

Many Voices – One ABC

Funding the ABC for a digital future

**A summary of the ABC Triennial
Funding Submission 2000–2003**



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Introduction

The Commonwealth Government's decision to introduce digital television broadcasting in Australia from 1 January 2001, compels the Australian Broadcasting Corporation (ABC) to formulate strategies to meet this challenge.

The ABC has developed initiatives to adapt its production and delivery processes, programs and services to meet audience requirements for increased quality, range and choice of broadcasting services in analog and new digital technology.

During the digital television transition period, the ABC is required to continue to provide analog broadcasting services in addition to the development of new programs and services for digital television. This will require additional funding. Governments have in the past funded the national

broadcaster into other new technologies — for example the introduction of television and the move from black and white to colour television.

The Government is separately allocating funding to the ABC to meet capital costs of digitisation. This Triennial Funding Submission relates specifically to the ABC's operational costs over the triennium commencing on 1 July 2000.

This submission argues for additional funding (\$194 million) over the next three years so that the ABC can provide high quality, distinctive, innovative and comprehensive broadcasting programs and services, in both analog and digital, equitably delivered to all Australians.



Background

For 67 years the ABC has played a pivotal and distinctive role in the broadcasting industry in Australia.

As the 'fourth broadcasting revolution' commences through the introduction of digital television services, the ABC will continue to play a central role. In the face of globalisation, and its resultant audience fragmentation, it is vital that the ABC be adequately funded as a producer of Australian content. The national broadcaster is well placed to meet this challenge as it:

- has a national focus, is outward looking and inclusive
- is able to explain Australian culture, life and issues — to Australians and the world
- embraces geographic diversity and a broad range of community interests
- has a wide regional spread of resources across the country
- is in a unique position to ensure regional Australian audiences share directly in the benefits of digital broadcasting and online services.

Efficiency and Effectiveness

The ABC is in a strong position to make the transition to digital television broadcasting. It has consolidated its operations, increased efficiency and effectiveness and begun wide-ranging preparation for the introduction next year of digital broadcasting.

Within a government funding base reduced by 12 percent (\$66 million) during 1996–97 and 1997–98, the ABC has:

- provided distinctive Australian content
- maintained audiences and audience respect and gained broader recognition for the quality of its programs
- extended services and developed new audiences, particularly through ABC Online (although international services were pared back as a result of budget cuts in 1997–98)
- strengthened its commitment to delivering programs and services to local communities
- encouraged partnerships with the industry
- improved the efficiency and effectiveness of its operations
- increased revenue.

The ABC has begun preparing for the immense challenges and opportunities of digital broadcasting, but its success relies on an increase in its base funding.

Cost of ABC services

The overall cost of ABC services is low compared to other public sector broadcasters. In 1997–98, funding for the ABC was less than half of one percent of the Federal budget.

The proportion of total Government budget committed to the ABC was approximately half the United Kingdom figure for the BBC and three quarters that of the Canadian figure for the CBC.

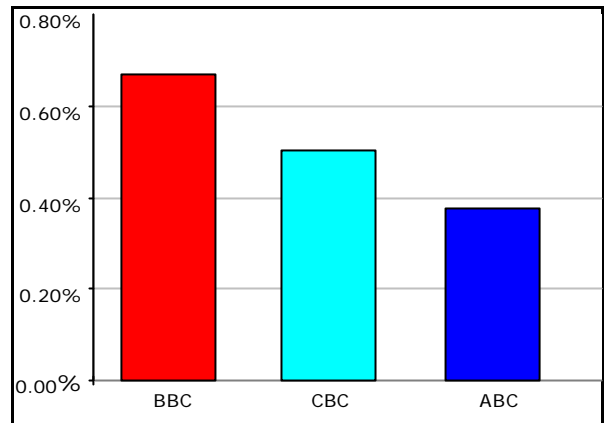


Figure 1: Public Funding of Broadcasters as a Proportion of Total Government Budget 1997–98

The ABC's benchmarking shows that in terms of public funding/licence fees the CBC costs slightly more per person per day than the ABC, and the BBC costs more than three and a half times as much as the ABC.

