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Screen Producers Australia's submission to the Australian Broadcasting Corporation Amendment (Local Content) Bill 2014

Screen Producers Australia was formed by the screen industry to represent large and small enterprises across a diverse production slate of feature film, television and interactive content.

As the peak industry and trade body, we consult with a membership of more than 300 production businesses in the preparation of our submissions. This consultation is augmented by ongoing discussions with our elected Council and appointed Policy Working Group representatives. Our members employ hundreds of producers, thousands of related practitioners and drive more than \$1.7 billion worth of annual production activity from the independent sector.

On behalf of these businesses we are focused on delivering a healthy commercial environment through ongoing engagement with elements of the labour force, including directors, writers, actors and crew, as well as with broadcasters, distributors and government in all its various forms. This coordinated dialogue ensures that our industry is successful, employment levels are strong and the community's expectations of access to high quality Australian content have been met.

Screen Producers Australia welcomes this opportunity to make a submission to the Senate Environment and Communication Legislation Committee on the Australian Broadcasting Corporation Amendment (Local Content) Bill 2014 (the Bill).

Screen Producers Australia opposes the Bill. If passed these amendments will harm the:

- **ABC: reducing efficiency and editorial independence;**
- **Audience: reducing the diversity, quality and levels of Australian content; and**
- **Independent production sector: reducing the industry's economic impact including employment and training levels.**

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The independent production sector in Australia is highly competitive. These businesses are characterised by their professionalism, entrepreneurial spirit and quality of output. They operate in a media landscape that is equally characterised by its dynamism, in which technological changes are giving rise to changes in production, distribution, consumption and business models.

The way in which the Australian Broadcasting Corporation (ABC) engages with the broader media sector has changed significantly over time. This is particularly true of television. While it may once have been necessary for the ABC to own expensive television production infrastructure around the country this is no longer the case. Amid a growing independent production sector and advances in production technology, the ABC is now able to draw on, and partner with, highly skilled and experienced independent professionals from across Australia; in cities and towns, in all states and territories.

Despite the many changes affecting the sector one thing remains unchanged: the value Australian audiences place on Australian content. The cultural value of our screen content is reflected in the system of government interventions and support for Australian screen producers through tax incentives, content obligations and direct subsidy, including appropriations to the public broadcasters.

The ABC currently operates a 'mixed production' model. It draws on both internal and external production teams to create its television content. The investments that the ABC makes in external productions are significant for a number of reasons. Most obviously these investments are important because they result in high quality, diverse and efficiently produced content. Another reason is that they help to support and grow the Australian production industry.

Australian independent producers are now responsible, in partnership with the ABC, for all of the ABC's drama production, all of the ABC's documentary production (although ABC News has produced some documentaries of its own in recent years) and a large proportion of the ABC children's, factual and entertainment production. Partnering with independent producers has allowed the ABC to commission and broadcast some of its most successful and critically acclaimed television.

The partnership is efficient. The ABC can leverage its money (i.e. licence fee and equity investment) against additional sources of funding that independent producers can access and which the ABC cannot. Should the ABC wish to obtain additional rights, it can by investing in them.

Through its production agreements with independent producers the ABC maintains editorial control and creative approval over content decisions and output. This requirement is a reflection of the legislated need for the ABC to remain independent and is one that is respected and supported by independent producers.

The mixed model of production adopted by the ABC and the interventions of various governments to support the independent production sector have contributed to the development of a vibrant and high quality domestic television production industry with strong export opportunities. Significant changes to the mixed model system should be considered with care to avoid unintended consequences.

It is with this in mind, Screen Producers Australia's submits that the Bill will harm the ABC, its audience and producers alike by reducing efficiency, editorial control, diversity, quality, hours produced, employment and economic impact.

Our concerns are addressed in the following sections:

- 1. The need for more regulation has not been demonstrated.**
- 2. Localism, diversity and quality are best achieved in partnership.**
- 3. Independence is critical in identifying creative and financial efficiencies.**

If the ABC is forced to divert funds into costly and unnecessary internal facilities, ABC will have less flexibility resulting in less public investment in a growing independent workforce and less innovation in content from a less competitive market.

1. The need for more regulation has not been demonstrated.

There has not been a sufficient case made in support of the Bill's proposed amendments, which if passed will amount to regulation for its own sake.

