

**Julie Flynn – CEO, Free TV Australia
Presentation to Australian Broadcasting Summit
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Thanks, everyone, for coming along today.

I was very happy to accept the invitation to join you at such exciting, if somewhat challenging, times for the television industry.

The past decade certainly has brought extraordinary change.

In 2001, when the rollout of digital television commenced, my household had two analogue cathode-ray televisions and a VHS machine. We had cable internet access and a desk top computer. And of course we had a legacy Sony Walkman and stereo sound system.

Today we have two high definition television sets, two TiVo boxes, two Apple TV boxes and a variety of laptops, tablets and smart phones – not to mention our youngest son's games console.

So, we are a very connected household! As, I'm sure, is the case for most of us here.

But, while we may be watching television differently to how we did even a few years ago, the fact remains that TV is a fundamental part of all of our lives.

So as a starting point, let's briefly look at some facts around television viewing today.

- Free TV is in virtually every Australian home, with around two thirds of households having two or more TVs.
- Australians watch more than 3 hours of television a day – a habit that has barely changed over the past decade.
- In fact, every day, over 13 million Australians tune into commercial free-to-air television.
- And while we have three times the number of free-to-air channels as we did 10 years ago, individual Free TV programs continue to win millions of viewers every night.
- So far this year, 350 programs on commercial television have delivered audiences of more than 1 million viewers nationally. Some have achieved audiences of 2 million and 3 million-plus.
- Around 95 per cent of all television viewing is still done live.
- And, we remain overwhelmingly the preferred television option for Australians; only 28.8 per cent of homes now subscribe to pay-TV, a four-year low. Even people who do have pay-TV spend a substantial amount of time watching the free-to-air channels.

But that is only part of the picture – because technology and changing viewing habits are radically rewriting the rules of how we operate.

This is something every media owner, content producer and advertiser is grappling with as we try to satisfy our customers while also meeting our respective business objectives.

To put this in context:

It has never been as easy to watch your favourite television shows – wherever and whenever you want.

What's more, new technologies are increasing people's opportunity to view.

Nearly all Australian homes have now converted to digital television, bringing a choice of up to 16 free-to-air channels plus a handful of datacasting services.

By the end of the year, analogue signals will be switched off and every Australian household will be enjoying the benefits of digital TV: better pictures, better sound, and more free channels than ever before.

Meanwhile, more than half of us have PVRs – which means we can watch one program while recording another, or store episodes of our favourite shows and ‘binge view’ at a later time.

Connected TVs are also becoming increasingly popular, opening up a whole new world of interactivity.

In fact, the television landscape continues to change so rapidly that it’s a brave soul who makes any firm predictions.

But of course, as Free TV, we are always looking ahead.

Our Think TV 2020 vision documentary series reported last year on the future of television. And in the words of our global industry experts, that future is going to be: ‘Really fun. Really disruptive. Incredibly conversational, and no one really knows how it is all going to play out.’

They also noted what we **do** know:

- Connected TV is already here;
- Second and third screens are already here, too;
- Social media is enhancing the viewing experience;
- Catch up TV is holding audiences; and
- Consumers are accessing content differently, supported by technological changes that are moving at an amazing speed.

Over the last year the changes our experts cited have become even more embedded in our daily media habits.

This is providing broadcasters with opportunities and challenges in equal part.

The opportunity is we can reach more people on various platforms. The challenge is to find a way to monetise the incremental viewing that we know is occurring across a variety of devices.

And, we need to understand the magnitude of the changes in consumer behaviour.

We have some good insights which help this process.

First of all, we know that people are actually watching more TV.

In addition to the TV set, viewers are watching TV online and across a range of different devices. Interestingly the new technologies that were supposed to cannibalise viewing are actually leading to more opportunities for viewers to watch and engage with their favourite programs. I guess it makes sense when you think about it – it’s now not difficult at all to view your favourite TV program, say, while commuting.

Catch up TV is proving a real attraction with viewers able to access large on-line libraries of their favourite content, retrieve an episode they missed or preview new shows and stream live TV such as the morning breakfast programs and the news.

Television’s effectiveness has always been driven by its ability to start conversations: we love talking about television almost as much as we love watching it. Now, television’s water cooler effect has moved online.

Social media brings that chat into our lounge rooms, so we don't have to wait until the next day at the office or school to discuss what happened on our favourite show.

Tablets, laptops and mobiles are now part of many Australian households. These 'second screens' are enhancing our viewing and allowing us to connect with like-minded online communities. We can give an opinion, contribute to a program live on air or find out more about the program we are watching.

This is why social TV apps such as FANGO, JUMP-IN and ZEEBOX – which we will hear more about from the panel this afternoon – are driving an even deeper level of engagement with what viewers are watching on television *at the very moment it happens*.

Technology is also bringing the shopfront into the living room.

I see an ad on TV and can then jump online and purchase the product I have just seen advertised.

