

Australian Broadcasting Corporation

Submission to the

**Australian Government Australian and Children's
Screen Content Review**

September 2017



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Executive Summary

- Australian storytelling, including children's content, provides important social and cultural outcomes and is worth preserving, promoting and supporting.
- In an increasingly globalised market, featuring powerful multi-national players, market solutions are insufficient to ensure public policy outcomes. There is a need for transparent and co-ordinated government intervention that complements and sustains efforts by local producers to supply quality, distinctive home-grown content.
- The regulatory and support framework must recognise the important role played by public broadcasting in helping to also deliver these social and cultural benefits.
- The existing regulatory framework to protect and promote local and children's screen content requires updating. The system is a complex array of quotas, minimum expenditure requirements, tax incentives, direct investments and, in the case of the national broadcasters, direct funding.
- The legacy factors of this framework and the lack of a cohesive strategic objective underpinning it make the system unresponsive to emerging audience trends. Secondly, a number of levers and controls can be seen to push up costs and promote volume over quality. Furthermore, there is an insufficient emphasis on innovation, experimentation and encouraging new entrants into the industry.
- Any new framework adopted must be more outward looking, acknowledging the opportunities that exist in global markets for distinctive Australian content.

Introduction

The Australian Broadcasting Corporation (ABC) submits this paper for consideration to the Australian Government's Australian and Children's Screen Content Review. This submission considers the Terms of Reference of the Review and sets out the ABC's responses to the questions put forward in the Review consultation paper.

The ABC requests that the Committee also pays regard to the ABC's submissions to the Australian Government Convergence Review¹ and the current House of Representatives Standing Committee on Communications and the Arts Inquiry into the Australian film and television industry², both of which traverse a number of similar issues to those covered by this Review.

Australian storytelling is crucial to the nation and to our national identity. As the terms of reference succinctly state; *"In a globally connected, on-demand world, Australian stories need to be told and heard by Australians, in particular our children, and across the world."* The statement correctly links current context to outcome. It is somewhat perverse that in a world where audiences can access content from anywhere across the globe at any time, the need for local storytelling has become more acute. Storytelling devoid of an emotional connection, which is created through shared experience and a clear connection to time and place, can be regarded as little more than visual wallpaper. Shared screen experiences contribute to a sense of national identity and culture.

As Dr Patricia Edgar observes in her submission to this review, local storytelling is even more important when it comes to the development of our children. *"[Stories] give children a shared purpose, a roadmap for their lives and teach them about their feelings, their tribe, their culture and their place in the world."*³

The Australian screen industry is small but it is internationally recognised for its artistry, creativity and technical expertise. It deserves to be supported and fostered, not only because the social and cultural benefits but because it provides employment to over 25,000 people across the nation.⁴

The ABC and Australian content

The ABC has played a pivotal role in local storytelling and creating shared cultural experiences since it was established in the early 1930s. This is especially so in its service to children. Cognisant of its social charter, the ABC was quick to use its radio services to provide educative material and a "town square" connection to the nation's youth. The iconic *Argonaut's Club*,

¹ <http://about.abc.net.au/wp-content/uploads/2012/06/ABCSubmissionConvergenceReviewInterimReportFeb2012.pdf>

² http://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/AustralianfilmandTV

³ <http://www.patriciaedgaranddonedgar.com/Content/Article/pdf/WhatReallyHappenedToAustralianChildrenJuly142017.pdf>

⁴ Screen Australia, *Screen Currency: Valuing Our Screen Industry*, November 2016
<http://www.screenaustralia.gov.au/fact-finders/reports-and-key-issues/reports-and-discussion-papers/screen-currency>

with its use of titles like the *Orders of the Dragon's Tooth* and the *Golden Fleece* as rewards for imaginative writing (arguably an early version of UGC content), was created in August 1932.

ABC Television also has a long and distinguished history in screen storytelling from the moment its first television service flickered to life in late 1956. Since that time it has been responsible for an array of highly-regarded content; the trailblazing drama *Stormy Petrel* in 1960; the mid-1960s drama series *My Brother Jack*, based on George Johnston's biographical novel; the small-town saga *Bellbird*, which ran from 1967 to 1977; the 1991 mini-series *Brides of Christ*; and the powerful *Redfern Now* series, with its Indigenous cast, writers and production crew. These cultural touchstones are only a few among a host of iconic ABC programs that have entertained, enriched our lives and inform who we are as a society.

The Corporation will continue to play a vital role in producing, commissioning and broadcasting Australian content for decades to come. It does so because Australian storytelling is in its DNA, is recognised as a key part of its charter remit and because it is central to its strategic goal "*to be the source of Australian conversations, culture and stories.*" The ABC's *Investing in Audiences* strategy, announced in March 2017, has two central strategic pillars addressing this storytelling objective:

- Creating extraordinary relevant and valued content; and
- Delivering an outstanding audience experience.

The ABC's content strategy is firmly aligned with broader public policy objectives and recognises that the Corporation sits within a broader industry ecology. The complexities and challenges of screen industry economics require it to collaborate with creative partners. It does so willingly and with a strong sense of public purpose. It consults regularly with its partners and through its Annual Report and other accountability mechanisms, provides information on its strategy and expenditure.

The ABC Act and Charter also provide clear direction on ABC activity. The ABC Charter, contained in Section 6 of the *Australian Broadcasting Corporation Act (1983)*, directly addresses the objectives of the review in requiring the ABC to broadcast "*programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community*".

The ABC Charter does require the ABC to perform a market failure role, ensuring investment in specialised programming that may otherwise struggle in a non-regulatory setting. However, the Charter also requires that the Corporation caters to mass audiences and that it provides diversity of programming and programming of broad appeal. Ultimately, it is the responsibility of the ABC Board and management to determine the best use of available resources. It must make decisions based on competing imperatives and the challenges of a transitional landscape.

Australian screen sector

A strong domestic screen production sector is essential if audiences are to have access to quality Australian content. Given the small size of the Australian market and the significant quantities of screen content produced in larger English language markets such as the United States and the United Kingdom, it is unlikely that Australia would produce the quantity, quality and variety required to achieve cultural benefits without Government support and/or regulatory intervention.

