

ABC submission to the Inquiry by the Senate References Committee on Environment and Communications into recent ABC programming decisions

September 2011

Introduction

The ABC welcomes the opportunity to contribute to the Committee's inquiry into its recent television programming decisions. The Corporation seeks to set out the reasoning behind these decisions and clarify misconceptions about its television production strategy.

Consistent with its Charter, the ABC commissions and broadcasts a diverse slate of television content that includes both programs of a specialist nature and programs of broad appeal. Localism is another important Charter obligation and the Corporation is committed to producing and broadcasting television programs from around the country.

A key challenge for the ABC, as a taxpayer-funded body, is meeting these commitments in a way that ensures an efficient and effective use of its resources. One of its key strategies has been through the use of a mixed-production model—with the Corporation focusing on its strengths in in-house production in some areas and partnering with the independent production sector to produce quality content in others. The economics of the industry make it impossible for the ABC to maintain the massive infrastructure and staff base necessary to be a solely internal television maker. Furthermore, a mixed-production model allows the Corporation to engage with the depth and diversity of creative talent in Australia's film and television industry.

Government policy-making has also underpinned the mixed production system. When television started in Australia in the 1950s, a film and television production industry did not exist. Broadcasters produced their own local content and built in-house capabilities to match. Production was a core part of a broadcaster's business. However, strategic Government policy interventions over the last four decades, including content regulations and direct and indirect subsidies, have created a large, sophisticated and highly-competitive independent film and television industry, with which the ABC interacts closely.

New technologies are driving significant shifts in audience expectations and in the ways television is produced and consumed. The changes include the introduction of digital televi-

sion and multi-channelling, the increased popularity and usability of online delivery, the growth of interactive services, the growth of time-shifted viewing and the development of a range of new devices through which audiences are able to watch television programs.

The end result is increased cost pressure on broadcasters as they adjust their activities to meet audiences' needs and expectations.

For example, the Australian free-to-air television market now has 16 digital multi-channels competing for audiences, content and creative talent. This has delivered audiences a much greater level of viewing choice. However, an unforeseen consequence for broadcasters is that, as a result of competition for programs to fill these channels, the cost of acquired content has increased. Since mid-2009, the average price paid per hour of acquired content for ABC1 has risen by 8%. The ABC estimates that hourly rates for ABC1 prime-time programmes will increase by 36% across 2011–12. For the ABC, which operates within a budget that is indexed annually, such a large increase necessarily places pressure on its television programming budget.

The Corporation received significant funding increases for specific genres of television programming in its last triennial funding round. This has allowed it to substantially boost its output of children's content and drama, and, to a lesser extent, documentaries. However, in other output areas, the funds available to ABC Television have declined. This has been particularly marked over the past two financial years. Commercial and Screenrights revenues returned to ABC Television for reinvestment in programming have slumped, while, as described above, the costs of acquiring content have increased.

The ABC has a responsibility to review where necessary its business and operating practices to ensure that it is investing its finite resources in the most effective and efficient manner. The Corporation does this to ensure it can continue to meet its Charter obligations and the expectations of its audiences.

Programming changes announced on 2 August

Editorial judgments were the primary reason for cancelling *Art Nation* and *New Inventors* on 2 August.

In the case of *New Inventors*, ABC Television commissioned 314 episodes and invested over \$32 million across its eight series. However, over that run audience fatigue became evident, with the program's audiences falling from a peak of over a million viewers in 2004 to an average of 500,000 in 2010.

The decision to cancel *Art Nation* reflected similar audience concerns. In 2011 to date, the program has averaged around 77,000 viewers each week, down from 104,000 the previous year. *Sunday Arts*, the program that it replaced in 2010, had average audiences of 145,000 in 2009 and 175,000 in 2008. This pattern of declining audiences for a late-afternoon arts program motivated ABC Television to consider new and more effective ways of providing quality content to audiences with an interest in the arts.

The ABC is aware that interested stakeholders have raised issues in relation to these changes, such as a belief that the Corporation has reduced its commitment to arts coverage or that it has an ideologically-driven agenda to "outsource" or "commercialise" its television program production. It is appropriate to address these issues in turn.

The ABC remains committed to delivering a diverse range of arts programming that is produced internally, as well as commissioning work with independent Australian artists, performers and program makers. While *Art Nation* has not been renewed, ABC Television is re-directing funding and resources to alternate high-quality, audience-focused arts programming in the prime-time schedules of ABC1 and ABC2. ABC Television will continue to commission content including live concerts, performances and plays, opera, ballet, choirs, film, dance, performing arts, reviews, interviews and documentaries. The *Artscape* slot (10pm Tuesdays), will comprise almost entirely Australian content, including the current staples of *First Tuesday Book Club* and *Jennifer Byrne presents*, as well as diverse arts documentaries. The online *Arts Gateway* will continue to be a source of unique and exclusive content.

