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Australian Broadcasting Digital Media Summit presentation

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Embracing disruption and innovating to thrive: Free-to-air television in a digital world

Thank you Gretel for your kind introduction and good morning everyone.

Many of you had an early start to get here and I appreciate your interest in attending this session.

As I'm first cab off the rank today I will do my best to pick up on some of the insightful and inspiring perspectives our colleagues have shared at this event so far and, hopefully, progress the discussion.

Today I want to talk about how commercial free-to-air broadcasters are changing and innovating in a digital environment. I know I have been saying this for a while now, but our world has changed and is continuing to change at an increasingly rapid rate.

Broadcasters however are not sitting on their hands waiting for solutions. Nor are they waiting for governments or regulators or somebody else to "do something". But we do want a legislative regime that enables us to get on with what we do best providing quality Australian and international content to all Australian for free.

We have embraced change. Each part of the business has been scrutinised, plans have been made and executed, and the process is ongoing.

Some of the results of that ongoing scrutiny are visible and some are not. Just as when we began the digital transition some of the change is technically based, some of it is to do with how we deliver our content and some of it is to do with the actual content itself.

Our colleagues at Freeview have been working intensely on delivering Freeview Plus. And while an unfortunate scheduling clash means Trevor Bird from Channel 7 is giving a detailed HbbTV presentation in the technical stream, I will have a sneak peak at what is to come later in the year.

Free TV broadcasters are proud of the essential role we play in providing a strong and authentic Australian voice in news, sport, big event TV, drama, general entertainment and children's programming.

Amid the understandable excitement about new technologies and platforms, and the many issues and opportunities these changes present, the crux of a broadcaster's relationship with the audience is content.

Australian commercial broadcasters are proud to be the leading underwriters of Australian programming investing a whopping \$1.36 Billion dollars last year on original, local content.

This is the major reason why many Australians believe commercial free-to-air broadcasting is 'special' and highly valued.

For proof of this, you only have to look at the top 50 shows on television last year – every single one of the top 50 programs was on commercial free to air television – and every single one of the top 50 shows was Australian.

Despite the increasingly crowded media market – commercial broadcasters remain the only sector ready and willing to deliver these valuable services to the Australian public for free.

But before we look at how we are driving change and innovation, it's worth a brief recap of where we are today.

The switchover to fully digital broadcasting was successfully completed in December last year.

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Broadcasters are now undertaking the equally massive task of restacking their services across the country to free-up the remaining digital dividend spectrum.

The digital switch-over was a milestone in Australian television history but by no means an end in itself.

The new digital era has opened a 'digital tool box' for broadcasters that sees the definition of television become far broader than most people could have imagined even a couple of years ago.

Viewers are increasingly consuming TV across a range of screens and broadcasters are moving quickly to meet their demands.

But first let's look briefly at how Australians actually view television now.

In a nutshell: we watch a lot of TV. More than three hours - per Australian - per day - on the in-home television set.

In fact, we are spending the same amount of time watching TV as we did 5 years ago, despite the explosion of media choice and the range of devices on which you can now access TV and other video content.

As I mentioned a few minutes ago, that audience 'stickiness' is thanks to Free TV's compelling content that people want to watch.

In the past few weeks alone we've seen record-breaking audiences tune in to Cricket, Tennis, Australian drama and Event TV, with some individual programs attracting more than three million viewers across the country.

Interestingly, while PVRs are now in 53 per cent of homes, Australians overwhelmingly prefer their television live, with all but 7 per cent of all TV viewing taking place at the time of original broadcast.

Currently, according to the Australian Multi-Screen Report, 93 per cent of ALL screen viewing takes place on the traditional TV set.

Australian viewing patterns **are** broadening as people adopt new technologies. But they are watching as much TV on *conventional* sets as they always have – excitingly, viewing on new devices is incremental.

In other words, the time we spend watching TV and other video content on tablets, smartphones and PCs is on top of the 96 hours per month spent watching on TV sets.

Even 18-24 year-olds, the heaviest users of second screens, spend the majority of their screen time watching TV on a TV set.

So despite the sensational headlines that would have you think otherwise, linear television is alive and well!

That doesn't mean broadcasters are resting on their laurels. We are working hard and adapting to changing viewing habits to ensure viewers, if they choose, can enjoy TV wherever and whenever they wish and on the device of their choice.

To that aim, all Free TV networks have online services that give viewers access to huge libraries of TV content.

This means you can catch up on an episode from your favourite series, preview new shows or stream live TV from your iPad or smartphone.

In the process, these services extend the viewers' engagement with program and advertising content, and give them new opportunities to interact and participate.

But the innovations don't stop there.

The next few months will see free-to-air broadcasters launch a raft of new initiatives centred on Hybrid Broadcast Broadband Television, or HbbTV.

This project involves all of the free-to-air broadcasters. It is a digital free-to-air platform initiative that is being managed by Liz Ross and her team at Freeview. Liz was unable to present at this Broadcasting Summit as she is very busy preparing for the launch of this exciting new service.

If you haven't heard much about it yet, HbbTV is a ground-breaking open standard that allows consumers – using one television screen and a single remote control – to access free-to-air television and internet-delivered programming and other content at the same time.

With HbbTV, consumers can enjoy simultaneously free-to-air channels, plus a range of broadband-delivered services.

