



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT AND COMMUNICATIONS REFERENCES
COMMITTEE

**Recent programming decisions made by the Australian Broadcasting
Corporation**

MONDAY, 26 SEPTEMBER 2011

CANBERRA

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SENATE
ENVIRONMENT AND COMMUNICATIONS REFERENCES COMMITTEE

Monday, 26 September 2011

Senators in attendance: Senators Bilyk, Birmingham, Ludlam, McKenzie, Wright and Xenophon

Terms of reference for the inquiry:

To inquire into and report on:

The decision by the television management of the Australian Broadcasting Corporation (ABC) to significantly cut the number and amount of ABC-produced programs, jobs (including through forced redundancies) and potentially affect resources, as announced on 2 August 2011, with particular reference to:

(a) the implications of this decision on the ABC's ability to create, produce and own its television content, particularly in the capital cities of Brisbane, Adelaide, Perth and Hobart;

(b) the implications of this decision on Australian film and television production in general and potential impact on quality and diversity of programs;

(c) whether a reduction in ABC-produced programs is contrary to the aims of the National Regional Program Initiative;

(d) the implications of these cuts on content ownership and intellectual property;

(e) the impact of the ABC's decision to end internal production of Bananas in Pyjamas and to outsource the making of a 'Bananas in Pyjamas' animation series to Southern Star Endemol Proprietary Limited; and

(f) the future potential implications of these cuts on ABC television's capacity to broadcast state league football and rugby; and

(g) any other related matters.

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THOMSON, Mr Graeme, ABC Section Secretary, Community and Public Sector Union**Committee met at 9:30**

CHAIR (Senator McKenzie): I declare open this public hearing of the Senate Standing Committee on Environment and Communications in relation to its inquiry into recent ABC programming decisions. The committee's proceedings today will follow the program as circulated. These are public proceedings. The committee may also agree to a request to have evidence heard in camera and may determine that certain evidence should be heard in camera.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. If a witness objects to answering a question, the witness should state the ground upon which the objection is to be taken and the committee will determine whether it will insist on an answer, having regard to the ground which is claimed. If the committee determines to insist on an answer, the witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

Welcome, Mr Thomson. Thank you for appearing before us today. Would you like to make a brief statement before we go to questions?

Mr Thomson: I thank you for the opportunity to make a submission to this committee. The Community and Public Sector Union is a progressive trade union that represents the majority of ABC employees. There are a couple of groups we do not represent: the journalists and the senior executives. We represent most TV workers and radio broadcasters and workers. There are two major points I would like to bring before this committee—the two things that we think need to be done. The first is a full and open inquiry into the ABC and the second is an immediate financial and performance audit of all facets of ABC television. I would like to speak briefly to those two points.

First, concerning the need for a full inquiry, it is the view of our members that the ABC, or at least ABC TV, is lost. I think there is a general view that there is a clear direction and clear position that ABC radio has in our community and people are quite comfortable there. The view put to us by our members is that ABC TV in comparison is lost. It does not really know where it is headed. It is given a large amount of money—in toto the ABC is funded for virtually \$1 billion a year. But over the last five years in particular, and I would link it with the arrival of Mr Kim Dalton as the head of television, ABC television appears to have been confused about what it is doing, what services it is meant to be providing and how it is providing them.

I would like to throw up a few examples. The first is that, since the arrival of Mr Dalton, the ABC has declared itself to be a user of other people's rights rather than a creator of them. I think that is a significant change for the ABC in that, before, many audiences and many taxpayers looked towards the ABC as a body that would provide them with distinctive programs built within the ABC. Probably one of the major things that we think has been lost over the last five years is this sense of distinctiveness. Many of the programs that are now appearing on ABC screens are produced externally, since outsourcing has virtually eliminated most internal production. Much of the production is coming now from the same people, the same private sector producers that are filling the schedules of Channels 7, 9 and 10. Many of the programs we believe are indistinguishable from those being shown on 7, 9 and 10. I, like many people in the community and our members, begin to question why it is that the Australian taxpayer is forking out \$1 billion a year for programs that do not look all that much different to the stuff that is going out on the commercials. I do not place all the blame for this change back on ABC management. I think many of the problems come from the introduction of multichannelling and the fact that the ABC is now required to fill so many more digital pipes with much more content. There are huge cost pressures that force them to look at doing things in different ways. We would argue, though, that they are doing them in ways that are destroying the ABC, the very distinctiveness of what the ABC is about.

Thirty years ago there was a significant inquiry into the ABC—it was the Dix inquiry. It was good. It allowed people to come forward to say what they wanted out of the ABC. It allowed the ABC to redefine itself and find a position for itself in our society. We suggest that it is time to do that again now: to take the ABC back to its owners, the Australian public, and ask whether they actually want a *News 24*. Do they want their taxpayers' dollars to be spent on a \$10 million production, such as *Crownies*? Do they want the ABC to be producing material like *At Home With Julia*? There are not in fact a lot in the community who have bothered to watch them and those who did tune into *Crownies* left pretty quickly. There are valid questions to be asked about why it is that taxpayers' dollars are being spent on productions like *At Home With Julia*.

The other point is that the information we get from our members is that the process of selecting or commissioning programs in the ABC—and I am not going to say it is corrupt—lacks any transparency. Programs are brought in without any competitive tendering. Programs are commissioned where the ABC no longer, we believe, seek the best deal for the Australian public, the ABC or taxpayers. Significant amounts of money are being outsourced. There is a report in today's *Australian* about \$600,000 being spent on the promotion of *Crownies*, which was an outsourced effort and which we think has been a complete disaster. Our submission goes to many of these points in greater detail, but the second major point that I wanted to make is that we believe there needs to be an external audit of ABC television and the financial arrangements that it enters into. We would also propose, as part of improving the transparency of its financial dealings, for the ABC act to be amended to introduce a system based on the BBC model of WOCC—the world of creative content—which is a system that is very open, very transparent and allows for competitive, open tendering, subject to an annual audit by external auditors. Thank you for the opportunity to make some opening comments.

CHAIR: Thank you, Mr Thomson. We will go to questions.

Senator BILYK: What process is undertaken in regard to changes to programming being discussed with ABC employees? I understand that over the past few years in particular there have been many, many changes within the ABC—in programming, staffing and so on. What sort of process is in place?

Mr Thomson: Under our industrial agreements, we have a system for consultation over managing change. It is a difficult clause to operate, though, in that ABC management quite understandably says that the union and our members have no place in editorial decision-making, which we accept. They are the managers in charge and we should not have a right in determining the editorial content of programs. So what tends to happen is that the union and our members are advised at the time decisions are taken to axe programs. In the past there was a different system that operated, and that was because there was a commitment to retaining internal production at the ABC and before decisions were taken to axe programs, in most cases the staff would be told that the programs they were working on were tired, and often they were the first to recognise that anyway, and they would have been given an opportunity to rebuild programs and come up with other ideas, new pitches, and to start building new programs before the old ones got axed. That has ceased under the leadership of Kim Dalton, primarily because of Mr Dalton's stated objective of killing off internal production at the ABC, a commitment that he gave to the Screen Producers Association within months of his arrival at the ABC, where he stated his open intention of closing down internal production at the ABC. So things have changed over the last five years. It has been the same level of formal consultation under our agreement but no real consultation in the sense that our members have had an opportunity to rebuild or re-pitch ideas to actually build new ones.

Senator BILYK: I am from Tasmania and I know that *The Collectors* has been axed or is going to be axed and they are going to bring a new program but that program, as I understand it, will only have 10 episodes. My concern is what happens to the staff at the end of those 10 episodes, for example. That is of concern to me in particular.

Mr Thomson: We do not know is the honest answer, nor do they.

Senator BILYK: Do you think management does?

Mr Thomson: I think they do. I think they have got a very clear idea about wanting to get rid of internal staff. I think there is an issue of them dipping their toe in the water to find out what the reaction of this committee is, for a start, before deciding to initiate redundancies as they have in the other states such as WA and South Australia. I do not think there is much doubt that the old *Collectors* program, which was running 22 episodes a year, is being replaced by a short run program called *Auction* which has only got 10 episodes and that is unlikely to, nor should it, support the number of staff that were previously employed on *The Collectors*.

Senator BILYK: My concern is about what happens to those staff. Will they be adequately compensated for losing their position or will they be taken into another area? What views does the union have in regard to that?

Mr Thomson: I think it is very unlikely that they would be taken into other jobs in the ABC. Our experience for a long time is that when redundancies are announced we probably get only about two or three per cent of members being redeployed into other roles. So I have no hopes there at all. The difficulty in a place like Tasmania is that once they are made redundant there are very few other jobs in the industry that they could be moved to or that they could apply for—

Senator BILYK: Within Tasmania.

Mr Thomson: Within Tasmania.

Senator BILYK: More broadly, I have read a number of submissions that talk about funding issues and there is an 84-16 scenario put up. Can you explain that to me? You may not be able to answer this, this might be one for the ABC, but I am interested in the union's view on that funding.

Mr Thomson: Since there has been a significant amount of media attention about these cuts ABC management has been out there saying that they do not understand what the fuss is about because, as they say, 84 per cent of production is internally commissioned. Our view is that when we look at the internal production schedule the number of productions left on the internal slate is minor. We are left with *Compass* and *Catalyst*, although the talk inside is that *Catalyst* is likely to be chopped within a year or so as well. There is a very small workload that flows from occasional productions of *Giggle and Hoot* and *Playschool*. There are *Media Watch* and local sport. Local sport obviously has been in the media significantly as well. The problem with the 84 per cent statistic that has been thrown around by management is that very little of it appears in prime-time slots. Furthermore we believe it is a historical statistic. From the calculations I have done I think that that figure was probably true about one if not two years ago, and that is before a range of regional production was stopped such as *Can We Help* and *Talking Heads* from WA and South Australia. Most of it is in fact bulked up by production such as sport. I think the most important statistic that I have been able to work out is that, whilst 84 per cent may have been internal historically that 84 per cent was done on 33 per cent of the total budget and 16 per cent, externally, was produced on 67 per cent of the commissioning budget. I think that those two statistics put together say heaps about the health of internal production of the ABC. The stuff that earns the money, the stuff that uses resources, the stuff that is creative, the stuff that actually builds an industry is all being outsourced.

Senator LUDLAM: One of the first things that you asked for was a full-scale inquiry into the ABC, I think, was the term that you used. Can you flesh out why you think that is necessary, for example, why today's inquiry maybe will not do the trick?

Mr Thomson: There are a range of reasons. The most important is that the ABC has changed so dramatically over the last 30 years and I do not think anybody from 30 years ago would recognise the ABC we have now. In the multichannel environment we have ABC1, ABC2, ABC3 and ABC4. We have a charter that in many ways was designed for a single outlet, so the tension that sits within the ABC Act that says that the ABC has to do these two different things about being a comprehensive broadcaster as well as a specialist broadcaster, or a complementary broadcaster, were creations of a day when there was a single ABC TV network. What is happening now is that the media network is entirely changed with multichannelling. The Australian public has a much broader choice. We are pumping much more money into the production of things like drama.

At the same time I think there are valid criticisms of the quality as much as the output of the ABC so that many people are now saying: why are we in fact doing some of the things we are doing. Why is it that under this new ABC model, which has been placed under Mr Dalton, are we turning our backs on many of the small and specialist audiences, the audiences that tuned in for things like the lawn bowls. It may not be my cup of tea but it does not matter. The ABC had always been a thing that allowed lots of people to come together. It actually built its audience by providing not a single huge audience in prime-time, which was always that commercial model which they have to do to build bums on seats to attract advertising revenue. The ABC had traditionally another model which was trying to complement the work of the commercial broadcasters by producing and presenting material often specialist in nature and often well researched that did lead to higher levels of public support for the ABC. It was viewed as a very high quality broadcaster.

It now appears that the ABC is going in a very different direction. The business model it is seeking to chase is one of mass audience. I think there is significant confusion about the role and purpose of the ABC. I think, given that the technologies have changed and given that the costs are huge at the moment of actually building television, that it is time to take the ABC back to the people that own it, which is the Australian public, and give them a chance to redefine what it is they want from their ABC. I hope that they come back and in spades say, 'We love our ABC; we want our ABC,' and actually give it more money. I do not think, though, that it is reasonable for us to go back to parliament and make demands for additional funding unless there is a clearer role, function and purpose defined for the organisation, because I think it has lost its way. That is what our members tell us.

CHAIR: Thank you.

Senator LUDLAM: You raised some issues that were quite critical of Mr Dalton in a letter that was printed in *Crikey*. It was about the ABC effectively disclosing quite sensitive commercial information about, I think, their internal production costs and giving that information to people bidding to create programming. Have you had a response to that letter?

Mr Thomson: No.

Senator LUDLAM: So where does that matter rest at the moment?

Mr Thomson: We have not had a response. This was a letter that was sent to the ABC saying that we believe there has been collusion between the television division and many of the independent operators in that they are releasing what we have always been told are very, very sensitive commercial-in-confidence data. No, I do not believe that we are going to get a response from the ABC on this matter. I am hoping that this committee could pose some of the questions we have raised in that letter to the ABC.

Senator LUDLAM: Although there has been a loss of criticism of outsourcing and the ABC letting external producers create some of their material, a lot of what the independent producers create is quite iconic. It is high quality and they are things that most people would probably assume are created internally. It is not really just a black and white situation we are dealing with of outsourcing being bad and internal production being good.

Mr Thomson: I absolutely agree. The SIP issue is not here to say, 'Outsourcing bad; internal good,' no. I think the ABC has a proud record of making some rubbish as well. What we are looking for is a mixed model that says, 'The best ideas, wherever they come from, should appear on the screen.' The problem that we have is that when the best ideas are inside they still do not get a chance. Mr Dalton has, on a number of occasions, said to our members, on the odd occasions he has met with them, that they have ideas about programs that they would like to make. The standard response has been, 'If you have an idea, if you think you have a good idea, you know what to do: resign from the ABC, pitch it from outside and we will then consider making it.' Now, if it were cheaper to make it outside, I might actually get that, but my view is that Mr Dalton has come to the ABC with a single agenda, which is a continuation of his previous role as a film funder. His position has been to use the coffers of the ABC to fund external production and external production houses, and it has been at the expense of internal production, unfairly.

Senator LUDLAM: Thank you. I will come back if there is time later.

Senator WRIGHT: You just mentioned the fact that the CPSU would be in favour of a mixed model, but I think that what I am hearing is that it is the way that the model is implemented that is important. Can I ask you about the BBC model, for instance, which we are told is a model where there are targets of 50 per cent internal production, 25 per cent external commissioning and 25 per cent contested commissioning. Do you have a view about the appropriateness of a model like that?

Mr Thomson: Our submission recommends—I cannot remember if it said it should be legislated but on reflection it should be legislated—that that is precisely the model we think should be introduced at the ABC.

Senator WRIGHT: In terms of issues about the training and the loss of capacity, in a way, I wonder if you feel that you would be able to comment on this. One of the things that have been said at different times is that the ABC has essentially been a bit like a nursery in the sense of taking enthusiastic, perhaps unskilled, young workers who have been apprenticed or mentored by experienced people in the ABC and trained up. The ABC has ended up with a pool of incredibly talented people who often have then left the ABC and worked in the rest of the industry in Australia and thereby benefited the rest of the industry as well. My understanding is that that is now not occurring to that extent or at all. Do you have some comments about that? What I am concerned about is, if outsourcing were to continue to the extent that that production was not occurring in the ABC, where would people be getting those skills?

Mr Thomson: My reply to this one is probably going to surprise you. I think that the ABC undoubtedly was the most important trainer of technicians, of operators—of people in the industry—20 years ago. I am going to say what many of the independent producers would probably say—that is, that the industry has now matured. There are communications schools, colleges and universities that provide a lot of the training as well.

I do note the submissions, though, from a number of Tasmanians in particular that talked about the importance of the ABC as continuing that training role. I think it would be a bit precious on my part to suggest that the ABC is the only source of training; there are other places it can be done, but I think the ABC has done it very, very effectively. What the ABC has done really well is that it has provided a very cheap and efficient production house that has engaged with people from outside who have come in and helped them. People like Andrew Denton, I think, fit into that category—they are highly talented people who have come in, worked with the ABC and then left. What I find disappointing about some individuals such as Mr Denton is that, having come in, he has now gone out and formed Zapruder—a significant player with the ABC—and what we are now finding is that the opportunities for the future Mr Dentons are being denied. Because the ABC is losing that internal production capacity, it is losing the ability for the new Chasers and the new Andrew Dentons to be found and developed—and I think that is sad.

Senator BILYK: You might be able to answer this, Mr Thomson. I am sure it was in your submission that I read that the money is given by the government to the ABC and then some of it is used to help some of the private companies insofar as they can claim a rebate—sorry, I cannot find the page in the submission because it is a very long submission but a very valuable one—

Mr Thomson: Sorry.

Senator BILYK: No, it is very valuable—thank you. Can you talk me through that?

Mr Thomson: Mr Dalton—and, equally, Mr Scott—have talked about why they are outsourcing. They have talked about their capacity to use the parliamentary appropriation to get much more production value. So—and I cannot remember the precise statistic—for every dollar the ABC gets in by way of parliamentary appropriation, Mr Scott was saying to the National Press Club, they can transform that by a ratio of 2.1 to one. The way that is done is by, in some ways, gouging extra government funding. The way that is done is by taking the ABC dollar outside to a private sector producer and getting the private sector producer to make that production. In many cases, they then go off to Screen Australia, seek a producer offset and get an extra 20 per cent out of this other agency and then on-sell the production to pay TV. But what often happens is that it actually works the other way in the sense that the idea is, in effect, commissioned by pay TV and reverse engineered back to the ABC. What I am trying to say, I suppose in a convoluted way, is that through this process the ABC has in fact given up significant editorial control; many of the productions are selected primarily by the commercial interests. A program has to meet the commercial interests of either pay TV or international sales before it can be commissioned. Further money is then extracted from Screen Australia and the ABC, and therefore what happens through this process is a range of things that I think are bad.

The first is that the ABC gives up and loses editorial control; other people primarily are deciding what programs go to air, and they have to be light with 'high-ent' value before they get a look in. And the Australian government is being double dipped: it is being asked to provide additional funding, not just ABC appropriations but through other sources as well.

It reaches its apex when we come to productions in places like South Australia and Western Australia, where there are other sources of funding under, for example, the FACTory deal in South Australia or the ScreenWest deal in WA. Productions that have traditionally cost the ABC, the taxpayer and parliament \$50,000 to make are now being externally commissioned at \$125,000. This is for the same productions. It is for all of these reasons that we are saying that given there is no transparency in these commissioning deals and given the fact that other people are not getting a look in at some of the commissioning decisions we think that the auditors need to be brought in. So the recommendation that we are seeking then flows from that, that the Australian National Audit Office goes through the books of ABC Television and undertakes both a financial and a performance audit.

Senator XENOPHON: Thank you for your submission. There has been some correspondence between the CPSU and the ABC about this outsourcing. Do you have an issue about some of the submissions to this inquiry from independent producers from the Screen Producers Association of Australia containing information that you were not able to access through your direct inquiries?

Mr Thomson: Absolutely. There is a range of material in their submissions; for example, the material that goes to the cost of entertainment. I think that some of the information, particularly in the independent producers' submission goes to the precise entertainment budgets over the last couple of years and projections about what the budget is going to look like in the next round. Absolutely: give people within that sector information that will allow them to better structure their bids to the ABC. What concerns me is that some of this information may not, in fact, be generally available. I think it is bad that it is given to the independent producers, but my sense is that it is not even made freely available to all of the independent producers—that it has been selectively released.

I am left with two assumptions I can make. One is that this information has been selectively leaked to assist those independent producers in constructing their bids to the ABC. Alternatively, that information was leaked selectively to assist them to make their submissions to this committee. Either of those are appalling outcomes.

We have sought some of this data before in some of the discussions and negotiations that we have had with the ABC. I think that for some of this data, which we undertook to receive and maintain confidentiality about, we have been repeatedly told, 'No, that information could never be released'. It is precisely the information that appears in their submissions. It is absolutely commercial-in-confidence.

Further information was released after that letter I wrote to the managing director, that apparently was released in material to—

Senator XENOPHON: Sorry to interrupt—is that material that you have provided to the committee at this stage, or not? Have you provided this string of correspondence to the committee, because if you have not I would ask that you table that?

Mr Thomson: I would need to—

Senator XENOPHON: Perhaps on notice?

Mr Thomson: On notice.

Senator XENOPHON: That string of correspondence might be useful.

Mr Thomson: Yes. Further material arose out of leaks that were given to Margaret Symons in a *Crikey* article as well, which then went to very sensitive data about the cost to sport. It was an extraordinary amount of detail that was provided there that is, again, commercial-in-confidence. This is information that would only have been available to the TV division about audience sizes and information about production costs.

Senator XENOPHON: But now that you have this information, does it in any way change the views of the CPSU regarding these recent changes announced by the ABC?

Mr Thomson: The changes to sport or the changes—

Senator XENOPHON: Just generally. Now that you have this information that you say was previously in confidence or not available, does it change the thrust or the content of your submission in any way?

Mr Thomson: Insofar as that it absolutely confirms the collusion between the television division and the independent producers and members of SPAA, yes it does. What it absolutely confirms in our mind is that the television division, or at least its most senior managers, are operating in the interests of the independent producers rather than of the ABC, and that is probably the primary thing I would draw from the leaking of that information.

Senator XENOPHON: My understanding is that under the previous director of television, Sandra Levy, a monthly meeting of program heads was held and all program ideas both internal and external were submitted for consideration, and it was at that meeting that the decision was made whether the idea with fitted with schedule requirements. What is your understanding of the pitching of ideas internally and how they are dealt with now in the ABC?

Mr Thomson: Sandra Levy was never our friend either in that she was an outsourcer. But the process that she went through was a much healthier process. Under that system, the significant heads were brought together and they would have a barney. They would argue about the most cost effective and the best program ideas to make it to the schedule. Internally, it was a very competitive process. I do not think they took too many prisoners in that process. It was a brutal process. In a way, that actually generated the best program ideas and made sure, I think, that the best ideas and probably the most cost-effective ideas made it to screens. Nowadays, that process has been deleted. The executive producers and the other significant program makers in the ABC, for example, have no input into the ideas that make it to the screen.

Senator XENOPHON: You have described the commissioning decisions are made by a small cabal. That is pretty scathing. Do you still stand by that?

Mr Thomson: Absolutely. I think that poor structure that has developed in the ABC has been responsible for some of the very dud commissioning decisions. In the system that was operated by Sandra Levy, I do not believe that programs like *At Home With Julia* would have survived for two minutes. Those kinds of ideas would have been trashed. They would not have been entertained.

CHAIR: Could I get your thoughts on the regional and local programming initiative funding and how that has played out within the ABC.

Mr Thomson: The history of that is a shaggy dog story. I think it was a really good program, a really good initiative. It was an initiative that understood and respected the idea that the ABC needs to be regional, that it needs to ensure that voices are present; but also the capacity of the ABC to reflect those regional voices could be heard through the national broadcaster. It respected that and understood that in some ways it is more expensive to make regional production. Members in regional areas do not like me saying that but I think it was probably true, only marginally. As a program initiative, giving extra funding to build regional production capacity was a great idea. The ABC corrupted that idea in a number of places. When it was introduced, one of the worst things that happened—and I think it was a terrible thing that they did—was that because that funding was only available to the making of new programs, they used that funding to destroy what was probably the most effective regional production strand in Australia, *Gardening Australia*, which was made out of Hobart. They could not use the funding in Hobart because it was not a new program, so they closed the production down and gave Tasmania a

new program that nobody actually thought was going to survive—this poor idea called *Collectors*. Because of the skills of the production team, it did turn into something that was attractive, and it was a really good program.

What has now happened though is that because the regional initiative was always only for a particular period, from triennium to triennium, the ABC said, 'We do not have certainty about this level of funding.' So they made application to the government to have that amount of money turned into base funding. It would give them certainty and furthermore it would then be subject to ongoing increases. The thing that they did immediately after that was to say, 'Thank you very much. The money has now been turned into the base and we are going to close down all of the regional TV production,' which they previously acknowledged was made out of that program—programs like *Talking Heads*. I think they have been—'dishonest' probably is not the right word; 'foolish' is one of them. I think parliament has been had about the regional initiative and the importance of it and how the ABC was going to use it. They have now taken the money, absorbed it and closed down regional production. I think it is morally wrong.

CHAIR: Thank you, Mr Thomson. We will have to leave it there. If we have further questions for you, we will provide those to you on notice and if you could get those back to us by the 28th that would be great.

IVANICA, Ms Angelique, Branch Secretary South Australia and Northern Territory, Media, Entertainment and Arts Alliance

WHIPP, Mr Simon, Assistant Federal Secretary, Media, Entertainment and Arts Alliance

[10:11]

CHAIR: Welcome. Thank you for talking with us today. The committee has received your submissions and numbered them 255 and 249 respectively. Do you wish to make any amendments or alterations to your submission?

Mr Whipp: There is one amendment I would make. On the first page of our submission in the bottom paragraph there is an error in the second and third line. The reference to South Australia should be to Victoria. It should read: 'Screen Australia's 2009/10 Drama Report clearly demonstrates that Queensland, South Australia, Western Australian and Tasmania lag behind NSW and Victoria both in terms of levels of total budgets for drama production companies.'

CHAIR: Thank you. Do you wish to make a brief opening statement before we go to questions?

Mr Whipp: Yes, thank you. The Media, Entertainment and Arts Alliance thank the committee for the opportunity to speak to you with respect to this inquiry into ABC programming decisions. As you would be aware, the alliance is the professional and industrial organisation representing the people who work in Australia's media and entertainment industries. Its membership includes performers, journalists, artists, photographers, dancers, symphony orchestra musicians, freelance musicians, and film and television and performing arts technicians. Because of this wide coverage and the obvious crossover between whom we represent and the nature of the ABC, we have always taken a keen interest in the role of the ABC and its place in the cultural life of Australia and its industrial role in our sector.

The alliance has long campaigned in support for appropriate funding for the ABC, most recently during our 'eyes and ears of Australia' campaign, to ensure that the ABC was adequately funded to produce Australian drama. At the time the campaign was launched in 2007 the ABC broadcast only seven hours of first-release Australian drama programming. The alliance campaign ultimately led to the government providing an additional \$185 million in 2009 to increase the levels of Australian content seen on the ABC, including \$67 million over three years for a dedicated children's channel and \$70 million for local drama production directed towards co-producing with the independent sector across a range of genres, and a further \$15 million for new regional broadband hubs.

While the alliance congratulated the government at that time for this injection of funds, the alliance expressed concerns that, on our calculations, the additional funding may not be enough to fulfil the ALP's pre-election pledge to provide sufficient funds to allow the ABC to broadcast the same levels of Australian drama as is required by regulation of the commercial free-to-air networks. The ALP's 2007 policy also stated that the government would amend the ABC charter to mandate minimum levels of Australian drama on the national broadcaster, reflecting similar obligations that apply to commercial networks. This has not yet taken place. The alliance believes this to be unfinished business.

However, the central issue for this inquiry is the fact that the additional funding provided to the ABC was tied to the specific programs above and was not made available to use to support the ABC's existing functions. This was appropriate. But it needs to be acknowledged that the ABC's base funding has been under considerable cost pressures from a variety of forces, including the changing retail sector, the impacting of convergence and the need to engage with a proliferation of distribution platforms. Importantly, though, base funding has significantly decreased in real terms.

The ABC has struggled with insufficient funds for more than a decade in what has been a rapidly changing media landscape. The ABC operates three television networks, six radio networks and one of the largest suites of online services in Australia's media on an annual budget less than that available to Channel 7 and Channel 9, with whom it competes for audiences. Therefore, it is not surprising that sacrifices have been made, particularly with the outsourcing of production.

While the alliance supports the mixed model of in-house and outsourced production, there should remain a critical mass of in-house production to ensure that the benefits that in-house production brings to the ABC and the industry are not lost. These include the creation of ABC owned productions with the benefits arising from copyright ownership, program and footage sales, merchandising and other revenue generation opportunities. These are particularly important in the new media environment, as re-use and repeat rights, and use in other media become much more important than they have ever been.

The building of a highly skilled and motivated workforce, clear training and professional development, economies of scale that ensure lower production costs, the development and creation of risk-taking and distinctive Australian productions could not be supported if left solely to the market. In order to ensure that these key functions are able to continue to be carried on by the ABC in a mixed-model environment, a significant increase to ABC base funding is required. Should this increase not occur, we are likely to see an increase in outsourcing of production and, in the alliance's view, further centralisation of production in Sydney and Melbourne.

CHAIR: Ms Ivanica, do you have anything to add?

Ms Ivanica : In addition to what Mr Whipp has stated, I would state that, from a South Australian perspective, we recognise that the ABC has a long history of buying limited external content and of working with independent producers. Until recent years this has seen functioning TV production units in all states. South Australia's input has been the largest of the BAPH states, significantly contributing to ABC commercial revenue through worldwide program and DVD sales. The unit is entrepreneurial and innovative. It is the first ABC program unit to shoot and edit in high definition. *Talking Heads*, which was axed by the ABC late last year, helped pioneer the ABC's use of tapeless technology and introduced desktop editing by producers.

