

Australian Broadcasting Corporation

Submission to

Review of Australian Government Film Funding Support

August 2006



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Introduction

The ABC welcomes this opportunity to make a submission to the current review of Government support provided to fund film production in Australia. This submission provides comment on the terms of reference, focussing principally on terms of reference 1 and 2.

The ABC has a key interest in this review. The funding arrangements under review provide critical support for Australia's independent film and television production community. A strong, sustainable industry is vital to the ABC to continue to deliver high quality, local content to the Australian community.

The cultural objectives of government support for the Australian audio visual industry are only met if programs produced as a result of this support find an Australian audience. This is where ABC plays a key role. No other media outlet provides such a comprehensive range of program genres to such a large number of Australians. More and more these programs are being produced in partnership with the independent sector.

The rationale for support for the Australian audio—visual industry

There is an important cultural benefit derived from the creation and presentation of local content. The portrayal of the diversity of Australian identity through a range of Australian programs is central to the ABC's purpose¹.

The telling of stories through film, television and other media is recognised as a key part of a community's means of representing itself, to itself and to others. We should ensure that non-fiction and fictional narratives; documentaries, feature films and television drama programs continue to be available to Australian audiences.

Achieving these outcomes is dependent on maintaining significant, public sector interventions in an environment of market failure. This failure occurs due to a combination of characteristics, including the impact of Australia's small population or market size, the ease of access to low cost, overseas content and the commercial imperatives for broadcasters, pay operators and other service providers to minimise costs. The cultural, economic and broad social imperatives which exist around the issue

¹ Note ABC Charter section 6 ABC Act (1) The functions of the Corporation are ... to provide ...broadcasting programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community ... programs of an educational nature. ... (c) to encourage and promote the musical, dramatic and other performing arts in Australia.

of local content and a healthy and skilled local industry remain important. In the new and developing digital environment it will also be important for broadly based, platform-neutral cultural policy mechanisms that support the development, production and distribution of key creative content.

Australia's geographical size and regional diversity should also be recognised as important in this debate. While new technologies assist in the delivery of content to regional and remote communities, it is important to ensure that Australians everywhere have access to a range of local content, not just imported programming. It is especially important to consider the requirements of Australian children and young people. In an increasingly complex media environment dominated by overseas content, there is a greater need to ensure policy settings support content for young audiences.

The ABC recognises that it has a role to play in providing local digital content across all platforms.

Cultural subsidy should ensure that cultural goods are delivered to the community. The Australian community derives both direct and intangible benefits from audio-visual cultural support. For example, each week almost 13 million people in metropolitan, regional and rural Australia watch ABC Television programs. Australian drama series consistently attract national audiences of 1.5 to 2 million and more viewers while documentaries and children drama programs are regularly watched by metropolitan and regional audiences of over 1 million people. No other broadcaster, free-to-air or subscription, can match the combination of reach of audience and diversity of Australian content produced, including that with independent partners, delivered each week by the ABC. The domestic popularity of the ABC's Online services, with an average 22.4 million weekly page views in 2006, underlines the additional cultural benefits that can flow from the ABC's cross-platform strength.

In summary, audio-visual cultural objectives should seek:

- Diversity
- Content that is delivered to audiences in Australia and overseas
- A sustainable audio-visual sector
- A sector that can and does grow
- Capacity to seize the opportunities posed by digital change.

ABC and the film and television production industry

The ABC is an integral part of the wider Australian audio-visual industry, operating as a major producer and co-producer with the independent production sector. The ABC is also a major acquirer of content from the Australian industry through pre-purchasing and acquisition arrangements. The ABC role has evolved to include substantial amounts of production from the independent sector as a key component of its output.

The economic and cultural vitality of the independent sector is crucial to the ABC's output of Australian content. Equally, the ABC's support of the independent sector affects the quality and quantity of Australian content developed, produced and broadcast to audiences.² The ABC contributes to the development of the Australian film, television and new media industry by commissioning Australian content and in developing personnel by providing project-based work for producers, writers, directors, actors, and the range of creative personnel.

The ABC presents a comprehensive range of programming of wide appeal as well as niche genres not generally provided by commercial networks, including arts and culture, children's, comedy, current affairs, documentary, drama, education, factual, Indigenous, entertainment, natural history and environment, news, regional and rural; religion and ethics, science and technology and sport.

