

## Inquiry into recent ABC programming decisions

### Personal Submission

#### Quentin Dempster

Terms of reference:

That the following matter be referred to the Environment and Communications References Committee for inquiry and report by 12 October 2011:

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; 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 Propriety Limited; and
- e) the future potential implications of these cuts on ABC television's capacity to broadcast state league football and rugby; and
- f) any other related matters.

“What the ABC needs to do, and what anyone who wishes to engage in the convergence debate needs to do, is to recognise the realities around local content creation in Australia. Whether you like commercial TV or not, whether you like the ABC and SBS or not, even if you think the one to many transmission model is a dinosaur and should go – the fact remains that the products we create are a reflection of our culture and our industry is the corner stone of audio visual content creation in Australia.” - Kim Dalton, Director of Television, Australian Broadcasting Corporation, Henry Mayer Lecture 19 May 2011.

1. Kim Dalton OAM joined the ABC in January 2006. He has been a driving force in local content creation in Australia throughout his distinguished career. Like all previous ABC directors of television he has had to confront the challenge of creating television content with finite resources to meet the relentless demands of the weekly TV schedule (now with digital multi-channels) and to meet, with a semblance of plausibility, the ABC Act's requirement of Charter obligations across the genres. A process of leveraging taxpayer funding received via the appropriation into partnerships with external investors (private sector TV production companies, state and federal film and TV finance agencies and overseas public broadcasters,

distributors and other parties) has grown significantly under his management as more funds have been received via the appropriation. This commissioning process was started in the 1970s with the ABC originally commissioning only drama programs from the commercial TV production sector and film finance agencies. The ABC would put up a licence fee for first run and repeat rights for a designated number of years, with a separation clause of, say, a year before the program was on-sold to pay-TV, and with a share of revenue, if any, from associated international or DVD sales. The process was called 'co-production' or 'co-pro' for short.

2. Through the last decade the 'co-pro' has evolved to direct out-sourcing: the ABC fully funding a features program or documentary produced by a private sector TV production company on an idea (intellectual property) brought to the ABC by the TV production company.
3. The ABC no longer has a capacity to generate its own IP or make its own documentaries or natural history programs. In the interests of transparency, particularly with the corporation's next triennial funding submission now under preparation, I have asked the ABC to publicly release and have published in the ABC annual report an audit of TV production (internal and external) over the last three years listing under genre headings each program or series, the IP owner, funding sources and any associated business plans with external funding bodies, TV production companies and/or ABC Commercial. We need to know the benefits (first release Australian-made content) and compromises (commercial influences on ABC programming through 'bankability' commissioning and commercial exploitation of externally generated IP through revenue share and rights, promotion and ABC Shop marketing obligations. It is from establishing the facts in the first instance that an objective observer should be able to ascertain the benefits and compromises of the model. It is to be hoped this parliamentary inquiry helps establish those facts.
4. It is my submission to this inquiry that the ABC does not exist to make 'product' as Mr Dalton semiotically reveals in his recent Henry Mayer lecture. It exists to create programs which engage, inform and entertain its audiences who fund it through their taxes, and overseen by an Act of Parliament.
5. It has emerged that the program cuts announced by the ABC on 2 August 2011 may represent a fundamental shift in internal resource allocation as television management seeks to make recurrent savings from staff payroll and operational costs, such savings being diverted to acquisitions, out-sourced programs and co-pros in all genres with the exception, at this stage, of news and current affairs programming.
6. The ABC has yet to deliver on its public undertaking (10 August 2011) a television production strategy for the next three to five years which the Managing Director has indicated will demonstrate the ABC's commitment to what he calls the 'mixed production' model. One fears that if this particular parliamentary inquiry into the ABC's motivation behind the current program cuts is inconclusive or diverted in its task to establish the facts of the matter, the ABC will be able to dodge its commitment and thereby avoid further controversy. One fears that under the current management and board it is the intention of the ABC to dismantle all internal television production with the exception of news and current affairs programming. The ABC will claim

that it remains committed to the 'mixed production' model, but with news and current affairs content underwriting the 'internal' side of the ledger. This should not be allowed to occur without a full public debate of the implications for the future of the ABC as a cultural, broadcasting and now 'cybercasting' institution meant to underpin sectoral diversity.