The Adelaide unit's future is now in doubt: skilled staff are being lost, internal documentary commissioning has ceased and ABC Adelaide's production capacity has been reduced by 50 per cent. Funding is now focused on initiatives involving the for profit sector. Of concern is the factory initiative, which channels ABC funds to external producers with the ABC being a 50 per cent financial partner, but the SA Film Corporation documents show the ABC surrenders 99 per cent of its ownership. For us, there are detrimental outcomes to this approach: the sacrificing of the content ownership and intellectual property rights; the loss of revenue streams from ABC material; the retrenching of highly trained program makers; and the reduction in the ABC's future ability to deliver the diversity and originality of programming. As stated by my colleague, these are major consequences for the ABC to be able to fulfil its multiplatform presence.

To state it plainly the ongoing regional production cuts and outsourcing of productions are seeing a transformation from a broadcasting creator into a broadcasting transmitter. With the cost of buying programs at a premium, with all broadcasters having to fill more channels, revenue will decline as the ABC has less internal content to sell. We feel this is the inevitable outcome of an imbalance in the so-called mixed model of TV production.

In closing, we welcome the news that negotiations will occur regarding future coverage of local football. We are hopeful that an arrangement can be achieved that is not detrimental to local jobs or quality of coverage. In Adelaide it is already a very lean operation. We hope that senators in all parties will use the results of this inquiry to implement corrective action that redresses the cuts to internal production overall.

Senator WRIGHT: I have a couple of questions, the first of which is to Mr Whipp on the coverage of the MEAA. My understanding is that the MEAA mainly represents news and current affairs journalists in the ABC but covers people who work in production in the private sector as well. Is that right?

Mr Whipp: Within the ABC the Media, Entertainment and Arts Alliance represents the journalists, certainly. The CPSU's main coverage within the ABC is with respect to the technicians external from the ABC. Our union, the Media, Entertainment and Arts Alliance, does represent technicians. In the ABC we represent performers, whether they are in in-house productions at the ABC or in outsourced productions.

Senator WRIGHT: It is interesting that, having read your submission, it seems that in supporting the continuation of strong in-house production capability at the ABC it is not possible to argue that you are acting from any position of self-interest, in that you are representing members both within and outside the ABC in terms of production. So why do you support the continuing role of the ABC as a producer of content?

Mr Whipp: Because history has shown that the ABC produces programs which are unlike those which are produced elsewhere. It produces programs which would otherwise not be produced. It is our view that the Australian audience has benefited from those programs.

Senator WRIGHT: If I could turn to Ms Ivanica, as a South Australian I was particularly interested in your submission. Thank you for giving us a sense of what has occurred in South Australia in the Adelaide unit. It is a bit of a sorry tale, it seems to me. I take you particularly to the example you gave of the factory initiative, where you have indicated that the ABC will be a 50 per cent financial partner. That is certainly something that has been touted or given as an example of the strength of outsourcing in relation to some of the cutbacks that have been announced. You say the South Australian Film Corporation documents under that initiative:

... show the ABC surrenders 99% ownership (of the programs produced) to private production companies.

I am wondering if you could expand on what the implications of that might be, with the ABC having essentially given up the rights of ownership. What does that mean, in fact?

Ms Ivanica: From a basic copyright and rescreening perspective, sacrificing content ownership and intellectual property rights has significant concerns for the future in terms of rebroadcasting a program. By the nature of that move to external co-production—which of course is different to the way things were co-produced in the past—it is having internal ramifications for staff with highly skilled people being lost from the industry as well as the impact on future internal revenue streams from the ABC. I have named many of the implications in my submission, but the nature of the ownership of the ABC and its ability to reproduce programs again and again are formed on sales, content et cetera. It obviously has significant benefit for the broadcaster and we believe that strolling down this path the ABC will be limited by its ability to deliver the diversity and originality of programming. In the multiplatform era that we are in this raises significant concerns.

Senator WRIGHT: I understand it is important from your point of view to have opportunities for employment, training and production in non-eastern seaboard states. Would you argue that by having a regional capacity you are also going to be able to reflect better the national diversity that the charter requires? Can you give any examples from the programs you have mentioned where a particular South Australian flavour might be brought to the national programming schedule?

Ms Ivanica: Could you just repeat the last part of your question?

Senator WRIGHT: To what extent do you would argue that having that regional production capacity in the non-BAPH states contributes to the charter requirement that the ABC reflects the cultural diversity of Australia? Do any of the programs you have referred to that were previously made in South Australia actually provide a South Australian flavour to the national smorgasbord?

Ms Ivanica: I think you could take *The Cook and The Chef* as a case in point. It is significantly South Australian in its nature and in the content of its regional produce. In more recent times there has been *Poh's Kitchen*. We do recognise that some of the programs that were produced here were originally done in other states, but those two in particular give that regional flavour, if you will. The ABC's ability to maintain and build sustained links to the wider South Australian community produces a diversity in its quality of programming and builds a rich archive of information that is owned by the ABC. The impact of ABC staff producing programs, going out into the field and sustaining those links with the wider community is significant in reflecting the charter. The ABC's programs benefit the whole industry: they work with external actors, designers and graphic artists. The nature of the ABC, especially in the BAPH states, has in the past been a training ground and has provided significant outcomes for local people. The ABC has in the past worked with Scott Hicks. There have been some fantastic people who have been trained internally who have gone on to perform significant roles within the film industry. We do see this not only as an internal reduction of the ABC's capacity to produce programs but also as a way to continue and sustain those links with the wider community.

Senator BILYK: There are a few issues I want to pursue, and one of them is a question which I have also asked of the CPSU. What sort of consultation takes place with the staff in regard to these changes? Does the MEAA believe it is adequate, or are there concerns with it? Can you talk us through the process of all these changes. Obviously it will have an impact on staff in the regional areas.

Mr Whipp: The view that we take is that, as with most employers, there is inadequate consultation with respect to change. What any union would hope for is that, at the time change is being contemplated, there is discussion between the workforce through their union and the employer about the contemplated changes and ways in which those changes may be ameliorated with respect to the workforce and ways in which the same objective of the employer may be achieved by other means. That certainly has not occurred in this instance. Unfortunately, as with most employers, the changes have been decided without consultation with those involved, and the consultation is centred only on the effects on those people who are involved in the decision which has already been taken.

Ms Ivanica: I would like to add to what Simon has said. My experience with local ABC staff is that they are increasingly feeling that they are not part of a vibrant, creative broadcaster that takes risks and is distinctive. They feel that they are excluded from putting up program ideas. They do not feel that they have a voice that goes through to Sydney. This goes further to the point that they have no representation on the board, clearly. They also feel as though they have no direct voice, and they cannot get a feeling for where the mixed production formula is heading and how a balance can be achieved between internal and external content. So, in short, their ability to be informed or to communicate up the chain is very limited.

Senator BILYK: Having read a number of the submissions it seems there is a fair bit of concern about what the mixed model really is. Would you agree with that?

Ms Ivanica: As Simon said earlier, in principle we are not opposed to the mixed model but, when you look at the track the ABC is going down, there is an absolute imbalance in the way the model is being put together, with the increasing external production. The sense of 'mixed' is being lost.

Mr Whipp: The issue here, which some consideration needs to be given to, is where the next model is implemented and how it is implemented. In the smaller states the loss of one program can have a significantly detrimental effect on the ability of those states to retain a vibrant production community, and in those states it can skew the percentage of how much is being produced inhouse compared with the percentage being produced externally. In the larger states, that is not so much the case because there is a variety of other production occurring—non-ABC production. In the smaller states of Tasmania and South Australia in particular, and to a lesser extent Western Australia, the ABC is a very significant production house and there is very little, if any, other production occurring. In South Australia certainly some production occurs with the assistance of the South Australian Film Corporation and in Western Australia some is done through ScreenWest, but in Tasmania there is almost none. In Victoria and New South Wales there is an otherwise vibrant production community and so the effect of the loss of programs in those states is borne very partially, so that needs to be considered. Some consideration by the ABC to put some parameters around what their intentions are with respect to the mixed model might be appropriate—for instance, the percentage of inhouse and outsourced programming, which is the goal of the ABC, and some consideration of how each of the states needs to fit into the overall equation. Our view would be that there should be a higher percentage of in-house production and the percentage in the smaller states needs to be higher still.

Senator BILYK: Following on from that, we heard this morning from another submitter about the percentage breakdown the ABC give to internal and external production. I think it is 84 per cent and 16 per cent and allegedly that is based on hours but not on actual production costs. Have you got any comments to make with regard to that?

Mr Whipp: I do not, without seeing the figures on which those percentages are based. I would welcome seeing the breakdown and I would certainly be happy to provide a response, having seen the breakdown of programming. But at this point I would reserve my right to see the figures before I comment any further.

Senator BILYK: I might send you some questions on notice about that so you can have a look at it, if that is all right.

Mr Whipp: That is certainly fine.

Ms Ivanica: I can add something to that. I am aware that ABC management has suggested that 84 per cent of ABC TV content is internal, and I know from talking to staff that they are quite appalled at what they feel is a gross misrepresentation. Perhaps, in order to arrive at this, the ABC is suggesting that external productions which use ABC studios—such as, for example, *Enough Rope*—are in fact internal programs. The ABC might also be using weekend sports coverage, which occupies large chunks of time in the weekend TV schedule, and the ABC's midnight-to-dawn schedule often relies on repeats of internal—again, because there are no fees to repeat them. These may be included in this misleading figure of 84 per cent. Nevertheless, this combination of shows is hardly an accurate representation of the true level of internal content creation.

Mr Whipp: What I can say at this point of time is that we are aware that drama production, which is one of the most expensive forms of production, is done entirely out of the ABC—that is, outsourced. None of it is produced in-house, which is of concern to us. We would like to see some production produced in-house. High-end documentary production is done almost entirely outside the ABC, and again it is unfortunate that there is not a will within the ABC for any of that to be done internally.

Senator BILYK: Thanks for that. I know we are a bit short of time, and I might give you some questions on notice. But I wanted to quickly ask about the regional initiative fund. You brought up the funding issue in your submission, and I notice that the regional initiative funds are not actually part of the base funding but for separate and additional work and that after the ABC received the funding they appeared to withdraw their support for regional programs, such as *Talking Heads* in South Australia, *Can We Help* in Western Australia and *Collectors* in Tasmania. I wonder what your view is of them actually receiving that extra funding and then not appearing to use it for what it was meant for.

Mr Whipp: I am not sure whether we necessarily have the figures which would establish that that is the case. If it were the case, we would be very disappointed, and I would have thought it is a matter for government to raise

with the ABC. If funding is provided for a particular purpose by government to the ABC then it should be, in our view, spent on the purpose for which it was provided.

Senator BILYK: Do you support the BBC model?

Mr Whipp: In what respect?

Senator BILYK: In regard to the ABC moving to the BBC model of internal and external.

Mr Whipp: You mean the model which indicates a certain percentage of programming should be produced independently?

Senator BILYK: Yes.

Mr Whipp: No. The reason we would not I think is because the whole BBC model was a push by the independent sector to ensure that the BBC outsourced a certain percentage of their production. I do not think there is in Australia a problem of lack of outsourcing by the ABC. The problem is rather the reverse.

Senator XENOPHON: Can I just try and get the big picture on this. Is it your understanding that in 2010 Adelaide produced 40 episodes of *Poh's Kitchen*, 40 episodes of *Talking Heads*; Tasmanian produced 40 episodes of *Collectors*; WA, 40 episodes of *Can we help?* all half-hour programs. But in 2012 there will be 13 episodes of *Poh* produced internally; 12 episodes from the so-called factory deal with the South Australian Film Corporation in Adelaide; there will be 10 episodes of *Auctions* in Tasmania; 12 externally produced episodes from WA that is a ScreenWest initiative. That means 47 episodes including 23 of those produced internally compared to 160 back in 2010. Is that an accurate summary or not?

Ms Ivanica: That does sound like an accurate summary. In terms of 2012 and the future of *Poh*, we are unsure of whether that contract will be continued. The factory initiative is 12 episode at 30 minutes.

Senator XENOPHON: Basically for the same money we are getting fewer episodes. We are getting about 70 per cent fewer episodes compared to 2010.

Ms Ivanica: That sounds correct.

Senator XENOPHON: In terms of the South Australian Film Corporation joint venture or co-production with the ABC, what is your understanding of the content deal? Has that been signed away or not? What is your understanding of the consultation that led to a deal whereby the intellectual property rights will be largely signed away to the SAFC?

Ms Ivanica: We understand that 99 per cent of that ownership is signed away in terms of the documents that we have been able to see. But in terms of any further details, I would have to put you on notice and find that information.

Senator LUDLAM: I want to bring you back to the question that Senator Bilyk raised about going to the BBC model. You were a bit reluctant to endorse it because of how it had come about in the UK. I think the gentleman from the CPSU was proposing that or putting it up as a potential model to do precisely the reverse, to quarantine the amount of material that the ABC could outsource. I wonder, because everybody seems to agree that we need a mixed model but no-one can agree on what it should be, how should we set benchmarks for the ABC if not with some kind of quota system for what they in produced internally?

Mr Whipp: The BBC model, as I understand it, is all about mandating that the BBC must outsource a certain percentage of their production. If the model were one of setting some benchmarks where a certain percentage of programming would be done in house and a certain percentage of programming could be outsourced with a window of variable production, whether in house or outsourced, so there would be some sort of leeway either way and it could average out over a period of time, I think we would be supportive of that. If the committee were minded to recommend that, I think it should not just be a mere percentage and some consideration should be given to the genre of the programming as well, so that is, within the percentages, that some sort of consideration should be given to outsourcing and internal production of drama and to outsourcing and internal production of documentaries and lifestyle programs and so on. Otherwise, what you will see is that all of the outsourcing occurs in the expensive areas and in the cheaper areas all of the production is done internally.

Senator LUDLAM: Why do you think news and current affairs have been quarantined? Everything else seems to be on the chopping block but for news and current affairs there does not seem to be much debate about outsourcing. Why do you think that is?

Mr Whipp: I suspect it is due to the timeliness and ability for editorial control. With respect to news and current affairs, it is on a much tighter time frame than a drama production, say, and exercising editorial control over a news broadcast when the production is done externally would, I would have thought, been more problematic than with respect to a drama program.

Ms Ivanica: Also, I think that the public could not possibly accept from the national broadcaster, which prides itself on this and has an obligation to provide that level of news and current affairs, that news and current affairs would be reduced to that level.

Mr Whipp: In that regard I should also say that it would be entirely unacceptable to our union if any news and current affairs were being outsourced. It is a core function of the ABC and should remain within the ABC.

Ms Ivanica: Also, when you look at what occurred when *Behind the news* was cut for a limited time and was moved out of TV production and then moved into news and current affairs, there was significant outrage about the national broadcaster's failure to perform its role in an education capacity.

Senator LUDLAM: It is interesting that nobody is attempting to do that but everything else appears to be contestable and up in the air. I think we are out of time, so I will leave it there.

CHAIR: I have a couple of questions that I will put on notice, if that is okay, and get through to you both. One is around a definition. In your submission you mention a critical mass of internal production being required and I want that defined more clearly and also as to your comments around the ABC board's role in these decisions. If you are happy to take them on notice I will get them to you shortly.

Mr Whipp: We are happy to take that on notice.

Ms Ivanica: Yes, we are happy to too.

CHAIR: Thank you very much, Mr Whipp and Ms Ivanica.

Proceedings suspended from 10.47 am to 11.02 am

BUCKLAND, Ms Jennifer Margaret, Chief Executive Officer, Australian Children's Television Foundation

[11:02]

CHAIR: Welcome. The committee has received your submission, numbered 141. Do you wish to make any amendments or alterations to your submission?

Ms Buckland: No.

CHAIR: Do you wish to make an opening statement?

Ms Buckland: Thank you. The Australian Children's Television Foundation is a non-profit organisation with a mission to ensure that Australian children are provided with Australian children's content especially for them. We have been around for almost 30 years and we have considerable expertise in the funding, development, production and distribution of Australian children's programs. In 2006 we originally floated the proposal for a public broadcaster children's digital channel which culminated in the establishment of ABC3 in 2009.

At the time we did this, the children's television offering on the ABC was not what a public broadcaster offering that children should be. Children's television on the ABC had been marginalised. In the 2005-06 financial year the ABC screened just 52 hours of new Australian content for children. This was largely made up of new episodes of *Playschool* and one Australian children's drama. The rest of the children's content on the ABC was imported. The children's television department within the ABC was focused on producing a pilot of a program that would be produced internally called Fluffy Farmyard. The rationale for developing that project given by ABC staff at the time was that there was a chance it might make millions of dollars like *Bananas in Pyjamas* did. Meanwhile, under the children's television content standard each commercial broadcaster was screening considerably more new Australian content than the ABC was. Much of the high-quality Australian drama being screened by our commercial broadcasters was being picked up around the world by public broadcasters like the BBC, where they attracted large audiences of British and other children. In many ways the ABC children's department was isolated and out of touch. In the period since 2006, the children's television story on the ABC has been completely and utterly transformed. In the 2010-11 financial year, ABC3 alone broadcast 5,925 hours of children's content, of which 50 per cent of the total broadcast hours were Australian content and 346 of those hours were first release, new Australian content. The output of new Australian content for kids on the ABC is therefore more than six times what it was.

When you look at the programs that the ABC has commissioned for its audience, the breadth and diversity of what it now offers Australian children is apparent. There is daily news for children. There are game shows, magazine shows and documentaries; and there is sketch comedy in production. A number of new, high-quality Australian preschool shows now complement *Play School*. The drama offering is quite simply unlike anything we have seen for children on the ABC since the ABC started broadcasting. It includes Australian period drama, contemporary drama, science fiction and mystery-fantasy for kids. Everything a public broadcaster should be for adults, it now is for children as well. These shows are produced all over Australia, and they are unique to our public broadcaster.

So, if we are talking about children's television and the ABC—with the greatest respect—focusing on the poor old *Bananas in Pyjamas* completely misses the point. It was a five-minute spin-off from a much more important children's program—*Play School*—and 100 episodes was more than enough. It is neither here or there that *Bananas in Pyjamas* are made or not made or by whom. Both versions of the show are sweet and inoffensive enough, and kids and families had clearly liked both versions. But if we look back to the era when this lightweight little program was made in-house and say 'those were the days' and that that program was a shining beacon, then we really only highlight the paucity of the ABC's locally made offering for the children's audience back then.

Interestingly, while the proponents of the in-house model feel very strongly that the ABC should not be commercialised and that content that comes from the independent sector compromises the ABC in this way, they are very keen to see the ABC exploit the children's audience and market lots and lots of merchandise to toddlers and preschoolers. The view seems to be that, if the ABC did more of its production in house and retained all rights to its programs, it would stand to make much more money. This view is naive and misguided. Of all the preschool program that get made, very few become the financial bonanza that their creators hoped they would become. These programs come along once in a blue moon, and I would hate to think that the ABC would squander money investing all of the production cost in a program that someone in-house was convinced would make millions of dollars in merchandising. I would call that gambling with public money. The public broadcaster should be more concerned with the quality and the merit of each program and the breadth and extent of its

children's offering. When it comes to drama, the very reason that we have Screen Australia and the state film funding bodies all investing in local drama is the market failure of local productions.

At the ACTF we sell programs into more than 100 countries, but the low licence fees that broadcasters around the world pay for children's programs mean that most projects never make their money back. It is simply wishful thinking to believe that there is a pot of gold that the ABC is missing out on by commissioning programmes from the independent sector. The ABC is wise to pay a license fee and stretch its program budget as far as it can rather than invest the entire cost of production in fewer shows which it hopes might make a lot of money. At the ACTF, we believe that the evidence very strongly supports the ABC's current mixed model and that the audience gets more choice, variety and diversity—and certainly much more content—this way.

Senator LUDLAM: You have called critics of the outsourcing trend misinformed, and in your submission you have had a bit of a swing at Mr Dempster and the Friends of the ABC and so on. Can you spell out for us how they are misinformed, because we are going to be hearing from these folks a little bit later on in the day. There are obviously two quite polarised views here of the benefits or otherwise of outsourcing.

Ms Buckland: Particularly in the case of drama, I think there is the view that if the ABC fully funds a drama and holds onto the rights for that program, in some way it will be much better off and that in the long term it will have a considerable revenue stream for that program. If we use an example, the program *My Place*, which over two series is 26 episodes of period Australian drama for children, cost \$12 million to produce. That is half the budget for the entire ABC3 children's channel in one program. The ABC paid a licence fee of about 25 per cent of the cost of that and received a large number of runs over quite a long licence period of six or seven years. The rest of the budget was contributed by Screen Australia, by Screen New South Wales—a combination—the ACTF, and Screen Tasmania put some money in because some of the online experience was produced down there. We will now sell that program around the world. None of us will ever see our money back. There will be a number of sales. The Portuguese public broadcaster has bought it; it has been sold in Belgium. It will continue to be sold over a large period of time.

In regard to the amount of money that broadcasters pay for imported content, if it is a small territory it might be \$500 an episode. If it is a large territory like Germany or the UK it might be \$15,000 or \$20,000 an episode. You would need to sell that series hundreds and hundreds of times, and it is simply not the case that Australian drama sells that widely. You either acquire a lot of drama so that you have got content for your audience or you spend it all on one or two programs, and more likely than not you will never see your money back. I do not think there is an understanding on the part of those organisations as to how international marketing works. It is the very reason that we subsidise our film and television industry, in order to ensure that there is Australian content. Otherwise everything would be British and American.

Senator LUDLAM: You might be right in the sense that those submitters are experts on international marketing, but it is not what the ABC was set up to do. So the points that they are making are a little bit different, I guess. Have you got any evidence relating to the comparative costs of inhouse versus coproduction? That is another area of dispute. Is it cheaper for the ABC to make stuff itself in some instances?

Ms Buckland: If it has the facilities. Obviously, for example, in the children's area the news is all done inhouse; they use their own news departments. That makes perfect sense. You would not go and commission someone else to make an in-house news program for children when you already have news facilities for children. So of course you will mix it up depending on the facilities and the opportunities that you have got.

Senator LUDLAM: Do you support the so-called mixed model that we have heard a fair about this morning, where the ABC retains some inhouse production capacities and outsources the rest?

Ms Buckland: Yes. I think it will depend program to program and it will be for the ABC to decide which programs are best produced inhouse and which are not. Again, a program like *Play School* is a long-running, wonderfully successful program that you would always imagine would be produced inhouse.

Senator LUDLAM: It appears as though what we are really doing is having a dispute over what the appropriate mix is. Many submitters believe Mr Dalton and Mr Scott have gone too far in their quest to outsource nearly everything except current affairs. I am just wondering what you think of the idea I think proposed by the CPSU earlier this morning about some kind of mandatory limit or threshold, according to the different program types, of a certain amount having to be retained inhouse so that the ABC retains those capacities?

Ms Buckland: I think you would want to ensure there was some degree of flexibility in there. Here we are now in 2011 and we have an idea of the kinds of programs and the way that they are produced. You would not want to impose a structure that was completely inflexible and sometimes led to inconsistent or odd decisions.

Certainly to have an understanding that there was production in-house and externally—I think there would be no issue with that at all.

Senator LUDLAM: Thank you.

Senator BILYK: The ACTF provides funding and support to independent producers and writers—is that right?

Ms Buckland: Yes.

Senator BILYK: Do you work with the ABC with regard to developing programs?

Ms Buckland: Yes.

Senator BILYK: Can you give me some examples of those programs?

Ms Buckland: Yes, at the moment there is a sketch comedy series that the ABC and the ACTF have jointly provided development for. We entered into a partnership with ScreenWest and the ABC specifically to look for a children's sitcom that would be produced in the ABC studios in Perth. That sitcom was produced there earlier this year; it has not gone to air yet.

Senator BILYK: How many episodes are there of that?

Ms Buckland: There are 13 episodes. The idea is that it be a pilot series and that if it goes well it might be extended into a subsequent series.

Senator BILYK: Did the ACTF received funding from the ABC to do that?

Ms Buckland: No, the ACTF have contributed funding and the ABC contributed funding and invited producers in western Australia to submit concepts. The funding that was provided jointly and by ScreenWest as well went into the production of the program.

Senator BILYK: Where do you get your funding from?

Ms Buckland: We receive a contribution from the Commonwealth government of about \$2½ million a year and each of the states and territories puts in a little bit. Then we distribute programs internationally and charge a commission on that distribution, and that adds to our revenue. So it is from a combination of places.

Senator BILYK: You mentioned before—I think you were talking about 2006 and prior—that you thought the children's department at the ABC was 'isolated and out of touch'—I think that was your direct quote. Whose responsibility would that have been? Would that have been a management responsibility in the ABC?

Ms Buckland: I suppose that, all the time, different managements at the ABC feel very stretched for cash. There was certainly a focus on prime time, so the children's television department seemed to withdraw a bit from engaging with people over a couple of years—

Senator BILYK: Who seemed to withdraw?

Ms Buckland: The children's television department, which was very small.

Senator BILYK: The employees in the department?

Ms Buckland: Yes.

Senator BILYK: Or management?

Ms Buckland: The head of children's television. It was about having a limited budget, so she was not able to commission very much new content.

Senator BILYK: Had that budget being cut, do you know?

Ms Buckland: I think it just had not increased. I am not sure but there may have been proportional allocations within the ABC that moved away from children's TV. But, certainly, the children's department was focused on either acquiring and scheduling a lot of international content—and a lot of it was quite good; from the BBC, Canada and other places. They had *Play School* and they were commissioning maybe one drama a year. It was fairly sad.

Senator BILYK: I suppose the alternative argument, for lack of a better word, could be that their resources were cut and they were not encouraged to pitch and therefore there was not much they could do. Would you agree with that?

Ms Buckland: Yes, that could have been the case.

Senator BILYK: I heard with some shock, if I can say tongue-in-cheek, your comments about *Bananas in Pyjamas* and the revenue issue. I would have thought that was quite significant when ABC had the rights to *Bananas in Pyjamas* and set it up. They did make quite a lot of money.

Ms Buckland: They did.

Senator BILYK: That obviously should go back into the ABC.

Ms Buckland: I am not arguing that the revenue should not go back into the ABC; I am saying that all programs they have their peak period. *Playschool* is incredibly rare, as is *Four Corners*, to be programs that retain their currency over incredibly long periods of time. All programs ebb and flow. With a show like *Bananas in Pyjamas*, which has five-minute episodes, once you have a large number of them you can repeat those endlessly. Arguably,—

Senator BILYK: That is right, but do you know if the ABC still has rights to *Bananas* now?

Ms Buckland: They would have rights to those *Bananas*, and you can ask them about their arrangements with the new *Bananas*. But that program came to a natural finish, and it finished at least 10 years before someone decided to revive the new *Bananas*. The far more important program, really, is *Playschool*—

Senator BILYK: I do not actually dispute that. I am an ex-early childhood educator, so I do know a bit about it. But I also know—and this is probably more for the ABC, but I will just explain my thought process to you—that now that the ABC are not involved in *Bananas* they are not actually selling those things on. Young kids still like them because now it is on other areas, in cartoon format—

Ms Buckland: I do not think it is the case that they are no longer involved in *Bananas*, but you can talk to the ABC about that.

Senator BILYK: Yes—they are certainly not involved to the same degree. I do not think they have the rights to the new one, and that is the issue for me: who has the rights with regard to this specific issue? And therefore, who can sell things and merchandise. I cannot quite remember the word you used about it, but I know I disagreed with it—sorry.

Ms Buckland: The ABC would own underlying rights because it was an ABC program. But you can ask the ABC that.

Senator BILYK: That is fine. I accept that it is not really a question to you. I was just interested in your views.

Ms Buckland: One of the reasons I made that comment is that one of the committee's terms of reference was the *Bananas in Pyjamas*, and that in the overall context of children's television on the ABC I could not believe that that limited issue would be the question that you would focus on—with the greatest respect—rather than the entire offering for children's television from the public broadcaster.

Senator BILYK: I do not quite know the logic behind that being included, but I suppose that one of the things is that that was for young children and a lot of what is being done now is for older children. The new *Dance Academy* is for older children, so maybe that is one of the reasons I could not be clear on it.

Senator Ludlam—I think it was Senator Ludlam—mentioned about the BBC mixed program. How do you feel about that, or do you think it should all be independent?

Ms Buckland: No, I do not think it should all be independent. As I said, I think that there are many programs, and there are children's programs that they make in house. All of their programs for both preschool and older children have presenters, wraparound programs and news, they do a games show program and they do a number of things in house. But, definitely, broadcasters like the BBC find it most practical to have that mixed model, particularly for content like drama. The BBC children's department I would have to say has considerably more resources than the ABC does. If you go and visit—

Senator BILYK: It is a much larger population and a much larger audience—to keep it in context.

