

## **A STATEMENT FROM THE MANAGING DIRECTOR – 24 NOVEMBER 2014**

Dear Colleagues

I have just completed a presentation to staff in ABC offices around the country, outlining a range of measures we propose to implement over the next few years. The initiatives are designed to reposition the ABC for its current and future challenges and to maintain a clear focus on our audience strategy and Charter obligations. I am aware that some of you may not have caught the address or are seeking further detail. This email is designed to provide more information about our plans. It sits alongside a statement released today by the ABC Board.

In charting this new course, my thoughts go out firstly to those who face losing their jobs. As other companies in the media sector have found, structural change can have painful personal consequences. We anticipate that more than 400 people – close to 10 per cent of our ongoing workforce - face redundancy as we adjust our activities. We regard the changes as vital to securing the long-term health of the organisation but I acknowledge that is no comfort to those who may lose their positions.

My thanks go to everyone at the ABC for the patience, discipline and application they have displayed over a testing period. We have had to deal with the reality of cuts in the May budget, the speculation over the departmental study into the efficiency of the public broadcasters and the uncertainty surrounding the Government's "down payment" strategy on further cuts. Like any responsible organisation, we have used our time constructively – taking heed of the departmental study and other inputs - to assess our activities and processes and to recalibrate on programming. We have had to wait for clarity on funding to complete the task.

The proposals announced today form an integrated package: they are a whole-of-ABC response to our funding issues and our audience strategy. They recognise that programming cannot stay frozen and that our content divisions must regularly update their strategies and schedules; that audience dynamics drive reinvestment decisions and that repositioning necessitates tough decision-making and execution. Change is never easy for an institution that has so many stakeholders with a passionate interest in its work. But change is now a media industry constant and the one guarantee I can offer you is that change will remain a reality for the ABC. What I can say with confidence is that the resilience of the ABC and the professionalism of the staff will help build a stronger organisation, better-equipped to meet the audience challenges of the present and the future.

## **ABC Funding**

The Government has confirmed that, in addition to the May 2014 budget cut of \$120million, the ABC budget will be cut from July 2015 by a further \$207 million over four years. The schedule of cuts outlined by the Government acknowledges that extracting efficiencies incurs a big upfront liability for the ABC in the form of redundancies and early transitional costs. We must fund these costs from our current funding allocation and asset base. Because the cuts are back-end loaded, in the latter years the accumulated impact to the ABC is over eight per cent a year. We face immediate work to meet the 2016-17 ask of more than \$60 million. This target requires concerted, disciplined action to meet our twin challenges. We must make significant savings to ensure that our content is largely protected from external funding shocks. In a changing media landscape, we must also closely scrutinise our programming, shifting investment to strengthen our connection to audiences.

## **Efficiency Savings**

Delivering efficiencies is not a new concept for the ABC. It is a legal responsibility of the ABC Board “to ensure the functions of the Corporation are performed efficiently and with the maximum benefit to the people of Australia”. We have applied ourselves diligently to the task over the years.

We have used our efficiency savings to finance key initiatives like *ABC News24* and *iview*. These initiatives have been critical to the development and relevance of the ABC at a time of intense competition in the media sector. In considering efficiencies, it is important to appreciate that:

- New technology changes what we can do and how
- It is a fast-changing media market place; and
- We need to ensure that our investments deliver value for money.

Our aim in delivering the savings required by the Federal Government is to focus primarily on overheads and back-office functions. But, as I have stressed repeatedly over the past few months, there is no simple quarantining formula for cost-cutting. The very nature of the media business means that some savings inevitably impact content. The ABC must also focus on where and how it can best add value in its processes and content creation.

We believe there are compelling business reasons to:

- Close our Adelaide television production studio and wind down remaining television production in smaller states. The economics of the television sector make it difficult to maintain small-scale operations. It is more economically efficient to base production (outside news and current affairs) in Sydney and Melbourne. TV’s aim is to work with the independent sector on programming that better reflects local diversity. To demonstrate

accountability, the ABC will deliver detailed annual reports on its local production, including dollars invested and programs made.

