

**KANZ BROADBAND SUMMIT
DIGITAL MEDIA OPPORTUNITIES
DIGITAL CONTENT INITIATIVES**

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We live in interesting times. This is true of many things but especially true for the free to air television industry. In Australia today we are experiencing an explosion in the number of platforms, business models and technologies that can, in theory, be used to deliver television content services. The biggest of these developments is yet to come. The National Broadband Network (NBN) will provide almost every Australian with access to a high speed Fibre To The Home connection. But it is not just the capacity of the NBN that will impact on traditional business models. It is also the nature of the access it provides. Open access to wholesale services will allow almost any prospective service provider to purchase capacity and use it as they will. The opportunities for the delivery of new and expanded media services are significant. It follows that if the media, and more particularly broadcasting, sit at the centre of our culture, then the construction of the NBN will not only revolutionise our technical infrastructure but has the potential to revolutionise our cultural infrastructure.

Therefore in discussing our broadband future I think it is important to extend the conversation. We need to go beyond purely technological, infrastructure, economic or commercial issues. This is because the NBN is not simply some sort of neutral, value free mechanism or enabler for the distribution and delivery of data.

Rather it is a disruptive technological development, full of potential and possibilities, and as such we should consider the nature and the extent of the potential disruption.

In looking at the potential impacts I think free to air television is a good place to start, not least of all because I am the Director of ABC TV. There are significant risks to the free to air broadcasting industry in the technology revolution we are experiencing today. These risks are not just to the

businesses that provide free to air TV but more broadly to our culture, our society and other sectors of the economy. But there are also significant opportunities. In order to manage those risks and capitalise on those opportunities, and to continue to deliver the significant economic, cultural and social dividend that our sector provides, it is time to start articulating a new communications and broadcasting policy and regulatory framework fit for purpose for the digital era.

So what is television and where is it going?

In the context of broadband and new media platforms it is useful to first consider: What do we mean by “television”? Are we referring to content, to a delivery technology, to a destination, to a means of consumption? For the most part we slip easily between them – “my favourite television program”, “a television broadcast”, “a television channel” or “a television screen”. However, they all combine or come together to refer to and describe an activity which involves creating, delivering and engaging with audio visual content usually in an extended linear form.

Up until now, the delivery aspect of this activity was restricted to over the air transmission, through cable systems or by satellite to a television or viewing device. And the nature of the device was consequently restricted by the technology. Television content was delivered to and viewed on, surprisingly enough, a television – a big device, for the most part now a flat screen and usually found in a communal area of the house.

The nature of television though in recent years has been changing in a number of ways –due to the delivery mechanisms available, the resulting new platforms and the devices upon which it can be viewed. Internet TV and IPTV on your home computer or mobile TV delivered to your mobile device are here today. And with the advent of the NBN that change is going to accelerate. Over the next 15 years the media landscape is going to fundamentally change and television as we know it will take a number of forms.

The NBN is going to improve a range of existing services and allow for a whole range of new services. However, it also spells the beginning of a new era in terms of the convergence journey that we have been on for some time now. The NBN will truly bring the television device and the television experience

online over common infrastructure, under a common set of access rules and prices. And it will do it in a way that could be quite different from the traditional internet access model. Because it will be open access, television providers of any stripe can purchase wholesale broadband access and use it to deliver television services (be they IPTV or something else) directly to the home at a quality of service and speed not possible over the internet.

Ultimately the NBN will provide the basic delivery platform to significantly change the television industry by opening the door to as many new TV providers as the market can support.

Concurrent with this development will be digital switchover, and the consequent digital dividend, which not only will see a tripling or quadrupling of free to air channels but will allow for a whole range of new wireless and telephony services that will be able to deliver television content. Television content will be delivered via multiple channels and multiple platforms to multiple devices. At this point, television becomes a form of audio visual content to be delivered and consumed in diverse ways. And with that comes the inevitable strain on existing commercial models based around the aggregation of large audiences. As audiences fragment broadcasters have to find new ways of monetising their services and the pressure on traditional models will grow.

In this increasingly fragmented environment, what traditional free to air television has going for it is the high volume and quality of local content it produces coupled with its ability to reach very large audiences in a way no other platform currently can. And for that reason I believe the successful business models that develop out of new broadband capacity will have to be models that incorporate free to air TV as major or even principal partners.

What is important to remember is that television is more than just a commercial product or business model. TV, and particularly free to air TV, plays a significant role in reflecting and shaping our national identity, our values and our culture. The value that TV plays in this role is not derived from the delivery technology, although the technology and the regulatory framework ultimately set the boundaries within which the industry

participants thrive or fail. The value of TV is inherent in its content and its ability to reach audiences.

People watch as much TV as ever albeit on an expanding range of channels, platforms and devices. And this is the case in large part because free to air TV delivers content that audiences want and, perhaps more importantly, that meets a wide range of social and cultural objectives. Without television, specifically free to air television, where would we be? Particularly in Australia where even with its small market and the absence of a language barrier over 50% of the content is locally produced across a diverse range of genres: I think it is fair to say we would be significantly poorer culturally.

And it is this cultural dividend that comes out of television, as well as new opportunities presented by a range of other cultural institutions, that needs to be highlighted, that needs to be given a priority in the context of the broadband evolution that we are experiencing today.

A new Policy Framework

Television, broadcasting and the screen content industries more generally are fundamental elements of our culture and our society and all governments exercise some level of control in order to achieve certain outcomes. However, in the digital era, in Australia, as in many other parts of the world, while the policy objectives remain similar, the mechanisms by which to achieve them are under increasing challenge. As the technology and commercial models change the regulatory regime, understandably, lags behind. This is not something new. We saw it with the arrival of free to air TV in Australia in the 1950s and more recently again with the arrival of subscription TV. It took around 20 years for government to put an Australian content policy framework in place for free to air television. After more than 20 years of operation of subscription TV in Australia is subject to different rules and makes a relatively limited contribution to local content.

