



Australian Government



**AUSTRALIAN
FILM
COMMISSION**

**SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS INQUIRY INTO THE UPTAKE OF
DIGITAL TELEVISION**

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Introduction

The Australian Film Commission (AFC) is an Australian Government agency, operating as part of the Commonwealth Film Program to ensure the creation, availability and preservation of Australian screen content. The AFC enriches Australia's national identity by fostering an internationally competitive audiovisual production industry, making Australia's audiovisual content and culture available to all, and developing and preserving a national collection of sound and moving image.

As the major collector and analyst of data about the industry, the AFC leads opinion, outlook and policy about the audiovisual industries and screen content in Australia.

The AFC wishes to provide comments upon the encouragement of consumer interest in the uptake of digital television and future options for uptake.

Digital television uptake

The uptake of free to air digital television receivers has been slow, which is widely attributed to a lack of compelling new programming offering a point of difference to what is already available to analogue viewers. According to Digital Broadcast Australia, the number of free-to-air digital TV receivers in Australia has risen to 658,000 receivers sold (wholesale) including 400,000 sold in 2004. In subscription television, a little over 500,000 digital Foxtel subscriptions have been sold to December 2004.

The Department of Communications, Information and the Arts (DCITA) is currently reviewing the broad policy parameters that structure Australia's broadcasting system. The reviews deal with, among other issues, the rules applying to simulcasting, multi-channeling and the potential provision of new commercial television services.

The policy decisions that are made in relation to these key broadcasting issues, particularly in relation to digital simulcasting and new television technologies such as multichannelling, will have a significant impact upon Australia's future broadcasting system, and on the uptake of digital television.

The AFC believes that key to the successful promotion of digital television uptake is prioritising the needs and interests of the Australian audience. Television is society's most important provider of information on matters of public interest. It contributes to community cohesion and plays a direct role in the development of a vibrant sense of national identity, providing an outlet to reflect the diversity of cultural expression within Australia.

The broadcasting of Australian content is essential to this process.

The continued availability and status afforded Australian content within the digital television regime is fundamental to the successful uptake of digital television.

Whatever the government ultimately determines in relation to new television services, the system as a whole, and its component parts, must deliver to Australian audiences innovation, choice, quantity and diversity of Australian content. At a minimum, these levels must be at least equivalent to those which audiences currently enjoy on free-to-air television. Increases in the quantum of hours and of expenditure should be accommodated in proportion to any increases in new services.

Australian audiences presently have access to guaranteed levels of Australian content on the existing range of television services as a direct result of Government regulatory and funding intervention. All proposed changes to Australia's television system, especially those which will increase the range of broadcasting services, will require a continued commitment and articulated strategy from Government. Regulatory and funding commitments will be required to ensure the maintenance of minimum levels of Australian content on existing and on new services.

There is currently no compelling business case for broadcasters to create new content. If the government is determined to facilitate the up-take of digital television there will need to be clear incentives and maximum flexibility for the broadcasters to provide innovative content, which should include the public broadcasters.

As avid consumers of new technology, Australians are purchasing larger screens and home theatre set ups, primarily to enjoy DVDs and sporting events. However the audience seems unclear as to the real advantages of digital television and what could make the purchase worthwhile. There is confusion surrounding the terminology associated with digital television and terms such as 'widescreen', 'high definition' and 'digital' are used indiscriminately to advertise attributes of new equipment. Rather than relying on the equipment manufacturers to promote digital enhancements, it may be that the government needs to offer some consumer information and education on the topic, free from the sales environment.

Pay TV and the UK comparison

While there are a number of significant differences between the UK experience and the Australian broadcasting environment, it is clear that the UK government has taken a far more proactive approach to boosting digital uptake. Among the differences between the UK and Australian experiences is that Freeview is backed by the considerable resources of the BBC, the dominant broadcaster in the UK, to promote Freeview. Freeview is run by DTV Services Limited and is controlled by the BBC, the subscription operator BSkyB and Crown Castle International. Another important distinction is that satellite subscription television (a significant

service in the television industry in the UK) has been digital since 1998 converting completely to digital in 2001, and forms the largest base of digital households.

