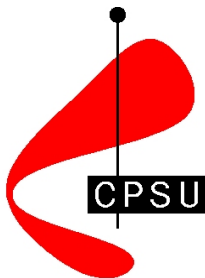


CPSU (PSU Group) Submission:

Senate Committee on Environment and Communications

Inquiry into recent ABC programming decisions

12 September 2011



Section 1. **Summary and Recommendations**

- 1 The outsourcing of programs by ABC television is transforming the ABC. The changes limit the ABC's capacity to deliver its Charter responsibilities, and in particular to specialist audiences.
- 2 The recent decisions taken by the ABC to axe a number of programs, including its Arts program *Art Nation*, and broadcasting of local sport and lawn bowls reflects ABC's management's lack of commitment to its specialist programming and its Charter responsibilities.
- 3 There have been significant shifts in resources within the ABC over the past few years. These have resulted in the movement of close to \$20 million from TV to fund the creation of *News 24*. Programming styles have changed in the same period. The ABC appears to be more concerned now with its prime time audiences at the expense of its specialist audiences. This in part is reflected in the shift towards infotainment programs, and a shift away from researched documentaries and towards observational/reality style documentaries. These shifts are eroding the quality of programs, and the distinctiveness of its schedule.
- 4 The view that has been presented to us by many of our members is that the ABC is lost, and that it no longer has a clear vision of where it is headed or its role or purpose. This confusion is in part created by the changed media environment and because of multi-channelling. It has also been caused by management decisions that have shifted the organisation priorities. The Submission argues that it is time for a full review of the national broadcaster: a review that gives the public an opportunity to

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comment on what it wants from the national broadcaster; and whether the Charter designed 30 years ago is still relevant.

- 5 The recent decisions to make some regional staff redundant are part of an ongoing process to close ABC TV's regional presence its ability to bring their voices to the national broadcaster.
- 6 The recent decisions to axe programs are part of an ongoing process over the past five years to systematically destroy the ABC's ability to generate its own programs. The significant public investment in its infrastructure is being wasted.
- 7 The CPSU argues that the drive to outsource production is not cost effective. The ABC has been a highly efficient production house. By maintaining a high throughput, the ABC had managed to maximise resource usage and labour utilisation so that it had been one of the most cost effective production houses in Australia.
- 8 The CPSU argues that the decisions have been driven by a management group, and in particular by Mr Kim Dalton the Director of Television who came to the ABC in 2006 with an established agenda of closing internal production. The CPSU claims the current TV management group acts as though it is a commissioning arm of Screen Australia. We further suggest that they behave in a manner that meets the needs and interests of the private sector industry ahead of those of the ABC and its audiences.
- 9 The CPSU suggest that the financial interests of the ABC and its audiences are not being protected through the current commissioning processes, The CPSU has called for the Australian National Audit Office to undertake an investigation of the contracts ABC TV has entered into, and that Audit

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Office investigates a number of particular issues such as the ABC TV outsourcing of marketing and promotions functions. The CPSU has posed a number of questions throughout the submission, and in particular a number that relate to the lack of transparency in commissioning decisions, the lack of adequate financial reporting that the CPSU suggests should be raised by this Committee with the ABC. These are primarily located in: paragraph 128, 152, 160

- 10 The CPSU has further recommend that this Committee , and the Australian National Audit Office also examine the ABC's declining stock of program rights and whether the failure of the ABC to secure the rights will over time increase the ABC's broadcast costs.
- 11 The CPSU describes the leveraged model that ABC TV management claim extends the ABC's spend, is based on the sale of its intellectual property and rights and by double dipping by securing additional state and federal funds. The leveraged model also reduces ABC editorial control over the making of programs, and equally importantly determines that commissioning decisions are skewed by the scheduling needs of non-ABC end users.
- 12 The CPSU advocates what it believes to be world best practice in commissioning models, the approach adopted by the BBC which provides a floor level of internal production, and ensures that a proportion of programming is open to competitive tendering by internal and external.
- 13 The submission notes the lack of clear and available information about where the ABC spends its money has allowed misinformation to be read in the current debate about outsourcing.. Information has been drawn from the last four annual reports that establish that only 33% of ABC

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funds are spent on internal production. The figures also show that that proportion will slump with the latest round of outsourcing and that the current high level of internal output measured in terms of hours is primarily made up of relatively cheap productions such as sport and will slump if ABC management proceeds with the rumoured axing of local sport.

