

## Whither Netflix?

---

Trevor Barr

Swinburne University of Technology

---

**Abstract:** In March 2015 Australia became the 50<sup>th</sup> country in which US video streaming company Netflix had set up a local operation to supplement its planned global expansion in 200 countries. Newcomers Presto and Stan also joined in to further add to the extraordinary rate of growth of all forms of video traffic in Australia, now over half of Telstra's Internet business. So who is Netflix, and how well might it expand its business in addition to those customers in Australia who are already using virtual private networks (VPNs) to access and pay for their programmes? The company began as a DVD on-line mail rental service in the US over fifteen years ago, but its management always saw the huge potential to use the Internet as –“direct mail on steroids”– for the on-line delivery of movies to homes. Whilst Netflix commendably offers more choice of programmes for Australian viewers, an examination of its business model could hardly support the notion that the established commercial television networks now face a fundamental *existential* threat. Nor should the notion of “mass digital connectivity” be taken for granted – not only because Australia still has so far go to reach ubiquity of the connection of homes to high capacity broadband, but also because of the serious lack of affordability of direct user pay services for so many Australians. The most likely future scenario is the on-line streamers will be welcomed by a growing number of paying customers, but as a complementary sector to the strong network television incumbents.

### Introduction

Speaking at the April 2015 CommsDay Summit, Telstra's Chief Operating Officer, Kate McKenzie, outlined the extraordinary growth of video downloading:

It is increasing as a proportion of overall network traffic and we got an average of 50 to 60 gigabits per month, growing at about three gigabits per month. Each month there's more than 27.5 gigabits of video carried over the fixed network. That's the equivalent of about 13 million hours of high definition video per month. ([Mason, 2015](#)).

She added that many modes of delivery, including subscription video on-demand, You Tube, internet protocol television (IPTV), apps, and Facebook now accounted for well over half of

Telstra's internet traffic. Commenting on another Internet service provider's traffic at the same conference, Claire Reilly reported that iiNet's Chief Technology Officer, Mark Dioguardi, had said that Netflix now accounts for 25% of iiNet traffic, adding that "about 15 days ago Netflix made up 15% of traffic but today (April 20) its 25%. And that "Australian households were now all asking "the same five word sentence – shall we watch another episode?"

So who is Netflix?

## The Netflix aggregation model

Netflix was co-founded in California in 1997 by Reed Hastings, born Boston, Massachusetts, and a one-time teacher of mathematics in Swaziland who has become the face of the company over the last few decades. The other co-founder Mark Randolph brought invaluable experience to Netflix from his computer mail order company, Micro Warehouse. Within a year or so Netflix had built the largest online DVD mail rental service in the USA. Hastings saw the Internet as offering "direct mail on steroids" and the choice of the company title *Netflix* conveyed the dream of simply providing heaps of good movies delivered over the net. In 2003 Netflix patented a hard drive that could download movies, but it cost consumers \$300 to install, and it generally took up to eight hours to download a two-hour film partly because of poor network capacity. Then in 2007 Netflix launched a new service, "streaming movies to users" computers in the USA. Late in 2010, the company began its "watch instantly" streaming content service essentially to be delivered to PCs, but with the added prospect of delivery to set top boxes *for television* as well. Netflix announced the new service plan (again only for Americans) late in November 2010:

We are now offering a new \$ 7.99 a month plan which lets you watch unlimited TV episodes and movies streamed to your computer or TV... The new plan, which does not include DVDs, is a great option for the increasing the number of members who only want to watch instantly. ([Becker, 2010](#))

The "unlimited episode and movie offer" was an exaggeration, because its content rights agreements inevitably constrained what Netflix could offer its customers. It held rights to movie titles from Paramount Pictures, MGM, 20<sup>th</sup> Century Fox, Sony Pictures, and Time Warner – all big movie studios, but the Netflix service was restricted to back list movies.