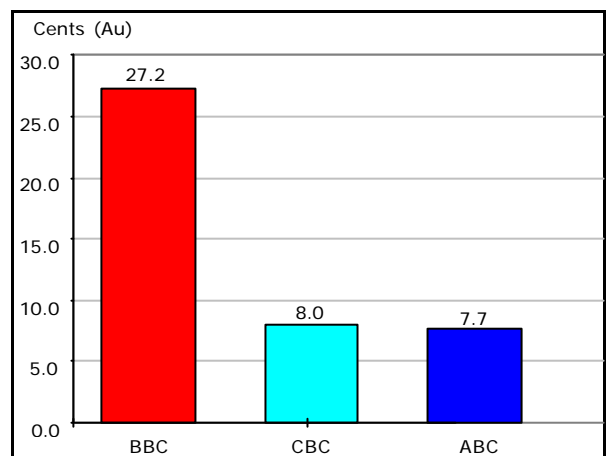


Figure 2: Cost to the Taxpayer/Licence Fees per Head of Population per Day 1997–98

In 1997–98, the ABC's television service cost less than one half as much as Channel 7 and Channel 9 and 5 percent less than Channel 10. CBC's television expenditure (on its two television services) was three times that of the ABC and the BBC spent almost 11 times as much on its three television services as the ABC television service cost.

The ABC's key operational initiatives have enabled it to effectively and efficiently fulfil its Charter and other legislative obligations. The ABC compares favourably with Australian commercial broadcasters and the BBC and CBC across a range of measures.

Despite its reduced funding base, the ABC's performance has been strong, although some areas of concern, such as the declining level of first-run content and declining income from program sales, have been identified.

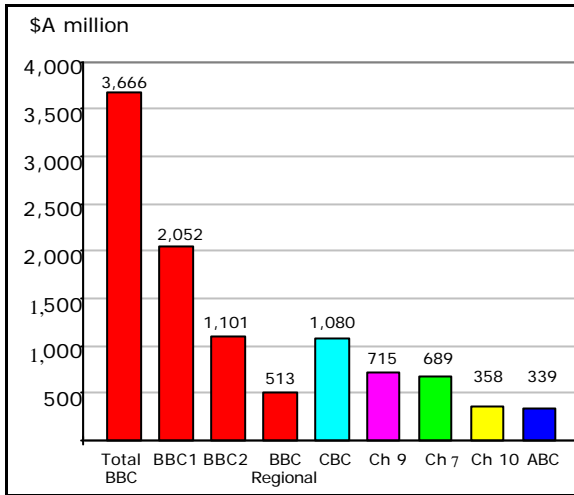


Figure 3: Broadcaster's Expenditure on Television 1997-98

Staffing efficiencies

The ABC has reduced its staff in response to budget reductions, rationalisation of business support services, organisational restructure and adjustment in production resources. The total number of ABC staff (full-time equivalents, excluding staff associated with the symphony orchestras) has decreased from 4,808 as at 30 June 1996 to 4,134 as at 30 June 1999.

The ABC's ratio of senior-executive to non-executive staff has decreased over this period, with a 21 percent decrease in senior executives.

Overall the numbers of management, administrative, engineering and technical staff declined by 13 percent over the period, while production, journalist, broadcast and transmission staff declined by one percent.

ABC audiences

In a competitive environment, the ABC maintained its overall audience levels.

Between 1996-97 and 1998-99, ABC television's five city average weekly audience reach (people watching ABC television between 6am and midnight at least once a week) increased by four percent to 8,880,000. As a percentage of the five city population, ABC television's percentage reach increased from 70.7 percent to 71.6 percent over the period.

