



# **WHY PUBLIC BROADCASTING MATTERS MORE THAN EVER**

Commonwealth Broadcasting Association  
Lecture 2009

by  
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Wednesday 9 September 2009  
6.30 pm Australia House, London

I am delighted to be able to join you for this Commonwealth Broadcasting Association gathering and to be able to share some insights from our recent experiences at Australia's public broadcaster, the ABC.

### ***Looking back: an age of scarcity***

The ABC, like many other public broadcasters, was based on the great model in the Reithian tradition established by the BBC.

Now, in these new millennial years, few remain true to that tradition – truly independent, comprehensive public broadcasters, created to inform, educate and entertain; to reflect the nation to the nation; and to project the nation's values to the world.

The ABC and the BBC however, have remained true.

Both were founded in an age of scarcity, and many of their assumptions were based upon that scarcity. At a time when many of those assumptions have been demolished, it's appropriate to ask: in a digital age of plenty, what role can the public broadcaster play?

And tonight, I'd like to tell you a story – it's not strictly a tale of two broadcasters – but is an alternative success story to that of the BBC.

A success that's based on a different funding model, based on a new definition of public good that meets new demands created by significant change that's taken place in the Australian media landscape.

The ABC's is a very different history though, to the BBC's. It never had what Lord Reith memorably described as the BBC's "brute force of monopoly".

The ABC has *always* operated alongside commercial broadcasters. Commercial radio stations were in place before the ABC was created in 1932. Australia itself had been Federated just thirty one years earlier; and in creating the ABC, the founders in the Australian Parliament believed they would help create a nation.

The ABC was expected to both compete with *and* complement those commercial services. It did not however, have its own news service in its early years.

The news was instead bought from Australian press proprietors like Sir Keith Murdoch, father of Rupert. In 1936, the ABC's Federal News Editor urged the ABC to appoint its own news gathering service.

Sir Keith Murdoch's newspapers began calling for a reduction in the ABC's licence fee on the basis that an ABC news service would constitute "improper competition". As James Murdoch's recent MacTaggart lecture shows, it's a phrase that has resonated for the family down through the years.

Our public broadcasters were created as a result of direct Government intervention in the market to provide services that would come to be valued. The ABC lived up to that promise, linking the nation, providing distinctive programming and growing the appetite and appreciation for what radio could offer (broadcasting the *Bodyline* tour of 1932/33 certainly helped) – on public and commercial stations.

When we started in radio, only 6% of Australians had a radio licence.

When we started in television, only 2% of Australians had a set in the cities in which transmission had commenced.

And for a decade, there were only three stations available – the ABC and two commercial channels.

The ABC's offerings in the early days of radio and television were broad: from high quality, distinctive Australian content, to specialist broadcasting in areas like religion, science and arts, right through to the high cost broadcasts of major sporting events. Audiences grew as did the power and money of those who had taken a stake in commercial media operations.

Australia turned out to be excellent at growing media barons who took advantage of the massive barriers to entry, making it difficult for others to reach large audiences and sell them to advertisers.

With the costs of printing presses, the scarcity of television licences and the difficulties of transmission in a vast country like Australia, Kerry Packer became Australia's richest man and Rupert Murdoch started on a path to becoming our most prominent global citizen.

I think there is a sustainable argument that for decades, Australians had the best free-to-air television service available in the world. There were not a lot of channels – at most five were available in the cities.

But the regulatory framework stipulated high levels of local content: which could rate very well. The best American content was on the commercial channels – and the ABC broadcast the best television produced in the UK. And with the advent of colour television and the injection of Packer money into cricket, Australians had a comprehensive diet of quality live sports in their lounge rooms. Winning teams helped the ratings also.

It is interesting to note the path of the ABC in this analogue era. There were some areas where we simply decided to leave it to the commercials. Many Australians grew up watching Olympic and Commonwealth games, various football codes and the test cricket – all on the ABC. Now we carry very little.

There is a vibrant commercial market for televised sport and the opportunity cost for us bidding, in terms of other programs we want to put to air, is too high.