Ms Buckland: A much larger population and a much larger budget. I would say they do much more of everything: much more in house, much more out house. The extent of the British content on BBC children's television channels is quite phenomenal.

Senator BILYK: Can you tell me how much it is?

Ms Buckland: They would be more up to 70 or 80 per cent British. They, then, are in the very privileged position where when they buy programs—and they do buy programs from us and from around the world—they are really cherry picking the best programs. Their imported programming is of a very high standard. They have one-off documentaries, Christmas specials and children's films—it is a very, very rich resource. When they have an event like the London bombings, a year later they marked that occasion with a telemovie that had been made for, about and by children on the day that the London bombings happened. The fact that they can do a one-off event like that is about the extraordinary financial resources the BBC has.

Senator WRIGHT: Thank you, Ms Buckland, for your submission. I have a lot of respect for the quality of programming that the ACTF has created. My children have certainly benefited from it over the years. You have spoken very strongly in your submission about the virtues of outsourcing and what you call independent producers producing programming either for the ABC or in coproduction with the ABC, but every time you mention examples of how good it is you refer back to children's programming, which I would suggest is qualitatively different. I will take you through my thinking.

As you say in your submission, the ACTF was established as a not-for-profit foundation and funded by Commonwealth and state governments. It also get some revenue from commissioning and so on, but it seems from what you are saying that there are fewer commercial imperatives on the ACTF then there would be on what we might call private, rather than independent, producers who are in the business of producing content to make profit. I also understand that with children's programming there are other constraints on the commercial aspects of it which are different to the general production market—documentaries, drama and so on—for adults. I am a little concerned that you are perhaps overgeneralising your very great experience when you move from highlighting the benefits perhaps of coproductions or productions of quality programs made for children to asserting that all those benefits flow to other aspects of program making. In the submissions we have received, we have been hearing concerns about outsourcing and coproductions. I am certainly not against them; I just think we need to grapple with these real concerns.

There is the issue of editorial integrity and how coproductions and outsourcing relate to the editorial requirements of the ABC, its charter and the non-commercialisation of the ABC that we all cherish. Another issue is revenue forgone through losing control over revenue streams. The next issue is the ability to rebroadcast once a program has been made, which I would call intellectual property rights. Also there is not only the loss of the ability to benefit from those rescreenings and so on but also the loss of archives or resources that are then held by the ABC and can then be used more broadly. I guess I am challenging you a little. I wonder if you are stepping beyond your area of expertise into making more general assertions about the benefits of outsourcing and coproductions.

Ms Buckland: No, I do not think I am. You just covered an awful lot of ground in one question, so I am going to struggle to remember all of the aspects of it. You will really need to ask the ABC management some questions about the revenue control issue, but those issues are very similar whether we are talking about a children's program or an adult program. It is around what position the ABC negotiate. It is usually a licence period of at least five or six years. I am not sure how many runs they negotiate in the adult area, but in the children's area it will be 12 runs or sometimes unlimited runs. So they get a lot of opportunities.. It is not as though they pay that money and screen a program once and that is it.

Relicensing is relatively straightforward if there is a market for it—and I would say there would be a much greater relicensing opportunity in the children's area because you get a whole new audience coming through; and they do relicense programs for quite small amounts of money. A lot of the adult content programs, such as the Andrew Denton program, *The Gruen Transfer* and those sorts of things, are very contemporary and current and you would perhaps argue that the relicensing around those programs was of less value and you would be less likely to want to see that program again in five or six years, although you certainly might want to repeat a drama. But actually you are going to do more relicensing in the children's area than you are in the adult area.

For example, *Hi-5* is made by an independent producer, but Channel Nine negotiates a back-end position with regard to merchandise returns and revenue because it is the broadcaster that is screening the program. So whether or not the ABC is maximising its revenue potential is really down to the kinds of agreements that it is negotiating. It is not as though funding the whole thing itself is the only way to ensure that the broadcaster is maximising its revenue potential. With \$23 million a year for a children's department—or the part that is devoted to ABC3—my concern is that if you do not spread that money around, you will not have a range and variety of content. You could perhaps have two 26-part dramas and that is it. You cannot repeat those endlessly to the audience. You do need variety and depth in programming.

In terms of the commissioning process and the editorial control process again I would say it is very comparable in the children's or the adult area. There is no question—and we have worked with both commercial and public broadcasters—that the kind of program that the public broadcaster chooses to acquire and the kind of program that the commercial broadcaster chooses to acquire can be quite different. Potentially, they are more similar in the children's area and more different in the adult area, but the ABC is much more involved in an editorial sense. Again, it is the way ABC management instruct their commissioners in how to be involved. In every production I am aware of, ABC staff have read every draft of every script and provided feedback. They have provided ideas about vision, they have talked about who the cast should be, they have had approval rights over key cast, they

have visited set and they have seen it as an ABC production. It is certainly the case for both adult and children's programming that audiences see those programs as ABC productions. They do not know the name of the production company. They know the name of the show and they know that it is an ABC show. You made so many points that I am not sure that I covered them all.

Senator WRIGHT: My essential underlying query is whether the ACTF's brief and your imperative to create product are different qualitatively from a private, profit-making organisation and how those issues change the product that you create?

Ms Buckland: Yes, but if we work with—

CHAIR: Sorry, Ms Buckland, Senator Wright is putting that on notice.

Senator WRIGHT: I am just putting that on notice. We are almost out of time.

CHAIR: Technically, we are out of time. If you could take that question from Senator Wright on notice—she will provide it in writing—and get back to us by 28 September that would be fantastic.

Ms Buckland: Yes.

STRADIJOT, Ms Glenys, Campaign Manager, Friends of the ABC (Victoria)

[11:33]

CHAIR: Welcome. Thank you for your submission No. 254. Do you wish to make any amendments or alterations?

Ms Stradijot: Yes, I would like to make a correction to the submission. Channel 4 is a British public service television broadcaster, but it is not part of the ABC. That was an error in the submission.

CHAIR: Thank you for that. Do you wish to make a brief opening statement?

Ms Stradijot: Yes. Friends of the ABC have been concerned for some time about the increasingly commercial direction in which some parts of the ABC are heading—their activities and some of their behaviour that imitates commercial broadcasters. We see the present program changes, and in particular the shutting down of yet another specialist program unit—the arts unit—in favour of more outsourcing as another step in that direction. We also see the increased outsourcing, centralisation and focus on programs that will rate well as leading to a neglect of the ABC's responsibility as a national broadcaster to cater for the localism across Australia.

We believe one of the key causes of the ABC's increasing commercialisation, though not the only one, is inadequate funding. As I made that point in the submission but did not put much information with it, I thought it would be a good idea if I gave a brief outline of the ABC's funding—although the ABC can, of course, obviously do that in detail. What I wanted to bring to the attention of the inquiry was that the former Howard government commissioned a report into the adequacy of the ABC's funding. That was an independent review that was conducted by KPMG. With that funding review, the result was never made public but there were leaks from the report and they were certainly never denied by the government at that time. KPMG found at that stage that the ABC needed an additional \$125.8 million over the next three years just to continue its present level of operation. The budget that followed, the May 2006 budget, actually increased the ABC's funding but not to the extent that was needed to address what KPMG had identified as the shortfall. The ABC received approximately \$37.6 million short of what the KPMG leak revealed would have been needed.

Since that time, of course, the ABC services have increased, as they rightly should in a changing media environment and given new demands of the community. Also, what has happened is that costs have increased over that time. This is what led to one of our recommendations, which was that there should be a review of the adequacy of the ABC's funding again at this stage and that the findings of that review should be made public this time.

The other part of our recommendation about funding related to the manner in which the ABC is funded. We believe that, if the ABC is going to be maintained as a truly independent broadcaster, the only way to ensure that it is properly funded is to make the process of funding hands-removed from government. I know that is a difficult thing to do, because governments like to divvy up the money. However, given that the national broadcaster plays such an important role and is becoming increasingly important in a highly concentrated media environment, we think that it is critical that there be some consideration given to a legislated formula or process that would guarantee minimum funding for the ABC to fulfil its requirements in the Australian Broadcasting Corporation Act to a high degree and also to prevent external interests distorting the ABC funding, because the difficulty, as we have also pointed out in our submission, is that we can see that there are different areas of the community—and some are better resourced than others—that are lobbying for their particular part of the ABC. So there is a danger that the ABC's capacity to cater for the entire community will be undermined.

One of the other important recommendations that we had related to the ABC board and the appointment process of the ABC Board. We think that the culture of any organisation stems from the top, and it is critical for the national public broadcaster to have the best people and people that are committed to its independence. So our recommendation with regard to a bill that is presently before the Senate was that the senators please look at that to strengthen the bill to make sure that it meets its aims and cannot be undermined by any government that is so inclined and wants to implement another political agenda.

The final thing that I wanted to come back to is that I read in the ABC's submission that over the past three years more than 84 per cent of television content was commissioned internally, excluding *Rage* and news and current affairs; that is on the second paragraph of page 3. That was surprising to us, so I did a quick analysis of program information from *The Age's* television guide, *Green Guide*, to look at what the figure of in-house production would be for the week. When Friends of the ABC did its calculation based on that information for just one week, we found that in prime time on ABC1, which is the main channel, only eight per cent of the ABC's non-news and current affairs programming for the week was produced in-house. It was actually less than eight per

cent, but I have rounded that up. Unfortunately, we did not have the information to be able to consider how that amount of programming reflected regional interests. I request permission to table the results of that brief research.

CHAIR: If the committee are happy to accept that document, it is so ordered.

Ms Stradijot: Friends of the ABC clearly do not have access to the information and the resources that the ABC has when it is given its information, but our purpose in doing that research was to let the committee have a look at what the ordinary members of the community would look at, and possibly see it as a basis to ask the ABC some more questions so the committee can ascertain how the ABC has come up with the figure of 84 per cent.

CHAIR: Thank you. We might go to questions now.

Senator XENOPHON: Thank you for your submission. In your submission you made reference to two issues that I want to ask you about. When you said 'risk of corruption', are you talking more about a lack of scrutiny than actual corruption? It is quite a big call to use the word 'corruption' in the context of this issue.

Ms Stradijot: We certainly would not make any allegations of corruption, but when you have a lack of transparency and a lack of scrutiny then the capacity for that to occur happens. As well as hearing a lot from ordinary members of the public on how they feel about the ABC and its programming, we also get feedback from the private production sector, especially from smaller producers who feel like they are missing out on part of the money that is being used for outsourcing. People have grievances in that area. Our problem is that the reasons they have not been selected may be quite legitimate, but we do not know. There is no way of them telling and there is no way of us knowing.

Senator XENOPHON: So the main issue is one of transparency, from your point of view?

Ms Stradijot: Yes, transparency and accountability.

Senator XENOPHON: Point 10 of your submission says, 'ABC independence undermined'. What independent screen producers have said, and I think the ABC has said the same, is that you still have ABC editorial controls in terms of what occurs—in other words, the argument against that is the ABC editorial guidelines still have to be maintained in the context of any outsourced production. Does that assurance from the ABC and from independent screen producers give you any comfort in the context of your concerns?

Ms Stradijot: No, it does not, because we do not believe that you can outsource editorial control. It would not make sense in terms of the number of staff involved in the duplication to be checking what is happening to the extent that they would protect the ABC's independence. The history of the ABC, when it has outsourced, has not been a good one.

Senator XENOPHON: Can you give an example?

Ms Stradijot: There was the Palmer inquiry that we have mentioned in our submission which was the result of a whistleblower in the ABC exposing that, with the ABC involved in co-production, some of the companies that were also involved were getting promotion on air on the ABC. I cannot remember whether we gave the example in the submission about the ABC children's program and its link to the industry egg body that was involved in live concerts for children. That was the ABC engaging with a body that was far from independent and which had a commercial imperative and a commercial agenda that it put across. There have been numerous examples over the years. The problem is knowing about them and, when programming is outsourced in this way, you are relying on somebody to whistle blow or it is very difficult to even know that it is happening.

Senator BILYK: I have to declare upfront that I am a financial member of Friends of the ABC in Tasmania. Having said that, personally, I am not opposed to change and I think in the changing way the world works we need to be able to move on. I think change is inevitable in all areas, but it is how that change is done that concerns me and where the results of those changes take us. I want to ask about the whole process of how the Friends of the ABC see the ABC management acting in regard to the charter. Can you give some comments it is in regard to that?

Ms Stradijot: We think that the Australian Broadcasting Corporation Act and the intention of what the ABC was meant to be is quite clear and that the public envisage the ABC as a truly independent public broadcaster that is independent from political and commercial influence. That is the wish of the community. Overwhelmingly that is the feedback we get from the community. They want the ABC as a clear distinction from the commercial sector. What we see is that, in recent years, the ABC is being taken in a different direction in terms of the approach of the ABC's management to its programming. There is increased interest in measuring the success of programming through ratings, the ABC is increasingly engaging in activities that imitate commercial TV, promotions on television and things that distract the audience, and the outsourcing. The general public envisage the ABC as a producer, not as a platform for carrying external content. A lot of the complaints are that it carries

too much content from outside. What we have seen in recent years is the ABC being taken in a different direction where it is going in an increasingly commercial direction. We think that is a major change to the very nature of the type of public broadcaster that the ABC is and that the community wants. That should not occur without the public being informed and the community being consulted.

Senator BILYK: Do you think that those processes are clear and transparent?

Ms Stradijot: No. There is always a bit of a contradiction, and it is a problem because we all want to maintain the ABC's independence and it is critically important that it be kept independent from government. On the other hand there needs to be some level of transparency. For example, when the ABC is going in a certain direction that is a fundamental change in the nature of the sort of broadcaster it is, these are the sorts of things that should be public and we do not believe there is enough transparency at this time. I understand that in the BBC, for example, the equivalent of its board for the decisions and the minutes are a public document. We would like to see increased transparency with regard to the ABC board. We would all like to see increased consultation with the community. We do not think that assessing the effectiveness of the ABC and its programming through ratings is the way to go. We think that the ABC is meant to be an alternative to the commercial broadcasters.

Senator BILYK: Does the Friends of the ABC think that currently the ABC meets the objective of original content?

Ms Stradijot: No. We have been seriously concerned that that has been another outcome as internal production is closed down and outsourcing occurs as the ABC increasingly looks to programs that are more populist. We think that regionalism is suffering and that the ABC is not reflecting the community across Australia to the extent that it should. Having said that we also believe that that is a result of inadequate funding to be able to do that.

Senator BILYK: Does your organisation believe that there should be some sort of independent audit? It has been suggested that the ANAO should be involved in an audit. Do you think that would help with transparency?

Ms Stradijot: An independent audit of what aspect?

Senator BILYK: Of where the money goes, how it is split up and that sort of thing—

Ms Stradijot: Yes, I think—

Senator BILYK: and which areas get how much money.

Ms Stradijot: Internally there is a budget and that sort of information would be made public, but because there is now a growing extent of money that is going externally, that is public money and the ABC should be accountable. Yes, we think that there should be more transparency. We would support an audit review.

Senator LUDLAM: Thanks for coming along and for your advocacy in defence of the ABC. A couple of your recommendations caught my eye. One of them relates to a legislated funding process or formula to ensure the ABC is well funded. Is our national broadcaster underfunded or is it a resource allocation issue that is the concern? Does it need more money or does it need to be allocating its resources better?

Ms Stradijot: That is why we are recommending that a review be undertaken, so that the adequacy of the ABC funding to actually meet its responsibilities can be examined. The last review—the KPMG review—found that the ABC was seriously underfunded, and since that time there has been no major funding increase to address that. Since the Labor government has come to office there have been a significant funding increases but, with the exception of some additional funding for drama, that was for new services. That is part of the problem. Governments like to be seen to be introducing new initiatives. So as an organisation runs down or it needs to adjust to meet changes in the technological environment, they are not the sexy sorts of things that governments like to be seen to fund. It is quite obvious from the information that was available back at the KPMG time and the lack of extra funding to address that in the meantime the ABC is seriously underfunded.

Senator LUDLAM: So it is not just an allocation thing. You mentioned ratings and a couple of other witnesses have mentioned ratings as well and have said that the ABC's job is not to chase ratings. How should it assess, in that case, what people want to watch? What other metrics do you think a broadcaster should use to establish what people are interested in?

Ms Stradijot: I have not got the expertise to answer that, but just as a layperson I would say that people look to the ABC for programming that has got some substance and integrity and that is challenging and thoughtful. They want entertainment too but they want quality entertainment, and one of the benchmarks would be that if the ABC is doing what the commercial media are doing, what is the point of having it? It does need to be qualitatively different in what it does.

Senator LUDLAM: You speak a lot on behalf of ABC audiences, and I guess that is your job. How do you assess what the various audiences of the ABC would prefer? How many people are you in contact with and how do you do that?

Ms Stradijot: That is one of the limitations of a community organisation that is seriously under-resourced. We do not have the funds to do serious research and so we really have to go by the feedback that we get. We get a lot of feedback not just from members but from members of the public. People tend to contact Friends of the ABC to give us their thoughts and feelings about ABC programming. So we get a general drift of audiences and what their thinking is about different programs and about the general direction of the ABC.

We conduct a lot of activities. There are public meetings, our members are out running stalls in local areas. I, for example, go out and speak to a lot of different groups in the community. So we get quite a bit of extensive feedback.

Senator LUDLAM: What is your understanding of how the ABC researches its audiences? A lot of the time we hear that a particular show was cancelled because the audience tapered off. How do they know that?

Ms Stradijot: That is a mystery to the Friends of the ABC. We would like to know more about that as well, because it always interests us to hear the ABC make comments about the audience and what they want and about the popularity of the program, yet the huge number of people we deal with all say, 'Nobody ever asked us.' We are concerned to know how the ABC collects information like ratings, for example. We understand ratings to be essentially something done by the commercial sector. It is mixed up with information that advertisers usually want, so I suspect they do not actually end up with those little boxes that measure and record your viewing habits. They probably do not end up in the homes of many dedicated ABC and SBS audience members. We are not saying that that is all the ABC should cater for—they need to cater for the entire community—but at the same time, for people who do not have any alternative in the commercial sector, that it is not what they want and not to their tastes. It seems they are being missed out in the equation when the ABC is considering programming.

Senator LUDLAM: Thank you for that. Across the different program types what do you think of the idea of quarantining either a certain budget or a certain number of broadcast hours for in-house production to make sure that the production capacity stays intact?

Ms Stradijot: The public broadcaster was set up as a public broadcaster; it was not set up to be an aid to the private production sector. That is not to say that we do not support the private production sector—we do—but it should not be at the expense of the ABC. We think it is important for the ABC to maintain its role, to have credibility with the community, and also to have programs that are produced with that ethos and culture that come from people working for public good, not for commercial gain. We think that that is important to have in all program genres at the ABC.

CHAIR: Senator Ludlam, if you have any further questions would you like to put them on notice.

Senator LUDLAM: I will give that some thought, yes.

Senator WRIGHT: I am going to be brief. I am not going to ask any questions but I think that, for the sake of transparency, I should also put my interest on the record. I think I am fairly clearly on the record as having advocated on behalf of Friends of the ABC in the 1990s—

Senator LUDLAM: This committee is completely stacked.

Senator WRIGHT: I need to make that clear for people who did not know that, and that is because of my concern about the national broadcaster. But I do welcome this inquiry and I welcome a good debate about the way forward. I just want to say clearly that I do have an interest in this.

CHAIR: My question goes to Senator Ludlam's notions about the evidence we are hearing from a lot of people about what the audiences of the ABC want to see and what they do not want to see. If I surveyed my friends about the *Gruen Transfer* and *Enough Rope*, they would—to a man, woman and dog—say that those shows were very representative of all that was great and fantastic about the ABC and shows produced by the ABC. I am just wondering whether you can comment on that.

Ms Stradijot: We are not commenting about individual programs but a general drift. That is not to say that there are not some exceptional and good programs that are actually produced by the private production sector. In saying that, for example, the Children's Television Foundation is involved in some excellent programming. I have a concern not just because of the comments that were made about children's TV in the past but also about some of the other submissions I have noticed. I am concerned about the fairness. Comments have been made about people but they have not had the opportunity to respond. I am sorry to divert for a minute. In terms of those programs, there are good programs in that area. Do not forget, though, at the present time we are also relying on people who

have actually spent considerable time either working at the ABC or working with them, because their inhouse production units also do a lot to assist external producers. So we see those people out there working in the private production sector and we wonder what the future will be when those people are not around and we have the next generation of program makers.

CHAIR: Thank you very much.

DEMPSTER, Mr Quentin, Private capacity

MACKLEY, Ms Bobbie, Private capacity

[12:00]

CHAIR: I welcome Mr Dempster here today, and Ms Mackley, who will be giving evidence via teleconference. Thank you for talking to us today. The committee has received your submissions, which have been numbered 80 and 159 respectively. Mr Dempster, do you wish to make any changes to your submission?

Mr Dempster: No.

CHAIR: Would you like to make a brief opening statement before we continue?

Mr Dempster: Briefly. I have read not all of the submissions but many of them. There is one misleading or confusing piece of language or spin laced through the submissions this committee has received from private production companies, the ABC itself and the Screen Producers Association, and that is the persistent use of the term 'independent production sector'. When you hear that from the current ABC management and the vested interest lobby, please ask yourself about the motivation behind its use. The sector is the private sector or the commercial sector. Let us call a spade a spade when we are dealing with the allocation of taxpayers' money from the ABC and the SBS, as well as from the taxpayer subsidy agencies Screen Australia, ScreenWest, Screen Tasmania, Film Victoria, the South Australian Film Corporation, Screen NSW or Screen Queensland.

I do not want to be misrepresented. I want a vibrant Australian film and television production industry, commercial, private and public, particularly now to emerge on the other side of the convergence review, particularly when the commercial television networks may want to be relieved of their local content obligations, facing, as they and the ABC and SBS are, much higher acquisition costs given the relentless schedule demands of digital multichanneling. The use of the term 'independent' might have been pertinent in the United Kingdom, where the BBC had a dominant role in television production from its start in the 1950s, but this is Australia and the ABC throughout its history has never had a dominance or a monopoly position in television production from 1956.

Let us be historically clear: Australia's television production industry has been developed and assisted overwhelmingly through compulsion, a legislated local content quota on commercial licensees. Given the global financial crisis and the shareholder demands of contemporary private equity owners and investors, a local television production industry may not exist without that legislated content quota. A genre or content quota has not been imposed by legislation on the ABC; maybe now is the time to consider it. Some private producers have told this inquiry through their submissions that there is nothing in the ABC Act which requires the ABC to produce programs inhouse. There is nothing in the act which says all programs should be outsourced either. The allocation of funds received via the appropriation is a matter for the ABC board and management.

What is most distressing for me about this dispute and this debate is that it is pitting creative people against creative people. We all, creative people I am talking about, want to turn good ideas into engaging programs across the genres. Some want to make money from the projects they pitch or persuade the ABC to commission. It is imperative for their financial viability that they do; I understand this. The difference for the ABC is that we need money to make programs. We do not make programs to make money. If we defray costs through DVD sales after broadcast, that is acceptable, but the commissioning model we adopt should not be all about commercial bankability with our private sector partners. That way lies distortion of our reason for being.

It should be about public and charter purpose. We no longer make documentaries inhouse at the ABC. The documentaries commissioned from the private sector producers, assisted by the state and federal film and television finance agencies and the producer offset, invariably surrender copyright to the private producer. The ABC is no longer an archive, a repository for the social history of Australia. This has been done without any public debate about the consequences for this country and the ABC's role as the national public broadcaster. I want to draw your attention to my written submission which states:

... I assert it is cheaper to make programs inside the ABC given the facilities (sound stages, studios, rehearsal spaces, post-production technology) already provided in the ABC's property assets around Australia.

... ..

The ABC does not pay state payroll or company tax and has an operating cost advantage over the commercial TV production industry because of this.

We can be a very cost-efficient production house. We have already proved this in news and current affairs, *News 24*, television radio and online. Senior ABC management know this, particularly in ABC financial management,

but inexplicably the ABC board will not institute a performance audit of the ABC's commissioning model after years of its contentious operation and publish the results in the ABC annual report to parliament.

CHAIR: Thank you, Mr Dempster, I understand we have Ms Mackley on the line. Welcome. Before we continue, Ms Mackley, do you have any amendments or alterations you wish to make to your submission?

Ms Mackley: No.

CHAIR: Would you like to make a brief opening statement?

Ms Mackley: I would like to say I have retired from the ABC now, but what is happening at the ABC in Perth caused me to write my submission because I am so distressed by the continued diminution of the branch. Excuse me for saying 'we' all the time—it is a force of habit. The WA branch have always had to fight for production and for having an executive producer in the branch. There has been talk for many years that one day we would just become a relay station and that is actually happening now. Apart from local radio and news, there is no production in Perth. There are a few people working on outsourced programs and that is all. Last Thursday, the news division cut out the ABC's weatherman from our 7 pm bulletin, something we have had and they have had around the country for decades. For cost-cutting reasons that position has now gone.

In last Saturday's weekend *West Australian* there was an article on page 13 which says that, 'The ABC's director of corporate affairs, Mick Millett, rejected the allegation that they are reducing local resources and said that the WA branch was thriving and had strong local news coverage.' I do not think I have ever heard of Mick Millett before, but I wonder if he has been to Perth or spoken to any of the actual non-management staff in Perth. How come he can say it is 'thriving' because it is not; it has had a limb cut off. Thank you very much for the opportunity to have a say on this.

Senator XENOPHON: Thank you, Mr Dempster, for your submission and opening statement. How long have you been with the ABC?

Mr Dempster: Since 1984.

Senator XENOPHON: So 27 years, and when were you a board staff-elected representative?

Mr Dempster: From 1992 to 1996, but I have been actively engaged in advocacy for public broadcasting.

Senator XENOPHON: Because of your role and your experience, you have seen the changes over the years. How dramatic do you see these changes in terms of issues that you raise of integrity and the long-term viability of the ABC to produce programs in-house?

Mr Dempster: It has been incremental. I have tried to trace the time line in the submission from the co-production model to the direct outsourcing model. I suppose what has galvanised ABC supporters, including myself, in this is a real concern that the ABC has not been upfront about program change, which can be accepted as a normal run of things, and, as I have tried to indicate, has not put up for all to see—because this debate has been going on for a fair few years now—in the annual report: 'This is the way we do it.' This is the way Kim Dalton brokers the money he receives into the television budget with other external producers and film finance agencies to get the content that he does, but at the expense now it appears of internal production. I particularly asked in the submission that the television production strategy for the next three to five years be put on the table by Mark Scott and let us see then exactly what is going to happen with the TV production schedule outside news and current affairs. Once we had that on the table then we could see whether all our fears were absolutely groundless.

Senator XENOPHON: You also ask in your submission at point 7 that only a full audit of program commissioning over recent years would help to establish whether a pattern of commercial influence is emerging through the current commissioning and acquisition model. Who are you suggesting should conduct such an audit?

Mr Dempster: I think the ABC should produce it straight away as a matter of transparency, but if they decline or the board declines then somebody else should do it. I am hoping that this committee could assist those of us wanting to advance the cause of the ABC to establish that. You have got the power, Senator. Can you please ask them to deliver. I am sure it could be delivered on a database without too much staff time.

Senator XENOPHON: Perhaps you are overstating the power of Senate committees, but anyway. When you were a board member of the ABC as staff elected representative, were programming changes matters that were brought up to the board? With changes such as this, how widely would they have been assessed by the board?

Mr Dempster: The engagement of external consultants to look at resource allocation happens from time to time and is very useful to establish efficiencies. Sometimes you need that sort of input. The ABC board would look at that from a broad strategy. Although the director of television would say, 'We are going to have some program changes and you will hear about it from me first,' the board would not be consulted about which

particular programs were going to go off air. The board would be involved in the governance and the allocation of resources, so strategies like this would be at board level. When Mark comes this afternoon, you could ask him about that.

Senator BILYK: Just following on from that, if you tell us that the board were not actually involved in the process—is that what you are saying?

Mr Dempster: It is involved in resource allocation. It is really the role of the executive directors, the management, to determine the programs. They have the discretion, the judgment, their subjectivity, their judgment about audiences and what programs work, what do not. That is their province and that is their decision. Of course it is done in accord with the managing director, who would be across all that as the person who primarily reports to the board.

Senator BILYK: You are still with the ABC?

Mr Dempster: Yes.

Senator BILYK: Are you able to tell us what sort of consultation there is with staff in regard to these changes that seem to be constantly taking place?

Mr Dempster: The MD or the direction of television would put out an all-staff memo like most organisations do: 'There is going to be change coming up. This is what we are doing.' If it has got industrial relations implications, the appropriate consultative processes would be engaged in. But ultimately it is the decision of the management to determine these things, to determine if there are going to be restructures requiring redundancies, changes of staff and what have you.

Senator BILYK: So do you think there is enough consultation with staff going on?

Mr Dempster: It depends what you mean by consultation. Consultation means that you engage the other party in a serious consideration which can influence your decision. If it is a decision that you have already made and then you consult on the fallout, that is not really a consultation.