Section 2. **The CPSU**

- 14 The PSU Group of the Community and Public Sector Union (CPSU) welcomes the opportunity to contribute to the Inquiry of the ABC by the Environment and Communications Reference Committee.
- 15 The CPSU is an active and progressive union with approximately 55,000 members.
- 16 The CPSU was formed from the amalgamation of a number of unions including the ABC Staff Union. The CPSU represents employees in a wide range of classifications including TV Producers, Directors, Radio Broadcasters, operational staff such as camera operators, sound recordists, and editors, and administrative and Technical staff. The CPSU shares coverage of ABC employees with the Media, Arts and Entertainment Alliance (The Alliance) who represent News Journalists and Reporters, and with the Association of Professional Engineers, Scientists and Managers, Australia (APESMA) who represents senior managers.
- 17 The CPSU also represents employees of the Australian Public Service (APS), the ACT Public Service, the Northern Territory Public Service, Telstra, the telecommunications sector, call centres, employment services SBS and commercial broadcasting.

Section 3. **Introduction**

- 18 The primary submission of the CPSU is that the ABC's capacity to deliver its Charter responsibilities is dependent upon the ABC maintaining its internal capacity to produce TV material. The outsourcing of TV production reduces the ABC's editorial control over its programming, threatens its capacity to provide programs that are distinctive and endangers the long term financial security of the national broadcaster.
- 19 Since its establishment in 1932 the ABC has constantly evolved and reshaped itself. Its staff have embraced change and have long recognised the importance of adopting technological change and are constantly rebuilding their programs so they remain distinctive, fresh and relevant. Attempts by staff to protect internal production and to protest against recent cuts have been dismissed by Mr Mark Scott, the Managing Director of the ABC. He claims that the ABC must evolve and reshape its programming or risk becoming irrelevant, and by implication those staff resisting the change are advocating for a static schedule. ABC staff have repeatedly made the point: they do not seek to protect any particular program. What they are objecting to is the ABC removing itself from specialist coverage of genres like the Arts, of local coverage of sport, of innovation and of the removal of regional voices from the production slate.
- 20 The CPSU represents the industrial interests of many ABC employees, and these interests are served by the continuation of a strong national broadcaster. It may be surprising to hear that the union representing these employees seeks a public inquiry whose terms of reference could result in its dismantling. The CPSU seeks this fundamental review because it believes that the ABC in its current form is not sustainable, and

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that many of the directions it has taken recently will, we consider, reduce the public support upon which the broadcasters funding and political support rests.

- 21 The view we receive from our members is that the organisation is lost; that it lacks focus or direction and is confused about its role, and that the spin that emanates from the ABC Managing Director about the ABC being confident about its direction and purpose does not align with the views of many of the staff.
- 22 Over its almost 80 year history the national broadcaster has been the subject of criticism. It is criticised for being 'left leaning', elitist, irrelevant and at times 'boring as batshit'. Despite that, the organisation has been held in high regard by (most of) its audiences. Staff of the ABC recognise that its audiences lie at the heart of its purpose and that it is time to turn to them and seek their advice and counsel.
- 23 The emergence of digital technologies has brought about immense changes in the broadcasting environment. These changes provide both opportunities and challenges. For the ABC, balancing its duty to provide comprehensive and specialist material is perplexing in an environment of programming choice. The aspirational claim that audiences, families and social groups would gain a shared cultural understanding through the single source of information and entertainment, is, and probably has been imaginary for some time. Choice means audience fragmentation. So the questions are posed: Is the ABC Charter relevant? Should the public have an opportunity to discuss and make their views known on their ABC? What are their expectations of the national broadcaster? Do the Australian public value the new News24 service? Should there in fact be a national broadcaster? And if the public support a national broadcaster,

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are they prepared to adequately fund it so it can broadcast content across each of the platforms?

