



# **SECTION 02** ANNUAL PERFORMANCE STATEMENTS

Reports on our performance during the year as required under paragraph 39(1)(b) of the PGPA Act and section 16F of the Public Governance, Performance and Accountability Rule (PGPA Rule). We demonstrate how the Department has performed during the year in relation to our purpose, outcomes and programs, and strategic priorities.

## Annual performance statements—statement of preparation

I, Mike Mrdak, as the accountable authority of the Department of Communications and the Arts (the Department), present the 2016–17 annual performance statements of the Department, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



Mike Mrdak AO  
Secretary

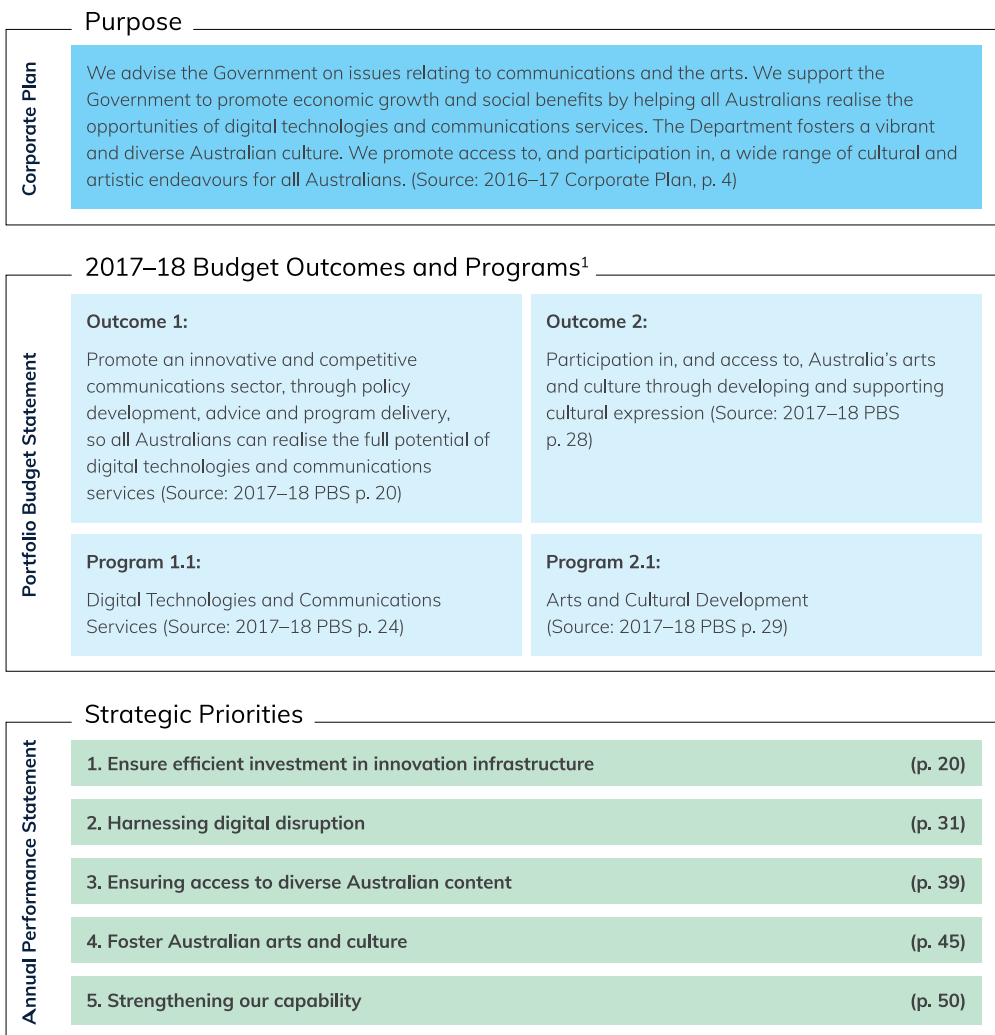
17 September 2017



## Purpose and performance criteria

We fulfil our purpose by addressing two outcomes, as described in the Portfolio Budget Statements (PBS). Figure 2.1 shows our purpose, outcomes and programs and strategic priorities across our annual performance documents.

Figure 2.1 Relationship between purpose, outcomes and programs and strategic priorities



<sup>1</sup> The 2017–18 PBS was published on 9 May 2017 and incorporates the 2016–17 reporting period.



## Analysis of performance against purpose

### Ensure efficient investment in innovation infrastructure

Fixed line and mobile communications networks are a key part of Australia's innovation infrastructure. These networks support services that are essential in the modern world, including voice and video communications and access to the internet.

Access to ubiquitous, fit-for-purpose communications networks is an important building block for innovation, supporting new products, services and business models.

The Department is responsible for developing and implementing policies and programs that contribute to the expansion of innovation infrastructure across Australia. This includes supporting NBN Co Ltd (NBN Co) to roll out and operate the National Broadband Network (NBN), delivering the Mobile Black Spot Program, supporting Australia's National Collecting Institutions (NCIs) and progressing spectrum and other regulatory reforms to support private sector investment in future technologies.

Table 2.1 Performance criteria outcomes

Criteria	Target	Source	Outcome
Provide strategic advice and policy leadership to achieve the Government's plan for a fast and affordable NBN.	Oversee NBN rollout progress towards a goal of completion by 2020	Corporate Plan 2016–17 p. 9 PBS 2017–18, p. 24	<b>Met.</b> See analysis on p. 23
In collaboration across Government and industry, we will help ensure that communications infrastructure is secure and resilient and able to support innovation across the economy.	Help ensure that communications infrastructure is secure, resilient and supports innovation through collaboration with Government and industry	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 24	<b>Met.</b> Over the year: <ul style="list-style-type: none"> <li>We provided policy advice on telecommunications sector security reform, including the Telecommunications and Other Legislation Amendment Bill 2016 and revised Australian Government Cyber Incident Management Arrangements.</li> <li>We provided secretariat support for two Communications Sector Group meetings to foster business-government information sharing to improve the resilience, continuity and restoration of critical infrastructure and essential services during a major event.</li> </ul>



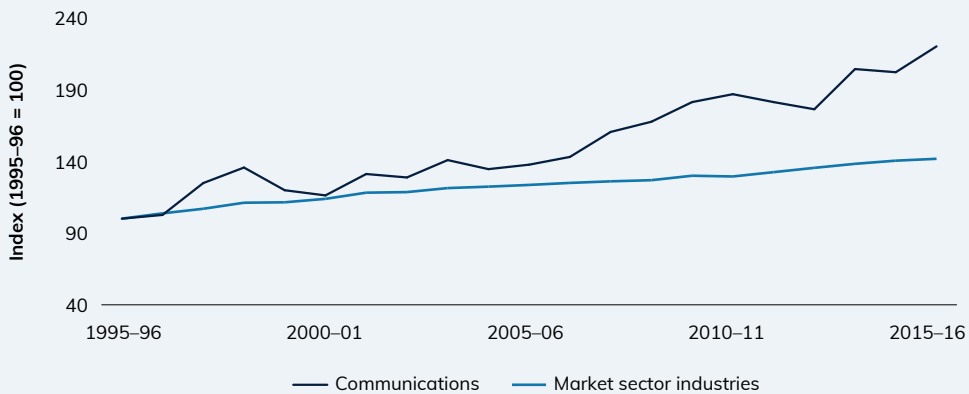
Criteria	Target	Source	Outcome
Deliver the Government's Mobile Black Spot Program to expand reliable mobile phone coverage and competition in outer metropolitan, regional and remote communities.	Deliver the Mobile Black Spot Program to expand reliable mobile phone coverage and competition in outer metropolitan, regional and remote communities	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 24	<b>In progress.</b> See analysis on p. 26
We work with Australia's National Collecting Institutions (NCIs) to ensure they are accessible, support research communities and leverage digital technologies in delivering services.	NCIs are accessible, support research communities and leverage digital technologies in delivering services	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 30	<b>Met.</b> See analysis on p. 28 and p. 47
We deliver on the Government's objective of reforming spectrum policy arrangements to reduce regulatory burden and improve access to new technologies.	Implement spectrum policy reform arrangements	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 24	<b>In progress.</b> See analysis on p. 29

## THE ECONOMIC CONTEXT: COMMUNICATIONS SECTOR

The communications sector acts as a critical enabler of other sectors of the Australian economy. The importance of the sector to Australia’s economic performance can be shown by comparing it to other sectors in terms of labour productivity and innovation. In the two decades from 1995–96 to 2015–16, labour productivity in the sector more than doubled, outpacing the combined market sector average of 42 per cent (Figure 2.2). The communications sector also has a higher proportion of businesses that are innovative in providing services than in any other industry.<sup>2</sup>

The sector is an important part of the everyday lives of Australian households. Affordable access to communications services is essential if households are to benefit from the digital economy. Over the past decade, the affordability of communications services for the average Australian household has improved,<sup>3</sup> reflecting increasing market choice and competition in mobile and fixed line services as well as the continuing rollout of the NBN.

Figure 2.2 Labour productivity in the communications sector more than doubled in the two decades up to 2015–2016



Source: Bureau of Communications and Arts Research (BCAR) (2017) Communications Monitor. Note: Market sector industries include all industries except for the public administration and safety, education and training, health care and social assistance industry sectors.

<sup>2</sup> BCAR, 2017, *Communications Monitor—context and overview*.