However, it is crucial that support and/or intervention remain relevant to the experience of audiences and screen producers. For example, it is evident that the Australian Screen Production Incentive was designed for a pre-2007 industry model as it does not consider online content or platforms.

Since the introduction of the Incentive there have been significant changes in audience consumption. New distribution platforms have been created and new aggregators, distributors and content creators like Netflix, YouTube, Facebook, Amazon and Stan have entered the market. There is increasing competitive pressure on Australian content producers and distributors.

Given the changed industry dynamics, the ABC considers that an appropriate balance of incentives and interventions continues to provide the best policy response. The framework should encourage and leverage investment in the screen sector, foster collaboration and partnerships, facilitate new entrants and reward the production of high quality, distinctive Australian content. However, it needs also to accept that younger audiences in particular, do not consume content in conventional blocks and formats. This opens the door to experimentation and more cost efficient support models.

The framework should also acknowledge the potential for technological breakthroughs in areas like machine learning and Artificial Intelligence to enhance and personalise audience experiences and to make content more discoverable. Finally, any changes to the regulatory framework should look outwardly to foster new markets for Australian creative output.

The Review discussion paper poses eight questions. The ABC addresses the relevant issues raised as follows.

1. Are the policy objectives and design principles articulated in the discussion paper appropriate? Why do you say that?

Policy objectives

The ABC broadly concurs with the three core policy objectives identified in the Review discussion paper, being:

- Securing quality content that promotes Australian identity and culture—implement measures that encourage the creation, delivery and export of diverse and high quality Australian content
- Securing quality Australian content for children—ensure content is developed for Australian children to help them understand the world around them and Australian values and culture
- Driving more sustainable Australian content industries—develop the right policy settings to enable Australia's creative sector and talent to thrive, locally and internationally.

Technological changes have dramatically altered the media landscape, shifting power from producers to consumers and allowing new players to exploit scale in increasingly borderless markets. At one end, costs are surging as companies compete for international audiences through high-end productions. At the other, audiences are splintering as new platforms allow content to be produced and consumed in multiple ways. The challenge is to ensure that Australia retains a viable local production sector capable of producing the quality storytelling the nation requires.

It is essential that screen content policy settings are calibrated to address the challenges, to provide certainty for producers and the best outcomes for audiences. There is a broader economic and social benefit as a strong competitive local screen industry contributes directly to job creation and investment in the Australian economy. Screen Australia's 2016 Screen Currency Report found that overall the creation of Australian screen content injects \$3 billion into the Australian economy annually, and as stated previously, generates more than 25,000 jobs.⁵

The Screen Australia Report also noted that international tourists who visit Australia after watching our stories on screen contribute an estimated \$725 million annually to the national economy. International feature film, television drama and documentary sales earn at least \$252 million annually and Australians place a value of \$17 billion annually on local content and more than three quarters (76 per cent) support Australian Government investment in the screen sector.⁶

Investment by broadcasters and screen production companies and agencies also have a multiplier effect on the broader economy – catering, building, transport and other service

⁵ Screen Australia, *Screen Currency: Valuing Our Screen Industry*, November 2016
<http://www.screenaustralia.gov.au/fact-finders/reports-and-key-issues/reports-and-discussion-papers/screen-currency>

⁶ Screen Australia, *Screen Currency: Valuing Our Screen Industry*, November 2016
<http://www.screenaustralia.gov.au/fact-finders/reports-and-key-issues/reports-and-discussion-papers/screen-currency>

industries benefit from investment in television and film. Importantly, screen productions shot on site also contribute to local economies and can subsequently help boost regional employment and tourism. For example, 2016's hit ABC comedy, *Rosehaven*, which was set in Tasmania, employed 90 local cast and crew and injected \$1.8 million into the local economy. The recently announced ABC co-produced drama *Pine Gap* will be a multi-million dollar investment that will create significant career opportunities in South Australia, with nearly 100 crew joining the local production.

While the Corporation agrees in principle with the policy objectives of the Review, they appear intentionally broad. The Corporation considers that there would be benefit in exploring further the definition of what constitutes "quality screen content". If the provision of incentives or application of regulation is predicated on quality, then it would be particularly beneficial to understand what the Review would consider quality content and how it would be measurable. From the ABC's perspective "quality" may variously take into account the program production values, genre, cultural significance, educational benefits, innovation, and other creative factors. If a policy framework sets out quality standards then they should be understood and accepted across the industry.

Investment in, and creation of, quality content is only possible when the sector is large enough to sustain diversity in production. It needs the capacity to embrace a wide range of genre outputs and a critical volume of programming that results in efficiencies, economies of scale and a plurality of contributors. To that end, the ABC agrees that industry policy should be focussed on achieving a sustainable screen production environment that delivers both breadth and depth of Australian content.

The provision of original Australian content is critical for young audiences, who in their formative years are beginning to search for understanding about the community around them. The November 2016 *Measuring the Cultural Value of Australia's Screen Sector* report identified that:

Strong evidence exists to demonstrate the particular importance of quality children's content in general, and this is underlined in the Australian context by the impact of a number of high quality productions. These include Little Lunch, which helps children to understand the world around them, as well as help with school preparedness; Round the Twist, which influenced a generation, and remains popular to this day; and Paper Planes, with its focus on ingenuity and resilience. In general, it is apparent that while any high-quality and well-designed children's production has value for childhood development, domestically made ones are most important.⁷

It is critical therefore, that any revised policy response has at its core the maintenance of a thriving Australian children's screen industry and quality content outcomes for audiences.

⁷ Olsberg SPI, *Measuring the Cultural Value of Australia's Screen Sector*, P. 56
<https://www.screenaustralia.gov.au/getmedia/1dce395e-a482-42d1-b5a9-47bb6307f868/Screen-Currency-Olsberg-SPI-Nov2016.pdf> P56-57

Policy design principles

The review paper sets out clear policy design principles:

- Service clearly identified public policy goals—Government intervention should serve transparent objectives
- Be clear, simple and transparent—regulations and support measures should be easy, efficient and practical for industry to access and comply with
- Be platform agnostic—Content regulation should be driven by policy objectives rather than platform type
- Produce benefits that outweigh the costs—funding and regulatory imposts come at a cost to both government and regulated entities – the public benefits generated should exceed those costs
- Be flexible enough to cope with changing environments—a future system should be forward-looking and nimble enough to adapt to future changes in technology and audience trends.

