



## Policy costing

Restore funding cuts to the ABC and SBS and support First Nations Media	
Party:	Australian Greens
Summary of proposal: The proposal has three components related to the media sector.	
<ul style="list-style-type: none"><li>• Component 1: Reverse the following measures as they relate to the Australian Broadcasting Corporation (ABC):<ul style="list-style-type: none"><li>– the 2014-15 Budget measure <i>Australian Broadcasting Corporation and Special Broadcasting Service Corporation — efficiency savings</i></li><li>– the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO) measure <i>Australian Broadcasting Corporation and Special Broadcasting Service — additional efficiency savings</i></li><li>– the indexation pause of operational funding for the ABC in the 2018-19 Budget measure <i>Funding for Australian Film and Television Content and the National Broadcasters</i>.</li></ul></li><li>• Component 2: Reduce commercial advertising on the Special Broadcasting Service (SBS) including:<ul style="list-style-type: none"><li>– phase out in-program commercial advertising (sponsored editorial content, live sporting odds, commercial on-screen graphics and references to commercial sponsors) evenly over four years.</li><li>– reduce the amount of program break commercial advertisements allowed from five minutes to one minute per hour from 1 July 2019</li><li>– provide an additional 10 per cent loading to the SBS operational funding to account for the additional programming required to replace advertising content from 1 July 2019.</li></ul></li><li>• Component 3: Support First Nations Media by:<ul style="list-style-type: none"><li>– increasing dedicated funding for Indigenous media and broadcasting to \$30 million per year, indexed annually to the consumer price index (CPI)</li><li>– providing resources required to establish a separate broadcaster licence category for Indigenous broadcasting, and make necessary changes to spectrum allocation and codes of practices.</li></ul></li></ul>	
The proposal would have effect from 1 July 2019.	

## Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by \$753.3 million over the 2019-20 Budget forward estimates period. This reflects a decrease in revenue of \$190.0 million, an increase in departmental expenses of \$481.2 million and an increase in administered expenses of \$82.1 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at [Attachment A](#). The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

Departmental expenses reflect operational funding for the ABC and SBS, with a small amount of additional funding for transitional support as part of establishing a spectrum broadcaster licence category.

The financial implications for Component 1 are sensitive to the overall ABC funding level projections. The financial implications of Component 2 are highly sensitive to assumptions about the price and demand for advertising on SBS, both for the baseline and the proposal. Component 3 is sensitive to changes in baseline expenditure on Indigenous broadcasting and media, and the scope of reforms to licencing and spectrum changes. The estimated financial implications of all components under the proposal are sensitive to indexation parameters, specifically the wage cost and consumer price indices.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-163.1	-169.6	-198.4	-212.2	<b>-753.3</b>
Underlying cash balance	-163.1	-169.6	-198.4	-212.2	<b>-753.3</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

### Component 1: ABC funding

- The cancellation of the Australia Network contract is not included in the funding that is being restored.
- The 2018-19 Budget indexation pause applies to Program 1.1: ABC General Operational Activities, as published in the Portfolio Budget Statements for the Department of Communications and the Arts.

### Component 2: Advertising on SBS

- SBS would choose to increase the price of program break commercials in response to the reduction in allowable advertising minutes.
  - The extent of this price increase would be influenced by the availability of alternatives to television advertising.

## Methodology

### Component 1: ABC funding

The two 2014-15 measures were reversed and funding grown by the wage cost indexation parameter.

The increase in funding from removing the indexation pause in the 2018-19 Budget was calculated by growing estimated 2018-19 expenditure on the ABC General Operational Activities program in the 2017-18 Budget by the assumed indexation rate and subtracting this from the 2018-19 Budget baseline for the program. Estimates were rounded to the nearest \$1 million.

### **Component 2: Advertising on SBS**

The baseline advertising revenue for SBS over the 2019-20 Budget forward estimates period were provided by the Department of Communications and the Arts.

In-program revenue was projected to decrease over four years in line with the profile specified in the request.