The UK's Office of Communications (Ofcom) reports that a total of 59.4 per cent of UK households received digital television; an increase of close to six per cent from 30 September 2004. This figure is made up of 9.8 million digital pay TV households – including digital cable, digital satellite and TV over ADSL – and 5 million free-to-view digital households – which includes digital terrestrial television (Freeview) and digital satellite.

Much of the growth of digital television in the UK can be attributed to the introduction of Freeview – a free to air digital multichannelling service. Since the BBC took over the failed ITV Digital multiplex and launched the Freeview service it has added 4.5 million households to digital penetration in the UK. Freeview provides 26 television channels (including all the terrestrial broadcasters)¹, 25 radio channels and two interactive channels through the payment of one up front fee and no monthly payments. Its success means more than half of UK households are now digital.

The third major difference between the UK and Australia goes to the manner in which the digital transition is being facilitated. The UK government chose a digital terrestrial market that emphasised the use of digital to introduce *new services* rather than just better quality pictures and sound. The existing analogue broadcasters were guaranteed access to digital, but were also expected to compete with new entrants to the market and this led to the creation of new digital channels.

Despite the impressive penetration of close to 60 per cent of households in the UK the Ofcom has recently reported² to the Government that more needs to be done. They predict that even with the success of digital subscription and Freeview the market alone will only take digital penetration to 80 per cent. Their major recommendation is the formation of a new implementation body to promote and co-ordinate the move to 100 per cent digital and the earliest possible shutdown of the analogue system.

In Australia, the pay television platforms are moving towards the possibility of switching off analogue, now that Optus is poised to go digital. The uptake of digital television in pay is steadily increasing, with subscribers attracted by packages that include personal video recorders, extensive movie catalogues and telephony.

National Broadcasters

¹ BBC1, BBC2, ITV1, Channel 4 / S4C, and Channel 5, ITV2, ITV News, S4C-2 (Wales only), BBC Three, BBC Four, BBC News 24, CBBC, Cbeebies, BBC Parliament, TnG, (Scotland only), Sky Travel, Sky News, Sky Sports News, UK History, QVC (except in Wales), TV Travel Shop, bid-up.tv, The Hits, UK Bright Ideas, f tn, TMF, Community Channel

² *Driving Digital Switchover: A report to the Secretary of State*, OFCOM, April 2004

If new services are to be introduced, the AFC believes that the national broadcasters – sufficiently funded to take advantage of multichannelling – would act as a significant driver in the uptake of digital television.

Currently SBS has one additional multichannel dedicated to world news. The ABC has recently launched ABC2 a generalist channel largely offering time-shifted ABC programming and a small amount of new programming. The latter comprises mostly short, interstitial content – animations, music videos and kids' education programs, but also some new documentaries and performance pieces. New screen content created through the AFC's Broadband Production Initiative will be screened on ABC2. This content will include discrete short films, documentaries and children's animation drawn from the broadband websites for *Usmob.com*, *Dog and Cat News*, *Dust on my Shoes* and *The Life, Times and Travels of the Extraordinary Vice-Admiral William Bligh*. However, the ABC remains limited by the current digital regime's genre restrictions. The launch of ABC2 follows the closure in mid 2003 – due to financial reasons – of the two multichannel services *ABC Kids* and the youth channel *Fly*.

Overall there has been little activity in new digital television services outside of the Digital Forty Four datacasting services and the commercial broadcaster experimentations with interactive programming. The national broadcasters have been responsible for the small but important steps towards significant new digital television services. To prompt innovative digital programming there needs to be a more flexible environment, rather than the current restrictions, such as those applying to genre. Constraints on the broadcasters translate into constraints on innovative content. It is understood that genre restrictions are being examined by government in the current review of multichanneling.

The ABC believes that as more Australians take up digital TV, it will be able to make more programs. ABC2 is the first broad-focus digital channel and many are hoping it will solve the digital conundrum. Broadcasters have so far been slow to develop content for digital services because of the small numbers of viewers with set-top boxes able to access it. (Natalie Greg reporting in the Courier Mail, 12 March 2005)

If a more competitive environment arises because of the introduction of multichanneling, the role of the public broadcasters becomes more important by providing diversity. A competitive environment can lead to a situation where certain sections of the audience are underserved. In such a scenario, it is critical that well resourced public broadcasters exist, with the obligation to serve the whole of the audience, by reflecting its diversity. This necessarily involves providing high levels of Australian content in line with the social and cultural objectives of the ABC and SBS charters.