The market provides, and in areas where the market cannot deliver or will not deliver, the ABC provides.

We cover women's sport, sport where disabled athletes compete, regional sport without big corporate dollars or mass audiences. And we deliver the best and most comprehensive sport on Australian radio and have recently launched Australia's best general sporting website.

Our radio and online presence reflect the breadth and depth of our sporting coverage across the country, but on television, others are in a better position to deliver. And we let them do so.

Whilst our Charter requires us to be a comprehensive broadcaster, this does not mean we have to be all things to all people at all times. A strong sporting presence on radio and online, whilst not in television, meets these Charter obligations I think.

A test I like to use is whether the ABC is in the best position to deliver a program or a service: given our

history, our resources, our expertise and our relationship with our audiences. In some areas, like primetime television programming on science or arts or religion – the ground seems to be ours.

In other areas like where we have had great success with comedy or light entertainment – the answer is usually affirming also. Often it was only the ABC that was willing to take a punt on largely unknown talent and provided the supportive and nurturing environment that allowed experiments to be made, failures to be learnt from and finally, sizable audiences to be found.

Many of our overnight successes were years in the making. And when critics ask why the ABC is showing popular programming that commercial networks would love to have – the answer is that the commercial networks would not have had the patience nor offered the right environment in which the talent could grow in the first place.

Of course, at times, it means we have to endure the frustration of seeing talent developed with the ABC moving to commercial networks – sometimes, but not always – to great success. We will always be the nursery for talent - we may not always be the home.

We have neither the money nor the inclination to outbid commercial networks most of the time. Our bigger question is whether we have in development the next stars and programs ready to capture the imagination of the nation.

### ***The digital present: an age of plenty***

In television, we are but a heartbeat away from an age of limitless plenty. The question once again is: where does a public broadcaster built for a world of media scarcity now fit in an age of plenty?

Australia's traditional offering of five free-to-air channels is set to become 15 – possibly more if the spectrum becomes available. Subscription television, which has slowly built to 30% market penetration will offer 200 more.

And who knows what services will arrive from around the globe in terms of internet television offerings?

Cable offers specialist channels in areas that were traditionally the domain of the ABC. BBC Worldwide has an increased presence on the pay platform in Australia.

So much of what used to be exclusively associated with the ABC signature is now also on offer elsewhere, providing you have the money. In response to that situation, one person suggested to me the ABC should therefore get out of television altogether – a suggestion only slightly qualified by him being the head of the largest Pay TV operation in Australia. His self interest would lead to civil insurrection.

By contrast, I suggest this inevitable fragmentation of audiences and the commercial revenue that follows them means that there is an ever increasing opportunity and responsibility for the ABC to step up and deliver the kind of programs demanded by audiences – but which the market will struggle to deliver.

This is particularly true in an Australian context, where free-to-air television remains so comparatively strong next to the pay offer and is likely to remain so for a long period of time.

Australians have a clear expectation they will be able to see the best of local programming, including live sport, on free-to-air television. Successive governments have shown a marked unwillingness to force - through the transfer of premium sporting rights - the kind of migration to the pay platform that took place in the UK with Sky.

And I would argue that in this digital environment, Australians have a clear expectation of what should be on offer as the core free-to-air offering, available in every home.

That includes strong Australian content and the best from around the world, children's' content, news, premium sport and an array of other programming that has traditionally been found on public broadcasters.

No-one is in a position to confidently articulate the future business models for major traditional media organisations like newspapers and television broadcasters in this era.

But we sense the era of windfall profits are gone, that margins will be thinner, that profits will be more widely shared. And whilst more organisations may be profitable overall, it may be much much harder for media organisations to deliver what the public came to expect would be delivered to every home in the analogue era.

### ***Possibilities and Promise***

It was this sense - that the ABC is in a unique position to deliver on that public expectation - that underpinned our most recent funding submission to Government, attracting an additional \$167m over the next three years. The providential position the ABC finds itself in today was no accident; it was the result of a deliberate strategy to set out the services the ABC could provide that others could not, to make up for increasing losses within Australia's civic and cultural life that market conditions were responsible for.

