

**ABC Submission on the
Australian Government Options
Paper “Supporting Australian
Stories on our Screens”**

June 2020



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Executive Summary

- Australian storytelling, including for children, provides important social and cultural outcomes. As policymakers consider a new framework, the focus must be on how to ensure the availability of a variety of high-quality, readily discoverable Australian content, and the ensuing benefits this delivers to society more broadly. A strong domestic screen production sector is essential in achieving that outcome.
- As audiences move away from highly regulated broadcast platforms to less-regulated online platforms, the value and effectiveness of government policy tools, in particular content quotas, is reducing.

The ABC does not consider Model 1 to be an acceptable approach, as it fails to recognise that the current regulatory framework is unsustainable. The policy framework must be updated to reflect changes in audience behaviour and the rise of subscription video-on-demand (SVOD), and to transition to a more platform-agnostic approach for commercial operators.

Model 4, which proposes deregulation, is likely to have adverse impacts on both audiences and the production industry. The ABC believes that, without some form of policy intervention, whether through subsidies, incentives or regulation, overall investment in the production of genres such as drama, children’s and documentary programs will significantly diminish, leading to decreased program hours and increased production costs.

- As the national public broadcaster, the ABC is one of a number of policy mechanisms that governments have used to promote and sustain Australian content; others include tax offsets, quotas and screen agency funding. Australia’s screen industry, culture and audiences have benefited from these measures, which have helped develop a vibrant creative ecosystem.
- Any reform needs to ensure continued support for the Australian creative sector. Given the significant impact COVID-19 has had on the sector, any change must be considered in the context of the current environment. The ABC supports a phased approach to the introduction of a new framework to best support industry recovery. In practice, this is likely to require the reintroduction of sub-quotas prior to a transition to a new regulatory regime.
- Australia’s screen industry is internationally recognised for its artistry, creativity and technical expertise. It must continue to be supported and fostered, not only because of its social and cultural benefits but also because it provides employment to more than 25,000 people.¹
- The ABC significantly relies on the Australian creative sector to fulfil its Charter responsibilities to broadcast “programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural diversity of, the Australian community”.
- The ABC plays a vital role in supporting the Australian production industry. It offers a long-standing, effective means that can be used to achieve policy outcomes. A well-funded public broadcaster delivers a range of high-quality content available to audiences for free.
- The ABC is a major investor in Australian content:
 - Over the last five years, this has included over \$200 million in Australian drama, comedy and Indigenous content, producing more than 70 hours of content per annum; more than \$70 million in factual and documentaries, producing an average of 140 hours per annum; and nearly \$90 million on children’s content, producing an average of 310 hours of content per annum.

¹ Screen Australia, *Screen Currency: Valuing Our Screen Industry*, November 2016

<https://www.screenaustralia.gov.au/fact-finders/reports-and-key-issues/reports-and-discussion-papers/screen-currency>

- As a key supporter and partner with Australia’s talented independent sector, \$105 million was invested with the sector in 2018/19, underpinning production budgets of \$240 million.
- In recent times, the ABC has financed more Australian drama, comedy, online and children’s content than any other network. In 2018/19, it contributed \$52 million across 28 titles – more titles than Seven, Nine, Ten and SBS combined. The ABC also financed seven of the 15 Australian children’s TV drama titles that entered production in 2018/19.²
- The ABC opposes the imposition of quotas or expenditure obligations on its operations, as this would undermine the Corporation’s independence. Consistent with its long-standing support for Australian content, the ABC will make a commitment to scripted drama (including comedy and Indigenous) and children’s budgets totalling \$106 million for the remaining two years of the current funding triennium. This investment commitment is a concrete demonstration of the ABC’s ambition to be the home of Australian stories, as stated in its recently released Five-Year Plan.
- The ABC has been subject to significant budget reductions since 2014. Continued investment in drama and children’s content at these levels beyond 2021/22 is likely to be unsustainable unless indexation of the ABC’s operational funding is restored and the enhanced news gathering program is extended.
- The ABC already provides transparency about its Australian content levels to its partners and stakeholders through a range of mechanisms, including its annual report and the Senate Estimates process. In this submission, the ABC provides a commitment to additional voluntary disclosures.
- The ABC believes there is an argument for greater levels of support for Australian documentaries that promote the arts, music, science, history, natural history, and religion. These genres in particular are vitally important from a public policy perspective and are in general harder to finance.
- The existing sub-quota framework designed to protect and promote local and children’s screen content requires updating. It is no longer effective in achieving policy aims and an alternative system is needed that incorporates SVOD services along with commercial FTA and subscription broadcasters. However, the proposal for a minimum expenditure model described in the Options Paper needs further development, and the ABC cannot support the proposed Australian Children’s Content Fund in its current form.
- The ABC continues to support an increase in the Producer Offset to 40 per cent for television projects, in addition to feature films.
- The prominence of Australian content is an important issue in any on-demand environment. This area deserves considerable further study, and the ABC believes that the Government should conduct an in-depth review to determine the best way to ensure that Australian audiences can readily discover Australian content.
- The ABC supports simplifying the Screen Australia guidelines to streamline the financing process for producers, and enable production to be greenlit, funded and delivered more quickly.