Senator BILYK: Are you telling me that you think the second example is more what happens in the ABC?

Mr Dempster: Look, it is very difficult because sometimes management has to make decisions that will hurt people. When I was on the board you had to sign off on decisions that would hurt people. You would say, 'We have got to manage the human impacts of this.' So it is hardly as if the ABC is not used to redundancies or the hurtful human impacts of decisions that are made from time to time. Sometimes they hurt a little bit more. But what this debate is about is where is the future of the ABC as an in-house producer of its own content outside news and current affairs. That is where we are concerned. That is why we want Mark Scott to produce the schedule for the next three to five years.

Senator BILYK: I would presume that quite often staff have got some very good ideas for input, but if they are not consulted with appropriately then quite often they do not get those chances for input.

Mr Dempster: You may hear from Kim Dalton, Director Television, that he has been saying that if people have got good ideas inside the ABC they should come to him. Go outside the ABC because I can get Screen Australia or Screen New South Wales or Screen Queensland—all these agencies—to come in and we can back your idea. But you will have to leave the ABC to bring your idea through a private production company. That is what is distressing a lot of people inside the organisation—that that is the only way I can get my idea up. So it is the dismantling of the creative process inside the ABC that is distressing.

Senator XENOPHON: Is that in part due to the producer offset? That is something that is not available within the ABC, by virtue of the structure of the industry.

Mr Dempster: Yes. It is a tax concession produced by the regulations to assist. As I said, we would not have an Australian production industry without these ramps and subsidies, particularly now in a globalised marketplace.

Senator BILYK: Do you agree with the idea that quotas be established for internal and external production to help ease the issue of reducing the internal production?

Mr Dempster: I have grappled with this and I have indicated in my submission the sustainability of funding given all that we are doing—News 24, the kids channel, all this wonderful stuff that is now available through the digital revolution. I was thinking that maybe a quota on the ABC, particularly if we see what is going to happen beyond the convergence review, and if this committee plays into that, looking at the particular problems of the ABC, that could be very helpful to the ABC. A quota could say, 'This is your minimum remit,' and the implication of that would be that you would have to be sustainably funded. The board says: 'We are going to have to go easier on drama—it is very expensive. Maybe we should look at other areas that we should be doing.' The debate you

have seen about News 24 is part of that process. Other elements of the ABC are distressed that money has been allocated to News 24.

Senator BILYK: What is your view in regard to what has happened with resources?

Mr Dempster: These are hard decisions for the ABC; I fully understand that. Where I am trying to help is to say, 'Listen, we really have to do something about the sustainability of funding of the ABC because we always want more from it.' Given the nature of the industry and the ABC's contribution to it, there is a case for an enhancement of the ABC's funding base. It is very hard to ask for more, but I am sorry, we are going to have to ask for more given what we need. I know Wayne Swan is wanting to return to surplus, so the expectations inside the ABC are not very high, but I think we still have the right, given the demands on the broadcaster, to ask for more.

Senator BILYK: I have just one more question. In your submission at item No. 7 it is argued that audiences do not care who makes ABC programs as long as they are engaged, informed or entertained by them and that programs are plausibly within the charter obligation for comprehensive broadcasting. Can you explain to me what you mean by that. Do you mean that maybe the ABC is not working to the charter at the moment or do you mean something else?

Mr Dempster: It goes to the definition of documentary or what is an arts program. It could be a superficial thing or it could be a human interest story about an artist, for example. You could say that that is arts coverage. What we are driving at, I suppose, is for distinctive programming; you really ought to have acknowledged experts in the field—somebody like Robyn Williams in science—but you ought to have a science unit that takes science much further. If you are talking about education, or the environment, or economics or foreign affairs we ought to have a great deal of specialist expertise inside the ABC to be able to really enhance our coverage of these issues. Of course, given the constraints of the budget all these things come down to much more superficial coverage. We say, 'We've got some art shows,' but it is not getting right down to a greater expertise—curatorial expertise in art, experts in all forms of it—who are good storytellers and good program makers.

Senator LUDLAM: Thanks, Mr Dempster, for coming in. I think you are the first one so far today who has raised the issue of increased funding. We have mostly been talking about allocation of resources internally. I would put to you, though, that if we increase funding to the broadcaster without fixing the tensions that you have described so well we would just end up with a larger-scale version of the problem that we have now. To me, it feels as though that would sidestep the issues. How should the broadcaster reallocate its resources internally?

Mr Dempster: Taking that question: we have to solve this dispute inside the ABC with our external producers first. That is to establish exactly what has been happening with the so-called Dalton model.

As I said, there are some benefits of the model because it gets first-run Australian-made content on air. That is important. The compromise may be a skewing of the bankability or the commercial modelling with our coproduction partners. We need to establish that.

If you look at the demands of the schedule, particularly multichannelling now with the children's channel, ABC2 and ABC1, it is the relentlessness of that. What should you do with a drama budget? At one stage the drama budget in ABC went below \$10 million a year. It was a derisory amount of investment. Under the content quota, the commercial licensees spent, I think, about \$50 million to \$70 million a year.

You would have to ask: what can you do to get a viable drama schedule—Sunday night drama, Thursday night or whenever the scheduler says Australians are ready to receive Australian drama? Let us look at our documentaries—what gives us integrity in our schedule with documentary? Then you go through the other genres and you say, 'That is what we need so that we are no longer UK TV,' which is what we are at the moment. We have been dependent on acquisitions from the UK mainly—with some American stuff. If we are meant to be Australia made—why the taxpayers fund us—let us look at how we get a viable schedule, get a costing of that and then base it on that. That is why I thought that maybe we ought to provide a quota across genres that the ABC should do and then fund them accordingly. We have to know what we are talking about to get to that stage.

Senator LUDLAM: To that end, I think you have proposed two things. You want to see a three-year production strategy, which ABC management have said that they produce. You also want an audit of production over the last three years to see what has just happened. Is that something you think the ANAO should do? Is that an Auditor-General task, or are you talking about something internal?

Mr Dempster: As I said, I think the ABC could produce this material to you this afternoon. I hope that they are already prepared for it.

Senator LUDLAM: I see.

Mr Dempster: There are commercial-in-confidence issues. I have not given any thought to who should do it externally. It would be up to the ABC board, for example, to say, 'It's such a contentious issue, let's call somebody else in to do it, let's get the terms of reference so that we can establish an internal'. I think the ABC should do it, but they could bring in an agreed external auditor.

Senator LUDLAM: There is a really delicate tension here, is there not? You have used the example of *Crownies* as something that the commercials could well have done by themselves; we did not need the ABC to do that. The Friends of the ABC put up similar examples. I wonder how you judge the commercialisation when plenty of programming produced by the independents—the private sector, as you put it to us at the beginning—is not on sold?

I do not think that there is any market for *The Chaser* outside Australia; that is targeted fair and square at a domestic audience. How do you balance these things up?

Mr Dempster : Let us see what the DVD sales for the *The Chaser* are and let us see what the commercial spin-off is. I notice that other people say that there is no money in it; this is just Australian content. But let us see that. I do not know that because, like you, I am in the dark. Coming to this inquiry, I thought we would have been much more informed than we are from the ABC.

CHAIR: I want to flesh out the board's role. Earlier we heard about—it is called various things—the national regional and local programming initiative and how that has now been incorporated into the ABC's base funding. Yes?

Mr Dempster: Yes.

CHAIR: I want to ask about the board's role at that strategic level. Where did the decision to seek that sort of allocation from government come about?

Mr Dempster: This is really a question for Mark Scott. What is important is the ABC's efforts, given the demands on government funding, to try to persuade government about the sustainability of funding. In the recent funding round we got an increase on the base from the current government. If you go to the relevant page in the annual report—it has been put in most years since 2000—you will see the graph showing the operational base funding, from the peak, right through the Hawke-Keating years, down through the low in the Howard years. It is slowly coming up, but it is still a 24 per cent reduction in operational base funding in real terms. That is very valuable in understanding where the ABC stands. Given what we do with the funds that we have, we have produced efficiencies through the digital revolution. Does that help?

CHAIR: My second question relates to the 24 per cent decrease in relative terms since 1984. There was essentially tied funding to the ABC around making sure that the ABC delivered regionally and had some sort of capacity in those areas. That tied funding was then—from my understanding of previous evidence—rolled into base funding and essentially untied. Is that your understanding?

Mr Dempster: It is my understanding as well. And it is the board's role—and it has the power—to allocate, as it sees fit, regionally. I suppose we are together on this because if the ABC produced the television production strategy for the next three to five years, you would see what went out as far as regional production funds were concerned. You could see what happened in Western Australia, South Australia, Tasmania, Queensland and elsewhere. You could see exactly that capacity. It becomes an argument about cost containment. We could contain costs a lot more if everything came out of Sydney, Melbourne or Canberra, but that is not what the ABC is about. It is meant to assist the production industries and produce material that is signed off by the director of television from the regions, where we have taxpayer funded facilities.

Senator XENOPHON: In your opening statement you said that there now seems to be a collision course between the private sector and commercial sector producers, and internal production at the ABC. But it does not have to be like that, does it?

Mr Dempster: That is what is distressing; we do not want it that way.

Senator XENOPHON: That is right, because it reflects the high quality of the external production made, the success of those and what the ABC does.

Mr Dempster: It is awful to reflect adversely on some other creative content producer's work, but that seems to be what is happening here in this particular dispute.

Senator XENOPHON: There is no reason they cannot co-exist.

Mr Dempster: SPAA says that some of the private producers say that they do support a mixed production model, but then they go to the nasty element in their pitch to you that there is nothing in the act that says everything has to be produced in-house. I try to counter that by saying that there is nothing in the act that says

everything has to be outsourced. What I am a supporter of is a genuine mixed production model. The ABC must have a capacity to make things itself because, if you do not, you do not have any leverage on negotiations on the price, nor the skills base upon which you can negotiate with the external producer on price. If they come the raw prawn on their ask you can say, I can do it just as easily inside. That is my economic rationale argument to you about why we ought to have an internal production capacity.

CHAIR: Mr Dempster, if the committee has further questions on notice, you are happy to deal with those?

Mr Dempster: Of course.

CHAIR: Ms Mackley, do you have anything to add from your perspective on what you have heard?

Ms Mackley: I support that there needs to be an inquiry into the costs of internal production as against external production. I would also like to say that ABC staff are not against external production. In the past external productions did involve ABC staff and it gave them opportunities to learn new skills and to contribute to programs. But the model happening at the moment is that they use some of our facilities such as the ScreenWest production that was made in studio 61. Most staff did not even know that was happening. Studio 61 is a bit out of the way. Nobody knew it was even going on except for the one member of staff that was assigned to it who is a technical producer and understood how the studio works.

There is a situation now where there is one particular co-production called *Who's Been Sleeping In My House?* That was put up by an internal executive producer, when we had one, and he was advised to leave the ABC and produce it from outside. He did leave the ABC, he set up a production company and he started producing it from outside but he then ran into all sorts of difficulties. My understanding is that ABC staff are now working on it to bail it out. But they are ABC employees not assigned to that production. There is no reason at all why it could not have been produced in-house right from the very beginning. I think I put in my submission that Mr Dalton came and spoke to staff. He came only because ABC staff demanded that he speak to them and he quite clearly said that if you want to put a program idea to the ABC you have to leave.

CHAIR: Thank you both very much for appearing today.

CHANDLER, Mr Darren, General Manager, Football and Corporate Operations, South Australian National Football League

DORRINGTON, Mr Grant Stephen, Director of Football, West Australian Football Commission

NUGENT, Mr Stephen, Commercial Operations Manager, AFL Northern Territory Ltd

[12:34]

Evidence from Mr Nugent was taken via teleconference—

CHAIR: I now welcome Mr Chandler from the SA National Football League, Mr Dorrington from the WA Football Commission and Mr Nugent from the AFL Northern Territory Ltd. The committee has received your submissions and numbered them 70, 132 and 69 respectively. Would you like to make any amendments to your submissions?

Mr Chandler: No.

Mr Dorrington: No.

Mr Nugent: No.

CHAIR: I will give each of you the opportunity to make a brief opening statement, realising that we have about 40 minutes to cover each of your particular issues, with lots of questions from the senators, I am sure. Mr Nugent, we might start with the Northern Territory.

Mr Nugent: Yes. I note in the first instance that AFL NT has an excellent and ongoing relationship with the ABC, and indeed our broadcasting agreement is locked in for a further two years—we are one year into a three-year contract. However, we do have concerns that at some stage in the future, based on discussions in the football business, the broadcasting of Northern Territory Football League games could be rescinded. This is why we have made out submission.

Mr Chandler: Thanks for the opportunity to address the committee. From SANFL's perspective, we certainly welcome Mr Scott's announcement last week that the ABC is going into negotiation with us and the other state leagues for the next two years. But we would like to express our concerns for the future and highlight how important the coverage of SANFL is to the people of South Australia.

By way of context, the nine SANFL clubs that make up the SANFL competition in South Australia are the backbone of Australian football in SA. The majority of our programs that give opportunities to young people are conducted through or with the support of our SANFL clubs. Each SANFL club has the responsibility of developing a metropolitan and a country region, and this development includes a focus on talent, participation and Indigenous and multicultural programs.

The SANFL competition is focused on building communities. In doing so, more than 290,000 people from SA attended SANFL minor round games in 2011—the most since 1998. It is a very relevant sporting competition. It has had 18 per cent growth since 2005. Many of these young South Australians have become engaged by an SANFL club and have been exposed to the competition on ABC TV. This is particularly the case in regional areas. The ABC provides a means for regional SA to stay connected with its young, talented players as they progress their careers in the SANFL.

We have had a partnership with the ABC for 27 years. We invest \$60,000 per year to offset production costs and a further \$10,000 to support match day operations. In addition to this, the SANFL pays to have other non-ABC matches filmed, edited and provided to the ABC to further enhance the coverage. We enjoy a close working relationship with the ABC Adelaide sports team, which provides 90.5 hours of local production each year by televising our competition. I must say the quality of this is outstanding given the budgetary constraints.

The SANFL submission to the Senate provides some indication of the public's support in South Australia to continue these telecasts. However, since we submitted our letter on 6 September this support has come to the fore. More than 6,000 South Australians have signed petitions at SANFL finals matches, at local clubs and in their local electorates in support of these telecasts, and the number is steadily rising. Media outlets across the state have been vocal in their support for SANFL telecasts—it is front-page news. We have had terrific support from our South Australian politicians, including Adelaide's MP Kate Ellis; Greens Senator Sarah Hanson-Young; state Minister for Recreation, Sport and Racing, Tom Kenyon; Liberal Senator Simon Birmingham and senators Penny Wright and Nick Xenophon.

The SANFL hopes that the ABC board in Sydney can appreciate the importance of this decision to South Australians. The issue should not be about ratings but about what the ABC coverage of the SANFL means to the people of South Australia. In saying this, in the first week of finals this year the SANFL outrated every other

television channel after 5.30 pm, including the national news bulletins. We have always been open to flexibility in programming, such as delayed or rescheduled telecasts, in order to provide greater opportunity for South Australians to view the coverage. We appreciate the ABC has limited resources, but as a not-for-profit organisation so has our local league. The ABC must clearly understand that the people of South Australia have strongly endorsed the SANFL and its ABC coverage. Thank you.

Mr Dorrington: I also thank the committee for allowing us to come over—it is a long journey from WA—for about three minutes, I think it said. Maybe you will give me 3½ minutes!

CHAIR: We will do our best!

Mr Dorrington: The reason we are here has been expressed by Darren. We have come over to make sure that we say to you face-to-face that we really seriously take this as an issue that we want to look after. So I thank you for that, and I thank Senator Xenophon for initiating this review, which is needed.

Personally, I think it is all about balance. I sat at the back there and listened to them talking about arts and so on; but sport, as we all know, is very much part of our unique life in Australia. I would just elaborate so that people may know that the West Australian Football Commission is a not-for-profit body that runs and oversees and leads the governance of sport for women, for Indigenous and for every part of our community in the biggest state in the world—Western Australia—which has its own problems, as you would be aware. Therefore, we are very passionate about this coverage.

As Darren said, we have had about 27 years. Our state manager is Geoff Duncan, and I would like to record the work that he and his production team do. We have a terrific relationship. I think that, when you are quite a few thousand miles away from your head office, you can build a very localised and good relationship about which I heard earlier, and I would encourage people to do so. It is important for states to have their own production teams. We meet with the producers of these football events—they do take the events to the bush; we go to three games in the country—and for the country town, when the ABC arrives to cover a game, it becomes like an event. It is a tourism promotion as well. So the football match is really just part of a vehicle that the ABC supports us in to improve our communities in Western Australia.

You would all have got our submission, but I will just elaborate a couple of points out of it because I think at times we forget with sport that the old saying 'it's more than a game' is very, very true. The West Australian Football League, takes pride in making sure that we are more than just a game; we actually add to the social fabric of Western Australian life. You can take that from the north, where there are major Indigenous communities and their life is built around our great Australian game. I should say again—and we all know—that this Australian game is unique. It is indigenous, and in my personal opinion that should be heritage listed. It is about connecting people—connecting them to teams and to the social fabric. What has happened with all that with this football competition over 27 years is that communities have used the ABC coverage—top-quality coverage—as a means of adding socially to their community life. The young boy in an outlying town in Western Australia looks and sees someone from his own region on ABC playing football—I use Nic Naitanui as an example. He landed from Fiji in a street in a small town, Midvale, in Western Australia, started playing the great game and was covered by ABC TV in that journey. He has now moved on to the AFL, and he is more than just a good player; I think he symbolises the multicultural nature of our great country. The game of Australian football does carry that very strongly.

Nic played for Swan Districts and had the privilege of being on television, and to his mates in that area he was a hero. You have a top-quality broadcaster, the ABC, with no commercial side to it purely giving you this quality football competition state-wide. That young player and many other the young players use that as a means of lifting the status of their community and of trying to get their community more engaged and play.

On page 2 of my submission I have outlined some of those dividends—I called them social dividends—that football and the coverage by ABC provides. I touched on Nic, on the use of footballers in engaging Indigenous students—you have all heard of the Clontarf Foundation and the David Wirrpanda Foundation—and in getting kids to school, in which football becomes a vehicle. I am sure that in other states rugby does the same thing. But in our state football is a major vehicle, and we work through the ABC coverage to make sure that those games are used so the local boys and girls can have a look and see their role models. It also helps new immigrants—and I mentioned Nic Naitanui. There is a program for the intellectually disabled. At half-time of our games, the ABC does a 20 minute coverage of local community issues, not just football. So it can actually zero in on the intellectually handicapped and cover those things to the whole of state.

The mental health program addresses the major issue of suicide in regional areas. Remember, in WA football is the single best glue that holds our community together. Through ABC TV, we have linked in to the football a

program about suicide, along with road safety, whereby some of our game mentors can travel to your community and encourage that side of our regional life and try to reduce those tragedies. So there are a whole range of social dividends that are forgotten at times when people look commercially at a coverage. You can put a dollar amount next to a TV coverage; I do not know whether you can put a community dollar value alongside it.

People might say, 'You have the AFL.' Yes, the AFL is the glamour and the entertainment—it is the peak. But the foot soldier in the community, with the people who actually deliver the game into communities of Western Australia, metro and regional, is the WAFL competition. It is 127 years old this year and is part of our state's social fabric. It is by far the single biggest sport played and followed in our state. Therefore, the ABC's partnership with that has been very, very important.

I will claim a little more time due to distance travelled and then finish. We were preparing our submission and we thought, 'Really a partnership is about making sure both sides of the equation work together.' We took the ABC's plan, which is a wonderful plan, and married it into our submission. I encourage you to look at the next page and the heading 'Common objectives of the ABC and WA Football'. They are:

- Enrich the lives of Australians
- Generate significant community benefit
- Promote unique Australian content—
which it does—
- Contribute to a sense of national identity
it is the national game of Australia—
- Encourage health, wellbeing & education—
we have the Clontarf models and so on—
- Provide a positive experience
- Reflect the multicultural character of the Australian community

If you want to tick the boxes, the state league coverage in sport ticks all those boxes. We have been a partner and we want to remain a partner. Mark Scott's comment that it will continue for the next two years is an important statement. We also hope that that statement covers that very hard to quantify dollar value in social dividend bought by that competition. Thank you for allowing us to travel over here and make this presentation.

Senator WRIGHT: Thank you very much for what I think are fairly compelling written submissions and evidence from each of you. It strikes me that there are some really common themes in what you have all said, as well as diversity depending on geographical differences and so on. I see the common theme as being the idea of social fabric and civil society and the fact that it is much more than just a game. It actually enhances local participation rather than just observation by encouraging young people to be involved, and we know about the benefits of sport and physical fitness. Certainly, the aspects of Indigenous development and pride and all those things are very important in all three regions. While I was reading your submissions I was wondering why broadcasting is such an important aspect of the development of the game. That is what I will ask you all to address briefly. I suppose the geographic variations in a huge state like Western Australia and the climatic variations in the Northern Territory with the wet season and so on all mean that it is not always possible for people to travel to see the games. Perhaps I can just cut to the chase and ask each of you to address why it is that continuing broadcast by the ABC is so fundamental to the development and continuation of the game.

Mr Nugent: If I can answer on behalf of AFL Northern Territory—and, again, thanks for the opportunity—we suffer from the tyranny of geography and we also have a transient Indigenous population. I am sure committee members are aware that 30 per cent of the Northern Territory is Indigenous. AFLNT as the peak body is the privileged custodian of this game. We take our responsibility to the Indigenous community very seriously. The ABC broadcast has been vital in providing an aspiration for these Indigenous children. It brings the local game to a level that is considered marquee. The kids who want to play football want to make it on to the teams that play in the ABC broadcast. That is a simplistic view but it is a fact of life. It is also worth noting that family is everything to Indigenous people and, due to the transient nature of the Indigenous population of the NT, in remote communities, regional fans and outstations watching family members or teams that family members were previously aligned to play in the Northern Territory Football League is a very, very important part of weekly life.

Mr Chandler: There are a couple of points there. One is no doubt the geography. In the three states we are talking about a lot of regional areas. As I said earlier, our clubs are responsible for developing a country region each, so they spend a lot of resources and a lot of time out in that region growing participation and running programs across the board for female, multicultural and Indigenous participants. The talented players from that

region get an opportunity to come down to Adelaide to play in the SANFL competition, and the ABC certainly provides a terrific connection between those regional areas and that pathway.

The other thing is that the SANFL is the cornerstone of football in South Australia. Everything is built around this competition. The AFL was built around it and our junior leagues have built around it as a progression. Having the ABC televise it gives the opportunity for young people—and old people for that matter—to engage in and still have a connection with the SANFL competition, which, I might add, has been around since 1877. It has a huge history.

Mr Dorrington: If you ask about brand in this country of ours, they might say 'Coke'. I think that the ABC's brand, which has been built over many years, is one of absolute quality. I think that anyone who gets on there in any area—in arts, culture and, in this case, sport—actually gets the stamp of approval. The Aboriginal player from One Arm Point came down to Perth to play, and his telecast meant that the whole community of One Arm Point stopped to watch him. If I had a choice I would have the ABC cover our area because of that credibility. I think that, also, when our games are during time slots from two to five, a three-hour time slot, the commentators and the commentary add more about the game and the things around the game—'The young boy is from so-and-so; he's got this and that.' That is a bit different from the commercial coverage of professional sport. So the stamp of quality adds quality to the community.

I said earlier that, when you take an ABC telecast, as we did this year, to Karratha—and there was one down south to Albany—the town gets the stamp of quality. They have never seen a van as big as the one we have in WA, the outside broadcast. The whole ABC crew is a bit like a travelling circus in a positive form. I stress again that sometimes we tend to look at the dollars and not at the value, which is hard to measure. This sporting coverage is about a measure that you just cannot put dollars on and, therefore, one of the reasons we hope it is maintained for a long, long time.

I will also add—and people will say it is one-sided—that I have calculated that over the last six years we have put about \$300,000 into our support. You might say, 'How does that go?' There is a new club facility in Mandurah and a place called Bendigo Bank. The ABC said that, to get better television coverage and workplace safety, we need the cameras on the roof. So the Football Commission invested in the roof, in the covers with the proper workplace. We have something like a \$60,000 or \$70,000 investment to enhance the coverage and to enhance the partnership. It is truly a partnership both ways.

Senator BILYK: You mentioned the outside broadcast vans. What would happen to the outside broadcast vans if your shows were not to be put to air? I have heard people say that it would lead to ongoing problems with coverage in areas such as Anzac Day and other significant events. Have you got any comments to make about that?

Mr Dorrington: Only from our relationship, and as I said we have got a very good relationship with the team. I make that comment because we are a long way away. The van is one of the very best vans in Australia. They move around; in fact, I think the van used to cover AFL football is contracted out. The comment was made to me that if the van goes it goes, and it goes back east. I think that Western Australia needs to have its own van. It has its own personality. I would say that if the van goes there would be very little coverage of outside activities—Anzac Day perhaps, but I am not an expert on that area.

Senator BILYK: I ask because I am a senator from Tasmania and I have got grave concerns about what would happen to our van. I think it would probably be similar to what I would expect to happen in the west.

Mr Dorrington: I do know, Senator, that one of the issues with the new van—and in our state we have got a very big van—is that the size of it meant that the clubs had change where the van was parked. It meant knocking down fences, redoing grounds and all that. That is the movement in technology. Why? I will say again: absolute quality ABC coverage. Our commitment if we want to have it is a trade-off. We need to make sure we do it as well. But it is a magnificent van.

Senator BILYK: And goodwill from the clubs as well, I would presume, in having done that.

Mr Dorrington: Very much so.

Senator XENOPHON: Thank you for your submission and also from the Northern Territory as well. I am just a bit concerned by the statement from the ABC, from Mr Scott of 22 September. I think you both said that it is good that there is some dialogue and negotiations being entered into, but are you concerned by the comments in that statement that, for instance, 'we have had to reassess our connection with some sports because of audiences, programming choices and costs'—that covers the field, doesn't it? And also there is the statement, 'Our strategic priorities are towards the Paralympics and women's sport.' What information do you have that the crunch is on in terms of the long-term viability of these sorts of local broadcasts?

Mr Chandler: We have not yet met with the ABC. We will be doing that in the next two weeks. Obviously with those statements there is a concern that they will be looking for significantly more investment or cost-cutting measures—we are not sure. It is certainly a concern, and we would be hoping that we can negotiate a good outcome for all and still deliver a quality product without making a burden on the SANFL and football in South Australia.

Mr Dorrington: At the present time we pay—and I think South Australia are the same, so we are speaking together—\$70,000 to the ABC as part of our support. I do not know how many of the arts, culture and other groups pay that sort of contribution. We know that coverage is a lot more than that and as I said earlier it is wonderful coverage. But the negotiations mean you could take it any way you want to. 'Look, you've got it for two years, but it is now worth \$300,000. Sorry, we can't afford it.' Which we cannot. So I think with the word 'negotiation' over the next few months we looking to find out it actually means. If you drive it hard enough you can actually stop it from happening. We are hoping that that is not the issue behind it. The ABC sees this as a little bit more than just a dollar exercise. I know they have got a business, but I must say there is a concern about it.

Senator XENOPHON: It is funded by the taxpayer. It is not a business as such.

Mr Dorrington: It is funded by taxpayers, and that is why we are here to make sure we support—

Mr Nugent: Senator Xenophon, if I could just speak on behalf of AFL Northern Territory, the Northern Territory football league has never been more popular. Our participation figures in the Northern Territory have never been higher. I am probably stating the obvious when I say that AFL football has never been more popular nationwide. If we have had these broadcasts for decades, I would just be very grateful if the ABC could demonstrate why now is a pertinent time to cut back on broadcasting grassroots football.

Senator XENOPHON: I think that is a very good point. If you could all keep us posted as to your negotiations, I think the committee may find that useful.

Mr Nugent: Thank you.

Mr Dorrington: We will do.

CHAIR: I had the great pleasure of going to our local football and netball grand finals on Saturday in Bendigo, which were fantastic, so I fully appreciate how important grassroots footy is to communities. Do the SANFL and the Northern Territory have the same programming as WA, where, during half-time, there is an opportunity for communities to engage with the locals?

Mr Chandler: We have used it as an opportunity to promote our under-18 talented player pathway, which gives a great opportunity for regional and metropolitan players to be put on show and highlight the young talent coming through the system. That young talent includes Indigenous players and multicultural players and is the pinnacle of all the programs we have on show prior to that.

CHAIR: So it is like showcasing the rising stars.

Mr Chandler: That is right.

Mr Nugent: In the Northern Territory, football does not go out live. We show the full game on Sunday but we have a condensed half-time. But we would view the game itself as a good showcase for Indigenous role models, based on 60 per cent of our participants in each drawcard generally being Indigenous. It is certainly quite an interesting opportunity for us to maybe showcase other aspects of our operations and junior outcomes in the NT.