In fact a Yahoo! Razorfish study showed 25 per cent of multi-screen users go directly online after seeing a TV ad. A quarter of them go directly to the advertiser's website.

In order to keep meeting viewers' demands and expectations, broadcasters have to be able to engage in the media world as it is today – not as it was 21 years ago when the Broadcasting Services Act was written.

We need the flexibility to continue to evolve, so we can be where our audience wants us to be, when and where they need us.

The reason Free TV channels remain so popular and resilient is we deliver the best television from around Australia and the world for free.

It takes a serious business to underpin that significant cultural force.

Let me give you a couple examples.

Today, more than 15,000 people will go to jobs either at one of the commercial television broadcasters or the hundreds of ancillary businesses we support.

These include more than 70 independent production companies, for whom the commercial television industry remains the major source of commissions.

Many of these 'indies' would struggle without a strong commercial television sector that each year spends more than the entire ABC budget on Australian content alone.

And, it must be said, this is very much a two-way relationship: Free TV depends on a strong production sector, too.

In 2011-12 commercial TV broadcasters invested a record \$1.35 billion in Australian programming: drama, sport, news and current affairs and light entertainment.

But Free TV is not a magic pudding. You can't keep putting in your thumb and pulling out plums.

Commercial television remains Australia's most heavily regulated medium.

In order to continue to evolve and deliver the new services our audience wants, we need policy and regulatory reform that recognises the changing media environment and – most importantly – serves the interest of viewers.

Some of this is underway already – for example, the revised licence fee which hadn't been changed for 25 years and remains seriously out of step with the rest of the world.

Even so, broadcasters reinvested every dollar of the 2010-11 licence fee rebates – and more – in Australian content.

At the end of last year the government announced that it would:

- Permanently reduce broadcasting licence fees by 50 per cent;
- Introduce a multi-channel Australian content requirement for each commercial broadcaster of 740 hours, increasing to 1460 hours by 2015, and;
- Retain the current 55 per cent transmission quota for the primary channels, but introduce greater flexibility in the current arrangements for sub-quotas.

The Minister for Communications Stephen Conroy described these measures as part of the government's initial response to the Convergence Review.

As you know there has been a lot of speculation over the last couple of days about the timing for legislation going into the Parliament. I am afraid I do not know anything more on this than is reported in the media. But I can say that we are hopeful that legislation will come forward sooner rather than later.

The changes already announced are long overdue. Even with a 50 per cent reduction in licence fees Australian broadcasters will remain the most heavily taxed and regulated broadcasters in the developed world.

The increased content requirements will ensure thousands of hours of additional Australian content on commercial free-to-air television. And the requirement to maintain the 55 per cent transmission quota on the main channel ensures that there will still be a strong Australian voice, as any sub-quota content moved to a digital channel must be replaced by other Australian content on the main channel.

This is in addition to the thousands of hours of quality locally-produced content we already broadcast. You can be sure that the highly competitive commercial TV networks will continue to make programming investment decisions based on what they think will give their respective channels the best competitive edge.

While commercial television remains the primary source of entertainment and information for Australians, we are not the only media in the contemporary landscape.

It is a fact that while broadcasters' costs increase, ad revenues fall and margins are further squeezed, many of our newest competitors – who are rolling out TV-like services – are not subject to any regulation at all.

We are not asking, and have never asked, for new players to be shackled with additional regulations.

What we are seeking is a revised Code of Practice that is able to carry the industry forward in the digital-only world in which we will be operating from the end of this year.

Regulatory reform must reflect the environment in which commercial TV broadcasters compete today and be flexible enough for the next five years – because the one thing you can count on is the rapid pace of change continuing.

2013 is a pivotal year that brings a great confluence of issues. To name just a few:

- We are completing analogue switch-off;
- The broadcasting spectrum will commence 're-stack';
- The vacated analogue spectrum – along with the spectrum that broadcasters now use for electronic news gathering – will be sold to new entrants;
- New legislation will be introduced, governing licence fees and Australian content; and,
- A new Code of Practice will be developed that reflects the digital-only environment

This is a great opportunity to ensure that Australia continues to have a vibrant and robust free-to-air platform that works for viewers, the industry and advances the cultural objectives we all agree are vital.

Despite highly challenging times, Australian commercial broadcasters are embracing change and our continued responsibilities to the 13m+ viewers who welcome us into their homes each day.

Free TV plays a central role in Australians' lives. We need a regulatory environment that recognises the competitive landscape has changed, to allow us to compete on a more level playing field.

A strong commercial broadcasting sector is the best way to continue to tell Australian stories and keep viewers connected and engaged. Whether it's news, sport, drama, light entertainment or children's programming, Free TV broadcasters are committed to producing quality programming that Australians love to watch.

And just as importantly, we want to meet them where they want, when they want, and on the device of their choice. To excite and entice them with new services that are easy to find and navigate.

In other words we want to be leaders in that exciting, challenging, disruptive, fun, interactive and conversational future that we all know is unfolding right now.

Thank you.

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