Objectives of the Bill

The Bill includes amendments to the ABC Act requiring that the ABC have a 'distinct and discernible' presence in each state and territory including specifying a weekly half hour state-based current affairs program.¹ It also stipulates that the ABC must fund internal television production in at least four states and territories outside New South Wales and Victoria including a South Australian production facility, committing 0.5 per cent of its annual budget to each unit.

The Explanatory Memorandum to the Bill asserts the objective of the proposed changes to the ABC Charter is to 'ensure the Corporation is representative of all parts of Australian society.'

The Second Reading Speech (SRS) states that over recent years there has been an 'increasing centralisation of the ABC' and a resulting 'reduction in diversity of stories and voices.' The SRS explains that, 'The aim of this Bill is to amend the ABC's Charter in response to this centralisation.' According to the SRS the measures in the Bill setting quotas for investment in internal television production, 'are a direct response to the winding back of local content within the ABC.'

No evidence has been presented to support the claims that there has been a reduction in diversity of ABC content. Further, and perhaps more pertinent to the amendments proposed, no evidence has been presented that increased internal television production will result in more diverse ABC content.

No evidence has been presented to support the claims that the ABC is less representative of all parts of Australia than it was. Nor has any evidence been presented that demonstrates any link between

¹ For the text of the Bill, transcripts of speeches and explanatory memoranda see:
http://www.aph.gov.au/Parliamentary_Business/Bills_LEGislation/Bills_Search_Results/Result?bId=s984

centralising (internal) television production to Sydney and Melbourne and a ‘winding back of local content.’

Evidence to the contrary

To the contrary the ABC’s own Appreciation Survey prepared by Newspoll found that 84 per cent of Australians believe the ABC provides a ‘valuable service.’² With regard to television content specifically the survey found that 78 per cent of Australians believe the quality of programming is ‘very or quite good.’ With regard to regional content the survey found that 80 per cent believe the ABC is doing a ‘good job’ of covering country/regional issues.

In this context it is worth noting that the Australian Communications and Media Authority (the ACMA) released its Regional Commercial Television Local Content Investigation Report in December 2013.³ Although it was an investigation into commercial services it nonetheless found:

- Regional Australians are largely satisfied with the current levels of local content available.
- Regional Australians access local content across a wide variety of sources.

In fact, the ACMA found that 91 per cent of regional Australians reported having access to ‘all the local content they would like.’

The ABC submission to the Senate Environment and Communications References Committee Inquiry of March 2013: The Australian Broadcasting Corporation’s Commitment to Reflecting and Representing Regional Diversity reported that the ABC had increased the total number of external content commissions outside of New South Wales and Victoria.⁴

According the ABC’s 2014 Annual Report the total amount of Australian content on ABC1 between 6am and midnight has increased year-on-year since 2006 to be at its highest in 2013/14.⁵

In addition, the number and range of television services provided by the ABC has increased dramatically to include ABC, ABC2, ABC3, ABC4Kids, ABCNews24 and ABC iView.

The Australian Government’s Guide to Regulation is clear that regulation should only be imposed where it can be shown to offer an overall net benefit.⁶ Given the lack of evidence supporting the rationale for the Bill, Screen Producers Australia believes that implementing the amendments would amount to unnecessary and costly regulation.

² <http://about.abc.net.au/wp-content/uploads/2014/11/AppreciationSurveySummaryReport2014.pdf>

³ <http://www.acma.gov.au/Industry/Broadcast/Television/Local--regional-content/local-content-investigation>

⁴ http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Completed_inquiries/2010-13/abcproduction/submissions

⁵ <http://about.abc.net.au/wp-content/uploads/2014/12/ABCAnnualReport2014Accessible.pdf> pg 42

⁶ <https://www.cuttingredtape.gov.au/handbook/ten-principles-australian-government-policy-makers>

Characteristics of ABC commissioned television content

In lieu of comprehensive data from the ABC, there are two data sets which provide robust estimates that highlight the financial leverage that the ABC gains by working with independent production businesses.

Screen Producers Australia's data on drama, documentary and light entertainment titles, 2009-14

In conjunction with this submission, Screen Producers Australia surveyed member businesses regarding sources of finance, location expenditure and residency of primary cast and crew.