Our starting point was Australian drama – popular with audiences; expensive to produce at costs of up to a million dollars an hour for a short-run series; more for telemovies, yet absolutely integral to the ABC's Charter role to reflect Australian culture & identity.

The regulations forcing commercial networks to keep high levels of Australian content were created in a pre-digital world and will inevitably be reviewed in coming years. The media barons who once ran the commercial networks are now largely gone, replaced by a new breed of private equity investors, who view an hour of television as a block of inventory where profit needs to be maximised.

We saw a sign of the pressure commercial networks have been under in recent years when a new, highly-hyped and promoted Australian drama was pulled from its primetime slot after only two weeks only to be replaced by a Gordon Ramsey re-run. As a result, Ramsey was running three nights a week on one of the networks.

If the content is that much cheaper to buy, if the audiences are the same and if the accountants are in control, programming decisions can be quite simple.

Our argument to Government was that if Australian stories were to be told then more direct funding was needed. Real funding cuts over many years had seen the amount of Australian drama on ABC television plummet.

But working in partnership with the independent production sector, we had been able in recent years to leverage our money, increase our output and give the Australian public a sense of what else we could deliver if further funding was available.

As I look ahead, in a market that is harder and harder to regulate, and where the value of commercial free-to-air licences must inevitably fall given the demise of their oligopoly, it is hard to see how quality Australian drama will be produced and made available free-to-air, unless it is directly funded.

When the ABC was funded to significantly increase its drama levels in the budget, it was a \$70m sign that said the ABC was back in the game. And it's interesting to note that there was no criticism from any sector about this boost to the ABC – and a pleasing consensus among producers that this was going to save a lot of people from becoming florists or driving cabs.

Another example is television news. Back when Kerry Packer ran Channel 9 in Australia, he built a strong news division, often staffed by journalists trained at the ABC.

He invested in programs that took time to build large audiences, and ones that attracted influential audiences. Television was in his DNA, and as a proprietor, he could do as he liked – and as his employees testify – he often did. He was after big profits but also reputation and influence, power.

The private equity owners' motives are simpler and more pure. They care only about the profits – perfectly rational in terms of their investment strategy and their shareholder interests. But this has meant the abandoning of marquee programs, the dumbing down of prime time current affairs content and the virtual abandonment of international bureaux.

What is happening in commercial television news now is a rerun of what happened in commercial radio news well over a decade ago: the stage has been left to the ABC. The ABC is funded by the taxpayers to do better.

And in ratings terms in recent years, what's significant is that some of our best performers have been our nightly 7pm news bulletin and other staples of our news and current affairs offering.

We have more reporters locally, nationally and international than anyone else. We are driving to a seamless integration of our television, news and online services. We have more reporters covering our region, the Asia-Pacific, than any other news organisation.

We have developed rigorous editorial policies to guide our decision-making and program standards, and have an open self-regulatory framework. We are working on new ways to measure and benchmark the integrity of our performance over time.

But the success of our news service - particularly on television with the nightly 7pm bulletin – has not given us any false sense of security. Once upon a time, all our energy and intensity went into delivering that success every day of the week.

Now audience expectations are markedly different. They want the latest and best ABC service up to the minute – on TV, on their computer, on their mobile. And we are recreating our news division to have the capability to deliver it and have aspirations to have the capacity to deliver a 24 hour news channel. And we can do this because we have both the studio infrastructure in place along with the largest, most

geographically diverse journalistic workforce in the country. This service will enable us to deliver the greatest return in the ABC's history on 70 years of public investment in journalism.

We do not do this because we are expansionist or ambitious – but because we are in the best position to deliver a service of high quality that reflects the local, national and international interests of our audiences.

Because our audience expectations have changed, and we must change to meet them. We are in the best position to deliver.

A third example. The spine of the ABC is its local radio network, 60 local stations reaching 99% of Australians – at home and at work, in the traffic jam or on the tractor, at the beach or in the desert, in the largest city, the smallest town.

On ABC local radio, you hear local voices broadcasting local news. And then you can hear the best of the ABC's national and international programming.