The ABC supports the Review's policy design principles, in particular that any government intervention or regulation to support the screen industry must be transparent and have clearly defined objectives. The ABC also agrees that it is prudent to develop a policy framework that excludes consideration of specific screen platforms, given that audiences do not readily discriminate according to device.

The Review consultation paper identifies that the outcome of the Review should be that the benefits outweigh costs. While this is a rational goal, the ABC would suggest "costs" and "benefits" need to be considered holistically. The analysis must take into account the direct benefits of investment such as increased employment and increased program hours plus the less quantifiable, but no less important, benefits of contributing to a sense of national identity and culture.

Other considerations

Recognising the valuable cultural and social contribution of local screen output, the ABC believes that an important principle is accessibility. Content sustained with the assistance of taxpayer funds should be made available to all Australians, not to those who have to pay to view it.

The system is all underpinned by the fundamental principle that users of finite public goods like spectrum have a social responsibility towards the public that transcends their commercial imperatives.

Since 1964, commercial television broadcasters have been required to pay a proportion of their gross earnings in return for the use of spectrum. With the likely passage of the Broadcasting Legislation Amendment (Broadcasting Reform) Bill 2017, these fees will be abolished and replaced with a transmitter licence tax, with an estimated saving to the commercial networks of \$90 million per annum and loss of \$417 million in Commonwealth revenue over forward estimates.⁸

⁸ http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5907

Ultimately, there needs to be some safeguards in place to ensure that the savings are reinvested in public good outcomes. The ABC notes that in May 2017, the Chief Executive Officer of the Seven Network, Tim Worner, acknowledged this reciprocal obligation, commenting, "*Removing these outdated fees will allow us to invest in more and better local content and to transform our businesses for the future.*"⁹

2. What Australian content types or formats is the market likely to deliver and/or fail to deliver in the absence of Government support?

The Review consultation paper contends that Australian screen content "helps define our national identity" and "strengthens social cohesion and values"¹⁰. The ABC Charter, contained in Section 6 of the *Australian Broadcasting Corporation Act*, similarly requires the ABC to broadcast "programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community".

The ABC is committed to this social contract. It is evident in the investment the ABC makes in key genres including drama, scripted narrative content, documentaries and children's content.

Over the past two ABC funding trienniums (2009/10 to 2015/16), the ABC has committed over \$640 million to the creation of 2,179 hours of Australian screen content. Through collaboration with industry partners this has created over \$1.2 billion worth of Australian production, including:

- \$289 million towards 492 hours of first release Australian fiction (including drama and narrative comedy) valued at more than \$510 million in total.
Of this:
 - drama comprised 328 hours, with an ABC contribution of \$222 million, valued at \$389 million in total.
 - narrative comedy comprised 164 hours, with an ABC contribution of \$67 million contribution, valued at \$121 million.
- \$84 million of ABC investment towards 659 hours of children's content, including children's drama, valued at more than \$263 million in total.
- \$58 million of ABC investment towards 337 hours of documentaries, valued at \$158 million in total.
- \$210 million of ABC investment towards 692 hours of other programming across the remaining genres of arts, Indigenous, factual and entertainment, valued at \$302 million in total.

The ABC commissions and produces as much local content as its budget and its many competing priorities permit. Without government support the ABC would not be in a position to produce this same quantum, nor contribute as significantly to Australia's screen industry and social and cultural identity. Ultimately, determining the precise allocations for its various

⁹ <http://www.theaustralian.com.au/business/media/130-million-tv-lifeline-in-shakeup-of-media/news-story/5e7c227256db73dbe71a4ef2de9d66e3>

¹⁰ Australian and Children's Screen Content Review, Discussion Paper, P. 1 (August 2017).

genre spends is a matter for ABC management and the ABC Board to determine. Critics of ABC investment decisions fail to understand the impact of funding cuts and the opportunity cost of losing the efficiency funds that have traditionally financed its new digital investments. The ABC faces significantly challenges in servicing traditional audiences and new ones.

The commercial free-to-air broadcasters also produce a significant amount of local content. However, their commitment is shaped by commercial imperatives and content quotas, the latter imposed by government to ensure a minimum commitment to production of key program genres by the commercial sector.

The ABC has argued consistently that any proposed application of the commercial quotas to the ABC fails to recognise the unique settings that apply to the operation of the Corporation. Unlike its commercial colleagues, the ABC has Charter requirements to provide specialised programming in niche content. Applying quotas directly would impinge on the Corporation’s independence by effectively ensuring that Parliament can determine what portion of the budget is spent on certain types of programming.

Ultimately, the ABC’s level of investment in Australian content isn’t driven by quotas (as much as some critics would like it to be), but by the availability of funding. As is evidenced in Table 1 below, the ABC generally meets or exceeds the commercial quota targets, balanced across the programming slate each year.

Table 1- ABC local content – commercial quota comparison

Content Standard	Commercial broadcaster requirement (Calendar Year)	ABC TV 2015-16	ABC TV 2016-17
Australian content primary channel	55%	69%	69%
First release Australian documentary	20 hours	44 hours	50 hours
Australian children’s P content	130 hours	1,392 hours	1,486.5 hours
Australian children’s C content	260 hours	1,422.9 hours	1,469.8 hours
First release Australian children’s drama	25 hours	31.7 hours	36.5 hours
First release Australian drama	250 points	249.8 points	204.4 points

While ABC TV did not reach the threshold commercial point score for first release Australian drama in 2016-17, it is projected to surpass 250 points in 2017-18. This is indicative of the fact that television commissioning is dynamic, and each year programming is based on competing priorities across genres, the pool of new program proposals and ideas, and also that the point score is based on a weighting that favours certain formats.