- 24 It is time to ask the public and taxpayers what it is they want from the national broadcaster, and to redefine it for the next 80 years. The two previous reviews of the ABC, the Dix Review¹ in 1981 and the Mansfield Review² in 1997, notwithstanding the closed terms of reference of the second review, have helped the ABC redefine itself. Fifteen years on, and following the expansion of the ABC's online activities and the introduction of multi-channelling, it is again time to again to question its role.
- 25 The CPSU notes that the Convergence Review³ is examining the related question of convergence of broadcast and internet technologies. Its terms of reference limit its findings to questions essentially determined by the technology. The CPSU also notes that there is currently a discussion as to whether recent events involving News Ltd should be the subject of an inquiry. The CPSU suggests that each of these matters could be addressed through a much wider and fundamental review of media in Australia that would include the review of the role and functions of the ABC.
- 26 The issues that prompt the CPSU's call for a broader review of the ABC include, but are not limited to the following:
- (a) The closure of internal production;

¹ The ABC in Review, National Broadcasting in the 1980s, May 1981, AGPS

² Bob Mansfield, The Challenge of a Better ABC, A Review of the Role and Functions of the ABC January 1997

³ http://www.dbcde.gov.au/digital_economy/convergence_review

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- (b) The shift in emphasis to prime time mass audiences at the expense of the ABC's specialist audiences;
- (c) The ditching of audiences, that while not contributing to a mass audience, had extended the reach of the ABC (eg cuts to lawn bowls);
- (d) The reduction in the commissioning and broadcast of researched and structured documentaries concurrent with the increase in the commissioning of lifestyle and observational documentaries and factual programming;
- (e) A reduction in the distinctiveness of ABC content.

The following comment by Paul Collins in a recent issue of Eureka Street summed up many of these concerns:

Increasingly the ABC makes few of the programs it broadcasts; it transmits material made by outside interests rather than produce its own.

This is why we are seeing so much lightweight 'infotainment' now on the ABC — that is, when we're not watching endless re-runs of British cop shows. Commercial interests, by definition, don't make risky programs or explore unpopular issues. So the ABC regularly broadcasts programs that are neither cutting-edge nor different to commercial TV. It's essentially the same old pap you can get anywhere.

Yet, as a public broadcaster, the ABC has an unequivocal legal obligation as a publicly-funded organisation to produce material that is not produced by commercial operators, especially in areas like culture, art, religion and science⁴.

- 27 We support the retention of a strong and fully funded national broadcaster. We believe however that the interests of public broadcasting are best served by the periodic challenge and testing of the assumptions that underpin its viability and public support.

⁴ Paul Collins, The Commercialisation of the ABC, EurekaStreet <http://www.eurekastreet.com.au/article.aspx?aeid=27521>

Section 4. **The Impact of Outsourcing on the Ability to Create and Produce its Own Content**

Terms of Reference (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;

28 The ABC is closing down internal Television production. In an all staff email on 8 June 2011 Mark Scott, the ABC Managing Director, stated that the ABC would be making an announcement about the future of ABC TV production. In that email he said:

Every year the Television division has to make programming decisions based on scheduling requirements, the audience response to current offerings, competition for acquisitions and access to creative talent, production partners and finance. These decisions will continue to be made, but I am mindful of the importance of communicating with staff in the Television and Resources divisions about our planning for the mix of internal and external production. In coming months, to alleviate any uncertainty about our plans and direction, I want to outline the intended shape of our production mix for the next three to four years. **The commitment of the Board and the Executive Leadership Group to the mixed production model remains unchanged.**

29 Before Mr Scott outlined the shape of the production mix that he said would 'alleviate uncertainty', the ABC announced the axing of the Arts Unit, a range of programs including *The New Inventors*, *ArtNation* and the *Collectors* and the redundancies of a number of staff who had worked on regionally produced programs that had previously been axed. Shortly after the announcement, ABC management also confirmed its decision to axe the ABC's coverage of lawn bowls. It has refused to rule out whether it is also going to cut out its local football coverage.