While the ABC derives content across a range of genres from independent producers, this submission focuses on three major areas, adult drama, documentary and children's drama output. This is not to diminish the contribution of other genres to meeting cultural policy objectives. However, there are important issues confronting the production and broadcast of Australian drama, documentary and children's drama.

Over its 50 year television history the ABC has been connected with the independent film and television and now online production community. Many of the people who work in the independent production sector have developed their skills at the ABC. Increasingly, however, that relationship has also been forged through co-productions and programs commissioned from the independent sector.

Key issues facing the industry

The Australian independent production sector has demonstrated the capacity to produce compelling factual and drama narratives about the Australian experience. Reduced international and local financing and increased production costs have placed pressure on the sector's capacity to develop and deliver high quality programs.

This is posing a major threat to the industry's sustainability. A diminishing volume and range of output also threatens the capacity to meet cultural objectives. Achieving industry sustainability means ensuring sufficient opportunities for creative personnel to develop and enhance their skills. In this regard, television production is the bedrock of the industry as well as the most effective mechanism for reaching a large and diverse audience.

To build sustainability, the combination of direct and indirect public support must draw increased private sector investment (either domestic or overseas) to projects. Further, emphasis must be on building and sustaining businesses as well as individual projects.

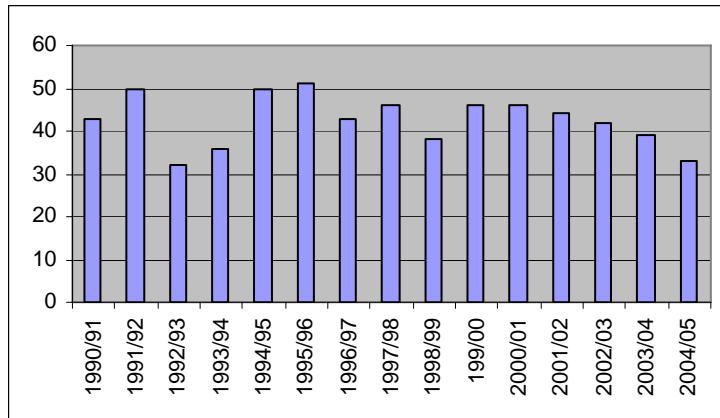
² *Review of Commonwealth assistance to the film industry*, A report by David Gonski, January 1997, p. 58.

For some years audiences have witnessed a decline in the amount and range of local content available in the areas of adult and children’s drama and documentary programming. While ABC levels have been especially problematic, industry and independent analysis has observed the difficulties higher budget, memorable productions have in finding a place in the commercial as well as national broadcasting environment.

Drama

The Australian independent television production sector is experiencing a serious decline. In 2004/5 Australian television drama (numbers and value) of production fell for the second consecutive year. The number of productions at 33, was the second lowest in 15 years (only 1992/93 with 28 was lower).

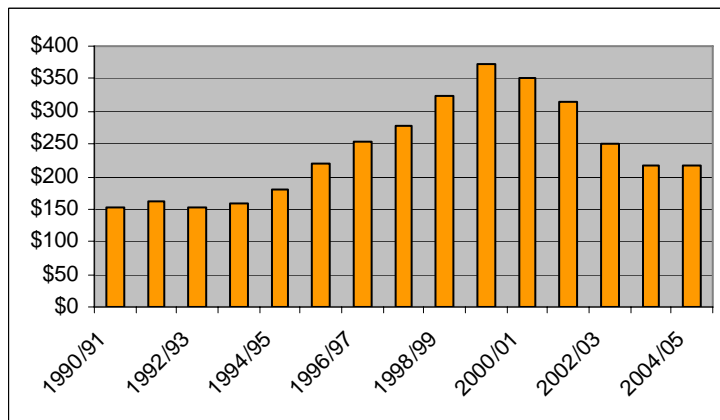
Australian Television Drama : Number of Productions 1990/91 – 2004/05



Source: Australian Film Commission

The value of production, \$218 million, was the lowest since 1995/96 (not adjusted for inflation)³. If adjusted for inflation, current levels would be among the lowest on record.

Australian Television Drama : Value of Production 1990/91 – 2004/05



Source: Australian Film Commission

³ Australian Film Commission, National survey of feature film and TV drama production 2004/05 and Get the Picture 6.