Market solutions

The Review sets out the position that "... as far as possible, market solutions and competition should be harnessed to deliver these policy outcomes".¹¹ The ABC believes that without adequate policy interventions, the result of such a policy approach would be a bleak one for audiences and the community, in particular in relation to children's content.

Commercial broadcasters are increasingly driven by shareholder interest and commercial return. Revenue is derived largely from advertising, which is driven by audience numbers. According to AdNews, in 2016, 80 per cent of the 50 top rating TV programs were reality and sports programs, with these formats also holding all but one of the top 10 positions. Drama accounted for 14 per cent of the remaining top 50 programs, while the balance was news and current affairs programs. The dearth of drama programming in the list is concerning to the ABC for a number of reasons. As AdNews stated in its report:

*The lack of Aussie dramas reflects two stark realities for TV networks – that they are very costly to produce compared to reality TV and they often struggle to pull in huge ratings. This means dramas deliver lower returns on investment than other programs and are riskier to produce.*¹²

Screen Australia's 2015-16 Drama Report noted a 21 per cent increase in the hourly cost of television drama (combined adult and children) production in Australia from 2011-12 to 2015-16. There was a rise of 27 per cent in hourly production costs for adult mini-series drama programs (programs categorised as 'quality' series of up to 13 one-hour episodes).¹³ The report estimates that the hourly cost of such locally-produced programs is now \$1.37 million.

While drama is relatively expensive to produce and does not provide a commercial return on investment comparative to reality and sports content, genres such as documentary and factual and children's content provide even less commercial return and, therefore, while important sources of social and cultural information, they attract less investment.

At the House of Representatives Standing Committee on Communications and the Arts' inquiry into the Australian film and television industry hearing on 20 July 2017, Network Ten Chief Executive Officer, Paul Anderson stated, "*With children not watching these programs and advertising dollars not available to fund them, this content should be the remit of the national broadcasters, ABC and SBS.*"¹⁴

At the same hearing, Network Nine Chief Executive, Hugh Marks, also commented, "*I emphasise that Nine is not saying that children's television is not a worthwhile public policy*

¹¹ Australian and Children's Screen Content Review, Discussion Paper, p. 5 (August 2017).

¹² <http://www.adnews.com.au/news/adnews-analysis-the-top-50-tv-programs-of-2016>

¹³ Screen Australia, *The Drama Report 2015/16*, November 2016 <https://www.screenaustralia.gov.au/fact-finders/reports-and-key-issues/reports-and-discussion-papers/drama-report-2015-16>

*outcome. Of course it is. We are just saying that the role of commercial broadcasters in fulfilling that outcome needs to be re-examined.*¹⁵

While it is true that fewer children are watching broadcast TV- the August 2017 Australian Communications and Media Authority (ACMA) report, notes that the average time spent watch broadcast TV viewing for 0-14 years olds has decreased by 25 per cent from 2005 to 2016¹⁶, they are still watching screens. Therefore, they are still receiving cultural input of a different kind. Under the current regulatory framework, it is simply less likely that the online portion of that screen time contains Australian content.

The changes in children's program viewing are indicative of television viewing shifts in older demographics. Television viewing in the home fell 16 per cent from 2010 to 2016 and online and mobile viewing increasing by 50 per cent.¹⁷

Even the Productivity Commission, with its market-based approach to policy, is sceptical of arguments that audience preference for quality local content will push broadcasters into delivering social and cultural goods by market means. In its submission to the Convergence Review, the Commission noted:

"The broadcaster's main concern is the program's ability to generate a profit – that is, by advertising revenue relative to its cost. High cost programs with social and cultural value may be vulnerable to replacement by programs with a better revenue-to-cost ratio, even if the alternative is less popular with viewers and advertisers."

Without some form of policy intervention, either through subsidies, incentives or regulation, commercial investment in the production of genres such as drama, children's and documentary programs will significantly diminish, leading to decreased program hours and increased production costs. This would have an adverse audience outcome and an adverse impact on the industry, shrinking the sector, leading to a smaller pool of Australian cultural talent and creating greater reliance on those production companies backed by international distributors.

Recognising that similar sentiments may well be expressed in this Review, the ABC rejects any suggestion that its only role is to provide services that commercial broadcasters cannot or will not provide. The ABC was established to service both audiences of broad and niche appeal¹⁸ and is funded to service its Charter commitments, and produce as much Australian

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http://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/AustralianfilmandTV/Public_Hearings_P.37

¹⁶ The Australian Communications and Media Authority, *Children's television viewing and multi-screen behaviour*, August 2017 <https://www.acma.gov.au/-/media/Community-Broadcasting-and-Safeguards/Research/PDF/Childrens-television-viewing-and-multi-screen-behaviour-pdf.pdf?la=en>

¹⁷ OzTam Multiscreen Report, Q4 2016, P.5

<http://www.oztam.com.au/documents/Other/Australian%20Multi%20Screen%20Report%20Q4%202016%20FINAL.pdf>

¹⁸ Australian Broadcasting Act 1983, section 6(2).

content as its budget permits, not to simply step in where the commercial broadcasters fail to meet their regulatory obligations.

3. What types of Australian screen content should be supported by Australian Government incentives and/or regulation?

The ABC concurs with the thesis set out in the Review's Terms of Reference:

Given the small size of the Australian market for screen content, and the sheer quantities of screen content production in larger English-language markets such as the United States and the United Kingdom, it is unlikely that Australia would produce the quantity, quality and variety of Australian content required to achieve cultural benefits without Government support. Similarly the Australian Screen Production Incentive was designed to suit pre-2007 industry models.¹⁹

And those set out in the discussion paper:

The production and distribution of diverse Australian content delivers both a cultural and economic dividend. It helps define our national identity, strengthens social cohesion and values and develops cultural and creative industries. Australian content developed for our children is especially important in reflecting the world around them.²⁰

Accordingly, it is clear that support for local and children's content is desirable to ensure the ongoing availability of Australian screen content to domestic and international audiences, regardless of platform. These are important public policy outcomes and this Review is a timely opportunity to consider whether the current local and children's content settings are meeting the desired outcome.