The NBN will herald a new era of converged entertainment where legislation and regulation will be central to our whole system of media and communications. There has been a spirited debate about the NBN that has focused mainly on technology, access regimes and the structural arrangement applying mainly to Telstra. What is missing from the debate is a discussion

about the nature and range of local content that will be available as opposed to the platform by which it is delivered. Or to put it another way we need to start focusing on how we develop the cultural and creative infrastructure that will deliver the content we want to make available for Australians to experience over the new technology infrastructure.

This will inevitably require discussing, developing and articulating a new policy and regulatory framework fit for purpose for the digital era.

I would argue that a good place to start is with the policy objectives that we have for the broadcasting industry today and to ask what we want from our broadcasting industry in 15 years from now.

Do we want to see local content – drama, children’s, news, documentaries, entertainment and comedies - created by local producers? I think the short answer, and one that is reflected in the regulation we have today, is yes. Just because TV may be carried over a different medium the primary social and cultural objectives of our current policy framework should not be discarded.

If we accept this then we need to look at how we can deliver these objectives from both the supply and demand sides just as we need to consider direct and indirect support.

Carriage of broadcasting services on the NBN is one point that has been advocated by the commercial networks in Australia. However I think we need to look more broadly than just carriage.

First off we need to look at the domestic production industry. Without a strong local production industry there is no local content. In order for Australia to have a vibrant and strong production industry there needs to be strong demand for its products. In the Australian context that means having a free to air broadcast industry that is strong enough and successful enough to buy local content. It also means having a national broadcaster that is sufficiently funded to buy significant levels of local content. We cannot have one or the other. For the local production industry to thrive we need both.

Similarly as new platforms emerge what part should those providers play in supporting the local production industry? It would seem that if we believe audiences will be fragmenting and moving away from the primary free to air

platform then in order to ensure Australians have access to local content some requirement should also be placed on those new players. At the very least the rules stipulating expenditure on local content placed on other subscription television suppliers such as Foxtel and Austar should apply to the new IPTV subscription service providers.

Another way in which we might safeguard the continued development of local content is through new funding. The ABC had a very positive outcome at the last federal budget in May of this year: an additional \$137m over three years to fund more Australian drama and to start up a new dedicated children's channel. So we are not complaining. But more broadly if we want to continue to see locally produced content and television networks begin to feel the strain of new competition on broadband platforms then one idea might be to transfer wealth between two parts of the communications sector.

Just as spectrum is moved from one industry to another some of the proceeds from that sale could be used to support local content production on new platforms – both wireless and wired. So while a healthy free to air sector and the maintenance of quotas can be used to drive demand, a direct funding transfer from one part of the communications sector to another can be used to help support supply. The digital dividend could also help to deliver a content or cultural dividend.

There are other funding options that could support the extension of traditional content industries into the telecommunications environment. The movement of wealth between industry participants to satisfy social objectives is not new. It happens today with mechanisms like the Universal Service Obligation and levy. As the lines between communications and media models become blurred there may be scope to extend such measures to ensure other social objectives – such as local content – continue to be met.

And in the same context there are tax support measures in place today for the content production sector. With regard to these we need to ask: Are the current relief mechanisms too narrow in focus? Should they be extended to cater for other genres and other platforms? Should the deduction limits be increased? In the context of a holistic policy approach to broadband and content all of these issues need to be considered.

What we need to develop is a basic framework for continuing to meet our social and cultural policy objectives. And this framework needs to be broad enough to encompass all of the artistic or content creation streams and include as many of our cultural institutions as possible – from performing arts organisations, to collecting institutions, to music, literature and film.

An obvious place to start is the potential for harmonisation of regulation across platforms. And once again I come back to television content. No matter if you're watching television content on a TV in your home delivered wirelessly or via broadband, or if you're watching television content on your mobile phone or if you're watching television content on your computer and regardless of whether it is advertiser supported, subscription or a public broadcast service – you are still watching television content.

Obviously there are issues to be overcome with harmonisation. That is why we have the 2000 Ministerial Determination stipulating specifically what broadcasting is NOT. That is, it is not “a service that makes available television programs or radio using the internet.” But in the NBN world we won't necessarily be talking about TV over the internet. We might be talking about dedicated networks or closed networks and in those instances the opportunities for harmonisation exist.

The NBN is a visionary project and offers extraordinary opportunities for Australia. It will deliver a range of direct economic benefits and set the foundation for a multitude of innovative developments. It also offers us the opportunity to realise a range of cultural benefits. It presents challenges to the traditional broadcasting industry but also immense opportunities.

Ultimately, as I said earlier, in developing broadband competition and technology policy we need to also focus squarely on cultural policy and the cultural infrastructure that will support it across the new broadband platforms.

The NBN and new IPTV services, cable, new generation wireless and traditional free to air broadcasting are all carriers of content. If the social and cultural objectives of today are relevant to the future then they need to be applied no matter on what platform the content is delivered.

Getting there will be no easy task. I do not have the answers. But what I do know is that we need to start having those conversations today. We need to start developing a forward looking policy framework that will work for the digital age and that balances economic and cultural priorities.

If we are to achieve success in the NBN project, and if we are to achieve our broadband ambitions, economically and culturally, then the input of the creators and distributors of cultural content will be essential. . And it is to the cultural outputs and cultural benefits that we now need to turn our attention.

Thank you