In the current environment there is intense competition for production finance. Ideas and potential projects consistently outstrip available levels of finance.

The ABC has historically been a leader in the production, commissioning and co-production of innovative and high quality Australian drama. However, in recent years, drama levels on ABC Television have reduced to low levels, contributing to the serious situation confronting the Australian independent production sector. In that context it is worth noting that ACMA data records commercial television drama expenditure to have fallen for the second year in a row⁴.

Drama is a key element of the ABC's strategy to meet Charter obligations to contribute to a sense of national identity, entertain audiences and reflect the cultural diversity of Australia. Therefore, addressing the decline in drama levels noted above is a key priority for ABC Television. The ABC has developed successful relationships with independent producers which have led to the production of a diverse range of high quality, acclaimed and award-winning programs such as *Answered By Fire*, *Marking Time*, *MDA*, *Grass Roots* and *SeaChange*.

Financing television drama in Australia is at a critical stage. Opportunities for high-end television drama production are limited by deficit financing due to the growing gap between licence fees and production costs - particularly for the high-end of television drama, mini-series and telemovies. The situation has been further impacted by the downturn in overseas sales and financing opportunities.

In a vibrant, sustainable production environment, broadcasters such as the ABC would have the ability to target, develop and commission a diverse range of programming, where producers had the capacity to leverage funding from a range of sources, federal and state agencies, other broadcasters both domestic and international and other private sector sources. Over the last few years the ABC has found it difficult to partner with independent Australian producers to access international and other finance, due to the current levels of available funding. The broadcaster needs to have the capacity to drive content production.

Children's Drama

According to the AFC drama survey, children's drama levels have also declined, with production numbers down in 2004/5 for the third consecutive year and production value declining to \$40 million, compared to \$68 million 2002/03 (not adjusted)⁵

The ABC has maintained its place as Australia's most comprehensive free-to-air broadcaster of children's programs. In 2005-06, the ABC broadcast almost 600 hours of

⁴ ACMA, Broadcasting Financial Results, 2004-05

⁵ Source: Australian Film Commission, National survey of feature film and TV drama production 2004/05.

Australian-made programs, including a range of programs commissioned from the independent production sector.

The ABC believes it should aspire to commission and broadcast more first release, Australian children's programs. However, it should be noted that the cost of producing and broadcasting an extra half hour of children's drama for each week day for every week of the year, would be over \$70 million.

Consequently, within available resources, the ABC focus is to provide programs of a high standard designed "to reach different target groups in accordance with their needs, age and level of maturity", through a diverse range of programs from pre-school animation to teen dramas.⁶ While the ABC was one of the first producers of children's television in Australia, co-productions form a core part of the children's television schedule. Award-winning and popular co-productions over the past few years include *Saddle Club* (series 1 & 2), *Noah and Sakia*, *Blue Water High* (series 1 & 2) and two animated series, *Tracey McBean* and *Bottle Top Bill and his friend Corky*.

ABC children's strategy takes into account the increasing range of media accessible to children and young people, including online services, games and pay television. The strategy also recognises that the demographic section of the population most likely to be affected by the influx of new content is children since children are avid consumers of new media content.

Children, like the rest of the audience, are confronted by an increasing number and range of channels, services and programming. This provides opportunities for gaining access to the best entertainment and information from around the world. It requires, also the ability to ensure that children have access to the best of locally made programming.

The Australian community has indicated it believes it important there is local programming in general and local children's programming in particular. Australian children should expect to see and hear places and voices that are familiar to them on their television; to feel that where they live and the familiar things they see and do, are valuable and valued. The case for a diversity of high quality Australian's children's programming will increase in a digital environment. It is important to meet children's education, information and entertainment needs through the provision of a range of Australian programs. Locally developed, produced and broadcast programs not only provide the Australian child audience with a sense of their place in an increasingly complex media landscape, but ensure that programs are developed with the interest, perspectives and views of Australian children in mind.

A crucial issue is how to ensure opportunities for children to view higher budget programs, especially live action drama and long form animation. There is a significant lack of quality, children's programming especially in the higher budget areas of drama and animation programs. Because of their high production costs, it has always been

⁶ ABC Editorial Policies, 2002, section 10.13, Programs for Children, p. 40.

difficult for Australia to produce a large amount of the programs. Despite this, Australia has established an international reputation for high quality children's drama.