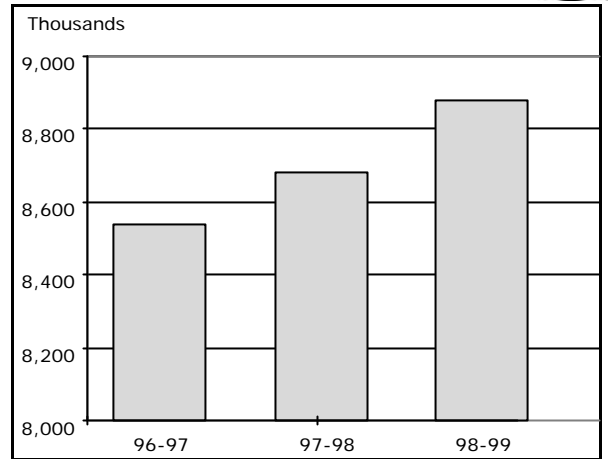


Figure 4: ABC Television 5 City Average Weekly Reach

ABC radio's five city unduplicated weekly reach increased from 3,469,000 in 1996-97 to 3,525,000 in 1997-98: an increase of 1.6 percent.

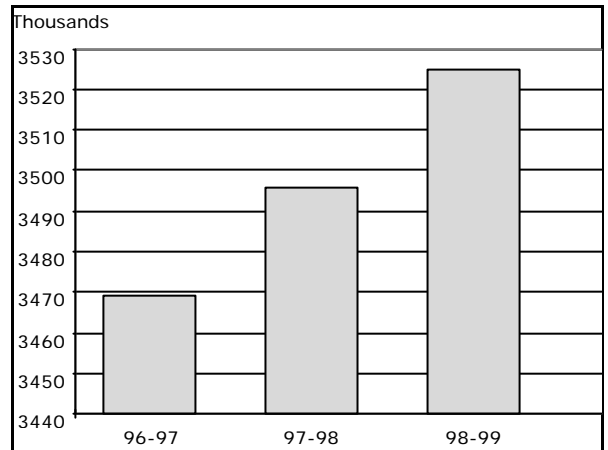


Figure 5: ABC Radio 5 City Unduplicated Weekly Reach

ABC Online data accesses per annum increased from less than 18 million in 1996-97 to more than 95 million in 1998-99, and the usage figures maintain inexorable growth levels.

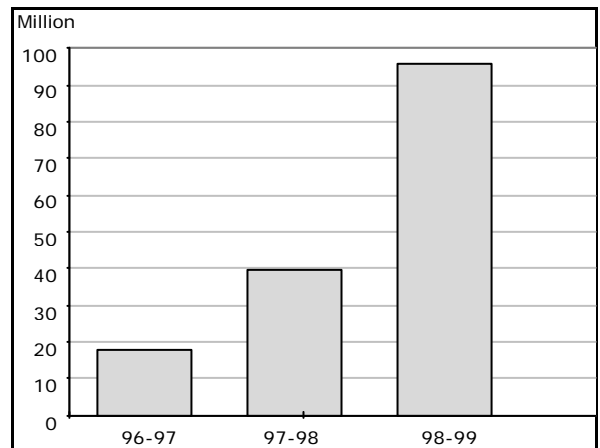


Figure 6: ABC Online Data Accesses Per Year

Transforming ABC Services in the Digital Age

Over the 2000–01 to 2002–03 triennium the ABC will begin to deliver a range of new services via multichannelling, datacasting and the internet, adding real value to audiences and the industry. Regional Australia will be a primary focus.

The value of the ABC's new digital services will far outweigh the additional funding required to provide them.

To date, the ABC has provided its award winning online service at a direct cost of less than one percent of the ABC's budget. It has been able to do this by leveraging existing resources, enhancing this capability through initiatives such as technology upgrade, collocation, cross-media production, workplace reform and improved communications.

Television is a much more expensive medium than either radio or online, because of the production values involved. As a result the costs of providing additional television services — even in digital — will necessarily be greater. However the ABC anticipates that it will be able to deliver a range of new digital television services at a marginal cost of the establishment of a new television service, because its national infrastructure already exists.

The majority of the costs associated with the provision of digital terrestrial broadcasting services will be directed towards the establishment of the ABC's multichannel and datacasting services and the production and commissioning of content for those services.

Online services

Online services, delivered via the telecommunications infrastructure, have been the advance guard of the digital revolution.