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When Mr Mark Scott, the Managing Director, addressed the National Press Club⁵, he sought to describe the cuts as part of the ongoing process of program renewal:

"If you think about nearly all your favourite television shows over the years, one of the things so many have in common is that they are no longer on the air. Programs will come and go."

- 30 The CPSU does not argue that any particular program should be protected. Programs have a life: they can become stale, the subject matter may dry up, and audience tastes may shift. Mr Scott's statement is misleading because it infers that the program cuts are part of an ongoing process of program renewal. The programs are not being withdrawn and then replaced. The programs are being withdrawn to make space for, and to free up cash to support outsourcing. Furthermore, the axed programs were assisted in their early death: TV management white-anted *Art Nation* and the *New inventors*. In all cases TV management refused to make resources available for internal staff to build new programs or develop pilots for replacement programs.
- 31 **New Inventors:** In 2008 management reduced the number of researchers working on the program. Our members report that the change had an adverse effect on the ability of the program to locate program ideas and inventions. This year for example, TV management decided that the format of The New Inventors had to change. Not last year, but shortly before the program went to air. The decision had been taken that the host James McLaughlin had to be given a less prominent place in the program. Significant parts of the first few episodes had to be re-shot – to

⁵Trust and Relevance: Defining the Modern ABC, Mark Scott ABC Managing Director , Speech to the National Press Club, Canberra 31 August 2011 <http://www.abc.net.au/corp/pubs/documents/201108/3306727.pdf>

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the considerable annoyance of contributors, and at significant additional cost. Had this same money been spent on giving the program additional resources so they could search wider for new inventions, or to freshen up the look of the program, the program may have been able to re-invent itself.

32 **Art Nation:** The program has continued to be scheduled in a low rating timeslot (Sundays 5pm) and denied proper promotion and external publicity which has hampered the program's ability to build its audience. The program was halved in length to 30 minutes when it replaced *Sunday Arts* in 2010.

33 The axing of these programs is the tail end of the narrative. Under the leadership of Mr Kim Dalton, ABC TV has pursued a relentless program of axing internal programs and outsourcing the production. A limited number of programs remain. They are:

| | |
|--|---|
| <i>Compass</i> | a weekly program on faith and religion; |
| <i>Catalyst</i> | a weekly program on science |
| <i>At the Movies</i> | a weekly film review program |
| <i>First Tuesday Book Club</i> | a monthly program dealing with books |
| <i>Media Watch</i> | |
| <i>Gardening Australia weekly</i> | |
| <i>Playschool</i> | Children's occasional production |
| <i>Giggle and Hoot</i> | Children's occasional production |
| <i>ABC 3 interstitials and fillers</i> | |
| <i>Local football</i> | |

34 Mr Scott's email of 8 June, referred to above, was in part prompted by calls for the ABC to commit to the retention of studio space in the new ABC Melbourne Southbank complex. One of the worst kept secrets around the ABC was that there was tension within the executive over whether the ABC should build one or more television studios in the new

complex. As the rumours described it, Mr Dalton was opposed to the building of the studio on the grounds that he had no intention of ever using it, given his commitment to outsourcing. The contrary view, and the view that prevailed, was that the studios should be built because they were to be funded from the public purse as a capital expenditure, and were essentially 'free' to the ABC. The CPSU, while supporting the building of the studio and opposing the closure of internal production in Melbourne, queries the ethical position that has been adopted by Mr Scott and others who are prepared to accept taxpayer funds for a facility they have no intention of using.

35 The axing of programs (not just those listed in the 2 August announcement, but those progressively closed over the past few years) will inevitably result in lower labour utilisation rates, higher average internal production costs and the closure of remaining internal production in all ABC sites. Occasional general TV production needs are likely to be serviced through staff retained in its News Division. There are already rumours that, after this Senate Inquiry is concluded, remaining production staff in smaller branches will be shifted into the News Division.