The responses account for the lion's share of annual drama and documentary production as well as a sample of light entertainment titles. The titles include a diverse range of ABC programming: *The Doctor Blake Mysteries*, *Rake*, *It's a Date*, *The Code*, *The Gods of Wheat Street*, *The Moodys*, *Miss Fisher's Murder Mysteries*, *ANZAC Girls*, *8MMM Aboriginal Radio*, *Old School*, *The Flamin' Thongs*, *Dance Academy*, *Nowhere Boys*, *Outback ER*, *Croc College*, *The War That Changed Us*, *The Dreamhouse*, *Two on the Great Divide*, *Jandamarra's War*, *Redesign My Brain*, *Julia Zemerio's Home Delivery* and *Wastelander Panda* among many others.

In total, the survey draws on 100 titles from 29 businesses generating \$357 million in production activity for the ABC in approximately five years ending December 2014.

Titles		Finance		Employment		Location: only titles that included production in SA, WA, Qld, Tas, ACT and/or NT	
Genre	No.	Budgets	% ABC funding in budget (avg/title)	No.	% residents outside Syd/Mel (avg/title)	No.	% spend (avg/title)
Drama	43	\$284,775,822	54%	10,354	25%	11	59%
Documentary	49	\$61,086,885	34%	2,445	37%	28	58%
Light Ent.	8	\$10,768,017	71%	382	6%	2	20%
	100	\$356,630,724	46%	13,181	30%	41	56%

Out of the 100 titles, 41 were either completely or partially produced in South Australia, Western Australia, Queensland, Tasmania, the Australian Capital Territory and/or the Northern Territory.

Regarding the proportion of expenditure by location, when averaged across the 41 titles, 56 per cent was spent outside New South Wales and/or Victoria with 11 titles notable for spending more than 90 per cent. The estimated value of production from these 41 titles alone is close to \$50 million.

As would be expected, production in each state and territory occurs irrespective of a producer's principal place of business. When looking at all 29 businesses included in the survey, 31 per cent were based outside Sydney and Melbourne. Despite this, 69 per cent of all businesses produced titles that had a proportion of production in locations other than New South Wales and/or Victoria.

Subject matter is also an important factor in regional production. Of the 100 titles commissioned by the ABC from independent producers, 56 titles explored subjects and/or settings relevant to their shooting locations. This included 31 titles that were specifically relevant to locations in South Australia, Western Australia, Queensland, Tasmania, the Australian Capital Territory and/or the Northern Territory.

Screen Australia's data on drama and documentary titles, 2009/10-12/13

In terms of financial leverage, Screen Australia's data supports the findings of Screen Producers Australia. In isolating ABC drama and documentary titles commissioned from independent producers, they found that there was \$489 million worth of production activity in the four years ending 2012/13. Of this, 49 per cent was funded through the ABC whilst the remaining 51 per cent was from other sources, including inward investment from foreign sources of 10 per cent.

2. Localism, diversity and quality are best achieved in partnership.

The Bill will not advance the localism, diversity and quality of ABC television content. These objectives will be better achieved by strengthening the partnership with independent production businesses.

Centralism

Australian content is important to Australian audiences. Similarly local content is important to local audiences. The appropriate amount and nature of that local content is a matter of debate and ultimately should be a decision for the ABC in response to public need. However, it is our position that the ABC should create the maximum number of opportunities possible for Australian content.

What is in contention in the Bill is the notion that internal ABC resources are necessary to produce local content. But we must be clear about the types of content under consideration.

Content commissioned by the 'Television Division' of the ABC is considered separately to content commissioned by the 'News Division.' These internal and somewhat arbitrary distinctions are important because production and resourcing decisions are largely guided by Divisional priorities.

While many commentators are concerned that a closure of internal ABC television production will impact local content and leave regions without a 'voice', it should be noted that 'news and current affairs' content is not produced by the 'Television Division.' Changes to internal television production will not impact news and current affairs content. It should also be noted that news and current affairs content is produced entirely by internal ABC teams.

As the Director of ABC News, Kate Torney, explained during the Senate Estimates hearings of 20 November 2014, ABC News would not meaningfully reduce the amount of resource devoted to state-based news and current affairs coverage as a result of the current cuts.⁷ Only that it would re-purpose its output away from a dedicated half hour of television content.