The ABC's model for online services has been based on leveraging content sourced from across the ABC's program departments, combined successfully with the internet's capacity for interactivity, multi-layering and mixed media. This model has ensured that the ABC's service was developed cost effectively. It has also ensured that the ABC's extensive regional operations have an

important new outlet in the new media environment.

As the internet's applications grow and audiences demand more sophisticated content, investment in ABC Online will need to increase if it is to continue as a significant contributor of quality Australian content in this medium. The ABC's plans include the development of:

- innovative Australian new media content
- content which facilitates community involvement and expression
- increased gateways to specialist information
- increased range of interactive content, including children's and educational services
- a more effective intermediary for cultural content — including the visual and literary arts.

Digital television

The ABC reflects the interests of audiences at a national, State and Territory and local level.

Over the past triennium, the ABC has refocused its capacity to serve the needs of both local communities and State and Territory based audiences, recognising that the additional spectrum available through digital broadcasting and the lower cost of digital production would provide new opportunities to meet those needs.

The plans presented in this submission balance the capabilities of digital technology, the cost of capital, the availability of spectrum and the benefits of different digital services for audiences. The ABC's objective is to create truly distinctive services which bring real benefits to audiences. Once again serving regional audiences is a central priority.

In accordance with the provisions of the *Television Broadcasting Services (Digital Conversion) Act 1998*, the ABC will provide:

- **a digital television service**, simulcast with the existing analog television service which will be capable of delivering high definition television (HDTV) programming at certain times of the day;

- **'ABC Plus'** — a digital only (multi)channel which will be a State and Territory based service reflecting the ABC's commitment to delivering significant local, State/Territory and national programming across all its services.

The process of identifying this channel with each State and Territory will begin from the first day of broadcasting. As the service develops, this State/Territory television presence will be enhanced with additional programming generated by and for each State and Territory.

Schedules for 'ABC Plus' will be distinctive, vibrant and unlike any other digital broadcasting service in Australia and will be strongly linked to the ABC's Charter. 'ABC Plus' will deliver:

1. *ABC Knowledge* — a dedicated stream focusing on technology literacy, interaction between individuals and the social environment, issues of citizenship, life skills, community involvement and cultural identity. It will cater for individuals interested in the economy, including those involved with small and medium sized businesses whose information and training needs may be unmet.
2. *ABC for Kids* — (a working title) designed to give audiences the choice of distinctive, high-quality children's programs (including Australian programs) across the day. 'ABC for Kids' will encourage and allow Australian children to engage with their world. There will be a particular emphasis on non-passive viewing via a link from 'ABC Plus' to both 'ABC Interactive' and the related content on ABC Online.

'ABC for Kids' will provide an extra 50 hours of local content overall (shared on the two television services), equating to 25 hours of original local content annually. These programs will be available between 7am and 6pm either on 'ABC Plus' or the ABC's main television channel.

3. *ABC Information* — 'ABC Info' (a working title) designed to provide audiences with general information programs produced across the country

for local, State/Territory and national audiences. This stream will build on ABC Radio strengths in specialist and local information programming. Programs may include consumer programs on issues such as health, business, the arts, and State/Territory based programs. There will also be news updates and weather bulletins, short snapshot coverage of local events and community issues with local feedback options via online.

- **'ABC Interactive'** — a digital only 'interactive' (datacasting) service which will act as a prototype for a full ABC interactive television service. It will include:
 - text based services — available on demand — which will enhance mainstream television programming, including biographical information on those involved with the program, transcripts, scripts, sporting statistics, etc
 - opportunities to contribute and participate in programs in conjunction with ABC Online
 - ABC national and regional news programs (in video format) regularly updated on a 'carousel' system
 - an electronic program guide to assist viewers find programs within the ABC's expanded schedule
 - live broadcast of public events, major parliamentary debates, regional and community information and press conferences scheduled without interruption to regular programming
 - a safe interactive children's site with onscreen educational games.

The ABC's digital content plans are well developed. Pilots of new programming are being developed, rights issues are being addressed, negotiations with suppliers of overseas education programming are taking place and progress has been made in the design of electronic program guides and enhanced services. Technology planning and installation are being matched with content needs.