36 The CPSU believes that Mr Scott's stated commitment to a 'mixed model' is spin. The only internal TV production that will remain lies in its News Division, not its Television and Resources Divisions. Shortly after the arrival of Mr Kim Dalton as the Head of Television he made clear his intention to outsource TV production. In a speech to the Screen Producers Association of Australia (SPAA) in 2006 Mr Dalton announced his intention to outsource all factual production:

In the area of factual production as a result of one of our genre heads leaving we have taken the opportunity of clearly and

structurally delineating between internal and external production. 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. Going into the future, one-off or short run series documentary or factual production will only be made in partnership with the independent sector⁶.

- 37 Drama and Comedy had already been outsourced, and Mr Dalton's choice of a new Head of Children's, Mr Tim Brooke-Hunt (who used to serve on the council SPAA), made a similar commitment to outsource as much Children's production as possible in 2007:

Well I do not intend to make any change to our in-house production of shows like Playschool, and of our hosted blocks, which is really all we do in-house. The great majority of our Australian content comes from independent producers, and will continue to do so. **As a general intention, we would rather engage with the independent sector because quite honestly, I think that's where the best shows come from.** I think that's where the greatest level of creativity resides, and I think it's where the best value program making comes from⁷.(emphasis added)

- 38 The ABC's proven capacity to produce high quality children's content such as Playschool apparently does not warrant consideration being given to the ABC as a producer of excellent children's programs.
- 39 On the basis of the above paragraphs, the CPSU is confident that its claim that the ABC is on the verge of closing internal production and that ABC management commitments to a mixed model are disingenuous, is well established.

⁶ Kim Dalton, Keynote Speech to SPAA Annual Conference November 2006
www.abc.net.au/corp/pubs/documents/SPAA_conf_2007.pdf

⁷Mr Hunt, Radio National *Media Report*, 7 December 2007

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- 40 The closure of internal production raises a number of fundamental questions that the CPSU considers should be addressed by the Committee:
- Why is the ABC closing internal production?
 - What will the impact of the closure be on the capacity of the ABC to deliver against its Charter responsibilities?
- 41 In answer to the first question, there is a long history of debate about the internal/external production mix at the ABC, and at other public service broadcasters such as the BBC and CBC. The ABC had initially produced most of its content internally or had acquired material (generally) from the BBC. Over time the private sector industry developed (and the private sector producers generally acknowledge that the ABC provided the training and skills for the industry) and programs were commissioned or co-produced from the sector. The co-productions took a variety of forms. In many cases the ABC provided resources and facilities (staff, studios and post-production) and commercial partners provided creative input and 'above the line cash'. It was a mixed model however where the private sector/co-productions and fully internal production both shared a place on the schedule. During the 1990s however there began a push for outsourcing. The preferred position of the then Federal Government was for the ABC to work with the independents.
- 42 The industry in Australia is still relatively small, and not unexpectedly, there has been significant movement of private sector producers to and from the film funding bodies. Mr Dalton, the current Director of Television, was one such individual. His credits as a film funding bureaucrat are impressive. Mr Dalton had been an effective advocate in these roles for industry consolidation - to promote the objective of

industry viability⁸. The CPSU however is concerned that since his arrival at the ABC, he has seen this as an extension of his role as chief executive of the Australian Film Corporation (AFC), i.e. to use the budget of the ABC to secure and build an effective and sustainable independent film sector at the expense of internal production. His views clearly coincided with the views of the previous federal government as the following extract of his 2007 speech to SPAA reveals where he encouraged SPAA members to take up the fight to dismantle internal production:

It is also worth noting that there is a view that working with the independent sector is simply code for privatisation of the ABC. This view has it that an ABC with a large industrial base, a large content creation labour and facilities base is synonymous with an independent ABC. However, I would argue strongly, and in doing so would refer you to the considered, respected and still very relevant views of the Mansfield report in 1997, that there is no contradiction in the role of the ABC as a commissioner/broadcaster and its obligations under its Charter.

