

APPENDIX 7

Impact of Revised Australian Content Standard on Australasian Production Levels (\$A)

AUSTRALIAN FIRST RELEASE DRAMA			NEW ZEALAND FIRST RELEASE DRAMA			AUSTRALIAN & NEW ZEALAND FIRST RELEASE DRAMA				
	Hours Transmitted Aust TV		Aust TV Licence Fees (\$000)	Total Prod Budgets (\$000)	Hours Transmitted NZ TV	NZ TV Licence Fees (\$000)	Total Prod Budgets (\$000)	Hours Transmitted	Licence Fees (\$000)	Total Prod Budgets (\$000)
1997 Adult Drama	469 ¹		67,000 ²	102,800 ³	171 ⁴	8,000 ⁵	42,840 ⁶	640	75,000	141,900
Scenarios	Aust	NZ								
1	369	100	61,000 ⁷	91,800	171	6,000 ⁸	42,840	640	66,000	134,640
2	356	113	58,660	87,250	171	5,805	42,840	640	64,465	130,090
3	334	135	54,700	80,650	171	5,475	42,840	640	60,175	123,490

Note The table is based on the hours of first release drama screened in Australia and New Zealand in 1997.

Scenarios

- (1) One Australian network replaces one adult drama serial (0.5 hours per day) with an existing New Zealand serial = 100 hours in total for year.
- (2) Two Australian networks replace one adult drama serial and one 13x1 hour series with similar existing New Zealand show (ie. 2 programs replaced in total)
- (3) Three Australian networks replace one adult drama serial, one 13x1 hour series 1x1 hour per week series of 22 hours in total (ie. 3 programs replaced in total).

The reductions in Australian production budgets and licence fees are based on the known costs of both items for the particular types of programs involved.

Explanation of Implications of Scenarios

- 1 ABA Compliance Results 1997 - Includes 2 in house productions.
- 2 Based on AFC database and industry information on licence fees - licence fee imprinted to in-house production.
- 3 AFC database.
- 4 NZ on Air - Local Content 1997.
- 5 New Zealand producer.
- 6 NZ on Air Annual reports + estimates.
- 7 Adjusted by reduction in licence fees paid for Australian programs but includes licence fee paid for New Zealand programs. The same applies to Australian licence fees in Scenarios 2 & 3.
- 8 The reductions in New Zealand licence fees are assessment based on New Zealand industry information.

Australian networks will pay less for quota programs; Australian industry will make fewer programs. New Zealand industry will have new market for its existing programs but New Zealand broadcasters will reduce domestic licence fees in response.

Commentary

The table looks at the effect of New Zealand programs replacing Australian programs based on the local content broadcast in both countries in 1997 year.

Three different situations are examined.

1. Where one Australian network broadcasts one New Zealand program - ie. 100 hours of a serial.
2. Where two Australian networks broadcast two Australian programs - one a serial as above and another a 13 one hour per week series.
3. Where each Australian network broadcasts a New Zealand program, ie, in addition to the two programs above, the third network broadcasts 22 episodes of a one hour a week New Zealand series.

The impact in Australia is as follows:

- hours of genuinely Australian content are reduced. The total hours of 'local' production remain the same but now include New Zealand programs. For example, if each network broadcast one New Zealand program (scenario 3), there would be a substitution of 135 hours of Australian programs by New Zealand ones.
- licence fees paid by the Australian networks for mandatory 'local' content are reduced - by \$12.3 million under scenario 3. This occurs because they pay less for New Zealand programming than for Australian.
- the value of genuinely Australian production is reduced - with the reduction being over \$22 million under scenario 3.

The impact in New Zealand is as follows:

- hours of New Zealand content on New Zealand television stay the same.
- licence fees go down as New Zealand networks seek to reduce costs in the knowledge Australian presales/sales are in place or possible.
- production levels stay the same.

In terms of the combined Australian/New Zealand industries the outcome is as follows:

- the combined total hours of local content is the same;
- the licence fees paid by broadcasters are reduced significantly;
- combined production budgets are reduced as a result of the contraction in the Australian industry - by \$18.4 million under scenario 3.