The ABC considers that support is appropriate for Australian and children's content that delivers a significant public benefit and which would otherwise be particularly at risk if left solely to market forces. To this end, the ABC believes that there is significant public benefit in the following genres being supported by Australian Government incentives and/or regulation:

Australian drama

Scripted narrative content is critical to Australian storytelling, reflects Australian culture and experiences back to the audience, and provides entertainment in recognisable settings and situations.

¹⁹ Australian and Children's Screen Content Review, Terms of Reference (July 2017).

²⁰ Australian and Children's Screen Content Review, Discussion Paper, p. 2 (August 2017).

Australian documentaries

This genre includes factual content across a range of topics, including the sciences, the arts, history, natural history, politics, and society and culture that inform audiences and provide context to contemporary Australia.

Indigenous content

Indigenous content across drama, documentary, factual and children's programs provide a voice for Australia's Indigenous people and for the wider Australian population to engage with the stories, history, culture and topical issues of Australia's Indigenous peoples and communities.

Digital-first content

As audience trends indicate²¹ that increasingly audiences (and in particular children²²) are seeking and watching content online and watching it in shorter bursts, it may be advantageous to consider the ways in which digital content can be better funded to encourage quality content on digital and mobile platforms. It is also a path for traditional broadcasters to develop innovative content and attract new audiences.

Australian children's content

Shared screen experiences contribute to a sense of national identity and culture. This is particularly important for children. Good storytelling is critical to development and cultural awareness.

As the Minister for Communications and the Arts, Senator the Hon Mitch Fifield, noted in a speech to the 2017 Australian Content Conversation Conference:

*"Australian stories need to be told. People need to hear our stories, our perspectives, our ideas. We have got a lot to share, and our stories and voices do matter. Our children need to understand the inherent uniqueness of our nation, and the character and diversity of our people."*²³

For this reason, it is important that all forms of children's content are supported - in particular live action drama and factual, which distinctively tell Australian stories with Australian voices and accents. The ABC believes there is merit in a standalone fund, administered by Screen Australia, for children's factual content, so that such content ideas do not have to compete with general factual, as occurs under current arrangements.

²¹ OzTam Multi-Screen Report (Q4 2016)

<http://www.oztam.com.au/documents/Other/Australian%20Multi%20Screen%20Report%20Q4%202016%20FINAL.pdf>

²² Children's Television Viewing Research Overview, The ACMA (2015)

https://www.acma.gov.au/~/_media/Research%20and%20Analysis/Research/pdf/OverviewChildrens%20television%20viewingFinal%20pdf.pdf

²³ Minister Fifield, Speech to the Australian Content Conversation Conference (May 2017).

Diversity

The 2016 Screen Australia diversity report identifies shortfalls in depictions of contemporary Australia in Australian drama production, with a marked absence of people with cultural diverse backgrounds, Indigenous heritage, people with disabilities and people of diverse sexual orientations.²⁴

This problem is not unique to drama. It is prevalent in other genres. It is an issue on the screen, via actors and presenters, and also behind the screen, in writers, producers, crews and other production staff. There is benefit in exploring the use of industry incentives to encourage programs that better reflect modern Australian society.

Public Broadcasting

The ABC also considers it crucial that the Federal Government maintain investment in public broadcasting. The ABC has been an integral part of the screen industry since the birth of local television in the late 1950s, providing a platform for creative output, fostering creative talent, working in close partnership with the production industry, and creating and commissioning programs that resonate with the Australian people.

Innovation is one of the ABC's key Charter remits and the ABC has used that responsibility to great effect – harnessing new talent, creating breakthrough formats and exploring the potential of new services, such as iview.

The ABC's position as one of Australia's most valued and important cultural institutions enables it to act as host for national conversations, stories and culture even in a fragmented market place. In the modern screen environment, the ABC has also been a key partner with the independent sector, building relationships and business through co-productions and further leveraging public funds gained through the policy framework.

Because of its presence across the country and its commitment to independent, commercial-free, quality Australian content, the ABC continues to be the most trusted and valued broadcaster in Australia. The independent 2016 Ompoll survey found that 86 per cent of those surveyed believed the ABC performs a valuable role, and 78 per cent of those surveyed believe that the ABC provides good quality television programming.²⁵

Since the inception of television in Australia in 1956, the ABC has been a great creator and distributor of Australian screen content and the Corporation considers it has a key role to play in supporting the screen sector and the audiences who enjoy the resultant content now, and into the future. The ABC is charged with broadcasting programs of both wide appeal and specialised interest, and is acknowledged for its commitment to making innovative and distinctive quality content and taking risks with new talent and ideas.

²⁴ <https://www.screenaustralia.gov.au/getmedia/157b05b4-255a-47b4-bd8b-9f715555fb44/TV-Drama-Diversity.pdf>

²⁵ Australian Broadcasting Corporation Audience Trends <http://www.abc.net.au/corp/annual-report/2016/c2-audience-trends.html>

Australian storytelling is central to the Corporation's activities and the ABC is at the forefront of production of the priority genres identified above. In terms of drama and other scripted narrative programs, the ABC has recently produced or invested in a wide range of highly acclaimed Australian programs, including *The Secret River*, *Glitch*, *Rake*, *Janet King*, *Cleverman*, *Seven Types of Ambiguity* and *Utopia*.

The ABC's commitment to Indigenous content is longstanding, with the establishment of the ABC Indigenous Department in 1987, evolving from the former Indigenous Programs Unit. Over thirty years the department has become the centre of excellence for production of Aboriginal and Torres Strait Islander television and the development of Indigenous filmmakers in Australia. Recent Indigenous programs that have been broadcast in primetime include *Gods of Wheat Street*, *Ready for This*, *Redfern Now*, *The Warriors*, *Black Comedy* and, *8MMM*.

The Screen Australia diversity report highlighted the contribution the ABC has made to Indigenous content, but through programs like *Pop-Ability*, *You Can't Ask That*, *Please Like Me*, *Outland*, *The Code*, *Janet King*, ABC content also addresses issues of disability or cultural and sexual diversity.