And for those of you with an interest in the technical side of things this slide gives you a brief overview of how the service is delivered seamlessly to viewers.

And while, as we noted a few minutes ago, most viewers still consume television as they traditionally have, a small but steadily growing group wants to actively control what, when and how they enjoy TV and related content.

Broadcasters recognised this and HbbTV is an important part of their response to that demand. Yes there are already other connected TV services in existence, but a lot of people who have a connected TV do not connect them and many of those who do find the service too difficult or lacking. With a platform approach, creating a unified TV experience that brings the best of television and the internet together on the one screen concurrently we are confident Australian viewers will respond positively.

HbbTV in Australia will be delivered as Freeview Plus. You will not be surprised to hear that some of the details of services and how the system will work are still under wraps.

Importantly for both consumers and advertisers in a converging media world, Freeview Plus enables personalisation on a mass scale.

It seamlessly melds the 'lean back' and 'lean forward' experience, delivering endless choice, total immersion and superior engagement.

Broadcasters will begin introducing their Freeview Plus services in the next few months ... so watch this space.

Freeview Plus is just one example of how broadcasters are adapting to a dramatically-changed environment. But as I mentioned at the start of this presentation every aspect of the business has been reviewed to ensure that broadcasters can continue to deliver quality content to all Australians for free in an increasingly competitive media environment.

We have always competed vigorously with other media for consumers' attention and advertisers' budgets.

Today however in addition to our traditional competitors we have a range of new ones who offer television-like content: on-demand video, over-the-top TV and other streaming/download services.

To name just a few of these new entrants: Telstra, Optus, Fetch, Apple, Google/YouTube, and – if the persistent rumours are correct – Netflix is also eyeing the Australian market. These players have significant national and international reach and influence – and are not subject to broadcasting regulations.

As you know some of the multinational players pay little tax on revenues derived here. Google is probably the most obvious example, taking some \$2 billion per year from the Australian advertising market while facing no content rules and paying very little local tax.

We were delighted to see Treasurer, Joe Hockey, give these issues serious attention at the Finance Minister's pre-G20 meeting on the weekend. And we will watch developments closely.

It is in this context that we continue to push for more regulatory change. Broadcasters are not seeking a government bail-out. We want a more level playing field so we can continue investing in new digital platforms and funding the quality Australian local content that viewers want.

Even with the recent reduction in broadcasting licence fees, which networks pay on top of their normal corporate taxes, Australian commercial TV broadcasters remain the most heavily taxed and regulated in the developed world.

At the same time as our content costs increase, Free TV networks are investing heavily to make our services available across the wide range of devices I mentioned earlier, in both linear and non-linear, or 'catch-up', formats.

We're innovating because we want to continue to compete for audiences and advertisers.

The increasingly asymmetric regulatory and taxation systems however make it a real challenge for broadcasters to do that.

I should stress we are not calling for new entrants to be saddled with additional regulation but we do need to be able to compete fairly.

Two years ago almost to the day at this very conference, the then shadow Minister, Malcolm Turnbull gave a seminal speech on regulating in an age of convergence

Today he is the Minister for Communications in a government with a real commitment to deregulation and cutting business red tape. We are confident that this is a great opportunity to enact meaningful reforms, which are vital to improve the productivity of Australian businesses and boost economic growth.

The government is moving quickly on its general de-regulation agenda and the Minister is particularly focused on de-regulation in the communications sector.

We are extremely supportive of the agenda and have made a strong and considered submission to the Minister which we understand will be released publicly in the near future. We look forward to the public debate that will undoubtedly follow.

As a starting point, we believe deregulation of the broadcasting sector should focus on two broad areas:

First—deregulation should create a more level financial playing field.

The licence fee 'broadcasting tax' regime should be removed, and the outdated retransmission scheme replaced with a modern retransmission framework.

We understand the restraints facing the government in its first budget, but removing the licence is a major priority for broadcasters – not only will it bring us into line with our international colleagues, but it will allow us to compete on fair terms while still funding our important regulatory obligations around, for example, content, captioning and classification.

On retransmission, we welcome the Australian Law Reform Commission's recommendation in its report two weeks ago advocating repeal of the current retransmission scheme so that broadcasts are protected in the same way other copyright materials are. We firmly believe broadcasters should have a say in how their broadcast signals are used by third parties.

Second – outdated regulation should be removed and critical regulation simplified.

We need to scrap burdensome obligations, for example, around main channel/multi-channel distinctions and streamline the process of ACMA investigations.

Regulation around content and the Code of Practice should also be simplified in order to preserve the many important policy objectives they enshrine while reducing administration and oversight costs.

We look forward to the Government's first 'repeal day' on March 26th as a statement of the government's intent.

Further down the track, Free TV broadcasters are keen to engage with government around broader reforms to improve efficiencies and competitiveness while preserving the integrity of underlying policy objectives.



Free TV broadcasters are proud of the essential role we play in providing a strong and authentic Australian voice in news, sport, big event TV, drama, general entertainment and children's programming.

Modernising the existing broadcasting tax and regulations will bring Australian in line with the rest of the world and reduce the RISK of viewers losing valuable content such as news, sport and drama because the legislative regime has not kept pace with changing technology and viewing habits.

We look forward to providing even better and more diverse services in future. As our chairman Harold Mitchell says....more flexible, broader and bigger than ever before!