² Screen Australia Drama Report, 2018-19.

Introduction

The Australian Broadcasting Corporation (ABC) submits this paper in response to the Australian Government's Options Paper "Supporting Australian Stories on our Screens". The ABC welcomes the opportunity to provide its view on the appropriate support framework for the screen industry. This submission considers the models proposed in the Paper and sets out the ABC's key concerns and principles for new policies.

Australian storytelling is crucial to the nation and to our national identity. It provides important social and cultural outcomes and is worth preserving, promoting and supporting. As the Options Paper succinctly states, "Australian stories help define us as a nation and make us recognisable on the international stage" (p.6). As policymakers in Australia consider a new framework, the focus must be on how to ensure the availability of a variety of high-quality, readily discoverable Australian content, and the ensuing benefits this delivers to audiences and society more broadly. A strong domestic screen production sector is essential in achieving that outcome.

The Policy Challenge

The regulatory regime set out in the *Broadcasting Services (Australian Content) Standard 2016* continues decades of Australian content regulation. Policymakers have long recognised that regulation and incentives are necessary to ensure Australians have access to a variety of recognisably Australian screen content, and that making quality Australian content is often not viable for commercial broadcasters – it attracts relatively small audiences, is expensive to produce and alternative cheap international content is easy to access.

In recent years, there have been significant changes in audience consumption. The internet has all but eliminated geographic barriers that once restricted competition from overseas-based media. New distribution platforms have been created and new aggregators, distributors and content creators like Netflix, YouTube, Facebook, Amazon, Disney+ and Stan have entered the market. These content platforms and services allow audiences access to a wealth of content at times of their choosing.

However, this is mostly not Australian content. Australian stories and voices are increasingly at risk of being drowned out by the huge volumes of international content that are saturating the market. These online-only businesses have no Australian content obligations, despite their rapidly growing revenues and subscriber numbers, and, as a result, audiences are less often presented with the option of viewing quality Australian content.³ In the absence of government intervention, these businesses are not expected to be significant stand-alone contributors to Australian content in the foreseeable future.⁴

The changing market dynamic is increasing competitive pressure on Australian commercial free-to-air (FTA) broadcasters. The Options Paper shows that the top shows on FTA television are highly skewed towards reality and sports.⁵ The dearth of drama programming in the list over the last seven years points to a trend that will continue as audiences increasingly choose different ways to consume content. Audiences are still significant for quality Australian drama, but these audiences are increasingly online: drama content

³ The content library of Netflix contains thousands of titles, but only 1.6% of them are Australian. Of these, almost 60% of Netflix's Australian catalogue is licensed from the ABC. The level of Australian content on Stan is higher, at 11.1%, but its overall catalogue is smaller. See Ramon Lobato and Alexa Scarlata. "Australian content in SVOD catalogues: availability and discoverability: 2018 edition", 14 October 2018, <http://apo.org.au/sites/default/files/resource-files/2018/10/apo-nid196611-1121701.pdf>.

