours on a breathtaking scale ([Backing the wrong media](#), February 15).

This latest subsidy to the networks ostensibly to assist them in the transition to digital broadcasting harks back to December 1999 – more than 10 years ago – when Liberal Communications Minister Richard Alston gifted the networks (the ABC included) all the spectrum they would require for their digital broadcasting.

This spectrum is amongst the most valuable commodity possessed by governments. The spectrum Alston gave away in 1999 could have been auctioned off for an estimated \$2 billion (in the dollars of the day – probably \$3 billion or \$4 billion worth today). Rival media groups – News Ltd, Fairfax, the radio networks, and internet providers – who were expected to pay at auction for any spectrum they would need for their transition to digital, were outraged.

The acceptance of this spectrum by the networks in 1999 should have been accompanied by a demand from the government that they move quickly to introduce digital services. That it took them 10 years, even with this huge subsidy, is testament to the arrogance and sense of entitlement these interests have. They also broadcast in almost every Australian home and whether the fear is justified or not, politicians are simply not prepared to take on this lobby. Instead, they just keep handing over taxpayers' money.

Alston believed in 1999 the coalition faced a tough re-election task in 2001 after the Howard government came perilously close to losing in 1998. After riding high in the polls for over two years, the Rudd government also faces suddenly an uphill battle to retain government this year if the sudden shifts in the polls recently are any indication.

Sure the networks aren't quite as profitable today as they were in 1999, mainly because Citicorp Venture Capital (known more commonly as CVC) and Kohlberg Kravis Roberts (aka KKR) hugely overpaid for their interests in the Nine and Seven Networks. The taxpayer shouldn't be obliged, via a decision of government in an election year, to pay for these expensive commercial mistakes.

The other reason network profitability for Nine and Ten at least is down is that the pay TV providers, Foxtel, Optus, and Austar, are gradually and inexorably taking market share with a diversity of programming and a number of commercial free channels. This sector has only recently become profitable after a decade or more of losing money hand over fist with no taxpayer handouts to ease the pain.

Pay TV, radio, the internet sector, all media competitors to the commercial networks can legitimately ask: if it's good enough for commercial TV, then why not us?

News Ltd and its 25 per cent owned pay TV provider Foxtel are the angriest at this latest lagsse. News and Foxtel were also mightily upset by Alston in 1999.

There were no dictates from on high at the time, but most News Ltd journalists knew their bosses were unhappy (Lachlan Murdoch at the time) and didn't do their careers any harm by directly or indirectly (through any one of a number of rival media comments at the time) attacking the Alston decision.

News Ltd's newspapers weren't discouraged by government accusations at the time that News was being self interested. It was, but so long as the decision to gift the spectrum could not be justified – at least without imposing some tough conditions so the taxpayer got some benefit – News was able to take the high moral ground. I was working as a financial columnist at News at the time – a decade on it's difficult to remember whether News Ltd papers started looking for other issues on which to attack the government, but I wouldn't be surprised if they did this time.

The latest 'generosity', as in 1999, will allow the networks to continue on their merry way, at their own time, and leave the government scrambling around to justify the unjustifiable.

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