- Rationalise our television outside broadcast vans and scale back our sports involvement. The ABC is the only broadcaster maintaining its own outside broadcast fleet. With the ABC facing declining audience interest in local sport competitions and some codes chasing commercial opportunities, ABC Television is revising its sports strategy to ensure the most cost-efficient use of resources and optimal audience impact. ABC Television will be providing more detail on its revised sports strategy;
  
- Shut five of our very small regional radio posts in Wagin, Morwell, Gladstone, Port Augusta and Nowra. These sites need continual maintenance, the number of staff impacted is minimal and there are no content implications. The ABC will always have and need a strong regional footprint. But we need to be responsible in how we allocate resources and maintaining these sites is not best practice.

Today, we are proposing a range of efficiency measures that will transform the operational base of the ABC and provide the bulk of the savings that the Federal Government has imposed. There are more than 40 proposals that go to our processes and systems, our contracts with key suppliers and our infrastructure. They are designed to deliver savings with minimal adverse cost impact – scooping up the benefits of collaboration, harnessing technology, modernising the business and better resource allocation.

The proposals address:

- Our procurement. We will systematically review key contracts to extract efficiencies and explore joint purchasing arrangements with our colleagues at SBS.
- Our property holdings. We are exploring various options to get savings out of our portfolio. As a first step we will plan for the sale of Lanceley Place in Sydney as well as closing five of our smallest regional radio stations that operate as virtual outposts.
- Our systems and processes. We will streamline and automate our rostering, performance and other HR paper-based systems, easing bureaucratic demands on staff
- Key tasks like our switchboard and mail rooms. We will centralise the former and reorganise the latter to yield savings;
- Our audience and marketing strategies. The Audience and Marketing Division, which was centralised in March, will find efficiencies by aligning more closely with priority content and brand initiatives.

We also want to strip back our management layers. Management comprises more than 10 per cent of the proposed redundancies. In mid-2015, we propose dismantling the State and Territory Director structure and looking at new ways of handling local administrative and stakeholder responsibilities.

## **Audience at the centre**

Competition in the media space is intensifying and audiences are asserting their power. The ABC needs to meet the surging audience demand for online and mobile services while, at the same time, securing and strengthening our grip in the traditional content areas. We must be the home of Australian stories and conversations across all platforms.

Structural change can help us in this regard, ensuring we better harness our skills, people and strategies for the benefit of current and future audiences.

We propose replacing ABC Innovation with a new digital division, ABC Digital Network, with the aim of prioritising our online and mobile expenditure. The new division would bring our digital designers, user experience specialists, digital project managers and developers together to maximise our investment in this competitive audience space. It would ensure we are better placed to identify audience trends and respond to them with new and enhanced products and services, developed with a whole-of-ABC mindset and discipline. ABC Digital Network is the key to improving the skills of our digital specialists and unlocking a better audience experience: it means better search, single sign-on, better recommendations, localisation, segmentation, profiling and navigation. These areas are vital to keeping our audiences connected and our services relevant.

We are also planning a new Regional Division, recognising that, with new digital technologies and better organisation, we can be smarter and more focused in our approach to rural and regional audiences. The new division would bring together regional radio and news staff and look afresh at how we best deploy our knowledge, skills and technology. We will advertise internally for a new director and the position will be located outside Sydney and Melbourne. We have committed to a period of consultation with staff and to engagement with regional communities in crafting the new division. We will maintain our level of content investment while acknowledging that in this new environment, not everything should or will remain as it has been.

As part of our structural change, we propose transferring responsibility for News Radio from ABC Radio to ABC News. A reshaped Radio Division would then consist of the local radio stations in the capital cities, Radio National, Classic FM and triple j, offering strong audience focus through both national and localised programming. Michael Mason, who has been acting head of Radio for some months, will be the new Director of Radio. His long leadership experience across many of the Radio networks makes him perfectly qualified for the job.

## **Content reinvestment**

The budget cuts represent a real opportunity cost for the ABC. The efficiency savings we normally used to finance our digital reinvestment are now being returned to the Government's general revenue. The reinvestment task cannot simply stop to meet federal budgetary demands. With competition intensifying and audiences growing more demanding and fickle, we cannot afford to

abandon our efforts to invest in the content and services our listeners, viewers and readers want. We lag behind other media in terms of our digital reach and penetration. We need to make up ground quickly in terms of the money we devote to reinvestment.

Broadcasting is not and never has been a static industry. Each year, our content divisions sit down to map out their plans, taking into account audience trends, technological developments, budgets, and the tactics of others in their respective markets. Programs are changed, cancelled and replaced. Staff are reassigned, resources re-allocated. This is part of the normal cycle of business.

