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ABC
Australian
Broadcasting
Corporation

Office of the
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Senator Ann Ruston
Chair, Senate Standing Committee on Environment and Communications
Parliament House
Canberra ACT 2600

Dear Senator

In addition to the cuts delivered in the May Budget, the ABC has been advised by government that its funding will be reduced by a further \$207m over the next five years .

Back office savings

In order to meet this reduction in funding, the ABC must implement a reduced-cost operating model and continue to drive efficiencies. The ABC is conscious that it must do this while continuing to meet Charter obligations and increasingly expansive audience expectations.

This reduced cost base will mean job losses across the Corporation. In accordance with our industrial agreements, the number of redundancies will only be finalised following consultations with unions and staff, however, the Corporation expects there to be over 400 staff losses.

In implementing this budget cut, the ABC will focus on overheads and back office functions, including reviewing our property holdings and extracting efficiencies from its procurement processes, its contracts with key suppliers and its infrastructure contracts.

These initiatives will deliver substantial savings, however, in managing the complexities of a budget cut of this magnitude, the ABC must also look for savings in other back office areas which will impact on content, including:

- close the ABC's Adelaide television production studio. The economics of the television sector make it difficult to maintain small scale operations. The ABC will continue to work closely with the independent sector to produce such programs as *The Code*, *ANZAC Girls* and *The War that Changed Us*, and it will aim to produce programming that better reflects local diversity. To demonstrate this, the ABC will deliver annual reports on its local production.
- rationalise our television outside broadcast vans. The ABC has been facing declining audience interest in local sport competitions. The ABC is revising its television sports strategy to ensure the most cost-efficient use of resources and optimal audience impact. This change in strategy will enable the ABC to, rationalise its television outside broadcast (OB) vans, as has been done by all other Australian broadcasters.

Structural changes

The ABC Board and management have considered how the Corporation can provide maximum value for modern audiences and ensure it has in place sustainable strategies and processes related to content and content creation. To assist in this, the ABC will establish:

- a Regional Division, which will deliver a co-ordinated and focussed approach to rural and regional content for audiences across the nation and it will be headed by a manager living outside of Sydney or Melbourne.
- a Digital Networks Division, which will bring together ABC digital designers, user experience specialists, digital project managers and digital developers to maximise our investment in this competitive audience space including through improved search and data driven content recommendation and personalisation of digital services, all of which are vital in keeping audiences connected and ABC services relevant.

Building for the future

Despite these changes, the Corporation will work to ensure that the ABC remains the home of Australian content and the place where Australian stories are produced, curated and shared both on traditional platforms of television and radio and online and on mobile.

As other media companies have done, the ABC must continually assess the media environment and work to remain relevant. This means it must produce digital services and content to meet audience demand. In the past, the ABC has funded this work through internal efficiency measures. However, given the budget cuts, this option is no longer available to the ABC. To make such investments for the future, the ABC must consider alternate avenues. To this end, the Corporation will decommission some programs to establish a content fund that will progressively ramp up to \$20million per year. Funding from decommissioned programs will be reinvested back into new ABC programming and program services. New program services delivered will include:

- upgrading the ABC's online catch-up TV service, iview. We will enrich the audience experience with fast-feature development, improved personalisation, 24-hour support, capacity for audience recommendations and the development of stand-alone content;
- exploring the potential for new video streaming and transaction-based services;
- investment in News Digital, including extending our capacity for breaking and rolling news coverage to online and mobile audiences and building digital newsgathering skills within our metropolitan newsrooms and our current affairs and international teams; and
- the extension of radio streaming to regional areas and the development of the personalised radio player that enables listeners to draw in content from across the ABC's array of services and to access it in one location.

Programming changes will include:

- the cessation of the Friday 7.30 state-based programs with a more flexible and effective approach to delivering local current affairs to local audiences;
- a reduction in the number of concerts recorded annually on Classic FM and adjustments to Radio National programming; and

- a revised television sports strategy focussing on national sporting events.

The focus of the ABC Board and management is to support staff through these changes and to ensure the Corporation runs efficiently and effectively and provides a valuable return on the investment made by the Australian people.

The ABC Board and management recognise that every change will not be popular with all stakeholders and that some changes in particular may draw criticism, we hope that this letter goes some way to explaining them and the rationale behind them.

Should you seek any further information on the changes to ABC budget or services, you can go to <http://about.abc.net.au/our-abc-our-future/> or contact ABC's Director of Corporate Affairs, Michael Millett

Yours sincerely

Mark Scott
Managing Director

cc: Members of Senate Standing Committee on Environment and Communications