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**EXPERIENCE BETTER: CONTENT & PLATFORMS IN A BROADBAND WORLD**

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[REEL]

“Experience Better”, you’ll hear that phrase a lot in coming months. Yes, it’s Foxtel’s new strap line: but it’s so much more than that.

It sums up the transformation that is happening in our business.

“Better” is obviously what we strive to be every day…

…but “Experience” is the key word. It challenges the traditional one-way relationship between the broadcaster and the passive viewer.

“Experience Better” is about a richer and deeper engagement, an **emotional** connection, which is what we want with the 7.2 million Australians who have Foxtel in their homes.

We want them to love us, to be thrilled by us, to be moved by us and to be amazed by us.

And not just by the programming we show, but by the whole experience of better content, better technology and better customer service.

This transformation in our product and how subscribers relate to Foxtel is essential if we are to continue to grow our business in a media world that is changing at a pace that is truly astounding.

Our merger with Austar was a crucial step, setting us up as a truly national company with consistent products, pricing and, ultimately, technology. I’d like to thank all of those here today who helped make the merger such a smooth and successful process.

Today I will talk about the journey of transformation Foxtel is on as it prepares for the next phase of growth in a broadband world.

Foxtel is undoubtedly the best-positioned media company in Australia to take advantage of the benefits of high speed, high bandwidth internet connectivity.

We will use that opportunity to fulfill our promise: to offer the highest quality entertainment and information content when, where and how Australians want it.

We will do this in three ways.

Firstly, by continuing to strengthen and deepen our content offering, obtaining not only the best programs, but also the rights necessary to enable delivery in all the forms that we need.

Secondly by continuing to expand the ease and control available to our existing subscribers.

Thirdly, by launching new IP based services to reach new audiences.

This is not hype or vague talk of future plans.

Already Foxtel cable and satellite customers can use broadband connectivity to access a huge library of On Demand content whenever they want; and, of course, they can take their television with them using the amazing Foxtel Go. Our Foxtel On IP customers can watch Foxtel content via T-box, Xbox or Samsung Connected TVs.

But there **are** plenty of very firm plans for the future as well.

Today I will be announcing a new initiative: Foxtel Play, which will be our own IPTV service offering greater choice and cheaper prices; and I will talk about our plans to launch a subscription video on demand movie service later in the year.

I’ll say something about the enhancement to the electronic program guide which will enable subscribers to go back in time to watch or record programs they’ve missed and about our well advanced plans to launch iQ3, a world-leading set top box.

And, in the future, there is the opportunity to launch a triple play of television, telephony and broadband internet, which, together with iQ3, will place Foxtel at the centre of the connected home.

These are huge changes that will radically reshape the way Australians can experience Foxtel and they will propel us on a trajectory for strong growth over the coming years.

But before I get to those things I want to talk about something that will not change and will always be at the core of our business.

That of course is quality content - created and curated by strong channels and broadcast to our subscribers.

While we recognise and cater for the fact that people increasingly watch video content in different forms and on new devices; we also know that it is mass audiences that create the demand for content and shared viewing experiences that people really crave.

According to OzTAM, in the past five years total television audiences have grown by 9% and STV audiences have grown by 13%.

Over the same period the number of active users of the internet has grown by 33%.

So, while the increase in internet use has been phenomenal; it has **not** come at the expense of television viewing.

In fact, as we all know, multi-screen viewing is an increasingly popular way to watch and interact with television content. Foxtel is developing the products and relationships that will enable our subscribers to experience television in a multi-platform environment.

The increase in STV viewing is driven by the strong channel brands on the platform and the incredible content that we offer.

I know I’m preaching to the converted here (or at least I hope I am), but you just have to think about a few content genres to realise how true that is.

Let’s start with Sport. What an amazing job Patrick and the team have done. They have the most extraordinary range of sports, which they cover in depth, beginning to end in beautiful High Definition.

They are innovators in technology with Foxcopter, ref-cam, corner post-cam, stump–cam, hat-cam, ball-cam, drink-bottle-cam, the list goes on and on. Pretty soon there won’t be an inch of a ground or piece of equipment that isn’t beaming pictures back to Broadcast Way or Dorcas Street.

Fox Sports really does bring you closer to the game you love.

They have also created a raft of panel and magazine shows that support the live fixtures and give fans a diet of sporting information and analysis all week.

In factual programming we are consistently seeing channels like A&E and Lifestyle setting new ratings records for their genres. While brands like Discovery and Nat Geo continue to be acknowledged world leaders in the field.

We invest in amazing local programming across multiple genres and with great success. I’d like to congratulate those people and programs nominated for Logies this week.

In drama, in particular, subscription TV is developing a reputation for quality and for pushing the envelope. Some of you may have seen preview screenings for *Wentworth* and *Top of the Lake*, which begin in the next few weeks: two completely different stories and styles, but both utterly compelling.

This complements the international drama content we are carrying on a range of channels, but especially on *showcase,* the Home of HBO. Foxtel Movie and Premium Drama subscribers will have access to new series from this hothouse of drama five years before they will be available to free to air viewers.