The mixed production model remains in place. Over the past three years, more than 84% of television content hours were commissioned internally (excluding *Rage* and news and current affairs). By way of comparison, the BBC reports that it commissions 50% of its content hours internally, 25% from the independent sector and a further 25% which is contestable between internal and external commissions.¹

Independent production can take many different forms and the ABC's contribution to programs can vary. Importantly, working with the independent sector allows the Corporation to leverage funding from both government and industry sources and to deliver more television hours and/or work with bigger production budgets. It allows the ABC to access creative talent and intellectual property that would otherwise be unavailable. In addition, it enables the ABC to engage with, and play a part in developing, the vibrant local screen production industry that various Government policies and initiatives are designed to promote.

Specific matters before the Inquiry

The ABC makes the following comments in relation to the specific matters raised in the terms of reference for the Inquiry.

(a) The implications of this decision on the ABC's ability to create, produce and own its television content, particularly in the capital cities of Brisbane, Adelaide, Perth and Hobart

The programming changes announced on 2 August will not impact the ABC's ability to commission content from internal sources in Brisbane, Adelaide, Perth and Hobart or to enter into co-productions with independent producers in those cities.

However, it should be noted that entering into co-production agreements with independent producers allows the ABC to leverage funding into budgets. Commissioning a mix of internal and external production allows the ABC to deploy its resources and funding in the most efficient and effective manner. In Queensland, South Australia, Western Australia and Tasmania, for example, the ABC's total investment in production has remained unchanged over the last five years, yet there has been an increase overall in ABC-commissioned production

¹ BBC. "The WoCC", <http://www.bbc.co.uk/commissioning/tv/how-we-work/the-wocc.shtml>, accessed 7 September 2011.

activity due to a shift of resources from internal to external production. The value of the total budgets of ABC-commissioned programs in those states and, as a result, the actual level of production activity, including people employed, increased by 38% between 2006–07 and 2010–11. It also allows the ABC to partner with the broadest mix of the best creative talent in Australia.

(b) The implications of this decision on Australian film and television production in general and potential impact on quality and diversity of programs

The recently-announced changes—discontinuing two programs—will have no impact on the Australian film and television industry or on the quality or diversity of programs. As is widely acknowledged across the industry, programs come and go over time. New arts programs will be commissioned with funds re-allocated from *Arts Nation*. In the entertainment genre, which included *New Inventors*, ABC Television is continually developing and commissioning a diverse range of programs and will continue to do so.

Productions such as the recently-announced children’s drama series *Resistance* demonstrate that a relatively limited contribution from the ABC can generate significant levels of activity in the production sector, including creating employment and flow-on economic benefits. The 26 half-hour episodes of *Resistance* will cost \$14 million, of which the Corporation will contribute \$2.9 million. It will be the first production to be shot at the South Australian Film Corporation’s new Adelaide facilities and will employ hundreds of people over the period of the production.

(c) Whether a reduction in ABC-produced programs is contrary to the aims of the National Regional Program Initiative

The ABC takes this to refer to the National Interest Initiatives (NII) program, also known as Regional and Local Programming (RLP) initiatives, funding for which was announced in the May 2001 Federal Budget. The ABC continued to receive specific funding for the NII until 2009–10, when the funding was incorporated into the Corporation’s base appropriation. The relevant departmental Portfolio Budget Statement in the year the NII was introduced stated that:

[i]t is anticipated that most of these funds will provide additional regional and local programming across all media. This will allow the Australian Broadcasting Corporation to broaden its coverage of regional and local events, present regional perspectives to a national audience and convert regional radio stations to multimedia broadcast centres.²

The ABC applied NII funding in a fashion consistent with this aim and continues to fund and monitor initiatives in a manner consistent with the NII. In the case of television, NII funds were applied to generate and sustain production outside of the major production centres of Sydney and Melbourne.

² Australia. *Portfolio Budget Statements 2001–02: Communications, Information Technology and the Arts Portfolio*, Budget-Related Paper (1.3), Canberra: Commonwealth of Australia, p.158.

ABC Television commissions its programs from across Australia and programs are produced for or by the ABC in Brisbane, Hobart, Adelaide and Perth. Although there has been a reduction in internal production in Queensland, South Australia, Western Australia and Tasmania, there has been a corresponding increase in external production. Overall, the level of ABC production in those states has increased.