⁴ <https://www.smh.com.au/entertainment/tv-and-radio/australia-s-first-netflix-original-is-finally-here-but-don-t-let-that-fool-you-20181214-p50mfh.html>

⁵ "Supporting Australian stories on our screens – options paper", page 18, Figure 3: Top 20 shows on FTA television by genre between 1996 and 2019.

is the top-rating genre on broadcaster video-on-demand (BVOD) services and makes up 28 per cent of all BVOD viewing.⁶ The ABC's *Total Control* has achieved in excess of 1 million viewers since its premiere. Of that audience, nearly 40 per cent has come from non-overnight viewing, including encore, time-shift and ABC iview. *Utopia* achieved a similar result, with just over 40 per cent of viewing coming from non-broadcast audiences.⁷

The fragmentation of viewing and globalisation of content is increasing competitive pressure on Australian producers and distributors. Global players with large budgets attract top talent, compete intensely for content and invest significant amounts in marketing and analytics to provide a superior user experience.

Such competition has, in part, driven up the costs of providing content for Australian broadcasters. For example, the cost of producing Australian TV drama has increased by an average of 3.8 per cent per annum over the past five years. Put another way, the average cost per hour of making TV drama is 18.8 per cent higher in nominal terms 2018/19 than in 2013/14.⁸

While the high cost of drama reduces the commercial return on investment for FTA broadcasters, genres such as documentary, factual and children's content provide even less commercial return; these are important sources of social and cultural information, yet attract even less investment and are less likely to be made.

As audiences move away from highly regulated broadcast platforms to less regulated online platforms, the value and effectiveness of government intervention is reducing. In this light, the ABC does not consider Model 1 in the Options Paper, which maintains the status quo, to be an acceptable outcome. The policy framework requires modernisation to reflect these changes in audience behaviour, and to transition to a more platform-agnostic approach for commercial operators. In the absence of change, the market structure and current market conditions will continue to disadvantage Australian producers, which will in turn disadvantage Australian audiences through a lack of diversity in quality Australian programming.

Investment in, and creation of, quality content is only possible when the local sector is large enough to sustain diversity in production, which means that public and commercial broadcasters and SVOD services all need to have a role in facilitating Australian production. The local sector needs the capacity to embrace a wide range of genre outputs and a critical volume of programming that results in efficiencies, economies of scale and a plurality of contributors.

The ABC collaborates with the Australian production industry to deliver its Charter obligations, and it does so with a strong sense of public purpose. As such, the ABC supports a policy that is focused on achieving a sustainable screen production environment that delivers both breadth and depth of Australian content for a diversity of platforms.

Consultation question 18 asks what Australian content would be provided in the absence of content regulations or incentives. Model 4, which proposes deregulation, fails to provide the support the industry needs and is not supported by the ABC. The ABC believes that, without some form of policy intervention, whether through subsidies, incentives or regulation, commercial investment in the production of genres such as drama, children's and documentary programs will significantly diminish, leading to increased production costs and decreased program hours. This would have an adverse audience outcome and an adverse impact on the industry—shrinking the sector, leading to a smaller pool of Australian cultural talent and creating greater reliance on those production companies backed by international distributors.

⁶ [ThinkTV Fact Pack July to December 2019](#), slide 19. Source: OzTAM VPM VOD Viewing, 1 July 2019 00h00 to 31 Dec 2019 23h59.

⁷ OzTAM VPM Average (2019 full-year). OzTam (5 City Metro) Regional TaM (Combined Agg Markets exc WA) Overnight+Timeshift Average Audience.

⁸ Screen Australia Drama Report, 2017/18 and 2018/19, Australian TV drama, average cost per hour.

The ABC and Australian Content

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

The ABC Charter requires the ABC to invest in specialised programming, such as arts, science, and religion and ethics content. While such content has clear public benefits, it may struggle to be made in a commercial setting. The Charter also requires that the Corporation cater to mass audiences and that it provides diversity of programming and programming of broad appeal. Ultimately, it is the responsibility of the ABC Board and management to determine the best use of available resources. It must make decisions based on competing imperatives and the challenges of a transitional landscape.

Australian content is critical to national identity. It is through our unique stories that we can explore, understand, challenge and shape who we are as a nation. The ABC plays a crucial role in Australian storytelling by producing and commissioning Australian content and making it available to audiences through broadcast and online platforms, advertising-free to audiences. As Australia’s largest creative organisation, the ABC is a leading provider of first-run Australian drama, and the primary commissioner of quality Australian children’s programming.

