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Senate Standing Committees on Environment and Communications
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Submission on the economic and cultural value of Australian content on broadcast, radio and streaming services

Introduction

Free TV Australia (Free TV) thanks the Committee for the opportunity to submit on the inquiry into the economic and cultural value of Australian content on broadcast, radio and streaming services.

The economic value of our industry is significant. Across Australia, the commercial free-to-air television industry employs more than 15,000 people directly and indirectly, and invests a total of \$2.8 billion each year into the Australian economy.¹ \$1.5 billion of this investment goes directly into the production of high-quality, locally produced programs. This investment represents six of every 10 dollars invested in local production.

The local content broadcast by our members also delivers enormous cultural and social value by creating and reinforcing our national identity. Sales of this content internationally drive not only direct exports, but also indirect exports through tourism, education and other sectors by showing Australia to the world.

We note that under the terms of reference, the Committee is to have regard to the submissions made to the Australian and Children's Content Review. Free TV has made a substantial submission to that review process and has attached it to this letter. We ask that the Committee take our previous submission and associated report into children's viewing into account in writing its report.

This covering letter highlights the key recommendations of our submission and draws out matters specifically raised in the Senate Committee's terms of reference, including the:

- current state and operation of the market for Australian television and music industry;
- relative market power of producers and broadcasters for traditional, streaming and catch up viewing;
- the value and importance of local content requirements for both Australian and children's content.

¹ Venture Consulting, *The Value of Free TV*, May 2015.

Key recommendations – ensuring the sustainability of Australian content

Free TV members support Australian content and the quota system. Four out of every five dollars spent by the free-to-air commercial TV sector is on local content. But audience demands have changed dramatically, particularly for children. These are the highlights of our proposed reforms:

- **Reform the children’s quota**

Ask any Australian child what their favourite show on commercial television is and you will get answers like *Little Big Shots*, *Australian Ninja Warrior* or *MasterChef Australia*. However, you will almost certainly not hear about the high quality, award winning shows that are made especially for children that broadcasters invest millions in making available to them.

In fact, as the table on page 6 demonstrates, the live metro 0-13 year-old audience for programs made specifically for children in 2016 was a mere 6,800. Including the average online catch-up audience adds only another 457 to this number.

We therefore recommend that the children’s quotas be abolished, as they are no longer serving the original policy intent and are clearly out-of-step with the modern child audience. For more information see the detailed report on kids viewing attached to this submission.

- **Update quota for Australian drama**

Australian drama is an important part of the schedules of commercial broadcasters, adding both texture and depth to their programming, and is important to their branding and identity.

However, as shown on page 7, production costs have significantly increased, and audiences have declined. Viewing trends suggest audience preferences are shifting towards greater online, on-demand consumption for scripted content and documentaries.

In this environment, we recommend that the drama quota be modernised to reflect escalating production costs by rewarding investment in higher budget shows with higher production values. The value of high-volume serials needs to also be more appropriately recognised as they form the bedrock of the production sector in terms of employment and training. More information on our proposed drama model is contained in our submission to the Australian and Children’s Content review.

- **Equalising financial incentives across film and TV and providing equal access to funding**

The producer offset plays a significant role in promoting the local production of feature films, TV drama and documentaries. However, it does not make sense to continue to differentiate between feature films, which can access an offset of 40% of qualifying expenditure and television that is limited to 20%. These days, similar production values apply to film and television and there is as much cultural value in a television production as there is a feature film.

There is also a 65-episode cap on the producer offset. In an environment of declining domestic audiences for drama and increasing costs on free-to-air television, this cap has the perverse impact of discouraging the continuation of popular shows and should be removed.

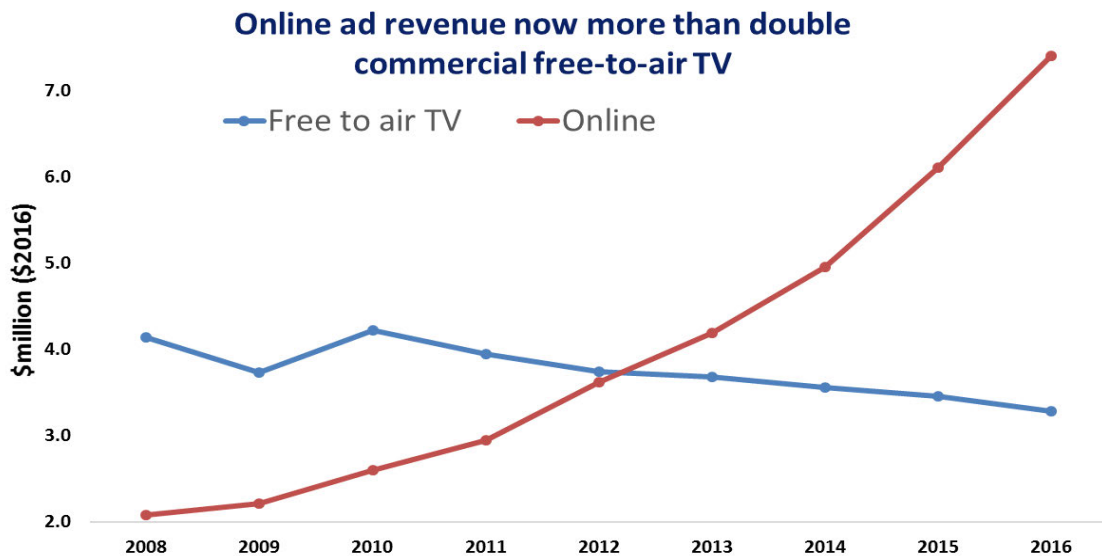
Finally, we also recommend that commercial free-to-air broadcasters be allowed equal access to direct funding from Screen Australia. The current exclusion appears based on an outdated view of the television production sector and ignores the fact that all producers are drawing from largely the same pool of actors and production professionals to complete their productions. In other words, Australian content is being made by the same people but under different models. This disparity should be addressed.

Current state and operation of the market for Australian television

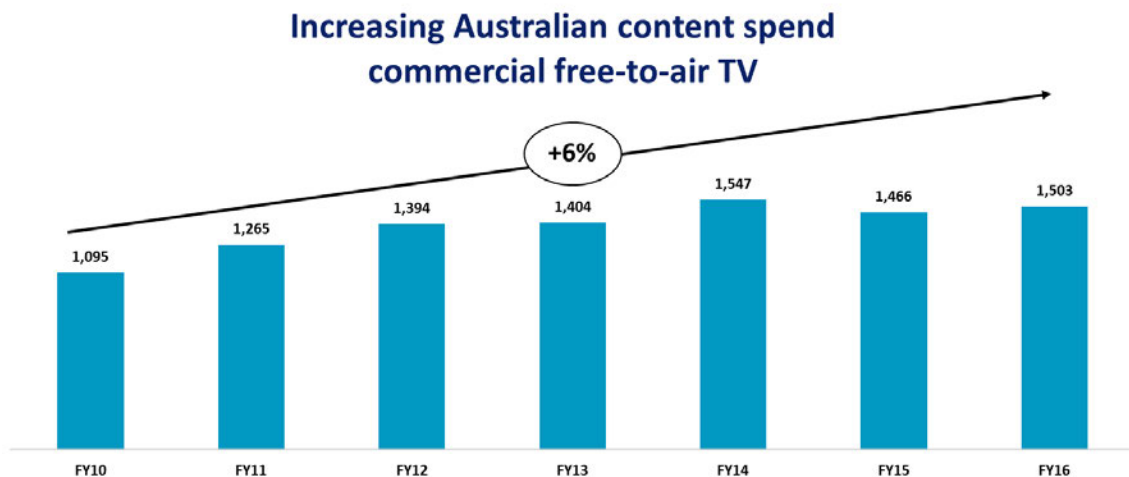
The television industry stands at a critical point in its history. It has changed more in the past decade than at any time since its creation. Consumers can now access television-style content on multiple digital devices and through a plethora of platforms and services. These include linear free-to-air TV, pay TV services, subscription video on demand services including Netflix and Stan, and the vast array of everything from children’s shows to the rise of YouTubers.

This explosion in competition for viewers is delivering exceptional choice for consumers, but is also very challenging for the traditional free-to-air TV sector. Audiences are fragmenting, the costs of making content are increasing, advertising revenues are declining and consumers are quickly forming new viewing habits.

As shown in the graph below, online advertising revenue has grown exponentially since 2008, while commercial TV revenue has been flat or declining.



Despite this structural shift in advertising revenues, the investment of the commercial free-to-air sector on Australian content has continued to grow—at 6% year-on-year. Commercial free-to-air broadcasters remain the largest investors in the Australian screen production sector. But this status is at risk if the industry is constrained by regulatory restrictions that mean it cannot provide the content that audiences want, in a financially sustainable manner.



Relative market power of producers and broadcasters for traditional, streaming and catch up viewing

Free TV considers that there are important issues to consider regarding the funding of new Australian productions. However, this consideration must be undertaken with a full understanding of the modern production and broadcast landscape, rather than an out-dated view of “big broadcasters” versus independent production houses.

Commercial free-to-air broadcasters rely on the production sector to create fresh, innovative and engaging content that domestic audiences will love. In turn, the production sector needs a strong and vibrant commercial television sector that has the resources to continue to commission new content. Free TV urges the Committee to use this review process to change the debate from being about broadcasters versus producers, to being about the health of the Australian content ecosystem.

Taking Australian drama as an example, as shown on page 7, the economics of commissioning new content have never been harder. Over the last decade, audiences have halved, and costs have doubled. The fact that costs are increasing while revenues are declining is strong evidence that broadcasters do not have market power when it comes to content acquisition.

In this environment, there is a real risk that policy prescriptions that are written from the out-dated view of the production ecosystem will make a challenging situation worse. In particular, attempting to impose legislated terms of trade risks applying a straitjacket to producers and broadcasters in being able to be flexible and innovative in how to finance productions. Financing a diverse programming slate requires being able to use a number of finance and partnering options. The risks in getting policy prescriptions wrong are severe—some productions will not be financed, and diversity of content will suffer.

Free TV understands that one reason for concerns regarding the relationship between broadcasters and producers is the (often over-stated) role currently played by ‘in-house’ productions. Over the last 5 years, less than 8 per cent of total Australian drama productions have been made in-house, as shown in the table below—the number in the brackets is the number of in-house productions.

	No.	Hours	Budgets (\$m)	Spend (\$m)	Avg. cost/hr \$m
2012/13	40 (4)	502	314	305	0.625
2013/14	40 (5)	472	302	291	0.640
2014/15	35 (4)	402	239	237	0.595
2015/16	44 (1)	446	315	310	0.706
2016/17	46 (1)	457	325	321	0.710
5-yr av	41 (3)	456	299	293	0.656

Source: 2016/2017 Screen Australia Drama report, pg 13

Nevertheless, it is important to correct the perception that ‘in-house’ production is different from ‘independent’ production and is less worthy of support. As explained above, it is largely the same group of actors and production professionals that are called upon regardless of whether or not a production is undertaken “in house.”

What is important in this context is the contest of ideas to make great local content that will resonate with viewers, irrespective of whether the producer is a very large company, a broadcaster or a smaller independent. It is this level playing field, consistent approach that underpins Free TV’s recommendation to open-up Screen Australia funding to all producers, including in-house

production companies. It is worth noting that about half of all Screen Australia TV drama funding is currently provided to foreign-owned multinational production companies, some of which are much larger than most of Australia's free-to-air broadcasters.

Free TV does consider however that there is merit in further support being given to producers seeking to export their content overseas. It is understood that typically the large multinational streaming services, like Amazon and Netflix, require local producers to sign-away rights to market the new shows internationally. Providing export assistance may provide producers with additional options when looking to put funding together for new shows and offset some of the market power that the multinationals have regarding 'rest of world' rights.

Such support could come in the form of a dedicated trading desk or direct funding through the Export Market Development Grants scheme to assist producers market their content overseas. Similar models have been used by the UK Department for International Trade where a Creative Industries Sector Advisory Group was established and tasked with consulting widely and developing a strategy to expand creative industry exports.

The value and importance of local content requirements for both Australian and children's content

Free TV members are fully committed to the role that they play in telling Australian stories to Australians. They understand and appreciate the cultural and social dividend that is delivered through the portrayal of the breadth and depth of Australian culture on television.

The proposals that are set out in this covering letter and in more detail in the attached submission and children's viewing report seek to work within the existing Australian content quota requirements. Within this model, we have proposed modest refinements that are the minimum necessary to ensure that the broadcast and production sectors remain sustainable and the delivers on the demands of the modern Australian audience.

But it should also be recognised that Australian stories can be told in a number of different ways. Free TV members recognise the importance of scripted drama in telling these stories and this role will remain central under the changes that we have proposed. However, today Australian stories can also be found in the popular entertainment programming formats like *Little Big Shots*, *Australian Ninja Warrior* and *MasterChef Australia*. A significant part of these shows is describing the background of the contestants. This often involves telling stories of real Australians who are living life with a disability, or are from culturally or linguistically diverse backgrounds.

The changes that Free TV has proposed would help ensure the Australian public continues to enjoy watching a large quantity of high-quality local content free via our broadcast networks. They will also ensure our members can continue to act as the cornerstone for the local production sector – in a way that is relevant and sustainable.

Other issues in our submission

We would welcome the opportunity to discuss with you the challenges faced by the commercial television sector. Our attached submission covers a number of other areas including the role of the national broadcasters and the importance of strong and effective copyright protections. If you would like to discuss any of the issues raised, please do not hesitate to contact me on .

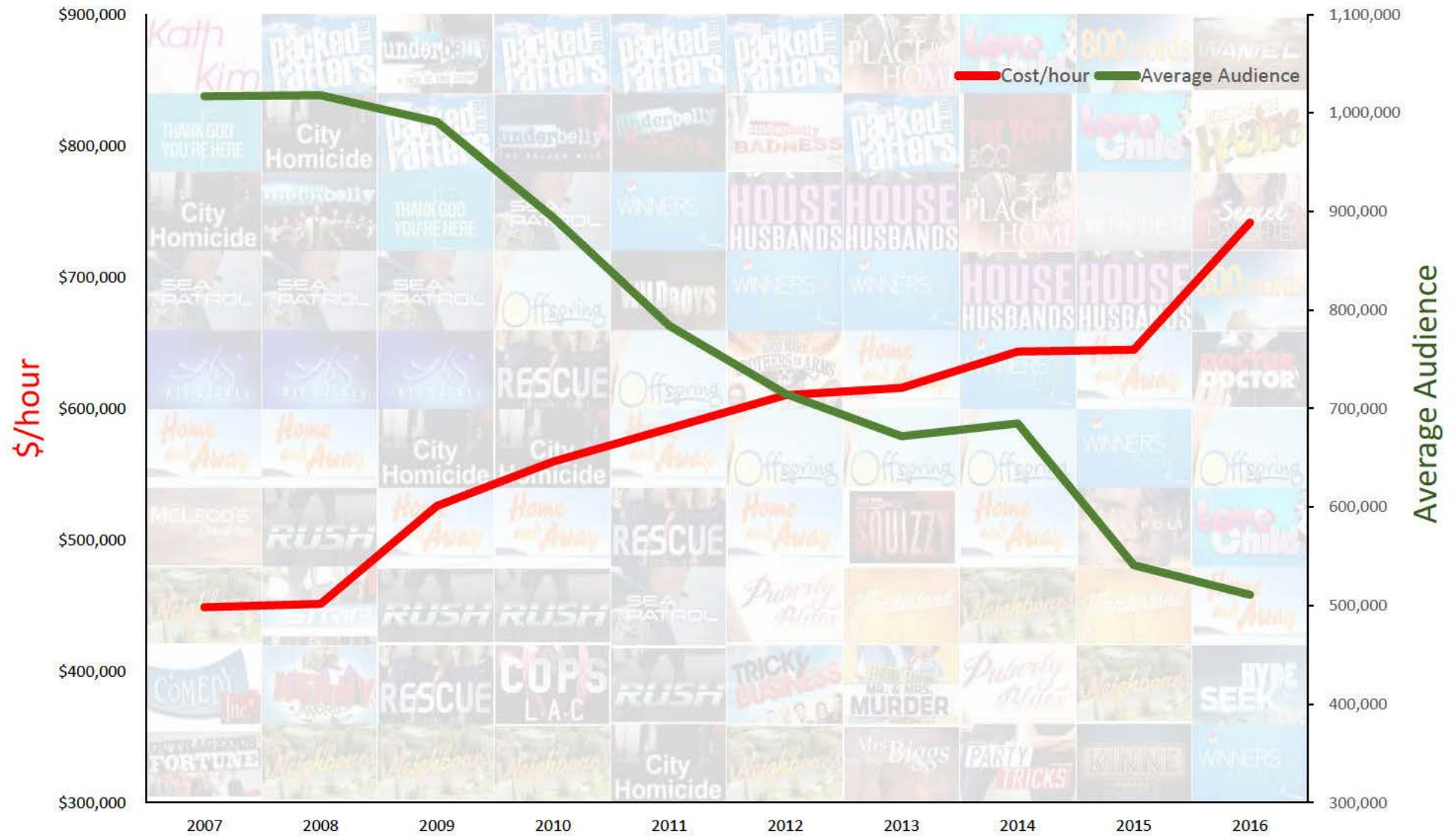
Your sincerely

On behalf of Free TV Australia

2016 Children and Preschool Programs – Live and Catch-up Audience Numbers

		Catch-up Average (VPM Rating)	Live Average (Metro 0-13)	Original Timeslot
Pre-school Programs				
Crocamole	<i>ELEVEN</i>	62	2,000	Weekdays - 9.30am
Imagination Train	<i>9GO!</i>	30	7,000	Weekdays - 9.00am
Jay's Jungle	<i>7TWO</i>	36	1,000	Weekdays - 8.00am
Lah-Lah's Adventures	<i>ELEVEN</i>	22	1,000	Weekdays - 8.00am
Larry The Lawnmower	<i>7mate</i>		2,500	Weekdays - 8.00am
William & Sparkles' Magical Tales	<i>ELEVEN</i>	41	7,000	Weekdays - 9.00am
Wurrawhy	<i>ELEVEN</i>		4,000	Weekdays - 9.30am
Children's Drama - First release and Repeat				
Barefoot Bandits	<i>ELEVEN</i>	25	4,000	Sa 7am, Su 10am, Th-Fr 8am, Sa 7.30am
Beat Bugs	<i>7TWO</i>	311	1,000	Weekdays - 7.30am
Bottersnikes & Gumbles	<i>7TWO</i>	66	1,000	Weekdays - 7.30am
Buzz Bumble	<i>9GO!</i>	9	21,000	Sun - 7.30am
Captain Flinn and the Pirate Dinosaurs	<i>9GO!</i>	67	29,000	Sun - 7.30am
Dennis and Gnasher	<i>9GO!</i>	16	30,000	Sat - 11.00am
Dogstar: Christmas in Space	<i>9GO!</i>	117	35,000	Sat - 6.00pm
Get Ace	<i>ELEVEN</i>	1585	5,000	Sat - 7.00am
Hairy Legs	<i>7TWO</i>	52	1,000	Weekdays - 7.30am
Heidi	<i>9GO!</i>	279	14,500	Sat - 11.00am
Kuu Kuu Harajuku	<i>ELEVEN</i>	586	4,500	Sat 7.30am
Lexi & Lotti: Dynamic Detectives	<i>ELEVEN</i>	19	2,500	Sat 7am
Mako: Island of Secrets	<i>ELEVEN</i>	1801	3,500	Sun- 10.00am
Maya the Bee	<i>9GO!</i>	7283	46,000	Fri - 6.00pm
Pirate Express	<i>9GO!</i>	61	22,000	Sat - 11.30am
Sally Bollywood: Super Detective	<i>7TWO</i>	135	1,000	Weekdays - 7.30am
Sam Fox: Extreme Adventures	<i>ELEVEN</i>		5,000	Sun 10am, Fri 8am
Tashi	<i>7TWO</i>	134	2,000	Weekdays - 7.30am
The Day My Butt Went Psycho	<i>9GO!</i>	7690	22,000	Sat - 7.30am
The Skinner Boys	<i>9GO!</i>		23,000	Sun - 7.30am
The Wild Adventures of Blinky Bill	<i>7TWO</i>	217	1,000	Weekdays - 7.30am
The Woodlies	<i>7TWO</i>	51	1,000	Weekdays - 7.30am
Vic The Viking	<i>ELEVEN</i>	1242	5,000	Sat - 7.30am
Other C programmes				
Baby Animals in our World	<i>ELEVEN</i>	42	6,000	Mon-Sun, 7.30am, 8.00am
Crunch Time	<i>9GO!</i>	35	11,000	Weekdays - 7.30am / 8.00am
Flushed	<i>7TWO</i>	29	1,000	Weekdays - 7.00am
It's Academic	<i>7TWO</i>	17	2,000	Weekdays - 7.00am / 7.30am
Kitchen Whiz	<i>9GO!</i>	49	13,000	Weekdays - 8.00am
Match It	<i>7TWO</i>	24	1,000	Weekdays - 7.00am
Move It	<i>9GO!</i>	27	14,500	Weekdays - 7.30am
Scope	<i>ELEVEN</i>	83	4,000	Sat - 8.30am
Totally Wild	<i>ELEVEN</i>	87	3,000	Mon-Wed 8am, Sat 8am
Average Audience		457	6,800	

Great Aussie Drama - Costing More and Rating Less



Cost source: Screen Australia (<https://www.screenaustralia.gov.au/fact-finders/production-trends/tv-drama-production/all-tv-drama-formats>)

Audience source: Oztam 2017, Drama programs with more than 2 episodes airing within the year. First runs included where known.5 city metro, Overnight Data (Live + As Live Viewing) & Consolidated 7 & 28 data where available, total individuals.