My point here is that if the ABC is to maximise and prioritise the use of its limited resources towards the creation of Australian content, and that in my view must be a primary goal, then ongoing and significant change will be required. This will entail an ongoing engagement with new production technologies and methodologies, and, even more importantly, will require an ongoing expansion of its relationship with the independent production sector. This is an issue that is being focused on and debated within the ABC.

However, it is critical that the independent production sector, and in particular SPAA, ensures that the issue has an external context and that the independent production sector positions itself as a valid and significant and influential stakeholder in this debate⁹.

43 The CPSU claims that the ABC's decision to outsource TV production is driven largely on ideological grounds, and that the ABC has failed to undertake any systematic review of whether the application of this strategy will improve.

44 The CPSU asserts that the closure of internal TV production will have a number of adverse consequences. These are:

⁸The Australian Film Corporation provided funding to improve growth and sustainability for private sector producers under the Screen Business Venture Program (SBVP).

⁹ Kim Dalton, Keynote Speech to SPAA Annual Conference November 2006, pp 22-23

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- (a) a reduction in editorial control over its own programming;
- (b) an inability to meet its charter obligations;
- (c) a reduction in the distinctiveness of ABC TV;
- (d) a shift in production styles to lighter weight production;
- (e) a reduced capacity for the ABC to provide regional general TV coverage;
- (f) increased costs of production;
- (g) a reduction in the ABC's ownership of production rights; and
- (h) a threat to the longer term financial security of the national broadcaster

45 The CPSU, as the representative of ABC employees, is accused of seeking to represent the sectional interest of its members over the interests of the independent sector. The CPSU however supports a mixed model of production, i.e. where internal production and externally commissioned productions are both used to fill the TV schedule. We lay no claim to being the holders of all that is creative, fresh or distinctive. All we have said is that the ABC should produce and broadcast the best ideas on offer. Where they reside within the ABC, they should be made internally; where they come from outside, then outside. The ABC should also support partnerships internal/external so that where ideas are generated outside, the creator is free to work with the ABC and use its publicly funded production resources to complete the project.

46 The problem faced by internal producers since the arrival of Mr Dalton is that he has made it clear he does not want to hear from them. He has repeatedly advised ABC employees who have attempted to 'pitch' ideas internally that if they want to make a pitch, they know what they have to do - resign from the ABC and pitch the idea from outside. This approach is fundamentally wrong. It means that the large publicly funded capital

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base of the ABC is left underutilised and that taxpayers now have to pay for the private sector bill for resources and facilities that are sitting idle at the ABC.

47 The CPSU has limited aspirations about the retention of internal production. It does not for example aspire to the return of large form drama to the ABC. It has lost the facilities and the staff with the skills required to produce high end drama. The CPSU also recognises the ABC, unlike the entire commercial free to air operators and private sector producers, is denied access to some types of federal and state funding that acts as a significant disincentive to in-house production. The CPSU however sees no reason why the ABC should not be a provider of comedy, documentaries, specialist magazine, local sport and children's programming.

48 The case for the retention of internal production of each of these genres is different:

Comedy because the ABC has a proud history of developing distinctive and original comedy programs that in turn have spawned new forms in the commercial sector. Comedy because the ABC should not be so frightened that once a program has become popular they must keep it. It should not see the need to hold onto Andrew Denton or the Chaser Team for fear of losing them to the commercials, because by letting them go, it creates space for new and emerging talent.

Documentaries because the ABC has been able to produce stunning documentaries that are recognised as world bests. Documentaries because the private sector produced programs that are often driven by the need to do quick turnarounds and are more likely to be observational

and less researched. A review of the ABCTV documentary web site lists recent shows such as *Grand Designs*, an entertaining program but hardly one that would appear to fit the description of documentary, and observational/reality style programs *The Next Big Thing* and *Junior Doctors*. The CPSU notes that the definition of documentary is currently the subject of an appeal before the Federal Court.