ABC Television has a long and distinguished history in screen storytelling and has been responsible for an array of highly regarded content; from the trailblazing drama *Stormy Petrel* in 1960 to the powerful contemporary series *Redfern Now*, which was Australia’s first prime-time drama where almost all creative roles – writers, directors, cast and crew – were held by Indigenous Australians. More recently, *Mystery Road*, *Total Control* and *Rosehaven* have all showcased the diverse depth of talent in Australia and captured the imagination of audiences with their compelling stories. For kids, *Bluey* has been a stand-out, as have *Hardball* and *Itch*. These cultural touchstones are only a few among a host of iconic ABC programs that have entertained, enriched Australians’ lives and inform who we are as a society.

The ABC concurs with the Options Paper’s statement that “Indigenous Australian screen stories have unique and pivotal cultural value” (p.16). The ABC has a strong commitment to Indigenous content and storytelling, which is reflected not only in its programming, but in the *ABC Elevate Reconciliation Action Plan 2019–22*. The Corporation has a dedicated Indigenous unit that works with the Indigenous creative sector, and it has, over the last 10 years, increased on-screen levels of Indigenous content and greatly enhanced representation across all genres, including drama, children’s and comedy. The ABC believes that continued government and industry support is crucial to the continued growth and success of Indigenous content.

The ABC is a key contributor to the Australian screen industry. Over the last five years alone, the ABC has spent \$489 million on commissioning content with the Australian production sector across all genres, with a total production budget of \$991 million. Over this period, the ABC has invested an average of \$42.8 million per annum in drama, \$14.9 million in documentaries and \$17.3 million in children’s content – all of this at a time when the ABC’s overall budget has been declining. The ABC is the largest single commissioner of children’s content in Australia, financing seven of the 15 children’s drama titles produced in 2018/19.⁹ In 2017/18, the ABC produced 23 drama titles with a total budget value higher than all of the commercial FTA networks combined. In 2018/19, the budgets and hours of its first-release programs grew again, and the ABC provided the most finance of any single network.¹⁰

⁹ Screen Australia Drama Report, 2018/19.

¹⁰ Screen Australia Drama Report, 2018/19.

As audiences have moved to digital platforms, the ABC has been there too, continuing to inform, educate and entertain. Children in particular have quickly taken up the digital opportunity. Since its launch in 2018, the first season of *Bluey* has amassed a total of 272 million program plays on ABC iview. In 2020, season two has already achieved 50 million program plays.¹¹ Parents of young children recognise and appreciate quality content for their families; across all waves of the ABC's regular Quality and Distinctiveness study, *Bluey* has been the ABC's highest performing program, achieving a Quality score of 99 per cent, a Distinctiveness score of 100 per cent and an Appreciation score of 9.9/10.¹²

It is clear that the ABC represents a simple and effective policy mechanism for enabling the production and availability of Australian content. A well-funded public broadcaster delivers a range of high-quality content available for free to audiences and, with additional funding, it could deliver further such public benefits.

Regardless of the platform that audiences gravitate to, the Corporation will continue to play a vital role in producing, commissioning and sharing Australian content for decades to come. It does so because Australian storytelling is in its DNA and is recognised as a key part of its Charter remit.

Principle for new policies

Given the changed industry dynamics, the ABC considers that an appropriate balance of incentives and interventions will continue to be required to provide the best policy response to promote the production and consumption of Australian content.

The regulatory framework must ensure that Australia retains a viable local production sector capable of producing the range of content and quality storytelling the nation requires. It should encourage and leverage investment in the screen sector and reward the production of quality, distinctive Australian content. Given the significant impact COVID-19 has had on the sector, any change must be considered in the context of the current environment. The ABC supports a phased approach to introducing any new framework to best support industry recovery. In practice, this is likely to require the reintroduction of sub-quotas prior to a transition to any new regulatory regime.

The framework must also recognise the importance of local content developed for Australian children to help them understand the world around them and Australian values and culture. This content must be available for free, easily discoverable, and adequately funded to provide depth and breadth of storytelling.

The regulatory and support framework must also recognise the important role played by public broadcasting in helping to deliver these social and cultural benefits.

Comments on specific matters raised in the Options Paper

1.1. ABC transparency and reporting

Consultation question 7 asks what additional data should be provided by the public broadcasters to ensure a better understanding of the levels of Australian content broadcast on FTA television.

The ABC is committed to transparency and consults regularly with its partners and stakeholders. Through its Annual Report, it documents first-release Australian and total Australian broadcast and ABC iview hours for all genres and channels.¹³ Other accountability mechanisms include the ABC's Annual Content Plan and the annual Screen Australia Drama Report. In addition, the ABC has provided information on its

¹¹ OzTam (Begin Event Play Data).