Netflix also initiated the bold idea for its time of providing multi-platform ready access – referred to as –"hybridity" - by promising that subscribers could:

- a. 'Watch instantly' on a computer – including a Mac
- b. Connect devices such as Wii, PS3 and Xbox 360 to a television set.
- c. 'Watch instantly' on iPad and iPhone (Netflix marketing brochure 2011)

However, its customers soon pointed out that only a few subscribers in the USA “have a broadband speed capable of giving them Blu-ray quality or even DVD quality” ([Taub, 2010](#)), and that the quality of the picture often varied according to the device used, irrespective of the speed of connection. Taub estimated that only 8% of Netflix customers in late 2010 viewed the content exclusively on their television set. And that substantial investments in high capacity broadband networks were needed to efficiently deliver its content directly to television sets in the future.

Not unexpectedly, the company had plenty of sceptics who raised difficult questions – how could it build a base of “sticky” consumers just with old movies; how many of the studios might desert it; or bleed it of product; and then how could it possibly ever afford the capital to commission plenty of its own titles? And also face the competitive might of the established commercial television networks, cable television operators, and possibly Google? Investment banker Jonathon Knee pointed to Netflix’s alleged identity crisis:

Netflix is primarily in the business of aggregating entertainment content created by other companies and selling access to it as a subscription service to consumers. In a media culture committed to the proposition that 'content is king' the robust success of a mere distributor is something incomprehensible and frankly, a little unnerving, especially while those responsible for the creative lifeblood that flows through its veins struggle for profitability. ([Knee, 2011](#))

Yet its subscriber base kept growing and growing. Sandvine argued back then that traffic levels showed impressive growth, such that by October 2010 Netflix accounted for 20% of the downstream Internet traffic in the United States between 8.00pm and 10.00 am – remarkable indeed, if accurate ([The Online Reporter, 2010](#)). And there was some speculation about the cannibalisation of cable/ pay television networks in the USA where some 37% of Netflix subscribers between the ages of 25 and 34 stated they choose Netflix instead of a pay television service ([Cerra & James, 2011](#)). The notion of “cord cutters” emerged then in major web cam discussion forums among astute video production editors: i.e. that people were increasingly cancelling their pay cable boxes in favour of Netflix TV viewing via iPad ([Cohen, 2011](#)). One of the difficulties in making these kind of market assessments is that Netflix has long been reluctant to publicly release data about its traffic flows and customer base.

It has been a remarkable journey for Netflix over a rocky road for many years. There were multiple bitter managerial disputes about corporate directions that led to Hastings and Randolph having a major split, resulting in the talented Randolph, so technically crucial to

the creation of the company, leaving angrily. Subscriber crises were common, notably when the company announced during the third quarter of 2011 that it had “lost” 800,000 subscribers. Then a hackers group, Anonymous, initiated a well-organised boycott of Netflix after it had initially decided not to support the Stop On Line Piracy Act (SOPA). And there were serious services outages: one most notably in 2012 lasting for more than 20 hours for all of its customers. Gina Keating’s institutional study, *Netflixed: The Epic Battle for America’s eyeballs* (Keating, 2012) suggests that “the history of Netflix is a long struggle for greatness marked by multiple disasters, lucky breaks, personal betrayal, and broken hearts. It has more drama than most of the movies Netflix rents.”

Despite all of that, Netflix is now one of the darlings of the New York stock exchange, currently with an astonishing share price on offer at \$ US 560.54 (as at 6 May, 2015) per share on the NASDAQ, with a market capitalisation of \$US 34 billion on that day. Some trading speculators go as far as predicting that Netflix may reach \$US 900 a share within the next two years. Taking the most generous estimate of its audience size – its own data – Netflix’s world-wide video streaming services topped a 62 million subscribers in April 2015 which prompted Lucas Shaw to write “*Netflix now worth more than US giant CBS*” after its most original watched programme *House of Cards* drew in record viewer numbers globally with a reach of 20 million domestic households.