Local Sport because nobody else will do it. The audience that tune in to ABC local sport are not large, but they are significant. The ABC coverage is important in the maintenance of interest and involvement in the sports. The ABC is not under any obligation to build mass audiences unlike the commercial broadcasters who need audience mass to build advertising revenue. The ABC vacating the field is unlikely therefore to result in coverage being picked up by the commercials.

Children's because the ABC has a history of being able to do it at the highest level, and for sheer economic reasons. Children's programming is unlike most other forms. It is capable of being repeated frequently partly because audiences turnover rapidly. The key to effective management of Children's programming lies in the ownership of rights, and rights are most effectively maintained by producing programs internally.

4.1 The Impact of Outsourcing: Leveraging: What is the real cost?

49 The primary rationale provided by Mr Kim Dalton, Director Television, for outsourcing is the claim that through outsourcing the ABC can 'leverage' its funding to generate a higher value of production.

50 The question was raised in the August 2009 Senate Estimates hearing. The question taken on notice received the following response from the ABC:

Senator Ludlam asked:

Can you provide an estimate of the proportion of funds contracted by the ABC to external providers of production in the last financial year and an estimate of the leverage this provided?

Answer:

In the financial year 2007-08, the ABC commissioned \$48 million worth of production with external producers, contributing towards total production budgets of \$133 million. The percentage of the ABC's contribution is 36 per cent of the total production budgets, or a 1:2.8 ratio

Monday 10th August 2009, 8:27pm

51 At Mr Mark Scott's recent speech to the National Press Club, he updated the figures:

Over the last three years, the ABC has been able to generate \$396 million of programming from independent producers on an investment of \$190 million¹⁰.

52 The multiplier has apparently dropped for 1:2.8 to 1:2.1

¹⁰Trust and Relevance: Defining the Modern ABC, Mark Scott ABC Managing Director , Speech to the National Press Club, Canberra 31 August 2011 <http://www.abc.net.au/corp/pubs/documents/201108/3306727.pdf>

53 The 'loaves and fishes' claim of by Mr Dalton warrants investigation. It gives a suggestion that through acumen the ABC has been able to tap sources of funding otherwise unknown to the ABC that drive the ABC (and taxpayer dollar) that much further. So how is it achieved? Mr Dalton with his experience as Manager of Acquisitions and Development for Beyond International Limited, General Manager of the Australian Children's Television Foundation and Investment Manager for the Australian Film Finance Corporation, is fluent in the art of structuring deals. The system is relatively straightforward. By entering into a co-production deal with a private sector producer, and by trading what otherwise would have been program rights held by the ABC, the private sector partner is able to structure future licensing arrangements with Pay TV providers, international broadcasters and the like. The private sector producer is also able to seek a Producer Offset¹¹ for some types of productions. In some cases the deal is structured to secure state film funding for projects such as the South Australian FACTory initiative and the West Australian ScreenWest arrangements.

54 The CPSU makes a simple observation. A significant proportion of the additional 'value' being generated or 'leveraged' is in fact government funding from either state or federal funding initiatives. The remainder is drawn from the sale of rights. The commissioning process is driven as much by the needs of the commercial broadcasters and Pay TV channels, who will be the final purchaser of the rights, as the ABC's needs and Charter responsibilities. This process also reduces the distinctiveness of the ABC schedule, partly because programs are made to suit the needs of both audiences, and more directly because ABC programs end up on the other broadcasters' schedules.

¹¹The Producer Offset is a refundable tax offset (rebate) for producers of Australian feature films, television and other projects including documentaries http://www.screenaustralia.gov.au/producer_offset/

55 So when Mr Scott and Mr Dalton say the ABC has transformed \$190million into \$396 million, they are saying little more than they have decided to spend most of their money buying licences – they are trading equity for limited use rights.