The AFC considers it crucial that if new services are to be introduced, the national broadcasters must be strong players in a multichannel environment. They must have the ability to populate their secondary channels with a high proportion of Australian content. This will require a significant additional funding commitment from government.

Australian content

Australian content remains extremely popular with Australian audiences as is clear from recent examples of ratings for Australian programming.³

Nevertheless, the AFC notes that over the last decade, mainly as a result of the introduction of subscription television, the amount of foreign programming on Australian television has increased dramatically. An indicator of this is the rising deficit in Australia's audiovisual trade. Since 1992/93 the value of imported film and television has increased from \$401 million to \$680 million in 2002/03.

Australians have not experienced Australian content on subscription television in the more expensive areas of drama and documentary anywhere near proportionate to the increase in the number of subscription services.⁴

The production of new Australian drama has been in decline for several years falling from a peak value of \$393 million in 2000/01 to \$190 million in 2003/04 – the lowest level for 10 years. The most recent fall was due to a significant drop in the production of Australian adult TV series from 525 hours in 2002/03 to 454 hours in 2003/04 – just above the lowest annual figure for 10 years (430 hours in 1994/95).

This decline in production is reflected in the decline in broadcast hours of Australian drama. The overall level of Australian content is 59 per cent on the commercial networks but in 2003 they broadcast 534 hours of new Australian drama, less than the annual average of the nineties, of 591 hours.

The situation is worse on the ABC, where the level of Australian content has declined dramatically and is well below that required by the commercial broadcasters and on subscription television where levels are inadequate.

³ *The Alice* screening on Nine Network was the most watched movie of 2004. The mini-series *Jessica* was the 3rd highest rating drama program the week it screened on Network Ten and won its timeslot against Sunday night US and UK films. When *Looking for Alibrandi*, screened in 2003 on Network Nine it rated higher than *Gladiator*. Long-running Australian drama series also continue to rate highly with *Kath and Kim* the most watched comedy series in 2003 and 2004 and *McLeod's Daughters*, *Home and Away*, *Blue Heelers* and *All Saints* all consistently rating in the top drama titles.

⁴ In 1994/95, before the introduction of subscription television, Australia produced four mini-series and 17 telemovies, but nearly a decade later in 2003/04 just one mini-series was produced and 11 telemovies.

On the ABC the level of Australian content has declined from around 58 per cent of total hours broadcast in the 1990s to 52.5 per cent in 2002/03. A large part of this has been due to the decline in Australian drama on the ABC.⁵

If DCITA's digital television reviews lead to the introduction of new services into a broadcasting system with entrenched market failure, Australian audiences must be guaranteed appropriate levels of Australian content. Any further watering down of Australian content will impact negatively upon Australian audiences and the success of digital television.

Traditionally, the government has relied on a mixture of regulation and direct and indirect subsidy to support Australian content – regulation being the most significant mechanism. With the restricted ability to regulate under the Australian United States Free Trade Agreement (AUSFTA), the government will need to rely more heavily on direct and indirect subsidy to achieve its policy goals.

The AFC argues strongly that regulation is fundamental to meeting the objectives of the Broadcasting Services Act and should continue to be used to the extent it is still permitted under the FTA, especially with respect to subscription television. However, regulation alone is not and will not be sufficient to provide adequate levels of Australian content. One possibility is to create an Australian content production fund, that could be drawn from a combination of taxes, levies and subsidy, to support Australian content on both new and existing services.

The continued availability of Australian content is a significant factor in the uptake of digital television. The AFC believes that decisions made regarding the broadcasting system and the encouragement of digital television uptake must take into account both the cultural importance and popularity of Australian content.

⁵ First run hours of drama for adults has dropped from 83 in 2001/02 to 31 in 2002/03. Total hours, including repeats dropped from 387 to 192. Australian comedy (including comedy drama) also declined in this period from 43 hours of first run to 20 (including repeats, 51 hours dropped to 26). At the same time the amount of first release imported drama for adults broadcast by the ABC rose by nearly 30 per cent, from 266 to 339 hours and including repeats, rose from 429 hours to 700.