



**SUBMISSION TO THE SENATE STANDING COMMITTEE ON ENVIRONMENT AND
COMMUNICATIONS**

**INQUIRY INTO THE AUSTRALIAN BROADCASTING CORPORATION'S
COMMITMENT TO REFLECTING AND REPRESENTING REGIONAL DIVERSITY**

January 18, 2012.

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SPAA submission to Senate Inquiry – ABC Regional commitment. January 18, 2012.

1. TERMS OF REFERENCE

That the following matter be referred to the Environment and Communications References Committee for inquiry and report:

- (a) the commitment by the Australian Broadcasting Corporation (ABC) to reflecting and representing regional diversity in Australia;
- (b) the impact that the increased centralisation of television production in Sydney and Melbourne has had on the ABC's ability to reflect national identity and diversity; and
- (c) any related matters.

2. EXECUTIVE SUMMARY

The Screen Producers Association of Australia (SPAA) has been a strong advocate for a properly funded and resourced, independent ABC. While SPAA has actively supported ABC commissioning of independently produced Australian programs, we have always supported a mixed model for the ABC combining independent commissioning with an appropriate level of in house production.

SPAA maintains that the recent decision by ABC management to discontinue the Tasmanian based productions *Auction Room* and *Collectors* and reduce staffing levels is a function of the same problem that led management to shed jobs in 2011. The federal government's appropriation is simply inadequate to allow the ABC to fulfil its charter with internal resources, creating pressure on management to find more efficient means of delivering the range of content the charter requires.

As we argued in 2011, the ABC has been underfunded for some time particularly by comparison with public broadcasters internationally. The funding constraints over the last 15 years have occurred at the same time as the transition to a digital broadcasting environment. ABC management correctly decided that to remain relevant to Australians of all ages in a modern digital world, resources had to be diverted to developing a comprehensive on-line service and a multi channel strategy. The ABC has simply lacked the funding to reposition itself to be relevant in the digital world and continue to make programs the same way as it has in the past.

Even taking recent funding increases into account, the ABC, in adjusted terms, receives less funding than it did 25 years ago and employs far less staff. ABC CEO Mark Scott estimated in 2011 that "operational funding from government, including capital, fell in real terms from slightly over \$1 billion in 1986 to \$800 million today."¹

Adding to cost pressures are the rising costs of acquisitions for completed programs from overseas, declining revenues from DVD sales of past programs, and the costs associated with the increase in servicing three channels, funding ABC Online, and ABC 24. This has led to a squeeze internally and management have made some adjustments including reducing the Entertainment budget down from \$13.5 million in 2008/09 to \$9.2 million in 2011/12 resulting in show cancellations.

At the same time, the world has changed and around the globe, broadcasters have altered their operational strategies. The internet and digital multi channelling has created a fragmented broadcast environment. In this environment the large institutions of yesteryear are becoming dinosaurs, inefficient and uncompetitive. Even the highly profitable commercial TV networks in Australia have been divesting

¹ Trust and Relevance: Defining the Modern ABC, Mark Scott ABC Managing Director, Speech to the National Press Club, Canberra 31 August 2011

themselves of expensive facilities and are outsourcing more content creation as the fragmented environment leads to a leaner more competitive cost environment.

Broadcasters around the world have divested themselves of expensive outside broadcast (OB) equipment and infrastructure. It is cheaper now for broadcasters both public and private, to let private sector specialists pick up the updating and maintenance costs and provide this service for project hire avoiding year round costs.

The ABC cannot ignore the pace of change and remain relevant. With limited revenues, it needs to find new and more innovative ways of delivering content. Divesting itself of expensive under utilised facilities and outsourcing more content creation is an inevitable consequence. This has certainly been the pattern for broadcasters around the world. The BBC are now only mandated to produce 50% of their programs internally. In addition to the United Kingdom, public broadcasters in France, Holland, Canada, and South Korea all commission significant quotas of independently produced programs.

It has long been known that the average age of the ABC's audience is over 50. Clearly the ABC has to cultivate younger audiences to remain relevant and so many of its programs that are popular with audiences younger than 50 have been commissioned from the independent sector including *The Chaser*, *Angry Boys*, *Summer Heights High*, and *The Gruen Transfer*. Commissioning from the independent sector ensures diversity and allows the ABC to work with some of Australia's finest creative talent providing its audience with a greater range of ideas than could ever be accessed in house. This is the best method of ensuring diversity, one of the elements of the ABC charter.

As far as the audience is concerned, they can't tell the difference between internal and external programs. This is partly because the ABC maintains editorial control over both, and is involved at all stages of development, production and publicising to reinforce its brand, protect its interests, and ensure standards are met.