The ABC has also taken a leading role in creating and commissioning "digital first" content for the iView platform. *Pop-Ability* was developed as an iView first program and other recent digital first or digital exclusive programs include *Goober*, *Noirhouse* and *Hello Stranger*.

The "digital-first" programs are primarily short, "snackable" content, aimed at audiences who have moved away from linear television schedules in search of alternate fare. Much of the content produced through this initiative is from new entrants as the ABC believes it has an important role in fostering the next wave of screen creators, including using the platform as a showcase for the work of Australian Film and Television School (AFTRS) students.

ABC iView was also an early adopter of allowing immediate access to complete program seasons as the Corporation recognises increasingly, high quality, high-cost production is digital-first and Over-the-top platforms the primary destination for audiences.

The ABC has a long history of producing and commissioning high quality children's content. In 2016, *Play School* celebrated 50 years on ABC TV. ABC children's programs are trusted by families and recognised internationally for their quality. In 2017 the ABCME program, *Doodles*, won an international Emmy award for Kids Digital and the popular *Little Lunch* has won local and international awards, including the 2016 Logie for Outstanding Children's Program and the 2016 *Prix Jeunesse* International Award for best fiction program for 7 to 10-year-olds.

The range of children's content offered by the ABC is diverse, from pre-school content like *Giggle and Hoot* and *Ready, Steady, Wiggle!*, to big budget drama for adolescents like *Dance Academy*, *Nowhere Boys* and *Tomorrow When the War Began*.

One of the drivers for this Review has been concern over the future of the children's television production sector and its ability to fashion output that meets the entertainment and

development needs of audiences. The commercial networks have openly admitted that the rapid decline in the number of children watching their channels, a lack of first-run commissioning, increasing globalisation of content and a greater reliance on co-production to produce drama and animated series, has led to the majority of Australian children's programming today being made by the ABC.

This is not to the benefit of the sector or the targeted audience. Plurality of output is important for content suppliers and for the recipients of local storytelling. The ABC, which operates from a fixed budget and with a limited ability to shift investment funds to areas of need, cannot and should not be expected to be the sole provider of children's content to the nation. Future success rests in a mixed ecology, with strong public service and commercial channels commissioning multi-genre programmes and working across different distribution platforms to deliver Australian content for all children.

4. The current system of support for screen content involves quotas, minimum expenditure requirements, tax incentives and funding. What are the strengths and weaknesses of the current system? What reforms would you suggest?

The current system of support for screen content is multi-faceted and includes: local content quotas on commercial television, contained in the Australian Content and Children's Television Standards; direct production and development investment via federal government funded bodies (Screen Australia), state-based and state funded organisations (such as Screen Queensland and, Screen Victoria) and entities such as the Australian Children's Television Foundation (ACTF); indirect investment via the Producer Offset tax rebate scheme; and investment in content by public service broadcasters.

The key strength of this framework is that it recognises the cultural benefit that can and should be provided by the screen sector through the production and distribution of Australian content. It also recognises the potential for market failure in the absence of government intervention and the potential for harm as a result of any such market failure. It weaves together numerous elements to provide a comprehensive policy response to support the ecology of the industry.

However, it is far from perfect – unsurprisingly given it was primarily constructed decades ago for a different media environment. The range of interventions ensure that the various levers are far from simple in their application. Complexity results in a lack of transparency and often a lowest common denominator outcome driven by the commercial need to maximise revenue to cost ratios. The result is a decline in the quantum of investment and the quality of output.

The bind in which the children's screen sector now finds itself was highlighted by the Australian Children's Television Foundation (ACTF) in its submission to the House of Representatives Inquiry into Film and Television. The Foundation noted that the complexities of the offset system had resulted in a dramatic shift between live action drama and animation.

Around the time that the Producer Offset and PDV Offset were introduced in 2008, this balance between live action drama and animated drama appearing on the commercial broadcasters changed. Access to the Offset or PDV Offset meant that animated series that were commissioned for lower licence fees than Screen Australia required, were

able to access Commonwealth support. Perversely, the licence fees paid for that content by commercial broadcasters began to steadily decline as producers were able to access the Offset funding and bring international partners (and frequently internationally originated concepts) to the table.²⁶

The ABC also has concerns that the support provided to the subscription television sector ensures that the public policy outcome is diluted as it is seen only by the 30 per cent of Australians who avail themselves of this service. It is the ABC's view that publicly-funded content should be accessible for free by the public.

There are options that could be considered to update the system and provide better public policy outcomes. These include:

- a) Increase the producer offset to 40 per cent.

The ABC has raised this issue in previous submissions. As set out in its 2011 submission to the Convergence Review²⁶, in relation to this matter, it noted:

"The Corporation is concerned that the level of offset provided for projects other than feature films remains too low at 20% of eligible expenditure and is insufficient to fund the gap between broadcaster participation, other financing sources and budget. If the Producer Offset were increased to 40% it would enable most producers to cover the financing gap. This increase on the existing 20% offset could be linked to any requirement to meet additional quota obligations or, in the case of the national broadcasters, 'cultural' objectives as defined by government.

The independent production sector would benefit from an increase in the Producer Offset for high-end television drama, mini-series and telemovies. An increase in the Producer Offset to 40% should encourage commercial networks to commission series, particularly the more commercially risky formats, such as drama series. It would give producers an incentive to make programs outside of Screen Australia to eliminate costs and delays, as well as improving their share of the revenue streams.

Screen Australia plays an important role in funding and facilitating the development and commissioning of high quality Australian content. The ABC strongly supports the maintenance of Screen Australia's existing funding. Increasing the Producer Offset to 40% as described above however offers the opportunity to transform the role of Screen Australia by focusing its resources on industry development and innovative and cross-platform content.