But wait. Contrast CBS, the leading overall yearly ratings US commercial television network, on that same day (6May 2015) had a share price of merely \$ US 61.12 on the NYSE, and with a lower market capitalisation of \$30.6 billion. The annual revenue base of CBS for 2014 was \$US 14 billion, one of three of the major US commercial television networks, compared with Netflix at \$US 5.5 billion according to *The Statistics Portal* of 29 April 2015. CBS, of course, relies on advertising whereas the prime Netflix revenue is generated from charging the viewers to who watch its programs. The gross audience numbers measurement game still spectacularly favours the incumbent network which broadcasts “free” into some 115 million US households. According to *CBS: About Us* its flagship program *60 Minutes*, now in its 47<sup>th</sup> season, drew an average audience of 12.2 million viewers per week during 2014. The *Dateline* ratings show that CBS’s *Superbowl* set a new record with a direct viewing audience of 111.5 million for one night. Such is the entrenched position for network broadcasters of live sports.

In March 2015 Netflix set up local business offices in Australia, its 50<sup>th</sup> country, in a plan to establish local operations in 200 countries. It was though not really a beginning for Netflix here, as it is estimated that somewhere between 200,000 and 320,000 Australian-based customers were already accessing US Netflix using location-faking technology for credit cards with valid credentials in the US. Not piracy, nor torrenting, but using a virtual private network (VPN) and usually paying about \$15 a month for the connection cost combined with

the US Netflix subscription charge. [Klan \(2015\)](#) cites an email sent to UnblockUs subscribers stating that the pool of impressive global titles available this way was 15,000 streaming titles, contrasted with the initial Netflix offer via the new Australian arm of an estimated 1,600 titles. But the local Netflix web site is visually impressive and has a neat summary of what it has to offer its local customers:

### **Netflix Australia at a glance**

---

- **Netflix Australia Release Date:** 24 March 2015
  - **Price:** Starting at \$8.99 a month
  - **Plans available:** Single-stream standard definition, two-stream high-definition, four-stream 4K ultra-high definition.
  - **Broadband providers:** All major broadband providers will be able to stream Netflix.
  - **Smart TV compatibility:** Netflix will be available on Smart TVs by Samsung, LG, Sony, Panasonic, Philips and HiSense, and Fetch TV's second-gen set-top box.
  - **Game console compatibility:** Netflix will also be available using: Sony's PlayStation 3 (PS3™) and PlayStation 4 (PS4™), Microsoft's Xbox 360 and Xbox One, and Nintendo's Wii U
  - **Other compatible devices:** Apple TV, Google Chromecast, and Apple and Android tablets and smartphones.
- 
- **What shows will be available:** Specifically we're personally eyeing: *House of Cards*, *Downton Abbey*, *Vikings*, *Marco Polo*, *Homeland*, *Luther*, *The Killing*, *Doctor Who*, *Spartacus*, *Arrow*, *Orange is the New Black*, *The Originals*, *The IT Crowd*, *Arrested Development*, *Pompeii*, *Unbreakable Kimmy Schmidt*, *Torchwood*, *Summer Heights High*, *Great Expectations*, *Top Gear*, *House Suits* and a plethora of children's titles. Because who else is going to babysit them, right?
- 

Source: <http://www.finder.com.au/netflix-australia-launch-date>, Accessed 28 May, 2015.

---

Netflix has long tried to counter the criticism that what it basically offers its customers is backlist movies and television shows. No, its differences with the past apparently go deeper than that. Ted Sarandos, Netflix's Chief Content Officer, played up his view of the shortcomings of network television in an interview with Chow and White, suggesting that ad-free services offer a “purer creative experience” than linear television:

Traditional television is less appealing, with bugs (graphics) across the screen, ad breaks – all those things make it a less satisfying event for writers and show creators. I don't want them to come in and say “Hey, here's my passion, but I'll completely change it for you.” ([Chow & White, 2015](#))

So many Netflix executives make great play on the innovation they have created over many years. Carlos Gomez Uribe, (such an imaginative name for a netflixer!) Vice President of Product Innovation, invariably talks in his media interviews about their “magical algorithms.” He argued in an interview with David Michael Brown:

