



20 July 2017

## A Statement From Network Ten.

*Please find below Network Ten's opening statement to the House of Representatives Standing Committee on Communications and the Arts in Sydney today as part of its inquiry into factors contributing to the growth and sustainability of Australia's film and television industry.*

Thank you for the opportunity to appear before the Committee today. We always welcome the opportunity to talk about our Australian programming and our strong contribution to local production and our support for the sector.

Network Ten is an institution in this country and we are very proud of the role we have played and continue to play in bringing Australians news, drama, sport, and entertainment. We have an enormous following, particularly among young people due to our mix of distinctive, popular programming.

We broadcast popular and iconic programs like **Masterchef Australia, The Project, Offspring, Neighbours, The Bachelor Australia, The Bachelorette Australia, Australian Survivor, Have You Been Paying Attention?, The Living Room, Studio 10** and we reinvented 20/20 cricket through the **KFC Big Bash League** and **Women's Big Bash League**.

As you know, we are currently operating under voluntary administration with receivers and managers also appointed to Ten Network Holdings.

The receivers and managers are undertaking a sale process for – or a recapitalisation of – the business and assets of Ten Network Holdings.

It is worth noting that despite this, Ten continues to attract large audiences for its key programs, both on television and across online and social media.

In the first half of the 2017 calendar year, **Have You Been Paying Attention?, Gogglebox, Shark Tank** and **I'm A Celebrity...Get Me Out Of Here!** all lifted their television audiences by at least 10%.

Many Ten shows ranked #1 in their timeslots in the channel's main target market of people 25 to 54, including **MasterChef Australia, the KFC Big Bash League, Have You Been Paying Attention?, Gogglebox, Shark Tank** and **TEN Eyewitness News First At Five**.

In the first half of 2017, TEN delivered three of the top seven Australian reality shows among people 25 to 54, and the top three game/quiz shows.



Our online catch-up and streaming service, tenplay, continues to generate strong growth, with 15 million unique visitors in the first half of 2017 and a 29% increase in the number of video segment views.

We make thousands of hours of local content every year and we employ thousands of people directly and indirectly across the production sector. We also invest millions of dollars in marketing and promoting our local programs.

We reinvent and build content brands, we train production professionals, and we launch local and international careers both on and off screen. Ninety per cent of our marketing and publicity budgets are spent on Australian content and together with our commercial free to air competitors, we are the bedrock of local production in this country investing approximately \$1.5 billion dollars per annum.

However, all Australian media companies, including the commercial free to air broadcasters, are now facing unprecedented challenges.

Ten is now competing directly for viewers and advertising dollars against some of the world's most valuable companies such as Google, Facebook, Netflix, Apple and Amazon.

Ten is dwarfed by these companies, their access to capital, and the growing share of advertising revenue which places an unprecedented strain on our ability to invest in local content.

These companies do not make local news or Australian dramas or children's television. They do not employ local journalists or publicists. Netflix does not have a single employee in Australia.

The local content ecosystem that has operated successfully through a combination of content quotas, public funding and financial incentives for so many years has never been more fragile.

Unless the layers of regulation that are currently strangling Australian broadcasters are lifted so that our local companies have a fighting chance at remaining viable and profitable, the local television and film production sectors face a very uncertain future.

What is certain is that retaining outdated ownership restrictions, and doubling down on onerous content obligations and other regulations on the existing players, is not the answer.

In our submission we outlined why abolishing the commercial broadcasting licence fee was the most critical step toward a sustainable commercial free to air TV industry. Of course, we welcome the Government's Budget decision to abolish licence fees which will result in a direct cash injection into local production.



Over the past two years of debate around media ownership laws we have also strongly supported the removal of the two out of three and 75% reach rules from the Broadcasting Services Act (BSA). These outdated rules only apply to three offline platforms – some printed newspapers, and terrestrial television and radio channels. According to these rules the world’s most influential platform – the internet – does not even exist.