It is something commercial broadcasters increasingly cannot provide. Rationalisation in regional radio has led to syndicated news and common programming strands pumped across the country. At Mount Gambier, in South Australia, the local ABC team broadcasts local news and information every day, including the local school principal, who has covered sport on the weekend for more than 20 years. But the commercial radio station in Mt Gambier has its news delivered from Albury NSW – across two State lines, 9 hours by road, 800 kms away.

The Australian Government's commitment to establish fast broadband could revolutionise rural Australia. It will certainly present great opportunities for the ABC to deliver our content into every Australian home.

But it creates a new opportunity - for Australians to far more easily tell their stories to each other – to take advantage of the wonderful web 2.0 capacity to talk back, to create and to share. And we have in place, through the ABC's local radio network, an existing connection with local communities that will only be deepened through Web 2.0, with the ABC able to act as not just a host, but a catalyst, encouraging and educating audiences to create and publish their content through the ABC.

We see the ABC as Australia's town square, a place where all Australians can come to listen and learn, to speak and to be heard. The Government has funded the ABC to create regional broadband hubs – to work with communities to help them develop local broadband content and distribute it across their communities and beyond. Again, there is no commercial provider in local markets that are too small to bring in advertising revenue - and it is something the public broadcaster is uniquely equipped to deliver in this digital era.

As a public broadcaster, we must deliver for audiences where they are, not just where the profitable markets are. We have a Charter to fulfil and must deliver a service of integrity and quality.

We don't walk away in the face of contracting profits or shareholder skittishness. One of the paradoxes of the age of plenty is that we are presented both with plenty of content, and plenty of market failure that goes with it. And it is in these increased areas of market failure that Australian citizens and Governments turn to the ABC to deliver.

As I said, in a difficult budget setting, this year the Government funding a significant increase for the ABC. The additional money is to be used to drive drama and local broadband content, and also to create a commercial-free, free-to-air digital children's television channel. It will go to air in December and forms an important part of the Government's strategy to drive digital take-up leading to the switch off of analogue by 2013.

It was the ABC's best budget result for at least 25 years – reversing what had effectively been two decades of real funding cuts. In fact this was the ABC's seventh triennial funding submission in 21 years – and the only minor upturn in real income during those 21 years came through the final triennial funding agreement with the Howard Government in 2006.

There had been many years of magical thinking, yet times had remained lean at the ABC - despite our popularity with the public. Annual surveys show, year in, year out – that 90% of the Australian public believe the ABC, provides a valuable or very valuable service.

And while our programming may not have been ambitious as we may have liked at times, our audiences have remained strong – last year achieving record share figures for both television and radio.

Tight budgets have seen programming squeezed but had also seen pockets of inefficiency driven out. And to this day – we are happy to compare our resource base and the scale and quality of our output with any other media organisation.

For \$850m of public money, we are delivering 5 radio networks, 2 television networks, Australian media's largest suite of online services and our international radio and TV networks. By contrast, the top rating Australian TV network, Channel 7, has revenues of \$1.4 billion to deliver Channel 7 – one television network around the country.

### ***Being Defined as a Public Good: An Alternative to Licence Fee Funding***

I must say, when I arrived at the ABC, I looked across the lush fields of the BBC with envy. I quickly did the shorthand. Ten times the money, to service three times the population, on a geography (from an Australian perspective) the size of a postage stamp.

The BBC's complaints about their most recent licence fee result were a genuine tension breaker in our own internal budget discussions. In funding, as in almost everything else, there was nothing like the BBC. The licence fee that funded the ABC had been abolished for more than three decades. I suspect, had I been asked, I would have been keen to get some of that licence fee action again.

But now, three years on, I am exercising my option to change my mind.

Of course, in Australia we are following the debates around the funding of UK public broadcasting closely and I am following it up in discussions here this week.

And I appreciate the model at work here is significantly different to what we have experienced in Australia. What the BBC offers in terms of quality, depth and breadth, is truly astonishing.

As an expression of British culture at home, its television service it has been hugely influential and a force for good, a powerful counterpoint to American culture's permanent potential for dominance. It has succeeded in projecting a distinctive British identity throughout the world.

