

STATEMENT OF REASONS FOR THE DECISION TO MAKE AN EXEMPTION ORDER (STV-EO-384) FOR FETCHTV PTY LTD IN RESPECT OF THE SUBSCRIPTION TELEVISION SERVICE BBC WORLD NEWS FOR THE 2019-20 FINANCIAL YEAR

Issued under section 205 of the Broadcasting Services Act 1992.

1. DECISION

1.1 On 26 June 2020, for the reasons set out below, the Australian Communications and Media Authority (the ACMA) decided to make an exemption order for FetchTV Pty Ltd (the Applicant or Fetch TV) in respect of the subscription television service BBC World News (the Service), for the specified eligible period of 1 July 2019 to 30 June 2020 (the Specified Eligible Period).

2. LEGISLATION

Annual captioning targets

- 2.1 Subsection 130ZV(1) of the *Broadcasting Services Act 1992* (**the BSA**) requires a subscription television licensee, such as the Applicant, to meet annual captioning targets for its subscription television services for each financial year commencing from 1 July 2012. An annual captioning target for a financial year is a percentage of the total number of hours of programs transmitted on the subscription television service during the financial year. The annual captioning target for a financial year is dependent on the category of subscription television service provided by a licensee.
- 2.2 There are nine categories of subscription television services: movie service (divided into three sub-categories Movies A, B and C); general entertainment service (divided into three sub-categories General Entertainment A, B and C); news service; sports service; and music service.

Application for an exemption order

2.3 Subsection 130ZY(1)(a) of the BSA provides that a subscription television licensee may apply to the ACMA for:

an order that exempts from subsection 130ZV(1), a specified subscription television service provided by the licensee in a specified eligible period.

2.4 An exemption order, if granted, would exempt the service from the captioning target for each financial year in the specified eligible period.

- 2.5 Subsection 130ZY(4) provides that the ACMA must not make the exemption order unless the ACMA is satisfied that a refusal to make the exemption order would impose an unjustifiable hardship on the applicant.
- 2.6 In determining whether a failure to make the exemption order would impose an unjustifiable hardship on the applicant, the ACMA must have regard to the matters specified in subsection 130ZY(5) (these are addressed individually below).
- 2.7 Subsection 130ZY(3) of the BSA provides that, if an application under subsection (1) has been made for an exemption order, the ACMA must, after considering the application, either (by writing) make the order, or refuse to make the order.
- 2.8 Subsection 130ZY(6) of the BSA provides that, before making an exemption order under subsection 130ZY(3) of the BSA, the ACMA must:
 - a) within 50 days after receiving the application for an exemption order, publish on the ACMA's website a notice:
 - (i) setting out the draft exemption order; and
 - (ii) inviting persons to make submissions to the ACMA about the draft exemption order within 30 days after the notice is published; and
 - b) consider any submissions received within the 30-day period mentioned in subparagraph 130ZY(6)(a)(ii) of the BSA.
- 2.9 Section 204 of the BSA provides that an application may be made to the Administrative Appeals Tribunal (AAT) for a review of a decision to make an exemption order under subsection 130ZY(3) of the BSA, by a person whose interests are affected by the decision.

Legislative objectives

- 2.10 The purpose of captioning target requirements, introduced in 2012 by legislative amendments to the BSA, is to facilitate improved access to free-to-air and subscription television by Australia's deaf and hearing-impaired community, by requiring broadcasters to caption speech and other sounds during television broadcasts.
- 2.11 The Second Reading Speech for the 2012 Amendment Bill¹ noted that a gradual, incremental increase in captioning targets is intended to assist Australia's broadcasters to adjust to the increasing costs associated with the changes. The cost of providing captioning services on subscription television is a business expense which must be borne by licensees, except where, on application under section 130ZY of the BSA, a licensee is able to satisfy the ACMA that compliance with the captioning obligations would impose an unjustifiable hardship on the licensee.
- 2.12 Paragraph 63 of the Explanatory Memorandum to the 2012 Amendment Bill states:

¹ Broadcasting Services Amendment (Improved Access to Television Services) Bill 2012 – Second Reading Speech before the House of Representatives on 30 May 2012, available at <u>https://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/4a17e30d-c43b-48b9-83ed-</u> 4280fc00314c/0029/hansard frag.pdf;fileType=application%2Fpdf.