By severely restricting local media companies from acquiring much needed scale and capital, these rules are actively threatening diversity. It does not make any sense that under the various rules in the BSA, there is not an Australian media company of any size that is currently allowed to buy Ten. How are we supposed to compete with Google and Facebook, companies that are over 2,200 and 1,500 times our size respectively, when we are completely hamstrung by these pre-internet laws?

For these reasons we strongly support the Government’s broadcasting reform package announced in May and we urge Parliament to back local media companies and pass the package in full in the coming sitting weeks.

We also welcome the Government’s review of the Australian content ecosystem announced as part of the package because the existing content quotas are no longer sustainable.

The heavy and prescriptive quotas in the current Australian Content Standard were imposed in 2005 when there were no multi-channels, iPads, iPhones, no YouTube, Google, Facebook, Netflix, iTunes or iView.

They were introduced as part of a quid pro quo for access to scarce spectrum that provided exclusive access to every lounge room TV in Australia.

In combination with regulatory limits on market entry this system enabled broadcasters to attract audiences large enough to fund the production of expensive local content through advertising revenue alone while still running profitable businesses.

However, that exclusivity is now well and truly gone. Audiences are fragmented, advertising revenues are moving to Facebook and Google, and content costs are rising due to increased competition.

These onerous and inflexible quotas erode Ten’s returns because they force us to commission expensive content that is increasingly difficult to monetise while also restricting our ability to transform the businesses by largely dictating our content and scheduling mix.

They also have a disproportionately heavy impact on Ten because we must meet the same level of obligation despite a significantly lower revenue base. The fact that these obligations are not applied to online services, the ABC or SBS at all, and that pay TV’s obligations are substantially lighter make this a competitive issue as well.



As strong supporters of the local production sector, and being a business that is passionate about content, we recognise that there are no easy answers and that abandoning the current regulatory settings altogether would most likely bring about the collapse of the local production sector. That cannot be allowed to happen because we need to grow and retain the skills and enormous talent base we have in this country and we need a strong local production sector to do what we do.

In our submission, and in that of Free TV Australia, we have outlined some obvious changes that would have an immediate positive impact on local production including: increasing the producer offset for TV to 40% as it is for film; removing the 65 episode cap on funding television drama; and changing the definition of “first release” in the Content Standard to allow us to collaborate with pay TV channels and to create regulatory parity with SVOD services.

We have also called for the urgent abolition of the children’s and pre-school content quotas because these quotas are no longer serving the child audience.

Ten has a proud history of commissioning quality children’s programs from the independent production community that have gone on to be BAFTA, International Emmy and Logie recipients such as **H2O: Just Add Water** and **Mako: Island of Secrets**. **Mako** was a finalist in the 2016 ATOM Awards and the Screen Producers Association Awards. Both are now screening to international audiences through Netflix and have launched the international careers of several talented young actors.

Our science based show, **Scope**, produced in association with CSIRO, was named Best Children’s TV Program at the 2013 Australian Teachers of Media Awards. **Totally Wild** is currently celebrating 25 years on television.

However, if you have children you will know that they are no longer watching these programs on commercial free to air television.

Kids are watching iView, the ABC’s dedicated children’s channels, pay TV kids channels, Netflix Kids and the young stars of YouTube.

As a result, the child audience for our programs is usually around 2,000 5-12 year olds. These programs are also almost impossible to monetise due to the low audiences and the extremely restrictive advertising restrictions around them.

We thoroughly reject the notion that the reason children aren’t watching our C and P shows is that we do not make high quality children’s content or that we do not promote, market, or schedule that content in order to maximise its audience.

Our C and P programs are screened in line with the time bands specified under the Children’s Television Standard. They are easily accessible on channel ELEVEN, where they



are not interrupted by sporting events or news events, as they often were when broadcast on TEN. They are promoted in much the same way that children's content is promoted across other platforms such as the ABC, Netflix and Foxtel.

With children not watching these programs, and advertising dollars not available to fund them, this content should be the remit of the national broadcasters, ABC and SBS.

**For more information, please contact:**

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