FreeTV
Australia

Telling Australian stories in the new media age

Submission by Free TV Australia

Australian and Children's Screen Content Review: Department of Communications and
the Arts, the Australian Communications and Media Authority, and Screen Australia

29 September 2017

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Executive summary

Free TV represents Australia's commercial free-to-air television licensees. On behalf of our members, we welcome this opportunity to submit their views to the Australian and Children's Screen Content Review being conducted by the Department of Communications and the Arts, the Australian Communications and Media Authority, and Screen Australia.

The commercial free-to-air broadcasting industry is the largest producer and commissioner of Australian content. It is also deeply committed to ensuring Australian audiences continue to see Australian faces, voices and stories on their screens.

Our members invest \$1.5 billion every year in creating Australian content – representing 60% of all local spending on content. They are also the cornerstone long-term employer and training ground for the Australian screen production sector. Their strength comes from maintaining well-known and trusted brands, and reaching large audiences nationally.

As an industry, we believe local content delivers enormous cultural and social dividends by creating and reinforcing our national identity, and helping Australians understand and interpret the world around them. It also helps show and explain Australia to the world.

At the same time, the creation of Australian content delivers a large economic dividend to the community from \$3.4 billion a year in production activity. It also drives direct and indirect exports in tourism, education and other sectors by showing Australia to the world. Deloitte has estimated Australia gained \$252 million a year in direct exports of films, dramas and documentaries in 2015, and a further \$725 million from related tourism.¹

The commercial free-to-air broadcasting industry plays a huge role in generating these benefits by creating and delivering content across a wide range of genres. These include news and current affairs, sport, entertainment, lifestyle, drama and children's programming.

However, our industry stands at a critical point in its history. It is no exaggeration to say that the television industry has changed more in the past decade than at any time since its creation. Consumers can now access television-style content on multiple digital devices and through a plethora of platforms and services including linear free-to-air TV, pay TV services such as Foxtel, subscription video on demand (SVOD) services including Netflix and Stan, and the vast array of everything from children's shows to the rise of YouTubers.

This explosion in competition for viewers is delivering exceptional choice for consumers, but is also very challenging for the traditional free-to-air TV sector. Audiences are fragmenting, advertising revenues are declining and consumers are quickly forming new viewing habits. For example, children now mainly watch children's TV only on-demand or on dedicated channels, and adults 'binge watch' their way through drama and documentary series from around the world.



Australian content delivers a large economic dividend to the community from **\$3.4 billion a year** in production activity.

¹ Deloitte Access Economics, 2016, "What are our stories worth? Measuring the economic and cultural value of Australia's screen sector".

JUDAH



Our industry employs more than

15,000
people

directly and indirectly, and
contributes a total of

\$2.8
billion

each year into the
Australian economy

Executive summary



As a result, there is an urgent need to reform the regulations and incentives that the government has in place to meet its stated objectives of securing quality content that promotes Australian identity and culture, securing quality Australian content for children and driving more sustainable Australian content industries.

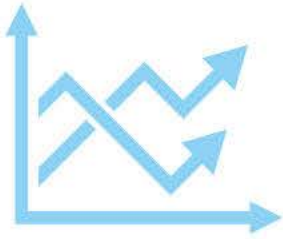
The commercial free-to-air broadcasting industry stands willing and able to play its part in meeting these vital objectives. However, our members also need flexibility to remain relevant and competitive in the new media environment. Further, they must be able to invest where they will provide the greatest social policy and economic benefits rather than being forced to operate inefficiently.

It is also important to note that SVOD and Internet businesses have no Australian content obligations, despite their rapidly growing revenues and subscriber numbers.

With these points in mind, this submission recommends the following changes. Each of these would enable our members to better align their operations to the needs of today's audiences and provide the conditions to ensure they can remain the cornerstone of Australian content for years to come and continue to contribute to positive social policy outcomes.

1. Reset the quota settings

- **Remove C and P quotas:** Commercial free-to-air broadcasters deliver almost 1,200 hours of Children (C) and Pre-school (P) programming per year. But unfortunately, average audiences for these programs on commercial free-to-air platforms are now less than 8,000 children, due to the plethora of new channels and platforms that offer designated children's content in a commercial free or on-demand environment, including ABC Kids. The C and P quotas on commercial networks no longer serve their intended audience and are using resources that could be better deployed elsewhere.
- **Adjust drama sub-quota requirements:** While Australian drama remains important, production costs have significantly increased and audiences have declined. Viewing trends suggest audience preferences are shifting towards greater online, on-demand consumption for scripted content and documentaries. In this environment the drama quotas should be recalibrated to a sustainable level. This would allow broadcasters to align to audience preferences and remain competitive in the new media environment.
- **Allow flexibility in quota requirements for non-aggregated regional licence areas:** Some regional broadcasters struggle to meet their full Australian content requirements in regional and remote areas, where they cannot offer the full suite of channels provided by their affiliated metropolitan networks. There should be some flexibility for these broadcasters, particularly in meeting the requirement to deliver 1,460 hours per annum of Australian content on multi-channel services.



2. Adjust financial incentives and conditions

The following measures would improve the viability and functioning of the production and media sector:

- **Producer Offset:** make the Producer Offset 40% for both film and TV production, and continue to make it available after a commercial TV series reaches 65 hours
- **Post, Digital and Visual Effects (PDV) Offset:** maintain the PDV Offset, including for reality and entertainment programming.
- **Screen Australia:** allow Australian broadcasters who also produce content to access Screen Australia financial and other support on the same basis as other production groups.



3. Review the role of the ABC and SBS

The ABC and SBS are ideally placed to deliver content that is not financially viable for commercial broadcasters, such as children's and multicultural programming. We argue this role should be formalised and expanded. The government should also ensure the national broadcasters are not undermining the health of the sector by using public funds to compete in mainstream content areas where audiences are already well served.



4. Strengthen copyright protections

The government should resist measures to water down copyright protections in ways that would undermine the ability of Australia's production industry to protect and commercialise its intellectual property. It should also revisit retransmission arrangements that allow free-to-air services to be relayed on pay television platforms without requiring permission or commercial recognition.



The role of the commercial free-to-air industry

The commercial free-to-air broadcasting industry plays a critical role in enriching the lives of Australians and ensuring that the country has the capacity to tell its own stories.

A national public service

The commercial free-to-air broadcast sector delivers a vital national public service to Australians. Our programming is enjoyed by an average of 19.9 million people each week, who can access it across the nation and free of charge.

This programming includes national and local news and current affairs programs, which play a critical role in providing information to Australians. It also includes extensive coverage of sporting matches that our members have worked hard to ensure are not hidden behind 'pay walls' on pay TV and other platforms; entertainment and reality TV programs that give viewers a glimpse into the lives and personalities of other Australians; iconic, high-quality dramas; and much more.

In 2017, the average Australian still watches 2 hours and 39 minutes of live and playback TV each day, for free. Furthermore, 70% of Australians remain reliant on the free-to-air platform for their television services. Perhaps the best way to imagine the value of the free-to-air sector is to try to imagine Australia without it – a country where people could only get access to content if they paid for it and predominantly watched foreign, pre-recorded content.



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70%

of Australians remain reliant on the free-to-air platform for their television services.

The role of the commercial free-to-air industry

Delivering a cultural and economic dividend

The commercial free-to-air broadcasting industry is fully committed to playing its part in fostering the strength of our screen production sector and in turn supporting the government's social policy objectives. Our members are passionate about telling Australian stories and ensuring that our industry continues to support the nation economically and culturally.

It's hard to overstate the value of maintaining and growing our ability to produce television, film and other content in Australia. Producing stories and information about Australians or in Australia delivers enormous cultural and economic dividends.

Seeing our society represented on TV and in other media informs us about who we are and creates the glue that binds us as a nation. It defines our culture and identity. It also lets us show Australia's people – and our spectacular cities and landscapes – to the world.

These stories are not told as they once were, and modern audiences are engaging with content differently. While scripted drama is an important part of Australian storytelling, as demonstrated by the long-running serials, *Home and Away* and *Neighbours*, it is not the only way to build a deep sense of identity as a nation. These objectives are now achieved through many different genres including factual and entertainment programs.



Today, Australian stories can be found in a diverse slate of programming choices. Our top-rating entertainment and reality programs are filled with stories of triumph, resilience and aspiration. Our members showcase individuals' talent through programs including *The Voice*, *My Kitchen Rules* and *MasterChef Australia*. The local production of *Little Big Shots* and *Australian Ninja Warrior* also offer powerful true stories of overcoming adversity and personal achievement, while giving Australian children new role models to admire.

Our investment in sport reflects the passion and spirit of the nation. Our dedication to breaking news and holding institutions to account through our large news and current affairs departments all provide the checks and balances that Australians demand from the media.

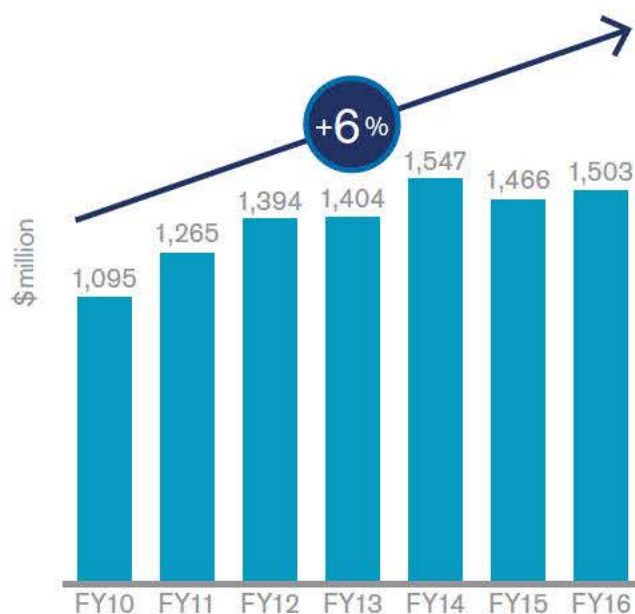
On the financial side, our screen production industry generates \$3.4 billion of direct economic activity each year.² Showing Australian content to the world also generates significant indirect exports in other sectors such as tourism and education.

The country's largest producers and commissioners

Despite all the recent changes in the Australian media landscape, commercial free-to-air broadcasters remain the largest investors in the Australian screen production sector. This status is at risk if the industry is constrained by regulatory restrictions that mean it cannot provide the content that audiences want, in a financially sustainable manner.

Our industry employs more than 15,000 people directly and indirectly, and contributes a total of \$2.8 billion each year into the Australian economy.³ Around \$1.5 billion of this investment goes directly into the production of high-quality, locally produced programs. This investment represents six of every 10 dollars invested in local production.

Figure 1: Domestic content spend by commercial free-to-air TV



Source: ACMA, Broadcasting Financial Reports, 2010/11 – 2015/16

3 Venture Consulting, *The Value of Free TV*, May 2015.

The role of the commercial free-to-air industry

In 2016 alone, the commercial free-to-air industry broadcast more than:

13,784 hours of Australian content (6am to midnight)

428 hours of first-release Australian drama

430 hours of locally produced news and current affairs programming every week.

At any point in time, commercial free-to-air broadcasters have future programs commissioned with third parties or in internal production. Ten, for example, had close to 25 programs in various stages of production at the time of writing. These include a remake of the iconic Australian story *Wake in Fright*, filmed on location in Broken Hill with a crew of about 100 people and starring David Wenham and Sean Keenan.

Similarly, Seven had more than 30 programs in various stages of production, including *My Kitchen Rules* series nine; *Home and Away* (going into its 30th year of production); *Olivia Newton John: Hopelessly Devoted to You*, starring Delta Goodrem, a new family friendly quiz show, *The Wall*, and three exciting new drama projects set to be announced shortly.

At the time of writing, the Nine Network had almost \$105 million worth of Australian programming in production. This included a range of drama and factual shows such as *Chopper*; the story of notorious underworld figure Chopper Read, starring Aaron Jeffery and Michael Caton; as well as *The Block* and *Australian Ninja Warrior*. There were more than 260 people working across these productions within Nine and at its production house partners EndemolShine, ITV Studios, Cavalier Productions, Screentime and Playmaker.

Provider of training and regular employment

The commercial television industry is a vital training ground for screen production professionals who go on to work in TV, film, advertising and related creative areas in Australia and around the world. Many of the Australians who are succeeding in Hollywood and other markets began their careers in the free-to-air TV industry.

Free-to-air TV is also one of the few parts of the industry that offers year-round full-time employment to professionals in on- and off-screen roles. These jobs are to be found in genres such as news, sport and lifestyle programs, and especially long-running drama series such as *Home and Away* and *Neighbours*, which have been the launch pads for many successful careers both on and off screen.

According to the Australian Bureau of Statistics, as of June 2016, commercial free-to-air broadcasters employed 8,012 people, and 63.6% of them held permanent full-time jobs. A further 17,100 people were employed by other production and post-production businesses across Australia, with many of those jobs being driven by productions commissioned by the free-to-air sector.⁴

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⁴ 8679.0 – Film, Television and Digital Games, Australia, 2015–16.

Case Study: Home and Away and Neighbours

For over three decades *Home and Away* and *Neighbours* have held a unique place in Australian television history. With a loyal fan base, they have won more Logie Awards than any other program, launched the careers of some of our biggest stars, and entertained audiences in Australia and around the globe with their depiction of uniquely Australian stories and characters. They are arguably two of Australia's most successful exports, with dedicated fans around the world, and have played a key role in building Australia's desirability as a tourist destination.

The enduring popularity of both shows lies in their authentic portrayal of Australian suburban life. "It's a television show about Australians," said *Home and Away* actor Shane Withington. "You can go into any show, pub or surf club and meet the kinds of characters you see in the show. You'll see Alfs and Johns – and guys with surfboards under their arms."

When *Neighbours* opened its newly built studio sets in Melbourne in 2013, making it the largest dedicated drama set in the Southern Hemisphere, Fremantle CEO Ian Hogg said, "*Neighbours* is all about families and communities. At the centre of that is the Great Australian Dream, our homes, our backyards and our BBQs."

Home and Away and *Neighbours* have provided invaluable opportunities for reliable and ongoing employment for thousands of cast members, production crew and writers. These opportunities are particularly valuable to parents and others with family or financial responsibilities who wish to work in the production industry but also need the job security. Employment in drama production is often based on short-term contracts – so ongoing full-time roles are highly valuable.

These two shows have been the early training ground for some of Australia's biggest stars including Kylie Minogue, Jason Donovan, Margot Robbie, Jesse Spencer, Delta Goodrem, Isla Fischer, Julian McMahon, Simon Baker, Naomi Watts, Guy Pearce, Dannii Minogue, Chris Hemsworth, Heath Ledger, Isabel Lucas,



Ryan Kwanten and Melissa George. They continue to produce and foster talented Australian actors, writers, directors, production crew and set designers. *Home and Away* is also currently working with the Australian Directors Guild to foster diversity, offering young aspiring female directors the opportunity to work on the show, to improve gender representation on Australian TV.

Not only have *Home and Away* and *Neighbours* carved out a space in Australian TV to reflect Australian culture, but they have also successfully taken Australian stories beyond our borders. *Home and Away* and *Neighbours* have dedicated fan bases around the world, with both shows sold to numerous territories including the UK, New Zealand and Ireland. In 1987, 19.6 million people in the UK watched a *Neighbours* episode featuring the iconic Scott and Charlene wedding. It is still watched by millions around the world every day, including in Iceland, Norway, Belgium, Denmark and Canada.

The shows have promoted Australia as an ideal tourist destination, thanks to their depiction of Australian beaches and laid-back lifestyle. Tours of *Home and Away* and *Neighbours* locations and studios run in Sydney and Melbourne respectively, with the *Neighbours* studio complex attracting 10,000 visitors per year and Ramsay Street six to 12 visits weekly.

According to a recent Deloitte Access Economics survey, around 230,000 international tourists are estimated to visit or extend their stay in Australia annually as a result of viewing Australian film and TV content, representing approximately \$725 million in estimated tourism expenditure in Australia each year. It would be fair to surmise that *Home and Away* and *Neighbours* have both played a key role in promoting Australia overseas and strengthening Australia's image as an appealing tourist destination.