<sup>3</sup> BCAR, 2017, *Trends and drivers in the affordability of communications services for Australian households*.



## National Broadband Network

The Department provides oversight of NBN Co, which has the mandate to ensure that all Australians have access to the high-speed broadband necessary to participate in the digital economy. The NBN reached the halfway point of construction in mid-2017, and is scheduled for completion by 2020. The NBN is more than Australia's largest infrastructure project—it is also transforming the communications market by establishing a non-discriminatory, wholesale-only broadband access network to support competition among more than 100 retail service providers.

The NBN is currently at the peak of its construction phase. In 2016–17, the Department focused on activities that promoted infrastructure deployment, including governance of NBN Co, monitoring the pace of the rollout and supporting NBN Co to address implementation issues.

Until completion of the rollout, the Department will continue to undertake these activities with an increasing emphasis on consumer experience.

Over the year, we ensured NBN Co had sufficient capital to progress the rollout. We managed the provision of equity payments of \$7.2 billion. Working with the Department of Finance, we established a Commonwealth loan to NBN Co of up to \$19.5 billion. The loan has been provided on commercial terms and will support future rollout activity while minimising cost and risk to the Government.

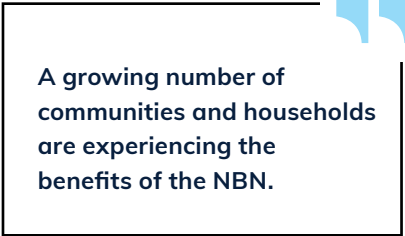
As part of our oversight role, we assessed NBN Co's corporate plan to establish that proposed funding arrangements were efficient and reflective of rollout requirements. This assessment, undertaken jointly with the Department of Finance from April to July 2017, evaluated NBN Co's deployment and financial forecasts, risk management strategies and governance structures.

We received weekly and monthly updates from NBN Co on the progress of the rollout and participated in monthly and quarterly shareholder meetings with NBN Co.

We provided advice to the Minister for Communications and the Minister for Regional Communications to assist government decision-making regarding NBN Co governance and the NBN rollout.

Our activity has contributed to significant progress being made in the NBN rollout. As at 30 June 2017, the NBN was available to over 5.7 million premises—313,000 premises ahead of target. More than 2.4 million Australian homes and businesses now have an active NBN service—100,000 premises ahead of target. Overall, the NBN is now available to over half of Australian homes and businesses. See Figure 2.3 for further information.

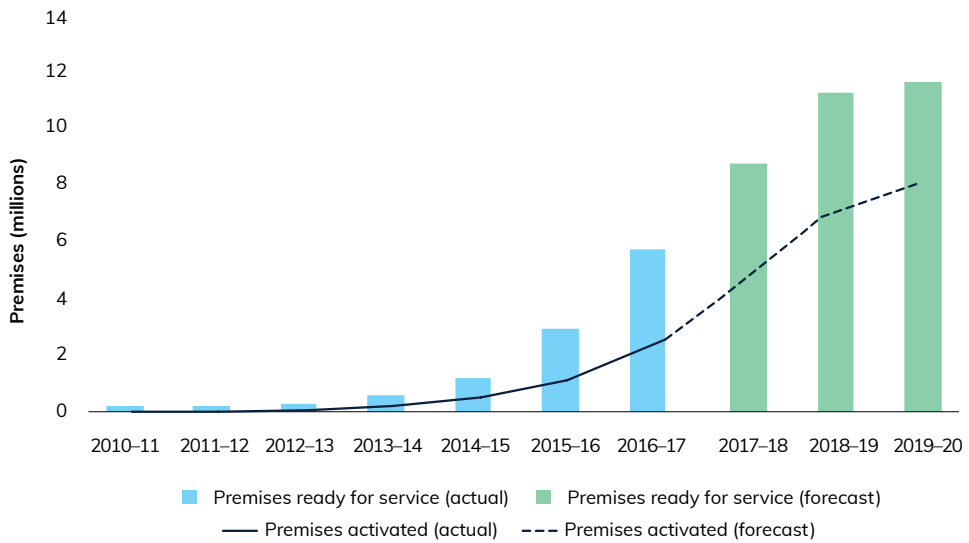
A growing number of communities and households are experiencing the benefits of the NBN, particularly those in regional Australia that are now able to access high-speed broadband at more affordable prices.



**A growing number of communities and households are experiencing the benefits of the NBN.**



Figure 2.3 NBN rollout—Premises ready for service



Source: NBN Co Corporate Plan 2012–15 and 2014–17 (actuals); NBN Co Corporate Plan 2018–21 (forecast).

Note: Ready for service refers to homes and businesses passed by the active NBN and ready to order a service.

## THE BENEFITS OF NBN IN REGIONAL AUSTRALIA

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Through NBN Co, the Government is investing in new communications infrastructure in regional Australia, including approximately \$2.5 billion in capital expenditure on fixed wireless and approximately \$2 billion on NBN's satellite network.

NBN Co has completed the network rollout to over two-thirds of premises outside major urban areas. This includes using Sky Muster satellites to deliver broadband services to nearly 75,000 customers; completion of around three-quarters of the fixed wireless network nationally with over 1,700 towers serving more than 184,000 customers; and the availability of the NBN to almost 60 per cent of brownfield premises in the fixed line footprint outside major urban areas.

As at 30 June 2017, services were available to over 2.5 million homes and businesses outside of major urban areas through fixed line, fixed wireless and satellite infrastructure, and will be available to approximately 3.6 million remote and regional brownfield premises by 2020.

Research conducted by the Bureau of Communications and Arts Research (BCAR) in 2016–17 indicates that for home broadband services the rollout of the NBN is improving choice and reducing prices for regional consumers. For example, the BCAR identified that bundle plans offered by retail service providers on NBN Co's fixed network are at lower price points than offered on the ADSL network, with providers also increasing data allowances in response to consumer demand.<sup>4</sup>

The NBN has benefited regional communities in the following ways:

- Two Sky Muster satellites are providing access to download speeds of up to 25 megabits per second (Mbps). NBN Co recently increased peak data downloads from 30 gigabytes (GB) to 45 GB and doubled off-peak data allowances.
- NBN Co and the Royal Flying Doctor Service (RFDS) will test transportable Sky Muster units, initially in four RFDS aircrafts and two road vehicles to support visiting primary health clinics, with trials to commence in September 2017. If successful, the RFDS will gradually be able to expand telehealth and online health management reliably across remote and country areas that currently miss out on workable broadband coverage.<sup>5</sup>
- Smoother connections and faster speeds are being experienced through NBN Co's Sky Muster satellites for residents in regional towns such as Longreach, Queensland. Local students are benefiting from increased data allowances, particularly distance education students who can now participate more fully in lessons and classroom activities.<sup>6</sup>
- Fixed wireless coverage to over 510,000 premises is connecting regional Australia to communities around the world and opening up possibilities for small businesses, schools and families. On 30 March 2017, NBN Co announced it would make available 100 Mbps services on the fixed wireless network from early 2018.
- Over 1.6 million regional properties have been connected to fixed line broadband services in non-metropolitan areas. These services are providing high-speed broadband access promoting innovation and the development of online applications.

<sup>4</sup> BCAR, 2017, *Trends and drivers in the affordability of communications services for Australian households*.

<sup>5</sup> As reported by Newsboost, 26 June 2017, *Flying Doctor to trial nbn's Sky Muster satellite*.

<sup>6</sup> Department of Communications and the Arts, *NBN—Longreach*.

## Mobile Black Spot Program

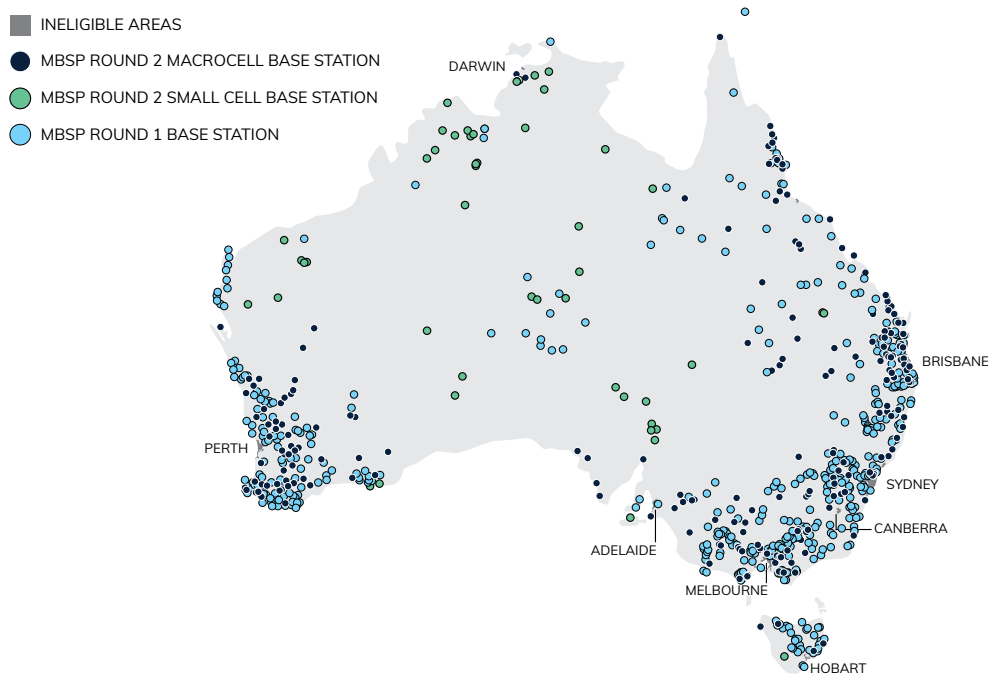
Competitive private sector investment has delivered quality mobile outcomes for the majority of Australians. Australia's mobile coverage, affordability, investment and innovation is recognised by the GSM Association, an international industry peak body, which has ranked Australia first of 134 nations on its Mobile Connectivity Index.<sup>7</sup> However, the economics of operating mobile services are such that commercial investment is not viable in less populated and geographically isolated areas of Australia.