But while I would love the BBC's licence fee riches, there are a number of burdens it brings that I am glad we do not have to endure. If politicians are occasionally upset, that's to be expected. It would be far more worrying if they weren't.

But perhaps the greatest disadvantage of the licence fee is the way in which it conditions the relationship between the BBC and the British public.

Those who use the BBC most are least likely to object to it; those who don't use it permanently resent it. And those like James Murdoch, who want to limit the BBC to the point of irrelevance, are able to piggyback their anti-BBC arguments onto that resentment.

There is no question that it is, in effect, a regressive tax – the burden falling hardest on those who can least afford to pay it. Is there a better way?

A licence fee is seen as a fee for services provided to everyone. In Australia, the funding of public broadcasting is seen another way - as a public good, a part of the greater public good that is funded through taxation.

Not everyone watches or listens to the ABC in Australia, but almost universally, everyone is glad it's there. There is a sense the ABC provides unique services, distinctive services.

At times of national emergency, like the tragic Victorian bushfires early this year, we have an important role to play. We have trained nearly all of the country's great broadcast journalists, given so many of our stars their start.

There are Oscar winning cinematographers who started out filming ABC current affairs programs.

We are there for the public to use and provide the public benefit – although the benefit any individual or community may derive from us may be different. ABC children's television has, I suspect, been the baby sitter of choice for every parent in Australia at some point.

That public benefit is funded by the taxpayers, out of taxation revenue and is appropriated by Government. And just as your tax dollars do not necessarily directly relate to your own individual consumption or benefits, but provide instead benefits for the society as a whole – so it is with taxpayer support of the ABC.

A childless couple's taxes support the school system, the healthy pay for public hospitals as well as the sick. Together we fund national parks, although we may never set foot in one.

And what Governments must do is work out where the public benefit is, what we need as a society and how we would be diminished if it did not exist.

The Government must work out who and what delivers.

This time, the ABC did not approach Canberra with a begging bowl, making a case that we had been underfunded for a period of time. Though we had.

We did not seek to argue greater benefit than other sectors or community groups seeking additional support from the public purse, like the universities or the pensioners.

Our argument to Government was that we were delivering remarkable services now – and that we were uniquely positioned to deliver services that would be necessary in the future: to help drive digital TV take-up, to tell Australian stories, to help Australians tell their own stories through broadband.

Our budgetary situation means we have to make choices. We can never go down the populist path, although some of our programs are very popular. We have to let the market provide where it can and invest wisely to ensure we deliver where we must. But even doing that, we represent a comprehensive, robust, compelling and very popular feature on the Australian media landscape.

This is the central difference between trying to represent value as a public good rather than a service from which everyone feels – as they do about the licence fee – that they must extract personal benefit to justify direct personal expenditure.

And while we have some loud and persistent critics in Australia, it is self-evident we do not attract the ferocity of attention and turbulent debate that swirls around the BBC here.

Debate triggered by how the BBC gets its money, how much it has to spend, and how it spends it.

I now feel I could use more money, but I don't want to pursue a licence fee to get it.

I can't let this pass without commenting on James Murdoch's recent claim that it was "essential for the future of independent digital journalism that a fair price can be charged for news".

In other words, that as commercial news services were now considering charging for their online news, there was no longer a place for a free, public news service provided by the BBC.

Think about this: the reason it *sounds* like a bad idea is because it *is* a bad idea.

To News Corporation, the very word public is immediately suspect, so it's bound to be interesting, choosing a Murdoch to give the MacTaggart. Yet the choice is surely made secure in the knowledge that nothing new will ever be said about the BBC.

The easy option with the BBC is to overstate its failings – if only because it's impossible to overstate its contribution.

But strip away the lofty language, and you see that the James Murdoch solution is less about making a contribution to public policy than it is getting rid of the BBC's services, effectively destroying the BBC as we know it – a tragedy for the UK – a tragedy for the world.

It would mean ending the mixed economy in provision of news – introducing a purely commercial service would impose a limitation on diversity of views far greater than any we now know.