The role of the commercial free-to-air industry

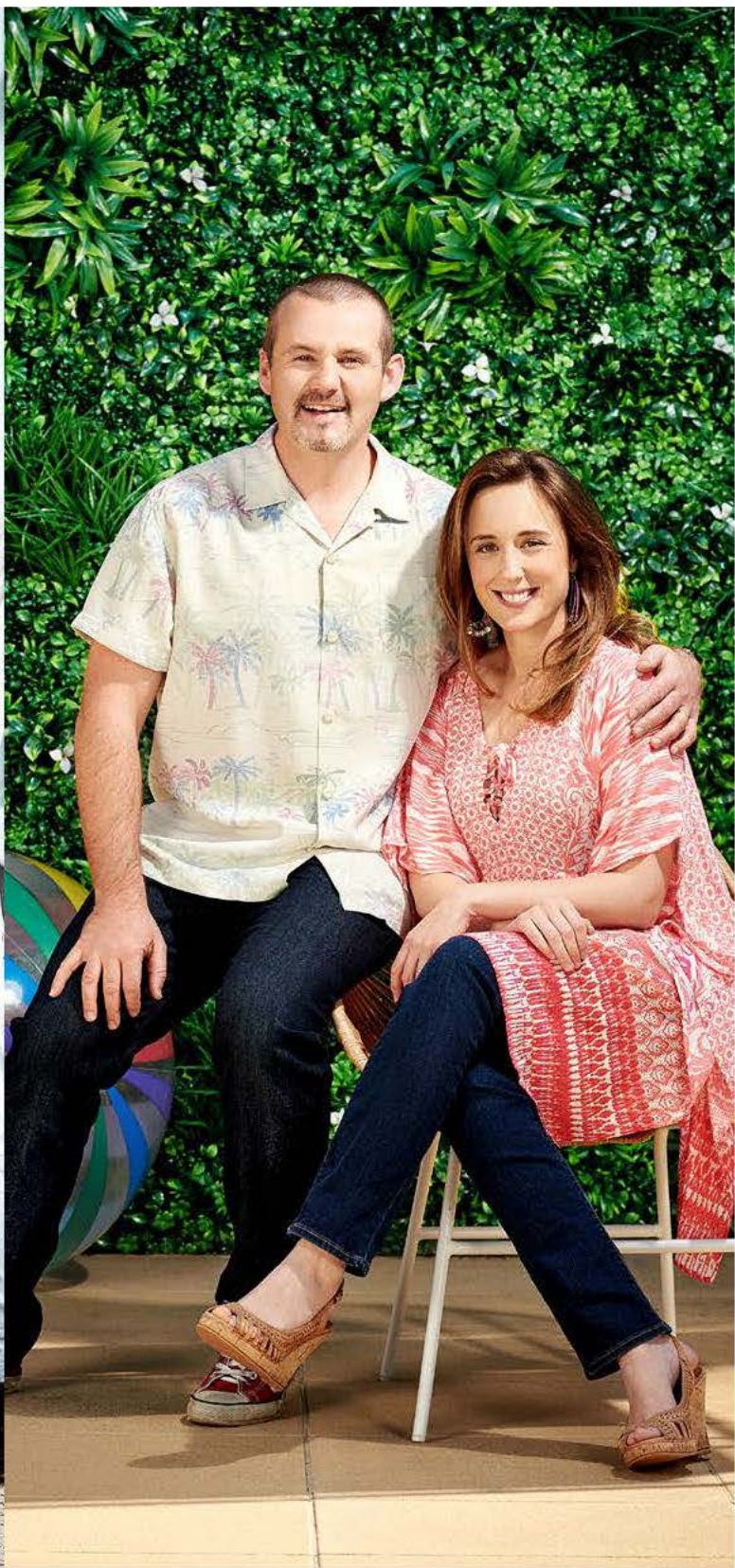
Strong promoter of local content and talent

The broadcast television industry also employs many people beyond those who star in programs or are directly involved in their production. Other key areas of employment and value-add can be found in publicity, marketing, advertising sales, program distribution, intellectual property management and the operation of broadcast transmission systems.

For example, free-to-air networks employ promotional and marketing teams that are heavily focused on supporting the release of locally produced content. Maintaining these marketing and publicity capabilities also involves a large amount of related spending on offices, use of commercial air time to promote shows, and other costs.

This promotional effort is critical to the health of the local production ecosystem because it raises the profile of Australian content and the actors, presenters, sports people and other individuals who feature in it. This maximises audiences for local content, increases the likelihood of shows being recommissioned and assists with international distribution.





The new media landscape

The commercial free-to-air industry faces major challenges from new competitors and changing viewing behaviours. These trends are directly impacting its viability and ability to remain the nation's major supporter of local content production. In a number of areas, the industry's ability to compete is also being constrained by regulatory requirements imposed by government. Many of these rules were conceived or first implemented in the 1960s and 70s when linear free-to-air television was the dominant mass-market medium in Australia.

Explosion of choices and competitors

You don't have to spend long in a modern Australian home to realise that the way people watch television and video content has changed radically over the past decade.

More devices

In addition to traditional televisions, we now watch 'TV' on mobile phones, PCs, computers and tablets. In the first quarter of 2017, the average home had 6.2 'screens' that could deliver TV (2.0 mobile phones, 1.8 TVs, 1.6 desktop or laptop computers and 0.8 tablets).⁵

Accelerating growth in platforms and channels

In 2005, when most of the country's current media regulations were set, Australians only had two main choices of platform for live television content: free-to-air TV from commercial or public broadcasters, and pay TV services.

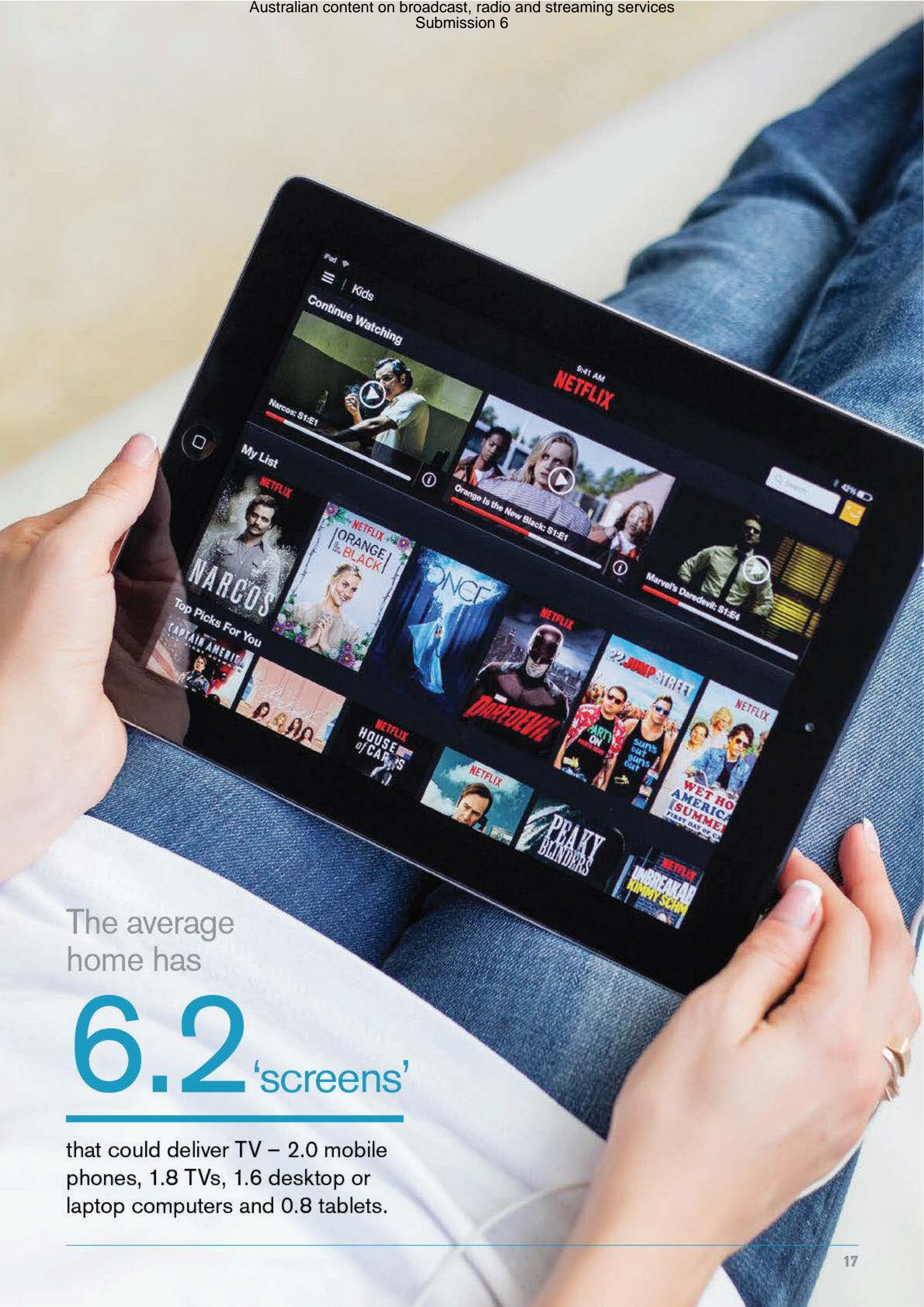
The Internet had arrived, but it was very early days for services such as YouTube and their vast quantities of user-generated or replayed video content. There were also early social media services, but they didn't have the capacity to carry the compelling video content they do today.

Finally, there were no catch-up TV services from the free-to-air broadcasters. The first to arrive was the popular ABC iView application, which was introduced in 2008 with the support of government funding.



...the way people watch television and video content has changed radically over the past decade.

⁵ Australian Video Viewing Report Quarter 1, 2017, Regional TAM, OzTAM and Nielsen.



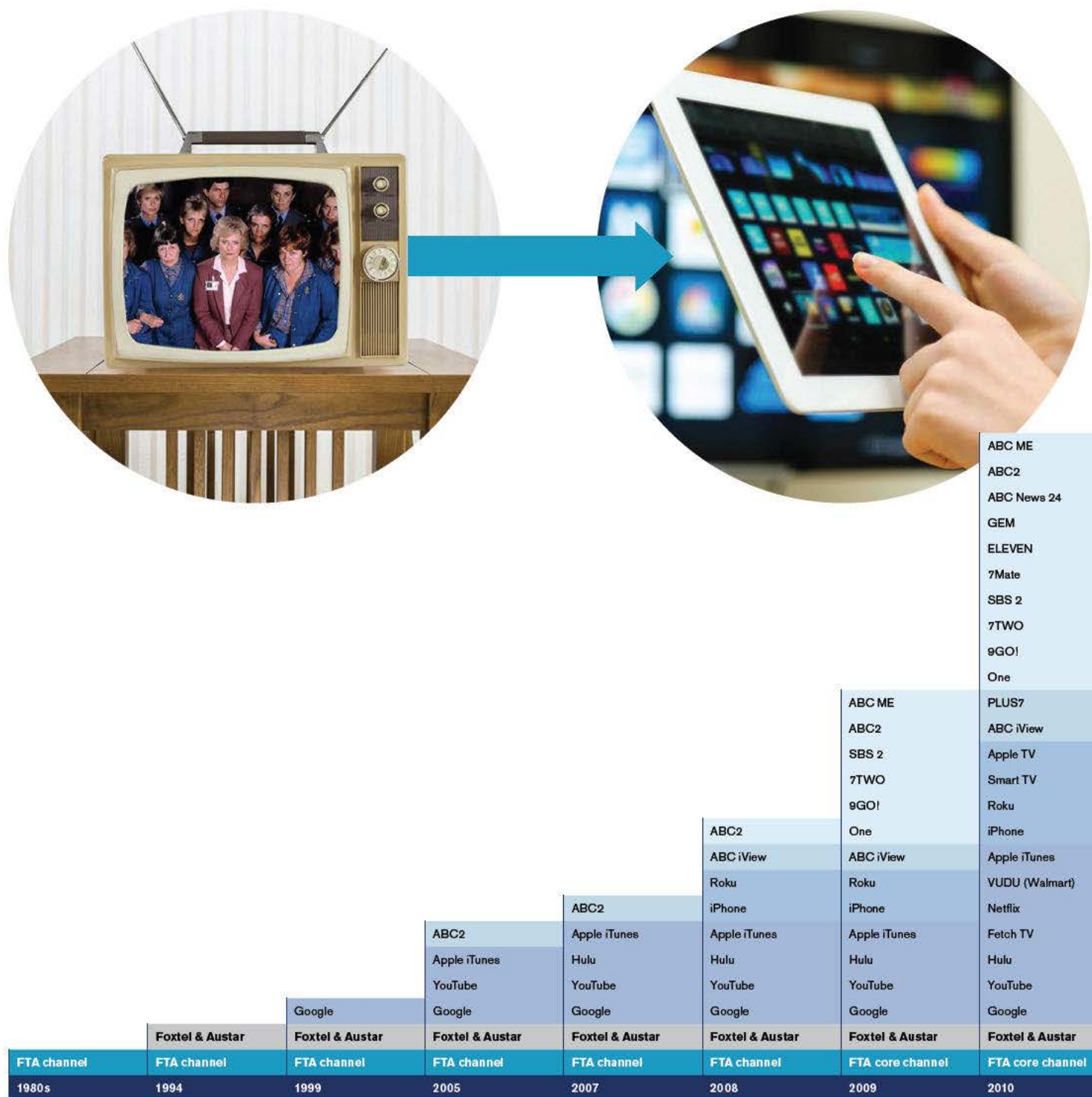
The average home has

6.2 'screens'

that could deliver TV – 2.0 mobile phones, 1.8 TVs, 1.6 desktop or laptop computers and 0.8 tablets.

The new media landscape

Figure 2: Evolution of Australia's content market



						7flix Racing.com SBS Food Network	AU FTA Multichannels
				Racing.com 9Life SBS Food Network	7flix Racing.com SBS Food Network	ABC ME ABC2 ABC News 24	
			ABC ME ABC2 ABC News 24	ABC News 24 GEM ELEVEN	ABC News 24 GEM ELEVEN	9Life GEM ELEVEN	
			GEM ELEVEN 7Mate	7Mate SBS 2 7TWO	7Mate SBS 2 7TWO	7Mate SBS Viceland 7TWO	
		ABC ME ABC2 ABC News 24	SBS 2 7TWO 9GO!	9GO! NITV	9GO! NITV	9GO! One NITV	
		GEM	One	Datacast Services x 7	Datacast Services x 7	Datacast Services x 7	
	ABC ME ABC2 ABC News 24	ELEVEN 7Mate SBS 2	NITV Datacast Services x 7 HbbTV	Nine StreamCo HbbTV FreeviewPlus	Nine StreamCo HbbTV FreeviewPlus	Nine StreamCo HbbTV FreeviewPlus	
	GEM ELEVEN 7Mate	7TWO 9GO! One	FreeviewPlus Tenplay Jump In	Tenplay Jump In SBS On Demand	Tenplay Jump In SBS On Demand	Tenplay 9Now SBS On Demand	
ABC ME ABC2 ABC News 24	SBS 2 7TWO 9GO!	NITV Datacast Services x 7 Tenplay	SBS On Demand PLUS7 ABC iView	PLUS7 ABC iView Chromecast	PLUS7 ABC iView Chromecast 2	Chromecast Ultra Google Home Amazon Echo	
GEM ELEVEN 7Mate SBS 2 7TWO 9GO! One Datacast Services x 2 SBS On Demand PLUS7 ABC iView	One NITV Datacast Services x 3 SBS On Demand PLUS7 ABC iView iPad	Jump In SBS On Demand PLUS7 ABC iView Chromecast iPad Telstra T-Box	Chromecast Xbox One Playstation 4 Amazon Fire TV iPad Telstra T-Box Apple TV	Xbox One Playstation 4 Amazon Fire TV iPad Telstra T-Box Apple TV Smart TV	Xbox One Playstation 4 Amazon Fire TV iPad Telstra T-Box Apple TV Smart TV	Xbox One X Playstation 4 Amazon Fire TV iPad Telstra T-Box Apple TV Smart TV	
	Telstra T-Box	Apple TV	Smart TV	Roku	Roku	Roku	
	Apple TV	Smart TV	Roku	iPhone	iPhone	iPhone	
	Smart TV	Roku	iPhone	Stan	Stan	Stan	
	Roku	iPhone	Google Play	Google Play	Google Play	Google Play	
	iPhone	Google Play	Aereo	Aereo	Aereo	Aereo	
	Google Play	Aereo	NBN	NBN	NBN	NBN	
	Aereo	NBN	Apple iTunes	Apple iTunes	Apple iTunes	Apple iTunes	
	NBN	Apple iTunes	Presto	Presto	Presto	OzFlix	
	Apple iTunes	FOXTEL Play	FOXTEL Play	FOXTEL Play	FOXTEL Play	FOXTEL Play	
	Crackle	Crackle	Crackle	Crackle	Crackle	Crackle	
	FOXTEL Go	FOXTEL Go	FOXTEL Go	FOXTEL Go	FOXTEL Go	FOXTEL Now	
	Quickflix	Quickflix	Quickflix	Quickflix	Quickflix	Quickflix	
	Amazon Prime	Amazon Prime	Amazon Prime	Amazon Prime	Amazon Prime	Amazon Prime	
	Blinkbox (Tesco)	Blinkbox (Tesco)	Blinkbox (Tesco)	Blinkbox (Tesco)	Blinkbox (Tesco)	Blinkbox (Tesco)	
	VUDU (Walmart)	VUDU (Walmart)	VUDU (Walmart)	VUDU (Walmart)	VUDU (Walmart)	VUDU (Walmart)	
	Netflix	Netflix	Netflix	Netflix	Netflix	Netflix	
	Fetch TV	Fetch TV	Fetch TV	Fetch TV	Fetch TV	Fetch	
	Hulu	Hulu	Hulu	Hulu	Hulu	Hulu	
	YouTube	YouTube	YouTube	YouTube	YouTube	YouTube	
	Google	Google	Google	Google	Google	Google	
Foxtel & Austar	Foxtel	Foxtel	Foxtel	Foxtel	Foxtel	Foxtel	
FTA core channel	FTA core channel	FTA core channel	FTA core channel	FTA core channel	FTA core channel	FTA core channel	

AU FTA OTT

Devices (Local and International)

OTT Content & Platforms (Local & International)

The new media landscape

Free-to-air viewing trends

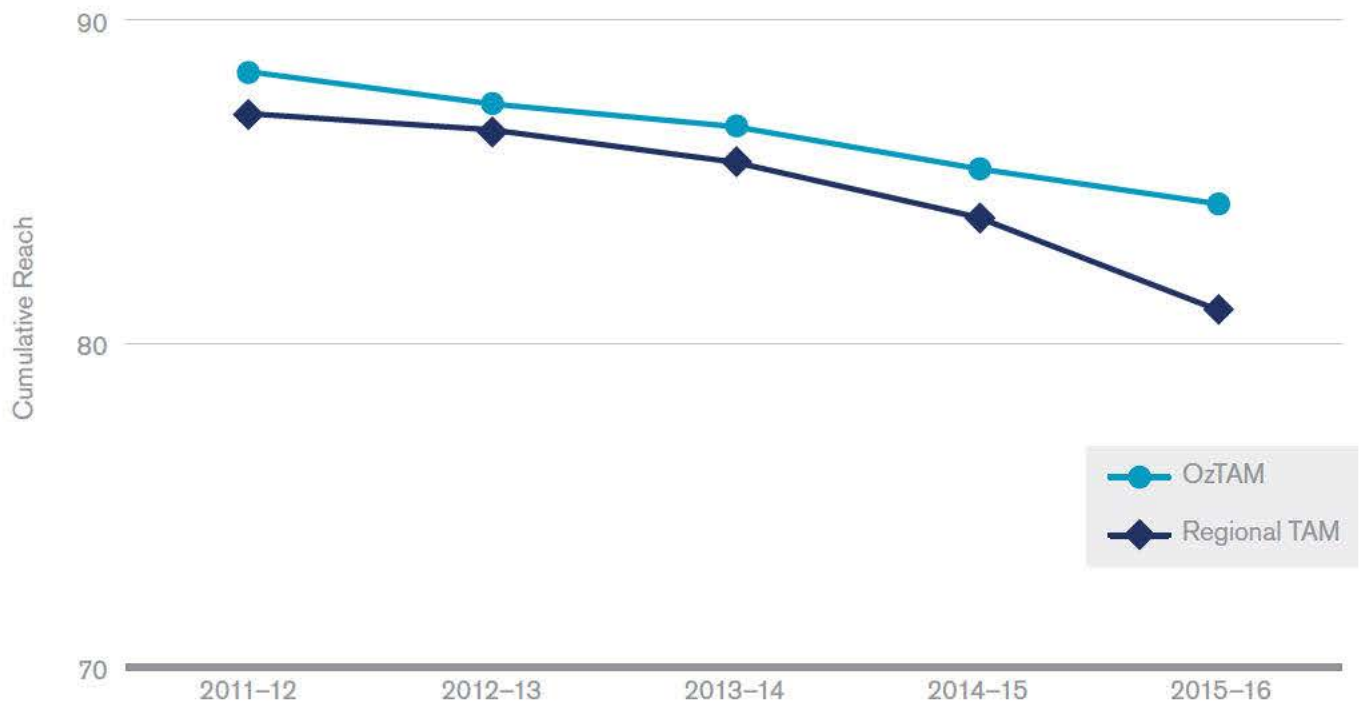
Despite the changes of the past decade, commercial free-to-air television has proven resilient and remains the most popular way for people to access content.