We are administering the Mobile Black Spot Program, which supports social and economic benefits by expanding mobile coverage and increasing competition along major regional transport routes and in small communities.

Rounds 1 and 2 of the program will deliver almost \$600 million (GST inclusive) in new investment in mobile infrastructure in regional and remote Australia, including \$430 million in co-funding from industry and state governments. This investment will deliver:<sup>8</sup>

- 765 new and upgraded mobile base stations
- 86,300 square kilometres of new and upgraded handheld coverage
- 202,300 square kilometres of new external antenna coverage
- over 7,600 kilometres of new coverage to major transport routes.

Figure 2.4 Mobile Black Spot Program funded round 1 and 2 mobile base stations



The map depicts the location of the base stations awarded funding under rounds 1 and 2 of the Mobile Black Spot Program (MBSP). The exact location of the base station at a given site will be determined by the funding recipient and will be subject to a range of factors including state and local government planning approvals, landowner agreement (where necessary), and construction considerations at the proposed site.

7 GSM Association, 2016, [Mobile connectivity index launch report](#).

8 Department of Communications and the Arts, [Mobile Black Spot Program](#).



In 2016–17, we continued to deliver the Mobile Black Spot Program. As at 30 June 2017, a total of 203 base stations have been deployed under the program. These 203 base stations are providing improved mobile coverage to an estimated 31,624 premises and 2,256 kilometres of major roads across regional and rural Australia.

Communities across Australia are benefiting from improved mobile phone and data coverage and greater competition. The program has also contributed to improving community welfare. For example, operational reports for the first 54 base stations indicate over 2,619 Triple Zero calls have been made through these base stations.

We will continue to focus on completion of rounds 1 and 2 in 2017–18 and implementation of the \$60 million priority locations round of the program, including its competitive assessment process.

We will also continue to monitor the effectiveness of the program in improving access and competition at the state and community levels.

In 2016–17, we also contributed in other ways to the deployment of mobile network infrastructure. We developed and consulted on changes to powers and immunities to enable telecommunications carriers to roll out mobile and other telecommunications infrastructure more quickly and at lower costs, enabling them to better meet consumer needs.

On 26 June 2017, we made a submission to the inquiry by the Australian Competition and Consumer Commission into the declaration of a domestic mobile roaming service.<sup>9</sup> The submission emphasised the need to foster private sector investment in competing mobile infrastructure, including in regional, rural and remote areas.



## FOCUS ON

# MOBILE BLACK SPOT PROGRAM CASE STUDIES

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The village of Murringo, in New South Wales, is one community experiencing social and economic benefits from the installation of a mobile base station funded under the program. Students at the Murringo Public School now have better access to the internet to do their homework and stay in touch with their friends. The new base station is also opening up new opportunities in the village for the small businesses, farmers and families who previously had no mobile reception.<sup>10</sup>

Ferguson Valley in Western Australia is another community experiencing social and economic benefits under the program. In particular, small businesses in the area are now able to contact, and be contacted by, potential customers, since the base station went live in April 2017. The ability to accept bookings, answer enquiries and have customers able to access mobile reception will provide an economic stimulus to the area.<sup>11</sup>

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<sup>9</sup> Department of Communications and the Arts, 26 June 2017, Submission to the Mobile Roaming Inquiry.

<sup>10</sup> As reported by *Boorowa News*, 25 July 2017, [Mobile phones now ringing in Murringo](#).

<sup>11</sup> As reported by *The West Australian*, 13 June 2017, [Businesses welcome valley mobile reception](#).



## National Collecting Institutions (NCIs)

Australia's NCIs support a diverse Australian culture by protecting and celebrating Australia's rich cultural heritage. Increasingly, Australia's NCIs are using digital technologies to deliver services, supporting greater participation of audiences and the research community.

The Department's 2016-17 Corporate Plan describes the NCIs as innovation infrastructure. Artistic and cultural institutions foster creativity and provide rich data sources that promote innovation across the community.

In 2016-17, we continued to support the NCIs by providing governance, policy oversight and assistance through programs such as the National Collecting Institutions Touring and Outreach Program, and by providing policy advice to the Minister for the Arts.

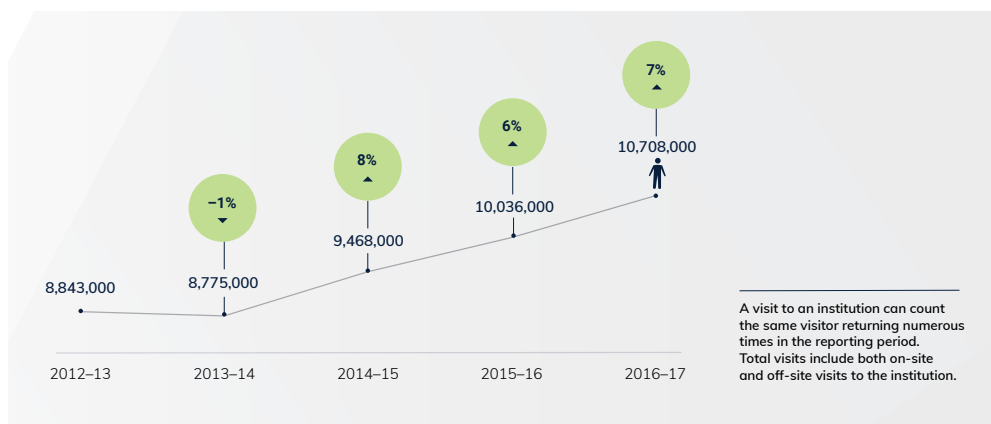
In collaboration with the NCIs and other national cultural institutions, we have continued to refine a framework the NCIs use to measure and report on a range of activities and achievements across

the institutions. This year has seen us include year-on-year trend data. The data derived from this framework demonstrate the collective impacts of the Government's investment in these institutions and success in meeting the Government's cultural and broader strategic priorities. This includes access, relevance, vibrancy, education, national leadership and organisational excellence. As well as strengthening the important role of the institutions, the framework has helped inform policy decision-making and facilitated ongoing sharing and learning across the institutions.

With this support, the NCIs worked to increase national access to Australian and international cultural material, with exhibitions being displayed across metropolitan, regional and remote venues. During the year, there were almost 11 million visits on-site and off-site to the NCIs.

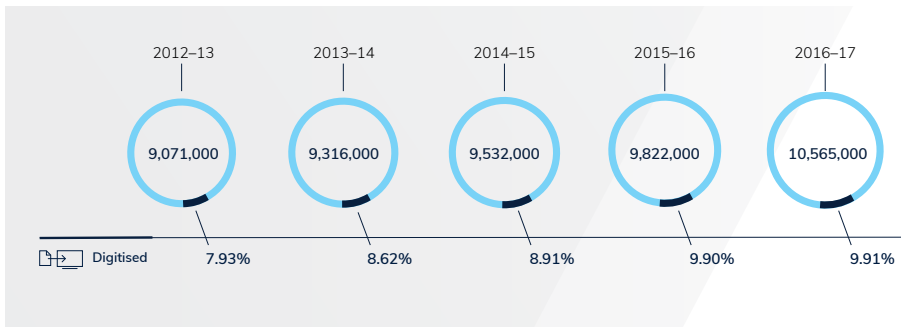
There were four times as many virtual visits, with over 40 million visits to the NCIs' websites and over 250 million page views. The digital availability of the national collections also increased slightly during 2016-17 with 9.9 per cent of collections now digitised.

Figure 2.5 Visits to National Collecting Institutions



Source: Department of Communications and the Arts derived from aggregated NCI data.

Figure 2.6 Digital objects in national collections



Source: Department of Communications and the Arts derived from aggregated NCI data.

### Spectrum reform

The Department is responsible for policies that underpin planning and use of all radio-frequency spectrum in Australia. Spectrum is an important enabler for new technologies. It is used for applications such as radio and television, mobile and satellite communications, the Internet of Things, smart cities and defence.

Spectrum is essential to a digitally networked economy and is a major contributor to Australia’s economic and social wellbeing.<sup>12</sup> The economic value of Australia’s spectrum to the national economy is estimated to be \$177 billion over 15 years.<sup>13</sup>

Australia’s spectrum has been managed using a framework that was developed in 1992, and updated in 2002 following a review of the *Radiocommunications Act 1992*. The framework needs to be modernised to reflect changes in technology.

In 2016–17, we progressed the implementation of the recommendations of the Government’s 2015 Spectrum Review. These reforms will reduce regulatory burden and support industry investment in new technologies by:

- **improved legislative arrangements**—reforms will replace the current legislative arrangements with new legislation that removes prescriptive processes and streamlines licensing
- **integration**—the revised framework will better integrate the management of public sector and broadcasting spectrum to improve the consistency and integrity of the framework
- **spectrum pricing**—the reform process will review spectrum pricing to ensure consistent and transparent arrangements to support the efficient use of spectrum and secondary markets.