This is important because it also highlights that local content can be made available to audiences across a range of platforms. The ABC's Annual Report outlines in detail the offering available from the Corporation across online and radio platforms.

Localism

The move towards centralisation of internal production in Sydney and Melbourne has been an issue for many years. It was noted as part of the 1985 Our ABC Inquiry⁸, in the Mansfield Review⁹ and raised again in the Senate Environment and Communications References Committee Inquiries of

⁷ Senate Estimates - Hansard Environment and Communications Legislation Committee 1 December 2014, pg 5
http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/bb24a5f3-0022-449b-9222-76eacb576ea9/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2014_12_01_3124.pdf;fileType=application%2Fpdf#search=%22committees/estimate/bb24a5f3-0022-449b-9222-76eacb576ea9/0000%22

⁸ Senate Select Committee on ABC Management and Operations, Our ABC, March 1995, pp xi–xiv

⁹ B Mansfield, The challenge of a better ABC: V1: a review of the role and functions of the ABC, AGPS, Canberra, 1997

September 2011: Recent ABC Programming Decisions and March 2013: The Australian Broadcasting Corporation's Commitment to Reflecting and Representing Regional Diversity.¹⁰

The core assumption in the current debate over the ABC's internal television production capacity and where it is located is that having a production facility in a particular location will ensure the ABC broadcasts content about that location.

This assumption is simplistic and patently false for three main reasons.

Firstly, having internal television production teams in specific locations does not equate to content about those locations. A brief overview of South Australian and Tasmanian output over the last few years demonstrates the point. Such as *Auction Room*, *Collectors*, *Poh's Kitchen*, *The Cook and the Chef*, and *Countdown: Do Yourself a Favour* are all worthy programs but they could rarely be said to showcase or focus on the locations of their production.

This is partly a function of the drive to volume that internal production requires. In order to efficiently utilise a production facility and staff, programs of a type that are made regularly are required. Topics and programs of broader appeal do this more effectively. With external production however there exists flexibility to commission more one off and diverse programs.

Secondly, as the Managing Director of the ABC said on 20 November 2014 during Senate Estimates hearings, 'simply because we are not doing internal production in some states does not mean there is no production in those states.'¹¹ What is important to meeting the needs of audiences is relevant content. That content can come from external producers commissioned by the ABC as readily as it can from internal producers and there are production communities in all states and territories.

Thirdly, the Australian public does not distinguish between internally or externally produced content, they are simply 'ABC programs.'

Centralisation of internal television production infrastructure does not necessarily equate to centralisation of output, stories, voice or production in general. The independent sector, in partnership with the ABC can, and does, produce content around Australia.

A better approach than requiring the ABC to spend millions of dollars in capital funding to build television studios that can never be utilised to their full capacity would be to use local independent producers. A good example is Western Australia and the joint initiative between ScreenWest and the ABC to create The Matched Primetime Television Production Fund.

The ABC closed down most of its internal television production in Western Australia in 2011 with the end of *Can We Help?* Nonetheless, ABC commissions featuring Western Australia or Western Australian issues did not cease with *Can We Help?*

¹⁰ http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Completed_inquiries/2010-13

¹¹ Senate Estimates - Hansard Environment and Communications Legislation Committee 20 November pg

103[http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/3c1f008e-2abb-4f95-b1d8-](http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/3c1f008e-2abb-4f95-b1d8-edc81b4fb905/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2014_11_20_3061.pdf;fileType=application%2Fpdf#search=%22committees/estimate/3c1f008e-2abb-4f95-b1d8-edc81b4fb905/0000%22)

[edc81b4fb905/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2014_11_20_3061.pdf;fileType=application%2Fpdf#search=%22committees/estimate/3c1f008e-2abb-4f95-b1d8-edc81b4fb905/0000%22](http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/3c1f008e-2abb-4f95-b1d8-edc81b4fb905/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2014_11_20_3061.pdf;fileType=application%2Fpdf#search=%22committees/estimate/3c1f008e-2abb-4f95-b1d8-edc81b4fb905/0000%22)

The Matched Primetime Television Production Fund has resulted in high quality, successful programs including *Search for the Ocean's Super Predator*, *Girt By Sea*, *The Waler: Australia's Great War Horse*, *The War that Changed Us* and *Who's Been Sleeping in my House?* In addition, the ABC has commissioned critically acclaimed drama including *The Turning* and *An Accidental Soldier* from Western Australia.