¹² ABC Quality & Distinctiveness Study, waves 1–11.

¹³ ABC Annual Report 2019, Appendix 10 – Television Content Analysis.

expenditure on drama, children's and documentary content in response to requests at Senate Estimates Hearings.¹⁴

The ABC can commit to including information regularly provided to Senate Estimates on Australian production investment and output in its Annual Report to enhance transparency.

It is worth noting that the ABC caters to children and adult audiences across a wide range of platforms and in various innovative ways. Reporting requirements that are limited to broadcast content alone are narrow and outdated, potentially impact distribution strategy, and do not focus on the optimum audience outcome. Reporting must evolve to acknowledge the different ways that audiences now consume content and transition to a platform-agnostic approach.

To promote greater transparency, and consistent with its long-standing support for Australian content, the ABC will allocate a total budget of \$70 million to scripted drama (including comedy and Indigenous) and \$36 million to children's content to be spent across the remaining two years of the current funding triennium. This investment commitment is a concrete demonstration of the ABC's ambition to be the home of Australian stories, as stated in the recently released Five-Year Plan. It is a key way in which the ABC will reflect contemporary Australia, build a lifelong relationship with Australians and provide entertaining and culturally significant on-demand content.

The ABC has been subject to significant budget reductions since 2014. Continued investment in drama and children's content can only be maintained at these levels beyond 2022 if indexation funding is restored and the enhanced news gathering program is extended.

1.2. Children's content

The provision of original Australian content is critical for young audiences who, in their formative years, are beginning to search for understanding about the community around them. Today's children, in particular, are increasingly informed, global citizens who have access to a broad variety of content designed for them from a range of different brand values, appetites and opinions.

Australian children deserve a rich, inspiring, diverse and competitive content landscape across all platforms. In recent years, the ABC has been the primary commissioner and creator of Australian children's content. The ABC relies on world-class Australian producers to create and finance children's content, and these companies need a thriving landscape to initiate their content. The ABC believes there are a number of ways that the current regulatory framework could be amended to achieve better outcomes. These are set out below.

1. Review of the quota system

It is clear that the incumbent sub-quota system that applies to children's content is not working in its current form. As the Options Paper highlights, the commercial FTA networks broadcast only the minimum levels that they are obliged to, and over time, audiences have shifted to online platforms and user-generated services; children are migrating away from television, increasingly sourcing content from YouTube, Netflix, Stan and Disney+. Quotas that reference broadcast hours are increasingly irrelevant.

The ABC supports a transition from an hours-based system to a minimum expenditure requirement. This would ensure that Australian producers can continue to create a diverse range of content for a variety of platforms and broadcasters.

Consultation question 4 asks whether contribution to an Australian Children's Content Fund by commercial FTA broadcasters, in lieu of broadcasting children's content, would be feasible. The ABC does

¹⁴ https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/ec/2019-20_Supplementary_Budget_estimates

not support the introduction of an Australian Children's Content Fund, as described, for a number of reasons:

- Screen Australia and the Australian Children's Television Foundation (ACTF) are already funded to provide support for children's content production. The creation of the Australian Children's Content Fund would create an additional layer of complexity to an already complex funding process. Instead, the ABC supports the consolidation of Government funding of children's content under a single entity – either the ACTF or Screen Australia – to simplify and accelerate the financing of projects.
- However the proposed fund might be managed, if there were an expectation that it be leveraged to support more content, there would be a concern that those organisations that have committed to producing children's content, and thus might be seeking to access the fund, may not have adequate resources to support this leverage. In such a scenario, the fund guidelines would need to be reviewed to enable increased levels of funding to projects.
- If the Content Fund were to consider commissioning its own content with the contributions received, there would remain the question of who would provide a platform to share the content it created. The ABC's children's content is high-quality and widely regarded, a position earned through the tight editorial control of commissioned content. The ABC could not agree to distribute content that did not fall within its strict editorial guidelines, and therefore could not guarantee to be a distributor of content created by a fund.
- It is unclear which platforms or producers would be the beneficiaries of the Content Fund. The ABC believes that, if content that is on a subscription service receives the majority of its funding from public sources, free access for all Australian children should be provided in the form of a second window on a free-to-air broadcaster, following a reasonable holdback period.