The Department reviewed spectrum prices for commercial broadcasters and these were reflected in the 2017–18 Budget and subsequent *Commercial Broadcasting (Tax) Act 2017*. We modelled a spectrum price more reflective of its value. In effect, commercial broadcasters will now pay approximately \$40 million per year instead of \$75,000 per year. This brings commercial broadcasters into the spectrum management framework consistent with other spectrum users.

Over the year, we assisted the Government in developing a consultation package including an Exposure Draft Radiocommunications Bill and consultation papers on broadcasting spectrum,

12 Department of Communications and the Arts, 2017, [Commonwealth Held Spectrum](#).

13 Centre for International Economics, 2015, The economic value of spectrum (research report prepared for the Department of Communications).

transitional arrangements, Commonwealth spectrum holdings and spectrum pricing. Between May and June 2017, we ran a six-week consultation process on spectrum reform.

The implementation of the Government's spectrum reform agenda is a multi-year process. In the short term we will continue to progress stakeholder consultation and engagement ahead of implementation.

In parallel, we will continue to work with the Australian Communications and Media Authority (ACMA) in managing Commonwealth spectrum holdings. Our work in 2016–17 supported the auction of 700 megahertz (MHz) spectrum—an important enabler for future infrastructure investment.



**FOCUS ON**

## 700 MHZ SPECTRUM AUCTION

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While progressing spectrum reform was a key focus in 2016–17, the Department also supported spectrum activities that contributed to economic and social outcomes.

On 13 April 2017, the Government announced that all spectrum on offer in the unallocated 700 MHz spectrum band was sold in a competitive auction for a total of \$1.55 billion to TPG and Vodafone Hutchison Australia (VHA). The highly valuable 700 MHz spectrum band supports mobile broadband services across Australia and will allow TPG and VHA to offer customers high-speed fourth generation (4G) mobile voice and data coverage.<sup>14</sup> The licences will commence on 1 April 2018 and expire on 31 December 2029.

We contributed to this outcome by providing policy advice to the Minister for Communications on allocation options and working with the ACMA on auction design and implementation.

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<sup>14</sup> Department of Communications and the Arts, 13 April 2017, [Spectrum 700MHz auction results](#).



## Harnessing digital disruption

Digital disruption describes how new technologies drive substantial change across the economy for households and businesses. These changes can impose significant adjustments as they make investments obsolete and change how citizens access goods, services and employment. Importantly, digital disruption and new technologies offer opportunities for the creation of innovative businesses, a greater range of products, and new ways for governments to address policy problems. In this way, digital disruption can generate higher productivity growth and improve living standards.

Over the course of the year, we worked to modernise regulatory and policy frameworks to better reflect consumer and business requirements in a digital world. We progressed reforms relating to telecommunications regulatory frameworks, copyright and classification. We also progressed the implementation of the ACMA review.

Table 2.2 Performance criteria outcomes

Criteria	Target	Source	Outcome
Help ensure effective policy and regulatory frameworks that promote competition, consumer safeguards, efficient and effective portfolio agencies, and reduce regulatory burden.	Help ensure policy and regulatory frameworks are effective and reduce regulatory burden	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	<b>In progress.</b> See analysis on p. 33
Help ensure copyright law and regulation provide a framework that is simple, efficient and effective, achieving a balance between the rights of owners and users of copyright and promoting appropriate self-help remedies for the protection of rights.	Copyright law and regulation provides an effective framework	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	<b>In progress.</b> See analysis on p. 34
Implement the outcomes of the ACMA review in line with Government requirements.	Implement ACMA review outcomes	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	<b>In progress.</b> See analysis on p. 38



Criteria	Target	Source	Outcome
<p>Undertake research through the Bureau of Communications and Arts Research* advising on sectoral developments to inform strategic policy directions</p> <p><i>* During the 2016–17 reporting period, the Bureau of Communications Research expanded its remit to include arts and subsequently is known as the Bureau of Communications and Arts Research</i></p>	Undertake research through the Bureau of Communications and Arts Research	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	<p><b>Met.</b> Over the year, the Bureau of Communications and Arts Research:</p> <ul style="list-style-type: none"> <li>• Has delivered research and analysis that has supported internal decision-making and policy development.</li> <li>• Has published five external products: <ul style="list-style-type: none"> <li>– <i>Communications Monitor</i> (October 2016–June 2017)</li> <li>– <i>The communications sector: recent trends and developments</i> (October 2016)</li> <li>– <i>NBN non-commercial services funding options</i> (December 2016)</li> <li>– <i>Digital productivity: key issues from the literature</i> (June 2017)</li> <li>– <i>Private sector support for the arts in Australia</i> (June 2017).</li> </ul> </li> </ul>
Continue to support the Government and shareholder ministers in achieving Australia Post reforms	Support the Government and shareholder ministers in achieving Australia Post reforms	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	<p><b>In progress.</b> Over the year:</p> <ul style="list-style-type: none"> <li>• We monitored the impact of reforms implemented in 2015–16.</li> <li>• We supported the appointment of a new Chief Executive Officer, new Deputy Chair and two new Directors.</li> <li>• We analysed and reported to the Minister for Communications on Australia Post's corporate plan, annual report and quarterly performance reports.</li> <li>• We continued to assess future reform options.</li> </ul>
We provide advice to the Government to ensure content-related consumer safeguards remain effective and support the delivery of the National Classification Scheme	Provide high quality policy advice regarding content related consumer safeguards and support the delivery of the National Classification Scheme	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	<p><b>Met.</b> See analysis on p. 35</p>



## Telecommunications regulatory reform

In 2016–17, we developed legislation to promote competition and to improve access to broadband services for all Australians, especially those in regional, rural and remote areas.

On 22 June 2017, the Telecommunications Legislation Amendment (Competition and Consumer) Bill 2017 and Telecommunications (Regional Broadband Scheme) Charge Bill 2017 were introduced into Parliament. The reform package has three major components:

- **Wholesale–retail separation**—To create new commercial and competitive opportunities, existing rules requiring new broadband networks to be wholesale only are being reformed so network operators can also operate retail businesses on a functionally separated or arms-length basis with the approval of the Australian Competition and Consumer Commission. The wholesale-only rules are also being removed from networks servicing small businesses, given they increasingly have access to competing fixed line infrastructure.
- **Statutory infrastructure providers**—NBN Co (and other carriers, where appropriate) will be subject to clear obligations to connect premises to its network and supply wholesale high-speed broadband services to retail service providers. While the NBN is being rolled out, the obligations will apply in areas as they become ready for service. Once the NBN is complete, NBN Co will be the default statutory infrastructure provider for all of Australia.
- **Regional Broadband Scheme**—NBN Co's fixed wireless and satellite networks are estimated to lose around \$9.8 billion over 30 years, with these losses currently funded entirely from an internal cross-subsidy from its fixed line networks. The Regional Broadband Scheme makes this existing cost transparent and spreads it across all NBN comparable networks, with NBN Co continuing to pay around 95 per cent of the cost.

Over the year, we assisted the development of these reforms by providing evidence-based policy advice to the Minister for Communications and the Minister for Regional Communications, and undertaking extensive stakeholder engagement, including the release of exposure draft legislation on 12 December 2016.

The Department progressed a range of other telecommunications regulatory reforms in 2016–17:

- On 2 December 2016 the Minister signed the Telecommunications (Fibre-ready Facilities—Exempt Real Estate Development Projects) Instrument 2016. The Instrument enables real estate developments in regional and remote areas that meet four criteria to be exempted from pit and pipe requirements that can be costly and difficult to justify in rural and remote areas. By 30 June 2017, the Department had received exemption notifications for 144 developments, with attendant savings for the developers.
- The Competition and Consumer Amendment (Misuse of Market Power) Bill 2017 amends the *Competition and Consumer Act 2010* to give effect to the 2015 Harper Review's recommendation to strengthen the misuse of market power law in Section 46 of the Act. The Bill also makes amendments to repeal the telecommunications-specific anti-competitive conduct laws in Part XIB of the same Act in light of the strengthening of Section 46. It passed the House of Representatives on 28 March 2017.
- The Communications Legislation Amendment (Deregulation and Other Measures) Bill 2017 contains measures that will reduce the regulatory burden on the broadcasting and telecommunications industries in a number of areas. The Bill focuses on creating a framework to enable a transition to industry management of telephone numbering, a function currently undertaken by the ACMA. The Bill was introduced into the House of Representatives on 29 March 2017.



- A consultation paper on reforms to telecommunications carrier powers and immunities was released on 9 June 2017. The reforms modernise the arrangements to help carriers roll out infrastructure faster and at a lower cost, with follow-on benefits for consumers.

Our work on copyright law reform in 2016–17 has been largely preparatory, with a focus on developing the Government's response to the Productivity Commission's recommendations. The implementation of copyright law reforms will be a multi-year process. The effectiveness of the reforms will be monitored over the long term.

## Copyright reform

Intellectual property (IP) and copyright arrangements are a critical element of Australia's broader innovation and competition system. They provide opportunities for Australians with new and valuable knowledge to contribute to the economic and social wellbeing of the nation by ensuring that the creators of that knowledge secure sufficient returns on their investment in content.