The quality and volume of this content demonstrates quite clearly that localism in television production is not a function of internal production. Instead it is the result of a slate designed to deliver on specific content goals and an approach that utilises partnerships and the skills of both internal production teams and the independent production sector. Based on the Western Australian example it could be argued that the case for localism is best delivered through external production.

Importantly, Western Australia is just one example. When considering the findings of Screen Producers Australia's survey it is clear that there is also an organic approach to regional production. Of the 100 titles surveyed, 41 were either completely or partially produced in South Australia, Western Australia, Queensland, Tasmania, the Australian Capital Territory and/or the Northern Territory.

Regarding the proportion of expenditure by location, when averaged across the 41 titles, 56 per cent was spent outside New South Wales and/or Victoria with 11 titles notable for spending more than 90 per cent in these other regions. The estimated value of production from these 41 titles alone is around \$50 million.

As would be expected, production in each state and territory occurs irrespective of a producer's principal place of business. When looking at the 29 businesses included in the survey, 31 per cent were based outside Sydney and Melbourne. Despite this, 69 per cent of all businesses produced titles that had a proportion of production in locations other than New South Wales and/or Victoria.

When it comes to their subject matter, of the 100 titles commissioned by the ABC from independent producers, 56 titles explored subjects and/or settings relevant to their shooting locations. This included 31 titles that were specifically relevant to locations in South Australia, Western Australia, Queensland, Tasmania, the Australian Capital Territory and/or the Northern Territory.

The breadth of expenditure is also evident in Screen Australia's annual drama report. As its media release states for 2013/14, 'South Australian activity increased to record its highest share ever at 9 per cent, guided by *ANZAC Girls*, *Deadline Gallipoli* and *The Water Diviner*.'¹²

Screen Australia goes on to mention that 'state-based production activity was high in New South Wales, Victoria and Queensland for this period... (also showing) strong domestic drama activity for the rest of the states including the Northern Territory with *8MMM Aboriginal Radio* and *Last Cab to Darwin*, Tasmania with *Buzz Bumble* and the ACT with *The Code* and *Me and My Mates v The Zombie Apocalypse*.'

¹² http://www.screenaustralia.gov.au/news_and_events/2014/mr_141113_dramareport.aspx#sthash.YK6mlGNE.dpuf

This demonstrates a broader ecosystem at work across feature film and television in these areas, whilst also noting that *ANZAC Girls*, *8MMM Aboriginal Radio* and *The Code* are all ABC commissions from the independent sector.

Forcing the ABC to invest significant amounts of capital in internal production facilities is misguided. This is due to a number of factors:

- Localism is best served by an investment in the best content, whether that content comes from internal or external sources.
- Internal production does not necessarily deliver localism.
- Centralisation of internal production resources does not equate to centralisation of production.
- External production offers significant opportunities to create local content.

Furthermore, as far as television production at the ABC is concerned the evidence would appear to contradict the view that there has been a 'winding back of local content on the ABC' or that regional audiences do not have access to adequate amounts of local content. This is borne out by the significant amounts of cross platform content produced by the ABC and the findings of the ACMA's Regional Commercial Television Local Content Investigation.

Diversity and quality

The commitment of the ABC to regional content, diversity and quality was discussed in detail in the Senate Environment and Communications References Committee Inquiries of September 2011: *Recent ABC Programming Decisions* and March 2013: *The Australian Broadcasting Corporation's Commitment to Reflecting and Representing Regional Diversity*.

The 2013 Report commented that 'the committee supports a mixed production model that includes co-production and internally produced programming. It is the committee's view that co-production can adequately represent and reflect Australia's cultural and regional diversity, that is, internal production is not the only way in which the ABC can meet this charter obligation.'

The SRS for the Bill claims there has been a reduction in the diversity of programming on the ABC. The assumed rationale for legislating internal production expenditure quotas on the ABC is that internal production will lead to a greater diversity of programming. Presumably then, it is believed that external production will lead to a reduction in diversity.