The priority for government is for television services to be broadcast, and where possible for those services to be broadcast with captions. It is not the intention of the government that services not be shown because captioning obligations result in unjustified hardship on broadcasters.

3. APPLICATION

- 3.1 On 31 March 2020, the Applicant applied for an exemption order under paragraph 130ZY(1)(a) of the BSA in relation to the Service for the Specified Eligible Period (**the Exemption Order**).
- 3.2 The Service has not previously been broadcast with captions on the Applicant's platform as the Applicant has previously been granted captioning exemption orders for the Service. The ACMA notes that a captioned version of the Service has been provided by the Channel Provider to other Australian subscription television licensees since 18 March 2020.
- 3.3 Information provided with the Application by BBC World Distribution Limited (**the Channel Provider**) indicates that a captioning solution has been available to the Applicant since that date, but because of technical differences in the delivery of the pass-through live service to the Applicant (compared to the other Australian licensees) and the unavailability of necessary technical equipment (on order by the Applicant), captioning cannot be received on the Applicant's Service until those issues are overcome. The Applicant has submitted that it is in the process of adapting the Channel Provider's captioning solution to its platform (including testing) and does not expect captioning to be provided before the end of the Specified Eligible Period.
- 3.4 The ACMA notes that, until 18 March 2020, the Service was not captioned by other subscription television licensees that provide the Service. The other licensees had nominated the Service for a captioning exemption under section 130ZX of the BSA in the financial years prior to the one commencing on 1 July 2019. The other licensees are Foxtel Cable Television Pty Ltd (Foxtel) and these resellers of Foxtel services: Selectra Pty Ltd, Telstra Pay TV Pty Ltd and Optus Vision Media Pty Ltd.
- 3.5 This is the Applicant's fifth application for an exemption order for the Service. The last exemption order (STV/EO-374) was made for the Service for the period of 1 July 2018 to 30 June 2019.
- 3.6 The ACMA notes that the Applicant has not sought a target reduction order for the Service because it is uncertain that it will be in a position to commence any captioning on the Service in the Specified Eligible Period.
- 3.7 On 18 May 2020, the ACMA published on its website a notice setting out the draft exemption order for the Service, and invited persons to make submissions to the ACMA by 17 June 2020.

The Applicant

3.8 The Applicant is a subscription television licensee, being an indirect wholly owned subsidiary of Media Innovations Pte Ltd (incorporated in Singapore).

- 3.9 The Applicant has provided 67 English language subscription television services in 2018-19, comprising 36 general entertainment, 10 news, 18 sports and 3 music services. Of these services, approximately 47 include pre-prepared captioning that is provided by the channel providers.
- 3.10 The Applicant has submitted that it does not itself provide captioning on any of its 'pass-through' services. Any captioning with respect to 'pass-through' services must be sourced from the channel providers. The Applicant stated it undertakes developmental work to ensure that any pre-prepared captioning that is provided by channel providers can be displayed on the Applicant's platforms.
- 3.11 The Applicant is a wholesaler and retailer of subscription television services. Wholesale operations means the provision of each subscription television service to internet service providers (**ISPs**). ISPs typically offer access to the Applicant's services as part of a bundle of products offered to their customers. Direct customers of the Applicant sign up for access to the Applicant's services via the Applicant's website or through selected consumer electronics stores.
- 3.12 The Applicant also provides access to apps to watch movies on demand.

The Service

- 3.13 The Service is an English-language international news and current affairs channel, provided by the Channel Provider. The Service broadcasts news bulletins, documentaries, lifestyle programmes and interviews.
- 3.14 The Service is available as part of the following packages provided by the Applicant:
 - Fetch 'Entertainment' package a 'legacy' package that contains a large number of English language channels, which has not been available to new subscribers since the Applicant re-packaged its channel offerings in February 2017;
 - Fetch 'Ultimate' package, which contains all 47 channels available in each of the four 'Premium' packs ('Kids', 'Knowledge', 'Vibe' and 'Variety') provided by the Applicant; and
 - Fetch 'Knowledge' package, which currently has 18 channels, primarily showing news and documentary services.
- 3.15 The Service is also available on the Foxtel subscription television platform in Australia. As noted in paragraph 3.4, the Service has been captioned on Foxtel since 18 March 2020.
- 3.16 All channels provided through the Applicant's television platform are obtained under licence from channel providers. With respect to the Service, the Channel Provider compiles the channel and then delivers it to the Applicant as a pass-through "live' service. The Applicant displays the Service on its platform but provides no input to the content of the Service.
- 3.17 The Service falls into the news service category, which would normally attract an annual captioning target of 40 per cent for the financial year commencing 1 July 2019, increasing by five per cent each financial year thereafter.