A digital media initiative that builds on the work Screen Australia already does could be directed toward content that is:

- *designed for and delivered on a digital network/digital devices;*

²⁶ Australian Children's Television Foundation submission. P.8
http://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/AustralianfilmandTV/Submissions

- *created either: — to enhance and complement the television viewing experience; or — as stand-alone content that is delivered through a broadcaster's or other media producer's digital destination (website, mobile, interactive television or other); and*
- *designed to promote and build partnerships.*²⁷

The ABC notes that the Convergence Review ultimately accepted the argument in favour of increasing the producer offset and recommended that it be increased to 40 per cent to achieve parity with the film production offset.²⁸

b) Tradable quotas

If content quotas are to be maintained, some flexibility in their application may address some of the flaws in the current regulated approach, provided they are used in conjunction with direct and indirect support to broadcasters.

In the Convergence Review, the ABC noted that:

"The ABC would support measures that would allow commercial broadcasters to spread some of their content obligations across digital multi-channels for children's programming. Commercial free-to-air broadcasters should also be free to trade their obligations amongst each other if they see that as desirable. If a tradeable system was introduced it should ensure that a diversity of program commissioning sources and delivery outlets be maintained to ensure a competitive environment for content commissioning.

The ABC's willingness to be involved in a trading system, would be dependent on the details of the scheme. As the Corporation has previously noted, to be effective, a trading scheme would need to countenance a system where broadcasters paid (cash or in kind) not to broadcast children's content.If it were to participate in a trading arrangement, the ABC would have to maintain control over the content that it broadcast. A substantial amount of detailed work is required to develop a workable tradeable obligations system".²⁹

The ABC is aware of alternative and disparate proposals to amend the current quota system. The Corporation's response to those measures is as follows:

a) Removing quotas

While the ABC acknowledges that the commercial quota and sub-quota regime is imperfect, the Corporation would caution against its removal without any balancing mechanisms.

²⁷ <http://about.abc.net.au/wp-content/uploads/2012/06/ABCSubmissionConvergenceReviewDiscussionPaperResponseOct2011.pdf> P.9

²⁸ Australian Government Convergence Review Final Report P.59
http://www.abc.net.au/mediawatch/transcripts/1339_convergence.pdf

²⁹ <http://about.abc.net.au/wp-content/uploads/2012/06/ABCSubmissionConvergenceReviewDiscussionPaperResponseOct2011.pdf> P.4

The United Kingdom's experience when the Broadcasting Act was changed in 2003 to remove the requirement for Channel Five and ITV to mandatorily carry children's programmes is a salutary lesson. OfCom reported that the abolition of children's content quotas was an abject failure. It resulted in the total spend on children's programming falling in real terms by 22 per cent and the number of hours of first-run content halving. Ninety per cent of children's content across the affected broadcasters was repeat programming.³⁰

The ABC notes, however, that there is an increasingly jaundiced view among the commercial FTAs about the value of the quota system for participants and for audiences. As Hugh Marks of Network Nine commented in April 2016 at the *Broadcasting Legislation Amendment (Media Reform) Bill 2016* hearing:

"The challenge for me, sometimes with quote obligations, is whether as networks we comply with these quota obligations with real purpose and vigour and the results that are sought or whether there are times when these quota obligations may produce unintended consequences or just do not achieve an outcome?"³¹

b) Introducing quotas on the public broadcasters

In its 2011 submission to the Convergence Review, the ABC noted that:

"It is a fundamental part of the ABC's role to promote and screen a diversity of Australian content to meet the broad aims of its Charter. The ABC can and will commission as much Australian content as its budgetary constraints will allow. Following a significant increase in funding in 2009, the ABC has committed to 149 hours of adult drama and narrative comedy content. The investment by the ABC in this content is not driven by quotas, but by the availability of adequate funding.

Quotas on commercial broadcasters are a means of creating demand for local production in response to an underlying market failure. The same kind of market failure is not present for public broadcasters. Furthermore, there is a risk that applying quotas and sub-quotas to the ABC could impinge on the Corporation's independence as, in effect, Parliament would be deciding what portion of the ABC budget should be spent on different types of programming."³²

The Convergence Review recommendation was that the quota requirements for drama, children's and drama applying to free-to-air commercial television broadcasters were inappropriate for the public broadcasters as the ABC and SBS were already fulfilling these requirements to meet their Charter commitments. At present the ABC already broadly meets or exceeds the quotas placed on the commercial free-to-air broadcasters. The

³⁰ Ofcom Public Service Broadcasting Report 2013:
https://www.ofcom.org.uk/__data/assets/pdf_file/0024/69522/children.pdf

³¹

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Media_Reform_Bill_2016/Public_Hearings

³² <http://about.abc.net.au/wp-content/uploads/2012/06/ABCSubmissionConvergenceReviewDiscussionPaperResponseOct2011.pdf> P.4

Corporation is of the view that setting a specific quota regime for public broadcasters in a fixed-funding environment would ensure greater emphasis on volume of content and would risk diluting distinctive quality programming.

c) Introducing quotas on international SVOD entities

Though applied in the European Union³³, the ABC does not subscribe to the view that a local content quota system should be applied to international SVOD operators.

Providing distinctive and relevant local content to Australian audiences is one way in which Australian producers can distinguish themselves from international competitors. It provides a point of difference that is important not only in terms of promotion but in attracting and retaining audiences. The ABC considers that the imposition of quotas upon these new market entrants will have a negative impact: eroding the distinctiveness of Australian broadcasters and intensifying the competition for audiences.

d) Amending public broadcasters' charters

The ABC believes that its existing Charter requirement that it broadcast programs which "*reflect the cultural diversity of the Australian community*" inherently provide an obligation for the Corporation to create and broadcast local content.

As set out elsewhere in this submission, the Corporation's corporate and content strategies involve a strong commitment to creating, producing and broadcasting local content. Its success is directly contingent upon the community's willingness to fund that mission.

e) Contestable content fund

As in other countries, there has been rapid and exponential growth of United States Over-the-top services growth in Australia. According to industry research, Netflix subscription currently sits at over 36 per cent of the population and is accessed by over 29 per cent of Australian households. Since it entered the market in 2015, Netflix has enjoyed substantial growth that does not appear to have plateaued, with subscriptions increasing by a further 29 per cent in the first quarter of 2017.³⁴

Accordingly, this has led to proposals here in Australia, in Canada and a number of European countries for a tax on these international digital broadcasters with the proceeds invested in domestic digital content funds. In Australia's case, it has been mooted that this fund be managed by Screen Australia, and open to all domestic free-to-air broadcasters.