Thirty percent of subscribers and 35% of non-subscribers list drama as one of the top two genres they like to watch on TV. These numbers have grown dramatically in recent years, reflecting the improvement in quality drama available on television, spearheaded by HBO.

Clearly our pre-eminent position in drama is critical for retention of subscribers and presents a great opportunity for growth.

Our job is to make sure that non-subscribers are aware of this and the other fantastic content you can only get if you have Foxtel. I have asked our marketing team to really ramp these messages up in the coming months.

One of those messages is “Express from the US” which has received huge customer and industry acclaim.

We realise that in a connected world everyone expects delivery of content to be simultaneous and seamless, no matter where you are.

Our subscribers can join global conversations about *Game of Thrones, Mad Men, The Carrie Diaries, Revolution, The Walking Dead, Boardwalk Empire* and so many more, because we show them immediately after they have gone to air in their home markets.

So I can confidently say that the first part of our promise, “offering the highest quality content”, is being fulfilled every day, because we are constantly striving to forge new and deeper relationships with content owners and because we are nimble and take opportunities as they present themselves in the market place.

The “where ever, when ever, how ever” part of our promise is also a reality today and will only become more true as we launch new products and enhance existing ones.

Last year when I said that our vision is to have 50% of Australians using a Foxtel product or service each week, this idea of different products delivering content in different ways was very much what I had in mind.

Even though cable and satellite delivery of channels to a television will remain the cornerstone of our business and will continue to grow strongly, content viewed on other devices or delivered by a different means will become increasingly common.

Sometimes this will be as an enhancement to a traditional subscription, at others it will be a totally new service with different pricing and packaging to recognise the desires of new customer segments.

Foxtel Go is an example of a complementary service - it comes at no extra charge with a Foxtel residential subscription and is part of the Experience Better promise to existing and new subscribers.

But it is no mere add-on. In fact it’s truly revolutionary in creating a radically different viewing experience for Australians*.*

The mobility offered by Foxtel Go has excited our customers who have downloaded the app to over 500,000 devices.

Around 80,000 of them are iPhones and iPods, which only became possible three weeks ago.

We now have around 60 live channels and around 2000 titles of catch up content on Foxtel Go.

Content on Foxtel Go has been viewed almost 11 million times.

Critically for retention and growth, users of Foxtel Go are over 40% more likely to promote Foxtel to others and over 80% of them say that it adds real value to their subscription.

We plan to launch Foxtel Go on selected Samsung Android devices in June and on PCs and Macs shortly afterwards.

Broadband and IP connectivity greatly enhances the way customers can use their existing Foxtel box as well.

The main benefit of an IP connected box today is that it provides access to a huge range of On Demand content, both free with a subscription and pay-per-view. There are currently almost 2,000 movies and television programs available to watch at no extra cost and 5,000 premium titles that can be rented.

We are working hard to align technology and services between metropolitan and regional customers. As an example we have recently launched a video on demand service for MyStar customers.

This service went live on March 1st and on that weekend alone over 5,000 movies were downloaded.

As I flagged earlier, there is another fantastic innovation we are soon to launch, the ability to go backwards in the electronic program guide to watch or record programs you have missed.

So if you are at work and hear about that great program you missed last night, you can go home, go back in time and watch it. This is a perfect example of a seamless combination of broadcast and broadband to create a better viewing experience.

It will be yet another reason to ensure your box has an IP return path.

Further, in the area of enhancements to Foxtel subscriptions we have done a deal with zeebox, a world leader in this space, to allow our customers to have a multiscreen experience with Foxtel.

Through the zeebox platform viewers will be able to engage with content or discuss it with friends through social media.

As part of this partnership we will refresh our TV Guide app and develop it as a companion viewing experience, so look out for our new app later this year.

It’s hard to convey all of this amazing innovation in words, so let’s have a bit of a look.

[TECHNOLOGY REEL]

The next step is the evolution of Foxtel services delivered directly via the internet without the need for a Foxtel box with a cable or satellite connection.

We’ve already started down this path with T-box, Xbox and the Samsung connected TV.

Today I can announce that *Foxtel On* will relaunch in June as Foxtel Play – a new internet TV service offering more choice and a more flexible way to enjoy Foxtel.

Customers will be able to subscribe to Foxtel Play using a range of internet connected devices including selected connected TV’s and games consoles at home as well as smartphones, tablets, and PC and Mac computers on the move through our Foxtel Go app.

Foxtel Play customers will be able to pay by the month with no lock in contracts and build their own service from a series of genre based channel packs starting as low as $25 per month.

With over 40 channels and over 2000 video on demand titles, Foxtel Play will bring some of the most well loved channel brands to a whole new audience.

Ideally, once they have sampled Foxtel Play, customers will realise how great the service is and sign up to the full Foxtel product.

I’m also pleased to announce that later this year we will launch a stand-alone subscription video on demand movie service that will enable subscribers to pay a monthly fee to watch a wide selection of the best movies from around the world. We will be releasing details of the product in the next few months.

