



The Case for Multichannelling

Network Insight Seminar

8 June 2004

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Multichannelling



- **Why was multichannelling banned in 1998?**
 - **To protect the “fledgling subscription television industry”**

Multichannelling



- **Why should multichannelling be reconsidered now?**
 - **The environment has changed dramatically since 1998**
 - **Pay TV no longer a “fledgling industry” in need of protection**
 - **Digital penetration at about 4% of Australian households. This is less than 2% of total televisions if 2 and 3 set homes are taken into account**
 - **Consumers need a compelling reason to purchase digital equipment – content choice is critical in this equation**
 - **The existing digital rules are not working – broadcasters have spent \$1billion on digital migration with no ability to recoup that investment**

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- **Pay TV – what’s changed since 1998?**
 - **A monopoly service provider**
 - **Over 1 million subscribers**
 - **Generates over \$1billion in revenue**
 - **Owned by the three largest media companies – News Telstra and PBL**
 - **Viewed in 1 in 4 Australian households**
 - **No longer a “fledgling industry”**

Multichannelling



- **The UK Experience – Freeview**
 - **Launched October 2002**
 - **Provides 30 digital tv and radio channels- general entertainment, news, music, childrens**
 - **3.93 million Freeview units currently in the market**
 - **Total Freeview households = 3.5 million**
 - **Growth for Q1 2004 was up 18.6% - the fastest growing sector in UK digital TV**
 - **17% penetration in less than 2 years compared with 4% in over 4 years in Australia**
 - **Set top boxes cost £50**

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- **The UK Experience – Freeview**
- **Not the same market but important lessons can be learned for Australia**
- **The most important of these – channel choice is the driver of take-up**

Multichannelling



- **The UK Experience – Top Up TV**
 - **“A few more channels – a lot more TV”**
 - **Launched 31 March 2004**
 - **10 Channels – don’t need to be a 500 channel behemoth to succeed**
 - **£7.99 per month**
 - **No minimum contract**
 - **20,000 customers signed in first month**
 - **Only former OnDigital boxes at present – retail boxes not yet available**
 - **250K customers needed to break even**
- **Choice is the driver – new and different services at affordable prices**

Multichannelling



- **How would multichannelling affect existing Free services?**
 - **Current high quality FTA services would remain**
 - **Complementary to primary services**
 - **UK experience is that the amount of prime time news, drama, sport and factual programming have all increased in the period 1998-2002**
 - **Seven the network with the longest and proudest history in Australian content – a vested interest in demand for quality Australian content**

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- **How would multichannelling affect existing Free services?**
 - **Fragmentation of the market already occurring – we exist in an environment of over 300 channels across free and pay tv**
 - **Need a strategy to address potential drift of audience to other outlets**
 - **In March/April 2004 multichannel share of viewing in UK homes was bigger than combined BBC1 and ITV share for 2 consecutive months for the first time.**
 - **Multichannel share of viewing is growing – can't stand back and just hope it doesn't happen here**

Multichannelling



- **How would multichannelling affect existing Free services?**
 - **Mass market will continue to be valued by advertisers**
 - **Will drive commitment to primary service as key revenue driver**
 - **Opportunity to access new revenue sources eg below the line, subscription**
 - **Niche + mass a compelling proposition for advertisers**

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THANKYOU