

Changing Standards for Australian content on TV

15 March 2002

A workshop hosted by Network Insight, the Australian
Film Commission and Allens Arthur Robinson

Speech delivered
by Mr. Kim Dalton

Changing Standards for Australian content on TV

Firstly I would like to welcome you all here this morning. We are very pleased to be co-hosting this very significant television event.

The Australian Film Commission is all too often associated solely with film. We do however have a number of programs aimed at supporting the development of television projects and television producers. Although since the end of the Commercial Television Production Fund, we have not had a direct production funding relationship with the commercial networks, many of our recipients of script and production funding go on to work in television production, we provide direct funding to independent television producers and we administer the Federal Government's co-production program which is mostly used by television producers.

Outside of development and production funding, the AFC is involved in a very broad range of policy, research and information gathering work. We are the primary data collection agency for the industry and we publish the national drama survey annually and the encyclopaedic Get The Picture bi-annually – I should add now continuously on-line. In addition, we regularly publish books and reports dealing with developments in television technology and programming. And in the area of policy, we contribute to all major enquiries and discussions. We represent through our Chair Maureen Barron, the arts and audio visual industries on the Minister for Trade's WTO Advisory Group, we participated in the recent Productivity Commission enquiry into broadcasting, and we are now participating in the Australian Broadcasting Authority's current review of the Australian content standard.

I outline all of this by way of impressing upon you the importance the AFC places on television. While the media, the public and at times industry practitioners themselves, may focus on the high profile and more glamorous successes associated with Australian films, filmmakers and actors, it makes no sense to talk about a film industry in isolation. Television is central to our industry in every respect – economic, cultural, employment, creative development and creative output. In the AFC's opinion there are few, if any, policy issues of more significance to the whole industry than the issue of Australian content. So when we address this issue, we do so with due seriousness, with significant resources, and we are confident that our opinion and advice is delivered with some authority.

The AFC has of course made a long and detailed submission to the Content Review and it contains a number of quite specific recommendations. But rather than outline these to you this morning what I wanted to do was set out for you what I think are three fundamental principles or areas of concern which we believe should underpin and inform this review. In our opinion these are principles and issues by which proposals and possible outcomes can be tested and to some extent I hope will act as reference points throughout today's discussion.

Rationale for Australian content regulation

Firstly, we must restate and recommit to the fundamental rationale for an Australian content standard. This must be our guiding principle and we must as an industry deliver against it. Like many nations, Australia has seen the broadcast of local content as an essential role of the television system. It is an essential public interest obligation of privately owned television in return for continued spectrum access and protection from competition. The object is to ensure that the culture of the nation is represented on our screens and to encourage the expression of creativity.

The underlying principles informing this position are:

- For most Australians television is the most significant form of cultural activity and our broadcasting system should be designed to deliver to them a diverse range of entertainment, education and information;
- Television is more than a purely economic activity and has a significant impact on the development of an Australian identity, character and culture;
- A contract exists whereby our broadcasters are given access to spectrum in return for meeting agreed social and cultural responsibilities.

For the most part there is consensus in Australia across the industry about the reasonableness and continued relevance of these principles, even as we move into a world of digital abundance. As a consequence, our system of regulated local content is an area of agreement, shared interests and common ground. Yet we should never allow our commitment to these principles to slip quietly away, unnoticed into the background, as we begin to engage with the detail of mechanism and process. It must remain in the foreground and serve as an objective and a goal around which mechanisms and processes must be designed.

Economic state of Broadcasting

Secondly, establishing the appropriate level of financial contribution on the part of the networks, and the capacity to pay it, must be the primary economic factor or test when designing and refining the content standard. We are all in agreement that standards have been set in order to establish an output of programs which are distinctively Australian and which meet the needs and interests of Australian audiences. The corollary of this must be the recognition that those programs come at a cost and that our broadcasting system must be designed such that broadcasters are able to make an appropriate contribution to those costs.

As part of this equation then, we should not have a problem with or question network profitability. They are businesses, owners and shareholders have a right to returns, and decisions about how to run the business should be made rationally within this context. Maximise revenues and minimise costs. But within a context and the context is on the one hand a set of social objectives set by parliament on behalf of the Australian people and on the other hand limited competition which provides the broadcasters with the capacity to pay.