One of the key reasons for this is that the commercial broadcasters have very strong and highly trusted brands. The broadcasters invest heavily and innovate daily to ensure their services remain relevant to consumers, and that they continue to produce content that people want to watch.

Free-to-air TV reached a cumulative total of 19.9 million people – or 83.7% of the population – each week in early 2017. Those individuals watched 2 hours and 39 minutes of live and catch-up TV each day on average, on in-home TV sets. This was only 33 minutes less than in 2011.

While still high, there has been a gradual decline in the total time that Australians spend watching both commercial and publicly funded free-to-air TV. Figure 3 shows that around 88% of people watched free-to-air TV each week in 2011–12, compared to 84% in cities and 81% in regional areas in 2015–16.

Figure 3: FTA television viewing – average weekly cumulative reach (five minutes consecutive), five city metro and consolidated regional markets



Source: Communications Report 2015–16, ACMA.

Base: People aged 18 and over in the five mainland metropolitan markets (Sydney, Melbourne, Brisbane, Adelaide and Perth) for OzTAM, and for the combined regional markets (RegionalTAM).

Note: Definition of reach – the cumulative percentage or total (usually expressed in thousands) of a population that has been counted as viewers at least once during a specified interval. From 27 December 2015, figures are consolidated to 28 days.

Source: OzTAM Pty Limited and Regional TAM Pty Limited 2016. Apart from any use permitted under the Copyright Act 1968, the data may not be reproduced, published or communicated (electronically or in hard copy) without the prior written consent of OzTAM and/or RegionalTAM.

Rapid growth of SVOD and catch-up TV services

Figure 4 shows how Australians' consumption of TV content has become fragmented across free-to-air TV, pay TV and newer services. It's important to note the data shown is from 2015–16, so it under-represents the rapid subsequent growth of new SVOD services.

For example, as of November 2016, the most popular streaming service, Netflix, was available at home to 5.78 million Australians (who accessed it via 2.22 million subscriptions). According to Roy Morgan, 35% of people with a household Netflix subscription spent three to seven hours watching the service each week, and 14% spent eight to 14 hours. One in 10 subscribers (9%) watched 15 or more hours of content per week.⁷

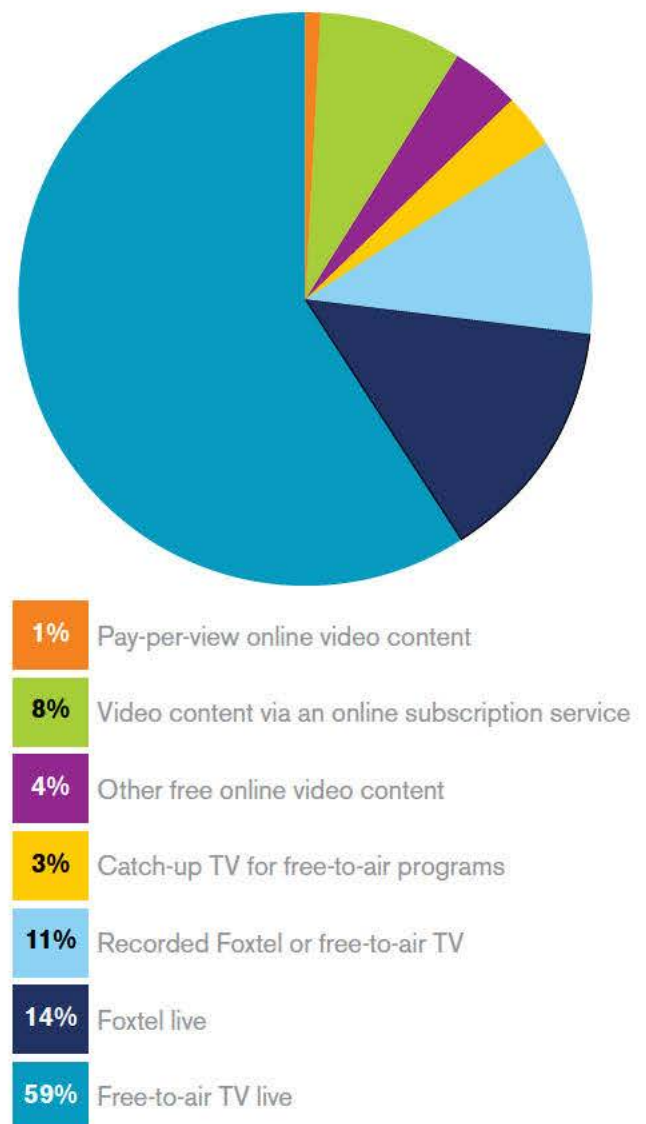
While SVOD providers do not disclose revenue figures, we estimate their collective sales were approximately \$400 million in the year to mid-2017 and are growing at 100% a year. This growth will ensure that the industry landscape is very different in five years' time.

The use of catch-up TV services from all free-to-air operators is also surging. In the 28 days to 26 September 2017 alone, Australians watched almost 301.5 million minutes of catch-up TV. This was almost 60% more than for the same time last year.⁸

Generation V(ideo) is watching more hours of TV-type content than before, and average viewing hours have increased, but we're watching it in very different ways.

Deloitte – Media Consumer Survey 2017

Figure 4: Share of time spent watching television (live or recorded) or professional online video content, in the last seven days (percentage)



Source: *Communications Report 2015–16*, ACMA.

Base: Australians aged 18 and over.

Note: Numbers may not add up due to rounding. 'Other free online video content' excludes user-generated content.

Source: ACMA-commissioned survey, June 2016.

⁷ 'Second wind lifts Netflix over 5.75 million Australians – but not everyone actually watches it', Roy Morgan, 1 December 2016.

⁸ OzTAM Video Player Measurement (VPM) Report coverage: 20/09/2017 – 26/09/2017.

The new media landscape

Children move to destinations and on-demand

Changes in viewing behaviour vary significantly between age groups. One clear trend is that children are watching less commercial free-to-air TV. When they do, they are now most likely to be co-viewing with other family members, watching programs such as family entertainment shows, movies and major events. These programs regularly attract hundreds of thousands of children because they engage a wide family audience through entertaining narratives and rich storytelling that is crafted to appeal to all ages.

The following information is a summary of our more detailed report, *Changing views: Australian kids and commercial television*.

On average, children under the age of 13 now watch less than 40 minutes a day of commercial TV. Only a fraction of that time is spent watching child-specific content, whether it's made in Australia or imported.⁹ Child-specific content is classified as C (for children aged 5–13) and P (for pre-school children aged 0–4).

A recent report by the Australian Communications and Media Authority (ACMA) found that there was an almost 80% decline in the child audience for the highest-rating C and P program between 2005 and 2016 (185,000 down to 41,000).¹⁰

This is despite the fact commercial free-to-air broadcasters are creating award-winning shows for children (see box), and that the programs are all broadcast at regular times when the child audience is most likely to be available, including weekdays before and after school for C programs and mornings for P programs.



On average, kids under 13 now watch less than 40 minutes a day of commercial TV.

⁹ OzTAM, analysis for Free TV, August 2017.

¹⁰ *Children's television viewing and multi-screen behaviour*, ACMA, August 2017, p15.

Award-winning programs

TV shows made in Australia for children by commercial free-to-air broadcasters consistently win industry awards.



Beat Bugs (Seven) won best children's television series at the 2016 AACTA awards and has been nominated for a Logie award and a number of daytime Emmy Awards in the US.



Dogstar: Christmas in Space (Nine) won the award for best 2D animation at the prestigious 2017 Asia Pacific Apollo Awards. The show was the sequel to the first two successful Dogstar series, comprising 52 half-hour children's animations.



Mako: Islands of Secrets (Ten) won Best Children's Television Program at the 2015 Australian Teachers of Media (ATOM) awards, and was a finalist in the 2016 ATOM awards and 2016 Screen Producers Australia Awards.



Get Ace (Ten) won first prize for best animation at the 2014 Australian Writers Guild Awards, has been sold internationally and also won awards for its musical content.

The new media landscape

Very low audiences for C and P programming on commercial TV

Free TV asked the research group OzTAM to analyse audiences for programs classified as C and P broadcast on any commercial free-to-air TV channel in the calendar years of 2010, 2013 and 2016.

The analysis reveals that on average very few children are watching programming classified as C and P released on commercial free-to-air TV.

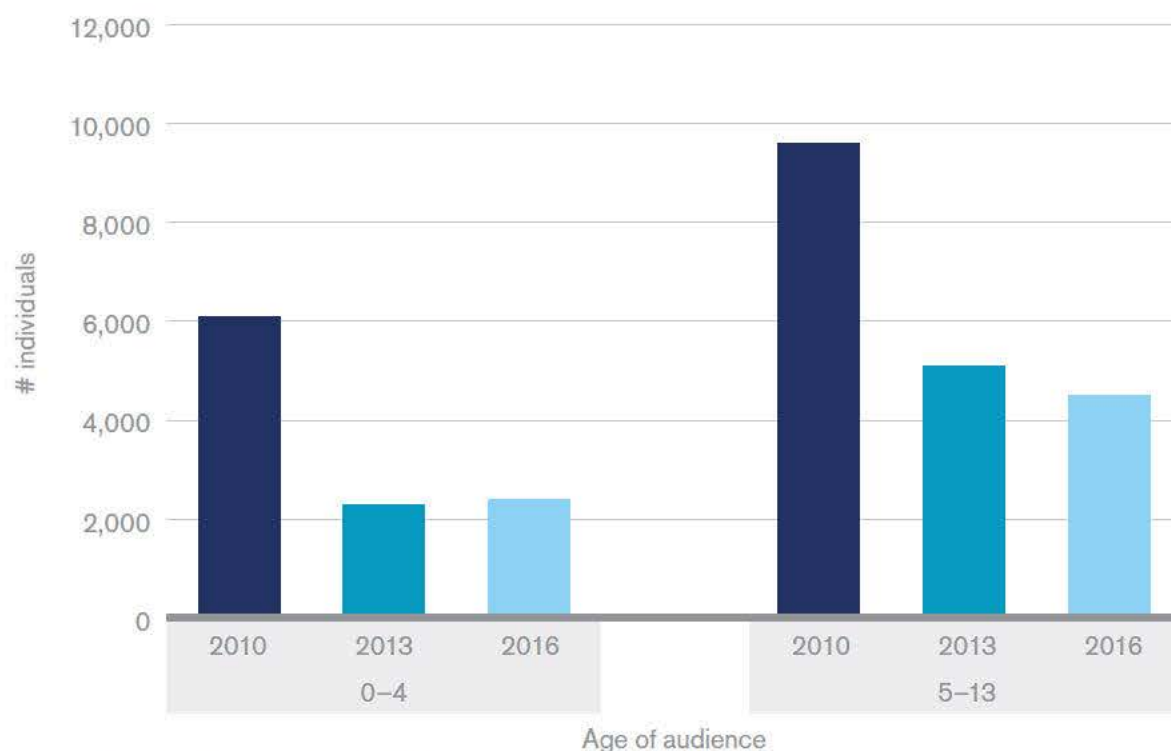
- In 2010, 14% of C and P programs attracted an average of more than 25,000 children aged 0–13 years.
- By 2016, only 7% of C and P programs had an average audience of 0–13 year olds that was higher than 25,000 and 79% of programs had an audience of below 10,000.
- Further, in 2016, all pre-school programs had an average audience in the 0–13 year old bracket of less than 10,000.

Numerous C and P shows screen to fewer than 1,000 children on commercial free-to-air television.

On average, C and P programming is reaching 0.2% of the potential target audience of all Australian children with access to the services.

The numbers of children watching C and P shows on free-to-air broadcasters' catch-up services also appears to be very low. For instance, records from Seven and Nine indicate that during the first nine months of 2017, fewer than 100 people had streamed its programs *Toybox*, *Blinky Bill*, *Imagination Train*, *Magical Tales*, *Hiccup & Sneeze* and *Teddies*.




Figure 5: C and P audiences numbers are low and declining



Source: OzTAM analysis for Free TV, completed August 2017.

11 OzTAM, analysis for Free TV, August 2017.

Figure 6: Audiences for selected C and P programs

Show	Average audience	Channel
 <p>Imagination Train</p>	7,000	9GO!
 <p>Scope</p>	4,000	ELEVEN
 <p>Beat Bugs</p>	1,000	7two

What children are watching on commercial TV

The following table shows that children are still watching free-to-air television, but their preferences have changed. While there are often fewer than 5,000 children watching C and P Australian-made programs on commercial TV, there are hundreds of thousands watching family entertainment programs such as *MasterChef Australia*, *Australian Ninja Warrior* and *My Kitchen Rules*.

These entertainment shows do not count towards the C and P program quotas imposed on free-to-air broadcasters, despite playing a powerful role in presenting Australian stories and proving very popular – especially with younger Australians.

This entertainment programming also plays an important role in bringing families together. This is a key social outcome in an era when it's less common for families to spend time together.

We would highlight that recently the second most popular show for children aged up to 15 on any channel is *Little Big Shots*, on Seven. This program is not classified C or P and therefore does not count towards quota requirements, but as a talent show featuring children it draws a large youth audience.

When it comes to content specifically made for children (as opposed to content with broad family appeal), ABC Kids (ABC2) dominates, with all the high-rating children's shows appearing on that destination service rather than commercial free-to-air television.

In fact, ACMA research has confirmed that all the programs in the Top 30 watched by children age 0–14 on FTA TV in 2016 were on ABC2.¹²

¹² *Children's television viewing and multi-screen behaviour*, ACMA, August 2017. Unlike the Children's Television Standard, the ACMA used the 0–14 demographic in its recent study into children's viewing. This causes some variation in the data quoted.

The new media landscape

Figure 7: Top 50 programs watched by children aged up to 15 years on all free-to-air channels in 2017
(1/1/2017 to 20/9/2107)

#	Description	Channel	Average audience P0-15
1	AUSTRALIAN NINJA WARRIOR	Channel 9	313,000
2	LITTLE BIG SHOTS	Channel 7	212,000
3	PLAY SCHOOL'S STORY TIME-PM	ABC2	160,000
4	WE'RE GOING ON A BEAR HUNT	ABC2	147,000
5	I'M A CELEBRITY...GET ME OUT OF HERE	Channel 10	142,000
6	THE BLOCK	Channel 9	140,000
7	PJ MASKS-AM	ABC2	135,000
8	THE VOICE	Channel 9	134,000
9	PLAY SCHOOL STORY TIME-PM	ABC2	133,000
10	OLOBOB TOP-AM	ABC2	128,000
11	MY KITCHEN RULES	Channel 7	125,000
12	OCTONAUTS AND OPERATION DEEP FREEZE-PM	ABC2	124,000
13	PEPPA PIG	ABC2	123,000
14	PETER RABBIT	ABC2	123,000
15	BEN AND HOLLY'S LITTLE KINGDOM	ABC2	123,000
16	SHAUN THE SHEEP	ABC2	122,000
17	DOT.-PM	ABC2	120,000
18	FIREMAN SAM SPECIAL: HEROES OF THE STORM-PM	ABC2	120,000
19	TRUE STORY WITH HAMISH & ANDY	Channel 9	118,000
20	OCTONAUTS	ABC2	117,000
21	GO JETTERS	ABC2	113,000
22	FLOOGALS	ABC2	111,000
23	HEY DUGGEE	ABC2	110,000
24	GET GRUBBY TV	ABC2	108,000
25	HOUSE RULES	Channel 7	107,000
26	KAZOOPS!	ABC2	106,000
27	OCTONAUTS AND THE GREAT ARCTIC ADVENTURE-PM	ABC2	105,000

#	Description	Channel	Average audience P0-15
28	OCTONAUTS AND THE MARIANA TRENCH ADVENTURE	ABC2	105,000
29	MAURICE'S BIG ADVENTURE-AM	ABC2	105,000
30	ANDY'S PREHISTORIC ADVENTURES-PM	ABC2	103,000
31	LITTLE ROY	ABC2	102,000
32	HERE COME THE HABIBS!	Channel 9	101,000
33	OCTONAUTS AND THE GREAT SWAMP SEARCH	ABC2	100,000
34	MASTERCHEF AUSTRALIA	Channel 10	98,000
35	JEMIMA'S BIG ADVENTURE-AM	ABC2	97,000
36	FIREMAN SAM	ABC2	97,000
37	CHARLIE AND LOLA	ABC2	96,000
38	THE HIVE	ABC2	96,000
39	MARRIED AT FIRST SIGHT	Channel 9	96,000
40	THE GRUFFALO-PM	ABC2	94,000
41	OCTONAUTS AND THE AMAZON ADVENTURE	ABC2	93,000
42	ROOM ON THE BROOM	ABC2	93,000
43	THE GRUFFALO'S CHILD-PM	ABC2	93,000
44	SARAH & DUCK	ABC2	91,000
45	LOST AND FOUND	ABC2	90,000
46	PEG + CAT	ABC2	89,000
47	HOME AND AWAY	Channel 7	89,000
48	HUMPTY'S BIG ADVENTURE-AM	ABC2	88,000
49	OCTONAUTS SPECIAL	ABC2	88,000
50	THE BACHELOR AUSTRALIA	Channel 10	87,000

Source: OzTAM.

Notes:

- 5 City Metro
- P0-15 Average Audience
- FTA Networks (including ABC/SBS)
- Regular programs aired at least 3 times - minimum of 5 minutes viewing
- Multiple programs combined to average one figure (e.g. My Kitchen Rules Mon, Tue, Wed & Thu merged to one program/audience).
- Data: Consolidated (Live + As Live + TSV7), Last 7 days Overnight (Live + As Live)

The new media landscape

Case Study: Australian Ninja Warrior

Launched in July 2017, *Australian Ninja Warrior* has become the highest rating non-sports program in Australia with more than 2.5 million viewers watching on free-to-air TV.

The show depicts hundreds of ordinary Australians competing to conquer the world's toughest and most spectacular obstacle course. Building the obstacle course on 'Ninja Island' required a core crew of 40 people working over ten 12-hour days. Now, the show employs more than 280 production crew members on any given filming night.

Australian Ninja Warrior is a powerful insight into what Australians love to watch today. The show brings to life the unique Australian spirit of "get up and go" through the telling of real and unscripted stories. Contestants share what inspired them to take on the challenge, whether it's pure athleticism, supreme courage, or a desire to triumph over adversity.

These stories gripped the nation, with free-to-air ratings proving that families were viewing the show in record numbers. The show also regularly trended on digital and social channels. The grand finale attracted more than 3.4 million viewers, with young children aged 0–14 accounting for more than 287,000 of the total audience.

With its combination of adrenaline-charged action and inspiring backstories packaged as a family-friendly and fun experience, *Australian Ninja Warrior* brought Australians together, connected families and showed that any Australian could be catapulted to superhero status.