And charging citizens to hold power to account is not the way to rectify an existing imbalance or promote a more meaningful democracy.

So what is the test?

The test isn't simply if people want to make money, then there would be no public broadcasters. The same doesn't apply to other public goods: we have public and private hospitals; public and private schools; the mixed economy works.

The test should be about audiences:

- Who is in the best position to deliver what the public wants at a standard they want, and?
- Should some services be delivered free? And are there access issues?

Interestingly, the pay television sector in Australia, in which News Corporation has a quarter share, has no objection to the idea of public funding for a public good.

What they'd like, in fact, is a chance to *compete* for those public funds. And the ABC has no difficulty with the idea of contestability, since the contests we are prepared to enter are those where we believe the market will *not* be able to provide. We believe in some areas: like commercial free children's programming and like international broadcasting as an arm of the Government's soft diplomacy – that the public broadcaster, operating without a profit motive, and building on a record of integrity developed for generations, is the only organisation that can deliver.

I'm with them on this: I believe in public funding for public purposes. I do not want the ABC to go down the path were we take an aggressive commercial line, including advertising, to fill our coffers and fund our ambitions.

The experience of public broadcasters around the world that have attempted to complement public funding with advertising revenue is not happy, in part, because Finance Department officials are the same all around the world.

I remember meeting with the heads of the Korean and Canadian public broadcasters, both reliant on advertising as well as government funding for their television services.

Their experience was the same. Effectively, they had experienced no government funding increase for a quarter of a century. They are told if they want more money, they should get it themselves.

And that means if you are dependent on advertising revenue to fund your growth, your programming choices naturally focus on attracting audiences to sell to advertisers.

At the ABC, I think most of our programming passes a test that says only the ABC would develop or buy and then broadcast the program over time. That is much harder to do when, like your commercial competitors, you are dependent on advertising revenue.

So despite the vicissitudes of economic cycles and razor gangs and culture wars, I still feel our best chance to secure the future of public broadcasting in Australia is to make the case, in the political environment.

To demonstrate value and purpose and strategy and uniqueness.

And to activate your base from time to time. All those Australians who have grown up with the ABC, who love it. Those who understand that in a vast continent like Australia, it is a commons, a shared space. That the ABC is a shared reference point within Australian life, a cultural experience we all have in common, at a time when common cultural experiences are becoming harder to come by

The love and support Australians have for the ABC was shown in 2007 when we had our 75<sup>th</sup> birthday. 350,000 Australians turned up to celebrate with us at different events in cities and country towns. In

Sydney, on our birthday, 150,000 people showed – to tour the studios, to meet the broadcasters, to attend concerts and eat some cake.

The Sydney Morning Herald remarked on the anniversary that:

*“Just try to imagine Australia without a national broadcaster. You can imagine an Australia, but not this Australia. The character of this Australia owes much to the ABC; no other institution reaches as many Australians, or touches so many so profoundly. The national broadcaster not only helps fashion Australian life, it is also a deeply personal part of innumerable individual lives.”*

In a media world facing so much turmoil and uncertainty – hammered by a financial crisis, structural change and the legacy of bad decisions made in better times – the ABC today stands confidently to deliver.

When we turn 100, I am sure we will look back at the years we are going through now, this digital revolution, as the period of the steepest, starkest transformation in the century.

And frankly, there are days when I look around and all I see are obstacles, not opportunities, pitfalls, obstructions.

We will have further growth we have to fund and current bills we have to pay.

We need to continue to innovate in programming and find better ways to deliver what we do now.

We need to hold our core audiences today whilst creating the capacity to draw in new audiences tomorrow.

We need to set higher standards and not just benchmark against those whose standards are in decline.

We need to work harder and smarter every day. But we have great people, great passion and these days, a spring in our step.

Today, it is a good story - that the need for public broadcasting in the digital age is growing, not diminishing.

And that there are many new needs that the ABC is in the best position to deliver. Needs that can, in fact, only be met by the public broadcaster.

At the ABC, we are confident that our best days lie ahead of us.