ABC Television also committed to industry development and is involved in a range of strategic partnerships with State Government agencies around talent development and production initiatives across drama, comedy, documentary, children's and new media. It works closely with most State Government screen agencies, including Screen Queensland, Screen NSW, Film Victoria, the South Australian Film Corporation and Screen West. The ABC is also involved in a number of national initiatives aimed specifically at assisting the development of the Indigenous screen production sector.

(d) The implications of these cuts on content ownership and intellectual property

The changes announced on 2 August do not impact the Corporation's ability to own content and intellectual property. The Corporation's mixed model for television production gives it the flexibility to develop different rights strategies depending on the type of programming in question and its intended future uses.

Art Nation and *New Inventors* were internal productions and the ABC owned the underlying intellectual property, as well as copyright in the completed programs. As with most television programs, revenues derived from the exploitation of the ownership of these programs was minimal as a proportion of the actual costs of production.

The significance of the ABC's ownership of programs it commissions is sometimes overstated. As a public broadcaster, the Corporation must commission a diverse slate and its decisions around commissioning and programming must be driven by editorial concerns, not potential commercial outcomes. Its primary objective therefore is to engage with target audiences.

While the ABC is able to derive some revenue from subsequent sales of content and intellectual property that it owns, there is a limited market for Australian programming overseas. Accordingly, where the ABC does own some or all of a program, the revenue it is able to derive can be limited.

In addition, the value of the majority of programs today is largely achieved on their first screening. In the event that the ABC wishes to re-run a program it does not own on television, it can re-licence that program as required.

(e) The impact of the ABC's decision to end internal production of *Bananas in Pyjamas* and to outsource the making of a 'Bananas in Pyjamas' animation series to Southern Star Endemol Proprietary Limited

Internal production of *Bananas in Pyjamas* by the ABC ceased ten years ago after six series. This was an editorial decision. As a live-action, men-in-suits production, there were story and character limitations and it was felt, at the time, that the ABC had access to sufficient episodes. The impact was no different from any other program that comes to a natural end of its run: writers, directors, actors and crew moved on to other productions.

Over the ten-year period from 1991 to 2001, ABC Children's produced 301 five-minute episodes of *Bananas in Pyjamas*. Each of these series was made internally, but all were produced using freelance writers, directors, cast and composers.

While the repeats of the series continued to be broadcast, ABC Television undertook no further production of *Bananas in Pyjamas* between 2001 and 2009, when the decision was made to rejuvenate the brand. The original series had declined in popularity at home and abroad in recent years due to increased competition and audience expectation for more sophisticated children's programming.

It was decided that the new series would be animated. Animation has the potential to create more originality of story-telling due to the greater levels of fantasy and action that animation allows. Additionally, ABC Television was confident that an animated series of the *Bananas in Pyjamas* would permit a greater level of co-financing, allowing a great program to be produced, however, with a smaller investment by the ABC.

Every dollar the ABC spends on the animated series delivers twice as many minutes of content as would have been the case had the Corporation continued to produce the series in-house using the original approach.

Production of the series

Animation is a specialist field. The ABC does not employ a full range of specialist animation staff, nor does it have the equipment to produce long-form animated series. As a result, the animated series of *Bananas in Pyjamas* is produced by Southern Star Entertainment, which has operated a specialist animation facility in Australia for 30 years. During production of the series, Southern Star's production team works under the supervision of an ABC Television Executive Producer.

All key creative functions including direction, script-writing, character voices, character designs, storyboards, location designs, music and song composition and all post-production are carried out by Australians in Australia. The animation and colouring process is undertaken at Southern Star's studio in Singapore. If assessed under the Australian Communications and Media Authority's guidelines for commercial broadcasters, the series would qualify as Australian content. Over 50% of the production budget is spent in Australia. The ABC retains creative control of the production and full ownership of the brand.

Audience reaction

The original series of *Bananas in Pyjamas* attracted an average audience of 168,000 viewers on ABC1 in Australia's five capital cities during 2010.

The animated series launched on ABC2 in May 2011 with an initial audience of 262,000 viewers (comprising 174,000 viewers at 8am and 88,000 viewers for the repeat showing at 1.30pm). In July 2011, the animated series was moved to a new timeslot of 5.50pm on ABC2. In this new timeslot, it achieved an average audience of 203,000 viewers over the first three weeks from 25 July 2011.

This success is not limited to Australian viewers. The animated *Bananas in Pyjamas* is also broadcast with great success in the UK and the ABC anticipates it being rolled out into mar-

kets across Europe, the Middle East, Africa and Asia in coming months. This evidences that the new animated series has revived a once ailing format, bringing it to millions of new fans.

(f) The future potential implications of these cuts on ABC television's capacity to broadcast state league football and rugby

The changes announced on 2 August have no implications on the ABC's capacity to broadcast state football and rugby.