Since the last major changes to the *Copyright Act 1968* in 2005, there have been significant changes in the online environment, and the environment remains very fluid. Internationally, many countries are grappling with the rapidly changing copyright environment, which has moved on from being principally about 'piracy' to one which has complex competition and revenue implications. This ongoing major shift will influence the development of future reform options for Australia's copyright framework.

A Productivity Commission inquiry found that Australia's IP arrangements need improvement.<sup>15</sup> Without an appropriately balanced regulatory framework, many of the Government's signature initiatives, including those being implemented under the National Innovation and Science Agenda, will be less effective in delivering their outcomes.

Over the year, we undertook measures to address some of the issues raised by the Productivity Commission, with further reforms planned in 2017–18. We assisted the Government's passage of the Copyright Amendment (Disability Access and Other Measures) Bill 2017 through Parliament.

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<sup>15</sup> Productivity Commission, 2016, [Intellectual property arrangements, inquiry report, overview and recommendations](#).

## MAKING COPYRIGHT MORE ACCESSIBLE IN THE DIGITAL AGE

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The digital age has fundamentally altered the way Australians engage with copyright material and content. While large amounts of digital content are now available online, the majority of published material worldwide is not currently accessible to people who are blind or visually impaired or have a disability that affects the way they read, view, hear or comprehend content.

In early 2015, the Department began collaborative discussions with stakeholders on ways to modernise Australian copyright law to be more accessible in the digital age. We released an exposure draft for comment in late 2015. The resulting Copyright Amendment (Disability Access and Other Measures) Bill was introduced into Parliament in March 2017, and was the result of extensive consultation with copyright users and rights holders. The Bill passed through Parliament in mid-2017.

The important reforms in the Bill will significantly improve how people with a vision, hearing or intellectual disability access copyright materials, including through new and emerging technologies. Further, libraries, archives and key cultural institutions now have greater flexibility in preserving copyright materials and can provide greater access to historic and culturally valuable materials which can be used and re-used by all Australians.

Through consultation and the development of these targeted legislative amendments, we assisted the Government in promoting economic growth and social benefits by helping all Australians to realise the opportunities created through digital technologies and communications services.

### Classification

In 2016–17, we provided policy advice regarding content-related consumer safeguards and supported the delivery of the National Classification Scheme. Classification helps inform the Australian community about how they interact with a range of content and is an important mechanism for preventing harm, particularly for children.

Research undertaken by the Department in November 2016 indicates that while community confidence in Australia's National Classification Scheme is positive, there is anxiety about protecting children from harmful online content.<sup>16</sup>

Reforms are needed so the classification of films, computer games and publications are effective across all mediums, including online, while minimising regulatory red tape.

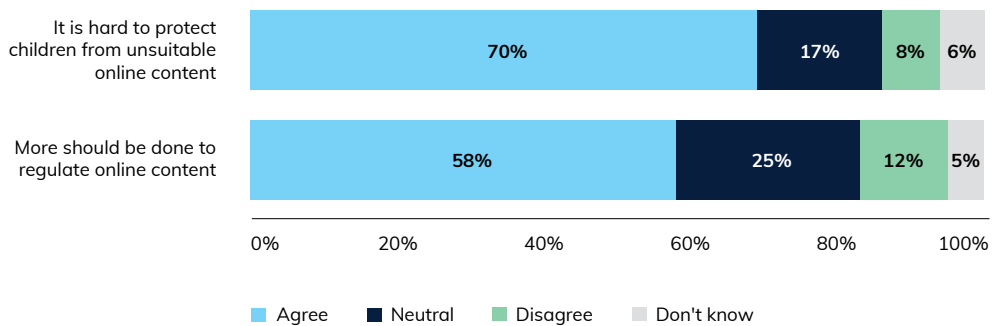
Over the year, we focused on strengthening classification legislation. Our advice assisted the Government's introduction of legislative amendments that streamline classification regulation and reduce the regulatory burden on industry.

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<sup>16</sup> Department of Communications and the Arts, November 2016, [Classification: usage and attitudes study](#).



Figure 2.7 Community concern about children and young people with regard to online content



Source: Classification usage and attitudes study, Department of Communications and the Arts, November 2016.

Note: Survey based on 2,187 respondents.

Figure 2.8 Classification amendments

Legislation	Impact
Counter-Terrorism Legislation Amendment Act (No.1) 2016	<ul style="list-style-type: none"> <li>Amended the <i>Classification (Publications, Films and Computer Games) Act 1995</i> to bring a provision relating to terrorism material up to date.</li> </ul>
<i>Classification (Publications, Films and Computer Games) (Markings and Consumer Advice) Amendment Determination 2017</i>	<ul style="list-style-type: none"> <li>Amended the <i>Classification (Publications, Films and Computer Games) (Markings and Consumer Advice) Determination 2014</i> to ease the regulatory burden on the cinema industry around the classification of trailers, while ensuring that the industry continues to provide prominent classification information.</li> </ul>
Communications Legislation Amendment (Deregulation and Other Measures) Bill 2017	<ul style="list-style-type: none"> <li>Amends the <i>Broadcasting Services Act 1992</i> to unify the classification system applied to movies and other programming on television, reduce compliance costs for broadcasters, and simplify classification information for consumers.</li> </ul>

Another important initiative relating to classification during the year was the development of a world-first classification tool that streamlines the process of classifying Netflix content.

## THE NETFLIX CLASSIFICATION PILOT

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Over the year the Department worked collaboratively with Netflix to develop and monitor the Netflix classification tool, which innovatively combines Netflix technology with Australia's system of classification and consumer advice to better help the community make decisions on what they and their children watch.

The Netflix classification tool provides an efficient and cost-effective way to classify huge volumes of entertainment content from Netflix and improves productivity, progresses common goals and achieves an excellent outcome for the Australian public. The tool is a new solution to help modernise the classification scheme and is an example of the Government's response to the media regulation challenges posed by the rapid emergence and uptake of online streaming video-on-demand services in Australia.

Australia is the first country in the world to implement the tool and it is also the first time a tool is being used to classify films and television series in Australia. The tool was launched by the Minister for Communications on 7 December 2016 and will operate as a pilot for the first 12 months. As of 30 June 2017, the tool had generated 1,014 classification decisions.

During the pilot, we will support the Classification Board to undertake random and targeted audits of a broad range of the tool's classification decisions. These audits will assess the accuracy and integrity of the tool and will support Netflix to enhance and refine the tool.

We will continue to assist with delivery of the Government's classification reforms in the coming years. Longer term, our effectiveness in progressing classification reforms will be measured through stakeholder survey results, and the extent to which Australian citizens consider classification arrangements successfully minimise harm.

In terms of supporting the National Classification Scheme, over the year we ensured all:

- classifications were made within statutory timeframes
- training and classification fees were collected

- decisions were published to the National Classification Database
- active assessors were accredited and accreditation maintained.

We also ensured compliance with auditing requirements for classification tools (including the Netflix classification tool).



## **Australian Communications and Media Authority review**

In June 2015, the Minister for Communications announced a review of the ACMA to ensure that it could continue to discharge its regulatory functions effectively in the face of challenges arising from a rapidly changing communications sector.

On 22 May 2017, the Government released the final report of the ACMA review, along with its responses to the report's recommendations. These responses cover the ACMA's remit, objectives, functions, governance, performance and resource base, and seek to ensure that the ACMA remains a modern, agile and responsive fit-for-purpose communications regulator. The Government has indicated that it supports, or supports in principle, all 27 recommendations of the report.

Over the course of the year, we commenced implementing the ACMA review's recommendations. We also worked with the ACMA to facilitate the transfer of the Australian Internet Security Initiative from the ACMA to the Attorney-General's portfolio. This will result in better alignment and delivery of the Government's cybersecurity programs. The transfer of the program and its resources occurred on 1 July 2017.



## Ensuring access to diverse Australian content

Australian content plays an important role in fostering a diverse and vibrant Australian culture. Content produced in Australia, or under Australian creative control, reflects and shapes our national identity, character and cultural diversity. Australian content also contributes to the economy through international exports.

Table 2.3 Performance criteria outcomes

Criteria	Target	Source	Outcome
Implement the Government's objective to create a more competitive broadcasting industry. We will progress reforms in conjunction with broader spectrum reforms.	Implement the Government's media reforms and contribute to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 25	<b>In progress.</b> See analysis on p. 40 and p. 41
We ensure that the Australian television content and classification regulatory and policy frameworks remain fit-for-purpose and support the creation and distribution of Australian content.	Television and content classification frameworks are effective	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 25	<b>In progress.</b> See analysis on p. 36 and p. 40
We administer policies and programs to develop creative industries. We encourage the cultural sector's contribution to diverse Australian content.	Australia's creative industries produce original, compelling and accessible Australian content	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 30	<b>In progress.</b> See analysis on p. 43
We ensure that training institutions support the development of vibrant creative industries.	Australia's elite training institutions support the development of vibrant creative industries	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 30	<b>Met.</b> See analysis on p. 43

In progressing our work over the year, we focused on sectoral trends affecting the creation of Australian content, including in the free-to-air broadcast sector.

## AUSTRALIAN FREE-TO-AIR BROADCAST SECTOR: KEY TRENDS

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Since 2005, revenues in the broadcast industry have declined in real terms, suggesting industry performance is below that of the broader economy.<sup>17</sup> Advertising remains the primary revenue driver, and it is increasingly being fragmented by the rise of internet advertising and cross-media campaigns.