Documentary

"The ABC over the years has made a great and ongoing contribution to the development of the Australian personality and the explanation of Australia to Australians, and more recently the explanation of Australia to the world, particularly our part of the world."

John Howard, Prime Minister (Perth, 2005)

Documentaries have and continue to play a vital part in this equation. The audiences' appetite for Australian documentary has grown year on year. This growth however has not been matched by the ability of the Australian market to finance these stories. *Frank Hurley: the Man Who Made History*, screened to much acclaim in 2005, had nine financing partners from around the world. *Revealing Gallipoli* had finance from seven different sources. These great Australian stories could only be told by attracting international investment.

A recent survey revealed that 80 percent of Australians learn about the past from television ⁷. With rare exceptions, the public broadcasters are the only outlets for history in broadcasting. This is an important function and one which Film Australia in partnership with the independent sector and the ABC are currently able to address, through the Australian Government funded History Initiative.

However, history is not the only genre of factual knowledge that is reliant on television and new media platforms: science, natural history, religion, arts and other areas are equally deserving of attention and could all be the beneficiaries of schemes such as the History Initiative.

The vast majority of documentary programming is reflecting Australian lives back to Australians across the range of possible genres. The only way to finance these productions is in Australia. This finance is increasingly difficult to secure. Sustainable businesses in the factual area are extremely rare, provide a vital function to the Australian viewing public and desperately need more support.

New ABC Independent Production Funding

The ABC sought an increase in funding to address the decline in drama and the need for increased levels of children's drama and documentary programming. In response the Australian Government provided the ABC with an extra \$10 million annually over the next three years to increase the amount of Australian content on ABC TV, specifically in the areas of drama and documentary. Taking into account the Government's expressed

⁷ Australian Centre for Public History, *Australians and the Past*.

objectives for the funding and the ABC's Charter and Corporate Plan objectives, the funding will aim to:

- increase the amount of Australian adult and children's drama and documentary broadcast on ABC Television
- extend ABC Television's relationship with the independent television production sector
- increase the level of independent commissioning; and
- contribute to an increased level of Australian content production.

The fund provides the opportunity for the ABC to work with the independent production sector to set the benchmark standard for quality Australian programs on television. To fully achieve its potential this funding should enable independent producers to "leverage up" finance involving a range of other sources including investment agencies and indirect taxation support. This can form the basis for attracting local and international financing.

In this way the Australian community has the potential to see an increased diversity of programming, especially programming in the higher budget range. The Australian public funding mix is critical in that it provides the key, "green light" finance to initiate projects. A higher level of Australian investment also secures key Australian elements in the content.

Balance between direct and indirect funding

Australian audio-visual policy has historically included a mix of approaches including broadcast content regulation, public broadcasting support, direct funding for investment and development, indirect, taxation measures, and creative and skills development funding. Given this policy mix has successfully ensured a diversity of content is provided to Australian audiences, it is submitted that it should be retained. Direct government assistance should underpin and support the industry in areas not otherwise met by the market.

However, in consultation with representatives of the Australian production community and in analysing the state of the production sector the ABC recognises the need for consideration of enhanced measures to address issues noted above, especially the need for increased levels of production to achieve industry sustainability. The ABC supports industry proposals for new, indirect measures such as a taxation offset mechanism for targeted genres such as feature film, television drama, children's drama and documentary programs.

The ABC supports industry views that a significant, effective incentive needs to be introduced to drive increases in the volume of production and promote sustainable enterprises. The combination of current levels of direct funding, combined with targeted mechanisms such as a tax offsets proposal has the potential to deliver increased private sector investment. The Review Issues Paper notes that direct outlays make up 75 percent of total public support. The ABC believes a combination of maintaining current

direct outlays with enhanced indirect support, that aimed to achieve a 50 : 50 split between direct and indirect outlays could provide a basis for increasing private sector investment in the sector.

To successfully achieve sustainable businesses it is submitted that incentives should reward success and build producer revenue streams

Structure for direct Government support to the film industry

The ABC does not seek to provide specific recommendations on the structure for delivery of direct support. However, the ABC supports the view that it is important to sustain high levels of direct support through mechanisms as efficient as those currently in operation.