Developing Australian Content

The capacity of the Australian broadcasting, media and cultural industries to sustain critical levels of Australian content is under threat from new delivery forms, new media, changing consumer habits and globalisation of content. Live performance, visual arts and literature are some of the ways in which Australian identity is reflected and reproduced. At a time when globalisation is presenting new challenges to the preservation and reflection of national identities, it is critical that the Australian creative infrastructure is supported and that Australian audiences have the broadest possible access to artistic and other cultural endeavours.

In this environment, the ABC has a significant role to play in delivering Australian content in all genres and over all delivery systems, ensuring audiences can continue to enjoy programming which contributes to a sense of national identity and reflects the cultural and geographic diversity of the Australian community.

The ABC is looking at expanding the pool of Australian content available which can be broadcast over its analog and digital television services and which can also be leveraged into a range of different delivery outlets, tailored to the needs of different audiences.

With additional funding, the ABC's aim is to increase the level of Australian content across its television services from 55 percent to 60 percent.

An increase in Australian content on television will benefit all ABC audiences, whether they have access to analog or digital services, because Australian content will be produced for use on both services. An additional benefit deriving from the ABC being the primary broadcaster for quality Australian content will be to sustain the Australian content industry at a time of uncertainty.

There are four key areas where the ABC has specifically identified the need for additional investment in Australian content:

- high quality television drama — an extra 100 hours, including telemovies, mini-series, short series and short films
- children's programming — an extra 90 hours of children's drama and animation
- increasing the recording and broadcasting of Australian performance including:
 1. music generated from Brisbane, Adelaide, Perth and Hobart — areas which have not been adequately served by existing production units
 2. a regular series of concert recordings and broadcasts from regional centres, as well as increased recordings from concerts and festivals around the country. The ABC will take its music production and recording skills to areas where no production or broadcast facilities exist, with the aim of supporting young and emerging artists and allowing local artists to be promoted within their own community and/or nationally
 3. the extension of Triple J's *Unearthed* project by recording studio quality demonstration tapes or CDs for up to five acts in each region, increasing opportunities for performers to pursue commercial recording contracts. Master classes in sound recording and engineering would also be offered in each region
 4. additional recording of Indigenous music festivals, individual bands and musicians. The focus of production would be in the Northern Territory, Northern Queensland and Western Australia
 5. the commissioning of original music features from independent producers
 6. the development of distinctive, high-quality specialist online music channels, with a focus on Australian music. These could be mounted at marginal additional cost and would expose both domestic and international audiences to a wide range of Australian music
 7. increased recording of radio drama and performance work in Brisbane, Darwin and Hobart, which currently do not have resources for performance recording

8. sponsoring writers' workshops in Darwin, Brisbane and Hobart as well as selected regional centres to increase opportunities for writers to develop skills for radio performance
 9. the commissioning of a contemporary daily radio serial, targeted at younger audiences, for broadcast on Local Radio, Radio National and ABC Online, providing long-term employment for writers and actors and doubling the Australian content of the ABC's radio drama output
 10. additional commissions of Australian music and text, including small-scale operas and other sound works
 11. the establishment of a radio comedy unit to commission and produce material from independent comedy writers and performers for broadcast on all radio networks, including Triple J
 12. further collaborative work with Indigenous artists for Indigenous performance works.
- news and information services, including:
 - enhanced cross-media coverage of business news
 - a prime time, weekly television program about regional Australia
 - a daily rural television program.

Expanding Services to Local and Regional Communities

Expanding production resources in regional Australia

The ABC has begun to equip the ABC's metropolitan and regional radio stations for cross-media production. The ABC has improved communications links, upgraded desktop technology and in some areas provided small digital cameras for the collection of video stories. The impact of these initiatives can be seen in the enhanced Online presence from regional centres, documentaries made for television in Western Australia filmed by radio broadcasters using digital equipment (a series entitled *Radio Pictures*) and video stories from a number of regional centres.

Additional funds will allow regional Australia to be a central part of the digital revolution and keep pace with rapidly changing audience needs.

With this injection of funds, and by the end of the triennium, the ABC plans to embark on an ambitious project which will involve the staged transformation of regional radio stations into multimedia broadcast centres producing content for radio, online and television (including datacasting).