7. It has been argued that our 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. I think audiences do care who makes them if they perceive a trend that ABC programs increasingly mimic offerings from commercial networks. 'Soapy' dramas that are the usual fare of the commercial networks or pay-TV are an example. Documentary that has a 'Reader's Digest' format and feel are another. *Crownies*, currently broadcast on ABC1 (Thursdays 8.30 pm), for example, is the intellectual property of Screentime, a successful Australian commercial TV production company which also makes the *Underbelly* programs for the Nine Network. The ABC pays a substantial licence fee, invests equity and negotiates re-broadcast, international sales and pay-TV rights with Screentime. The venture also benefits financially from the Australian Government's Producer Offset tax concession under 'eligible format' criteria designed as an incentive for the Australian film and television production industry. As its plots are developed inside a busy Crown prosecutor's office and try to dramatically depict dilemmas associated with the administration of justice, *Crownies* is said to be distinctive drama a commercial network would not commission. This is debateable when many of the plots and characters of this series are diverted to nudity and sexuality in a requisite voyeuristic formula (rootin', tootin' and shootin') in each episode, such formula having made *Underbelly* a commercial success. Is this the best the ABC can do? Although one sympathises with the *Crownies* writers, struggling to build intellectual substance to their plots, the commercial formula they have been required to produce is sticking out like the over-hyped ABC marketing which accompanied the show. If an ABC drama can build an audience of over a million viewers, it is immediately 'bankable' for network television. Taxpayers who fund and trust the ABC to make distinctive Australian content not usually available on the commercials need to see that the creative idea behind the program is a good one, original or innovative, and not, through the current commissioning model, a 'bankable' one to meet the requirements of an associated business plan by the program's commercial producer hoping to maximise commercial returns. 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. I do not want to be misrepresented or vilified by the Screen Producers' Association as advocating boring, prudish and worthy drama for the ABC which does not engage a mass audience. My point is that drama commissioned by the ABC should be confronting, risky and edgy, distinctive, memorable and not formulaic.
8. The loss of *Art Nation* through the recently announced cuts did not involve just the loss of the program. It also involved the loss of the TV Arts Unit, some 15 broadcasters with now extensive specialist experience in making the arts accessible to Australian audiences covering every form of arts endeavour. I view with consternation the ABC's thinking in dispensing so arbitrarily with this expertise. We await the ABC's promised production schedule which demonstrates a commitment to

comprehensive arts coverage, and particularly any impact on the TV Arts Unit's *Arts Gateway* on ABC Online. If any replacement or out-sourced program does not provide comprehensive arts coverage on ABC1, the key platform for audience engagement, the ABC will be ignoring or avoiding a clear Charter obligation.

9. The loss of *New Inventors* without a discussion of exactly how the ABC intends to cover Australian innovation in future television programming seems to abandon our audiences engaged with invention and innovation. Over the years the program has added tangible value through export ventures initiated by the program's exposure and intangible value through encouraging innovators to test and showcase their ideas.
10. The ABC is currently reviewing its sports coverage through its state by state outside broadcast operations. The OBs are said to cost \$10million a year in operational and staff costs with a reducing audience return. The loss of this capacity, particularly in this era of digital multi-channelling with new and exciting opportunities to enhance localism, should be carefully considered by the ABC as it has built a fine record in supporting women's and minority sports not taken up by commercial networks or pay television.

#### **Is it cheaper to make programs inside or outside the ABC?**

11. How long is a piece of string? Assessing program costs depends on the logistical, artist and location costs. If the shoot is in Siberia over six weeks, the location costs will be expensive. If it is in Byron Bay it will be more affordable. How much is Cate Blanchett or Richard Roxborough's fee? ... for example. Is your documentary to be narrated by Liam Neeson or Jack Thompson? If your documentary is to be directed by the great Australian documentary maker Bob Connolly, how much will it take to get him on board? There is nothing in the current industrial award payroll costs of technical and production support - producers, directors, editors, camera and sound operators, set makers, costumiers etc - which systemically make program creation at the ABC more expensive than the commercial TV production industry. In fact, 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. These assets, with capital costs amortised over decades, are currently under utilised and (appropriately) let out to the private sector to defray holding costs through facilities hire. 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. Currently the ABC does not pay an efficiency dividend often applied to other Commonwealth Government trading enterprises and departments. I am not submitting that ABC TV production should be made a closed shop. But to have a genuine mixed production model the ABC must retain a capacity to generate its own ideas and back it with the training, mentoring and development of technical, production and creative skills. With such a skills base the ABC will have leverage in its negotiations with the external production industry to better determine a competitive price for programs commissioned from private sector production companies.
12. In 1997 Mr Bob Mansfield, appointed by the Howard Government to review the future role and functions of the ABC, could not answer the vital question: Would the ABC save money by out-sourcing all its production? "I have not been able to obtain a

reliable comparison of the production costs of the ABC and the independent production sector because of the different methods used and their lack of transparency,” Mr Mansfield said in his report.\*