A new era for drama

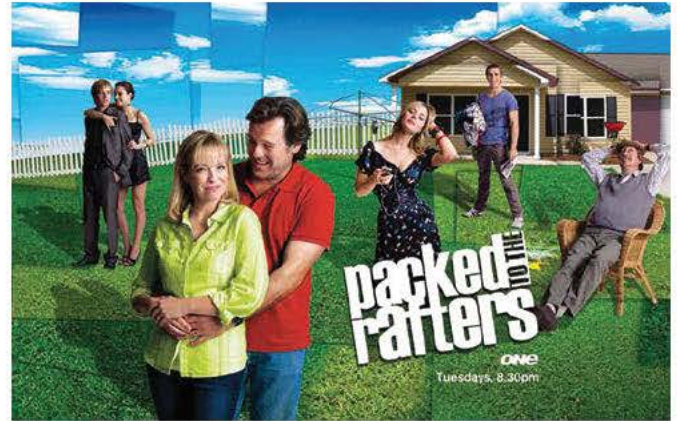
The genre of programming that has felt the full disruptive force of new media first is drama. Delivering drama series on-demand has been the driving force behind the growth of subscription video services such as Amazon Prime, Netflix and Stan – here and overseas.

Drama consumption is shifting from linear to on-demand services

This impact – possibly combined with changing audience tastes – can be seen clearly in falling audiences for traditional scripted drama programs on television.

According to analysis by Screen Australia, in 2008, 18% of the top 50 programs on Australian TV were dramas. By 2015, none of the programs in the top 50 rating programs was a program that would be defined as a traditional drama.¹³ In 2008, *Packed to the Rafters* was the highest rating Australian drama series, with an average five city metro audience of close to 2 million viewers. However, by 2017, no drama series has an average five city metro audience in excess of 1 million for its free-to-air broadcast.

We note that the entertainment programs *MasterChef Australia*, *My Kitchen Rules*, *The Block* and *The Voice* all made the top-50 list alongside news and sport programming. These entertainment programs feature a large amount of dramatic content and follow compelling narratives. In turn, these new and very popular formats challenge the concept of what constitutes 'drama' and 'storytelling' in the modern era. The changing definition of drama is an area the Government might consider as it continues its review.



...no drama series has an average metro audience in excess of 1 million for its free-to-air broadcast.

The rise of bingeing

The migration of viewers to subscription on-demand services, as well as free-to-air broadcasters' catch-up TV services, has been accompanied by a radical change in the way that individuals consume drama programming. This is the rise of 'binge' watching.

A March 2017 survey of more than 2,000 Australian consumers by Deloitte found that 59% were bingeing – defined as watching three or more consecutive TV episodes in a single sitting. Nearly a third of those 'bingers' (29%) did so at least weekly and the average length of a binge session had increased to six episodes from five a year earlier. That equated to 4.5 hours of TV watching in a single sitting.¹⁴

¹³ <https://www.screenaustralia.gov.au/fact-finders/television/industry-trends/top-programs>

¹⁴ *Media Consumer Survey 2017: Australian media and digital preferences – 6th edition*, Deloitte Australia.

The new media landscape

MasterChef Australia

Hi. My name is Rick Maier.

I am the Network EP for *MasterChef Australia*, but I am also the Network's Head of Drama.

Most people find this an odd combination, but in truth the skill set that is required is identical. Why? Because reality TV is all about story-telling. We communicate aspiration and teamwork and our "characters" (in this case real people) need to overcome real hurdles and self-doubt. That's external and internal conflict.

We also happen to enjoy – purely because of our focus on food – the greatest cast diversity of all commercial FTA programs. Whilst drama folks can often regard reality as a poor cousin, the production truth is vastly different.

These shows are expensive to make. *MasterChef Australia*, for example, has a crew of 110, and a post-production crew of 150. That's a lot of jobs and a lot of skills training that is essential to the lifeblood of our business.

It is also a major success story with regard to International Sales (*MasterChef Australia* is broadcast in over 100 territories worldwide). That's a lot of inbound revenue for the production company to potentially generate more content and defray costs. That also means jobs.

Perhaps just as importantly, these kinds of shows resonate with audiences at a time when we have never ever had so much competition for eyeballs. With the fragmentation of audience, time-shifting and a shortening attention-span – is it such a bad thing to broadcast programs that can be enjoyed by the whole family at the same time in the same space?

Reality TV provides a voice and a small window perhaps into a broader community. These are still Australian voices, and they still represent us. As much as networks may claim to blaze a trail, in truth we actually only ever respond to audience taste. When the audience fatigues of an idea or a genre – it quickly ends. The audience tells us.

MasterChef Australia anecdotally brings joy and satisfaction to many people. It undoubtedly has had a positive economic impact on inbound tourism and the food industry. You may even argue it has fundamentally changed the way we relate to food.

This is my sixth season of the little cooking show. It is a massive beast and more than a full-time commitment – but I still consider it a privilege to be involved.

As Network Ten's Head Of Drama, Rick Maier is responsible for *Wake In Fright*, *Offspring*, *The Wrong Girl*, *Neighbours* and many other drama programs.

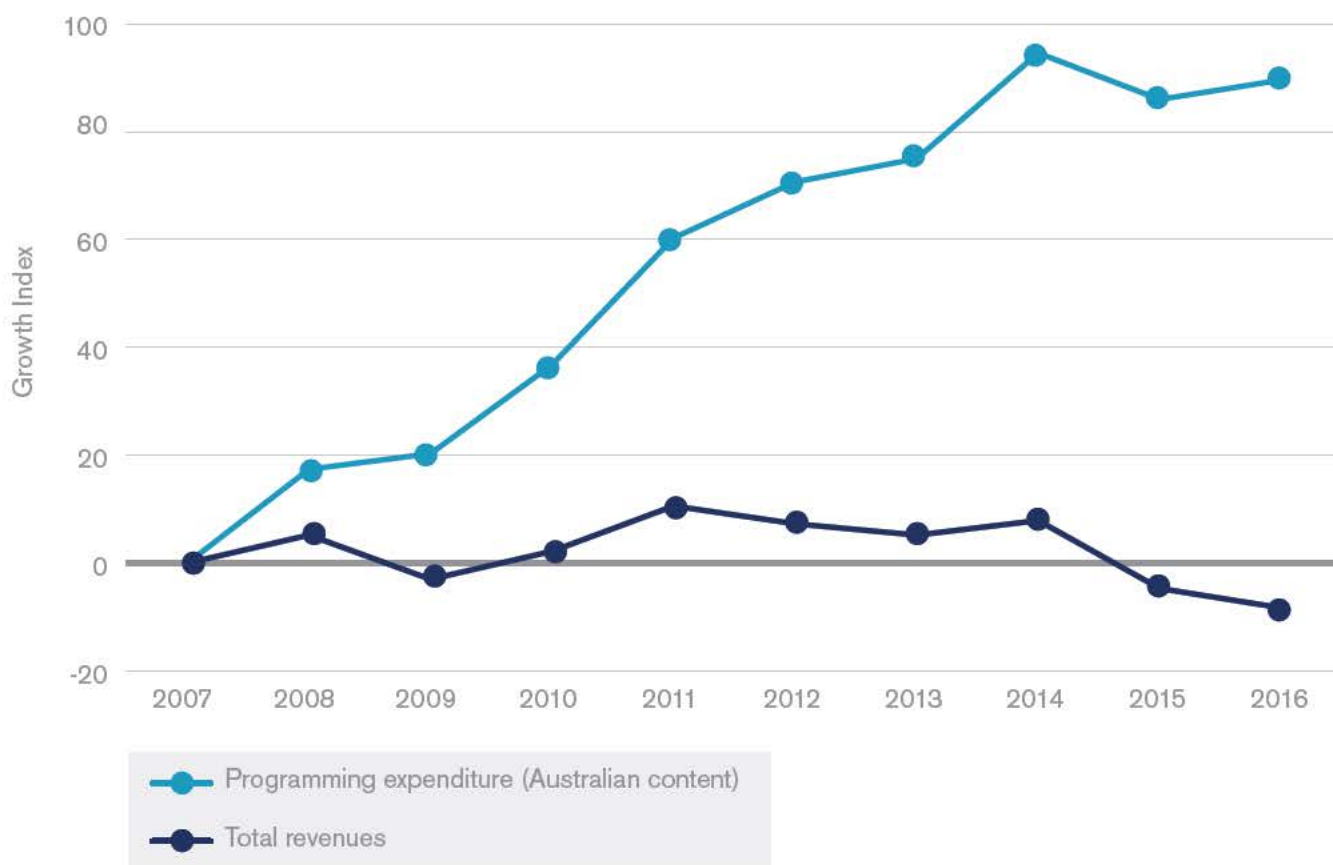


Commercial challenges for broadcasters

The rapid growth in competitors and dramatic shifts in viewing behaviours have had a major impact on commercial free-to-air broadcasters. This is coming from the double-whammy of lower advertising revenues combined with rising production costs. Television advertising revenue has been declining by around 4% a year in recent years, while production costs have been rising by 6% year on year (see Figure 8).

It is also being exacerbated by the country's outdated and inflexible regulatory environment, which requires commercial broadcasters to create certain content even if there is not a viable audience for that material on their channels. Together, these factors means there is an urgent need to make regulatory changes to ensure the industry remains sustainable and can continue to play its critical role in supporting and delivering local content.

Figure 8: Commercial free-to-air revenues and spending on Australian content



Source: Analysis prepared for Free TV Australia by Venture Consulting, April 2017.

Recommendations for change

As major industry players that are passionate about producing Australian content and seeing it succeed locally and globally, we would urge the government to move towards new settings that give the industry the right flexibility and incentives to innovate and respond to our audiences.

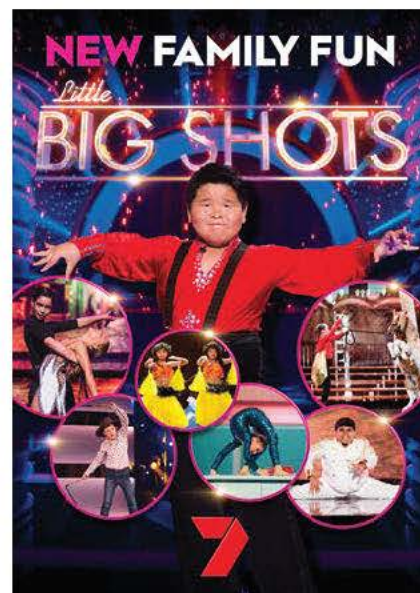
The following changes would help ensure the Australian public continues to enjoy watching a large quantity of high-quality local content free via our broadcast networks. They will also ensure our members can continue to act as the cornerstone for the local production sector – in way that is relevant and sustainable.

1. Reset the quota settings

The current quota system, which sets mandatory requirements for commercial free-to-air broadcasters, dates back to the 1960s and was last substantially updated in 2005. As the government acknowledges in launching the current review, this system has become outdated, and in many cases is failing to achieve its public policy objectives, due to the radical changes in technology and audience behaviours seen in recent years.

One of the most important changes the government can make is to adjust this system to give commercial free-to-air broadcasters the flexibility they need to remain competitive in the evolving media environment. This means being able to 'follow the audience' in terms of the content they want to watch and the new platforms they want to watch it on, and setting quotas at a level that is sustainable and financially viable.

We emphasise that the commercial free-to-air sector is highly committed to producing Australian content and to ensuring that Australians receive high-quality content that delivers social and cultural dividends, as well as economic ones.



...the commercial free-to-air sector is highly committed to producing Australian content and to ensuring that Australians receive high-quality content...



Recommendations for change

1.1 Remove C and P quotas

Despite producing award-winning local programs and screening them at suitable times on readily accessible channels, very small numbers of children (often less than 10,000) now watch C- and P-classified programs on commercial free-to-air TV.

With children's programming costing hundreds of thousands of dollars per hour to produce, this represents a massive commitment of resources that could be deployed creating content that audiences do want to access via the linear, time-sensitive platform of commercial free-to-air television. Further, the current C and P classification and monitoring process is complex and onerous for commercial broadcasters to manage.

As outlined earlier in this paper, children prefer to watch children's programs on dedicated 'destination' broadcast services such as ABC Kids and Nickelodeon, that screen only children's programming. Children now also prefer to access shows on demand from services such as ABC iView and subscription or free video services including Netflix and YouTube.

For these reasons, we believe C and P quotas (see the appendix for detail) should be abolished for commercial free-to-air broadcasters. This will enable our members to redirect the money they are spending producing expensive children's content that is not reaching its intended audience and therefore failing to meet the government's policy objectives.

Commercial broadcasters could instead invest in local content that is popular with a broad family audience. Removing such waste would also enable our members to improve their financial viability and ensure they can continue to deliver compelling free television services and underpin Australia's screen production capacity.

We also note children's quotas on commercial TV broadcasters have largely disappeared in other comparable nations. The United Kingdom abolished children's quotas in 2003 and New Zealand removed them in 2011. Canada also removed children's content quotas in 2011, but requires the nation's public broadcaster (CBC) to broadcast 15 hours of material for children under 12 per week.

The UK abolished
children's quotas in

2003

New Zealand abolished
children's quotas in

2011

1.2 Adjust drama sub-quota requirements

Current model

The drama quota system centres on a system of points, which are awarded according to the format and duration (in commercial hours on a pro rata basis) of drama programming. This model requires the production of a large amount of Australian drama content for free-to-air TV but unfortunately, as outlined above, this material is expensive to produce and is attracting shrinking audiences. For these reasons the volume of content required to meet the existing requirements is not sustainable into the future and the current model does not offer the flexibility and incentives to support innovation in a converged media environment.

Under the existing model, broadcasters must attain 860 points each three years, with differing points per hour based solely on the format of the program.

Furthermore, the cost of production is not considered, there is no distinction between original commissioned programs and acquired programs, and the cultural, training and employment benefits of long-running serials are significantly undervalued.

Type of program	Format factor per hour
Serial or series produced at a rate of more than 1 hour per week	1
Serial or series produced at a rate of one hour or less per week:	
• acquired from an independent producer for prescribed licence fee (currently \$421,000 per hour for 2016);	3
• in any other case	2.5
Mini-series	4
TV movies	4
Feature film – licence fee is < \$211,000 (for 2016)	2.5
Feature film – licence fee is > \$211,000 per hour (for 2016)	4

Delivering drama content that Australians value

The commercial broadcasting industry is strongly committed to Australian content, including producing or commissioning drama content. We believe that drama programming is important to the branding and identity of our networks, and that they add texture and depth to our schedules.

However, to continue being able to invest in quality local dramas in the multi-platform, on-demand TV era, we need to move towards a new model that gives broadcasters greater flexibility in how they meet their requirements, and allows them to better align their production spending to current and future audience numbers.

We propose a new model for calculating drama scores that better reflects the needs and preferences of our current audience. This proposed model is platform-agnostic and:

- gives commercial broadcasters the necessary flexibility to respond to rapidly changing audience viewing behaviour
- recognises escalating production costs, in particular with returning series
- incentivises original commission by drawing a distinction from acquisitions, while still recognising the importance of acquisitions
- incentivises the original commissioning of content with higher production values, due to the scaled total production budget model
- recognises the importance of high-volume serials.

We believe that the proposed approach will provide the flexibility that will be critical for the sustainability of the drama production sector in Australia.

In particular, the new points system is designed to enable broadcasters to follow a range of different business models for drama, including large-scale television events, high-volume serials, and more targeted niche and short-form content that may resonate with audiences across new platforms. Specifically, this proposed approach will support:

- a wider variety of production budgets that respond to audience appetites and genre requirements
- a greater diversity of Australian stories in terms of scale, subject matter, platform and audience appeal
- a wider skill base within the production sector by fostering a diversity of production output.

Recommendations for change

Proposed model

Our proposal model retains the need to reach 860 points each three years and is still based on the use of format factors and the duration of programs. However, it recognises the difference between original commissioned programs and acquired programs. It also acknowledges that local production costs have risen in recent years, and that many popular dramas on on-demand platforms from overseas now have very large production budgets.

This approach also ascribes a slightly higher value to long-running series, which as we argue earlier, serve audiences and also play a key role in providing employment and training that benefits the entire Australian content production sector.

Originally commissioned programs	
Type of program	Format factor per hour
Serial or series produced at a rate of over 52 hours per annum	1.5
Series/Mini-series/TV movies based on following levels	
• Less than \$750,000*	Acquisition rates
• Between \$750,001 and \$1,000,000	5
• Between \$1,000,001 and \$1,250,000	6
• Between \$1,250,001 and \$1,500,000	7
• Between \$1,500,001 and \$1,750,000	8
• Between \$1,750,001 and \$2,000,000	9
• Above \$2,000,001	10

* All production values relate to total production budget per hour, not only a broadcaster's contribution.

Acquired Programs	
Type of program	Format factor per hour
Serial or series produced at a rate of over 52 hours per annum	1
Serial or series produced at a rate of less than 52 hours per annum:	3
• Mini-series	4
• TV movies	4
• Feature film – licence fee is < \$211,000	2.5
• Feature film – licence fee is > \$211,000 per hour	4

Flexibility to meet sub-quota obligations via other platforms

In addition to recalibrating the drama points, commercial TV broadcasters are also seeking flexibility to acquit their sub-quota obligations by releasing content to platforms other than free-to-air broadcast.

As noted previously in this submission, viewers are increasingly looking to access scripted drama and documentaries online, on an on-demand basis, and are binge watching an entire series over a short period rather than the traditional broadcast model of watching one episode per week. The sub-quota obligations should be amended to provide broadcasters with the flexibility to release drama and documentary content via whichever medium audiences want to consume it – whether this is a catch-up service, an alternative online platform or a social media channel.

The online environment provides great opportunities for new forms of Australian content to thrive, including content targeted at niche audiences, short-form scripted content, and novel forms of storytelling that are directly engaging with audiences. However, if broadcasters are only able to meet their drama quotas by broadcasting content on their free-to-air platforms, they are less likely to experiment with highly innovative drama projects.

Redefine ‘first release’

As a complementary measure to the new points model proposed above, we recommend that the government adjusts the definition of ‘first release’ contained within the Australian Content Standard, so that any program can count towards a sub-quota if it is the first time it has been broadcast on free-to-air television.

At present, there are anomalies in the treatment of programs that screen first on an SVOD service such as Netflix or Stan compared to those that might appear on a pay TV service such as Foxtel. For example, a commercial free-to-air broadcaster can screen an Australian drama or mini-series that has already appeared on an SVOD or AVOD service and still have it count towards its drama sub-quota. It can also do this for an Australian feature film or telemovie that has been broadcast on pay TV. Yet it cannot count an Australian drama series or mini-series that has been broadcast on pay TV.

This is a regulatory disparity and an outdated condition that goes against the notion of making regulation platform-agnostic. Removing this anomaly would enable co-productions with subscription broadcasters and could allow greater resources to be committed to a broader range of drama content. In turn, this could provide Australians greater access to content previously only available to pay TV subscribers.

1.3 Make some Australian content requirements flexible in regional and remote areas

Commercial broadcasters routinely exceed their requirement to broadcast an annual minimum of 55% Australian programming between 6am and midnight on their primary channels, and we are not proposing any reduction to this requirement. Our members also meet the requirement to deliver 1,460 hours of Australian content on their multi-channel services in metro areas and in the majority of regional Australia.

However, regional broadcasters struggle to meet their full multi-channel quota requirements in smaller regional and remote areas (particularly where they hold s.38A and s.38B licences). There should be flexibility for these broadcasters in the form of an exemption from compliance so that they are not expected to meet the requirement to deliver the 1,460 hours per annum of Australian content on the multi-channel services – in particular, where cost constraints or complex technical

issues prevent them from being able to deliver a full package of services that are available from their metro network affiliates.

In addition, where a metropolitan network meets its sub-quota obligations by releasing content online rather than as part of its free-to-air broadcast service, the affiliated regional networks should also be able to count the content towards their own sub-quota obligations.