4. EVIDENCE AND REASONS FOR DECISION

- 4.1 As noted above, the ACMA must not make an exemption order unless it is satisfied that a refusal to make that order would impose an unjustifiable hardship on the Applicant. In determining whether a failure to make an exemption order would impose an unjustifiable hardship, the ACMA must have regard to each of the matters specified in subsection 130ZY(5) of the BSA, assessing their relative weight and significance.
- 4.2 The term 'unjustifiable hardship' is not defined in the BSA and is to be given its ordinary and natural meaning as appropriate to the legislative context. The ACMA considers that the BSA requires it to assess the weight and significance of any hardships to the Applicant made out in the material before the ACMA, and to assess whether or not the imposition of those hardships on the Applicant is unjustifiable, having regard to the criteria specified in subsection 130ZY(5) of the BSA and the purpose and objects of the relevant statutory provisions.
- 4.3 In reaching a decision to make the Exemption Order, the ACMA has considered the following:
 - written representations and supporting evidence submitted by the Applicant, which include information provided by the Channel Provider in support of the application; and
 - submissions received by the ACMA during the consultation period for the draft order.
- 4.4 This information is considered below by reference to each of the criteria specified in subsection 130ZY(5) of the BSA.
- 4.5 The submissions are published on the ACMA website², and the ACMA's responses are set out below. Information provided to the ACMA on a confidential basis by the Applicant or Channel Provider has been taken into account by the ACMA in reaching its decision, but has not been reproduced in these reasons for decision.

Nature of the detriment likely to be suffered by the Applicant (paragraph 130ZY(5)(a) of the BSA)

- 4.6 The Applicant submitted that it was unable to meet the prescribed captioning target for the Service, independently of the Channel Provider, because;
 - the Applicant is contractually prohibited from including any insertions or overlays on the channel (including pre-prepared captioning); and
 - the cost for the Applicant to undertake live captioning would not be commercially viable, given its financial circumstances.
- 4.7 The Channel Provider encountered practical and technical difficulties in providing the prescribed 40% level of captioning for Australian licensees in 2019-20. The

² https://www.acma.gov.au/draft-exemption-orders-and-target-reduction-orders-consultation

relevant circumstances were explained in the ACMA's statement of reasons for granting target reduction order STV/TRO-083 to Foxtel for 2019-20.³

- 4.8 The Applicant submitted that, if the Exemption Order is not granted, the Applicant will be in breach of Part 9D of the BSA in respect of the Service, as it would be unable to provide sufficient captioning to meet the required 40 per cent captioning target for 2019-20. The Applicant has submitted that a chain of detrimental consequences may follow from such a breach.
- 4.9 The Applicant submitted that as a consequence of such a breach, the Applicant may have to cease providing the Service, and that the terms of the licence agreement between the Applicant and the Channel Provider allow for termination of the agreement if no Exemption Order is granted. The Applicant has not provided a copy of the licence agreement and has not specified who can exercise this termination clause.
- 4.10 The Applicant submitted that the BBC is a prestigious brand that adds to the attraction of the Applicant's platform and that the removal of the Service from its platform would:
 - diminish the value and appeal of the Applicant's platform to subscribers; and
 - cause potential detriment to the agreements the Applicant has in place with ISPs regarding its platform, noting that material changes to programming is a potential ground for customers to terminate agreements with ISPs.
- 4.11 The Applicant also submitted that the refusal to grant the Exemption Order would jeopardise the Applicant's overall viability as a distribution platform for channel providers and would have the long-term effect of reducing the possibility that captioning would be provided on the Service in the future.
- 4.12 The Applicant submitted that granting the Exemption Order, and preserving the Service's subscriber base, will likely increase the incentive for the Channel Provider to meet Australian captioning targets for the Service.
- 4.13 The Channel Provider separately submitted that it has developed a method of delivering captions on the Service to Australia. (The ACMA notes that a captioned version of the Service has been provided to Foxtel since 18 March 2020.)
- 4.14 The Channel Provider submitted that the captioning solution requires lengthy functionality and compatibility testing and development as a result of differing technical formats amongst licensees.
- 4.15 The Channel Provider submitted that it is aiming to make the captioned version of the Service that is provided to Foxtel available to the Applicant imminently, although it cannot be certain that captioning can be functional for the Applicant's Service before the end of this financial year. The Channel Provider is confident that the