In the first year of the triennium the ABC will target 12 regional locations which will be assigned an additional staff member and camera, editing and multimedia equipment. The second year will involve providing the remaining regions with basic video and multimedia equipment. The third and final year of implementation will ensure all regions are provided with an additional staff member. The additional staff member is crucial to the region's ability to provide video news stories without impacting on the regional radio operations of each station. An online coordinator will also be assigned to each metropolitan radio station.

This initiative feeds directly into the 'ABC Plus' and 'ABC Interactive' digital television services. These regional centres will provide local material for programs including news. They will provide services which:

- are specific to regional communities
- link regional communities together
- present the regions to a wider Australian audience.

The ABC's presence in regional Australia includes several radio outposts which are staffed at lower levels than regional radio stations, resulting in a lower level of local output. To address this Esperance, Horsham and Warrnambool will be upgraded to full regional radio stations during the first year of the triennium. This will deliver the full range of associated audience benefits.

Prime time regional program

Apart from four news bureaus in regional locations, the ABC's television production facilities are located in the capital cities. General television programming derived from regional Australia is usually captured by crews travelling to a region.

In 1998, the television series *Radio Pictures* was produced in Western Australia using an innovative production model. Regional radio broadcasters were trained and equipped with small cameras and assisted in filming, development of program storylines and program scripting. The radio staff appeared on camera and voiced the episodes. The resulting programs were commended for their accurate portrayal and high level understanding of each regional community.

The ABC believes that stories about regional communities told by those communities should be available and accessible to all Australians.

Using *Radio Pictures* as a model, a new weekly series showcasing regional Australia is planned for the ABC's main television channel. Each program will be hosted by an ABC regional broadcaster and will include stories from regions throughout the country. A pilot program is under development in Western Australia.

Rural programming

The ABC also proposes to build on one of its key strengths in regional Australia, its rural reportage. The ABC's rural expertise is unrivalled. With 54 years on air, *The Country Hour* is the longest running radio program in Australia. ABC rural radio reporters are located in 29 regions. The ABC produces a weekly national television program from Brisbane and has a rich and innovative rural presence online, frequently streaming rural and regional events so that

rural communities throughout the country can have access to events of interest.

This expertise means that the ABC is uniquely placed to develop new services about rural issues for national audiences. As part of its commitment to rural and regional Australia, a daily rural television program will be established.

A feature of this new rural program, together with the new weekly regional program will be the capacity to draw on the regions for visual material.

Enhancing and extending transmission to regional Australia

The ABC now has responsibility for the transmission of its services. Funding provided to the ABC on 1 May 1999 included \$1 million per annum for 1998–99 through to 2002–03 for minor extensions and enhancements to the existing ABC analog transmission network. This will fund approximately 20 minor projects, which the ABC plans to announce in March 2000.

The \$1 million per annum for this period is insufficient to address all the deficiencies in coverage of existing ABC services. Additional funding will be required to enable the ABC to attend to some of the priority areas requiring assistance.

In addition to enhancement and minor extension of transmission services to regional Australia, the ABC sees it as important to deliver its package of services equitably to all Australians. Additional funding will be required to enable the gradual extension of services such as NewsRadio on the Parliamentary and News Network (PNN) and Triple J to areas currently without reception. Ideally, the extension will take place in three stages so that ultimately centres with populations of 10,000 or more can receive the full package of ABC services.

The first phase of the Triple J roll out would be to centres with populations greater than 20,000 and the second phase for centres with populations of between 10,000 and 20,000.

The first phase of the NewsRadio/PNN roll out would cover 12–15 major regional centres. The second and third phases would cover centres with populations greater than 20,000 and 10,000 respectively.

The Minister for Communications, Information Technology and the Arts will be requested to make the necessary spectrum reservations in due course.



Other Priorities

The broadcasting of news, current affairs, entertainment and cultural enrichment programs to countries outside of Australia is specifically provided for in the ABC's Charter. Although short-wave broadcasting services delivered through Radio Australia have been reduced in response to budget reductions, Radio Australia's activities have been diversified through rebroadcasting arrangements, audio-streaming and online.