2. Increased Direct Funding of the ABC

Consultation question 16 asks what an appropriate level of funding for national broadcasters to allocate to children's content would be. The ABC's level of investment in children's content ultimately depends on the availability of funding and the prioritisation of expenditure across all of the ABC's operations. In 2018/19, the ABC invested \$18.3 million in children's content and generated 370 hours of programming.

The ABC is an extremely effective policy instrument for achieving positive outcomes for children. It has been successfully commissioning children's content for decades, much of it critically acclaimed, and operates a range of distribution platforms where Australian children can easily and freely access content. The ABC's broadcast channels reach 1.1 million children every week,¹⁵ and its apps and websites achieve an average of 85 million program plays each month.¹⁶ The ABC could further grow its content output and provide children with the benefits of quality content with additional funding. The ABC proposes that Government consider allocating a portion of any fund to the ABC to increase investment in the creation and distribution of content for all Australian children.

3. Apply a platform-agnostic approach

Family and children's content are one of the key drivers for subscription video-on-demand (SVOD) take-up globally. Children's content is essential to their subscription growth, alongside drama and comedy content. As children increasingly consume content on these platforms, any new regulatory framework must ensure

¹⁵ OzTAM (5 City Metro), Consolidated 28 Data, Average Weekly Reach W1–18 2020, ABC Kids Channel 0500–1900, Children 0–12.

¹⁶ OzTAM (Begin Event Play Data).

that Australian content is available to these audiences. A platform-agnostic framework that extends the obligation to create children’s content across all commercial digital and broadcast players operating in Australia will stimulate more production activity and increase content diversity for children.

4. Increase the Producer Offset

Digital disruption is affecting the profitability of the production industry and this is especially true for children’s production. **Consultation question 10** asks at what level should the Producer Offset be set for children’s programs. An increase in the offset to 40 per cent would better enable producers to cover the financing gap. It is critical that Screen Australia funding be maintained at the same time, to ensure the viability of children’s content is not compromised.

5. Update the C and P classification guidelines

The ABC is not subject to the ACMA classification guidelines for P (Preschool) and C (Children’s) content. However, it provides a potential secondary market for such programming and believes the guidelines are outdated and creatively prohibitive. For example, C content has greater restrictions than an ABC’s “G” Classification rating. Creatively, P and C content made for these quotas is not very attractive to the ABC or to international buyers, as it skews very young. Many in the children’s content industry have been arguing for a number of years to broaden the scope of the ratings. The ABC would support a reclassification of the ACMA children’s guidelines to better reflect the appetites of children’s audiences, and to reflect a platform-agnostic approach.

The ABC supports the protection of children, and the ongoing maintenance of measures that govern advertising to children.

1.3. Additional support for documentary genres

Consultation question 17 asks why some Australian content would require additional support, and whether this should be provided via direct or indirect funding. The ABC believes there is an argument for greater levels of support for documentaries, given their power and importance in cultural life, and capacity for knowledge-building. In particular, documentaries that promote the arts, music, science, history, natural history, and religion are vitally important from a public policy perspective. Content of this nature is inherently hard to finance, as its appeal is often limited to the Australian market, and productions are disadvantaged under the current support mechanisms. In June 2020, the ABC announced a \$5 million reduction in its planned spending for Factual and Entertainment programming, which includes documentaries, from 2020 in response to the indexation pause. Screen Producers Australia has said that it anticipates “the cuts will result in overall decreases to production of between \$10 and \$15 million per year and result in hundreds of job losses in the production industry”.¹⁷

Given the challenging funding environment, these content types would benefit immensely from an increase in the Producer Offset and greater levels of direct support, as well as through direct ABC funding.

In addition, there is an argument for greater rebate support for low-budget documentaries. The funding program available via Screen Australia for low-budget documentaries costing under \$500,000 (the Producer Equity Program) supports only a limited number of hours and access to the program is competitive. As a result, producers are incentivised to reframe low-budget documentary concepts into more expensive projects to meet thresholds for TV or theatrical features to gain access to the relevant offsets. The current framework is creating disincentives for efficient, low-budget, production.

¹⁷ <https://www.screenproducers.org.au/news/spa-laments-shrinking-abc-content-budget>

1.4. Quotas and minimum expenditure commitments

Consultation question 3 asks if sub-quota arrangements should be retained, or if a proportion of the overall transmission requirement should be dedicated to Australian drama, documentary and children's programming.