³ Statement of reasons for the decision to make a target reduction order (STV-TRO-083) for Foxtel Cable Television Pty Limited in respect of the subscription television service BBC World News for the 2019-20 financial year, available at https://www.acma.gov.au/sites/default/files/2020-03/83%20BBC%20World%20News%20Final%20Statement%20of%20Reason.pdf.

captioned version of the Service that it provides will meet the prescribed statutory annual captioning target of 45% for 2020-21.

4.16 The ACMA accepts that it was not commercially viable, or contractually possible, for the Applicant to attempt to caption the Service independently of the Channel Provider, and that, if the Exemption Order is not made, the Applicant will be in regulatory detriment for breaching the captioning obligations in Part 9D of the BSA in respect of the Service.

Impact of making the Exemption Order on deaf or hearing-impaired viewers, or potential viewers, of the Service (paragraph 130ZY(5)(b) of the BSA)

- 4.17 The Applicant submitted that the impact of making the Exemption Order on deaf and hearing-impaired viewers, or potential viewers, of the Service, would be low due to the low viewership of the Service.
- 4.18 The Applicant also submitted that refusal to grant the Exemption Order stands to reduce and endanger the viability of the Applicant's operations, which in turn might lead to an outcome whereby deaf and hearing-impaired viewers lose access to the Applicant's platform entirely.
- 4.19 The Applicant provided figures from the 2018-19 financial year, on a confidential basis, indicating the percentage of viewers of the Service.
- 4.20 The Applicant submitted that it has sought exemption orders generally in respect of services with low viewership and that it provides a substantial number of services that are fully captioned.
- 4.21 The ACMA accepts the evidence provided by the Applicant about the relatively low number of viewers of the Service who are likely to require captioned content on any given day. However, the ACMA also notes that, although the total numbers may be low, hearing-impaired viewers may make up a reasonable proportion of total viewers. In forming this view, the ACMA has noted other evidence that suggests that around one in six Australians are affected by total or partial hearing loss^{[4] [5] [6]}.
- 4.22 The ACMA considers that making an exemption order will have some detrimental effect for viewers, or potential viewers, of the Service who are deaf or hearingimpaired, through the loss of the prescribed amount of captioning that should otherwise have been available on the Service. Encouragingly however, if making the Exemption Order enables the Applicant to continue providing the Service, both the Channel Provider and the Applicant have indicated that captioning should be available on the Service at the prescribed 45% target level in 2020-2021.

⁴ 2012 Year Book Australia,

https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1301.0~2012~Main%20Features~Health%20status~229 ⁵ Access Economics: Listen Hear! The economic impact and cost of hearing loss in Australia, February 2006 located at http://apo.org.au/node/2755 February 2006 located at http://apo.org.au/node/2755

⁶ Roadmap for Hearing Health, Department of Health, February 2019 located at <u>https://www1.health.gov.au/internet/main/publishing.nsf/content/CDFD1B86FA5F437CCA2583B7000465DB/\$File/Roadmap%</u> <u>20for%20Hearing%20Health.pdf</u>

Number of people who subscribe to the Service (paragraph 130ZY(5)(c) of the BSA)

- 4.23 The Applicant provided the following information, relative to the 2018-19 financial year, to the ACMA on a confidential basis:
 - the total number of subscribers to Fetch TV;
 - the total number of subscribers with access to linear channel content;
 - the total number of subscribers who can access the Service;
 - the percentage (relative to total subscribers of the Applicant's platform) of subscribers who viewed the Service; and
 - the percentage of subscribers (relative to total subscribers accessing linear channel content) who viewed the Service though linear channel access.
- 4.24 The ACMA accepts that the average number of subscribers who access the Service is low.