2. Adjust financial incentives and conditions

The government has an opportunity to better invest the money it spends on promoting local screen content to maintain or increase the amount of local content produced, to strengthen the production industry and to improve the likelihood of generating export success stories.

2.1 Producer Offset

2.1.1 Make the Producer Offset the same for film and TV production

Producer Offset tax incentives have played a powerful role in promoting the local production of feature films, TV drama and documentaries since they were introduced in 2007. They have been particularly effective in supporting the production of high-budget, high production value content that has performed well in Australia and internationally.

Given this success and the government’s desire to stimulate the production of Australian content, we do not believe it makes sense to differentiate between feature films, which can access an offset of 40% of qualifying expenditure, and television and other eligible projects which are limited to 20%.

This is the same conclusion reached by the government’s Convergence Review in 2012, which said: “Premium television content exceeding a qualifying threshold should attract the 40% offset available under the producer Offset Scheme. This will bring premium television content in line with the current rate of the offset available for feature film production.”

Providing this increased incentive for TV production would encourage greater investment in the Australian production industry and provide an additional incentive for broadcasters to invest in Australian content.

Recommendations for change

There are numerous reasons to treat television and other eligible projects the same as film, specifically:

- Television production contributes just as much to creating a vibrant industry as film production. In fact, it can have a greater impact because broadcasters typically offer longer-running employment and training opportunities, which increases the pool of Australian screen production talent for the benefit of all formats.
- There is now little technological distinction between film and TV production, and most are produced by the same pool of cast and crew talent. This can be seen behind the camera and in front, such as Nicole Kidman appearing in the American TV series *Big Little Lies*, recently produced by HBO.
- Successive editions of the Screen Australia *Drama Report* show that the costs of producing television drama have been increasing, which increases the need for the nation to support local production. In fact, the cost of producing quality television is now comparable to the cost of producing film, and can also be higher.
- The historic 'hold back' window between the release of a film in cinemas and its release on free-to-air or subscription TV platforms is rapidly closing.

In addition, we note that Producer Offset is currently only available for traditional scripted dramas and documentary programs. While we appreciate the intention of reserving offset support for certain genres, it needs to be acknowledged that these traditional forms of content are being reinterpreted by audiences and producers in the new media environment. Some flexibility needs to be applied to interpreting the genre-based restrictions to ensure the incentive schemes remain fit for purpose into the future.

2.1.2 Remove the 65-hour cap

The illogical and discriminatory 65-hour limit on the application of the Producer Offset to commercial TV series must be removed. Under this limit – or cap – a series is no longer eligible for the offset after it has been in production for 65 hours (about five seasons).

The rationale for removing the offset after 65 hours was that shows that survive to five seasons should have become self-sustaining. However, the reality is that the

challenges of funding a drama series in Australia do not change or ease after multiple seasons – especially in an environment of declining domestic audiences for drama on free-to-air television.

For this reason, it has been very rare for local dramas to continue beyond the 65-hour point.

Even some of the most successful current Australian drama titles such as *Offspring* (Ten) are made at a heavy loss despite being produced with assistance from the offset for the first few seasons. Once the 65-hour cap is reached, it can almost double the financial contribution required of the broadcast partner.

In short, removing the cap would allow successful titles to continue being created for longer. This would in turn deliver a range of benefits to the industry that would further the government's objectives and represent a good continued investment of taxpayers' funds.

In particular:

- Continuing to support an already successful title means the industry does not have to duplicate the disproportionate effort and expense involved in developing and promoting a new title and building an audience for it.
- Long-running titles provide more stable employment opportunities for production professionals and act as high-value training grounds for future talent.
- The longer a title runs in Australia and the stronger its perceived support, the greater its chances of building export sales. Such exports deliver a financial dividend back to Australia and help to promote Australia internationally, which flows on to benefits in other export sectors, especially education and tourism. A good example is *McLeod's Daughters* (Nine), which promoted country Australia and sold well overseas.
- While some titles are successful, many aren't, so there is a need to allow broadcasters and their production partners to balance out their returns to maintain a financially sustainable industry.

Removal of the cap is also supported by the screen production industry.

Case study: House Husbands discontinued at 58 episodes

House Husbands is an award-winning Australian television drama. The program first aired on the Nine Network on 2 September 2012. It has run for five seasons, employing over 100 cast and crew full-time over a 20-week period for each season.

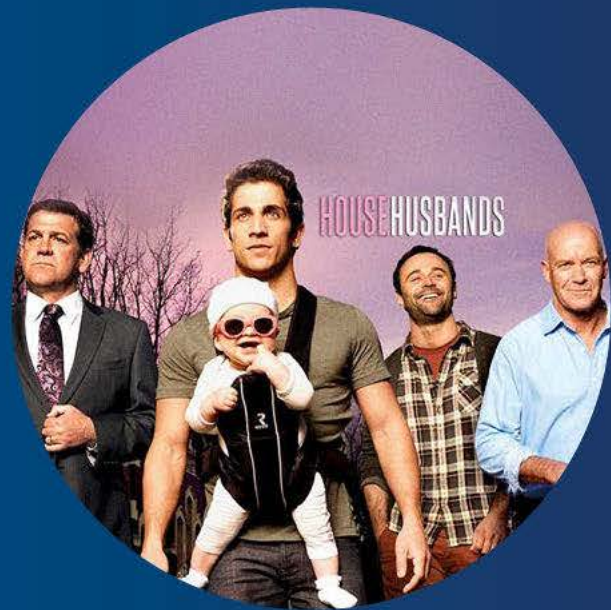
Filmed in Melbourne, *House Husbands* stars Julia Morris, Gary Sweet, Firass Dirani, Gyton Grantley, Rhys Muldoon and Natalie Saleeba. It is based on the stories of four stay-at-home fathers and their families. It's a warm, funny and real perspective on modern families and the way we live today.

House Husbands has run for 58 episodes with only seven more episodes until the Producer Offset incentive terminates. However, due to the change in the competitive environment and the approaching cut-off for the Producer Offset episode cap, Nine has decided not to commission a further series of *House Husbands*.

In an increasingly competitive market where the audiences have a thirst for new and novel material, free-to-air broadcasters need to ensure that their production values are high to compete with the international dramas on the SVOD platforms. It's these pressures that lead to increasing budgets.

Commissioning drama in this new competitive environment means that Nine is approaching financing through a different lens. The ongoing availability of the Producer Offset is a key consideration for networks, together with the potential for international sales and distribution guarantees.

The networks are also accepting that the average ratings expectations are no longer what they once were – the days in which large aggregated audiences tuned in to a drama series in prime evening timeslots are a legacy which have been superseded by an increasingly disaggregated audience who have other options at their fingertips.



The current system incentivises networks to terminate long-running titles in favour of new productions to ensure we have access to the Producer Offset rebate. It is this incentive which assists free-to-air networks in making our dramas viable and means they will inevitably lean towards new productions in preference to longer running formats even though they have proven to be successful and despite viewer and industry accolades.

House Husbands is not the only Nine drama that has fallen victim to the cap in the producer offset. *Sea Patrol* is another example of a drama that was no longer viable without the Producer Offset.

If the cap was lifted on the Producer Offset we would be in a better position to continue important Australian dramas that have been proven to be popular with audiences and already have an established viewership at home and overseas.

Recommendations for change

2.1.3 Maintain the Post, Digital and Visual Effects Offset

Another offset that plays a valuable role in supporting the strength of the Australian screen production sector is the Post, Digital and Visual Effects (PDV) offset. This is a 30% rebate that supports work on post-production, digital and visual effects for film or TV production in Australia, regardless of where a project is shot.

We believe this should remain in place to ensure that high-value post-production skills and technology remain in Australia, especially in relation to expensive reality and entertainment programs that are not entitled to the Producer Offset.

2.1.4 Allow commercial television to access Screen Australia funding

Screen Australia is the Australian Government's main agency for supporting the Australian film and TV industry. It provides grants, loans and recoupable investments for projects, businesses and practitioners across film, TV drama, documentary and multi-platform storytelling. In the 2015–16 financial year, the agency provided \$71.5 million in project funding for features, TV, online and documentary productions.¹⁵

Commercial free-to-air broadcasters are explicitly excluded from accessing production funding or other assistance from Screen Australia. We believe this exclusion is based on an outdated view of how the television production industry works. For example, commercial broadcasters and groups eligible to apply for Screen Australia funding all call on largely the same pool of actors and production professionals to complete their productions. In other words, Australian content is being made by the same people but under different models.

In addition, about half of all Screen Australia TV drama funding is currently provided to foreign-owned multinational production companies, most of which are much larger than Australia's free-to-air broadcasters.

In turn, we believe that commercial broadcasters – in particular, their production units – should be free to apply for Screen Australia support for relevant productions. Any proposals should then be assessed on the basis of creative merit and potential contribution to the growth of Australian content.

This change would mean that production units owned by commercial free-to-air broadcasters would be treated in the same way as any other production business operating in Australia. It would also mean the government would be free to provide its financial support to those projects and groups it believes – through Screen Australia – will best help it achieve its goals. Those objectives include generating Australian-made content and building an internationally competitive industry comprising strong, locally owned businesses.

More broadly, it's time to change the perception that 'in-house' production is different from 'independent' production and therefore less worthy of support. Our vision is that our production groups can become strong and sustainable Australian businesses in their own rights, selling to their commercial broadcaster parents as well as other platforms. In an environment of falling advertising and fragmenting audiences and channels to market, this will be a critical to the continued strength of the Australian-owned production industry.

¹⁵ Screen Australia Annual Report 2015–16.

Case study: Seven Productions

Seven Productions has been responsible for creating and producing some of Australia's most popular drama programs including *Home and Away* and *Packed to the Rafters*, factual series such as *Border Security* and reality/entertainment programs such as *My Kitchen Rules* and *House Rules*.

Seven Productions is now creating more Australian content than at any time in its history – both for the Seven Network and on commission for third parties. For example, Seven Productions produces *A Place to Call Home* for Foxtel and (through its joint venture 7Beyond in the US) has recently been commissioned by The Travel Channel to produce a 12-part travel series featuring Tim Noonan, *Boy to Man*.

Seven Studios employs a large number of people, providing training, development and secure employment in a generally volatile industry.

During 2017, Seven Productions will commission, create and produce nearly 700 hours of drama, entertainment, reality, documentary and children's programming. It will also employ more than 820 people on a full-time, part-time or "run of show" basis, including writers, actors, directors and technical crew (as well as engaging the services of external resources).

Many of Seven's productions and formats have made their way to international screens, including *Home and Away*, *A Place to Call Home*, *Winners and Losers*, *Packed to the Rafters*, *My Kitchen Rules*, *House Rules* and *Border Security*. Local versions of *My Kitchen Rules* have been produced in the UK and USA, among others.

In-house production provides many people with valuable training and an opportunity to increase their skills base. The opportunity to move between run of show regular employment with a broadcaster such as Seven and independent projects is a welcome one for many in the production industry.



Many creatives take the opportunity to work on in-house productions while they go about securing their next independent project and move between the two sectors throughout their career. Seven is also expanding its presence in international content production with the formation of three new international production companies: Seven Productions New Zealand, 7Wonder and 7Beyond, as well as a major shareholding in UK-based scripted content specialists, Slim Film + Television.

Seven Productions is one of the only significant content producers in Australia that is Australian owned.

Recommendations for change

2.1.5 Expand export incentives

Since the dawn of television, Australia has relied on exports of our creative talent to help shape our national identity overseas. Shows like *Skippy*, *Home and Away* and *Neighbours* have all demonstrated to the world both who we are as Australians and showcased Australia as a destination for holidaymakers. These exports have been so important that Senator James McGrath recently noted in the Senate that “television programs are electronic ambassadors for our country in the message that they take to the world.”¹⁶

This importance should be recognised by the government by providing access to similar export development schemes as are available for other industries. For example, the Export Market Development Grants scheme is a key program for small- and medium-sized businesses, and the government provides targeted programs for agricultural producers.

Other countries have similarly realised the importance of exporting creative content. For example, the US, French and UK governments all actively promote their content overseas. However, Australia has no clear strategy to drive international sales of Australian content.

In an era of increasing cost of content production, it is important to recognise the role that export sales can have in financing new Australian productions. Accordingly, the current review should recommend the creation of an export program for creative content. This could be similar to the UK's International Strategy for Creative Industries.

In this proposed model, a government agency would directly work with entertainment companies. The agency could encourage them and support them to export by creating overseas partnerships with the potential to generate new business. It could also provide financial support for marketing campaigns and participation in overseas trade shows.

3. Review the role of the national broadcasters

The ABC and SBS play important roles in Australia's media landscape and in helping the government achieve its cultural and educational policy objectives. This is especially the case in areas where it may not be commercially viable for other operators to deliver relevant content, such as children's programming and niche content for specific ethnic groups.

We recommend that the government reviews the role of the public broadcasters and their charters as a key part of its content review. We would particularly urge it to focus on children's programming and the impact of national broadcasters competing for mainstream commercial television content, where Australian audiences are already well served.

3.1. Make the ABC the primary destination for children's programming

As the discussion above shows, children and their parents prefer to access TV content through dedicated destination services. Following the ABC's sustained investment of taxpayer funds in creating and promoting dedicated ad-free children's channels, this primarily means ABC Kids and ABC ME.

The popularity of the ABC's services is reflected in the fact that all 30 of the top-rating C- and P-classified programs for children in 2016 appeared on ABC Kids.¹⁷

We would therefore encourage the government to follow current audience preferences – and build on the ABC's investment in attracting child viewers – and make the ABC the primary free-to-air service for delivering children's programming in Australia. The government could also then focus on the quality and Australian content levels gained through those services and ways to ensure its policy objectives are being met.

¹⁶ Senate Hansard, Thursday, 22/06/2017, p. 4,891.

¹⁷ *Children's television viewing and multi-screen behaviour*, ACMA, August 2017.

Giving the ABC a greater role in children's TV also better matches with the commercial reality of funding the content. The current regulations in the Children's Television Standard bans advertisements during P programs, and imposes strict time limits during C programs and classification requirements for advertisements suitable for broadcast during C programs. This means that commercial broadcasters can do little to offset the cost of making high-quality children's programming. Clearly the ABC is best placed to provide this type of content as it is not faced with the same commercial imperatives as other free-to-air broadcasters.

3.2 Avoid wasteful competition between national and commercial broadcasters

Over recent years there has been a marked rise in the extent to which the ABC and SBS directly compete with commercial free-to-air TV to acquire content with commercial appeal. This trend is accelerating as SBS, in particular, has launched or expanded its Viceland and Food Network channels.

The content being shown on Viceland and Food Network is mainstream content that is sourced mainly from SBS's American affiliate. The impact of SBS using its public funding (government appropriation still accounts for 75% of its operating revenue) to acquire such mainstream commercial content is to drive up the cost of that programming in Australia and waste public funds on content that the commercial market would have delivered.

For example, the Nine Network was recently outbid by SBS for commercially significant food-related content that it would have shown on its 9Life channel at no cost to the Australian public. This content will add to SBS's suite of largely American cooking shows shown on its Food Network service and which do not contribute to its charter. As the SBS annual report states, the network's principal function is: '... to provide multilingual and multicultural radio, television and digital media services that inform, educate and entertain all Australians and, in doing so, reflect Australia's multicultural society'.

As it seeks to gain audiences for its advertising, SBS has also been broadcasting other mainstream commercial content such as repeats of American movies. Feature films broadcast on SBS in the past year include *Aliens*, *Kill Bill*, *Pulp Fiction* and *Star Trek*.

We would urge the government to ensure the public broadcasters are fulfilling their charters, delivering services that Australians might otherwise not receive (especially regional news, foreign language programming and children's content) and not undermining the commercial free-to-air sector by competing even more directly for advertising and driving up the cost of commercially viable programming.



all 30

of the highest-rating programs made specifically for children in 2016 appeared on ABC Kids.

Recommendations for change

4. Strengthen copyright protections

4.1 Protect Australian content from piracy

Australian copyright law provides the fundamental framework that incentivises the production of local content and enables broadcasters and content creators to realise a return and continue to invest in the industry. This is crucial to protect our significant investment in the telling of Australian stories.

However, that framework is under threat due to moves by Google and others seeking to weaken copyright protections for content creators. This must be seen for what it is – a strategy to gain access to more free content against which to generate revenue.

Instead of undermining the framework that underpins content creation, we strongly believe that this review process should look to strengthen copyright protections by:

- ensuring a strong compliance framework that holds search providers and other content aggregators accountable for directing traffic to pirated material
- strongly supporting the existing fair dealing provisions and rejecting moves to introduce US-style fair use provision
- rejecting the expansion of the existing safe harbour scheme to carriage service providers.

4.2 Acknowledge the value of retransmission

Broadcasters' ability to continue to invest in Australian content is hampered by the fact that the current retransmission exception contained in section 212 of the *Broadcasting Services Act 1992* allows competing platforms to benefit commercially from retransmitting commercial free-to-air broadcasts without the consent of the owner of the broadcast. This is not in line with the intended purpose of the exception when it was initially introduced, which was to facilitate reception and self-help facilities in areas with poor terrestrial television reception.

This is an unwarranted exception to broadcast copyright protection in the Copyright Act and should be repealed in line with the recommendation of the Australian Law Reform Commission. This would bring Australia into line with international markets such as the US, where up to 15% of broadcaster revenue is derived from retransmission fees.

In the US

15%

of broadcaster revenue is derived from retransmission fees.



Appendix: Children's TV quotas

Operation of C and P quotas

Quota obligations:

- A minimum of 260 hours of children's C programs annually
- A minimum of 130 hours of Australian pre-school P programs annually

Australian content obligations:

- 50% of C programs in C periods must be first-release Australian C programs
- All P programs must be Australian programs

Time zone requirements

- All P and C programs must be shown within designated time bands
- For C programs, 7am – 8.30am and 4pm-8.30pm Monday to Friday and between 7am – 8.30pm Saturday, Sunday and school holidays
- For P programs, 7am – 4.30pm Monday to Friday

Requirements to broadcast minimum amounts on weekdays

- A minimum of 30 minutes of P material in P periods every weekday and a minimum of 30 minutes of C material every weekday between certain times.

Advertising restrictions

- No advertisements can be shown during P programs
- Time limits on advertising in C periods restrict the amount of advertising beyond the amounts ordinarily permitted in other programming
- Stringent classification requirements for advertisements suitable for broadcast during C programs. For example, advertisements must not be designed to put undue pressure on children to ask their parents or another person to purchase an advertised product or service, and no advertisement can be broadcast more than twice during any 30-minute period.

ACMA classification requirements

- All C and P programming must be classified by the ACMA before broadcast in accordance with criteria contained in the CTS, and the Australian Content Standard 2016. Classification is granted for five years. In classifying programs for broadcast, the ACMA needs to be satisfied that the program is made specifically for children (in the case of C programs) or pre-school children (in the case of P programs), that it is entertaining, well produced, enhances the understanding of children (or pre-school children) and is appropriate for children (or pre-school children).







Changing views:
**Australian kids and
commercial television**





Children are now most likely to watch commercial TV when they are co-viewing with other family members, watching family entertainment, movies and major events.

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Introduction

There's a dizzying array of data available about the habits of Australian television watchers. To help inform policy and business decision makers – and the public – this report focuses on how children are watching free-to-air commercial TV.

The key finding is that far fewer kids aged 0 to 13 are watching child-specific programs (classified as C or P)¹ on free-to-air commercial TV than they once did. This is despite the fact commercial broadcasters are meeting their regulatory obligations and delivering hundreds of hours of children's content each year, most of which is locally produced.

These shows regularly win awards and are easy to access, but unfortunately kids simply aren't watching them. The reason is that they (or their parents) prefer to access children's TV through aggregated platforms such as ABC Kids and Nickelodeon on pay TV. Or they find TV-style content where and when they want it from streaming and internet services like Netflix and YouTube, or the many options available on the Internet at large.