This enables us to develop Netflix as a platform that will find the right audience for any piece of content. When you think about a movie or a TV show in the traditional television world, unless the content demands a big enough audience it doesn't make sense for a channel to broadcast that programme, especially at prime time. For Netflix it's a completely different question - it only depends on the cost of acquiring or producing the content relative to what we think the audience will be. And with the algorithms, we can take any piece of content and find the right audience. It's a crucial advantage. Who ever knew that applied mathematics could help you watch TV? So the game is learning about you learning all about content and matching that together, choosing the top 20 and arranging them in a compelling way that helps you to choose between them. ([Brown, 2015](#))

Brown wrote that the 2,600 Netflix employees back in the U.S are housed in five buildings with the several floors themed by genre with rooms named after movies. But there are no floors for news, current affairs or sports because none are offered on the Netflix menu anywhere. (And mercifully Netflix does not have its own island to film reality shows!)

Advertisers who have been frustrated with the alleged failings of the conventional television ratings system to show them clearer quantification of the value of individual audience responses for their substantial investment are overjoyed to hear about this matching system. Some viewers, however, wonder how much of their private data may become available to on-line providers in ways with which they are not entirely comfortable.

A growing number of key television industry figures suggest that such substantial advertising revenues for the incumbents are now built on shifting sands. Danny Bass, Group M's Chief investment officer, when interviewed by Paul McIntyre in “Ad boss says it's make or break for free to air this year,” summarised the key issues of the rising cost of Australian content at a time of declining advertising yields, together with the new viewers' choice of screens offered by the new band of on-line streamers:

Market forces are going against the networks because it's costing them more money to produce content but the average yield and rate they have been receiving over the past few years has been decreasing as well. Their model has to change. They can't continue to do business in a way they always have

because as CPMs (cost per thousand TV) viewers get cheaper and the cost of programs gets more expensive, unless they have additional business around that, what will they do to survive? ([McIntyre, 2015](#))

The viewer model of Netflix varies from that of the broadcasting incumbents by employing different platforms for delivery of its content and charging its audiences directly on the basis of user pays. However there are some commonalities in terms of the overall financial assessment of both the old and the new providers. Taking the initial Netflix launch basic subscription cost of \$8.99 a month per subscriber as its base funding in Australia, and assuming it could sign up two million customers in its first two years, its operating subscription revenue would total \$A 216 million per year. By contrast, by doubling the advertising revenue for the three commercial television networks for the six months July to December 2014, as published by their association FreeTV, their annual advertising revenue totals \$A 4.014 billion! And the three city-based operators' share is roughly split as 40% each for Channels Seven and Nine, and 20% for Channel 10. This is an enormous disparity of basic revenue and shows the business mountain that Netflix will have to climb in Australia.

The networks also enjoy inherent cost advantages over the new streaming players. Both groups obviously share some common operational costs, such as their general overheads, cost of purchase and transmission of programmes, and marketing expenses, but the streaming providers have the additional expenses for their content delivery networks, direct customer interconnection, encoding, software licensing and billing. The sad history some time ago of a start-up telecommunications carrier, OneTel, shows that poor customer service with dreadful billing practices can cripple a company. Netflix though has a long history of efficient customer interaction processes – but it has to pay for the additional layer of costs. No detailed comparative data is available which compares such costs to those of the television networks, who do have modest web sites. But it must impose a more substantial cost impost of the on-line streamers.

## Presto and Stan

Several major Australian media and telecommunications companies knew well in advance of Netflix's intention to set up in Australia, and they created two new rival entities, Presto and Stan, launched around the same time as Netflix came to town in March 2015.

Presto emerged out of a somewhat unexpected partnership between Seven West Media, of Channel 7 fame, and Foxtel, jointly owned by Telstra and News Corporation. The Presto home page (6.4.15), under the heading “What Do I Pay?” offered three subscription levels:

- Presto TV: Unbelievable TV for only \$9.90 a month
- Presto Movies: Unbelievable Movies for only \$9.90 a month
- Presto Entertainment: Unbelievable TV and Movies for only \$ 14.99 a month

Presto customers are offered selections from Seven's drama backlist titles, together with programmes that are usually six months old from Foxtel's HBO catalogue, for \$9.99 a month. Television industry executives are quick to defend their dependence on screening backlist titles on the grounds that "a repeat is only a repeat for viewers who have already seen it!" The monthly subscription fees are debited directly from the customers' accounts.