Therefore, in determining the appropriate scope and detail of the content standard, and in considering issues of performance in delivering against this standard, it is essential that the questions are asked: what is an appropriate level of financial contribution from the broadcasters, and do they have the capacity to pay, in order to deliver the outcomes required of the standard.

This review of the Australian Content Standard is being conducted in an environment where free-to-air broadcasting remains a successful and robust business. Despite recent warnings of a tightening advertising market and reduced earnings, all three networks are in a strong financial position after a decade of growth and reconstruction. They are protected from new entrants to the market until at least 2007 and appear to be in a good position to deal with the challenges from any economic slowdown and the growth of pay TV.

The total revenue for commercial free-to-air television in 1999/2000 was \$3.3 billion, of which \$2.8 billion was advertising revenue. Expenditure was \$2.5 billion producing a surplus across the sector of \$803 million, or 30%, continuing a trend of growth since the early nineties. Between 1996/97 and 1999/2000, advertising revenue grew by 19% while expenditure, excluding interest payments, grew by 9%.

Television's share of advertising expenditure in 2000 was 33.5%. This is down slightly from 34.3% in 1995. It is worth noting that Channel Seven reported to the Stock Exchange earlier this week a profit before tax up from \$41 million to \$80 million dollars and noted that, and I quote: "The overall advertising market remains short, but conditions have stabilised. The company is well-positioned to capitalise on anticipated improvements in advertising demand."

In 2000 there was a slight increase in the daily television viewing to three hours 13 minutes; the same level it was in 1991. The three commercial networks attracted nearly 82% of all viewing between 6.00 p.m. to midnight in the five metropolitan markets.

These few statistics are provided simply to underscore the fact that commercial free-to-air television remains as I said above a healthy and robust business. It is clear that a continuing and strong revenue base remains in place. The AFC recognises that the recommendations many within the production sector are making relating to increases in drama and documentaries, and the level of cost contribution to children's drama, will have a financial impact on the broadcasters. Of itself this should not be an impediment to full consideration of these recommendations. Rather, these proposals must be evaluated in the context of, firstly, the objectives of the Broadcasting Services Act and subsequently the capacity of the broadcasters to generate revenue sufficient to support these increases in costs, the capacity to pay.

The content standard and industry support

The third principle relates to the role the content standard plays in the development and growth of the Australian film and television industry.

The importance of the content regulation to the development of the screen production industry cannot be overestimated. It not only creates the opportunities for production, the development of skills and the support of infrastructure, but it also creates a growing and increasingly strong domestic television market. A market in which broadcasters compete for audiences and in which producers compete to supply broadcasters with high rating and cost effective programs.

The existence of strong broadcasters who need to commission the production of minimum levels of Australian content has served to underpin the direct industry support initiatives by government. The popularity of Australian television is integral to the domestic market which in turn has produced programs which are attractive internationally.

At a time when the Federal Government has recognised the international competitiveness of the Australian film industry and its growth potential in regard to foreign production, it would be a very selective and blinkered policy approach on the part of broadcasters and the Australian Broadcasting Authority to ignore the relationship local television production has to the development and underpinning of Australia's capacity to service this production. In its August 2001 film industry funding package, for the first time the Federal Government recognised the integrated nature of the film and television industry by increasing direct funding for local production while at the same time introducing incentives for foreign production. It is no longer possible to remove the broadcasters and their regulated responsibilities in regard to Australian content from the training, employment and creative, commercial and physical infrastructure which combine to form the complex matrix which now constitutes our film and television industry. Furthermore, we would submit that it is no longer appropriate for the ABA, as the Government's legislated regulator, to regard the development of the production industry as a subsidiary policy goal or outcome of the Standard. It must be central to the considerations of this review.

These three points of principle I have outlined – the cultural imperative underpinning the Standard, the capacity of the broadcasters to pay for the outcomes of the Standard, and the industry development implications of the Standard - relate to the broad social purpose and industry context of the content standard and to ensuring the conditions exist for the delivery of the outcomes of the standard. I hope they provide a useful framework for what will I am sure be an interesting range of views and opinions expressed throughout today.

Kim Dalton.
15 March 2002