Mr Dorrington: I would like to add that our half-time program covers mentors, too—the ability to show a local. One example is womens football, which is the most rapidly growing part of our game in Western Australia. It is fantastic. You find someone in that area who is doing very well and then showcase them with an interview at half-time. It crosses gender and does everything, so it is a fantastic 20 minutes of promotion.

Mr Chandler: I should add that we had a classic example in about round 20 this year, when we bought two lads down from the APY Lands. It was the first time they had played senior football in the SANFL competition. It was a great story and the ABC covered that at half-time, which was showing how they both played in the reserves before the league game, and they showed highlights of their journey and their performance. It was amazing to see that for the first time, after three years of work up in the APY Lands, we were able to bring two lads down to play at a club and to show that exclusively on the ABC.

CHAIR: Fantastic. I want to ask about broadcasting on radio of local competitions. Does the ABC broadcast locally your local games or the game of the week?

Mr Chandler: In South Australia the ABC, with the SANFL, covers four or five games a year. It covers our finals and then covers games that fit in with its schedule during the year.

Mr Dorrington: In our state ABC radio covers every game, which is fantastic. There are some people out in regional WA who do not have a television in their tractor or they are driving cars, so the radio gives the whole coverage. If you can get to a TV, watch it; if you cannot, listen to it. I will say again: they are both absolutely top-quality coverage and are greatly respected by all the communities in WA. In fact, I think the ABC radio coverage is the highest rating coverage on radio in terms of football.

Mr Nugent: The Northern Territory is the same call. We get one game a week live, covered by radio. The same call is done for TV and radio by Charlie King, who is an immensely popular and super professional broadcaster.

CHAIR: So there are obviously local broadcasters for your games. Are you football-netball clubs, or are you just football clubs?

Mr Chandler: In South Australia we are just football clubs, but nearly all the SANFL clubs have an alignment to the state league netball as well.

Mr Dorrington: That is the same, as you would know, in regional WA, and you mentioned Victoria. The alignment of netball, football and hockey sports is very much one. Again, we are part of trying to make sure that we get an increase in that alignment, because it benefits the community as a whole.

Mr Nugent: Our state league team, the Northern Territory Thunder, who have been very successful this year by winning the North East AFL, are closely aligned with the Northern Territory netball team.

CHAIR: My final question is on the financial contribution that each state makes. South Australia, you say \$200,000 over three years?

Mr Chandler: Yes, it is \$60,000 a year, plus each year we spend about \$10,000 in operational costs—scaffolding and those types of things—at the venues to make sure that good production can continue.

CHAIR: And that is a negotiated cost between you and the ABC?

Mr Chandler: That is right.

CHAIR: It is reviewed every three years?

Mr Chandler: It has been in the past, yes.

CHAIR: Right. When is it up for renewal?

Mr Chandler: It is up for renewal right now.

CHAIR: Excellent.

Mr Dorrington: Our money is the same. That is one cost. The other cost of \$300,000 was what local governments, the football clubs and the Western Australian Football Commission add on top of that to make sure that, for example, the new van gets in—it cannot park in the dirt so you have to dig it up—

CHAIR: To facilitate the ABC; it is the infrastructure.

Mr Dorrington: Yes. If they come along and say, 'We can't get the stuff up the top because of workplace laws,' then we work with them in a partnership to make sure. It is a very good partnership of shared costs, as well, to a point.

CHAIR: Thank you.

Mr Nugent: In the Northern Territory, we pay an annual fee of \$15,000. To further demonstrate the good relationship we have with the ABC, we agreed that it would broadcast the Indigenous All Stars game that was scheduled to be broadcast live from Alice Springs in February this year, but which was unfortunately cancelled due to adverse weather. That will be a national live broadcast in all states and territories, and there is no commercial agreement between ABC and AFL NT for that—it is in good faith.

CHAIR: Thank you. Would anybody like to make a comment on the Tasmanian AFL scenario? Is it similar to your experience?

Mr Dorrington: What we have stated here is echoed across—you heard from the Northern Territory. It is such a big country and there are different needs. We have travelled down to Tasmania for state games and we find the same connection. It is an historical competition there. If Tasmania were sitting here, I would venture to say that they would mirror all the comments we have made—along with Victoria who are in it as well.

CHAIR: Finally, we have heard evidence today about the strategic decision making from the board of the ABC. From the press release, it sounds like the strategic decision around sport is to showcase women and Paralympians. Has there been any consultation with you around that change in strategic focus?

Mr Chandler: Certainly not from South Australia.

Mr Dorrington: No.

Mr Nugent: Not, as yet with AFL Northern Territory.

Mr Dorrington: I think that is where the relationship can get even better. When the ABC has a movement towards greater coverage of women, we have the vehicle here, whether it is netball or female football. The closer we can work to achieve the outcomes of their plan the better. That does not cost money; it just takes a little bit of consultation. I do not think that has happened at the highest level and I would hope that it happens in the future, because WA is waiting.

CHAIR: Thank you very much, gentlemen.

Mr Dorrington: Our pleasure. Thank you for having us.

Mr Nugent: Thank you, senators.

Mr Chandler: Thank you.

Proceedings suspended from 13:08 to 14:02

BOOTH, Mr Ian, Chief Executive, ScreenWest Inc.

CHAMBERS, Ms Tania, Chief Executive, Screen NSW

HARRIS, Mr Richard, Chief Executive Officer, South Australian Film Corporation

Evidence was taken via teleconference—

CHAIR: Welcome. The committee have received your submissions as Nos 140, 129 and 189. Does anyone wish to make any amendments or alterations to your submissions?

Mr Harris: No.

Mr Booth: No.

Ms Chambers: No.

CHAIR: Thank you. Does anyone wish to make a brief opening statement before we go to questions?

Mr Harris: No, I have no opening comments, other than what is in my submission.

Mr Booth: I would just like to add that mine was the shortest of the three submissions on behalf of the state agencies. I certainly endorse the statements that have been made by Richard Harris and Tania Chambers on behalf of their organisations. I think the issues are very similar across each of the state agencies.

Ms Chambers: Nothing to add to my submission, thanks.

CHAIR: Thank you. We will go to questions.

Senator XENOPHON: Mr Harris, can I ask you this. It is not a criticism of the South Australian Film Corporation. Obviously, you have entered in good faith to negotiate with the ABC in terms of the coproduction arrangement but is it the case, in terms of The FACTory coproduction arrangement, that essentially the intellectual property rights for the programs is largely held by the South Australian Film Corporation? Is that right?

Mr Harris: No. The rights will actually be with the production companies themselves. It is worth noting that any initiative that we are not, by our business, in the business of copyright holding ourselves or of being a production company ourselves. We engage with local production companies to run initiatives and invest in those production companies that come to us with projects, but the idea is that those production companies will themselves hold the rights and will exploit those rights if—

Senator XENOPHON: Sorry, Mr Harris, but you may need to speak up a little.

CHAIR: Excuse me, Mr Harris, but could you please speak up a little as you have faded out.

Mr Harris: I am sorry. Maybe it is my phone line. I will try and speak up.

Senator XENOPHON: To clarify that, essentially the ABC has entered into an contractual arrangement with the South Australian Film Corporation as a 50 per cent financial partner; is that right?

Mr Harris: I cannot tell you the exact percentage but I think we are pretty much close to 50 per cent partners in the entire initiative. We both put money in. The ABC is also putting some of its internal resources into that. But we are both co-investors in that initiative.

Senator XENOPHON: But is it fair to say that virtually all of the ownership of the programs produced will be going to the private production companies involved?

Mr Harris: I would not say virtually all but I would say a significant amount.

Senator XENOPHON: What do the private production companies get and what would the ABC be left with?

Mr Harris: It is important to recognise there is a difference between ownership and what they are able to exploit in terms of rights. For example, I think we will be copyright holders with the ABC but the idea is for those production companies to have the rights to then sell those series, from which the ABC and ourselves will also get some recoupment. It is not a case that we are simply handing over all of the rights to those production companies. We will all be sharing in them. But it will be primarily the role of the production companies to go and exploit those rights in other markets.

Senator XENOPHON: And they will get the benefit of any sales; is that right?

Mr Harris: Yes. The benefits will be shared. Generally, what the South Australian Film Corporation does is this. We try to maximise the amount of rights that we can get to those production companies to allow them to build their businesses, and this initiative was developed specifically to develop a number of smaller production companies in the hope that they would actually use this as a professional development opportunity to move

beyond smaller documentaries that they might be making into making more substantial series. We want them to actually build their business so that they become more established.

Senator XENOPHON: In terms of the arrangement with the ABC, does that involve, in 2012, 12 half-hour episodes of material being produced or more than that?

Mr Harris: I think that is right. The original idea was to be producing more hours but, as we have moved into it, we have actually increased the budget of each of those series per hour so that they will be making that, and I think 12 is right.

Senator XENOPHON: Can you tell us what the budget will be for each episode?

Mr Harris: I might have to get the details of the series back to you if that is okay. I can bring the whole deal to the committee if you like.

Senator XENOPHON: Sure, so if you can take that on notice. Finally from me, Mr Harris, in terms of these negotiations with the ABC, when was this idea brought to you or did you bring the idea to the ABC? What was the sequence of events?

Mr Harris: The sequence of events was that the ABC approached us—I think it must have been a little bit over a year ago now—and said that they wanted to run an initiative in South Australia with South Australian production companies. There had been many discussions over many years about different initiatives that could be run. They said that the difference between this initiative and other initiatives that had not worked was that they wanted to run one where they actually stood together with us. They did a series of workshops, they sought ideas and they wanted to come and actually meet with the production companies.

They took a series of producers through a series of workshops that happened during March this year. An outcome of those workshops was that they chose those production companies and ideas that they wanted to support. From those, they shortlisted and ended up with two. There is a third one that they also want to follow up sometime down the track, but they were not able to go with that initiative. So from then on it was a case of working through the two series that they have green lit, essentially.

Senator XENOPHON: Is there any requirement in the contractual arrangement for you to use or co-opt ABC producers internally, or is that at the discretion of the production company?

Mr Harris: There is no co-opting of ABC producers. I do know that part of the arrangement there was for the SAFC to commit a certain amount of money and for the ABC to commit a certain amount of money—roughly 50 per cent for the initiative. But part of the ABC's investment involved internal use of ABC facilities and resources. That was part of what they brought to the table.

Senator WRIGHT: This is Senator Wright from South Australia, but perhaps you might all like to have a go at answering this question: it does not have to be the South Australian representative. I am interested in the process that is behind the decision to fund, and which particular production companies might be granted funding. The first part of my question is: to what extent is the decision to fund based on a consideration of likely ratings and sales overseas? What sort of considerations are there?

Mr Harris: I will start off, then any of my colleagues can join in because I think we are relatively similar. Our decisions are driven to a very large extent by which broadcaster or marketplace is involved. We will look at a project that comes to us and we will take into account what marketplace is involved, how the finance plan works, what level of expenditure is happening in South Australia or other states, the creative potential of the project and the market potential of the project. The market potential of the project is partly to do with the marketplace and it is partly to do with whether we think it might do well at a festival or internationally in terms of sales. But certainly from the South Australian Film Corporation's point of view—and I think we are similar to many of the other agencies—all of these matters are taken into account. We are not driven to a large extent by, 'Do we think this is going to get massive ratings?' If we see the ABC, Channel 9 or Channel 10 involved because they want to bring their marketplace to bear and bring finance to bear to make the project, we take it as read that they have made their own call as to whether this is going to be successful in their schedules.

Senator WRIGHT: Thank you. Would either of the other people there like to comment on that?

Mr Booth: I would just like to add that I suppose most of the time the state agencies are very minority investors in the projects. We might have selected one from a development stage as being something of potential that we could see being made, which has a clear financing plan and, in our case, which is going to have strong benefits to Western Australia. But at the end of the day, we are a five to 10 per cent investor in the total budget of the project. The planets have to align for the other 90 per cent for the project to have achieved finance. There is such strong competition—it is so hard to finance productions that, at the end of the day, the market has driven the

choice. The only other comment I wanted to make was that in some situations there are special initiatives that each of the state agencies run for particular reasons that have a different focus of attention. To give you an example, we run some Indigenous initiatives where we provide more funding than normal and we are expecting outcomes that are about individual practitioner development as well as strong cultural outcomes, which gives the state agencies a bit more of a say in the overall process because we are more of a funder.

Senator WRIGHT: Thank you. Ms Chambers, do you wish to comment?

Ms Chambers: Again, I would support the comments of my colleagues in the other states. I think a useful way to think about television financing and television production activities is as a jigsaw puzzle really with a number of different pieces that need to fall into place. As Ian Booth has explained, the state agencies tend to be a small part. Once the project has been strongly developed and is ready for consideration for the market, when the key market players like the ABC as a broadcaster can decide whether it genuinely believes that its audience is going to be attracted to and kept by this story, I think you find that the first deal is quite fundamental. So the notion of a local Australian broadcaster being prepared to buy a television project tends to be the trigger for other partners, whether around the world or distributors or for the state and federal funding agencies being involved. That probably gives you an indication of the sequence of events.

As with the other states, we have a fairly holistic approach to looking at which projects we choose to invest in or not, and certainly we are always looking at it from a 'What's in it for New South Wales?' point of view. In a more articulate way we are looking at how this particular project strategically fits into making the New South Wales industry more robust. That may be through jobs for people. It certainly can also be through the strength of the production company and the opportunity to mix lesser and greater talent together. So there is the notion that this industry is something that is a balance of different factors rather than it being something where you have a weighting of a particular area, with the decision made in a tick-the-box manner. It tends to be something where you look at what else is in the marketplace, what funds you have available and then you apply the criteria in a holistic way to it.

Senator WRIGHT: Thank you. The other follow-up question is that I am interested about to what extent small, truly independent producers might have an opportunity to be involved as opposed to more established production companies. I do not know whether this might be a question on notice.

Ms Chambers: I think it is a good question and it certainly depends on which genre of television. It may be that in one-hour documentaries there is more opportunity for newer players to come to the table than there is in longer running series, and that is not dissimilar to other industries where, if you have got a large amount of money and a large amount of responsibility, you like to know that you have got people who have delivered before. Certainly when you are looking at children's television I think you would say there are quite a diverse range of production companies, greater and lesser experienced, right across the range there, and the ABC has been one of the great influences on Australian content in that respect. When you look at prime time drama, for example, I think you tend to find a smaller number of major companies that would work with various broadcasters.

The exciting thing for me about the ABC is that it actually does take risks and it is prepared to work on shorter running series than the commercial networks, for example, or some of the pay TV players. You do tend to find that there are some very large commercial companies that tend to bunch up with the commercial networks. Then you would have a rather diverse range of companies for the ABC. Just looking at prime time drama, for example, in the 2009-10 year, the company behind *Rake*, Essential Media, was previously known really as being a factual producer. So, whilst it has a strong track record, that company had a less-experienced track record in drama. Now of course we have just funded the second series of *Rake*, which we are all looking forward to seeing. In contrast, if you look at the TV series *Paper Giants: The Birth of Cleo*, which many people watched, that was an experienced company but again with a different range of creative talent to the ones that may have been involved before. So it is a question certainly worth asking. In the Indigenous area, you would have quite a broad range of new talent, new voices and then some of the much more consolidated, stronger production companies as well. I think it is very important, particularly in the overall strategic context of Australian television, to see what the role of the ABC is and what types of projects it does that are different to what is offered elsewhere.

Mr Harris: We are involved in a whole range of projects with producers of different skill levels. In the last four years in South Australia our focus has been very fairly and squarely on developing new talent in South Australia, which for many years was very overlooked. We have put in place specific initiatives like those that Ian was talking about earlier, including FilmLab, which was specifically dedicated to giving emerging filmmakers a shot at a higher level. We have had a little bit of early success on that. We are very happy about that.

It is also important to look at something like The FACTory. We have some filmmakers in South Australia who have made shorter, half-hour documentaries and bits and pieces of work—short films and so on. The FACTory

suddenly offered the opportunity to do something which took those emerging filmmakers and put them on a platform that allowed them to do work of scale and work that could showcase both their talent and their company at a national level. That is where we were driven in terms of that initiative. Once they become established, we will look at whether to do a similar initiative. That is where those sorts of initiatives are derived from.

Mr Booth: I agree with what Tania and Richard have said. With the additional digital channels and the online crossover, there is now more potential for the truly independent producers to get in the mix on the ABC than there was in the past. There are more opportunities out there. In comparison to any of the commercial channels, many more opportunities are open.

CHAIR: Mr Harris, can you comment more broadly on a statement you made in your submission. You stated that the ABC's core business is broadcasting rather than those activities that support its broadcasting role. I would like your comments to take a historical perspective.

Mr Harris: When I look at the charter to see what the ABC is to do—the way you judge the ABC—I see that its key role is to provide comprehensive broadcasting services and programs that speak to cultural identity, inform and entertain, and reflect the cultural diversity of the community. From our—and the charter's—point of view the key role of the ABC is what is on its schedule. I do not believe Australian audiences particularly care. If there is a great program, they are not fussed as to whether it comes from within the ABC or outside the ABC. This is not me arguing either way; I am just talking about the principle of it. Forty years ago, before the South Australian Film Corporation or other agencies were invented or the independent sector became viable, there is no doubt that the ABC was the place, along perhaps with Film Australia, where people would be trained and developed. It was where the programs were made. There was a certain level of quality in the ABC with which people were comfortable. Over time it has become both economically clearer and creatively clearer that in fact there is a great value in sourcing those programs from wherever is the best place that they can come from, and there is nothing that says that they cannot come from outside the ABC.

So, from my perspective, just looking at it historically there is no doubt that the ABC was a great training ground—that it was a place where many of these producers who are now in the industry were trained—but the world has changed, and it has changed not just in Australia but also across the globe to the extent that those companies are now training their own and they are developing. The ABC remains and must remain a key broadcasting organisation, and that must be its fundamental role in its charter, but as to those things that it does to support that programming—it used to be internal production—by definition there is nothing that says that that must be what it must do in order to make sure those programs are on air.

There are some programs, such as news and current affairs and other programs, that I do believe it fundamentally makes sense the ABC do in order to ensure that they have the right level of integrity and independence and so on. But I think that in many programs which we and the other agencies support in the areas of drama and entertainment and so on there is no definitional reason why the ABC must do them. The ABC has to make its own decisions as to how it best wants to use its resources to make sure it remains the broadcaster we all know and love.

CHAIR: Thank you, Mr Harris. Mr Booth or Ms Chambers, do you have anything to add to that?

Mr Booth: No, I do not.

Ms Chambers: I do not either, thanks.

CHAIR: Just following on then from the comment about independence and integrity, is your assertion that the pathway of independent production is equally independent—that there is no pathway to tampering with its independence by pay TV providers or other people playing a role in deciding what gets pitched and what does not?

Ms Chambers: The independence of the content that is pitched to the ABC and made for the ABC is regulated, obviously, by their advertising and sponsorship guidelines parameters and is certainly monitored very closely, as I understand it, to ensure that there is no inappropriate influence over the content that is broadcast by the ABC. Certainly, there can be quite a marketplace competition for content, and I think that, unless there is a partnership, the notion of pay TV or otherwise does not really influence that other than normal market forces.

Mr Harris: I think my point is really is that there is a qualitative difference between certain types of programming. I think that news and current affairs, because information has to be dealt with on a daily basis and has to be dealt with in terms of all sorts of checks and balances in a very immediate sense, is a very particular type of programming and I think there is a very clear reason why the ABC would not want to rely on people external to itself for that information. There is a very clean need for the ABC to maintain a level of quality news journalism across its organisation. From our point of view, that is pretty undeniable.

I think, looking at these other programs, that there is clearly a role that the ABC must play in commissioning and buying programming that meets its charter. It has a very strong editorial role to play, and it can either be making it internally with the best ideas and the best people or making it externally with the best ideas and the best people, always with an eye to the charter and always with an eye to whether audiences actually want to see the programming that they make. I think there is a clear distinction between those sorts of programs. Ask any independent producer about the extent to which the ABC maintains a role and has a view about how that programming works or does not work and when it goes to air or how it goes to air. I think the ABC must maintain that because it is a broadcaster. This is no different to what the BBC does or SBS does. The evidence is there from the many, many great independent programs that have been made across drama, documentary and entertainment to show that the ABC can make great programs with the external sector, just as it can great programs internally.

CHAIR: We are out of time, so thank you very, very much for your presentation today.

Mr Booth: You are welcome.

Ms Chambers: It was our pleasure, thank you.

Mr Harris: I will get back to Senator Xenophon and the committee with the details of The FACTory initiative.

CHAIR: Thank you.

Proceedings suspended from 14:32 to 14:37

INGLETON, Ms Sally, Company Director, 360 Degree Films

MORROW, Mr Julian, Executive Producer, Giant Dwarf Pty Ltd

MURRAY, Mr Nick, Managing Director, Cordell Jigsaw Productions Pty Ltd

ROSEN, Mr Brian, President, Screen Producers Association of Australia

CHAIR: Welcome. The committee has received your submissions Nos 171, 27 and 139. Would anyone like to make amendments or alterations to your submissions?

Mr Rosen: No, I do not have anything to add at this point.

Ms Ingleton: No, that is fine.

Mr Morrow: No, although I should just clarify that the submission that we have made is from five independent producers. I am actually from Giant Dwarf, there is also Andrew Denton's company Zapruder's Other Films, Princess Pictures and Token Artists. The five of us are separate companies, but we have put in a joint submission. I do not work for Nick, is what I am saying.

Mr Murray: I do not work for Julian—

CHAIR: It is on the record.

Ms Ingleton: I have also added a bit of information to my submission. I have given a handout of some statistics about natural history programming at the ABC in the last number of years. I can talk to that in my few minutes.

CHAIR: Okay, that is fine. You would like that document tabled to the committee?

Ms Ingleton: Yes, please.

CHAIR: If the committee is happy to accept that, it is so ordered. Nick, you are fine with your submission?

Mr Murray: Yes.

CHAIR: Would everyone like to make a brief opening statement? Mr Rosen, do you want to start?

Mr Rosen: I would like to look at the history, as Mr Harris did, and go back into the seventies about the ABC. I worked for the ABC from 1972 to 1977. At that time in about 1974, producers and directors who were all full-time employees and part of the Public Service decided that they wanted to have greater creative freedom but also the ability to work across the spectrum, to work outside of the ABC, because they felt that would be beneficial to their artist and creative work. That was the beginning of a change within the ABC, that most of those directors and producers, especially in TV entertainment and drama, become contract players. Part of this review is about the resources within the ABC. It is also about financial arrangements within the ABC and the amount of money that goes into infrastructure. I left the ABC in 1977 and at that time what tended to happen with the money was that it would come at the beginning of the financial year. We made shows like *Flash Nick From Jindivick*, *The Norman Gunston Show* or *Aunty Jack*—these were the shows I worked on at that time—for six months of the year and in the other six months we were on full pay doing nothing. We always felt that was a great waste of resources because it meant the money for programming had been spent, but we were all on a salary. For me, I had more to do in my life than to sit around for six months waiting for the next batch of money to come in. The direction of the ABC over those last 30-odd years has seen it become more streamlined and it has worked with the outside creative community, which has given it a much fresher approach to programming. I think better programming has eventuated from that.

Ms Ingleton: My submission was more from a personal perspective as an independent producer. It is great that the public are concerned about the ABC and its programming. It shows the importance of public broadcasting in this country. I can understand this concern but, as a program maker, I want to reassure the committee that the future of the ABC's content is in good hands. I have been an independent producer for about 25 years, running a small production company from Melbourne. I make documentaries of all genres, mainly for the ABC and SBS but also for a plethora of international channels, including the BBC and National Geographic.

I have always wanted to make nature programs, but I was never really given that opportunity until 2007 when the ABC decided to close down its in-house natural history unit and open up the genre to the independent sector. It is an interesting comparison with the current situation. For over 30 years the in-house ABC natural history unit was responsible for making nature programs with a small group of dedicated staff. When it was announced that the unit was going to be closed down there was a public outcry. Many predicted it was going to be the end of Australian-made nature programs because no-one would have the same expertise. Quite to the contrary, a whole

group of program makers lined up at the ABC doors with ideas, and I was one of them. Finally, we had a chance to tell our own stories about wildlife and our unique environment in a fresh and diverse way.

In the handout that I have given to the committee there are some statistics. In the last few years of the ABC natural history unit there were 11 internally commissioned programs. The ABC contributed \$4.5 million of a total cost of about \$5.5 million in production budgets—in other words, the ABC paid for almost the entire program. In addition there were only four hours of independently prepurchased documentaries. Since that model changed, the ABC has commissioned 30 hours of nature programming from 20 different projects. These were for both single hour programs and series. These programs have been made by 13 different production companies, each employing numerous contractors, many of whom were the former employees of the Natural History Unit. The ABC contributed nearly \$4 million to the production costs of these projects, which had a total production value of over \$20 million. This means the ABC dollar has gone nearly five times as far as it did in the days when the ABC natural history unit operated. The extra money has come from a range of sources, some of it from government funds such as Screen Australia and the state agencies but, critically, it has also come from foreign broadcasters such as the BBC, National Geographic, France TV, PBS and numerous European channels, who have all embraced this new model and who have applauded the fresh story-telling styles of the new players in the genre. Nature is quite specific because it is international, whereas arts and culture and so on are more specific to the domestic market, but I still think it is worthwhile making that comparison.

I could go on to talk a bit more about my situation, but maybe I will hand over to the others and we can come back with some questions.

Mr Morrow: Thanks very much for the opportunity to address the committee. In much of the public discussion about the ABC including that at this inquiry, claims have been made that working with independent production companies erodes the ABC as an institution and decreases the quality of programming. As an independent producer, I do not believe that is true. I believe that what is happening is simply an evolution of the public broadcasting model. In fact, working with external production companies is essential if the ABC is to remain a dynamic, creative, innovative public broadcaster of quality programming.

The most compelling proof for this is simple. It is the programs themselves. I do not think it is credible to suggest that dramas like *Sea Change*, *Blue Murder* or *Rake* or satirical comedies like *Frontline* or *The Hollow Men* or *Summer Heights High* or interviews by Andrew Denton on *Enough Rope*—so these programs which are much loved by the ABC's audience—are bad for the ABC because they were not made internally. Shows like those, and we have listed many more in our submission, are only made because the ABC engages with independent production companies. There are, of course, many excellent programs that are made internally at the ABC as well, programs like *Q&A*, *MediaWatch*, *Compass*, *Catalyst*. Different content is going to appeal to different parts of the incredibly broad and diverse ABC audience but ultimately what matters in television content is the quality of the program, not the production model that sits behind it.

ABC audiences themselves do not distinguish between internally produced shows and externally produced ones. Often they are not aware of the differences. They simply think of ABC programs, plus, I suppose, whether they enjoy them. ABC audiences enjoy quality. Indeed, they demand it. External productions do not undermine the ABC charter or ABC values. I think it is important for the committee to understand that as independent producers we bring projects to the ABC because we believe in public broadcasting and the program-making values that go with public broadcasting. We know the ABC offers the best creative environment in which to make innovative, challenging and entertaining television so we do not come with an agenda to commercialise; we come because we want to be part of the ABC's editorial environment. It is important to note that outside news the ABC charter is actually silent about whether programs should be made internally or externally.

External production does not undermine the ABC editorially. The systems for ensuring that a program lives up to the charter and ABC editorial policies are exactly the same regardless of whether it is internal or external. If anything, and I speak from some experience here, external productions get greater scrutiny. There are many benefits from engaging with external producers. We have set them out in detail in our submission. Many of the traditional functions of the ABC, like industry training, can be done as well as or better by independent producers. That was certainly the route that brought me to the ABC, through Andrew Denton's independent production company, Zaprunder's Other Films. Andrew has been doing that with *Hungry Beast*, and we have tried to do that with productions involving Lawrence Leung, a Melbourne comedian, as well. So there are many new ways to provide industry training.

Fundamentally though, and I think this is the most important point, working with external producers massively enlarges the pool of creative people who are available to the ABC. The number of people who can contribute to the national broadcaster increases to anyone with a good idea and the skills, passion and commitment to make it

happen. So engaging with the independent sector is about unlocking the creative potential of the entire country. Creative industries, given the nature of creative enterprises and their varying prospects of success and quality, are how it should be and that is good for the ABC. For the ABC, making content in partnership with external producers means a different way of structuring its affairs. Making that adjustment can be difficult but the ABC can and does protect its best interests, both creatively and commercially, in this new environment. The ABC faces lots of competing challenges. First and foremost there is maintaining quality, dealing with the increased volume of content that the digital age demands, ensuring a good mix of specialist programming and shows of general appeal—especially ones that attract and retain a new younger generation of ABC audience—and also reflecting the diversity of Australia and making sure that the regions have both a national voice and vibrant local content industries. All those things can and should be dealt with, but it is a mistake, and it ignores the reality of the way much loved ABC content is made, to think that internal production is the only or the best way to address those issues. The mix of production model is the one that works, and engaging with the independent production sector allows for a broader engagement with companies that will strengthen the ABC and improve the quality and diversity of its output.