The amount of program break advertising was reduced from the current allowance of five minutes per hour to one minute per hour from 2019-20. The expected revenue forgone from program break advertising includes both the reduction in quantity and the estimated increase in price for advertising on SBS expected in response to this proposal.

A 10 per cent loading was added to the total change in funding from the government that would replace the estimated reduction in revenue, as specified by the requestor.

Estimates have been rounded to the nearest \$10 million.

### **Component 3: First Nations Media**

The financial implications of increasing funding for First Nations Media to \$30 million per year were estimated by calculating the amount of funding that would be provided under the proposal (which includes indexation by the CPI) and subtracting the amount of funding allocated for Indigenous broadcasting and media in the budget baseline. The cost of establishing a separate broadcaster licence category, and resources for regulatory changes and codes of practice was estimated based on the 2016-17 Budget measure *Broadcasting and content reform package — funding for Australian film and television content*. This cost is entirely departmental in nature. The PBO has not costed the financial implications of actually providing the licence and spectrum. Estimates were rounded to the nearest \$100,000.

## **Data sources**

The Department of Communications and the Arts provided information on the Budget measures and indexation arrangements for the ABC and SBS over the 2019-20 Budget forward estimates period.

The Department of Finance provided indexation parameters as the 2019 Pre-election Economic and Fiscal Outlook.

The Department of the Prime Minister and Cabinet provided information on expenditure on Indigenous broadcasting and media.

Commonwealth of Australia:

- 2014. *2014-15 Budget Paper No. 2*, Canberra: Commonwealth of Australia.
- 2014. *2014-15 Mid-Year Economic and Fiscal Outlook*, Canberra: Commonwealth of Australia.
- 2016. *2016-17 Budget Paper No. 2*, Canberra: Commonwealth of Australia.
- 2018. *2018-19 Budget Paper No. 2*, Canberra: Commonwealth of Australia.
- 2019. *2019-20 Budget Paper No. 2*, Canberra: Commonwealth of Australia.

PricewaterhouseCoopers, 2014. *The cost of code interventions on commercial broadcasters*, Australia.

## Attachment A – Restore funding cuts to the ABC and SBS and support First Nations Media – financial implications

**Table A1: Restore funding cuts to the ABC and SBS and support First Nations Media – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<b>Revenue</b>					
<i>Component 1: ABC funding</i>	-	-	-	-	-
<i>Component 2: Advertising on SBS</i>	-50.0	-50.0	-40.0	-50.0	-190.0
<i>Component 3: First Nations Media</i>	-	-	-	-	-
<b>Total – revenue</b>	<b>-50.0</b>	<b>-50.0</b>	<b>-40.0</b>	<b>-50.0</b>	<b>-190.0</b>
<b>Expenses</b>					
<i>Administered</i>					
<i>Component 1: ABC funding</i>	-	-	-	-	-
<i>Component 2: Advertising on SBS</i>	-	-	-	-	-
<i>Component 3: First Nations Media</i>	-8.9	-9.6	-31.4	-32.2	-82.1
<b>Total – administered</b>	<b>-8.9</b>	<b>-9.6</b>	<b>-31.4</b>	<b>-32.2</b>	<b>-82.1</b>
<i>Departmental</i>					
<i>Component 1: ABC funding</i>	-94.0	-110.0	-127.0	-130.0	-461.0
<i>Component 2: Advertising on SBS</i>	-10.0	..	..	..	-20.0
<i>Component 3: First Nations Media</i>	-0.2	-	-	-	-0.2
<b>Total – departmental</b>	<b>-104.2</b>	<b>-110.0</b>	<b>-127.0</b>	<b>-130.0</b>	<b>-481.2</b>
<b>Total – expenses</b>	<b>-113.1</b>	<b>-119.6</b>	<b>-158.4</b>	<b>-162.2</b>	<b>-563.3</b>
<b>Total</b>	<b>-163.1</b>	<b>-169.6</b>	<b>-198.4</b>	<b>-212.2</b>	<b>-753.3</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.