Financial circumstances of the Applicant (paragraph 130ZY(5)(d) of the BSA)

- 4.25 The Applicant provided details of its financial circumstances on a confidential basis.
- 4.26 The Applicant submitted that its business plan is to provide a low-cost but fullservice subscription TV offering, and accordingly the content must be largely available to the Applicant at a low price point, and cover a diverse range of services.
- 4.27 The Applicant submitted that it is not commercially feasible for a company of the Applicant's current size and financial position to incur the extremely high costs involved in the provision of live captioning for the Service (noting that live captioning is the only means of captioning available to the Applicant where a captioned version is not provided by the Channel Supplier). The ACMA notes that, while a captioned version of the Service has been available from the Channel Provider since 18 March 2020, this version is not yet accessible by the Applicant for technical reasons (as explained above at paragraph 3.3).
- 4.28 Based on the information provided, the ACMA accepts that it was not commercially feasible for the Applicant to incur the costs of captioning the Service to the prescribed 40% target in 2019-20, independently of the Channel Provider, and that not making the Exemption Order would have involved unjustifiable financial hardship for the Applicant.

Expenditure that would be required to caption the Service if the Exemption Order was not made (paragraph 130ZY(5)(e) of the BSA)

- 4.29 The Applicant provided a third-party quote of the costs to provide 35 per cent captioning for the Service to meet the annual captioning target in 2018-19, amounting to \$1,208,600. The costs include the following:
 - \$120,000 non-recurring costs of setting up the captioning infrastructure;
 - \$59,000 recurring annual costs from the first year; and

- \$1,029,600 to live caption the Service to the captioning target in the year.
- 4.30 As noted above, the Applicant submits that the captioning expenditure is simply unaffordable for small providers such as the Applicant, for a single channel.
- 4.31 The Applicant noted that, if it was required to caption the Service to the annual captioning target, it would be required to live caption it, as it is a pass-through service. The Applicant has no ability to compile the Service or carry out post or pre-production by the addition of pre-prepared captions on the content.
- 4.32 The Applicant has submitted that complying with the captioning obligations for the Specified Eligible Period by way of providing live captioning on the Service is not financially viable, given its financial circumstances.

Extent to which captioning services for television programs are provided by the Applicant (paragraph 130ZY(5)(f) of the BSA)

4.33 Captioning was provided on 47 of the Applicant's 67 subscription television services during the period of 1 July 2018 to 30 June 2019. All the captioning on those 47 services was provided by third-party channel providers of those services. The Applicant submitted that it undertook all development work required to ensure that captioning could be displayed on its platforms.

<u>Likely impact of a failure to make the Exemption Order on the quantity and quality of</u> <u>television programs transmitted on subscription television services provided by the</u> <u>Applicant (paragraph 130ZY(5)(g) of the BSA)</u>

- 4.34 The Applicant submitted that, if the ACMA does not make the Exemption Order, the Applicant may need to remove the Service from its platform.
- 4.35 The ACMA considers that a loss of the Service would reduce the quantity of subscription television news programs offered on the Applicant's platform.
- 4.36 As noted above, the ACMA has considered the Channel Provider's submission that a captioned version of the Service is available to Foxtel and that it expects to make this version accessible to the Applicant imminently, possibly even before the end of the Specified Eligible Period. The ACMA expects that the Service should be able to meet the prescribed annual captioning targets from 1 July 2020 onwards.
- 4.37 The ACMA notes that, while making the Exemption Order is likely to impact the quality of the Service for deaf and hearing-impaired viewers in the short term, the ACMA considers that the quality of the Service for deaf and hearing-impaired viewers should improve from July 2020 onwards.

Whether the Applicant has applied, or has proposed to apply, for exemption orders or target reduction orders in relation to any other subscription television services provided by the Applicant (paragraph 130ZY(5)(h) of the BSA)

- 4.38 The Applicant has made applications for 17 exemption orders and 4 target reduction orders for periods between 1 July 2017 and 30 June 2020.
- 4.39 The Applicant has also lodged a target reduction order application for one other service for the 2019-20 financial year.