Despite these initiatives, target audiences in the Asia-Pacific region are now unable to

receive Radio Australia's services reliably. The key geographic areas include Central Indonesia, South East Asia and Southern China.

Short-wave facilities can be leased to service these areas, subject to availability of transmitters. For a small increase in funding, the ABC would use the most cost effective means to lease transmission time to provide a limited but quality service to these targeted overseas audiences.



Funding the ABC 2000–03

In this submission, the Corporation has outlined a specific range of initiatives which will maximise its contribution to the changing broadcasting, online and cultural landscape.

Importantly, the ABC:

- undertakes activities in a cost effective manner by leveraging existing resources
- adds value where activities are undertaken with the independent sector by providing a broadcast and publishing outlet guaranteeing that audiences, as well as industry, benefits from the investment.

The additional cost to the ABC of implementing these initiatives will be \$226 million over the triennium. This includes a one-off contribution of \$2 million in 2000–01 to cover the cost of adjusting its financial and administrative systems to accommodate the Goods and Services Tax. By 2002–03 the additional annual operating cost will be \$92 million.

The ABC will seek to maximise its own contribution towards extending its services in this new digital environment, just as the ABC has contributed to the cost of digital capital conversion through property sales and allocations from capital funds.

The challenge is to source these funds for the existing range of ABC services without impacting on audiences who should not be disadvantaged during this transition process.

The ABC believes that by the end of the triennium it can contribute some of the cost of the provision of the initiatives outlined in this submission. However, this contribution will be limited by the need to use operational savings and additional revenue for other budget items, such as wage rises. The ABC has sought a net funding increase over the next three years of \$194 million.

The ABC has argued that additional funding will extend choices available for audiences. In a broadcasting environment becoming dominated by vertically integrated, multinational organisations, the ABC is in a strong position to produce and commission high quality Australian content which will reflect the cultural diversity of Australia and contribute to a sense of national identity. The digital services the ABC plans to provide and the high levels of quality Australian content the ABC seeks to underpin them, will enhance audience benefits from such an investment.

The Results

The range of initiatives outlined are central to the ABC's response to the new digital environment. Building on the operational platforms developed over the past three years, investment in these initiatives will ensure that the ABC can deliver increased levels of Australian content and specific benefits to regional Australia across its analog and digital services.

Impact on Australian content

- an increase in Australian content on television to 60 per cent
- an extra 100 hours of high quality adult drama including telemovies, mini series, short series and short films
- an extra 90 hours of children's drama and animation on television
- an increase in recording and broadcast of Australian performance on ABC television to 60 per cent of all first run programming broadcast
- increased Australian arts, music and cultural programming on ABC Radio and ABC Online
- enhanced cross-media coverage of business news
- a prime time, weekly television program about regional Australia
- a daily rural television program.

Digital results

- expanded children's programming
- new educational programming
- new regional programming
- innovative multimedia and online programs, including community centred websites which enable the publication of local histories and current debates
- interactive programming and datacasting.

Range of services extended

- creation of 57 multimedia centres throughout regional and metropolitan Australia servicing radio, television and online

- broadcast of three digital television program streams including two new services, 'ABC Plus' and 'ABC Interactive'
- extension of Triple J and PNN to smaller regional communities
- extension of Radio Australia shortwave broadcast services to targeted overseas audiences in Central Indonesia, South East Asia and Southern China
- netcasting new audio channels showcasing Australian music on the internet.

Benefits to the broadcasting industry

- additional stimulus to the growth of the independent production industry and the development of Australian cultural industries
- assistance in the take up of digital terrestrial television broadcasting services
- assistance in the development of regional communities by improving the nation's understanding of itself and by facilitating exchange of information and access to services through ABC Online
- major support to the Australian music and performance industry.

Benefits to audiences

- more quality Australian programming which reflects Australian culture
- more accessible and interactive programming with greater choice of programs and viewing times
- targeted regional benefits, including the linking of communities throughout regional Australia
- ABC broadcasting services made available to the vast bulk of Australian viewers and listeners and targeted audiences overseas.