

## Reformed laws would alter the global media divide



Hamish McLennan, chairman at REA Group. Picture: Hollie Adams

DARREN DAVIDSON THE AUSTRALIAN 12:00AM March 13, 2017

Australia's digital tech sector will continue to underperform in the internet age unless the government changes the media laws, REA Group chairman Hamish McLennan has warned.

The need to develop globally significant internet companies in Australia was becoming more acute, Mr McLennan said, because advances in technology were rendering obsolete many of the advantages of local companies, such as proximity to customers.

Speaking at the Wild Digital tech conference in Sydney, Mr McLennan told the audience that if Australia didn't produce more REAs, it risked being left behind by a new wave of globalisation and technology.

"On both sides of politics, it's extraordinary that the government hasn't looked genuinely at media companies and asked how they could deregulate the market. In many ways, I think they've poured wet cement on the Australian media industry and made it very difficult to operate," Mr McLennan said.

"The industry should be a key investor in the digital sector, but it's hamstrung by outdated regulations. The lack of movement on this front has stifled innovation by not giving media companies the ability to transform their businesses. They're a great disadvantage compared to Google and Facebook."

Mr McLennan's comments come at a timely moment after it emerged in a report by The Australian that the world's biggest online retailer Amazon has begun a search for warehouse space on local shores ahead of a potential launch that could revolutionise delivery and fundamentally change the way people shop.

Since stepping down from Network Ten as chief executive and executive chairman in July 2015, Mr McLennan has joined the board of Magellan Financial Group, Australia's most successful fund manager on the world stage in recent years. The \$45 billion investment powerhouse has repositioned its portfolio in recent years to increase its exposure to high-growth tech stocks in the belief that the internet will continue to upend legacy business models.

Before Ten and a senior role at News Corp's New York office, Mr McLennan was appointed by WPP boss Martin Sorrell as global CEO and chairman of the British advertising giant's creative agency Young & Rubicam. At Ten, Mr McLennan tabled a then bold bid for the Big Bash League in 2013. The competition has since become a phenomenal success, and will be much sought-after in talks over a new rights deal this year.

Mr McLennan's mix of local and international media, marketing and advertising experience puts him in a unique position to comment on regulatory matters.

He gives Prime Minister Malcolm Turnbull credit for putting innovation at the top of his policy agenda by introducing tax breaks for venture capital investments, and other initiatives.

But the Turnbull government had so far failed to deliver the "fertile ground" on which local media companies could thrive and invest in tech start-ups, Mr McLennan said. "There's a lot of talk and not much action frankly. Capital could move offshore quite easily. I take my hat off to the entrepreneurs who really have a go but if you go to places like Israel, where we had an REA board meeting last year, here's a country that focuses more on ideas, and technology."

Australians have long embraced new technology, yet with the exception of a handful of start-ups that became world beaters like REA and software developer Atlassian, the corporate landscape is still dominated by gigantic miners, resources companies and big banks.

This matters because unlike most industries, internet markets tend to be winner-takes-all. Google and Facebook dominate search advertising and social media, respectively.

On its present \$7 billion-plus market capitalisation, REA has come a long way since inauspicious beginnings in 1995. The operator of realestate.com.au was born in a garage in Doncaster, in the eastern suburbs of Melbourne.

At the company's recent half-year results, CEO Tracey Fellows and her management team shrugged off tepid conditions in the key Sydney and Melbourne housing listings markets to push net profit 6 per cent higher to \$121.8 million.

"Tracey and her team stay very close to the market, they spend a lot of money on new product development and innovation," Mr McLennan said.

After a busy year of deal-making around the world, REA sold its European operations for a \$161 million net profit to focus on emerging markets in Asia, where Mr McLennan sees the potential for rapid growth.

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