The programmes on offer can be sourced across ten genres: Action and Adventure, Animation, Comedy, Drama, Horror, Kids and Family, Mystery and Crime, Romance, SciFi and Fantasy and Thriller. No sport, news or current affairs programmes are currently on offer by Presto or any other new player.

So why such an unusual institutional alliance? It appears that the Foxtel strategy, coming from the leading subscription television provider in Australia, may be partly to keep a defensive foot in several new camps by joining with Seven West. From Seven West's perspective this move offers them the great advantage of drawing upon Foxtel's wide experience of direct interaction with customers for building good customer experiences and dealing with the complexities of billing individual households.

Stan, another newcomer, is an unusual corporate joint venture between Channel Nine and Fairfax Media. Its printed promotion material offers customers "unlimited access to awesome TV and movies to screens where you are – to your computer, smartphone, tablet or television set via Chromecast or Airplay and streamed at full 1080p HD with an account at \$10 a month". It appears that part of its strategy is to target the ballooning popularity of streaming to smart phones and tablets.

Stan sources programmes from commercial relationships formed with US powerhouse Amazon, as well as BBC Worldwide, CBS Studios, MGM and World Movies. The menu is strong, including British favourites *Luther*, *Wallander*, *Doctor Who*, *Sherlock Holmes*, *Ripper Street* and comedy greats *Fawlty Towers*, *The Office*, *Absolutely Fabulous*, and *The Vicar of Dibley*. And in a refreshing innovation for television in Australia, Stan offers a discussion forum for its viewers on the home page. But a major issue for all of the new streaming players is how much Australian content will eventually be offered. Stan management has indicated that it intends to commission Australian made titles, including a series based on the life of Lionel Murphy, the controversial Attorney General who launched a raid on ASIO during the term of the first Whitlam government.



Management of both Presto and Stan are clearly aware of many of the market complexities they face in embarking upon these new enterprises. This can be seen in the somewhat guarded statements made by their senior personnel around the launch of both services. Presto director Shaun James was quoted in *The Age* (16 January 2015) as saying that the SVoD market was evolving quickly.

It's a very exciting space, it's a very competitive space. We are under no illusions of that. But people can come and look now and see what's in there and it will continue to grow and evolve over the coming weeks and months.

And Fairfax Media chief executive, Greg Hywood, was quoted by Dominic White responding cautiously to rivals who questioned its role in the Stan venture:

We're a media company. Why shouldn't we be in streaming video on demand? What we did was to provide marketing inventory and expertise in subscriptions and, sure, some money but let's see who's laughing in three years. (White, 2015)

Fairfax does have prior experience in the streaming on line space since October 2010 with its digital version of the *Sydney Morning Herald*. However, one wonders to what extent the past failures of Fairfax administrations regarding the premature sale of investments in other online platforms, notably the job platform SEEK, and car sales.co.au – both to subsequently become five star investments for their new owners – might have influenced their judgement to go with Stan.

## Mass Digital Connectivity?

We've come a long way as a nation in recent years with major investments in high-capacity broadband through NBN that will offer many opportunities for new players, new services and new investment. All of this is so critical to creating a more dynamic and innovative Australian economy. However there is a tendency to exaggerate how far we have come in terms of the number of Australians who are currently able to share in the associated benefits, and we have a long way to go to reach a desirable level of national equity. The notion that we have now reached an age of "Internet for all" is almost taken for granted in so many quarters, notably in calls to abandon the "two out of three station rule" for the commercial television networks; in many of the reports commissioned by government in recent years into NBN; and to some of the futurists offering studies of projected demand for Internet-based services.

In the context of this paper we have a long way to go to reach the streams of nirvana for everyone in Australia to be able to have the pleasure that streaming video services can offer. ABS household data for 2012-13 states that "more than three quarters (77%) of all

households had access to the internet via a broadband connection. The corollary, of course, is that 23 % of households do not. The same ABS data adds that “as in previous years, the greater the household income the more likely there is internet access at home. In 2012–13, 98% of households with household income of \$120,000 or more had internet access, compared to 57% of households with a household income of less than \$40,000 with no household access. Malcolm Turnbull’s web site commendably canvasses these issues in “Affordability the biggest barrier to Broadband Access” adding that “those households in the bottom 20% of income earners were 10 times more likely to have no access to the Internet at home than those in the top 20%.”