In Australia, PricewaterhouseCoopers (PwC) estimates that the value of internet advertising is larger than free-to-air and subscription television advertising.<sup>18</sup> Radio broadcasters do not appear to have experienced the same drop in real advertising revenues compared to television broadcasters.<sup>19</sup> Forecasts are predicting revenue to remain flat in real terms over the next five years.

Meanwhile, programming costs continue to represent the single largest industry expenditure, driven largely by the rising costs to produce and acquire Australian content (including news, sport and entertainment).<sup>20</sup>

### Australian and Children's Screen Content Review

On 6 May 2017, the Government announced a comprehensive review of Australian and children's screen content, as part of broader media reforms, to be conducted jointly by the Department, the ACMA and Screen Australia. Terms of reference for the review were released on 23 May 2017. The objective of the review is to provide policy options to the Government on the most effective support mechanisms for the Australian and children's content and Australian screen production sectors. Specifically, mechanisms to support Australian drama, documentary and children's content and the Australian Screen Production Incentive will be reviewed.

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 of America 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. The review will examine the Government's policy settings and industry incentives to ensure they remain fit-for-purpose.

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17 ACMA, 2015, [Broadcasting financial results report](#). As acknowledged by the ACMA, these data are unaudited and may contain inaccuracies.

18 PwC, 2016, [Global entertainment and media outlook 2016–2020](#).

19 Nielsen, March 2016, [Australian connected consumers report 2016](#).

20 ACMA, 2014, [The cost of code interventions on commercial broadcasters: commissioned research undertaken by PwC for the contemporary community safeguards inquiry](#), p.45.



Over the course of 2016–17, we established a taskforce and started preparatory work and information-gathering to inform and guide the review. We commenced a program of stakeholder engagement and consultation. We anticipate providing a final report to the Government in 2017–18.

### **Media reforms**

The Department is helping to promote a viable Australian media sector by removing outdated broadcast licence fees and regulations that only apply to, or restrict, traditional media platforms.

Following the implementation of a 25 per cent reduction in broadcasting licence fees, reducing the fees payable by broadcasters in December 2016, in 2016–17 we focused on implementing the Government's objective to create a more competitive broadcast industry, with a particular focus on reforming media control and ownership rules.

The underlying objective of this integrated package is ensuring ongoing investment in, and access to, high-quality Australian content. Overall, the package will strengthen free-to-air Australian broadcasters, enabling them to invest in Australian content and their businesses and to better compete with online content providers.

Over the year, we assisted with the Government's introduction of the Broadcasting Legislation Amendment (Media Reform) Bill 2016 on 30 November 2016, and subsequent passage through the lower house and introduction into the Senate on 1 December 2016. The Bill sought to repeal the media control rules known as the '75 per cent reach rule' and the '2 out of 3 rule', and included new local programming obligations for regional commercial television licensees in certain circumstances.

Following announcement of the broadcasting and content reform package in the 2017–18 Budget, the changes to the control rules and local content measures have been included in this broader package of reforms. We provided policy advice to the Minister for Communications that led to announcements regarding the abolition of licence fees and the establishment of the Australian and Children's Screen Content Review.

## BROADCASTING LICENCE FEES

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The regulations governing Australia's media were developed in an analogue era that is vastly different from today's digital media environment. Audiences can now select from multiple services, including free-to-air television, pay TV, catch-up TV, online streaming services, subscription video, audio-on-demand, and user-generated video. This fragmentation of audiences has eroded advertising revenue for established commercial broadcasters and newspaper publishers as they compete with online providers that, with some exceptions, are not subject to the same level of regulatory obligation. With traditional media operators under sustained and significant financial pressure, reform of the regulatory arrangements governing these media outlets was needed to ensure they can compete on a level playing field.

The Government's reform agenda for the media sector was broadened as part of the 2017–18 Budget, with the Minister for Communications announcing the details of the Broadcast and Content Reform Package on 6 May 2017. The package incorporates changes contained in the 2016 Media Reform Bill and additional reforms intended to modernise media regulation and help position the sector to deal with existing and future challenges more effectively. The reforms will abolish broadcasting licence fees and introduce a price for the use of broadcasting spectrum that more accurately reflects its value.

On 15 June 2017, the Broadcasting Legislation Amendment (Broadcasting Reform) Bill 2017 and the Commercial Broadcasting (Tax) Bill 2017 were introduced into the House of Representatives, containing measures to implement the reforms outlined above. The Bills passed the House on 21 June 2017 and were introduced into the Senate the following day. The package also included several measures that were not contained in the Bills and will be progressed on separate timeframes: a comprehensive review into Australian and children's content; a ban on gambling advertising from five minutes before play to five minutes after play during sports broadcasts between 5:00 am and 8:30 pm; and the implementation of a new program to improve broadcast coverage of under-represented and niche sports.

The Department assisted the Government in the development of these measures and in the preparation of advice, briefing and documentation in the progression of the Bills through Parliament. We also undertook extensive consultations on the measures, particularly those relating to the taxation arrangements for the use of broadcasting spectrum.

The Department implemented the Government's decision to change broadcasting licence fees for the 2016–17 year, with the *Television Licence Fee Amendment Regulations 2017* and the *Radio Licence Fee Regulations 2017* coming into effect on 30 June 2017. These regulations abolished licence fees for 2016–17.



## Creative industries

Contemporary Australia is home to a wide range of creative arts and industries, from world-class films, to visual and performing arts, to publishing and the games industry. Australia has a vibrant arts, culture and entertainment community which is known internationally for its unique style and rich Indigenous history. Australia also plays a key role in the education, training and development of future leaders across all arts and creative industries.

A creative economy contributes to cultural diversity, social inclusion, environmental sustainability and technological advancement. Creativity is key to innovation, driving sustainability and prosperity.

We collaboratively administer programs to support Australia's creative industries in producing original, compelling and accessible content. In 2016–17, we administered several initiatives, including the:

- **Foreign Actor Certification Scheme**—This scheme for screen performers entering Australia to work on film and television productions is intended to achieve Government cultural objectives by ensuring that Australian industry personnel are given the opportunity to secure employment in film and television productions shot in Australia, and that Australian voices are heard in Australian productions. In 2016–17, 188 foreign actors were certified under the scheme.
- **Location Offset, and Post, Digital and Visual Effects (PDV) Offset**—The Location Offset provides a 16.5 per cent rebate on productions that spend at least \$15 million on qualifying Australian production expenditure. The PDV Offset provides a 30 per cent rebate on the qualifying post, digital and visual effects expenditure of productions that spend at least \$500,000 on qualifying Australian expenditure, including productions not necessarily shot in Australia. In 2016–17, 84 applicants for the Location Offset and PDV Offset were issued final certificates by the Minister for the Arts. The Film Certification Advisory Board issued a further 35 provisional certificates for these offsets.

The qualifying Australian production expenditure of these productions totalled \$530 million, with an estimated rebate payable to these productions of \$113.8 million.

- **Resale Royalty Scheme**—Under the Resale Royalty Scheme, visual artists are entitled to a royalty payment of 5 per cent of the resale price for eligible works of art resold commercially for \$1,000 or more. As at 30 June 2017, the scheme had generated over \$5.27 million in royalties for 1,440 artists from 14,897 resales.

Successive Australian governments have provided operational funding to seven national elite performing arts training organisations to operate as national centres of excellence in the performing arts. Australia's elite training organisations comprise:

- Australian Ballet School
- Australian National Academy of Music
- Australian Youth Orchestra
- Flying Fruit Fly Circus
- National Aboriginal Islander Skills Development Association (NAISDA) Dance College
- National Institute of Circus Arts (NICA)
- National Institute of Dramatic Art (NIDA).

Together with the Australian Film, Television and Radio School which is a separate statutory authority, these organisations form the ARTS8.

The ARTS8 organisations provide Australia's creative industries with a reliable stream of elite-level graduates who are immediately employable in a multitude of roles. Graduates are instrumental in sustaining the financial and cultural success of the national and international entertainment industries. Growth in nominal gross industry value added in performing arts rose by 35 per cent between 2008–09 and 2012–13.<sup>21</sup>

Over the year, we provided \$23 million to the arts training organisations to operate as centres of excellence in elite training for the performing arts. In 2016, 838 students graduated and 1,100 places had been offered for the 2017 intake.

21 Bureau of Communications and Arts Research analysis.

## AUSTRALIA'S ELITE ARTS TRAINING ORGANISATIONS PROVIDING EMPLOYMENT PATHWAYS TO THE CREATIVE INDUSTRIES

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Graduates from the arts training organisations go on to have careers in a diverse and broad range of areas, including music and performing arts, corporate entertainment, national and international festivals, film, television and radio, design and visual arts, and arts education and training.

Priscilla Jackman graduated with a Master of Fine Arts (Directing) from NIDA in 2016 after receiving the inaugural Sandra Bates Director's Award. Priscilla is currently Resident Director of Sport for Jove Theatre Company's winter season and recipient of the Belvoir Artist Workshop. Most recently, she was awarded the Rockend Berlin New Music Opera Award by The Opera Foundation for Young Australians, and will travel to Berlin in 2017 to work. Priscilla led the first co-production between NIDA and NICA in 2017.