Even where a free-to-air broadcaster has created a channel focused on children's programming – as Nine has done with 9GO! Kids since late 2016 – audiences have been relatively small.

Children still watch plenty of free-to-air commercial TV, but they engage with it differently. Children are now most likely to watch commercial TV when they are co-viewing with other family members, watching programs such as family entertainment shows, movies and major events.

These programs regularly attract hundreds of thousands of children because they engage a wide family audience through entertaining narratives and rich storytelling that is crafted to appeal to all ages.



¹C denotes children's programming for those aged 5–13 years. P denotes programming for preschool children, aged 0–4 years. However, the ACMA used the 0–14 demographic in its recent study into children's viewing. This causes some variation in the data quoted throughout this report.

A different era for C and P content

Remember Skippy?

Back in the 1960s and 1970s when many of the rules governing Australian television content were established, children had little choice about what shows they could see and when. This ensured there were large audiences for what are now classified as C (for children aged 5–13 years) and P (for preschool children aged under five years) programs on commercial TV.

Networks are delivering C & P content but children are not watching

Today, commercial free-to-air broadcasters collectively deliver more than 1,170 hours of C and P programming for children every year. However, the number of kids watching these shows has dropped dramatically compared to earlier decades.

Big child audiences for family entertainment

When children watch commercial free-to-air TV, it's now mainly for family-friendly entertainment programs and major events.

Here is a snapshot of the audiences for some locally produced and critically acclaimed children's shows screened on commercial free-to-air TV in 2017.



Round the Twist
1992–1993 –Seven
280,000
Average Audience



Hi-5
2001 – Nine Network
330,000
Average Audience



Imagination Train
Channel 9GO!
8,000
Average Audience (0–14)



Scope
Channel ELEVEN
4,000
Average Audience (0–14)



Beat Bugs
Channel 7two
1,000
Average Audience (0–14)



Masterchef Australia
Channel Ten
219,000
Average Audience (aged 0–14)



Australian Ninja Warrior
Nine
287,000
Average Audience (aged 0–14)



Little Big Shots
Seven
182,000
Average Audience (aged 0–14)

The new reality in detail

Average audiences for C and P sharply down

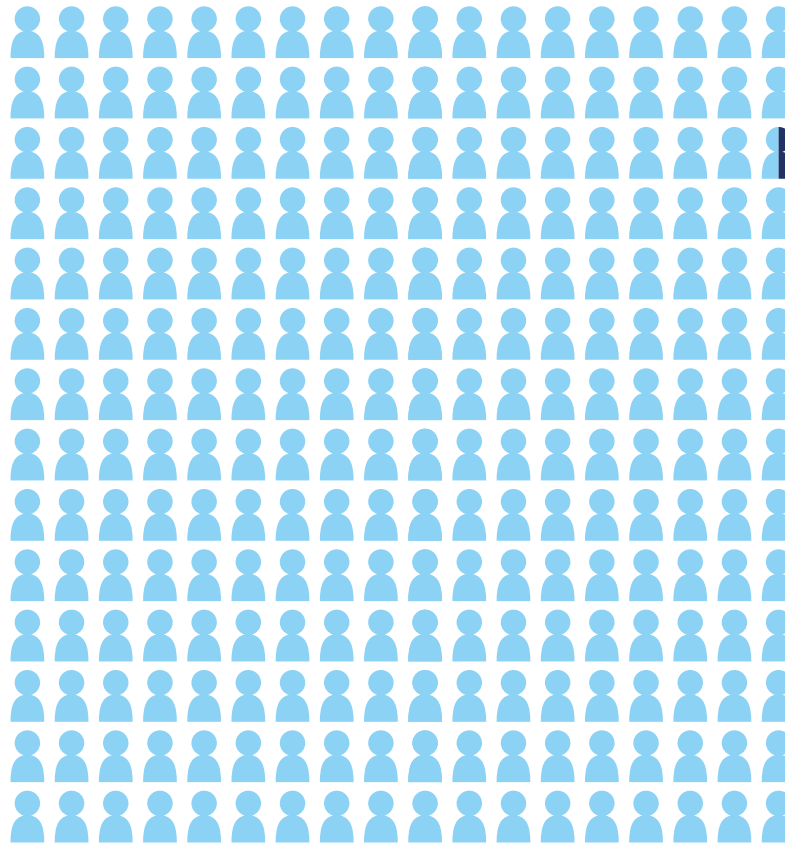
Free TV asked the television audience measurement group OzTAM to analyse audiences for programs classified as C and P broadcast on any commercial free-to-air TV channel in the calendar years of 2010, 2013 and 2016.

The analysis reveals that on average very few children are watching programming classified as C and P released on commercial free-to-air TV.

- In 2010, 14% of C and P programs attracted an average of more than 25,000 children aged 0–13 years.
- By 2016, only 7% of C and P programs had an average audience of 0–13 year olds that was higher than 25,000 and 79% of programs had an audience of below 10,000.
- Further, in 2016, all pre-school programs had an average audience in the 0–13 year old bracket of less than 10,000.

Numerous C and P shows screen to fewer than 1,000 children on commercial free-to-air television.

On average, C and P programming is reaching 0.2% of the potential target audience of all Australian children with access to the services. It is clearly no longer serving that audience.



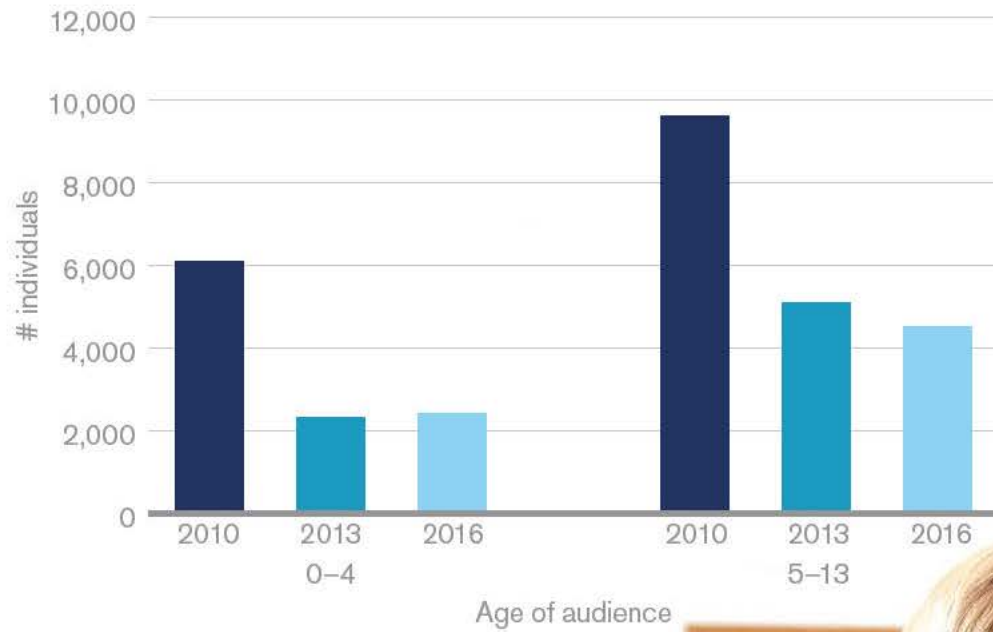
C and P programming is reaching only

0.2%

of the potential target audience of all Australian children



C and P audiences numbers are low and declining



Source: OzTAM analysis for Free TV, completed mid-2017. See Appendix for further detail.



Audience numbers for specific C and P shows

The following table shows the average audiences for a range of C and P programs shown on commercial free-to-air TV in 2016. A number of these shows have won awards in recognition of their high quality. They are also readily accessible at suitable times on broadcasters' multi-channel services. Even so, they are gaining very small audiences. In 2016 the average C/P program on commercial TV attracted an average audience of only 2,400 0–4 year olds and 6,800 5–13 year olds.

This trend is being seen even for 9GO! Kids which was launched as a dedicated destination for children in December 2016 and has been promoted heavily. While this effort is seeing 9GO! secure C and P audiences higher than the other commercial channels, the total audience numbers are still extremely low by free-to-air standards, and lower than those for the ABC children's channels. It's also notable that the two highest rating programs, *Maya the Bee* and *Dogstar: Christmas in Space*, were movies.

Award-winning programs

TV shows made in Australia for kids by commercial free-to-air broadcasters consistently win industry awards.



Beat Bugs (Seven) won best children's services at the 2016 AACTA awards and has been nominated for a Logie award and a number of daytime Emmy Awards in the US.



Dogstar: Christmas in Space (Nine) won the award for best 2D animation at the prestigious 2017 Asia Pacific Apollo Awards. The show was the sequel to the first two successful Dogstar series, comprising 52 half-hour children's animations.



Get Ace (Ten) won first prize for best animation at the 2014 Australian Writers' Guild Awards, been sold internationally and also won awards for its musical content.



Mako: Islands of Secrets (Ten) won Best Children's Television Program at the 2015 Australian Teachers of Media (ATOM) awards, and was a finalist in the 2016 ATOM awards and 2016 Screen Producers Australia Awards.

Name	Average Audience (0-13 years)	Timeslot	Program Type
Pre-school Programs			
Crocamole	2,000	● 0930	▲
Imagination Train	7,000	● 0900	▲
Jay's Jungle	1,000	● 0800	▲
Lah-Lah's Adventures	1,000	● 0800	▲
Larry The Lawnmower	2,500	● 0800	▲
William & Sparkles' Magical Tales	7,000	● 0900	▲
Wurrawhy	4,000	● 0930	▲
Children's Drama – First release and Repeat			
Barefoot Bandits	4,000	● 0700/0730 ● 1000 ● 0800	▲
Beat Bugs	1,000	● 0730	▲
Bottersnikes & Gumbles	1,000	● 0730	▲
Buzz Bumble	21,000	● 0730	▲
Captain Flinn and the Pirate Dinosaurs	29,000	● 0730	▲
Dennis and Gnasher	30,000	● 1100	▲
Dogstar: Christmas in Space	35,000	● 1800	▲
Get Ace	5,000	● 0700	▲
Hairy Legs	1,000	● 0730	▲
Heidi	14,500	● 1100	▲
Kuu Kuu Harajuku	4,500	● 0730	▲
Lexi & Lotti: Dynamic Detectives	2,500	● 0700	▲
Maya the Bee	46,000	● 1800	▲
Mako: Island of Secrets	3,500	● 1000	▲
Pirate Express	22,000	● 1130	▲
Sally Bollywood: Super Detective	1,000	● 0730	▲

Name	Average Audience (0-13 years)	Timeslot	Program Type
Sam Fox: Extreme Adventures	5,000	● 1000 ● 0800	▲
Tashi	2,000	● 0730	▲
The Day My Butt Went Psycho	22,000	● 0730	▲
The Skinner Boys	23,000	● 0730	▲
The Wild Adventures of Blinky Bill	1,000	● 0730	▲
The Woodlies	1,000	● 0730	▲
Vic The Viking	5,000	● 0730	▲
Other C programmes			
Baby Animals In Our World	6,000	● 0730/0800	▲
Crunch Time	11,000	● 0730/0800	▲
Flushed	1,000	● 0700	▲
It's Academic	2,000	● 0700/0730	▲
Kitchen Whiz	13,000	● 0800	▲
Match It	1,000	● 0700	▲
Move It	14,500	● 0730	▲
Scope	4,000	● 0830	▲
Totally Wild	3,000	● 0800 ● 0800	▲

Timeslot

Weekdays	●
Friday	●
Saturday	●
Sunday	●
Monday – Wednesday	●
Monday – Friday	●
Monday – Sunday	●
Thursday – Friday	●

Program Type

Pre-School	▲
1st release – C Drama	▲
Repeat – C Drama	▲
1st release – C non Drama	▲
Repeat – C non Drama	▲

Why are child audiences declining?

One theory often put forward to explain why fewer children are watching children's programming on commercial free-to-air TV is that they can't find the programs on the new multi-channel services offered by the networks – 7TWO, 7mate, ELEVEN and 9GO!. Another theory is that the programs are not offered at times that suit kids.

These theories don't stand up to scrutiny. First, providing multi-channel services lets commercial broadcasters create kids' destinations for times of the day that are suitable for children. In fact, C and P programs are all at regular times when the child audience is most likely to be available, including weekdays before and after school and weekends for C and mornings for P programs.

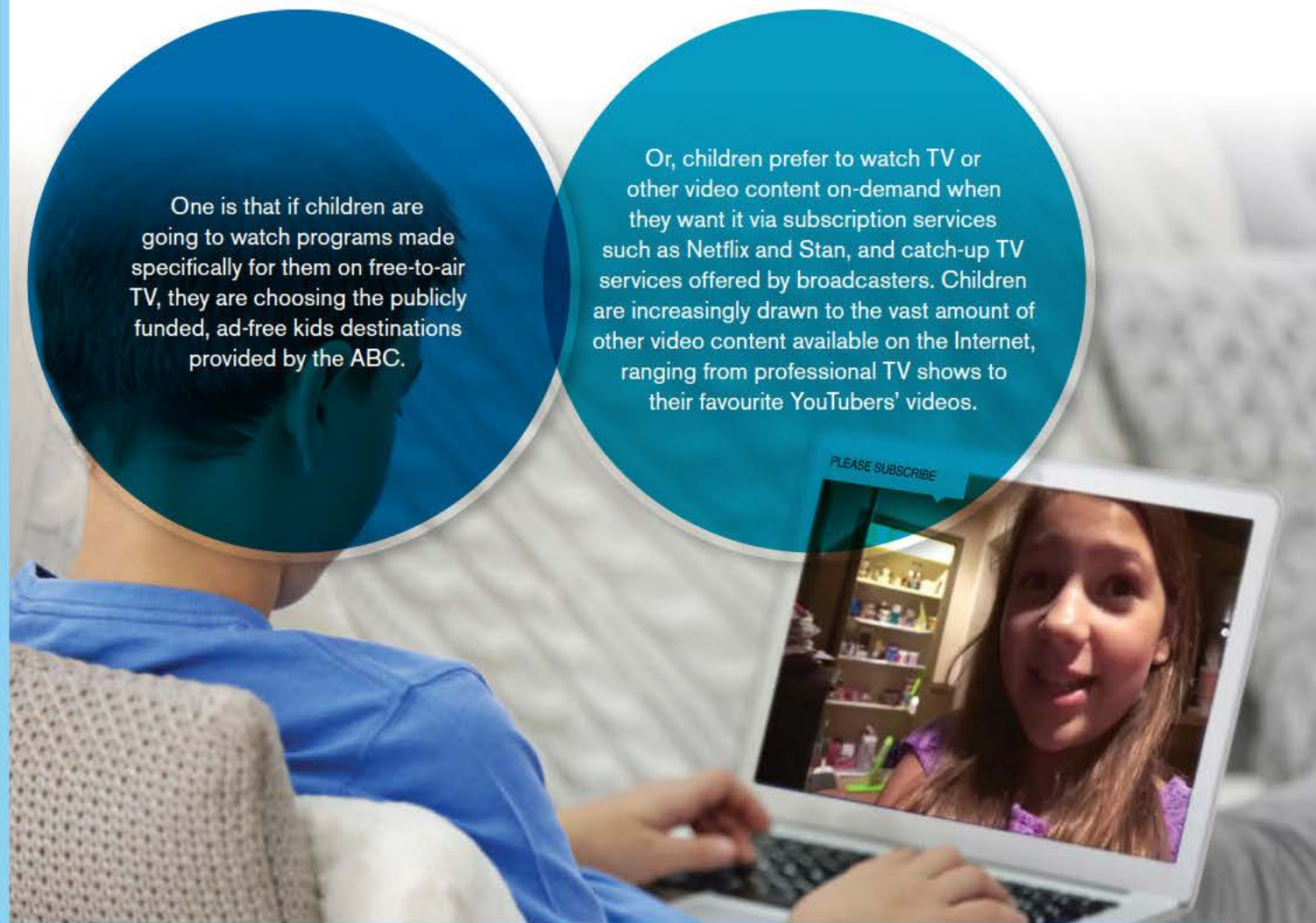
Even better, programs are much less likely to be 'displaced' on multi-channels by news events or other urgent interruptions. This used to happen regularly when children's programming had to compete with all other content on broadcasters' primary channels.

Secondly, the success of the ABC's dedicated services for children – especially ABC Kids – shows kids and their parents are happy to watch multi-channel services.

So, what's happening? Our analysis shows, supported by recent findings by the Australian Communications and Media Authority, that children are showing two strong preferences:

One is that if children are going to watch programs made specifically for them on free-to-air TV, they are choosing the publicly funded, ad-free kids destinations provided by the ABC.

Or, children prefer to watch TV or other video content on-demand when they want it via subscription services such as Netflix and Stan, and catch-up TV services offered by broadcasters. Children are increasingly drawn to the vast amount of other video content available on the Internet, ranging from professional TV shows to their favourite YouTubers' videos.



Children do watch commercial TV for other entertainment, often with their families

The most popular programs on free-to-air TV among kids aged up to 14 are entertainment shows including *MasterChef Australia*, *The Voice* and *My Kitchen Rules*. These programs attracted audiences of between about 150,000 and 220,000 children in 2016.

These programs are produced in Australia, generating jobs and providing invaluable production experience for thousands of Australians both on- and off-screen. These popular programs also deliver a range of major social and cultural dividends, including telling rich Australian stories, communicating a strong sense of Australian culture and identity, providing inspirational and aspirational Australian narratives and encouraging family co-viewing.

Top 10 programs watched by children (0–14 years) on free-to-air channels in 2016

Rank	Program	Channel	Origin	Level 1 Description	Audience (0–14)
1	MasterChef Australia	TEN	Australia	Reality TV	219,000–121,000
2	The Voice	Nine	Australia	Light Entertainment	219,000–139,000
3	I'm a Celebrity... Get Me Out Of Here!	TEN	Australia	Reality TV	206,000–120,000
4	The Block	Nine	Australia	Reality TV	194,000–124,000
5	My Kitchen Rules	Seven	Australia	Reality TV	189,000–148,000
6	Play School Celebrity Covers	ABC2	Australia	Children's	177,000
7	You're Back in the Room	Nine	Australia	Light Entertainment	177,000–129,000
8	The Wiggles Meet The Orchestra	ABC2	Australia	Children's	177,000
9	Ben & Holly's Little Kingdom	ABC2	UK	Children's	174,000–131,000
10	Despicable Me 2	Seven	USA	Movies	170,000

Source: OzTAM, *Children's television viewing and multi-screen behaviour*, ACMA, August 2017.

Top programs on free-to-air TV, 1 January 2016, 5 city metro. Consolidated. Note: Top 10 programs have been derived from a condensed top 75 programs list, where programs with multiple entries have been removed and ranked on the highest rating episode, indicating a range in average audience figures for all episodes that appeared in the top 75. Sporting programs have been excluded.

I am just thinking of my own viewing habits with my own children. My 13-year-old loves to watch *MasterChef* – he watches it every night, and he wants me to sit down and watch it with him when I am home. My 11-year-old sits there and watches *The Voice* and turns his chair around and dongs the buzzer and all the rest of it, and he wants me to sit there. But I cannot remember them watching other children's TV programs.