Other matters as the ACMA considers relevant (paragraph 130ZY(5)(i) of the BSA)

4.40 There are no other matters the ACMA considers relevant in respect of this application.

5. RESPONSE TO SUBMISSIONS RECEIVED

5.1 The ACMA received submissions from Deaf Australia Inc (DA) and the Australian Communications Consumer Action Network (ACCAN) in response to the draft exemption order for the Applicant published on 18 May 2020.

DA submission

- 5.2 DA stated in its submission that:
 - it did not support the request for the exemption order;
 - the legislation must change; and
 - industry should develop a plan or strategy to allow equitable access for everyone.

ACCAN submission

- 5.3 ACCAN stated in its submission that:
 - the ACMA should apply the same principle as the previous exemption process, administered by the Australian Human Rights Commission, that applicants be required to provide evidence they are working towards meeting their legislative obligations;
 - without full transparency of the Applicant's revenue, ACCAN and other parties are unable to make an informed evaluation of unjustifiable financial hardship;
 - the ACMA should adopt an exemption process based on setting a revenue percentage benchmark similar to that used in the UK;
 - there should be greater cross-device and cross-platform accessibility to video content, noting international best-practice mandating the provision of captions irrespective of the broadcast platform; and
 - the ACMA should refuse applications for exemption orders because as long as an order is granted 'Australians who rely on captions continue to find themselves excluded from equitable access to subscription television services'.

ACMA response

5.4 The ACMA administers the captioning requirements as they are set out in the BSA. Legislative change, as recommended by DA and ACCAN, is a matter for the Government, and the Department of Infrastructure, Transport, Regional Development and Communications, which administers the BSA.

- 5.5 The Applicant provided financial information to the ACMA on a commercial-inconfidence basis. The ACMA considers the request for confidential treatment of this information to be reasonable. The financial information provided is one matter that the ACMA had regard to in reaching its decision, but it is not appropriate to reproduce that information in this Statement as part of the reasons for its decision.
- 5.6 The ACMA acknowledges that the lack of captioning on a service adversely impacts the viewing experience of the deaf and hearing-impaired audience and, accordingly, making the Exemption Order will have some detrimental effect for viewers, or potential viewers, of the Service who are deaf or hearing impaired. The ACMA notes submissions provided by the Applicant about its progress in providing captions on the service, including the explanation that captioning will be included on the Service by the Channel Provider. As indicated at paragraph 4.36 of this Statement, the Channel Provider expects to make a captioned version of the Service available to the Applicant imminently and that that the Service should be able to meet the prescribed annual captioning targets from 1 July 2020 onwards.

6. CONCLUSION

- 6.1 In summary, the ACMA is satisfied that a refusal to make the Exemption Order would impose an unjustifiable hardship on the Applicant because:
 - practical and technical difficulties have prevented the Channel Provider from meeting the prescribed captioning target in the Specified Eligible Period;
 - it is not commercially feasible or contractually possible for the Applicant to provide its own captioning for the Service; even if it could provide captioning, the only option would be live captioning, and the cost would be prohibitive relative to the revenue generated for the Applicant by the Service;
 - the Applicant would be exposed to regulatory detriment, and possible further commercial detriment, if the Exemption Order is not made; and
 - if making the Exemption Order permits the Applicant to continue offering the Service, it is likely that captioning on the Service will meet prescribed annual targets in 2020-2021 and subsequent years, which will benefit deaf and hearing-impaired viewers and potential viewers.

7. APPEAL RIGHTS

- 7.1 Under section 204 of the BSA, a person whose interests are affected by the decision to make the Exemption Order may apply to the AAT for a review of the ACMA's decision. The AAT can, among other things, confirm or vary the ACMA's decision, or set aside the ACMA's decision and replace it with its own decision.
- 7.2 Section 29 of the Administrative Appeals Tribunal Act 1975 states that an application to the AAT for a review of a decision, shall be in writing and must contain a statement of the reasons for the application, identifying the respects in which the applicant believes that the decision is not the correct or preferable decision. The AAT has a form which can be used for this purpose. The application must be made within 28 days of the date that the notice of the ACMA's decision is received. The application fee of \$952 must accompany an application for review by the AAT. An

application may be made to the AAT for waiver of the application fee, and the application form for this can be obtained from the AAT.

7.3 Further information about making an application for review is available on the AAT website at <u>www.aat.gov.au</u> or by telephone on 1800 228 333. The postal address for the AAT is GPO Box 9955 in each capital city.