Career pathways have been established through the work of the arts training organisations, which allow students to move from one qualification to another to build their professional portfolios. Ella Horner graduated from NICA in 2014 and recently returned from touring with 'Bianco' with NoFit State Circus, Wales, United Kingdom. She is currently teaching in the NICA Short Courses Program. Felicia Lannan, also a 2014 graduate of NICA, co-founded the independent company Madhouse Circus and has staged productions at numerous festivals. Both Ella and Felicia were the first Flying Fruit Fly Circus graduates to enter the NICA programs through Certificate III, Certificate IV and then the degree course.



## Foster Australian arts and culture

The arts and cultural sector is a significant contributor to the Australian economy and society. According to the Australia Council's 2016 arts participation survey,<sup>22</sup> 98 per cent of Australians aged 15 years and over engage with the arts, reflecting the central role the arts play in Australian life.

Table 2.4 Performance criteria outcomes

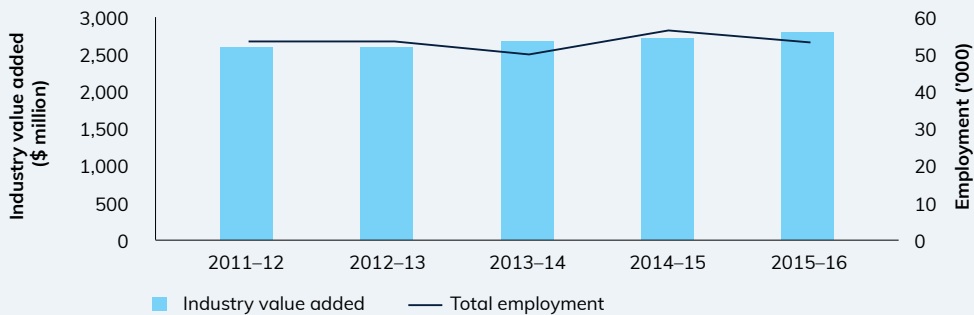
Criteria	Target	Source	Outcome
We provide policy leadership to enhance the sustainability of Australia's arts sector and artists, and to enhance access to the arts.	Provide strategic policy advice on the arts sector	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 29	<b>Met.</b> See analysis on p. 47
We administer programs, schemes and initiatives that support Australia's creative industries and stimulate participation in cultural life. We help foster employment and growth across the creative industries.	Provide effective delivery of programs that support Australia's creative industries and stimulate participation in cultural life	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 29	<b>Met.</b> See analysis on p. 47
We administer funding that supports Indigenous languages, visual arts and repatriation.	Development of, and access to high quality cultural experiences and skills development opportunities in regional and remote areas by, and for Aboriginal and Torres Strait Islander peoples is maintained or increased	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 29	<b>Met.</b> See analysis on p. 48
We support our portfolio agencies and arts training organisations in the efficient delivery of services to all Australians.	The portfolio of seven national elite performing arts training organisations provide access to training for performing artists and arts workers and cultural leadership in numerous forms	Corporate Plan 2016–17 p. 12 PBS 2017–18, p. 29	<b>In progress.</b> See analysis on p. 43
We undertake international engagement to build understanding and create opportunities for Australian arts and culture abroad. We work towards engaging new markets and audiences.	The best of Australia's arts and cultures is showcased on the world stage	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 30	<b>Met.</b> See analysis on p. 49

22 Australia Council for the Arts, 2017, *Connecting Australians: results of the national arts participation survey*.

## THE ECONOMIC CONTEXT: CULTURAL AND CREATIVE ACTIVITY

In 2015–16, the arts and cultural sector generated \$2.8 billion of industry value added and 0.2 per cent of gross domestic product (GDP), and employed some 54,000 people.

Figure 2.9 Industry value added of the arts sector (\$ million)

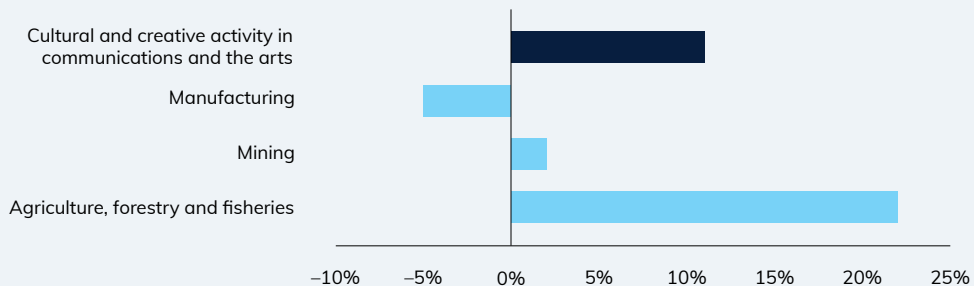


Sources: Australian Bureau of Statistics: Australian System of National Accounts 2015–16 (Cat. No. 5204.0), Input-output tables 2013–14 and 2012–13 (Cat. No. 5209.0.55.001) and product details 2013–14 and 2012–13 (Cat. No. 5215.0.55.001).

Cultural and creative activity in the communications and arts sector is estimated to have contributed \$24.1 billion (1.6 per cent) to Australian GDP in 2012–13. Further, industry value added of cultural and creative activity in these sectors increased by 11 per cent between 2008–09 and 2012–13.

As part of the growing services sector, this rate was higher than the manufacturing and mining industries, which declined by 5 per cent and grew by 2 per cent, respectively (Figure 2.10).

Figure 2.10 Comparison of growth in nominal industry value added from selected industries, 2008–09 to 2012–13



Source: BCAR analysis.



In 2016–17, we provided policy advice supported by extensive research, analysis and stakeholder engagement to enhance the sustainability of Australia’s arts sector and artists, and to enhance access to the arts. Our advice contributed to the following outcomes:

- Arts portfolio funding arrangements**—On 18 March 2017, the Minister for the Arts announced new portfolio funding arrangements, transferring approximately \$61 million in uncommitted funding over four years from Catalyst to the Australia Council. New funding arrangements will see a total of \$80.2 million over four years in committed and uncommitted funds transferred to the Australia Council from 2017–18. Revised funding arrangements allow the Australia Council to continue its focus on supporting small-to-medium arts organisations and provide scope for it to address key recommendations from the National Opera Review. The new arrangements also pave the way for the Department to focus on connecting the arts sector to the Government’s broader innovation agenda.

- National Collecting Institutions (NCIs)**—In 2016–17, the Government announced an additional \$64.9 million from the Public Service Modernisation Fund to support the NCIs. In December 2016, it was announced that \$16.4 million was being provided to the National Library of Australia in support of its Trove service. On 9 May 2017, the Minister for the Arts announced funding of \$48.5 million to support Australia’s other NCIs. This will enable important capital works, and support the development and delivery of public programs and services for all Australians.

### Program delivery

In 2016–17, we focused on the effective management of programs and grants supporting artistic and cultural endeavours. We administered grant and program funding valued at \$165.4 million. Table 2.5 provides funding metrics associated with selected programs.

Table 2.5 Selected arts and cultural programs funding metrics, 2016–17

Program/grant	Number of funding applications	Number of funding commitments	Funding (\$ million)
Festivals Australia	112	35	1.2
Anzac Centenary Arts and Culture Fund	11	7	0.3
Catalyst—Australian Arts and Culture Fund <sup>^</sup>	957	203	37.5
Indigenous Languages and Arts	179	88	20.4

<sup>^</sup> The Government has decided to transfer the majority of funds previously allocated to Catalyst to the Australia Council. A total of \$80.2 million over four years was transferred from 2017–18. All existing Catalyst funding agreements will be honoured and those with payments scheduled in 2017–18 and beyond have been transferred to the Australia Council.



Through effective program management, significant outcomes have been achieved in the areas of Indigenous languages, arts and repatriation in 2016–17:

- A total of 88 activities were funded under the Indigenous Languages and Arts Program, with 38 projects focusing on preserving and promoting Indigenous culture and 50 on language revival or maintenance. The program continued to support 21 Indigenous language centres across regional Australia, covering around 150 languages.
- Through the Indigenous Visual Arts Industry Support Program, we administered funding for the operations of around 80 Indigenous-owned art centres, and a number of art fairs, regional hubs and industry service organisations.
- Operational and Indigenous arts worker multi-year funding was provided to 97 organisations, mostly in remote communities. These organisations support over 8,000 Aboriginal and Torres Strait Islander visual artists and around 350 arts workers. The Indigenous Visual Arts Industry Support Program's annual budget of \$20.3 million was fully expended.



**The Indigenous Languages and Arts Program continued to support 21 Indigenous language centres across regional Australia.**

## Indigenous repatriation

The 2016–17 year was significant for Indigenous repatriation. The Government acknowledges Aboriginal and Torres Strait Islander peoples as the rightful custodians of ancestral remains. Returning ancestral remains back to Country helps to promote healing, justice and reconciliation for Aboriginal and Torres Strait Islander peoples.<sup>23</sup>

The Indigenous Repatriation Program facilitates the unconditional return of Aboriginal and Torres Strait Islander ancestral remains from overseas collections and the safe return of Indigenous ancestral remains and secret sacred objects held in major Australian museums to their communities of origin.

Where Indigenous communities are known, they are closely involved in the repatriation process. When ancestral remains cannot be identified to community, it is the view of Australian Indigenous peoples that the ancestral remains should be returned to Australia to be cared for and brought closer to home.

In 2016–17 we supported two repatriation handover ceremonies—in Berlin and London—from seven institutions.

23 Department of Communications and the Arts, 23 March 2017, [Indigenous Repatriation Program—international factsheet](#).