Steve Martin, CEDA Chief Executive, CEDA noted in the CEDA Report: *More than a million Aussies living in poverty a disgrace:*

. . . the past 20 years had essentially been a massive failure by successive governments to address entrenched disadvantage and policies have been economically short-sighted. It is a disgrace given more than 20 years of economic expansion in Australia that four to six per cent of the population – one to 1.5 million Australians – is classed as being in entrenched disadvantage, with little to no hope of getting out of that situation. ([CEDA, 2015](#))

So why are we so often assuming the term “mass” in debates about the new media revolution?

In this context we might also point to some of the work that has examined how different groups in society still remain dependent on the “old” media services. Bittman and Siphthorp’s longitudinal study of children’s use of Australian television shows a continuing dependence on established network television because most homes, irrespective of income, can somehow scabble together a television set to watch “free tv.”

There has been, and is, much talk about how children today have been born into a world of new, digital media. In contrast to their parents – who have been described as “digital immigrants” because they have had to assimilate to the newly developed electronic environment – these children have been described as “digital natives”. They have never known a world before digital technology. However, despite this breathless talk, it is not until children are well into their teens that their engagement with this new media rivals the time devoted to the older medium television ([Australian Communications and Media Authority, 2009](#)). Nor is it clear that the era of broadcast television has come to an end and that television is metaphorically “dead”.

At least one television set is found in 99% of Australian households, and nearly half (48%) of all private dwellings not only have two or more televisions, but all these sets are on standby and ready to use. Access to a DVD player or recorder is also very high, with this device found in 88% of Australian homes ([Australian Bureau of Statistics \[ABS\], 2009](#)). Australian adults spend, on average, about 2 hours and 46 minutes per day watching television as a main activity or have it running in the background while they do something else ([ABS, 2009](#); author's own calculations). Consequently, television is likely to be an integral part of most Australian children's experiences of growing up. ([Bittman & Siphthorp, 2011](#))

Another statistic in this area is that the Smith Family's analysis of the Australian Bureau of Statistics *Children's Participation Survey* showed that in Australia's most disadvantaged communities, only 67.8% of children aged 5 to 14 years accessed the Internet at home over a 12 month period.

So how many Australians might be able to get access to the NBN services in future years and how many will be able to pay the costs involved? Yet are affordability issues on the public agenda? Telecommunications network providers have long been subjected by regulation to contribute financially to a *universal service obligation (USO)*, with Telstra carrying the prime responsibility to roll out more networks to regional and remote areas. But this equity-based social policy has essentially been designed around the geographic maximisation of network access for customers. USO policy has largely been restricted to *voice services* but in the age of broadband, which is reaching the status of a necessary utility service for all, there is surely a need for the "O" for obligation in universal service to become the "O" for opportunity with broadband. Robert Morsillo's 2012 seminal paper, "*Affordable broadband for all Australians*" ([Morsillo, 2012](#)) called for this significant issue to be more widely discussed in the public policy domain and he offered a thoughtful and well documented call for review. In the context of this paper, USO discussions are most pertinent in regard to access to these new forms of streaming media content and delivery.

## Conclusion

So where might the new streaming video players be placed in a few years' time in the Australian media and telecommunications market place? Bodey has reported that for the first three weeks following the launch of new TV services in Australia, Netflix more than doubled the daily visits of the next most popular Australian streaming service, ABC's iView based on the data from Experian Hitwise:

Data showing daily traffic to 'catch up' and SVoD sites reveals Netflix leapt to market dominance on the day of its launch, March 24, with more than

475,000 site visits. On the same day ABC's iView recorded about 330,000 site visits and the next was Nine's jump-in.com service with slightly more than 200,000 visits, ahead of Seven's Yahoo TV site. Netflix's major commercial competitors in the subscription space, Presto and Stan, both averaged less than 50,000 site visits per day, although Presto bumped up after Netflix's first week. Stan has questioned the figures. ([Bodey, 2015](#))