However, the evidence is very clear that external production and co-production actually lead to more diversity in the ABC slate. Examples include those titles in Screen Producers Australia's survey: *The Doctor Blake Mysteries*, *Rake*, *It's a Date*, *The Straits*, *The Code*, *The Gods of Wheat Street*, *The Moodys*, *Miss Fisher's Murder Mysteries*, *ANZAC Girls*, *8MMM Aboriginal Radio*, *Old School*, *The Flamin' Thongs*, *Dance Academy*, *Nowhere Boys*, *Outback ER*, *Croc College*, *The War That Changed Us*, *The Dreamhouse*, *Two on the Great Divide*, *The Boffin*, *the Builder* and *the Bombardier*,

Jandamarra's War, Big Name No Blanket, Redesign My Brain, Julia Zemerio's Home Delivery and Wastelander Panda.

This list of examples is remarkable for a number of reasons, not just its depth and breadth of storytelling. It encapsulates high and low budget projects commissioned for both broadcast and online platforms covering genres from adult and children's drama to documentary and light entertainment. And, of equal importance, the independent producers responsible are just as varied, with principal places of business in cities and towns with production expenditure across all states and territories. It is difficult to see how many of these programs could have been commissioned on the basis of their commercial saleability.

ABC commissioning decisions are governed by a rigorous commissioning process; as outlined in answer to written question on notice number 55 out of the 2011 Senate Committee inquiry: Recent ABC Programming Decisions.¹³ This process is informed by the ABC Editorial Policies 2011 that clearly set out the rules by which ABC staff are required to operate.¹⁴

For example, Standard 1 of the Editorial Policies, 'Independence, Integrity and Responsibility', states that staff must:

- 1.1 Maintain the independence and integrity of the ABC
- 1.2 Exercise ABC editorial control over the content the ABC broadcasts or publishes
- 1.3 Ensure that editorial decisions are not improperly influenced by political, sectional, commercial or personal interests

Further protections against commercial influence are also provided by Standard 13 of the Editorial Policies, 'External Funding and Relationships.'

Given the ABC's rigorous commissioning process, the clear requirements of the ABC Editorial Policies, the ABC Act and the strict contractual arrangements in place between external producers and the ABC, the assertion that independent production leads to a reduction in diversity and quality due to commercial drivers is unsupported.

The ABC is a large corporation, larger by far than any single Screen Producers Australia member. It is not true to characterise the contractual negotiation process as one where the power rests with the producer. The ABC has well-established processes and governance in place to protect its independence and integrity.

The strongest supporters of the ABC are often not supporters of commercial media. It is perhaps too appealing and easy to simply accuse independent producers of being 'commercial', and hence bad for the ABC without recourse to evidence. Many independent producers have at some point in their

¹³ http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Completed_inquiries/2010-13/abc/submissions

¹⁴ <http://about.abc.net.au/wp-content/uploads/2012/06/EditorialPOL2011.pdf>

careers worked for the ABC and understand very well the public broadcasting value that their programs must embody.

The number of independent producers around Australia and the fierce competitive environment in which they work is conducive to the development of a diverse range of innovative and high quality programs and concepts. Diversity is best served through the greater range of ideas generated out of the independent sector. This is also evident in the awards that they have received both domestically and internationally in recent years, which are too numerous to list.

The argument that the ABC needs to invest heavily in internal production to maintain diversity and quality in its television slate is not supported by the facts. Regulating the ABC to significantly increase its internal production will lead to less diversity by diverting ABC funding away from content production and into the construction and maintenance of expensive production facilities.

3. Independence is crucial in identifying creative and financial efficiencies.

The Bill will result in a demonstrably less efficient and less flexible ABC, undermining its independence by vesting ABC's resourcing and editorial decision making with the Parliament.

Efficiency

Ensuring the ongoing efficiency and flexibility of the ABC is not only a common sense and practical way to operate a business, it is a responsibility of the ABC Board under the ABC Act - Part 2 Section 8(1)(a):

- (1) It is the duty of the Board: (a) to ensure that the functions of the Corporation are performed efficiently and with the maximum benefit to the people of Australia.

Although it is not directly referenced in the SRS or Explanatory Memorandum, the Bill has been drafted in the context of budget cuts to the ABC and SBS. These cuts followed an extensive review, the ABC and SBS Efficiency Study 2014 (The Lewis Review) into potential efficiencies at the public broadcasters.¹⁵

The Lewis Review does not propose at any point that the ABC could become more efficient by investing heavily in internal production infrastructure.