## INDIGENOUS REPATRIATION

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For more than 150 years, Aboriginal and Torres Strait Islander ancestral remains and secret sacred objects were removed from their communities for various reasons and placed in museums, universities and private collections in Australia and overseas.

Following negotiations with three German collecting institutions and relevant Indigenous communities, a repatriation handover ceremony of Australian Indigenous ancestral remains was held on 23 March 2017 in Berlin.<sup>24</sup> Direct descendants and community members attended the event at which they performed traditional ceremonies and spoke of the significance of repatriation to their families and communities.

Ngadjon-Jii Elder, Aunty Vera Ketchell, commented during the ceremony, 'This is only the start of the journey. The important ceremony for the Ngadjon-Jii community and family begins when we return granddad Barry to the rainforest and guide his spirit back to Country.'

### International cultural diplomacy

We create opportunities for Australian arts and culture abroad by engaging new markets and audiences through the International Cultural Diplomacy Arts Fund (ICDAF). This fund supports activities that promote the Government's international arts and cultural engagement and cultural diplomacy priorities, and assists the Government to meet Australia's international arts and culture commitments. Through strategic and targeted investment, we have achieved strong cultural diplomacy outcomes.

In 2016–17, funding was provided for 13 activities through ICDAF. One of these activities supported Erub Arts Centre to take an exhibition of ghost net sculptures to the Asian Civilisations Museum in Singapore, providing opportunities for Aboriginal and Torres Strait Islander artists from the remote Erub Island community in the Torres Strait to contribute to the strong arts and cultural relationships between Australia and Singapore. In addition to these cultural diplomacy benefits, Erub's exhibition and associated education program with Singaporean and Australian schoolchildren have had broader cross-portfolio benefits by showcasing Aboriginal and Torres Strait Islander arts and culture on the world stage, and highlighting the importance of protecting oceans from discarded fishing nets.

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<sup>24</sup> Senator the Hon Mitch Fifield, 25 March 2017, [First Australians' ancestral remains return to country](#).



## Strengthening our capability

Our work to improve the skills and leadership of staff ensures that the Department has the capability to deliver outcomes that support our purpose.

Table 2.6 Performance criteria outcomes

Criteria	Target	Source	Outcome
We demonstrate high level, strategic leadership and corporate citizenship across Government, the portfolio and within the Department. We will create opportunities for our people to demonstrate outstanding public sector leadership skills at all levels. We work to embed a culture of collaboration, innovation, high performance and respect.	Design and deliver capability development programs that increase individual and organisational leadership, management, and public policy and program management skills	Corporate Plan 2016–17, p. 13	<b>Met.</b> See analysis on p. 51
	The Executive Leadership Team is focused on developing the leadership capabilities of our staff and the culture of the Department	Corporate Plan 2016–17, p. 13	<b>Met.</b> See analysis on p. 52
We continue to be an early adopter and user of effective and innovative technologies. We will continue to recruit, develop and retain skilled and motivated staff. We ensure our corporate functions provide systems and processes which support the delivery of our strategic priorities and will strengthen our business planning, prioritisation, resourcing and performance management processes. Our organisation supports continuous learning.	The Department leads the way across the Australian Public Service (APS) in effective and innovative use of leading-edge information and communications technologies, and flexible work practices	Corporate Plan 2016–17, p. 13	<b>Met.</b> See analysis on p. 53 and p. 54



Criteria	Target	Source	Outcome
We will continue to improve our capability in designing rules-based regulation and other market interventions to deliver effective policy outcomes. Focusing on this capability enhances the quality of our advice to the Government on 'best fit' regulatory solutions to policy issues.	The Department provides regulatory solutions which are best fit and the Department provides high quality advice	Corporate Plan 2016–17, p. 13	<b>Met.</b> Over the year: <ul style="list-style-type: none"><li>Our Office of the General Counsel arranged training for policy and legal officers on best practice regulation and contributed to whole-of-government information sharing through the Senior Executive Service Working Group of Regulation Reform hosted by the Department of the Prime Minister and Cabinet.</li><li>We provided regulatory solutions relating to media reform, telecommunications reforms, spectrum management and interactive gambling.</li></ul>

Over the year we continued to invest in a wide range of development programs and initiatives that build individual and collective capability, including leadership and management, public policy, quality conversations and performance training, program and project management, addressing unconscious bias, stakeholder engagement, writing for Parliament, about the Budget and about Parliament.

We measure the effectiveness of these programs through staff participation, feedback and data from the 2017 Australian Public Service (APS) employee census.

APS census results indicate that staff believe the courses offered by the Department support effective learning. They also show we are 15 per cent above the APS average and 7 per cent above the average for policy agencies in terms of staff agreeing or strongly agreeing there is access to effective learning and development.

## PERFORMANCE CONVERSATIONS

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Over the year, we implemented our Performance Conversations Framework which underpins our high performance culture. We continued to build the capability of our staff and managers to engage in forward-looking growth conversations, and intervene early to support staff who were not meeting their performance expectations. The 2017 APS employee census results show that in comparison to the APS as a whole, our departmental staff:

- engage more frequently in formal (+9 per cent) and informal (+12 per cent) performance feedback
- agree that the feedback improves performance (formal +6 per cent and informal +8 per cent)
- agree that expectations are clear (+7 per cent) and performance management has been useful for their development (+7 per cent)
- agree that performance discussions help their understanding of what is required (+9 per cent) and that their agreement reflects what they are expected to deliver on a day-to-day basis (+11 per cent).

Our framework was recognised externally by the Institute of Public Administration Australia, the Australian Public Service Commission, The Mandarin, the Deputy Secretaries Reform Group, the Australian Government Leadership Network and the Australian National Audit Office (ANAO). The ANAO highlighted our effective engagement with, and resolution of, cases of underperformance as a leading example of good practice in its report *Managing Underperformance in the Australian Public Service* tabled in May 2017.

### Organisational culture

In 2016–17, we held a number of activities to contribute to organisational culture, including: the Secretary’s Leadership Seminar Series, an ‘Ideas Incubator’, debates and hypotheticals, Reward and Recognition Program (#thankyou) events, and the development and launch of the Diversity and Inclusion Strategy.

These activities created opportunities for our people to demonstrate public sector leadership skills and enhance our collaborative and innovative organisational culture. Effective leadership and organisational culture underpins and supports all departmental strategic objectives.

APS census results show that in comparison to the APS as a whole, our departmental staff are more engaged with their job, team, supervisor and agency.

Our staff rate the quality, visibility, communications, alignment of work effort and change leadership of their immediate Senior Executive Service (SES) manager well above the APS benchmark (from +11 to +18 per cent). Staff also rate the senior leadership of all SES above the APS benchmark (+3 to +7 per cent).

Our staff are also more positive than their APS peers in relation to workplace culture: respect for colleagues (+6 per cent), consultation about change (+12 per cent), work–life balance (+11 per cent) and demonstration of the APS Values (+7 to +13 per cent).



## **Flexible working arrangements and the use of leading-edge technologies**

During the year, we reviewed our Flexible Work Policy to better leverage opportunities for increased flexibility. Some 17 per cent of staff have formal flexible working arrangements in place, a similar percentage to the 2015–16 rate. This is expected to increase with the implementation of the revised Flexible Work Policy and as better data are captured about informal flexible working arrangements.

In 2016–17, we delivered a number of new internal information and communications technology (ICT) services. These services improved the agility of the organisation, provided enhanced user access, simplified user services, and increased financial or sustainability efficiencies in support of departmental and whole-of-government outcomes. Our technology solutions will be a key enabler of flexible work practices that support organisational requirements as we transition to the Nishi building in 2017–18.

We measure the effectiveness of our ICT systems and flexible working arrangements through staff participation, feedback and data from the 2017 APS census. The APS census indicates an increase of 5 per cent in staff who are satisfied or very satisfied with access to flexible working arrangements compared to the previous year.

## LEADING-EDGE ICT IMPLEMENTATION

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We lead the APS as an early adopter of ICT services. Our use of technology enables agility in meeting the expectations of the Government, provides flexible working arrangements for staff, and supports diversity in the workplace. In 2016–17, we undertook work to refresh the Department’s ICT in preparation for our move to the Nishi building in 2017–18. Work undertaken this year has been delivered within the scope, timeframes and budget agreed at the commencement of the project.

The new capability will further enhance staff access to communication and collaboration services across geographical locations, from work or at home, with access to content sharing, and voice and video conferencing. Staff nationally will have access to the following new services:

- **unified communications**—to improve mobility and collaboration by enabling staff to communicate through voice and video calling and share their desktop and content
- **video conferencing**—allowing staff to access video conferencing between offices and with major stakeholders that is easy to book and use, reducing reliance on corporate support staff and the need for travel to interstate meetings
- **wireless communications**—with high bandwidth, to support a flexible workforce. An enterprise-grade secure wireless solution is being installed at all locations to ensure staff have technology that facilitates mobility and flexibility of work styles.

This capability investment is a multi-year project with the focus in 2016–17 being on staff engagement, and the planning, design and build of the new technology.

The new technology comes with an analytics capability that will assist in measuring the effectiveness of the new environment. It will influence future enhancements of the new services across the organisation, maximising perceived benefits in supporting outcomes. Reporting in 2017–18 will include a benefit realisation assessment to indicate the extent to which the new capability is improving outcomes for the Department.