

## OZ-E CULTURE CONFERENCE – 30 July '03

### The Chicken and the Egg – Broadband Content and Infrastructure

#### Introductory Comments

One year ago, the AFC Chief Executive, Kim Dalton, spoke to the 2002 OzE-culture conference. At that conference, Kim highlighted the importance of broadband in the growth of a sophisticated and well-developed communications environment in Australia and pointed to the importance of broadband content creation in facilitating those developments. Kim warned that Australia was falling behind other developed nations in this area of interactive digital content production. Which is why the broadband content funding initiative of the AFC was important as a first step to addressing that widening gap.

A year on – what has changed in the broadband landscape, both in terms of the access Australians have to broadband and the level of investment in broadband content production?

We have seen some discouraging signs.

Beyond Online has closed its doors, although Brainwaave will arise from the ashes in the next few months.

Optus has decided not to proceed with interactive television following its trial, despite apparently encouraging results.

What is more, digital television remains an apparently unattractive option to the vast majority of Australians and we have seen the ABC close its two digital television channels, ABC Kids and Fly. This makes the promised digitisation of the Foxtel network an even more important potential driver of digitisation.

Australia remains well down in the pack in terms of broadband connectivity. Australia's overall broadband penetration is less than 2 per cent of the population and fewer than 10% of Internet households in Australia have broadband connectivity. These figures are well below that of leading OECD countries.

Recently, Telstra has embarked on a new marketing campaign designed to increase the number of subscribers to Telstra Bigpond Broadband. They are predicting that by 2005 there will be at least one million broadband customers and they will achieve \$1 billion in revenue from broadband. OptusNet has also recently relaunched its broadband services, although it is not known how many of the current 580,000 plus subscribers are broadband customers.

These are encouraging signs but the growth patterns predicted would still see Australian broadband penetration only just emerging from the launch phase in two years time. We would then be at the levels of broadband residential usage already achieved in the US, Belgium and Sweden. That would put Australia still some way behind achieving the vision of being a "world leader in the availability and effective use of broadband" that was recommended in the recent report of the Broadband Advisory Group (BAG).

What are Australian governments doing?

As part of its response to the BAG report and the Estens Inquiry into Regional Telecommunications, the Commonwealth has recently announced "it will develop a **National Broadband Strategy** (NBS) with funding of \$142.8 million over four years. A central objective of the NBS will be to provide access to affordable broadband services in regional Australia". A **National Broadband Strategy Implementation Group** (NBSIG), as recommended by the BAG report, 'will develop and oversee the Strategy, with Federal Government funding of \$2.9 million.' In addition, the Government announced '\$23.7 million over four years to be provided to a **Coordinated Communications Infrastructure Fund (CCIF)** to accelerate the rollout of broadband into regional Australia.' (Joint Media Statement of 25 June '03)

Elsewhere, DCITA is now into the third phase of its Creative Industries Clusters Study. This study aims to ‘develop a comprehensive Digital Content Strategy, with the objective of accelerating the production, distribution and marketing of digital content and applications domestically and internationally.’

Stage 2 of this study observed that ‘the production of digital content and applications is undergoing rapid change in terms of technology, markets and organisation. It found that digital content production is becoming a major driver of innovation across content industries, and potentially, in other sectors like education, entertainment and advertising more generally.’

Stage 3 is currently identifying ‘barriers to achieving an optimal level of innovation in the creative industries and will suggest possible industry-led and other strategies to address these barriers’, including the access to international markets.

The BAG report identified that ‘broadband take-up and availability of compelling content are inextricably linked.’ This means that there is not only a need for investment in technology and infrastructure, but also a need for investment in the creativity that will drive content creation. Here, the role of government in helping to fund broadband content production is crucial.

In 2000/01, the Commonwealth and State governments provided a total of \$4.5 million dollars as investment in the production of digital interactive content. Compare that with the New Media Fund of our equivalent agency Telefilm Canada, which is worth about \$10 million annually and Department of Canadian Heritage’s Applied Research in Interactive Media Program, worth about \$6.5 million annually. These are but two of a raft of Federal and Provincial government initiatives, many in partnership with industry, that in Canada help to underwrite the production of Canadian content and promote a strong Canadian presence online.

Telstra will clearly be a major player in the brave new digital world. Our Chief Executive is a member of the Telstra Broadband Fund, which has to-date focussed on funding applications rather than content. However, we have had fruitful discussions with Telstra about collaborating with the AFC on the current round of projects emerging from our Broadband Production Initiative.

The Broadband Production Initiative administered by the AFC is a Commonwealth program to underwrite the production of new content for broadband. It represents a commitment of \$2.1 million over three years and now has a year to run. There are scarcely any other avenues for funding the development and production of content for Australian broadband. Where does that leave the careers of the creative practitioners I'm about to introduce on this panel?

The fundamental issue confronting Australia is to ensure that Australian audiences continue to have access to minimum levels of Australian content in any broadband future. To date this has been achieved for television through the funding of the national broadcasters and through the regulation of privately owned broadcasters to invest in and show Australian content.

We are now in a multi-channel and multi-platform world in which increasing forms of communication from television through to SMS compete for the attention of the media consumer, particularly the young. Ensuring that there are adequate levels of Australian content crossing these platforms is important not only from a cultural point of view to ensure that Australian creativity is enlivened, it has implications for the ability of informed citizens to participate in the national democratic process. It also affects the future growth of the creative industries in this country and the economic well being of the nation.