The ABC is persuaded by the argument that hours-based sub-quotas are no longer serving their purposes. Audience preferences are shifting away from live broadcast viewing, particularly for drama content, and increasingly audiences are preferring to record programs for later viewing or to stream them on-demand. Hours-based sub-quotas do not directly reference quality and do not make sense in a non-broadcast environment where libraries of content are available for viewing.

The ABC supports development of a new regulatory framework that is more broadly based and platform-agnostic. It should apply to commercial FTA operators, subscription broadcasters and SVOD services alike.

While generally supportive of a minimum-expenditure model as an alternative to hour-based sub-quotas, the ABC recognises that there are a number of issues that need to be determined, namely:

- At what level will the minimum expenditure level be set? Will the minimum threshold be adequate to maintain sufficient levels of production activity, as compared to the quota system?
- An expenditure requirement could lead to fewer, but bigger-budget dramas and documentaries, which would favour a small number of big producers and accelerate industry consolidation. This effect can be seen in the response to the existing expenditure requirement imposed on subscription television licensees, which has led to the creation of a smaller number of higher-budget productions.
- With higher investment in fewer programs, the model may favour universal treatments intended to attract broad international audiences over reflecting Australian experiences and culture. How could the regulators ensure that the content reflected Australian experiences and audiences?
- Any expenditure requirements on commercial FTA broadcasters would need to be mindful of their financial circumstances. In the longer term, the Government may need to place weight on other mechanisms for supporting Australian content.

There is significant public benefit in drama, documentaries, and children's content being supported, and this includes applying the minimum-expenditure requirements to these categories. This content delivers a significant public benefit, which would otherwise be particularly at risk if left solely to market forces.

Notwithstanding any potential move to an expenditure-based model, the ABC supports the retention of the broadcasting standard, which requires all commercial FTA television licensees to meet an annual minimum transmission quota of 55 per cent Australian programming. This remains an important element in developing and reflecting a sense of Australian identity, character and cultural diversity.

The ABC acknowledges in making these arguments that it is not subject to either quotas or minimum expenditure requirements in the same way the commercial sector is. This is because of the ABC's independence and the unique settings that apply to the operation of the Corporation. Unlike its commercial counterparts, the ABC has Charter obligations, as per the ABC Act. Applying quotas or expenditure thresholds directly would impinge on the Corporation's independence by effectively ensuring that Parliament can determine what portion of the budget is spent on certain types of programming.

Ultimately, the ABC's level of investment in Australian content isn't driven by quotas or expenditure targets, but by the availability of funding and the prioritisation of expenditure across all of the ABC's operations.

1.5. Producer Offset

The ABC has long supported an increase in the Producer Offset to 40 per cent and has raised this issue in previous submissions. It supports the argument that the funding disparity in favour of film over television under the Australian Producer Offset scheme is becoming ever more difficult to justify given the increasing prominence of high-quality episodic drama.

The ABC often needs to contribute additional funds to projects to close funding gaps, and an increase in the Offset would reduce this need, while also increasing the equity positions of producers. An increased Offset would also raise the proportion of confirmed Australian finance in a production before going to market, making it more attractive to international financing.

The ABC also supports lowering the threshold to ensure that it is accessible to low-budget productions.

1.6. Discoverability

The ABC believes that the discoverability of Australian content is an important issue that will only grow in significance as Australians' use of broadcast television declines in favour of on-demand digital platforms. As local content is increasingly drowned out in the sea of international content available in an on-demand environment, Australian audiences are less likely to readily 'discover' Australian content.

Policy should thus be directed not just at ensuring Australian stories can be told, but also at ensuring those stories can be seen by audiences. **Consultation question 15**, which asks what promotion and discoverability requirements might be effective, is a welcome step towards the development of such policy.

This area deserves considerable further study within an Australian context. The ABC supports an in-depth review into prominence to determine the best way to ensure that Australian audiences can readily discover Australian content.

Traditionally, broadcasters relied upon TV guides and their broadcast services to reach audiences. As viewers increasingly embrace on-demand services, they are instead relying on online search and content libraries within apps to discover content. Large multinational corporations, such as Netflix, spend significant amounts on marketing and sophisticated search and recommendation algorithms to achieve high awareness and discoverability of key content. While Australian content may be commissioned by these services, if it fails to achieve high exposure within their content libraries, it may never reach significant audiences.