CHAIR: Mr Murray, you might want to say something?

Mr Murray: It is unfortunate that this inquiry has been billed as an external versus internal programming discussion. I think we all support the notion of a mixed model. We really respect internally produced shows, and the ABC creative staff responsible for them.

The ABC is the only organisation in Australia which is capable of delivering cultural and entertainment offerings to the entire population free of any commercial consideration. That is a really heavy burden, and I think they manage that very well at the moment. In the last few years ABC TV has morphed from the operator of a single channel to one which now broadcasts four separate high-quality nationally available TV networks, plus countless online offerings. Two of the new channels, plus online, were largely not funded by increases in the triennial funding. Instead they have been funded by spreading the ABC's existing resources thinner, and that is the nub, I think, of why we are here today.

ABC TV is the shop window of the ABC. It is the area that Australians identify as 'the ABC'. The most popular shows on the ABC are entertainment shows, and that is the area where the ABC is making programming changes. It is also the area where drastic funding cuts are impacting hardest. Those cuts amount to 40 per cent in real terms in the last four years of the commissioning budget for entertainment programs. There just is not enough money, so something has to give.

The issue is complex, but really comes down to how much flexibility ABC TV management should have in managing a dwindling budget. Unlike any other broadcaster in Australia, the ABC maintains a large infrastructure of production facilities in every state: studios, edit suites and a fleet of outside broadcast vans. We have heard the sport guys this morning say that they are the best OB vans in Australia, and that may be the case. However, none of these things are responsible for the generation of new ideas. The new ideas are the essential aspect of making TV shows, not the equipment that actually broadcasts them.

As an example, the outside broadcast vans are mainly used to cover local sport. While I agree with most of what has been said today by the sporting bodies, local sport is still the most expensive program genre on the ABC. Even without factoring in the capital costs of the actual equipment, it is 10 times more expensive per viewer to broadcast than entertainment programs and that figure rises to 100 times in Tasmania.

Senator BILYK: Sorry—can I just interrupt there to ask where those figures you are talking about now come from?

Mr Murray: Those figures come from internal ABC costings, presumably. I do not know.

Senator BILYK: Okay. Can we get them tabled? Are you able to table those figures that you are talking about now?

Mr Murray: The ABC must have all that stuff.

Senator BILYK: Okay, but you are talking about them, so you must know them as well?

Mr Murray: I have anecdotal information from those people that we talk to—

Senator BILYK: Anecdotal—okay.

Mr Murray: But you will find that it is true—do not dismiss me as if that is not true. They are true figures.

Senator BILYK: No, I get that—

CHAIR: Can we just let Mr Murray finished his opening statement and then you can go to questions?

Senator BILYK: I would like to get a copy of the figures Mr Murray was referring to. If he is referring to them, he must have them.

Mr Murray: They were in the paper the other day, actually.

Senator BILYK: The newspaper?

Mr Murray: Yes.

Senator BILYK: Trust me, I am a politician—I do not necessarily believe everything I read in the newspaper.

Mr Murray: Okay.

CHAIR: Mr Murray, if you could just finish your opening statement?

Senator BILYK: Sorry. I think that is important.

Mr Murray: I suspect part of the reason for the cost is the fact that the crews who are working on those OB vans actually only work for one or two days a week whilst being paid full-time, and probably more than full-time because most of their work occurs on weekends when they are being paid penalty rates. It is not the broadcast of the sport itself that is inefficient, it is the huge cost of maintaining the OB vans in every state. It is much cheaper to hire OB vans and crew in. The ABC is the only broadcaster in Australia which owns outside broadcast vans. Owning vans and owning studios are not core ABC activities and, not surprisingly, are not in the charter nor in the act.

I support the notion of regional voices being heard on the ABC, but the types of programs made must be appropriate for the location. There is no justification for virtually unused studio to be maintained in Perth when the most successful genre to come out of Western Australia is factual programming, which does not need studios. The recently cancelled shows *Can We Help?* and *Collectors* from Western Australia and Tasmania do not feature uniquely state-based content. They are generic shows and they could be made anywhere. So the argument about voice comes down to local employment. Is the ABC responsible for state-based employment or should it be looking for the best ideas?

CHAIR: Thank you for those opening statements. We will now go to questions. Senator Bilyk.

Senator BILYK: First of all, I would like some clarification of the numbers you mentioned previously. I think that if you are using those and citing those numbers it is incumbent upon you to be able to produce them. You mentioned OB vans, and my concern is that a number of the independent submissions mentioned that they did not believe the OB vans were viable—and you have alluded to that, Mr Murray. Do the independent organisations ever hire OB vans?

Mr Murray: We hire OB vans but we have never hired the ABC ones. I know that Foxtel for years had an ABC OB van sitting permanently in its studio down here in Melbourne. Is that a good use of ABC resources, to have one of its major pieces of infrastructure sitting in someone else's TV network?

Senator BILYK: Where would you get them though?

Mr Murray: We hire them from Global, Cutting Edge or 010 had one for many years. There are a bunch of smaller operators around the place that we use. They are private suppliers, independent people.

Senator BILYK: do you think that the charter requires the ABC to produce programs internally?

Mr Murray: The charter definitely does not. There is nothing in the charter at all about internal programming—

Senator BILYK: Is there anything in there about funding the external sector?

Mr Murray: The only thing in the act about internal production is where it says it needs to employ news staff to broadcast news programs. That is the only thing in the ABC Act about internal production.

Senator BILYK: I suppose I should put my questions about the ABC to the ABC in general. I am from a small state; I am from Tasmania. Although employment in Tasmania obviously does not appear to be a concern to you, it certainly is to me. Also the training of people and the experience people get. Are they able to get that in Tasmania, in the independent area? Say, young students at college studying?

Mr Murray: I am not sure about that, but I am not from Sydney. I come from Adelaide originally. I am in the entertainment industry. Like anywhere in the world, if people want to work in the entertainment industry they normally go where it is. You cannot expect everything to come to you. If you want to work in mining you have to go where the mines are. You do not expect someone to come and build a mine in your back garden. So I moved to the eastern states. I still have a strong connection to South Australia, but many other people who did the same thing and came from Perth, Adelaide and elsewhere to work in the entertainment industry in the eastern states, exactly as they do in the US. In the US, which has a huge population and many more TV networks and much

more content broadcast—about 50 or 60 times more content broadcast—the production centres are in New York and LA. They are not all over the US. So it is an artificial argument to say that in every state we can have a production infrastructure. It is not an efficient way to do it, and for the audience, which is the important thing here, it does not make any difference.

Senator BILYK: Okay. My question was more about whether there are independent filmmakers in Tassie that would pick up the difference.

Mr Rosen: If I may—

CHAIR: Sorry, Ms Ingleton had her hand up first

Ms Ingleton: Maybe we can do a double act here, because Brian is the Chair of Screen Tasmania. I was just going to let you know that I have a six-part nature series in preproduction at the moment about Tasmanian devils, which will be shot entirely in Tasmania.

Senator BILYK: Do you use Tasmanians or do you use—

Ms Ingleton: We use as many Tasmanian people as we can, and we will certainly be attaching young filmmakers to that production. That is part of the requirement for Screen Tasmania money into our series. The more independent production there is in Tasmania, the more chances there are of young filmmakers getting opportunities. They probably will not get them through the local ABC branch unfortunately.

Senator BILYK: The other question I have is about the BBC model. I am wondering what your views are with regard to the ABC maybe moving to the BBC model. Do you see any benefit or disadvantage in moving to a model along those lines? That is with regard to the breakdown of the content—who does the content.

Mr Morrow: I am not necessarily enamoured of always following what the BBC does, but it is certainly the case that the BBC's model allows for more independent production than is currently happening at the ABC. My primary concern is that the best, most innovative and challenging ideas get up on screens. I think that the more that the commissioning systems can be freed up to focus on that, rather than whether it has to be produced internally or externally, the better.

CHAIR: Mr Rosen, you had something to add to the previous question.

Mr Rosen: Yes—with regard to training in Tasmania. Screen Tasmania runs programs in training writers, directors and producers. Also, there is an entity that is funded by Screen Tasmania, as well as the federal agency, Screen Australia, which is called Wide Angle Tasmania. It does ground floor training of people for camera, sound, design and things like that. It was a traditional area, way back, for the ABC to do it. Those programs do exist in Tasmania.

Senator BILYK: My last question is to Mr Morrow, mainly because I know his work best. Do you think you would have got the breaks you got to get where you are today if it were not for the ABC? If the answer is no, why did you go to the ABC originally?

Mr Morrow: Our route to television was starting an independent satirical newspaper, so it was an unconventional route. We were recognised by Andrew Denton, who was running an independent production company, Zapruder's Other Films, and it produced our first three years of series. I strongly feel that to the extent that there is talent and to the extent that it has been nurtured that has happened through relationships with other independent producers. So the existence of the ABC as a broadcaster was absolutely fundamental there. I grew up watching Andrew Denton's TV shows and I wanted to make shows like that, and the place to make those is the ABC. But Andrew used to be on staff as an ABC employee and then started his own production company. I have never been on staff at the ABC but have been making shows for a decade with the ABC. It has been my life experience that the production model is neutral in that regard.

Senator BILYK: Thanks for that.

Senator XENOPHON: Mr Murray, you have come a long way from radio in the 1970s and early 1980s—we were both there. One of us was successful—that is, Mr Murray. My understanding of outside broadcasts in South Australia, for instance, is that it is not as though they are waiting to do an outside broadcast; they are actually kept quite busy doing a whole range of other things within the ABC internally. Is there a concern that there will be a loss of flexibility? The Anzac Day broadcast for the ABC in South Australia, for instance, is an iconic broadcast. Do you concede that having that infrastructure there does give flexibility for the organisation to do more with outside broadcasts, for instance, when Q&A and other events are in town?

Mr Murray: I am sure it is handy to have an outside broadcast van sitting out the back. I think it is a long bow—and I know the union has been bandying this one around—that the Anzac Day service is somehow under threat if the ABC does not have outside broadcast vans. I do not think that that is the case—and you can certainly

ask them this afternoon. I would have thought the Anzac Day service is an iconic part of Australian society and an important part of the ABC's broadcast activities. But you do not need outside broadcast vans—eight of them, I think they have got—in each state and territory in order to do one morning's broadcast a year. You can rent something in for that day and it is a much more efficient way to use the resources and the money.

Senator XENOPHON: There is also local football and other shoots. It is not just one day a year. Ms Ingleton, you have said in your submission that:

Whilst I appreciate the internal producers at the ABC being worried about losing their jobs—they will be well paid with redundancy packages and if they are any good they will EASILY find work in the independent sector.

That may be the case in non-BAPH states, but there is a concern that we have had from people in the smaller states—from Brisbane, Adelaide, Perth and Hobart—that you just do not have that critical mass that you need. You need a regional foundation for production. You already have the critical mass in Sydney and Melbourne particularly. Do you concede that a producer losing their job in Sydney or Melbourne may be in a better position than someone in Adelaide or Hobart, for instance?

Ms Ingleton: In some cases they probably would have more opportunities because there are more production companies there. But I guess one of the unique things about some of the regional areas of Australia—and I am thinking of the Northern Territory, of Queensland, of Tasmania—is that there are really unique stories in those parts of Australia that are quite untapped. I think if you have a creative person working inside the ABC who has access to those stories and they lose their job and they become an independent, then there are still a lot of possibilities for telling those stories, which are unique and a really important part of our landscape. Often that is the problem—that in those areas you will end up having filmmakers from Melbourne or Sydney going to the Northern Territory to tell those stories, because there is nobody up there who is doing it. To have more people actually starting to work in those small town areas and regional areas would be terrific. Certainly the ABC is interested in getting stories from regional areas.

Senator XENOPHON: This is a question to all or any of you on the panel. Quentin Dempster in his submission and his evidence said:

Only a full audit of program commissioning over recent years would help to establish whether a pattern of commercial influence is emerging through the current commissioning and acquisition model.

Would any of you have any difficulty with an independent audit of that nature being carried out?

Ms Ingleton: Not at all. All our books are audited. Every time we do a production, it goes through an entire audit—

Senator XENOPHON: Sorry, I am not talking about your books. I am talking about—

Ms Ingleton: Sorry, but I mean our productions.

Senator XENOPHON: I am not suggesting any financial irregularities. I am talking about an audit of the programs that are being commissioned—

Ms Ingleton: Great idea. Yes, it is fine. It does not worry me.

Mr Morrow: I can certainly say it has never been my experience that there have been any commercial considerations at all in the commissioning process.

Ms Ingleton: No.

Mr Morrow: Not once.

Senator XENOPHON: Although the ABC has expressed concern, I think, about declining audiences. We will hear from the ABC later, but I think that has been a factor. The age of audiences and the like have been a concern.

Mr Morrow: I do not think that is a commercial consideration, though. It is just the demographics of the audience.

Senator XENOPHON: Sure, but they affect ratings.

Ms Ingleton: I think the ABC wants to make programs that people watch. They do not want to make programs that no-one wants to watch. When we take our ideas to the ABC, there is a terrific team of dedicated commissioning people inside the ABC that work very closely with the independent sector. There is a constant bouncing around of ideas, and what they are looking for are ideas that will somehow tap into the national psyche, ideas that are really important to the national agenda. This is certainly the case with documentaries, anyway.

Senator XENOPHON: I have two more questions. There has been a theme that it seems to be the internal producers as against the independent producers or the commercial producers. I think Mr Dempster said it seems to have gone down this path not because of anything that either side has done but because the ABC pie has

diminished to some extent—because of what is available. Do you see that as a valid issue? You are all competing for what some would see as a diminishing pie in terms of trying to produce new programs?

Mr Morrow: There is no doubt that the issues have been intensified by a restricted funding environment.

Senator XENOPHON: Finally, one of the issues that has been raised in the course of today is a complaint that ABC internal producers are not able to access funding from other funding avenues such as the producer offset because of the nature of the tax act, which none of you are responsible for. I do not think you are. Can you understand that complaint, that internal producers seem to be at a disadvantage in terms of how they can pitch for ideas and how they can access the pool of funds that you are able to access by virtue of producer offset? Again, it is not a criticism of you as independent producers.

Mr Murray: That is true. It goes beyond that, though, because internally bodies such as Screen Australia are not allowed to fund broadcasters direct, so no broadcaster, not the ABC and no commercial broadcaster, can access Screen Australia funds. The same goes for the various state agencies who you heard from a little while ago. The other thing you got to remember is that, while you say they are at a disadvantage, they are also being employed full-time on a full-time salary. When we are not working, we have no income at all.

Mr Morrow: Some of the programs I have been involved with making do not qualify for any of those funding considerations. They either get up or do not based on their creative merit. Certainly programs like *Q&A* I would not have thought would qualify for any sort of concessional treatment or anything like that but it is made because it is a quality proposition. As I say, my experience is very much that it is the creative merit of projects which is at the forefront of deciding what shows get made.

Mr Rosen: It seems to me that there seems to be this idea that the ABC internal producers come up with all the ideas. It has never been the case. If you go back to your early days of the ABC it is writers that come with ideas to the network and suggest concepts to them and then they get commissioned accordingly. If you look at what we are talking about at the moment, current affairs, including *Q&A* and what not, is all internal and I do not think that anybody is saying that those shows should be outsourced. I think really what we are talking about here is drama, documentary and light entertainment. They are high-cost programs to do, and to be able to do that so there is a decent volume of programming on the ABC that is Australian, it behoves the ABC to find ways of co-financing them. That is really what we are talking about here, the ability of the ABC to commission more programming. The fact is that the independent sector has a way of being able to accomplish that for the ABC.

Senator XENOPHON: I might come back later if there is any time, Chair.

Senator LUDLAM: I am interested in the comment that one of you made earlier about empty studios. They just built a big studio in Perth only a couple of years ago and one of you at the table said there is no point in having that. I want to tease that out a bit because that is one of the themes that led to this inquiry being established was the underuse of studios in Perth, in Melbourne and elsewhere. What do you think should become of those assets? Are they underused? Should they exist?

Mr Murray: It was I, Nick Murray, who said that. I only say it because it is a fact that the studio over there is underused. There are some great programs that come out of Western Australia. We are in fact shooting a drama over there at the moment for Channel 9; it started production today. It is really good working in Western Australia. It is just that the kind of programs that are being made there are either location drama, location kids' drama or factual programs, so that studio is not being used. It was an ill-considered piece of capital expenditure because that is not the kind of programming that is made in Perth. It is a great spot to work but that was the wrong piece of infrastructure.

Senator LUDLAM: All right. There are a few options, I suppose, that the ABC has got, and one of them would be to use it better, produce more stuff in there.

Mr Morrow: I cannot comment on the studios in Perth but I can certainly say that programs like the ones I have been involved in use ABC studios even though they are the function of co-productions with external producers. Obviously studios should be used and used efficiently, and again I think that that is pretty agnostic about whether it is internal or external production.

Senator LUDLAM: Do you folk understand the tension and the angst that some people, including people who have presented today, have that, in running down its own internal production capacity, the ABC is losing something important? Nobody said they want everything produced in-house, but there is a really strong concern that they have gone too far. Do you think there is something there?

Mr Morrow: It is very hard to say where good ideas for new TV shows or new ABC content will come from. I think it is definitely the case that a mixed model is sensible and we are really arguing about the levels. There are

certainly talented producers and creatives inside the ABC, but in the end it is about where the good ideas come from and what the audience responds to.

Senator LUDLAM: I do not think anyone in the ABC would claim to have a monopoly on that either. Kim Dalton is quoted elsewhere as saying that he wants to eliminate internal production, apart from news and current affairs. Not to put you on the spot, but that is a fairly bold statement—that is, 'Let's have not internal production capacity at all, apart from making the news.' We have heard today from other witnesses that that basically pushes things too far. I wonder if any of you want to reflect on that.

Mr Murray: It is a model that works very, very well for Channel 4 in the UK—no internal production, all external production. A lot of their programs actually end up on the ABC here. The question has to come down to what is the most efficient use of the ABC's resources. By resource, I mean the actual budget of the ABC. If it is more efficient to have people employed only when they are working on a program for the ABC—which is the externally produced model—and if that saves money and means better quality and that more local programs can be made for the ABC, there is nothing wrong with that model in my view. Obviously, the union is going to have a different view. We do not employ any people who are employed under CPSU models, but we employ a lot of people under the MEAA industrial agreements. If this were a discussion where only the MEAA were involved, I am sure a lot of the heat would have come out of it, because it is not about a demarcation dispute then; it is just about employing people to make shows for the ABC. It does not matter which side of the ledger they fall on.

Senator LUDLAM: A lot of the concerns raised have not been around industrial issues. I thought the CPSU were reasonably even-handed. It is about this drift to commercialisation and making stuff that appears to be pitched at a different audience. We are axing lawn bowls, but we are producing *Crownies*. That is the trade-off that is making some people uncomfortable and that has nothing to do with coverage by one union or another. Some people have said, 'Go with the BBC model', which quarantines a certain proportion within each of the program types to be produced in-house. In the absence of any other model for creating a balance in this disputed terrain, could that kind of thing work or would it be counterproductive?

Mr Murray: It is a good model, but the thing you have to remember is that it also extends to current affairs. It is across all genres, so it may not work in drama because of the funding models. The BBC is a very good starting point. It is a pre-eminent public broadcaster. It is very well-funded—much better funded per head of population than the ABC. Those are the kinds of resources that are required in order to do public broadcasting properly.

Senator WRIGHT: What is the most efficient way of doing things? Mr Murray, I think that is essentially what you have been saying. The question for me is: what is the ABC for? What is it about? Is it just to put on programs or does it represent something more in terms of its charter of responsibilities? I might also take you back to your comments about what happens in other countries, where people move to where the entertainment industry is. 'If you want to be in film, you go to Hollywood.' I guess I am interested in challenging you to think about the fact that the charter itself talks about an overriding duty, in a sense, to Australians—which is why the ABC was created—which is a bit more than just being efficient; it is actually there to do other things. One of the things it is called on to do is to represent a sense of national identity and to represent cultural diversity. So I guess I would challenge you a little bit to think about this. We could just say, 'People in the BAPH states, the action is over on the eastern seaboard, so pop over there and work there.' But in fact some of the evidence that we have heard today suggests that having a presence, having a production capability in different states—and I am from South Australia—actually does provide an opportunity to be able to put some of that regional flavour into some of the production programs that are being produced at that time. *The Cook and the Chef* is probably a good example of that. I guess I do challenge you a little bit about whether it is efficiency. I will give you a chance to respond in a minute; sorry, I am raising a lot of different questions here. Is it just about putting on programs that people watch and enjoy at home for a fleeting time or is it also perhaps about one of the arguments put to us today, which is that the ABC is a repository of culture, of archives—archival material—that can then be used in the future? Some of the concern about outsourcing is that the ABC actually loses control of the product once it is made by independent producers and it is not there for the future; it is not there to use for all the other different aspects of ABC programming. I threw a lot at you there; I am sorry.

Mr Murray: I take your point about the charter. You are absolutely correct about what the ABC is there for—to reflect national identity et cetera. I guess my point about efficiencies is: what is the best way to get exactly what the charter responsibilities are to the audience? That has got to be the primary responsibility of the ABC—to serve the audience, which is all of us. It is not the independent producers, it is not the junior members; it is the Australian public. You do not want to get down to a complete economic rationalist argument about how you run a creative organisation. It is just that some of the elements of what the ABC are spending their money on are not the creative bits; they are the manufacturing part. Therefore, if the ABC were to spend money on people sitting

around having development meetings and coming up with new ideas, that is wonderful; they are going to be creating new ideas. Having people there who press the button to start the printing press is the equivalent in newspapers, and we are seeing where newspapers are going: let's all print our newspapers on the same machines. That is the kind of stuff I am talking about. It is not about *The Cook and the Chef*, which is a wonderful example, and *Poh's Kitchen*—again, a really good example of a South Australian made program which actually does represent things that are in South Australia, things that grow there.

I am worried that me saying 'the most efficient manner' is too dry. That is not what I mean. What I mean is that if you have got studios they need to be where, say, the creative people are working. Comedians, funnily enough, are mainly in Melbourne, except for Julian. A lot of comedy production comes out of Melbourne as a result. That is why Sean Micallef moved to Melbourne. He was working as a lawyer in Adelaide at the time. It is not trying to shut things down; it is saying, 'Where is the appropriate place to spend the money and what is the best way to give television management the flexibility to have their commissioning budget be responsive to what they see to be the audience needs?'

Ms Ingleton: I was going to add a point about the archive. I think the archive is really critical. But I would say that probably the most valuable archive is news and current affairs. Certainly that is one area of the ABC that is not being cut back, and we certainly applaud—

Senator WRIGHT: Perhaps I can take you to what got me really thinking about it today, and that was some information we heard about the arts review programs and the archival footage that is there. We also heard some evidence about history—people going back and interviewing people who were involved in historical movements at different times coming back and doing that now. So it is relatively cheap programming, apparently, but putting things together in a way that was very successful. So, for instance, when a famous singer or someone dies there is archival footage to go there and create something that is reflecting to Australians the Australian history and culture that we have that is already there controlled by the ABC. The information that we have been receiving today suggests that a lot of that control over that product will not be within the hands of the ABC in the future, because of the way things are going.

Ms Ingleton: I would have to also say that sadly a lot of that stuff is not kept by ABC. I know that there have been times where I have tried to access the original camera tapes for arts programs and they have all been wiped. The tapes have just basically been recycled. All they actually keep is the final program. In the independent sector, we always have to lodge our programs with the National Film and Sound Archive, so everything is kept for the record. We keep all our tapes.

Mr Murray: Another thing about archives: we make entertainment shows and factual shows, mainly for the ABC, and I am fairly sure that there is a free archival use clause in all of our contracts—and I have not got one of our contracts in front of us—that lets the ABC continue to use bits of our shows for archival purposes for no charge. I am certain that that is there. I am happy to try and dig that out and give it to you, if you want.

Senator WRIGHT: Are you talking specifically about your company?

Mr Murray: That is meant to be the standard ABC deal. That is what they tell us it is.

Senator WRIGHT: There seem to be quite a few different ABC deals from what we are hearing today. Some of them are difficult to understand, but we can put those to the ABC management in terms of why certain rights appear to be given up. But we will come back to that. You cannot really comment on that?

Mr Murray: No.

Senator WRIGHT: Mr Murray, you mentioned the importance of the ABC being independent from commercial influence—something that I think we all hold dear and speak to. I am interested in whether private producers receive in-kind or financial support from companies and businesses—use of laptops, reduced rates for hotel accommodation, all those sorts of things that we know occur from time to time in some production facilities. I am not saying that it happens or it does not happen. If it were to happen, how would there be any scrutiny of those kind of arrangements?

Mr Morrow: I think I can answer that very simply. As I said in my opening statement, the ABC editorial policies apply uniformly to internal and external production, and those editorial policies deal with exactly those sorts of things—free or discounted services et cetera. They have to be disclosed and approved. So exactly the same system would apply in an internal production as it would in an external production. There is just no difference.

Mr Murray: We have made a series of shows—*Two Men In A Tinnie* with John Doyle and Tim Flannery, then we made *Two In The Top End*, and we are making a new series with them at the moment. We use hire cars and that kind of thing in that show. We pay normal rates for the hire cars—we do not get discounted deals there.

A couple of times the ABC have said that a shot, which is just accidental, has featured a logo of the brand of car too prominently and we have changed the shot because we have no relationship with the car supplier. They are really on the ball about checking for that stuff. They always ask questions if it looks like it is suss. We are really careful. We are certainly as careful as internal ABC shows, but given what is at stake, I know we are probably more careful because it is something that we are very paranoid about—about that ever going wrong.

Senator WRIGHT: Thank you.

Senator BILYK: No product placement?

Mr Murray: No.

Senator XENOPHON: One of the complaints we have heard is that that cross-fertilisation of ideas between independent producers and ABC commissioning editors seems to be focused very much in Sydney. I do not know if that is your experience or not or whether you regard that as a fair statement. Also, there is a difficulty for people within the ABC being able to pitch for ideas because of the constraints we referred to earlier. What is your understanding about the way commissioning editors work? Is it Sydney based?

Mr Morrow: We pitch to them. I am not sure what their processes are for internal pitches, but it is certainly the case that a lot of great comedy and other content comes out of Melbourne. Probably the relationship varies between commissioning editors and creatives and with each creative and each commissioning editor.

Senator XENOPHON: Sure, but it is largely focused in Sydney though—is it not?

Mr Morrow: I just do not know that. That is something for the ABC.

Ms Ingleton: Certainly in the genres that I work in, it is largely in Sydney. But you just get on the phone and ring them.

Senator XENOPHON: Sure. Finally, I note what Mr Murray said about the ABC being very careful about any scene with commercial advantage, whether it is hire cars or the brand of a car or product, but when it comes to accessing ABC studios and the commercial arrangements for independent companies to access ABC studios, have any of you had to do that? Is it on a commercial basis or is it on a different basis? You are doing it for the ABC—presumably you would get a better deal, wouldn't you?

Mr Murray: That is a very vexing question. We do not get a better deal.

Senator XENOPHON: I did not intend it to be vexing.

Mr Murray: We get a much worse deal. For instance, for access to the ABC archives we pay about \$5,000 a minute. Internal ABC shows pay nothing for the same thing. ABC edit suites are charged at commercial or higher rates while internal programs, as I understand it—and I have tried under FOI to get this information but have never got it—have a different rate card and are charged a different way. In fact, I will give you an example. We were making a comedy show in Melbourne. An ABC internal production was being produced there at the same time. They were using an edit suite of the kind that we needed to use. The ABC said, 'That's fine, we'll just hire in an external edit suite and you'll pay for that.' We said, 'That's okay, whatever you want to do.' They said, 'And you will also pay for the other edit suite.' We only needed one edit suite and we had to pay for two. We said, 'Why is that?' They said, 'Because the other show hasn't got an editing budget.' We eventually said no to that, but that is how bizarre the access to resources is inside the ABC.

The same thing happened with the use of the ABC helicopter. We were told we had to pay for two helicopters in order to use the ABC helicopter for an hour. We had to hire a second helicopter and pay for it. It is really weird. I do not know how that works. I have tried under FOI to get it. The ABC is a member of the Freedom of Information alliance or whatever, but it does not respond to FOI applications to get that piece of information.

Senator XENOPHON: You may want to send your FOI request to the committee so we can see what the progress on this is, Mr Murray.

Mr Murray: It was under SPAA. SPAA put the FOI application in.

Senator XENOPHON: Mr Rosen, you may want to send it to us.

CHAIR: Excellent. We have heard from a lot of witnesses about what the Australian audience wants and does not want from its ABC. You have made the same claim in your submission and I would like to know how you know. What evidence do you base your claims on?

Mr Murray: I think the only claims we made in our submission were about the pure empirical data of which programs are the most popular on the ABC. That was about entertainment.

CHAIR: So popularity?

Mr Murray: Entertainment programs are the most popular programs on the ABC. That was the statement we made.

CHAIR: So ratings; that is how that is judged?