Recently, ABC TV announced a raft of exciting new projects for 2015, building on their quality output across three channels. Radio are about to finalise their schedules for next year and will maintain their depth and range of content to loyal audiences across national networks and local radio. ABC News will continue to display cross-platform leadership in news and current affairs. ABC International is delivering for its audiences in the Pacific and Asia. Online, the ABC will continue to show flair, creativity and innovation.

But, in responding to the audience challenge, the divisions have identified programming savings that they can reinvest in new content priorities. We have set up an investment fund that will progressively ramp up to \$20 million over the next few years.

I need to stress this: there will be programming changes, but money saved will be reinvested back into programming.

### **Programming savings**

In ABC TV, as I flagged earlier, we propose ceasing television production in the smaller states and winding back our TV sport production.

ABC News has proposed launching a new, national end-of-week edition of 7.30, replacing the state editions, and delivering more state coverage throughout the week across all platforms. I acknowledge there is a level of debate around this proposal, but we want to focus on delivering more local news and analysis whenever it happens during the day, rather than confining it to Friday nights. *Lateline* will shift to a new more time-friendly fixed slot on *ABC News24* (while also airing on ABC TV in 2015) where it can build the audience it deserves. We propose readjusting the shape of our foreign bureaux but will continue to recognise the importance of our investment in foreign coverage at time of 24/7 news demand and the challenges posed by convergence. As part of this, we will open a new post in Beirut to extend our coverage of the Middle East. Other measures include creating a new National Business Team to boost business and finance coverage across all platforms and better tailoring radio news output to match audience needs. ABC News will outline the more specific proposed changes.

ABC Radio plans to cut back on the number of concerts recorded on Classic FM. This is a prudent efficiency measure that still ensures a quality service for the Classic audience. There would be

programming changes and staff cuts in Radio National and Local Radio. The changes to Radio National aim to reshape the structure and flow of programming across the middle of the day and to rethink our delivery of documentary content. However, the majority of proposed radio savings are in the administration and management areas. The creation of a Regional Division will impact on work flows for Local Radio and the delivery of digital services across Australia. ABC Radio will provide a more detailed briefing to staff on these and other proposed changes.

The need for digital reinvestment does not preclude the search for audience or workplace efficiencies in that area. We are rationalising our websites, with the goal of closing down more than 100 and consolidating content into websites that generate the most traffic, like ABC News, to present our stories to wider audiences.

### **The reinvestment fund priorities**

The creation of ABC Digital Network will ensure we mobilise our resources to deliver a better audience experience in online and mobile – factors that are vital to success in this competitive market.

That is the first of our reinvestment priorities with other initiatives to be rolled out as savings become available. Our focus will be on priority areas of News, children's, triple j and *iview* and will include:

- The upgrading of our innovative catch-up TV service. *iview* has become an important platform for viewers of every age. 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
- New 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
- 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.

The ABC expects that new specialist jobs, funded by our programming changes, will be created across the ABC as we roll out these new digital initiatives.

### **Next stage**

The ABC has endeavoured to speak to every member of staff directly affected by these proposals and we will embark on a process of consultation with staff and unions about the proposed changes. Some initiatives are still in the planning stage – they will be rolled out as we develop a full understanding of the savings potential and risks. This means it is difficult, at this stage, to provide absolute precision on the size and impact of cuts. Nor can we provide a definite number on

redundancies. With more than 40 separate proposals to cut overheads and backroom costs, we need time to work through the processes. However, we expect the staff cuts will be significant. They are likely to exceed 400 over the next few years – close to 10 per cent of our ongoing staff numbers as we consult, bed down the initiatives and seek to realise the savings.

These are challenging times, but our responsibility is to recognise the internal and external realities and confront them. We need to manage our budget cuts in a way that best protects audiences. But we also need to realise there is an opportunity cost of the Government taking back the money that we normally use to meet our reinvestment priorities.

Our efficiency drive requires the co-operation, involvement and sacrifice of every division. I will visit state and territory branches over the next two weeks to talk personally to workers there. The message I will convey, both internally and externally, over the next few weeks is that the ABC cannot stand still and run the risk of becoming less relevant and compelling to this and future generations.

What we've proposed today is in the best interests of the ABC and its many stakeholders. It is designed to position the organisation for the future; to ensure its pivotal place as the home of Australian stories and conversations.

Working together, we can be confident in our ability to see through these changes and to build a stronger ABC.

Mark Scott