The ABC is not convinced that this measure will improve the current system or lead to better public policy outcomes. It is likely that such a levy would be passed on to Australian

³³ http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/583859/EPRS_BRI%282016%29583859_EN.pdf

³⁴ <http://www.roymorgan.com/findings/7242-netflix-subscriptions-march-2017-201706080957>

subscribers, in effect publicly subsidising commercial media activities, when Australia already has a highly effective and publicly funded national broadcaster.

5. What types and level of Australian Government support or regulation are appropriate for the different types of content and why?

The ABC's approach is consistent with its response on this issue to the Convergence Review: *"Maintaining levels of Australian content on Australian screens must draw a balance between the financial impost of regulation, the right settings to promote commercial viability and the need to fulfil our long held cultural objectives of producing and transmitting significant levels of Australian content."*³⁵

The ABC considers that continued and sustained government support, including funding for the national broadcasters, is required to maintain the level of local Australian and children's content. Additionally, that there are some areas where increased support would be welcome, such as increasing the producer offset to 40 per cent, increasing investment support for new, digital content and creating a new children's factual Screen Australia fund.

6. What factors constrain or encourage access by Australians and international audiences to Australian content?

Clearly Australian content is popular for Australian audiences. Over the last 60 years, a small amount of Australian content has also been sold and screened overseas. There is no reason, however, why a greater proportion of Australian content cannot be seen by international audiences. According to Netflix, people's content tastes are universally distributed, regardless of nationality or ethnic differences. For example, in 2016, Netflix noted that 90 per cent of its Japanese anime shows were watched by Netflix viewers who lived outside of Japan.³⁶

Accordingly, the ABC believes there is merit in considering further the ways in which to encourage greater access to Australian screen access.

³⁵ ABC Submission to the Convergence Review, p.2

³⁶ <http://www.afr.com/technology/reed-hastings-on-netflixs-global-algorithm-20160326-gnrq9m#ixzz4tGhYtyOP>

Encouragements

The access to Australian screen content by Australian and international audiences is clearly encouraged by awareness. The means by which to grow content awareness include:

- Marketing and sales strategies
 - traditional advertising and newer forms such as search engine marketing (SEM) and search engine optimisation.
 - presence and participation at major TV festivals and conferences- provides both visibility for Australian companies and with access to sources of investment and additional sales and distribution and marketing initiatives.
 - support of partners, producers and distributors- to ensure greater market preparedness and promotional efforts.

- Access- while access to screen content in the pre-Internet era was largely universal, primarily constrained by availability of transmission and reception and household finances, access to screen content in a multi-platform environment is also constrained by access to bandwidth and further constrained by costs.

- Discoverability- in the digital environment, a large element of access relates to one's ability to discover screen content. No longer do viewers turn to TV guides but instead to online search and content libraries within apps. The better such search capabilities are (combined with the greater the volume of content- see below in "constraints") the better the audience experience, the more likely they are to discover new content that suits their tastes and the more likely they are to return. As Netflix's Head of Product Innovation Todd Yellin noted in 2016, Netflix's "ultimate goal is to figure out what to put in front of you, so you come back every single time."³⁷

However, there is great cost attached to such investment.

Access to Australian screen content by Australian and international audiences can also be furthered by the creation of partnerships, without which such content may not be made, or may not be promoted to a particular audience.

³⁷ <http://www.afr.com/technology/reed-hastings-on-netflixs-global-algorithm-20160326-gnrq9m#ixzz4tGgtEpcr>

Constraints

Access to Australian screen content by international audiences is constrained by a number of factors. This includes the cost required to market content to international distributors and platforms. Invariably this requires participation in major television festivals, markets and conferences, which incurs significant cost.

Another impediment is copyright and broadcast rights clearance. The ability to clear rights for digital use, both domestically and internationally, is paramount to securing a broad library of Australian content, which in turn attracts audiences to specific platforms and services.

Finally, a significant challenge is ensuring discoverability among an abundance of content. It is critical that content is searchable and user interfaces are intuitive. Larger catalogues also lead to longer periods of search and greater opportunities to discover new content.

However, in a digital world that offers a surfeit of content; high quality, distinctive programming will still find an audience. For the ABC, programs like *Please Like Me*, *Glitch* and *Little Lunch* have been successful overseas as they are creatively unique, offer variety as distinctly Australian programs, and are produced to the highest international standards.

7. What would the Government need to consider in transitioning to new policy settings?

Factors to consider in transiting to any new policy settings will ultimately depend on the new policy setting decided upon. That said, the ABC considers that government could consider issues such as:

- Sufficient industry and audience consultation, to ensure change is well planned, well understood and to be undertaken within reasonable timeframes.
- For significant or contentious changes, consider whether to first adopt a pilot approach to that change in order to test the change before possible implementation. Should implementation be considered desirable at the end of the pilot, there is sufficient opportunity to make any required adjustments necessary before implementing the change on a permanent basis.
- Whether there ought to be a transition period or a phased approach to any change, to allow industry time to adjust its operations.
- Whether any audience communications are required in order to assist them in adjusting to change.
- Whether a review ought to be undertaken, after set period of time, to ensure the changes do in fact meet the review objectives and the government's public policy objectives.

Closing comments

The creation and distribution of Australian and children's screen content and a strong and vibrant production sector is fundamental to Australia's national identity and shared cultural heritage. In creating content of cultural significance, the industry also provides numerous employment opportunities across metropolitan and regional Australia and fosters and develops talent, creating employment pathways in a range of professions and trades. The ABC plays a pivotal role within this system.

The policy settings and framework that support this system must encourage and leverage investment in the screen sector, foster collaboration and partnerships, welcome new entrants and reward the production of high quality, distinctive Australian content. The ABC looks forward to working with government, screen agencies and the broader sector in the development and implementation of any new policies and directions.