So whither Netflix? Surely the successful launch of Netflix here cannot be passed off as just another example of Australians being, yet again, just great “early adopters” of new technology: when they become available here the take up is often greater at a rate than in most other locations. Most notable examples for television have been the successful take up of colour television in 1974, and again with the introduction of video cassette recorders in 1976. Some futurists see Netflix as already a runaway success that will become a draconian agent of industry disruption. And the utopians have surely ignored the ambitious projections of just how many Australians might eventually enjoy the fast roll out of high capacity broadband. But they generally fail to take account of those who may eventually find that while the broadband network passes down their street, they simply cannot afford the cost of connection to the NBN, plus the monthly fee to the on-line provider.

One of the most extreme disruptors, Terry McCrann, billed by the *Herald Sun* as “Australia’s leading business commentator” argues that the present television industry “faces a series of fundamental *existential* decisions.” Yet there are real questions to be addressed here about the long-term business viability of the Netflix model. By charging \$8.99 a month for its basic service, Netflix is facing two other new commercial on-line competitors in a small Australian market while still bent on expansion into 200 countries, many of which will expect expensive local content. And pitting itself here against commercial TV networks that have a current collective revenue pool in excess of \$4 billion annually from advertising revenue, only shared among three major urban players in a regulated commercial oligopoly. And in a market place where they will probably remain quarantined from the programming goldmine of live broadcasts of customers’ favourite major sporting events because of commendable equity-based anti-siphoning regulation. Mark Twain’s comment comes to mind of how death can be so easily exaggerated!

The big variable that might override predictions of marginality for the online players is that they might just be offering what may become widely perceived as “a new customer experience.” Unlimited optimism abounds in this camp. Marketing guru Reed Hastings of Netflix has offered bold predictions for the future of Internet television suggesting that “broadcast television will be dead by 2030” in an interview for the *Empire TV* magazine in the autumn 2015 edition :

Think about how incredibly fast the Internet is going to get over the next 16 years and how on-demand TV will be on every screen that you own. It's about an eight year life cycle for a TV, so that's two generations of TVs. The TV you buy in 2020 is going to be amazing *and broadcast channels will just be on the internet* (author emphasis). They will adapt. Internet TV is not just about You Tube quality video; it's about getting the best quality TV on the planet.

In Reed's world of 2030 apparently everyone will be able to afford the cost of broadband connection and payment for the programmes of their choice on their multiple screens across multiple platforms. It's his brand of technological utopia. And all screening 'quality TV'!

But it may be that we end up not with a knock-out blow for the old, but with a set of complementary systems with a plethora of players in a new media order.

## References

- ABS. (2009). 8146.0 – Household Use of Information Technology, Australia, 2008-09  
Available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8146.02008-09?OpenDocument>
- ABS. (2014). 8146.0 – Household Use of Information Technology, Australia, 2012-13.  
Available at:  
<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/8146.0Chapter12012-13>
- ACMA. (2009). Use of electronic media and communications: early childhood to teen age years. Available at:  
[http://www.acma.gov.au/webwr/\\_assets/main/lib310665/use\\_of\\_electronic\\_media\\_and\\_comms-early\\_childhood\\_to\\_teenage\\_years.pdf](http://www.acma.gov.au/webwr/_assets/main/lib310665/use_of_electronic_media_and_comms-early_childhood_to_teenage_years.pdf)
- Becker, J. (2010). “A new plan for watching instantly” *The Netflix Blog*, 22 November, viewed 21 March, 2011. Available at: <http://blog.netflix.com/2010/11/new-plan-for-watching-instantly-plus.html>
- Bittman, M; Siphthorp, J. (2011). “Turned on, tuned in or dropped out?” accessed on 6 May, 2015. Available at:  
<http://www.growingupinaustralia.gov.au/pubs/asr/2011/asr2011e.html>
- Bodey, M. (2015). “Netflix leaves online rivals in its wake,” *The Australian*, 11 May, 2015.
- Brown, D.M. (2015) “The Revolution has reached down under,” *Empire TV*, Autumn 2015.
- CBS. (2014). “About US: 60 Minutes Sundays,” CBS, June 2014. Accessed 6 April 2015.  
Available at: <http://tvseriesfinale.com/tv-show/60-minutes-2014-15-ratings-33970/>.