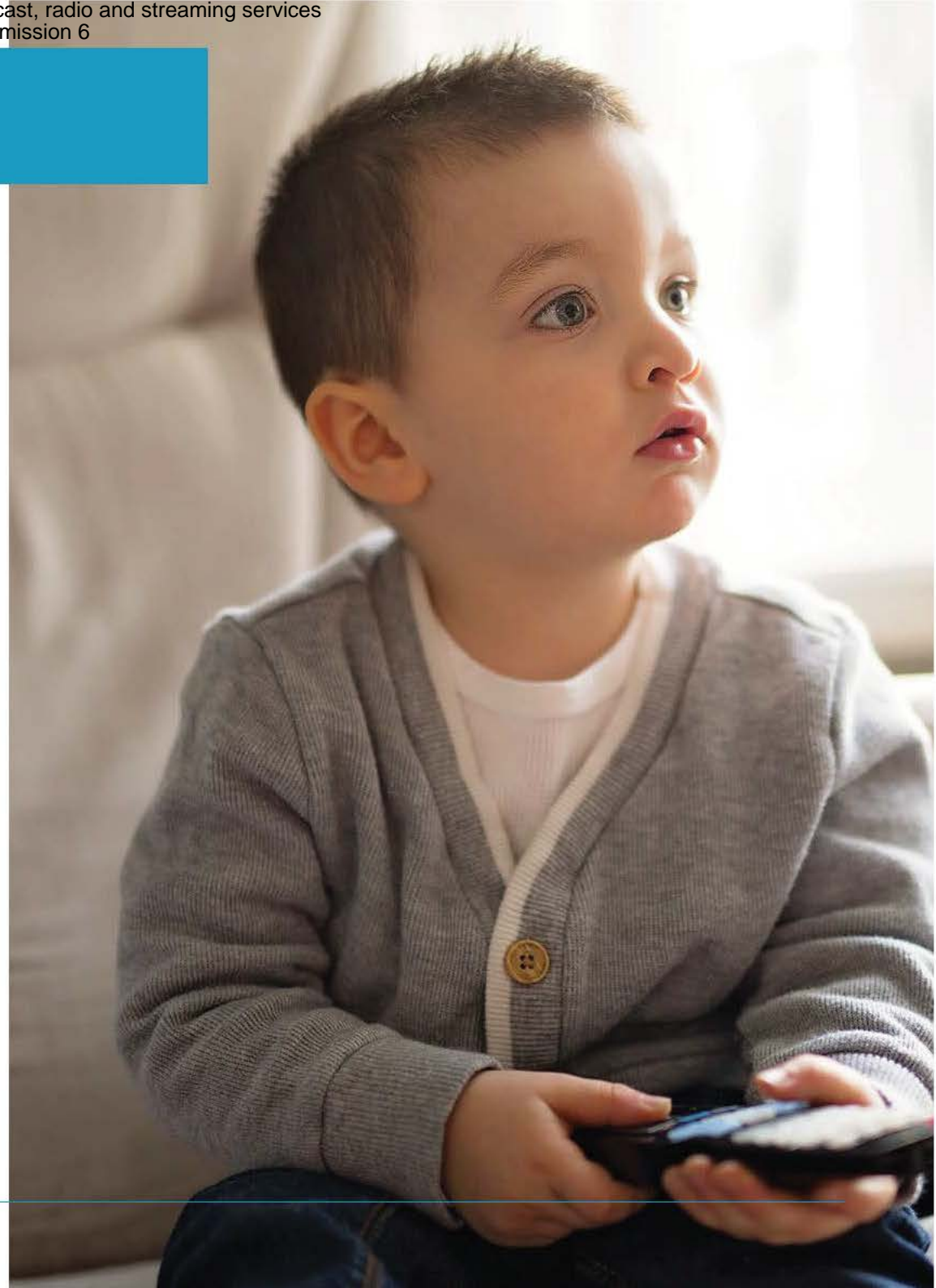
Mr Luke Howarth MP, Chair, The Standing Committee on Communications and the Arts, 20 July 2017, during inquiry into the growth and sustainability of the Australian film and television industry.

ABC dominates kids' TV, especially for preschoolers

Where children are watching children's programming on free-to-air broadcast television in Australia, it's almost always on the ABC.

This reflects the national broadcaster's decision to create two ad-free channels as dedicated destination services for children's programming: ABC Kids (previously ABC2) and the more recent ABC ME for older children and teens. ABC ME was originally launched as ABC3 in 2009, supported by specific government funding.

It's notable that all the top-rating programs below are for younger children watching on ABC Kids. Like *Nine with 9GO!*, it is proving hard for any free-to-air broadcaster to attract teenage viewers in the era of on-demand TV and near-infinite Internet options.



Top 15 children's programs watched by children 0–14 years on FTA TV, 2016

Rank	Program and time	Channel	Origin	Average AUD	TARP %	No. of episodes [^]
1	<i>Play School Celebrity Covers</i> – ●	ABC2	Australia	177,000	5.6	1
2	<i>The Wiggles Meet The Orchestra</i> – ●	ABC2	Australia	177,000	5.7	1
3	<i>Ben & Holly's Little Kingdom</i> – ●	ABC2	UK	174,000	5.6	1
4	<i>Teacup Travels</i> – ●	ABC2	UK	152,000	4.9	62
5	<i>Go Jetters</i> – ●	ABC2	UK	150,000	4.8	112
6	<i>Hey Duggee</i> – ●	ABC2	UK	147,000	4.7	122
7	<i>Ben & Holly's Little Kingdom</i> – ●	ABC2	UK	142,000	4.5	187
8	<i>Peg + Cat</i> – ●	ABC2	USA	139,000	4.4	91
9	<i>Octonauts</i> – ●	ABC2	UK	138,000	4.4	360
10	<i>The Gruffalo</i> – ●	ABC2	UK	137,000	4.4	1
11	<i>Peppa Pig</i> – ●	ABC2	UK	137,000	4.4	365
12	<i>Hoot Hoot GO!</i> – ●	ABC2	Australia	135,000	4.3	97
13	<i>Thomas and Friends: Misty Island Rescue</i> – ●	ABC2	UK	135,000	4.3	1
14	<i>Peter Rabbit</i> – ●	ABC2	UK	135,000	4.3	362
15	<i>Bob The Builder On Site: Trains & Treehouses</i> – ●	ABC2	UK	132,000	4.2	1

Time Key	
AM	●
PM	●
Evening	●

Source: OzTAM, *Children's television viewing and multi-screen behaviour*, ACMA, August 2017. Average audience, 1 January and 30 December 2016, Sun – Sat, 5 city metro. Consolidated. Note: Programs with multiple entries have been removed and ranked on the highest rating episode.

[^] Number of episodes – for programs with multiple episodes, the audience and TARP is an average across all episodes (as calculated by OzTAM).

The new options children watch most

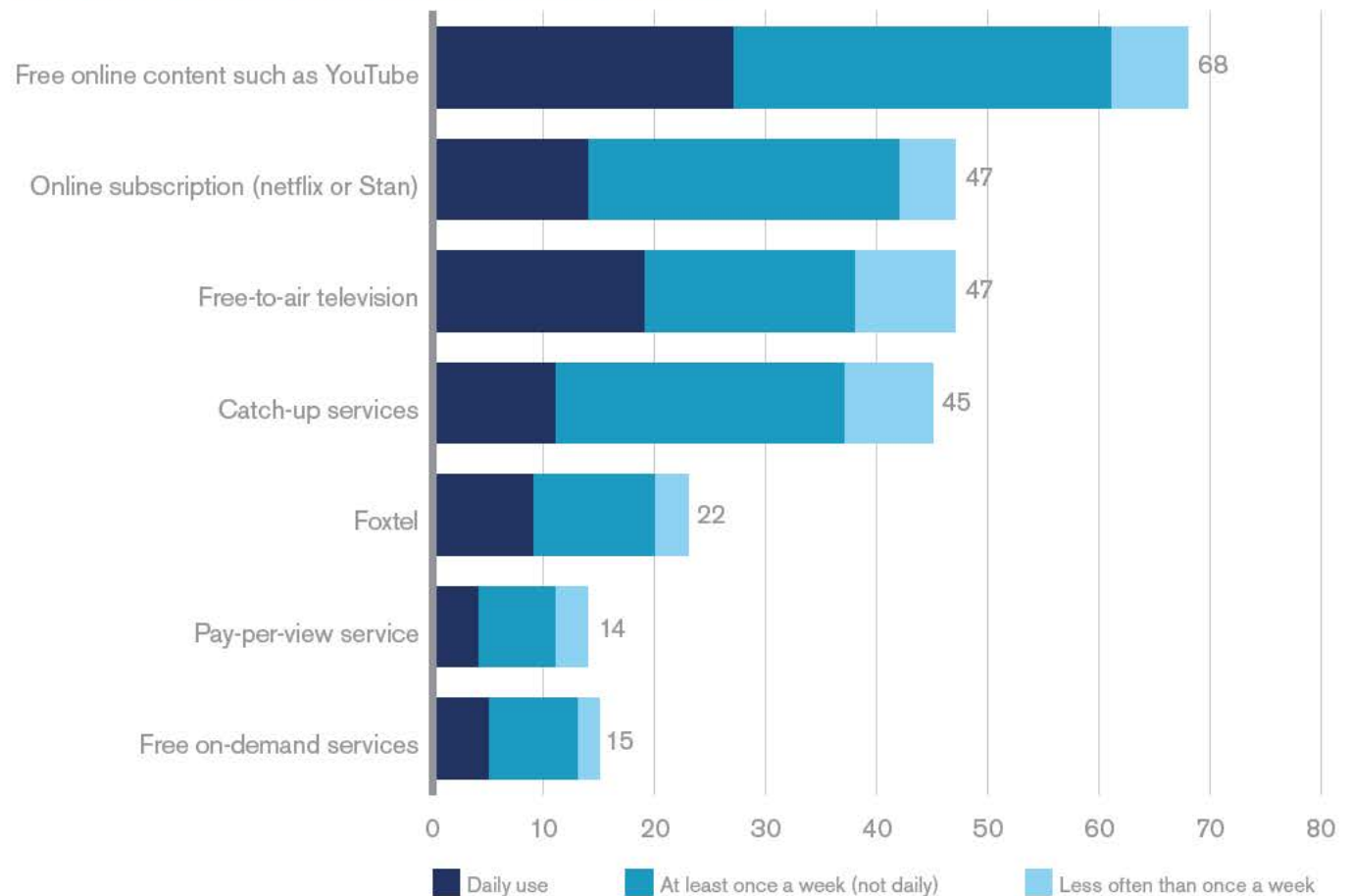
Today's kids are more likely to watch children's programming on the Internet – especially on YouTube – than free-to-air television of any kind. They're also more likely to find it via an on-demand subscription service such as Netflix or Stan than traditional TV.

In terms of catch-up TV, in the month of September 2017, *Peppa Pig: The Golden Boots* and *Fireman Sam Special: Heroes of the Storm* were in the Top 20 of shows watched on these services in Australia. Both recorded video player measurement (VPM) ratings of more than 100,000. (The VPM score is calculated by dividing the total minutes played by the content length, resulting in something equivalent to average audience.)

By comparison, viewing rates for C and P shows available on free-to-air catch-up services were almost negligible. For example, shows like *Imagination Train*, *Magical Tales* and *Hiccup & Sneeze* all had VPM averages of less than 100.

In addition, a recent survey of parents and guardians by the Australian Communications and Media Authority (ACMA) found that 68% of children aged 0-14 watch children's programs on demand for free over the internet, from sites such as YouTube and nearly half use online subscription services like Netflix or Stan.²

Platforms used to watch children's programs, by frequency



Source: Children's television viewing and multi-screen behaviour, ACMA, August 2017.

Base: Selected child aged 0-14 who in a typical week watches children's television programs, movies, videos or DVDs, as reported by their parents, guardians and carers (n=1,259). Includes 'can't say' and non-responses. Note: Data may not add up to displayed totals due to rounding.

² Children's television viewing and multi-screen behaviour, ACMA, August 2017, p20

The digital devices children use

The ACMA report also showed just how many digital devices children use to access video content. While the traditional TV remains first choice, kids aged 0–14 now use an average of 3.2 devices to watch children's programs. Within that age range, their tendency to use multiple types of devices increases as they get older.

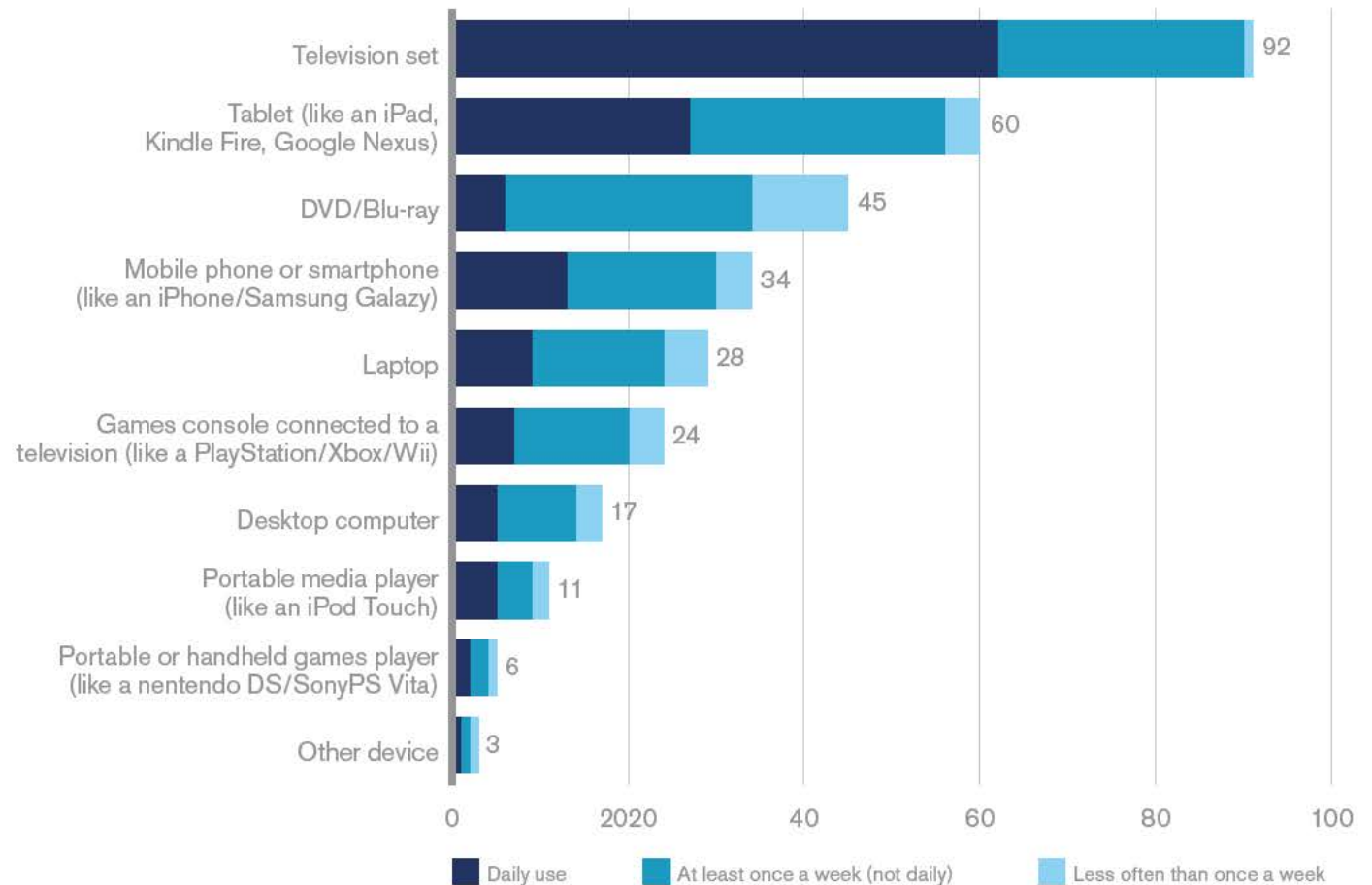


Kids aged 0–14 now use an average of

3.2 devices

to watch children's programs

Devices being used to watch television in 2017



Source: Children's television viewing and multi-screen behaviour, ACMA, August 2017.

Notes: Base – selected child aged 0–14 who in a typical week watches children's television programs, movies, videos or DVDs, as reported by their parents, guardians and carers (n=1,252). Excludes 'can't say' responses.

Summary

This report shows that children's consumption of commercial free-to-air programming has changed radically over the past decade – and is a long way removed from the days when hundreds of thousands of Australian kids sat down simultaneously to watch the latest episode of *Skippy*.

Other reports show that total 'screen time' is up for children. However, the number of kids aged up to 13 watching C and P programming on commercial free-to-air TV has more than halved since 2005. When kids do watch commercial free-to-air TV in large numbers today, it's to see general family entertainment shows and major events.

Despite these trends, commercial free-to-air broadcasters are still required to screen a collective total of at least 1,170 hours of programming annually for children aged up to 13, to meet C and P quota obligations imposed by the government.

The government is currently reviewing how content is regulated in Australia. The free-to-air TV industry welcomes this review and believes there is a particularly urgent need to reform the regulation of children's television to better align to kids' viewing behaviours. Today's outdated and ineffective settings need to be replaced to ensure kids are served by a strong and sustainable television industry that delivers programming in the formats they prefer.

For further detail, please see Free TV's submission to the review.

...there is an urgent need to reform the regulation of children's television... to ensure Australian children are served by a strong and sustainable television industry that delivers programming in the formats they prefer.



Appendix 1

Average and highest audiences, and average TARPs for C- and P-classified programs broadcast on commercial free-to-air TV in 2010, 2013 and 2016

	2010	2013	2016	2010	2013	2016	2010	2013	2016	2010	2013	2016
	Total Individuals			Ppl 0-4			Ppl 0-13			Ppl 5-13		
Average audience	61,500	28,900	15,200	6,100	2,300	2,400	15,500	7,400	6,800	9,600	5,100	4,500
Highest audience	268,000	171,000	89,000	24,000	13,000	16,000	58,000	30,000	46,000	41,000	25,000	31,000
Average TARP	0.4%	0.2%	0.1%	0.6%	0.2%	0.2%	0.6%	0.3%	0.2%	0.6%	0.3%	0.2%
Average audience less than 10,000	8%	35%	51%	83%	99%	97%	23%	78%	79%	51%	82%	84%
Average audience less than 25,000	16%	67%	84%	100%	100%	100%	86%	95%	93%	98%	99%	97%
Average audience less than 50,000	37%	82%	93%	100%	100%	100%	99%	100%	100%	100%	100%	100%
Average audience less than 75,000	70%	92%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Average audience less than 100,000	89%	92%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Total Individuals			Ppl 0-4			Ppl 0-13			Ppl 5-13		
	2010	2013	2016	2010	2013	2016	2010	2013	2016	2010	2013	2016
Average audience	61,500	28,900	15,200	6,100	2,300	2,400	15,500	7,400	6,800	9,600	5,100	4,500
	Total Individuals			Ppl 0-4			Ppl 0-13			Ppl 5-13		
	2010	2013	2016	2010	2013	2016	2010	2013	2016	2010	2013	2016
Average TARPs	0.4%	0.2%	0.1%	0.6%	0.2%	0.2%	0.6%	0.3%	0.2%	0.6%	0.3%	0.2%
	Total Individuals			Ppl 0-4			Ppl 0-13			Ppl 5-13		
	2010	2013	2016	2010	2013	2016	2010	2013	2016	2010	2013	2016
Programs with average audience less than 10,000 viewers	8%	35%	51%	83%	99%	97%	23%	78%	79%	51%	82%	84%

Source: OzTAM research, completed in mid-2017. This focused on audiences for programs classified as C (for children aged 5-14 years) and P (for preschool children aged under five years) broadcast on any commercial free-to-air TV channel in the calendar years of 2010, 2013 and 2016. OzTAM reviews 122 programs in 2010, 83 in 2013 and 67 in 2016.

