

Media Release
Embargoed until Monday, 18 May 2015

NEW REPORT: FREE TV GENERATES \$3.2 BILLION ECONOMIC SURPLUS ANNUALLY

Australia's commercial free-to-air broadcasters' contribution to the Australian economy, to the independent production sector and to Australian viewers has been quantified for the first time in an independent report released today.

Free TV Chairman, Harold Mitchell AC, has welcomed the report.

"There's been a lot of nonsense talked about the future of television recently without much factual basis to support it," he said.

"We commissioned the Venture report to provide an independent analysis of the economic value commercial free-to-air broadcasters provide to the economy, to viewers and to advertisers. We've always known that our members are the major investors in Australian content and the broader economy, and this report quantifies that contribution for the first time.

"We have a fantastic story to tell. This report provides the hard data on our contribution to the whole Australian television eco-system and demonstrates what is at risk if we are held back by outdated rules and regulations," he said.

The report *The Value Of Free TV: The Contribution Of Commercial Free-To-Air Television To The Australian Economy* was prepared by Venture Consulting and commissioned by Free TV Australia. It examined both the economic surplus generated by the industry and the economic investment made by broadcasters.

"We are at a critical time for broadcasters. We are all investing in new services to respond to audience demands for our content when and where they want. But nearly 18 months after we switched off analogue we are still saddled with a range of outdated rules and regulations – that don't apply to anyone else," Mr Mitchell said.

“This is unsustainable. Governments and the community can't afford to be complacent about this. Google, Apple, Netflix and all the other global players who are now entering our market are not going to employ 15,000 Australians, or invest over \$1.5 billion in Australian content annually.

The analysis shows that:

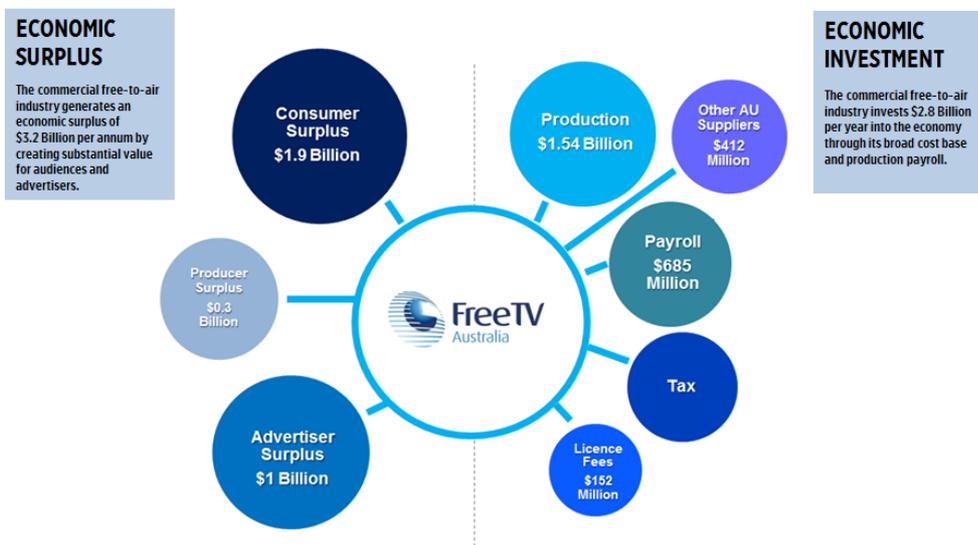
- **Commercial free-to-air television is by far the largest contributor to domestic content production in Australia and underpins the entire production sector**, spending over \$1.5 billion a year on Australian programming increasing at 10% YOY and is responsible for the majority (\$6 out of every \$10) of spending on domestic content[^].
- **Commercial free-to-air's direct contribution to the Australian economy is unmatched by any other television provider**, pumping \$2.8 billion per year back into the economy through production, payroll, technology, advertising and taxation and supporting over 15,000 jobs in broadcasting and the independent production sector.
- **Commercial free-to-air TV generates a significant economic surplus** of \$3.2 billion per year across viewers, advertisers and broadcasters.

“We don't have a strong and vibrant television sector by accident,” Mr Mitchell said.

“We drive the entire television and production eco-system through our investment in great content and great people.”

Mr Mitchell added: “To maintain the health of the sector it is critical that the government and Parliament act urgently to unshackle commercial free-to-air broadcasters so we can continue to deliver these services for free to all Australian across all platforms.”

The economic impact of the Australian commercial free-to-air TV industry



For media enquiries contact Julie Flynn at Free TV Australia on 0408 455 456.

Key Findings

Economic Surplus

The analysis shows the commercial free-to-air television industry generated an economic surplus of \$3.2 Billion in FY14 made up of the following:

- 1) **Value created for Australian viewers: \$1.9 Billion.** Research shows the average household would be willing to pay \$17 per month to receive the programming they currently receive for free. Around 20 percent of households valued would be prepared to pay over \$40 per month. This creates a material consumer surplus of \$1.9bn per annum in aggregate.
- 2) **Value created for advertisers: \$1 Billion.** Industry studies suggest that advertisers generate a return of around 20-40¢ of margin for every \$1 spent on TV advertising, net of production costs. Based on TV ad expenditure, this equals a conservatively calculated economic surplus for those advertisers of around \$1bn per year.
- 3) **Value created for broadcasters: \$0.3 Billion.** Commercial free-to-air broadcasters retain just \$0.3bn per annum of the total economic surplus for themselves meaning that over 90% of the economic value generated by the industry is accrued by the industry's customers, the viewers and advertisers, rather than the broadcasters.

Economic Investment

The industry is a major contributor to the Australian economy, by investing \$2.8bn a year through its diverse onshore cost base – principally through production, payroll, technology and taxation.

- 1) **Broadcasters spend over \$1.5 Billion a year on domestic programming annually.** Commercial free-to-air TV is responsible for the majority (\$6 out of every \$10) of spending on domestic content.
- 2) **Broadcasters employ over 15,000 people** of which 7,200 people are directly employed by broadcasters.
- 3) **Procurement of goods and services: \$412 Million.** This includes the purchase of IT and technology services, captioning, transmission, insurance, research and development, marketing and promotions, legal, entertainment etc.
- 4) **Significant contributor of company taxes.** In addition to corporate taxes, commercial broadcasters also pay an addition licence fee tax of \$153 Million calculated as 4.5% of gross revenues.