Commissioning programs from the independent sector allows the ABC to use its funds to lever additional funds thereby acquiring more program content for less money. Independent producers are able to source additional production funds from other sources including state and federal government agencies, private investment, foreign pre-sales, and utilise taxation incentives such as the Producer Offset (a tax rebate of up to 20% of the production cost) that the ABC is unable to access for internal production.

In the three years to 2008/09 the total ABC TV commitment towards independently produced documentaries, dramas and children's projects was \$84m resulting in \$257m of total production with the independent sector. This equates to an overall gearing ratio of \$3 to \$1 of ABC funds. In total the ABC's commitment to independent production, across all genres in this period was \$144m. This

contributed to production budgets of \$318m, delivering 698 hours of Australian content to Australian audiences² This is a good outcome for both the taxpayer and the ABC audience.

Given the ABC maintains editorial control over all programming and still produces 90% of its commissioned broadcast hours internally, SPAA contends that the ABC's independence is not threatened by commissioning external programs. The BBC only produces a little over half of their programs internally and few would suggest that their identity or independence is threatened in so doing.

An independent fund dedicated to the telling and production of Tasmanian stories will 'reflect and represent' regional Australia more effectively than the Tasmanian based programs that they will be replacing. *Auction Room* and *Collectors* are light entertainment programs that do not reflect Tasmania in any specific way. If the ABC fund is matched by the Tasmanian government, it is also highly likely that it will produce more hours than is currently being produced out of Tasmania.

SPAA contends, as argued below, that the commissioning of externally made programs has ensured the continual reflection and representation of regional Australia after decades of fiscal tightening has eroded the ABC's capacity to provide this reflection with in-house production.

It is understandable that the Community and Public Sector Union (CPSU) has reacted to the loss of jobs of some of its members. However it is worth pointing out many of these jobs will now be undertaken by workers in the independent sector. They will not be members of the CPSU, but some will be members of other unions such as the Media Entertainment and Arts Alliance (MEAA) and some may not be union members. But the overall impact on related employment is likely to be minimal.

In conclusion, SPAA believes that recent ABC management decisions have been made because the ABC is unable to fund all its operations and remain relevant on current revenues. We do not believe the decisions are in breach of the charter nor do we believe that commissioning from the independent sector undermines the ABC's independence. On the contrary the independent sector helps the ABC be a more vibrant and relevant network broadcasting diverse content that reflects Australian culture. SPAA also believes that the ABC can retain its unique character at the same time as reducing the burden on the taxpayer of maintaining expensive underutilised facilities.

SPAA has commented on each of the specific terms of reference below.

² ABC and the Independent Sector, Speech to the 2009 DSPAA Conference by ABC TV Head Kim Dalton.

3. SCREEN PRODUCERS ASSOCIATION OF AUSTRALIA (SPAA)

SPAA is the industry body that represents Australian independent film and television producers on all issues affecting the business and creative aspects of screen production.

SPAA members include television, feature film, animation, documentary, TV commercial and interactive media production companies as well as services and facilities providers such as post-production, finance, distribution and legal practices.

- SPAA members are key stakeholders in the effective operation of ABC Television.
- SPAA members are significant suppliers to ABC Television and have produced programs for the ABC for over 30 years.
- SPAA members make many of Australia's best-loved and most successful television shows reaching millions of Australians every week. Shows produced by independent producers recently commissioned by ABC include: *The Slap*, *Miss Fisher's Murder Mysteries*, *Paper Giants*, *Angry Boys*, *My Place*, *Rake*, *Bastard Boys*, *Kath & Kim*, *Dance Academy*, *Double the Fist*, *East of Everything*, *The Librarians*, *Rain Shadow*, *Summer Heights High*, *Valentine's Day*, *Who Killed Dr Bogle* and *Mrs Chandler* and many more.
- SPAA members employ thousands of Australian technical and creative workers and performers. For 30 years SPAA has had a major influence in the setting of industrial standards and work practices in negotiation with actors and technical crew unions and rights and royalties regimes with Australian creative personnel.
- The independent production sector that SPAA members have played a critical role in developing is characterized by low overheads, flexible freelance working patterns, adaptability, and business acumen.

4. ABC CHARTER³

(1)The functions of the Corporation are:

(a) to provide within Australia innovative and comprehensive broadcasting services of a high standard as part of the Australian broadcasting system consisting of national, commercial and community sectors and, without limiting the generality of the foregoing, to provide:

- (i) broadcasting programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community; and
- (ii) broadcasting programs of an educational nature;

(b) to transmit to countries outside Australia broadcasting programs of news, current affairs, entertainment and cultural enrichment that will:

³ Australian Broadcasting Corporation Act 1983 - Section 6

- (i) encourage awareness of Australia and an international understanding of Australian attitudes on world affairs; and
- (ii) enable Australian citizens living or travelling outside Australia to obtain information about Australian affairs and Australian attitudes on world affairs; and
- (c) to encourage and promote the musical, dramatic and other performing arts in Australia.