Again, this represents an opportunity to introduce Foxtel to a whole new customer segment.

I think Foxtel Movies illustrates the point I’ve been making very well.

Last year movies on Foxtel primarily came in a linear channel form, supplemented by pay per view transactional movies.

By the end of this year movies will be available in a variety of different forms, in addition to the 13 linear channels of the Foxtel Movies service, we will also offer:

* a massive library of On Demand movies at no extra cost;
* premium moves On Demand for rental;
* linear channels and catch up on Foxtel Go;
* linear channels and catch up streamed through Foxtel Play; and
* a stand-alone subscription video on demand movie service.

The Foxtel promise well and truly fulfilled.

I’d like to mention two things that are in the pipeline.

We have spoken for some time about iQ3. I can report that the vendors have been selected, specifications finalised and development work is well underway.

iQ3 will be a truly revolutionary box. It won’t be launched for a little while yet, but as we are building one the most technologically advanced set top boxes in the world, we want to get it right before we launch it.

iQ3 will have 10 times the processing power and eight times more memory than our most advanced current box. There will be eight satellite or cable tuners and, in the satellite version, two terrestrial tuners.

With today's iQHD you can watch one program while recording two others. The new iQ3 will allow you to watch one show while you record up to four others.

Foxtel's iQ3 will have capacity for a one terabyte hard drive. It will use the latest generation WiFi technology to enable easy connectivity to the customer’s gateway router. The inclusion of Bluetooth technology will also allow us to support the latest remote control devices.

There has been lots of talk about Foxtel launching broadband and telephony services. Indeed, Telstra’s CEO David Thodey has publicly indicated support for the idea of a Foxtel triple play.

While I’m not in a position to make an announcement today I can confirm that it is under active consideration.

We believe that a triple play offering makes a lot of sense for our business and our customers as can be seen from the success of other subscription broadcasters which have adopted this model around the world. Together with iQ3, it would place Foxtel firmly at the centre of the broadband connected home.

Before I conclude let me speak briefly about the role of government in our industry.

It is our long-held view that governments should only intervene where there is clear evidence of market failure or where they can promote investment, innovation and the development of dynamic sectors such as the media and content creation industries.

One area that does not require further restrictive regulation is media ownership and control.

The public interest test proposed by the Government to preserve diversity of voices in the media is both cumbersome and unnecessary.

Under the proposed regime a transaction in the media space could be subject to review by up to four different regulators (the ACCC, ACMA, FIRB and now the Public Interest Media Advocate). This will add delay and complexity to any transaction and may discourage legitimate transactions from occurring at all.

Furthermore, it completely misses the point of the digital age where a massive explosion of access to news, information and entertainment has come about thanks to the advent of services like Foxtel, which carries 11 news channels, and even more dramatically through the plethora of sources available over the internet.

The problem the Government is seeking to solve either does not exist or, to the extent it does it can easily be dealt with by normal competition law.

But the solution creates commercial uncertainty and introduces the risk of political influence in the media.

On the other hand, an area where government could usefully intervene is in relation to on line piracy.

It is a global phenomenon that has the capacity to devastate traditional content creation industries.

Anyone who values creativity and believes that intellectual and imaginative effort should and must be rewarded has an obligation to join the fight against online piracy.

Foxtel, together with our channel and studio partners, have done our bit by introducing the “Express” delivery of content from international markets.

We recognise that audiences have a legitimate gripe where highly desirable content is available but there is no legal means to view it.

The new products I have spoken about today represent new digital business models that create **additional, legal** means to obtain access to video content. They demonstrate the capacity of businesses to adapt to the changing world to ensure consumers’ needs are met.

But more needs to be done.

It’s time for ISPs and Government to act to protect intellectual property. We need to have an appropriate system in place before the NBN is rolled out – in whatever form that happens – because with super fast broadband the flood gates could really open.

In the US a new cooperative system between content owners and ISPs has just come into force. There are regimes in the UK, Europe, South Korea and New Zealand.

The models are there, but Australia is lagging behind. It is time something was done.

We will be calling on both the Government and Opposition to develop policies that protect copyright owners and ensure the viability of the content creation industries.

So I hope from all this that the Foxtel growth strategy is clear.

The promise of Experience Better – exceptional content, much of it only available on Foxtel, wrapped in technology like no one else can offer.

Customers who are deeply engaged with Foxtel because they love what we show and are thrilled at the convenience, flexibility and sheer cleverness of the ways in which they can consume our products.

An offering that is highly desirable to new subscribers that we can extend to different customer segments by creating more ways to engage and enjoy at different price points.

To me it feels like a recipe for success. I am confident we are on the verge of the next growth phase of our business. I look forward to sharing the journey with you.

In conclusion, I’d like to add to what Steve has said in thanking Petra Buchanan for all her hard work and professionalism. ASTRA is a great organisation that all of us in the subscription industry can be proud of. That is due in no small measure to the changes Petra has made over the past four years.

Today’s conference is further testament to her ability and contribution. I’m sure you will enjoy the day and get a lot out of it. I certainly will.

ENDS