Mr Murray: Yes. The number of people viewing the show.

Mr Morrow: My experience on that is that the ABC is in an almost impossible position because it has to service the full diversity of the Australian population and any cultural content is a matter of taste. It has to service a wide range of audiences and parts of the audience. It is certainly the case that some programs attract a more diverse demographic, which sometimes translates into better ratings, but there is no doubt that the ABC has to do both things. It is really a question of how it allocates its resources.

CHAIR: In your submission, in the 'Relevance' chapter, you say:

This is not "chasing ratings". This is chasing relevance—

regarding the demographic time bomb that the ABC is sitting on. I do not have researched evidence but I would suspect that 99 per cent of Australian preschoolers are on a pretty steady diet of ABC programming. So the very young are catered for in our community by the ABC. I am wondering where you get the statistic that the average age is 58. Children have been brought up on the ABC, and they go away and do whatever—maybe politics or religion—but they will return at a certain age. Could that not better describe the demographic time bomb rather than that we are just not producing shows that 20-year-olds like to watch?

Mr Murray: That is the case. Those figures came from the ABC in various talks that they have given about why they want to adjust some of the programming on ABC1. So that figure comes from the ABC, and the reason they gave that is exactly what you have just said: there is a big hole in the middle of the age groups where people are not watching the ABC, and they are trying to make it more relevant to a broader section of Australians by tweaking some of the programming. That is what we have been told in industry briefings.

CHAIR: Are you happy to receive questions on notice if the senators, when they go away, have a little think?

Mr Murray: Yes.

CHAIR: Thank you very much. Thanks for your time.

Proceedings suspended from 15:35 to 15:46

DALTON, Mr Kim, Director, Television, Australian Broadcasting Corporation**SCOTT, Mr Mark, Managing Director, Australian Broadcasting Corporation**

CHAIR: I welcome to the committee Mr Scott and Mr Dalton from the Australian Broadcasting Corporation. Thank you for talking with us today. As Commonwealth officers, you will not be asked to give your opinion on matters of policy, although this does not preclude questions asking for explanations of policy or factual questions about when the policies were adopted and how. The committee has received your submission as submission 138. Do you wish to make any amendments or alterations to the submission?

Mr Scott: No.

CHAIR: Would you like to make a brief opening statement?

Mr Scott: Yes, thank you, Senator. We welcome the opportunity to speak with you this afternoon on these complex issues. Already you have heard from a number of people today, bringing different perspectives, reaching different conclusions. At times, of course, their arguments reflect their interests: more funding for independent production, more production in different states and more internal production, creating more union membership. Some have a personal affinity to what we have traditionally offered rather than more recent innovations. But I appreciate that there is also a belief from those you have heard from that their arguments would strengthen the role of the ABC. I think everyone you have heard from today is a supporter of the ABC, but they are reaching different conclusions. I have not heard all the testimony, but I think it is fair to say that the arguments have been well rehearsed and many of those you have heard from today have made those arguments to me in person in recent years.

I look forward to answering your questions, but at the outset I thought it might be beneficial to outline to you how we think about these issues at the ABC. They have been the subject of detailed, ongoing discussion at the board and the executive level and in the Television division. We know they are important to the role we play today and to our future as an independent public broadcaster. In thinking through these issues, we are guided by the ABC Charter outlined in the act that established the corporation. Our functions include providing comprehensive broadcasting, providing programs that contribute to a sense of national identity, informing and entertaining, and reflecting cultural diversity. We are to promote the performing arts. We are to take account of what is on offer in the commercial sector. We should broadcast programs of wide appeal and specialist interest. In section 8 of the legislation, one of the board's roles is to ensure the functions are performed efficiently and with the maximum benefit to the people of Australia.

The charter is, however, quite non-prescriptive in how we do these things. I have heard people say that we are acting outside the charter or not fulfilling the charter and thought, on listening to their arguments, 'Well, you clearly haven't read the charter.' We want to fulfil the responsibilities set down under the charter. We want to do so efficiently and we want to do so with the maximum benefit to the people of Australia. And we need to do so on a very challenging media landscape. We once had five free to air television channels in Australia; there are now 15, with more to come. Fast broadband is dramatically changing how content is created and consumed, with dramatically increased choice for consumers. In television the last quarter-century has seen a movement in television organisations around the world from high levels of internal production to working far more with a dramatically enlarged independent production sector. This is true for public broadcasters like the BBC as well as commercial networks. Like every media organisation in the world, if we are to remain relevant and viable we will need to change to reflect changes in the economics of the industry, the interest and expectations of audiences, the revolution in media. These changes have been identified by the government as a key reason for a review into convergence currently underway.

In recent years with additional funding and with some challenging internal decision-making and prioritising, we have been able to dramatically increase the services on offer to benefit the people of Australia. A new children's channel, a new news channel, a significant increase in drama productions, a host of new digital radio stations and online services, including ABC Open, now having a great impact in regional and rural areas. Dynamic new apps for mobile services including the iPhone and iPad. Australia's leading catch-up service, iview. None of these things will be possible unless we had been willing to embrace change, attract funding, make efficiencies in how we work and change some working practices. In doing so with what we are now offering we have received strong affirmation from the Australian people. Recent Newspoll research confirmed nine in 10 of Australian people believe we deliver a valuable or very valuable service and 75 per cent of Australians use our services every week. We have our critics. Not everything works as we may have hoped. Not everyone would make the same choices. In fact, I sometimes feel that no two people would program the ABC in the same way. We need to make the choices that we feel overall will benefit the people of Australia.

We are a dynamic and innovative force in the Australian media sector and we are making good progress in transforming this wonderful old public broadcaster into a compelling and relevant public broadcaster in the digital era. I can assure you, Senators, how seriously we think about these issues before you today and how we want to ensure that all the decisions we make will be to the benefit of the people of Australia, both in the content we create and in ensuring the ongoing strength and relevance of the ABC. I see a future where the ABC makes, commissions and purchases highly distinctive original content, some specialised and some of wide appeal, programs that are popular, programs that are loved by Australians. I see us developing this content around the country, creating jobs, stimulating the industry, uncovering new talent and building careers. The content will reflect Australia to Australians and help us tell the Australian story. Now I am sure you have some questions for us.

CHAIR: Thank you very much, Mr Scott. Senator Wright.

Senator WRIGHT: Thank you, Mr Scott and Mr Dalton, for making the time available to come and speak to us today. I have lots of questions but I am going to confine myself to three and I will put some on notice to you. I will go to the issue of arts on ABC1. It seems to me that if we are going to have arts on telly it is generally going to be the ABC that will provide those and I think it is a fundamental part of Australian culture. With the axing of *Arts Nation*, if there is to be no review style program on ABC, it has been put to us that all new arts commissions will be in the nature of performance programs or there may be a reliance on content which is uncritical promotional material provided by interested parties. It is hard to envisage how an arts magazine review, critiquing, contemporary, fast-moving program keeping up-to-date with what is happening would be possible if that is not going to be provided by internal production. Would you like to comment on that?

Mr Scott: Yes, let me start on that, Senator, and Mr Dalton may have some things he wants to add. Can I say, the ABC's commitment to the arts is very complete, very comprehensive and across all platforms. Part of your focus is on television here, but I do not think we should underestimate the impact that ABC radio has, ABC Classic FM and Triple J. There is a new digital radio station that starts next month that will have 100 per cent Australian music by young, unsigned Australian artists. We have a very extensive website. So there is a full commitment to the arts across the ABC. What we announced here was the ending of one program, *Art Nation*, that showed on Sunday afternoons to really relatively small audiences for the level of investment that we made. This is an editorial judgement call. What we are going to do with our funding is to invest in more programming for prime time, where we hope we can take that arts content and deliver it to a larger and more significant audience. I think it is noteworthy that when some of the controversy was emerging around *Art Nation* we announced a new deal with Opera Australia for the broadcast of 15 operas over the next three years that will be broadcast on ABC television. We will have a series of documentaries, we will have a series of live performances, and we will continue to have arts programming at 10 o'clock on Tuesday night, including the *First Tuesday Book Club* and other specials that we put to air there.

What you will see, Senator, if you love the arts and you are interested in the arts, is a broad array of arts programming. We have a new arts program, *The Arts Quarter*, that is now going to ABC News 24, which updates people on the latest news that comes in arts. We also cover arts in our news programs. We expect a very broad, very comprehensive coverage of arts programs—certainly a fulfilling of our charter, which is to encourage and promote the musical, dramatic and other performing arts in Australia. We know that there are some fans of this program who are sorry to see it go, but we are very confident that we will fulfil our charter in a comprehensive way on television, radio and online, now and in the years ahead.

Senator WRIGHT: I take you to the fact, too—and I should have said it in my question—of the decommissioning of the ABC arts unit, the specialist arts unit. I think that is what causes concern about the degree to which you would have a unit that is independent of the particular producers or the companies that are offering the performances, or have an interest in showcasing their own particular arts, so can have some objective ability to stand back and organise things.

Mr Scott: Mr Dalton might be able to add to this, but I think that the arts unit produced that program. I think that is what they did. We still will have commissioning editors in our television division who have a responsibility to ensure a breadth of arts programming that goes to air on ABC1 and increasingly on ABC2 as well. There is discussion about the closure of the arts unit; the responsibility of that unit was to put *Art Nation* to air, and they did good work there. We just needed to ensure that we are spending our money wisely and we feel that the investment that we can make in arts programming in prime time will be a very important initiative.

Senator WRIGHT: If I could just follow up then. My understanding was that the arts unit was keen to be able to produce or commission broader arts programming than just that particular program. They had produced different programs over a period of time, I understand. That leads me to my second question. We have heard

evidence that the ABC did not give them an opportunity to tender for or produce any of the arts documentaries that have been externally commissioned over time. I am interested in why that was.

Mr Dalton: It is part of an approach to a mixed production model, Senator. That particular unit was responsible for producing that particular program. But the way that we source our one-off or sometimes series arts documentaries is a different set of relationships, mostly with independent producers who have a particular interest and commitment in the arts area, followed through via head of arts and commissioning editors who are particularly interested in following through on certain areas, certain stories or certain particular artists. Then, of course, there are the other internal arts projects that we do, such as the *In Conversation* series with both Jennifer Byrne and Virginia Trioli, which are produced internally. There is the *First Tuesday Book Club* which is produced internally. We are drawing our arts content from a range of sources.

Senator WRIGHT: If I understand what you are saying, it seems to me that you had a repository of people who had been working—some of them over quite a long period of time—at the ABC with expertise in the arts and across the arts and who had been producing magazine style programs over a period of time, so there were probably strong relationships with many aspects of sectors across Australia. Then, when I ask about the axing of *Arts Nation* and the dismantling of the unit, the explanation for that is, 'Well, that is what they did and that is not going to be made anymore. Therefore the unit is dismantled.' Whereas what you are saying to me is, 'That's all they did and that is because that is all we wanted to them to do. We would not allow them to bid or to pitch for other things that they could potentially have used their expertise for.' I do not quite understand why that is.

Mr Dalton: It goes to how television is produced. The unit was structured around the needs and requirements and skills base for a weekly magazine program. That is a different set of requirements, a different approach and often a different skills base to a whole range of other programs, for instance, *Mrs Carey's Concert*, which I hope you saw on Sunday night a couple of weekends ago. It is a very different skills base and a very different approach and a very different way of us actually generating that content.

Senator WRIGHT: I do not want to labour the point but, from what I understand, they were not actually given the opportunity to pitch, bid or propose—that is what it was in the submission—to show that they may have had the capacity to do that. I just wonder why that would be the case.

Mr Dalton: I do not really see it as a matter 'an opportunity to pitch'. Certainly if somebody had had an idea to do a feature length documentary such as *Mrs Carey's Concert* then they could certainly have proposed that idea within the ABC. I think the problem which would then immediately arise is: how would you finance it? This is half a million dollars worth of documentary, so you just immediately run into the problem, and you would be also looking for the skills base to be able to do something like that. In Bob Connolly you have probably got one of Australia's most experienced observational documentary filmmakers to be talking to you about that idea.

Mr Scott: Senator, I understand absolutely the disappointment of the staff members who had worked on that program, but this is a decision we made about the money that we were investing in that program and, in a sense, the return and the impact of that. I do not have figures in front of me but my recollection is that it was the best part of \$2 million to put that program to air. The audiences were around 60,000, maybe a little bit more. In an ideal world, with no budget constraints and no conflicting priorities for money, fine, no disrespect to the work that they were doing, but we need to make a call in a world of finite resources about where money is best invested.

We feel that particularly in these documentary areas—and it is an area that we might come and talk to—we have had significant success working with the independent production sector, often who can draw from other sources of money as well, so we can put more quality and distinctive Australian content, as is required under our charter, on the air. That is why a judgment call was made to remove funding and resourcing from an internal production area, which was going out to really quite small audiences, and reinvest in areas where the audiences are much bigger. With *Mrs Carey's Concert*, which Mr Dalton referred to, if you add in the regional audiences it will have got 10 times the audience that *Art Nation* would get on a Sunday afternoon. They are the kinds of judgment calls that we need to make in the reality that we are in now, and that we have always been in, of finite resources.

Senator WRIGHT: Okay. I indicate that I will ask a question on notice, because there is quite an amount of detail in the submission, as to why there was not adequate promotion of *Art Nation*, that it was in an irregular time slot and sometimes pulled on ABC2.

Mr Scott: We are happy to answer that, but I can tell you from my experience at the ABC that this is a perennial issue. People who have programs on in the daytime would like there to be audiences in the night-time. One of the things we have to work through is that if we have a potential audience of half a million or a million people and if we are putting on a program in that timeslot that has a much smaller audience, do we necessarily

want that larger audience to go away and to go elsewhere or should we recognise there are some timeslots where we do want to reach a significant audience and we need to invest accordingly. There are trade-offs here. I think one of the things you will have learnt today is there are trade-offs to do with budgets, trade-offs to do with audiences, trade-offs to do with internal and external production. We are trying to manage that mix as best we can.

Senator WRIGHT: I appreciate that. I think it is a chicken-and-egg argument perhaps. I will put questions on notice and you will have an opportunity to respond to those. If I can just pick up on *Mrs Carey's Concert*, yes, it is a wonderful program. I saw it on a commercial release before it was shown by the ABC. I am interested in what further broadcast rights or intellectual property interests the ABC retains in that wonderful film.

Mr Dalton: It would have been a license agreement, so we would have had between three and four runs over the next 4 to 5 years, and we will use up those runs over the next four or five years.

Mr Scott: That is not atypical, Senator. This is a perennial issue, and I think that it is an important question. We have a similar licence fee deal with *Rake* at the moment—I think it will probably be four screenings—and you will get quite a large audience the first time, smaller the second; it is almost like a half-life every time it goes out. So by the time you have had your fourth screening the audience will be quite small. If we wanted to then show it again, we could go and purchase the rights to show it again if we thought that that would be of interest to our audience. The history is that what you would pay for those additional screenings would be quite small.

Our analysis is that you are better off purchasing the license fee for the number of runs that are valuable for you and your audience rather than spending a whole lot more money buying an ownership stake that allows you to run it 40 times, not four times. We have looked at that kind of trade-off, and we feel that the licensee fee system allows a great chance for our audiences to see this content. It usually includes an agreement that we can show it on iView so our audiences who miss it can catch it up in reasonable time. There is an argument that I sometimes hear that goes, 'We should buy it so we can show it whenever we want to show it—we can show it dozens and dozens of times.' But the evidence is that, once you have shown it three or four times, the audience has had ample opportunity to see it and therefore the audiences after that are really quite small. So it could be a false economy to buy endless rights to show it endless times. Your audience gets a good chance, and they enjoy seeing it if they choose to see it.

Senator WRIGHT: I have the DVD of four or three episodes of *Rake* that a friend gave me recently; I did not have an opportunity to see it when it was shown on the ABC. The profits or the royalties from the DVD—would they have gone to the ABC?

Mr Scott: I would have to check the detail of that. It is a different arrangement—sometimes we have distribution rights, other times we do not and will just get some profit margin when we sell it through our shops. But I think our arrangement with *Rake*, which was a proposition that came to us from a group of people in the independent production sector who developed this idea was that it be commissioned by the ABC—and without the ABC there would have been no *Rake*—and developed to our editorial policies, and then we showed it to our audience four times and made the series available on iView as well. So we will have made some money out of it, but the value we will have extracted from it will have been in putting it to air. We are delighted with the response it has got. I would encourage you to watch the remaining episodes you have not seen in time to watch the second series, which we have signed off and which will be in production later in the year, I think.

Senator WRIGHT: I will when I get time. I have many more questions, but that will do for now. Thank you very much.

Senator XENOPHON: Mr Scott and Mr Dalton, I have many questions and so little time, so I will try to keep my questions as short as possible. Firstly, on page 4 of the ABC submission at paragraph (c) it says:

The ABC takes this to refer to the National Interest Initiatives (NII) program, also known as Regional and Local Programming (RLP) initiatives, funding for which was announced in the May 2001 Federal Budget. The ABC continued to receive specific funding for the NII until 2009-10, when the funding was incorporated into—

General revenue.

Who made that decision, and what level of scrutiny did the ABC board subject it to?

Mr Scott: I think that was a budgetary decision. I think it was the last-tri finding that was rolled into the base funding. What I think is important, as I said in my introductory statement, is that we reflect the nation to the nation. One of the things that we absolutely want to do is to make television around the country. That is exactly what we have done, and that is what we continue to do with this money. There are figures that we have come up with which talk about tens of millions of dollars a week spent in Tasmania, in South Australia, in regional parts of New South Wales and in Queensland and in Western Australia. That is money that we are continuing to invest

and leverage to make television around the country. Only some of that is made by the ABC in the ABC. A good deal of that is money that we are investing with the independent production sector, where state funding bodies are adding money. Screen Australia is adding money. We are actually helping to create and develop strong and viable production industries all around the country in a way that we would not be able to do if we were just spending that money in-house.

Senator XENOPHON: Quentin Dempster in his submission and in his evidence earlier today said:

Only a full audit of program commissioning over recent years would help to establish whether a pattern of commercial influence is emerging through the current commissioning—

Mr Scott: Yes—

Senator XENOPHON: I have not finished. Sorry.

Mr Scott: There is a lot to answer just on that, Senator.

Senator XENOPHON: If I may finish the question—
and acquisition model.

Is that something that the ABC would be open to—an independent and robust look at that commissioning model?

Mr Scott: Let me answer that. We have a very rigorous auditing process that takes place already. We have a strong internal auditing team that has a slate of audits that they do each year, including audits of independent productions that our audit team decides that they will audit—not our television division or anyone else. They go and review the nature of the deal, the financial commitments that are made and where the money was spent. Those audits go to the finance and audit committee of the ABC Board. In addition, we have an external auditor who can audit those functions. Finally, the books of the ABC are signed off by our Audit and Risk Committee, our external auditors and the Auditor-General's office. In fact, the Auditor-General comes to the ABC Board meetings. So the suggestion that I picked up earlier that somehow there was no accountability, there was no independent scrutiny of these financial decisions—

Senator XENOPHON: Mr Scott, I was not suggesting that. There was a specific request from Mr Dempster in his submission that there ought to be a full audit of program commissioning. That is a little different from what is being currently undertaken. I have not suggested anything improper in what you are doing. It is a step further—

Mr Scott: The only thing I would say is that I am not sure that there is broad awareness that we are already auditing independent productions and that those audits are going to the board. I can assure you that that process is in place. The suggestion comes through that somehow commercial interests might be driving this. The independent ABC Board has responsibility for the integrity of the organisation, and a suggestion that somehow they have not been fulfilling their responsibilities properly is, I think, unfortunate. It will be up to the board—the ABC Board who have to sign off on our performance—to decide what kind of auditing processes they want in place. What I am making clear is that there are already extensive auditing processes in place.

Senator XENOPHON: I was not questioning your integrity or the board's integrity. It seemed to be a legitimate matter raised by Mr Dempster, given what has occurred in terms of local and internal production. Mr Dempster also said that both you and Mr Dalton should produce the data of program commissioning and the production schedule for the next three to five years. How do you respond to that?

Mr Scott: There has been some significant change in recent years but some of that change, I must say, is that programs come and programs go, and it is ever thus.

Senator XENOPHON: I am not disputing that it. I am just saying—

Mr Scott: What I am keen to do and what we are doing some work on now is to try and give some level of security in how we are thinking about the mix of internal and external production over the next couple of years. It is one of the reasons that I made the announcement I did the other day around local sport. I am happy to address the sporting issue in more depth, if you want to. We are looking to provide some level of security for the next three years and an understanding about the mix of production model that we are looking at, and work on that is underway. It is being discussed with the ABC Board, and when there is more detail I can release—

Senator XENOPHON: In terms of that specific request from Mr Dempster, is the data of programming and commissioning and the production schedule for the next three to five years something that you will be in a position to provide?

Mr Scott: What I am looking to do is to provide some detail about the mix of internal and external production that we will be making and where we will be making that and also an approach to our production model.

Senator XENOPHON: Within a month, two months, three months?

Mr Scott: By this year, certainly. We are working on it at the moment. I have discussed it with the board. We need to do more work yet.

Senator XENOPHON: One of the issues that have been raised is that, in 2010, internal BAPH production units produced 160 thirty-minute episodes, and I think it was outlined earlier today that it included 40 episodes of *Poh's Kitchen*, 40 episodes of *Talking Heads*, 40 of *Collectors* and 40 of *Can We Help?* In 2012, it seems there will be 13 episodes of *Poh's Kitchen* done internally in Adelaide; 12 episodes from the South Australian Film Corporation FACTory project, which will be external; and 10 episodes of *Auctions* in Tasmania and 12 externally produced episodes with ScreenWest. That is 47 episodes. That is what has been put to us. Just on simple arithmetic, it seems we are getting less television, less local content, for the same amount of money.

Mr Scott: No, no. I think there are a few different things on that, and Mr Dalton might want to add to it. Firstly, if you take *Poh's Kitchen*, for example, we are doing a few episodes but those episodes have bigger budgets because we are now doing it in prime time—and there is certainly more travel involved in the program now because part of the decision we made was to up the level of investment per episode in that program, recognising that when you run it in prime time it is operating in a far more competitive environment.

We have ended *Talking Heads* and some other programs, but what you are not covering, Senator, is the other production work that we are commissioning at the moment, the budgets and how audiences will see them. We are currently commissioning or have in production, I think, a 13-part, hour-length drama series in Queensland called *The Straits*, which will be on air next year, made by some of the most experienced drama producers in the country. We have commissioned a children's television program with the highest budget for a children's program ever made in this country, which is going to be made in South Australia, *Resistance*. There is another program, *Satellite Boy*, in Western Australia. We are making programming around the country. What you are referring to, Senator, is simply the amount of internal production that we are making. So when it comes to fulfilling our charter—

Senator XENOPHON: Would you call that long-form factual programming? Is that the technical term for it?

Mr Scott: What?

Senator XENOPHON: In terms of *Talking Heads*—

Mr Dalton: Series production.

Senator XENOPHON: Yes, serious production, which is different from drama or—

Mr Scott: It is. But, looking at the charter, one of the things that we want to do is reflect the country back to the country, and the only way of doing that is by not having 100 per cent ABC internal production. One of the things that I think is a tribute to the work done in South Australia on *Poh's Kitchen* and, before that, *The Cook and The Chef* is that they represented that part of Australia to the rest of the country. Part of the problem I think we have had with some of our slate of internal factual programming—

Senator XENOPHON: How is *Poh's Kitchen* uniquely South Australian? It is a great program, but I am just wondering how it is uniquely South Australian.

Mr Scott: More of Poh's programs have been based around that geographic area, even though she travelled elsewhere as well. There is a sense of locale in it, I suppose. But one thing I would say about some of the other programs we have done is that they have been filmed internally in a studio by the ABC—they could have been made anywhere. I am not sure that simply scattering generic programming around the country is the same thing as doing television production that reflects the expertise, the history, the geography and the culture of that part of the country back into the national schedule. There is no doubt that *The Straits*, for example, could only have been filmed in Northern Queensland.

Senator XENOPHON: Sorry, Mr Scott, but the information I have from my contacts within the ABC is that, when they are told to pitch nationally for a program, they are told, 'We don't want anything too regional; it's got to have a national feel to it.' Am I missing something here?

Mr Scott: All I am saying is that some of best regional programming we have done has reflected a particular part of Australia. There is no doubt that some of the stuff we have commissioned with the independent production sector is going to reflect a particular part of the country too. One of the strong reasons for doing regional productions is to reflect the diversity of the country to the country.

Senator XENOPHON: The MEAA submission, at page 10, says: ABC management has suggested that 84% of ABC TV content is "internal".

You may want to take this on notice, given that it may take a lengthy answer to be fair to ABC management. The MEAA submission says that is 'a gross misrepresentation'. For instance, does it include midnight-to-dawn repeats, does it include programs that are produced—

Mr Scott: It does not include news and current affairs, and it does not include *rage*.

Senator XENOPHON: Sure. Could you take it on notice to respond to that criticism on page 10 of the MEAA submission.

Mr Scott: Yes, we can clarify that.

Senator XENOPHON: The final issue I want to raise is one of apparent conflicts of interest. Mr Dalton may want to be involved in this answer. If I can talk in general terms, what protocols are in place to deal with apparent potential conflicts of interest—for instance, if you have someone who is involved with the ABC who was previously involved with a private production company and their ongoing relationship with that production company by virtue of their interaction with the ABC, if they have a role the ABC?

Mr Dalton: I can only answer that generally. I must say I am astounded. I can hardly find anyone in the Australian independent production sector that has not at one time worked in the ABC.

Senator XENOPHON: I understand that. How do you deal with that, though? It is a relatively small talent pool, I guess. What robust mechanisms are in place so that others who miss out on a commissioning, on a production, feel that they have been treated fairly?

Mr Scott: Perhaps it would be best if Mr Dalton talked a little bit about the rigours of the commissioning process. My understanding is that there is no production that gets commissioned that does not go through quite a rigorous approval process that goes beyond one or two people.

Mr Dalton: Firstly, the ABC has in general across the whole of the organisation quite strict guidelines and protocols around conflict of interest. That involves a declaration of anything that might cause any sort of conflict of interest. Where there are direct conflicts of interest then those conflicts of interest are of course managed in terms of people who may or may not need to absent themselves or have nothing to do with the decision-making processes.

In terms of the actual commissioning process itself—and it is the same whether it is an internal project or an external project—there are at the very early and initial stages either commissioning editors or executive producers involved in developing the idea, working with an independent producer or developing the idea inhouse. We have heads of genres to oversee that work and look at that work as it progresses through a variety of developing stages.

In terms of when the project gets to the stage where it can be considered for commissioning, that involves the controllers of the different channels—ABC1, ABC2, ABC3, ABC for Kids. They are brought in and they have to take on board and look at and consider the project. If both the head of the genre and the controller of a particular channel agree that that project should go forward to be considered for commissioning then there is a whole lot of work done on the financing of the project—very detailed budgets are prepared and checked and looked at by operations people.

Senator XENOPHON: Because of the time constraints, could you provide us with those documents referred to on notice. That would be useful in terms of how you deal with conflicts.

Mr Dalton: Do you mean a description of the commissioning process?

Senator XENOPHON: Yes.

Mr Scott: The nature of the process means there are always far more people disappointed than there are happy. One of the good things about the system is that we have numerous organisations, numerous producers and writers and creative teams who want to work with us. It is a competitive environment. There is no way we can afford to fund all the programs we would like to be able to put to air. It means that there is disappointment. But I think there is a good, rigorous process behind the decision making.

CHAIR: Thank you. Senator Bilyk.

Senator BILYK: I think everybody accepts that it costs money to produce television shows and I do not think there is anybody at the table that expects it all to be internal. But is internal production alive and well in the ABC or is it being run down?

Mr Scott: I think it is alive and well. It depends a little bit on the model that you have. Tonight on ABC television we will do internal production from 7 pm till 11.30 pm on ABC1—some made by our news division, some made by our television division. We make television in every state and territory—everywhere we make

news and current affairs. In other parts of the country we make programs for our current affairs slate nationally and we make programs for television nationally. It is a mix and we are trying to find the sweet spot.

I think we have got to realise, though, that this industry has changed significantly since we started in television. In the 1950s and 1960s we ran television effectively like the way we run local radio now—lots and lots of local content with some national content. Now, like every other network, we run a national slate with some local news and some local current affairs. We are going through a period of adjustment, trying to think through—going back to the words of our charter—how we efficiently manage the system to the maximum benefit for Australians. We will have a mixed model that means that we make some television internally, we commission some, we purchase some. We will make television all around the country, but the level and the extent to the degree we make lots of television everywhere is the thing that is under review and scrutiny at the moment. Yes, I do believe there is a future for us in making television. Unlike SBS or unlike Channel 4 in the UK that has no internal television capacity, we have it, we will keep it and I believe it will be in a healthy and robust position.