However, the Lewis Review does note, 'when the ABC was established there were no studios, electronics suppliers or independent producers and the ABC largely had to create these facilities itself. This has led to a 'build and own' culture which is still evident today. The expansion of private facilities and services means the national broadcasters are now in a position where purchasing production facilities and services from private sources, as required, may be more economical.'

¹⁵ http://www.communications.gov.au/__data/assets/pdf_file/0003/243786/ABC_and_SBS_efficiency_report_Redacted.pdf

The Lewis Review examined in more detail the impacts of outsourcing Melbourne production (a highly utilised facility) and found a modest overall benefit of outsourcing the production infrastructure. Further the Review Report noted, 'consistent with industry trends, the study notes that there may be significant scope for savings to be achieved from outsourcing ABC production to external facilities.'

The underlying assumption of the Bill is that setting investment quotas for internal television production outside of New South Wales and Victoria will result in inherently positive outcomes for Australian taxpayers. Putting aside that the problems the Bill has been drafted to fix have not been shown to exist or that its proposed measures would not result in the outcomes it seeks to achieve, at no point does the Bill contemplate the impacts the amendments would have on the efficiency of the ABC.

Not only will a move to increased internal production represent an opportunity cost, it will represent a real cost in terms of the significant capital required to either build or re-commission the necessary infrastructure in Brisbane, Adelaide, Perth and Hobart (BAPH).

The Lewis Review states that the cost of the ABC's new Melbourne studio development is approximately \$176 million.¹⁶ Even assuming that the infrastructure outlay required in the BAPH states would be smaller the capital cost of four additional facilities will still be significant.

On top of this is the operational cost associated with maintaining each facility, the fixed nature of the staffing costs associated with maintaining a set number of Full Time Equivalent positions and the unavoidable upgrade costs that come with owning a modern studio.

To ensure that these new facilities were operated as efficiently as possible they would need to be utilised as much as possible. Low utilisation rates outside of Sydney and Melbourne, lack of scale, inflexibility due to a high investment in labour and a reversal of the usual supply and demand dynamic are all factors that make internal production problematic where volume is low.

As the ABC outlined in its submission the 2013 Inquiry Representing and Reflecting Regional Diversity these were the very problems it encountered with its Tasmanian Television Production Unit. It states '...a high investment in labour and small amount of free cash limit flexibility, restrict the types of production that could occur to the skill sets of the staff already employed and required the ABC to find ways of 'filling the asset' (i.e. finding work for staff to carry out rather than letting demand drive resourcing). This inefficiency in expenditure meant a poor return on investment from the production unit, compared to the amount of production which could be leveraged from the existing budget through external production methods. The ABC considers that it would be prohibitively difficult to achieve the volume of production needed to make it economic to sustain the Tasmanian Television Production Unit.'¹⁷

¹⁶ ABC and SBS Efficiency report pg 69

¹⁷ ABC Submission - pg 12

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Completed_inquiries/2010-13/abcproduction/submissions

These issues are largely structural and would remain a significant impediment to operating an internal production unit in Tasmania or other BAPH states.

Efficiency in these internal production units is achieved where volume of production is high and where the skill set of the staff are matched to the program(s) they are producing. For example, the team required for a highly successful studio based cooking show will have a very different skill set to a team working on studio based entertainment program or an on-location nature documentary.

Where the skills of the team are not matched to the program, extensive travel is required, or where the sunk cost of labour blow out the per hour costs due to low volume, internal production is less efficient and less flexible than external production.

While figures outlining the cost of internal production are extremely hard to come by Screen Producers Australia notes the program costs quoted by Michael Bodey in the article 'ABC Agenda: To Root out the Highly Paid' in The Australian on 13 December.¹⁸ In it Bodey states:

'Mr Scott defended the decision to close down Adelaide television production by revealing the costs of internal productions in South Australia. He said it cost \$506,000 an hour to produce a documentary about the Beatles' Australian tour, \$363,000 an hour for *Countdown: Do Yourself A Favour*, \$417,000 an hour for the documentary *Great Expectations* and \$507,000 an hour for *Restoration Australia*.

These South Australian productions compared unfavourably with the \$192,000 an hour the documentary series *The War That Changed Us* cost when made in conjunction with the independent sector.'

These are high hourly rates for these types of programs and if indicative of the costs of internal production at the ABC (at least in South Australia) illustrate the risk involved in extending state based internal production.