(2) In the provision by the Corporation of its broadcasting services within Australia:

(a) the Corporation shall take account of:

(i) the broadcasting services provided by the commercial and community sectors of the Australian broadcasting system;

(ii) the standards from time to time determined by the Australian Broadcasting Authority in respect of broadcasting services;

(iii) the responsibility of the Corporation as the provider of an independent national broadcasting service to provide a balance between broadcasting programs of wide appeal and specialized broadcasting programs;

(iv) the multicultural character of the Australian community; and

(v) in connection with the provision of broadcasting programs of an educational nature—the responsibilities of the States in relation to education; and

(b) the Corporation shall take all such measures, being measures consistent with the obligations of the Corporation under paragraph (a), as, in the opinion of the Board, will be conducive to the full development by the Corporation of suitable broadcasting programs.

(3) The functions of the Corporation under subsection (1) and the duties imposed on the Corporation under subsection (2) constitute the Charter of the Corporation.

(4) Nothing in this section shall be taken to impose on the Corporation a duty that is enforceable by proceedings in a court.

5. SPAA RESPONSE TO TERMS OF REFERENCE

5.1 TERMS OF REFERENCE – (a):

The commitment by the Australian Broadcasting Corporation (ABC) to reflecting and representing regional diversity in Australia;

SPAA contends that the commissioning of externally made programs has ensured the continual reflection and representation of regional Australia after decades of fiscal tightening has eroded the ABC's capacity to comprehensively provide this reflection with in-house production.

The Contribution Of Independent Productions To The ABC's Representation Of Regional Australia.

Since the closure of the national in house factual program series *A Big Country* in 1992 after 24 years, it has been mostly independently produced documentaries

commissioned by the ABC that have filled the void of representing life throughout Australia. The ABC established a funding accord with the Film Finance Corporation of Australia in 1991 and began to commission independent documentaries for series slots such as *Australian Impact* and *True Stories*. The funding accords involved the state government film agencies which usually insisted, as a condition of investment, that state based production companies produce the documentaries. State based companies then developed and pitched stories from their region. This systemic change in funding guaranteed that the ABC's slate of documentaries would be produced from all states ensuring a high level of regional diversity in both production base and story content. This system continues today.

In drama production, it could be argued that the independent sector has brought far greater diversity in subject matter and regional location than ever existed during the ABC's in-house production period. Until the late 1990s when severe funding cuts brought an end to ABC in house drama production, ABC TV Drama series were produced only out of Sydney and Melbourne and their story and settings were limited mostly to rural Victoria and suburban Sydney.

Of the ABC's two longest running in house dramas, *Bellbird* (67-77) was set in country Victoria and explored a microcosm of Australian rural life and *GP* (89-96) was set in Sydney exploring suburban life. In recent years, the independent sector has produced drama series with much greater diversity in subject matter and location such as *The Straits* (a series about criminals set and filmed in the Torres Straits and Far North Queensland), *East of Everything* (set and filmed in Byron Bay), *Summer Heights High* (a challenging satire about school life), *Redfern Now* (brutally honest stories from indigenous Australia), and *The Hollow Men* (a satire about politics). None of these stories were developed in house by the ABC. They were all developed by the independent sector and pitched to the ABC who became involved in their development and maintained editorial control over production. This slate of productions is as diverse and representative and reflective of life in Australia's regions than the ABC has ever broadcast.

Regional Diversity

SPAA supports the maintenance of content creation from regional centres and believes that in order to "reflect the cultural diversity of the Australian community" the ABC should continue to commission independent programming where practicable from these centres. These commissions should be genuine attempts to use regional production companies rather than export programs from Sydney or Melbourne merely to shoot them in regional areas. Using regional production companies creates residual value and is an approach that has been used successfully by the ABC in factual entertainment for many years.

SPAA is mindful of the often critical role the ABC plays in the cultural life of regional cities, by virtue of its multi media presence and obligations "to encourage and promote the musical, dramatic and other performing arts in Australia". While maintaining expensive and underutilised facilities is poor public policy in the

modern era, SPAA believes that the ABC needs to maintain a policy of commissioning independently produced content from Brisbane, Adelaide, Perth and Hobart in order to fulfil its charter.

5.2 TERMS OF REFERENCE – (b):

The impact that the increased centralisation of television production in Sydney and Melbourne has had on the ABC's ability to reflect national identity and diversity; and

For the reasons outlined above SPAA maintains that the commissioning of external production has allowed the ABC to continue to reflect national identity and diversity.

Without considerable funding increases, the ABC will not be able to match the diversity evident in current independent productions with internally produced programs.

5.3 TERMS OF REFERENCE – C:

(c) any related matters.