13. In 1996 then ABC Managing Director Brian Johns commissioned experts to conduct an analysis of the benefits of out-sourcing. This was conducted by David Throsby, then professor of economics at Macquarie University, and Mervyn Smythe, a media economist and consultant. They found that the private film and TV production industry in Australia had the capability to supply entire programs and/or to provide technical and creative inputs under contract at appropriate standards to meet many of the ABC’s requirements. They found that pricing of these programs and inputs was likely to be competitive. But, as with Bob Mansfield’s own assessment, Throsby and Smythe were unable to find hard evidence that ‘unambiguously established a cost advantage’ for the private sector compared to the ABC at that time when product of similar quality and program length was compared. ‘Even given some cost savings on individual programs, or program types, loss of economies of scale would probably raise the costs of at least some of the programs which continued to be produced by the ABC’. The Throsby/Smythe report concluded by drawing attention to the economic arguments for public funding of the ABC ‘at a level sufficient to enable it efficiently to meet its charter responsibilities’. The Throsby/Smythe report was not publicly released.\*\*
14. Which leads to the sustainability of current ABC funding given the now vastly increased demands for original content through ABC digital multi-channelling. Under the ABC Act the ABC Board has a duty to direct the efficient use of resources. The ABC annual report 2010 noted that although additional funding was announced in the Federal Budget, ‘this funding is tied to specific initiatives and is not available to address the continual cost pressure arising from the ABC’s existing cost base. The difficult retail environment and its impact on ABC Commercial also placed additional pressure on tight financial conditions within the Corporation’. The Board reported that the Corporation was in the process of implementing recommendations of a review of its television production activities. “This process has already delivered operational savings, and is expected to deliver further operational efficiencies over the next few years. Savings to date have been applied to sustainability, as well as new strategic initiatives, including the new ABC News 24 digital channel”. Significantly the ABC Board again noted the historical reduction in ABC operational base funding: “The 2010-11 operational revenue from Government of \$779million represents a decrease in real funding of \$251million or 24.4% since 1985-86”. The sustainability of operational funds is emerging as a critical issue for the ABC.
15. A performance audit of the TV commissioning model implemented over recent years would assist the ABC to determine its content creation funding needs in future to better meet its Charter obligations across all genres – art and culture, music (all forms), children’s, environment, science, business and finance, comedy (narrative and non-narrative), documentary (contemporary, history, social issues), drama (documentary drama and entertainment drama), factual, education (including language), health, indigenous (news, current affairs, culture, language and art), movies (Australian and international), natural history, features (games, quiz and studio panel shows), religion/ethics, human interest, special events, sport, user generated content, news and current affairs, investigative journalism .

16. While the digital revolution (broadcast and internet TV multi-channels, digital radio, broadband, iPod, iPad and mobile phone interactive applications, and social media sites and networks) has efficiently extended the ABC's immediate access and engagement with its audiences, it is my submission that the creation of distinctive content must also be at the core of what the ABC does. This takes investment in specialist units to build expertise and a knowledge base of great value to the ABC, the industry and Australia. In that regard it would be useful for this parliamentary references committee to recommend that a review be undertaken to ascertain the ABC's ability to sustainably meet its Charter obligations as a comprehensive broadcaster/cybercaster. From such a review could emerge momentum for specific content obligations across genres to be applied to the ABC Act by way of legislative amendment. The implication here would be obvious: the ABC would have to be adequately and sustainably funded to meet such obligations to create distinctive content.
  
17. The ABC does not exist to make 'product' for market. As a public and cultural institution it exists to engage and serve audiences as citizens in a robust democracy and not consumers in a marketplace inexorably to be delivered up to advertisers.

\*This reference is taken from my book on the ABC published in 2000 (p 297). Copies of the Mansfield Report can be obtained from the ABC Library, ABC Centre, Ultimo, Sydney.

\*\*Reference to the Throsby/Smythe report on the benefits of out-sourcing is taken from my book on the ABC published in 2000 (p. 298). Copies of the Throsby/Smythe Report can be requested from the ABC.