The ABC has not published detailed breakdowns of financial leverage, but has previously indicated 'that if content was produced through the independent sector, then in the case of a documentary, the ABC would only need to spend up to \$50,000 an hour to leverage two-and-a-half times the same amount.'¹⁹

This is another point reiterated by Screen Producers Australia's survey. The 100 titles surveyed account for the lion's share of annual drama and documentary production as well as a sample of light entertainment titles. Their production budgets totaled \$357 million in production activity for the ABC in approximately five years ending December 2014. On average, 46 per cent of budgets were funded through the ABC whilst the remaining 54 per cent was from other sources of finance.

This leverage from other finance sources varies by genre within the sample, with the ABC contributing on average as little as 34 per cent for documentaries and as high 71 per cent for light entertainment

¹⁸ <http://www.theaustralian.com.au/media/abc-reform/abc-agenda-to-root-out-the-highly-paid/story-fnkj0ix5-1227154500931>

¹⁹ <http://www.abc.net.au/news/2014-11-25/abc-to-centralise-television-content-creation/5916488>

production.

The remaining finance is a combination of other public and private sources, with inward investment from foreign sources contributing in excess of 20 per cent in many cases. This proportion has been estimated to be on average around 10 per cent for the ABC's externally commissioned drama and documentary productions by Screen Australia.

A significant concern for the independent production sector is that with the forced redirection of the ABC's funds envisioned by the Bill (at least \$20 million per annum), the extra capital spending required to establish or re-commission production facilities and the extra ongoing operational costs associated with those facilities there will be significantly reduced capacity for the ABC to invest in external commissions of content, which will undoubtedly shortchange the taxpayer.

Forcing the ABC to do more internal production will undermine the viability of independent production and put pressure on small businesses outside of New South Wales and Victoria. A far better approach is for the ABC to partner more fully with independent producers who can deliver high quality content efficiently and flexibly. The independent sector's entrepreneurial spirit is evident in their commitment to engaging with the international market, driving up the economic returns for screen production to the economy.

The problem identified by the ABC in Tasmania will be replicated across states. The significant sunk labour costs of increased internal production will reduce the amount of free cash to invest and will limit the diversity of programming to the skill sets available in state based teams. Not only will there be less content and less externally produced content, there will be less diversity of content overall.

If the changes proposed in the Bill are implemented the ABC will be less efficient, less flexible, less responsive, less diverse and will produce less Australian content.

Independence

The independence of the ABC is enshrined in its enabling legislation, its Code of Practice and its Editorial Policies. The Australian public places a high value on this independence and on the ability of the ABC to operate at arms length from Government. This independence includes not only editorial decision-making but extends to investment and resourcing decisions. Successive Governments have not interfered in the day-to-day operations of the ABC.

A cultural institution like the ABC will always be at the centre of political debate, however it should not be treated like a political football.

The Bill undermines the independence of the ABC and its Board by placing management and editorial decision-making in the hands of the Parliament. Clause 3(A)(b) of the Bill in effect sets quotas for investment in certain types of production, in specific locations without regard to the expert knowledge of the Board, Executive and staff of the ABC. Directing the ABC Board in its investment decisions is clearly interference in how the Board operates the Corporation. Allowing in principle that level of

interference crosses a line that could in theory allow any number of other interventions in the operation of the Corporation.

More disturbingly Clause 3(A)(a) requires that the ABC produce a weekly current affairs program of at least 30 minutes in duration (it is presumed that this is for broadcast on its television platform as it is not defined by the Bill). This fundamentally undermines the editorial independence of the ABC. It is the responsibility of the Board and the ABC Executive to make decisions regarding investment in content and to shape the output and schedule of the broadcaster, not the Parliament.

Paragraphs 3A(a) and 3A(b) of the Bill fundamentally change the Charter of the ABC. These clauses have no relation to the long established goals of the Corporation to broadcast and distribute high quality content. The Bill represent a major change in the way in which Parliament interacts with the ABC and significantly reduces the independence of the ABC.

In conclusion, Screen Producers Australia submits that if the ABC loses independence there will be a broad range of unintended consequences that will ultimately shortchange audiences by reducing their access to a diverse range of screen content. The cumulative effect of the proposals in the Bill will lead to a weaker ABC.