Agencies such as the Australian Film Commission (AFC) the Australian Film Finance Corporation (FFC) and Film Australia provide investment or development support to independent program makers. They do not provide funding to the ABC. Nonetheless, in working with the independent sector the ABC has developed long standing and positive working relationships with the major film funding agencies. The ABC also works collaboratively with state film funding bodies initiating and supporting projects that present aspects of Australia's national identity and cultural diversity.

The ABC specifically notes the important role played by the Australian Film Commission as a source of key, primary data and information on the Australian audio-visual sector. The AFC is an acknowledged world leader in this field. Over four decades, it has played a critical role in industry analysis and in contributed to the development of public policy. A key element of the AFC's strength and success in this role has been the fact that its research, analysis and policy roles have been embedded in an organisation with a strong, industry output focus. These important contributions to industry growth and development should be maintained.

The ABC makes particular comment on the importance of documentary funding and the effectiveness of the partnership between the ABC as a national broadcaster and Film Australia as a Government agency charged with the National Interest Program (NIP) brief. The ABC specifically notes the critical importance of Film Australia's role and the NIP as an important part of documenting the nation, that creates and holds an audio-visual record of Australian life; addresses matters of national interest or illuminates or illustrates Australian life and history. There are significant cultural benefits associated with the National Interest Program and the Film Australia History Initiative in bringing key elements of the nation's heritage and contemporary lived experience to current and future generations.

The Digital Future

Australian Government cultural support mechanisms should ensure Australian engagement with new platforms for the benefit of the Australian community and to assist content creators in bringing their work to an audience.

The critical issue is how to ensure a diversity of strong, interesting, informative and entertaining Australian content is available on existing and emerging platforms. Current and future arrangements are being challenged by the possibilities and opportunities of digital technology and the changes it brings to the processes and forms of production, distribution, delivery and consumption. The changing nature of the media landscape challenges the industry to ensure that skills are relevant to the new media sector, and that content produced is relevant to changing Australian audience demands.

Content will drive digital take-up.

In the United Kingdom the Freeview multichannel offering (now over 30 digital television channels and 20 radio services) has driven the take up of digital, with over 70 percent of UK homes receiving digital television⁸. The reason for this growth appears to be content choice and value – consumers see value in hardware purchases that feed into a large range of content choices, freely available.

Working with independent producers the ABC can deliver local content across television channels and a range of online platforms, including, most recently “vodcasting”. An indication of the potential in this area is the ABC’s collaboration with the Australian Film Commission to fund independently produced documentaries as part of the *jtv* multi-platform initiative. *jtv docs* are part of the ABC’s cross platform *jtv* brand. Additionally, the AFC and ABC have maintained their collaboration that commenced with the Documentary Online Initiative through to the latest Broadband Cross-media Production Initiative. For the first time, content directed at a younger audience is being presented across multiple platforms, including ABC TV, ABC Radio, ABC 2, ABC Online, broadband, vodcasting and on mobile phones. A key part of the initiative is to provide the opportunity for young, independent documentary makers to bring new work on new subjects to new audiences.

There is a continuing debate about the fragmentation of audiences across an apparently ever-increasing range of platforms. This is accompanied by an acknowledgement of the fragmentation of revenues deriving to each platform. The major issue confronting the audio-visual sector is how to aggregate sufficient levels of revenues to generate adequate levels of Australian content, either to drive digital take up or for cultural policy reasons.

If Australians are going to have choices in relation to locally produced content, especially more expensive genres of drama, children’s and factual programming, it will

⁸ OFCOM Digital Progress Report - DTV Q1 2006. As at 31 March 2006 Ofcom estimates that 72.5% of UK households, ...The number of households able to receive digital TV services rose ... to over 18.2 million during Q1.

be necessary to build new partnerships for financing content across platforms. This will require reassessment and redefinition of the relationships that have operated for content generation. Building successful creative and financial partnerships that can access a suite of direct and indirect public support mechanisms for leveraging further, private sector investment will be a fundamental element of a successful strategy.

Conclusion

The primary policy objective for public sector support for a viable Australian audio-visual industry should be to ensure that Australian communities have access to Australian programs on a variety of platforms.

In achieving the objective of a vibrant Australian audio-visual culture it is essential to create the opportunities for a sustainable industry that has the ability to attract new and emerging participants as well as retain the creative and technical skills of experienced, creative personnel. There is no Australian audio-visual culture without an Australian audio-visual industry.