CBS Corporation, NYSE. Available at:

<https://www.google.com.au/search?q=Netflix+Nork+stock+exchange++&ei=MLRKVc7YKMblmAWlhIDIDw#q=CBS+share+price>. Accessed 6 May 2015

CEDA. (2015). More than a million Aussies living in poverty a disgrace. Available at:  
<http://www.ceda.com.au/2015/04/21/ceda-report-entrenched-disadvantage>

Cerra, A; James, C. (2011). *The Shift*, second edition, Alcatel Lucent, Sydney

Cohen, S. (2011). "Pre Nab Editors Lounge" part 1. Viewed 24 April, 2011. Available at:  
<http://vimeo.com/groups/webisode/videos/22057617>

Chow, K; White, D. (2015). "Netflix CEO is ready for the fight with Stan and Presto" *The Australian Financial Review*, 22 April, 2015.

Free TV. (2015). "Advertising revenue for commercial television networks: July to December 2014" Media Release. Available at: [www.freetv.com.au](http://www.freetv.com.au). Accessed 4 May 2015

Keating, G. (2012). *Netflixed: The Epic Battle for America's eyeballs*, Portfolio, 2012

Klan, A. (2015). "Site unblocks way for locals to get US Netflix," *The Australian*. 17 March, 2015.

Knee, J. (2011). "Why Content Isn't King." *The Atlantic*, July August.

Ky, C; White, D. (2015). "Netflix CEO is ready for the fight with Stan and Presto." *The Australian Financial Review*, 13 March, 2015.

Martin, S. (2015). *CEDA Report: More than a million Aussies living in poverty a disgrace*: Available at: <http://www.ceda.com.au/2015/04/21/ceda-report-entrenched-disadvantage> . Accessed 6 May, 2015

McIntyre, P. (2015). "Ad boss says it's make or break for free to air this year," *The Australian Financial Review*, 20 April 2015.

Mason, M. (2015). "Network will cope with Netflix," *The Australian Financial Review*, 22 April, 2015.

McCann, T. (2015) "Networks jostle in the fight for rare air," *Herald Sun*, 6 May, 2015.

Morsillo, R. (2012). "Affordable broadband for all," *Telecommunications Journal of Australia* 62 (5).

Netflix Inc. Nasdaq NFLX

<https://www.google.com.au/search?q=Netflix+Nork+stock+exchange++&ei=MLRKVc7YKMblmAWlhIDIDw#q=netflix+share+price>. Accessed 6 May 2015

- Reilly, C. (2015). "Netflix accounts for 25% of iiNet traffic, but are networks ready?"  
cnet.com. Accessed 9 May, 2015. Available at: at  
<http://www.cnet.com/au/news/netflix-now-accounts-for-25-percent-of-iinet-traffic/>
- Taub, E. (2010). "Netflix streaming: convenience or quality" viewed March 16, 2011.  
Available at: <http://gadgetwise.blogs.nytimes.com/2010/12/06/netflix-streaming-convenience-or-quality/>
- The Online Reporter*. (2010). "Netflix Uses 20% of US Internet Bandwidth", October 29, 2010, viewed March 18, 2011. Available at:  
[http://www.onlinereporter.com/article.php?article\\_id=20097](http://www.onlinereporter.com/article.php?article_id=20097)
- The Smith Family. (2014). Submission to the Review of the Australian Curriculum, Sydney, February, 2014
- TV Series Finale. (2015). "60 Minutes: 2014 Ratings," Dateline: Ratings, May 4, 2015.  
Available at: <http://tvseriesfinale.com/tv-show/60-minutes-2014-15-ratings-33970/> Accessed 6 May 2015
- White, Dominic. (2015). "Hywood says no mystery in buy-back plan," *The Age*, 23 February, 2015.