Senator BILYK: You just mentioned that you would continue to run television all around the country. I am a Tasmanian senator and I have a few questions about *Collectors* and the new show. I think it is called *Auctions*. I have read that *Collectors* is resting. Is it a lifelong rest? Are you going to pull the plug on it or is it going to be revived?

Mr Scott: We are reviewing that program. We have committed to another program, the auctions program that is in production—

Senator BILYK: Ten episodes—is that right?

Mr Scott: Yes—and we will see how that performs. The board and the executive are thinking through our further television commitments. One thing I can assure you, Senator, is that we will be continuing to make local news and *Stateline* in Tasmania.

Senator BILYK: I am pleased to hear that, because a lot of Tasmanians are very angry with the commercial stations—

Mr Scott: I am delighted we are there to be of service, as we are around the country. I must say that in places like Darwin or Canberra, which are other examples, our commitment to localism is mainly through our news services and our local radio services and we will continue to consider the future of other television production there. We hope the auctions program is a huge success. Australians, as you know, are very interested in real estate; it is the biggest investment that families make. We have a talented cast and a good team who are putting that together. We are hopeful for that. Then we will consider *Collectors*. For reasons I do not want to go into, *Collectors* has had a difficult couple of years.

Senator BILYK: I think I know some of those reasons.

Mr Scott: We do need to watch the audience numbers too. People ask about ratings. What I say about ratings is this: ratings matter; they are not the only thing that matters.

Senator BILYK: What else does matter, Mr Scott? Can you tell us?

Mr Scott: We look at a range of things. We do quite extensive research. We look to ensure that our programs are high quality, original and innovative. One of the tests I sometimes have is: is this program most at home on the ABC or is it the kind of program that could be seen anywhere? I am not as interested in programs that could be seen anywhere, even though some of our programs have proved to be very popular and commercial networks have taken them and run them, like *Kath and Kim* in recent years. It is an area we have been discussing with the executive and the board.

One of the things we want to do is develop more metrics around performance that go beyond audiences. But nor, Senator, do I think we can ignore audiences when they speak to us. When audiences for programs significantly erode, we need to ask the question: should we simply be taking that money and investing it in programs that are equally as distinctive and compelling but might engage more people? *The Inventors* and *The New Inventors* are good examples—great programs. The original *Inventors* ran for 11 years; it reached the end of its cycle. Then some years later *The New Inventors* ran for eight years. But the audiences for *The New Inventors* were down by 50 per cent over the last three years. When the audience says that to you, it would be arrogant to say, 'We don't care what the audience is telling us, we're just going to stick with it as the audiences erode away.' Part of our responsibility to the people of Australia is to take money, reinvest it and try to find new ways of connecting. Maybe *The New Inventors* will return again some day in some other format, but we need to pay careful attention to what the audiences are saying to us. We need to be responsive to the feedback they are giving us.

Senator BILYK: Another question I have is about the regional and local programming initiative. Are you not just taking taxpayers' money and moving it to the private sector?

Mr Scott: No, we are certainly not. What we are doing in our partnerships is: making taxpayers' money go further. If the ABC makes an internal production and it is a 100 per cent internal production, the only money we can use is money that the ABC can contribute. However, in working with the independent production sector in some genres you might get money from Screen Australia, from a state based body or from the producer rebate, and the producer themselves might put in money. So for the ABC's dollar invested you might get another dollar, or \$2 or \$3, or, in documentaries and factual history, \$6 to put it to air. That allows us to do more Australian production of high quality, because, whether we are doing it internally or doing it in coproduction, it is all done to the same standards that are set down and spelt out. So I think we are being wise stewards of the money that is given to the ABC, and the board, in endorsing that program, is taking section 8 absolutely into account: we are ensuring the functions are performed efficiently and with maximum benefit to the people of Australia.

Senator BILYK: In the last budget round the ABC requested that it be given greater flexibility and surety about its funds and had the funding rolled into base funding for that, and now you seem to be axing those regional programs—

Mr Scott: No, that is not true. We are continuing to spend money in the regions. Your suggestion is: the only way to spend money is on 100 per cent internal production. I can tell you that, since 2006-07, we have spent \$142 million in the regions, with significantly higher value than that added by other funding sources, and that trend is continuing. And our ability to leverage other funding sources increases as we work with the independent production centre.

Senator BILYK: Are you able to tell me how much of that money you spent in Tasmania?

Mr Scott: I certainly can. Would you like that information now?

Senator BILYK: You can take it on notice if it is easier.

Mr Scott: But I have it at my fingertips if you are interested. We have created 428 hours in Tasmania; \$32 million worth of production has been leveraged up to \$33 million, so a relatively small leverage in Tasmania, but—

Senator BILYK: What is the time period for that?

Mr Scott: That is 2006-07.

Senator BILYK: Up until this year?

Mr Scott: Until 2010-11.

Senator BILYK: I just wanted to talk to about that 84:16, and I think you have been sitting in the room so you have heard—

Mr Scott: I am aware of the argument.

Senator BILYK: the previous discussions about it. That 84 per cent that has been cited: that is hours of production, is it?

Mr Scott: Yes, that is hours.

Senator BILYK: What sort of percentage of the overall production budget does that 84 per cent relate to?

Mr Scott: I would have to check on that. I have got a breakdown for hours.

Senator BILYK: If you could take that on notice that would be good.

Mr Scott: Yes.

Senator BILYK: And therefore the corresponding question is: in hours, what percentage of the budget does that 16 per cent—

Mr Scott: I think it is fair to say that some of the hours that we are spending with the independent production are very expensive hours of television. An hour of quality Australian drama can cost \$1 million an hour to make. Some of our more successful talent, like the *Chaser* and Chris Lilley and others, are expensive, and prime time is more expensive. So there will not be a direct correlation between percentage of hours and percentage of dollars spent, but I will get that breakdown for you.

Senator BILYK: Senator Xenophon has already asked how you feel about an external audit, but if everything is rosy with your internal audit you would not have a problem with an external audit, would you?

Mr Scott: We have nothing to fear from an audit. My only concern was the slightest suggestion that we were not consistently and persistently auditing all these areas through a variety of audit processes. That is what we do;

that is what we have done. We take it seriously; we continue to do so. And if the board believes that there are other audit processes that it wants to undertake, then I am sure the board will do so.

Senator BILYK: Are you able to tell me what the plans are for the mix of internal and external production—say, over the next three to five years?

Mr Scott: As I said to Senator Xenophon, we are currently working on that. I can say that it will be a mixed model: a model where we think that there are some genres, some programs, some timeslots where it makes far more sense for the ABC to make it internally. There will be others—

Senator BILYK: Can you just give me some examples?

Mr Scott: *Play School*, *Giggle and Hoot*, *Q&A*, *Media Watch*, *First Tuesday Book Club*—we have a lot of them. *Giggle and Hoot* is an interesting example. When we received the money for the children's channel and decided to make a strip of children's programming on ABC2, we could have put that out the door. But we decided that we had the facilities and the capability to make that, and we did it. *Giggle and Hoot* has proven to be an absolute phenomenon for Australian children under the age of five. It is very, very successful. We have been making *Play School* for 45 years now happily internally. We would love to make even more episodes a year if we could. We are not going to ship those things out the door. *Q&A* is an excellent internal production, one that we will continue to make internally. There are a range of programs through the schedule that we will continue to make internally. But I think we need to realise that, under some of the infrastructure that we inherited from the early days of television, it will make no sense for our audiences to make lots of internal television production everywhere.

One of the things I think Mr Morrow and Mr Murray said which I would like to endorse is that this is an argument that is very much within the ABC and the television community; it is not really one for our audiences. If you asked them whether Andrew Denton or *The Chaser* or Chris Lilley or the Ita Buttrose drama we did were internal or external or cofunded or acquired, they would not know; they just know it is an ABC program. We need to be able to ensure that with the money that we get we are delivering outstanding, distinctive programming to our audiences, because that is what the charter says. The charter is notably quiet on the how. The charter focuses on the outcome. The key question I think is: are we delivering the outcome and are we delivering it in the most efficient way that we can? We think that will be a mixed model of internal production, some coproductions, some acquired content, all of which has to be delivered to the standard specified in our editorial policies and by the ABC board.

Senator BILYK: What is the future for outside broadcast vans?

Mr Scott: That is a good question. We have indicated that we will be continuing with the local football coverage for the next couple of years as we talk to the codes. We use them for a range of other things as well. Anzac Day has been talked about. I think for 22 weeks a year we roll it out here for the National Press Club. We will need OB vans. It is interesting; we are now the only broadcaster with OB vans, and we are hardly the only broadcaster doing sport or major other events. One of the questions we will have to ask is: are you better off owning that capital or are you better off purchasing that capital when you need it? A lot of the staff that work on the OB vans for us are casual staff anyway and would be employed irrespective of how we put that together.

Senator BILYK: That is interesting. That was my next question to you. The previous people submitted that they were full-time employees and were only employed two days—

Mr Scott: It is a mix and it depends a little bit. Some, of course, will be permanent staff but others—

Senator BILYK: Are you able to give us a breakdown of that by state?

Mr Scott: I will see what we can easily come to. The question that has been raised by the previous speakers is important. Unless you have quite high levels of production in a site, as we do in Sydney and Melbourne, you can get the position that used to be referred to in the past as the standing army—the staff who are employed who do not have a program to work on, who do not have work to do. One of the things we have tried to do in recent years is ensure that the staff we do have employed are utilised as much as possible. That, again, is efficient use of the taxpayers' dollars. It is difficult to do that unless you have got a certain critical mass of production in a site. We can certainly do that mostly in Sydney, where we have more production, and certainly more in Melbourne, but it is harder in the other states. Back to the OB vans, I would simply say that we expect that we will need to be using OB vans. Decisions about the vans will come when they have reached the term of their life and we need to renew them. But one way or another we know we all need to do outside broadcasts. It is very important. The suggestion we would not do Anzac Day is ridiculous; of course we will do Anzac Day. We will find a way of delivering that.

Senator BILYK: I have a number of other questions, but I am happy to put them on notice.

Senator LUDLAM: Mr Scott, you mentioned before the idea of being able to drive the taxpayers' dollar further by seeking complementary sources of funding.

Mr Scott: Yes.

Senator LUDLAM: In the examples you gave us you mentioned Screen Australia, some of the producer rebates and I guess I would add state film funding agencies. They are all taxpayer funded as well. I wonder whether there is not a sense of double-dipping or whether it is really—

Mr Scott: I would not call it double-dipping. Let me clarify one thing and then add another comment, if I may. We are certainly driving the ABC dollar further. But most of the people that we are working with—Screen Australia and the state based bodies—are delighted to work with us. They are delighted to work with us, to create programs that we put to air that reach broad audiences that are distinctive. So they support us. Most of those state based bodies have been keen to sign up commitment deals with us to do numbers of programs over numbers of years, including ScreenWest, where we have had a number of very significant deals. If we did not do that, if we did not enter into programs—I will take drama as an example—where we had screen producers, the rebate, Screen Australia money, state money, then the ABC could fund those 100 per cent, and there would be one simple consequence of that: dramatically less Australian drama on ABC television. So it is a choice that we need to make. We can do drama with the independent production sector and take advantage of the leveraging opportunities for the ABC dollars or we can do less.

I can tell you, Senator, I am in no doubt what the Australian public want. They want higher levels of Australian drama on ABC television and they are happy with the arrangements that we make that enable us to do that whilst delivering it to the same quality and integrity as if we had been doing it internally. I would argue, around drama, that the kinds of people that we are working with—the writers, the directors, the actors—and the calibre of work that we are producing are a real advantage of working with the independent production sector. So we are leveraging the ABC dollars. We are leveraging them with taxpayer dollars that are coming in other ways, but not only that; there is other money that comes in from producers and from international sales, if you like. But we are making the ABC dollar go further so we can show more Australian drama on ABC television. I think that is an outstanding policy.

Senator LUDLAM: You were asked before by one of the other senators whether the internal production was being run down and you said something to the effect of, 'No; it is in great shape,' or 'It's in good health.' What is the 84 per cent of material—which has been discussed a little bit—going to look like after arts has come off, along with *New Inventors*, *Collectors*, *Talking Heads* and *Can We Help??* What kind of proportion will we end up with then?

Mr Scott: There is still going to be a lot of it. I think there are 94 programs or something that are underway that are internally commissioned, and some of them are some of our most popular programs. I mention *Play School*, *Giggle and Hoot*, *At the Movies*, *First Tuesday Book Club*, *Catalyst*, *Compass*, *Media Watch*, *Q&A*, *Poh's Kitchen*. There are a range of other local events—Anzac Day around the country; women's sport, which has been a real priority for us; Paralympics; continuing on with the regional football codes, as you know. It is very extensive around the country. But also I think we should not get into this false argument here. An absolute key to our making television and our programs that actually, night in and night out, get biggest audiences are the news and current affairs that we make all around the country, which is making television locally, for local people, using television-making skills by our news division. So, yes, I think it is significant. I think it is broad. There would be some who would argue that it should be more, but there are trade-offs with making more, along the lines that I outlined earlier—trade-offs in terms of efficiency, trade-offs in terms of leveraging money. So there is a sweet spot here in this mixed model. We are trying to work our way through that, but we have the best interests of the organisation and our audience at heart as we try and do that.

Senator LUDLAM: I want to take you to a comment that was in the CPSU's submission. It sounds like you are pretty proud of the internal production of the ABC. Mr Dalton is quoted on page 14 of the CPSU's submission—and you might want to take this, Mr Dalton, if you will—as saying it was his intention to outsource everything except news and current affairs, or outsource all factual product at least. I wonder whether that is still is the stated agenda. Is that quote taken out of context or is that where we are heading?

Mr Dalton: I am afraid I deny ever making that statement, so I have no understanding of where that comes from.

Senator LUDLAM: It is a pretty detailed quote. Has that just been made up?

Mr Dalton: I do not know; I have never made that statement. I clearly have not made the statement that all factual material—because we still do a whole lot of factual material. Mr Scott has just mentioned *Poh's Kitchen*,

which has only just recently gone in for a second commissioning and a move into prime time. We do *Q&A*; we do *Catalyst*—we do a whole range of factual material, so I have never made that statement. You may well be referring to a statement I made about our documentary output. I made that statement about five years ago at a speech at the producers' conference.

Senator LUDLAM: That is right. I think that is the quote I am referring to; it is a reference to an attendant speech you gave to SPAA.

Mr Dalton: Well, that was not a statement which said that our whole internal production capacity would be wound down.

Mr Scott: Can I add to that, Senator. There is clear ABC policy here. The ABC policy is that we have a mixed model. Now, one of the things, though, is that there are certain genres where we are not making internal production. Drama is one; documentaries and natural histories are others, even though we are making documentaries clearly in our news division. The Lake Eyre documentary that our staff had worked on, was a documentary made by our news division and shown in prime time. I would argue that *Four Corners* and *Australian Story* are documentaries that we are making for ABC television internally every week. But, there are genres where it makes no financial sense for us to do it, because if we were making those genres internally we would be making far fewer. I thought the evidence around natural history that we heard earlier this afternoon was very, very interesting. Under the model that we have gone to, far more producers are being involved and producing more natural history, more efficiently, for our audiences. But, I think that at times Mr Dalton is unfairly demonised by some people in this whole debate. We are not looking to get rid of internal production, and we are not saying there is no future for internal production; we are agreed that we are committed to a mixed model. And we will spell out in more detail what that is down the track.

Senator LUDLAM: I was not trying to demonise anyone.

Mr Scott: I was not saying you were, Senator, but others have, I think.

Senator LUDLAM: Yes, the quote that is here, which I am reading from, was indeed that: the keynote speech in November 2006 to SPAA. It is on the ABC's website now. Mr Dalton is quoted as saying:

Part of these changes will mean that in the longer term, outside of its weekly magazine or program strands, ABC TV will move out of internal factual and documentary production.

Now, that—

Mr Scott: But a weekly magazine—that is *Compass* and *Catalyst* and those programs; that is what those programs are.

Senator LUDLAM: That is about all that is left, isn't it? There is not a lot else that is left.

Mr Dalton: There is a lot of material. There is the *First Tuesday Book Club*, there is—

Mr Scott: *Gardening Australia*.

Mr Dalton: *Gardening Australia* and there is material that goes into *Artscape*. There is still a very significant amount of material.

Senator LUDLAM: It seems that mostly what we have heard today is about the tension. Nobody has said they do not want to see a mixed model or go back to 100 per cent internal production, if ever that existed, but we are having a debate around the threshold. Do you think there is still too much being made internally, or do you feel like you have got the balance about right?

Mr Scott: We are just working on that now, Senator. I agree with you; I think there is almost heated agreement that people want what is best for the ABC, but the question is: where do you draw the line? As I outlined in my introductory remarks, we have gone through significant change at the ABC to be able to produce these new channels, this new content on radio and this new content online. Some of that has been tough, and change is tough anywhere. Change is tough in media organisations. Every media organisation in the world that is seeking to survive and endure is undergoing change. But I am keen that we have some more certainty for our staff as best we can on this mix for the next couple of years. That is the plan that we are working towards. Now, you cannot be too precise around everything because sometimes some things change—audiences or programming that you feel you need to make. But we are looking for more certainty and that is what we are working on. We have been discussing amongst the executive, we have been discussing it with the board meeting, and we have more work that we need to do. But as I say, I am hopeful that by year's end we will be able to provide some greater clarity on the outlook for our television production model for the next three years, just as we had a plan three years ago, in a sense—our television production model up to about now.

Senator LUDLAM: I look forward to seeing that. My last question is—and if you have been listening in to some of the evidence you will have come across this concept, and maybe it is a bit provocative: how do you feel about somebody, maybe parliament, imposing a quarantined amount of internal production across your different program streams? Would that be just profoundly unhelpful?

Mr Scott: Unhelpful and unwise, and I will tell you why. We are an independent public broadcaster, and I do not think we really want to set the stage for parliament doing the programming, not even parliament programming the mix in the shape of the schedule that we put together. We have specialist people internally who are specialists in their genres, who are specialists in scheduling and who work well with internal staff and the independent production sector. I fear that the rigidity that that kind of modelling might bring would hinder the ABC rather than help it. It certainly would not make us flexible and nimble in dealing with what is now a very, very competitive sector. So I would argue that, in trying to be helpful, the parliament, if it went down that road, could well be harmful. It would inhibit the independence of the ABC Board to make the decisions it needs to make under the charter and the power that it has under the act to ensure that the programming mix is right and delivered efficiently. So I do not think that would be a wise path.

Senator LUDLAM: I figured you would say that, but I thought I would give you the opportunity to put it on the record!

Mr Scott: Thank you, Senator. I am sorry to be predictable!

CHAIR: Senator Birmingham.

Senator BIRMINGHAM: Don't worry, Senator Ludlam; Senator Abetz will have his application in to be chair of the parliamentary committee inquiry into ABC production and programming anytime now!

Senator LUDLAM: Thanks for putting that idea into my head!

Senator BIRMINGHAM: Mr Scott, my apologies for not being here to hear your opening statement. Unfortunately, you did not rate today against the carbon tax inquiry for me, but I have made it in at the end.

Mr Scott: Thank you, Senator.

Senator BIRMINGHAM: I know you made a statement at the end of last week and probably made some opening remarks about local football coverage in South Australia and elsewhere. Firstly, I have an overall question in that regard. I know much of the time in this inquiry has been spent talking about local production, but it is local production of content, generally speaking, for a national audience. What role do you and the board see for local production for local consumption?

Mr Scott: That is a good question. Again, it is not spelt out specifically under the ABC charter, but I appreciate we have a long history of creating content and delivering it locally. Of course, I take a whole-of-ABC view on this, and we fundamentally do it through 60 local radio stations—local voices giving local news to local communities every day. That is what we do and that is why radio is very powerful. Increasingly, television is a national model, with a national schedule, where the localism again come through our news services.

Broadly, though, on the question of sport, I have indicated that we have finite money. I think there was eloquent testimony today from local sporting officials on the benefits and the impact of local sport coverage, and I accept that. But I also need to tell you that, on a per audience member basis, this is the most expensive programming that we do. We talked about *The Chaser* today, we talked about drama and we talked about everything else; nothing is more expensive based on a per audience factor than doing local sport. So what we have tried to inject into the debate, and we need to debate it further, is that, if these audiences are declining—and they are declining; there has been a 24 per cent decline over these key local sports in the last two years—is our audience telling us something? Are people signing petitions because they want it to be there but then not watching it because, in part, there is so much other sport on television? When we started broadcasting a lot of these local football codes, there was often only one other game on television on the weekend. Now there is saturation coverage of sport on the weekend. The question we have to ask is: is it worth the ABC spending in excess of \$10 million a year to provide this sporting coverage for fewer and fewer people or would it be wiser to invest this money to greater benefit for the people of Australia under our act?

What I also foreshadowed last week was that we need to talk about this with the major codes. I would simply say this: the AFL have indicated that this coverage is vital to the health of their code at a grassroots level. It is an engine room for local interest. It is an engine room for the development of talent. It is a feeder to the big national game. Well, the big national game is going to collect a billion dollars, reportedly, from television networks for the rights to broadcast that game, at the same time as the ABC is expending \$10 million on sport production, a lot of that for local sport. So we need to sit down. If this is of great benefit to the AFL, we need to sit down and talk with them, just like we need to talk with league and union about it.

We would like to be able to do it. We are happy about doing it. Our concern is the level of cost and the declining audience. So we need to talk with people about this and try to find a way that allows us to deliver this more effectively. If not, we have to ask the question of ourselves: how important is this compared to other priorities that we need to work our way through?

Senator BIRMINGHAM: I appreciate the comments that you made there, Mr Scott. The statement you made last week was widely greeted, but it was essentially a 'We will talk' statement, wasn't it?

Mr Scott: It was more than that I think. It was an acknowledgement and recognition of the level of concern. I am delighted that, through all the partisanship that exists in this house, I was able to bring the 12 senators of South Australia together to speak with one voice. It is a small service! We recognise the passion that footy generates. It is grand final week. We understand that, but we have got other realities as well. What we are really signalling is: we are happy to do it for two more years. We want to sit and talk and work through it, but we may have to come up with a more permanent solution than this. Coverage of these events is not getting cheaper. We are indexed each year through the budget at less than CPI, but CPI is not necessarily a great proxy for the inflation rate that is going through television production.

Senator BIRMINGHAM: Would you like me to ask you about the carbon tax impact?

Mr Scott: I will leave that to you. So we might sign for another two years. We would hope to be able to do that. But this problem is not going away and we need to sit down and have some serious conversations about that. I have had some good discussions with the minister, Senator Arbib, on it. I am happy to brief members of parliament around the financial reality of this kind of coverage. Think of the impact that this money can have to audiences of 10 times the magnitude of the audiences that we are getting for these codes at the moment. The cost-per-viewer figure that was released based on our analysis is \$22 per viewer per weekend in Tasmania. That is a lot of money. That is kind of indefensible really. So we need to find another way through this I am afraid.

Senator BIRMINGHAM: Does the model that you obviously have been applying and are looking to potentially expand upon of achieving a contribution from the local sporting league that you are covering extend to other sports activities beyond football codes?

Mr Scott: That is a good question. We have received from time to time some financial contributions to our coverage of other events. I would say though that I think our conversation needs to be with the AFL as much as with the local codes frankly. Let us look at the other areas that we are prioritising. The Paralympics is an area that we are looking to cover. They are hardly flushed with cash. We brought to life netball as a television sport and I am delighted that Channel 10 has taken that. Now I think they are showing 60 games next year. It was the ABC that brought that to light and made that a viable television proposition. The other sports we are covering—women's basketball and women's soccer—are hardly flush with money. This is the trade-off.

Senator BIRMINGHAM: To get a straight answer in there, Mr Scott, do you seek a co-contribution?

Mr Scott: We do in other sports. I cannot talk uniformly across the board, but other contributions have been made to coverage of other sports, mainly coming with recouping production costs.

Senator BIRMINGHAM: You are about to start negotiations. I do not want to ask you to spill the beans on the negotiations, but it is fair to say that local footy coverage across the states will only continue if there is an increased contribution on what has occurred previously.

Mr Scott: I do not want to go that far. This is going to become increasingly hard. If in fact over the next two years you had a continued deterioration of audiences the way we have seen in the last two years, these audiences would be getting so small in some states that they would be impossible for the ratings system to pick up. We would be getting an asterisk. I do not think that is healthy. So something will have to be different. The prospect that we are going to put \$10 million plus into broadcasting local sports around the country that are attracting very small audiences and that we then just have to react because there is distress at the thought that we are not going to be there, then, something has to give.

Senator BIRMINGHAM: Mr Scott, in the negotiations I assume you will try to look at it. Do you have any appreciation as yet of the reason for the audience drop-off. I have highlighted that I think there is a certain paradox there. Local attendance has grown in my home state at the expense of attendance at AFL games. So interest in the local league is actually in terms of bums on seats, so that the games have grown but it obviously has not in terms of eyes on the screen.

Mr Scott: I think there are a range of things. One of them might be the timing of the games. You want to broadcast live but, if it is up against the national competition being broadcast on television, what are you up against in the same timeslot? The smallest fall-off in our audiences in the football codes has been in the Shute Shield, which is rugby union in New South Wales, but it is up against no rugby union at the same time. That is

part of the problem we have with local footy: the national code casts a big shadow as far as the television experience is concerned.

Senator BIRMINGHAM: You have flagged the money that the AFL gets from the commercial broadcasters. Would one of the suggestions you might make to the football leagues be that perhaps the negotiations for those national broadcasting deals could include a requirement or an agreement to cover local leagues and flow-on effects as part of those broadcasts if it would relieve the ABC of the need to do so?

Mr Scott: That might well be an interesting proposition. But I am not sure that the ABC necessarily has to be the only solution as far as this is concerned. You will remember throughout many hours of Senate estimates together some discussion around the Hopman Cup.

Senator BIRMINGHAM: And due again live in a few weeks.

Mr Scott: That is right. Senator Cormann, from the West, would question endlessly about the Hopman Cup and was concerned that the ABC would no longer broadcast that. We took the view that there was a lot of tennis on television, and he took the view that this was a very distinctive tournament. We did drop it. It was then picked up by Channel 10, which then broadcast it. It might well be that the ABC is not the only outlet for local football. There are other commercial networks. There are commercial networks that do not have local content and that do not have local sporting content, and that could well be an option.

We would like to see it on free-to-air television. We are very happy for it to be on the ABC, but that is not the only alternative. We expect to broadcast it at least for the next two years and then we will see how our discussions go.

Senator BIRMINGHAM: Thank you.

CHAIR: I will have to put some of my questions on notice, but I would like to go to the production strategy that you are currently drafting. Presumably the production decisions you are making currently, and have been making in the medium term retrospectively, have been based on a previous production strategy.

Mr Scott: Yes. What we have had is a production guarantee, which has been an understanding about how we will use internal production resources, which is based around a certain number of hours, and now we are moving into our next phase.

CHAIR: Excellent. Is it possible that we can get a copy of the previous strategy?

Mr Scott: I am not sure. It is an internal working document. I will take a look at that and see what form it is in, but it was based around—

CHAIR: You can give it to us in camera if it is commercial in confidence.

Mr Scott: It is just based around a certain number of hours of internal production that we were doing.

Senator XENOPHON: We will still get that on a confidential basis.

Mr Scott: Yes, we will look at that.

CHAIR: Yes. Given the increased platforms that the ABC is hoping to operate across, Mr Scott, do you require more money?

Mr Scott: That laugh was not meant to be hysterical. We could always do with more money. The ABC is very grateful for the additional funding it received in the last tri-funding. It has enabled us to do three great initiatives that we would not have been able to do otherwise: the creation of the children's channel; the creation of ABC Open, which has been a terrific demonstration of broadband in the bush; and the creation of this big, new drama slate that we are rolling out, with some very exciting programs in production.

CHAIR: Okay.

Mr Scott: Our cost levels continue to increase and there is lots more we want to do.

Unidentified speaker: There's 24.

Mr Scott: We were not funded for 24. We found the money for 24.

CHAIR: I want to get your comment on the impact of the Queensland floods and the Victorian bushfires on the budget bottom line. Do these incidents indicate that there is a national interest aspect to the public broadcaster which we have not discussed today? I will put that question on notice.

Mr Scott: Thank you.

CHAIR: The last one I will put on notice concerns a thematic of centralisation with the ABC that we have been hearing about today, especially in the BAPH states. Could I get your comments on changes touted in

Melbourne radio in the ABC that concern the replacement long term of the likes of Derek Guille and your comments on how to deal with these centralisation aspects.

Mr Scott: Okay, thank you.

CHAIR: Thank you very much. I appreciate your patience in running over time. I thank senators and Hansard. I thank all witnesses. The committee have resolved that answers to questions on notice be returned by close of business on Wednesday the 28th.

Mr Scott: Is that Wednesday, 28 September?

CHAIR: I am only reading what I am told, Mr Scott. Yes, Wednesday.

Mr Scott: Wednesday, as in 48 hours away? That is a little tough.

CHAIR: We will let witnesses know in order to provide adequate time for the provision of answers.

Committee adjourned at 17:06