Potential regulatory responses should include requirements for on-demand services to ensure their user interfaces and underlying algorithms give an appropriate level of prominence to Australian content.

Likewise, in smart TV and mobile device environments, where access to content is via apps, viewers' propensity to use particular services and access their content is likely to be shaped by where apps appear on the 'Home' screen and, increasingly, dedicated buttons on remote controls that connect audiences directly to the apps for particular services. These functions can affect the prominence of Australian content even further.

Regulatory responses should seek to promote the discoverability of Australian content on app-based platforms through prominence requirements.

Policymakers globally are grappling with the issue of discoverability. In the UK, as part of a broader review on the sustainability of public service broadcasters (PSBs) released on 4 July 2019, Ofcom found that prominence of content will increasingly rely on bargaining powers with global players, which may prove a

challenging task for some PSBs. They recommended a new framework that will ensure that PSB content is easy for viewers to find in an online world.¹⁸

Canada is similarly reviewing the issue. As the Options Paper notes, the final report of an 18-month Broadcasting and Telecommunications Legislative Review, which was handed down in January 2020, recommended that ensuring discoverability become an object of Canada's communications legislation and that discoverability and prominence obligations be introduced for Canadian content.¹⁹

The ABC notes forecasts that, over the coming decade, an increasingly large proportion of Australians' consumption of audio-visual media will be through SVOD services. While current subscription prices represent a relatively low barrier to viewers and there is no reason to think that that will not continue, this would nonetheless represent a change from the circumstances that inform the current Australian content regime, which is primarily based on audiences being able to access content for free. At an extreme, it may become desirable to consider options like non-exclusive, branded must-carry requirements on SVOD services for Australian content that receives direct or indirect public funding.

1.7. Access

The ABC believes that all Australians should have the opportunity to view content for free where substantial public funding has been provided to support the making of that content. The availability of that content should not be restricted to audiences who pay for access to subscription television or streaming services.

Accordingly, where content has been provided with more than 50 per cent direct or indirect public funding, a free-to-air broadcasting service should have the opportunity to carry the program for a second window, following a reasonable holdback period. This would prevent publicly supported programming from otherwise being locked into long-term licence deals that make it inaccessible to Australians unwilling or unable to pay to access it.

1.8. Screen Australia guidelines

Screen Australia offers a critical source of support to the Australian screen industry. However, the ABC believes some amendments to the Screen Australian Guidelines would achieve a more simplified approach to screen financing and support.

Recommended amendments include:

- A review of the frequency of funding rounds for drama and children's funding applications each year. The currently limited number of rounds can increase financing timelines and complexity to production finance models, and potentially deter international finance. Continuous decision-making would better support production timelines.
- Increasing transparency of the funding available in the various Screen Australia funding programs. Greater transparency would improve the ability for producers and broadcasters to plan.

¹⁸ <https://www.ofcom.org.uk/consultations-and-statements/category-1/epg-code-prominence-regime>

¹⁹ Broadcasting and Telecommunications Legislative Review. *Canada's Communications Future: Time to Act*, Final Report, January 2020, [https://www.ic.gc.ca/eic/site/110.nsf/vwapj/BTLR_Eng-V3.pdf/\\$file/BTLR_Eng-V3.pdf](https://www.ic.gc.ca/eic/site/110.nsf/vwapj/BTLR_Eng-V3.pdf/$file/BTLR_Eng-V3.pdf), recommendations 59, 61 and 63.

1.9. Closing remarks

Australian storytelling is fundamental to Australia's national identity and shared cultural heritage. A strong domestic screen sector is vital in sharing those stories, and the ABC plays a pivotal role within this sector.

The ABC will invest \$106 million on drama and children's content over the next two years to ensure that it continues to provide benefit to audiences, producers and society more broadly.

The ABC will enhance its transparency, and will include additional information on content budgets, expenditure and produced hours in its annual report.

As the Government considers its approach to reforming media regulation, it must ensure that the policy settings and framework that support the screen sector are focused on audience outcomes. A strong domestic screen production sector is essential in ensuring that audiences have access to a variety of high-quality, readily discoverable Australian content.

The ABC looks forward to working with government, screen agencies and the broader sector in the development and implementation of any new policies and directions.