External commissioning is not in breach of the ABC charter.

The ABC charter says that the ABC is required “to provide within Australia innovative and comprehensive broadcasting services”. Nowhere in the charter is there a mandate for the ABC to create, produce, and own content. The ABC does not have a state capitalist function. The Charter requires the ABC to broadcast content regardless of who owns it and its primary purpose is to broadcast as a user of rights, rather than a creator or owner of rights.

Throughout its history, the ABC has broadcast program content from a variety of sources, including programs acquired on completion from external producers in Australia and overseas, programs made entirely internally at the ABC, programs commissioned entirely from independent Australian producers and programs made with a mixture of internal and external resources and personnel. Recent management decisions do not represent a significant departure from past practice and do not in any way violate the charter.

ABC editorial control

It is important to note that the ABC maintains editorial control over all its commissions and is highly involved at every stage from development through to production and marketing. The ABC has a major influence on all the key decisions including design concepts, script, casting, publicity and marketing just as it obviously does over programs made internally.

The ABC’s audience is completely unaware of the difference between internally and externally commissioned programs and has historically not been able to distinguish between them. As far as the audience is concerned, all first run Australian programs

are regarded as ABC programs. ABC commissioning editors and program decision makers have for at least the last 25 years derived programs from varied sources and developed and made them or licensed them with a variety of means. Some will have arisen from ideas within the ABC like *The Collectors*, others from ideas pitched to the ABC but made by the ABC like *Spicks and Specks*, some enticed from rival networks like *At the Movies*, still others from ideas pitched from outside and written from outside yet produced internally like *Bananas in Pyjamas* and *The Gruen Transfer*, and some created and produced entirely externally like *Paper Giants*. Many ABC programs involve creative people who are not employees of the ABC. The ABC has not limited itself to ideas from within.

Such an approach has for many years ensured that the ABC has used some of Australia's finest creative talent, and provided the taxpayer with a rich and diverse array of programming that would be more limited if strictly limited to internal derivation and production. The creation of a commissioning system creates competition between providers leading to innovation at all levels.

Independent Sector Advantages

Apart from the ability to attract additional finance from outside the ABC, independent producers offer the taxpayer a number of advantages over internal production. Development costs, insurance, and the costs of maintaining and updating equipment and facilities is borne by the independent sector and not the ABC. This is an endless impost in the digital world as systems are continually evolving and equipment rapidly becomes obsolete.

Leverage of Additional Finance

Commissioning programs from the independent sector obviously means that producers are able to source additional production funds from other sources including state and federal government agencies, private investment, foreign pre-sales, and utilise taxation incentives such as the Producer Offset (a tax rebate of up to 20% of the production cost) that the ABC is unable to access. This has two main advantages for the ABC. It means that the ABC is able to use its funds to lever additional funds thereby acquiring more program content for less money. This is clearly an advantage for the taxpayer. Additionally it means the ABC is able to participate in and license bigger budget high quality premium drama and documentary content that would otherwise capture too much of its budget.

The Community and Public Sector Union (CPSU) has questioned the 'leverage argument' in the press, claiming that internal production is competitive with external production. The CPSU made the same claim in 1997 when the Mansfield Review recommended outsourcing. Mansfield complained about the lack of transparency in ABC budgeting at the time. However the ABC reported savings of \$10 million by outsourcing the following year.⁴

⁴ Australian Public Broadcasting Under Review: The Mansfield Report on the ABC Allan Brown (Griffith University) 2001

Budget comparisons aside, there can be no contesting the additional funds the ABC is able to leverage by commissioning programs from the independent sector.

In the years 2006/07 to 2008/09 the total ABC TV commitment towards independently produced documentaries, dramas and children's projects was \$84m resulting in \$257m of total production with the independent sector. This equates to an overall gearing ratio of 3 to 1 for each dollar of production spend.⁵

The ABC committed \$238 million to independent sector commissioning in the three years from 2008/09 to 2010/11, generating production budgets of over \$400 million and commissioning over 1000 hours of new Australian content. This equates to a leverage on all external production of \$2.2 for every \$1 committed by the ABC. In documentaries the leverage was \$3.9 for every \$1.⁶

The contribution that external commissioning makes to the quality, range, and viability of the Australian film and television industry is significant.

In summary, SPAA can see no negative implications from recent management decisions on the ABC's capacity to reflect and represent regional Australia or Australian identity and diversity. On the contrary, we believe the evidence suggests that then ABC's capacity to do this is enhanced by cutting expensive and underutilised internal resources and replacing it with commissioned programming from the independent sector.

⁵ ABC and the Independent Sector, Speech to the 2009 DSPAA Conference by ABC TV Head Kim Dalton.

⁶ ABC and the Independent Sector, Speech to the 2009 DSPAA Conference by ABC TV Head Kim Dalton