4.2 Impact of Outsourcing: Producer Offset

56 One of the drivers of outsourcing is the Producer Offset. As noted above, the Producer Offset is a tax offset (rebate) for producers of Australian feature films, television programs and other projects. The Offsets are administered by Screen Australia and represent 20% of production costs in the case of documentaries, and 40% in the case of feature films. The Offset is only available to taxable bodies. The ABC as a non taxable body is denied direct access to the funding. So, while every commercial network in Australia and every private sector producer may benefit from the offset, the ABC is excluded. The Offset therefore acts as an incentive for outsourcing. It explains in part the oft-repeated advice given to internal ABC producers by the Director of Television, Mr Kim Dalton, to the effect that if they have a good idea, then resign and pitch it from outside. The same ideas when taken outside may be sold back to the ABC and be produced with a private sector producer to attract a producer offset.

57 The CPSU argues that this is an unintended consequence of the Producer Offset. While the Explanatory Memorandum states that the film tax offsets are designed to encourage greater private sector investment, they do not suggest that reduction of internal ABC production was an objective of the legislation.¹² The CPSU also notes that the *2010 Review*

¹²Explanatory Memorandum for the Tax Laws Amendment (2007 Measures No. 5) Bill 2007.

*of the Australian Independent Screen Production Sector*¹³ did not discuss the impact of the offset on internal production.

- 58 **Recommendation:** The CPSU recommends that the unintended consequence of the Producer Offset be addressed by either:
- the ABC being granted additional funding equivalent to the value of tax offsets for any internal productions that would have qualified for an offset had they been produced by a taxable institution; or
 - the ABC being required to repay to Screen Australia the value of the tax offset paid to a private sector producer for a program where the ABC broadcasts that program.
- 59 Either of these approaches would assist in creating a level playing field between internal and external production.

4.3 **Impact of Outsourcing: The ABC Charter and Distinctiveness Weakening of Content**

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

- 60 Within this commissioning structure, fundamental shifts have occurred in the way programs are selected. The new management structure is staffed by Commissioning Editors who share Mr Dalton’s disdain for internal production. They no longer see their role as picking the best from inside or outside, and they no longer use internal production to

¹³<http://www.arts.gov.au/about-office-arts/public-consultations-submissions/archived-consultations/2010-review-australian-ind>

complement the best from outside. The closure of internal production now means that the ABC (and its commissioning editors) will no longer be able to inform their consideration of financial bids from the private sector producers by comparing those bids with comparable internal production costs.

- 61 The most dramatic change has been in how the ABC commissioning process is structured. The current model is less democratic in the sense that fewer views are taken into account in the commissioning of work. In days gone by the ABC operated a more open process that allowed for, and in fact promoted, debate. Executive producers with a high level of expertise in their genre would compete for space and commissions. They would necessarily be arguing why their programs should be on the 'slate' and others wouldn't. It was a competitive process that picked the best internal and external ideas to go on the slate. As genre specialists they would have an eye to the best material that was on offer as acquisitions, and a knowledge of who the external producers were and where their expertise lay. They could commission the work outside, or keep it inside when they knew that the best lay inside or where it was simply cheaper to keep the work inside. The process now is much tighter. Commissioning decisions are made by a small cabal. They have been appointed by Mr Dalton, and share a common philosophy: 'outside good, inside bad'; they appear to exhibit a clear preference for styles of programming that are more generalist, i.e. are aimed at building larger audiences rather than serving audiences that seek specialist material. Arts audiences and lawn bowls audiences are never likely to win the ratings for the ABC, but that is not the point. The ABC does not, nor should it; share the commercial broadcasters' business plans. Those business plans have always relied on mass audiences to generate advertising. The ABC, free of that pressure,

has the freedom to build specialist audiences. These audiences are frequently not significant in a ratings sense, but are deeply committed.

62 The outsourcing of production program will reduce the quality of programming available, not because external producers and creators are inferior but for a range of more subtle reasons.

63 The ABC in its 2006-2009 Triennial Funding Submission¹⁴ drew the following description of its role:

In addition to the ABC Act and Charter, long-standing Government and public expectations provide further guidance to the Corporation including:

That the ABC provides programs that differ from those offered by commercial media.

That the ABC should provide both national services and local services that meet the needs of communities, particularly in regional and rural Australia.

That the ABC should offer programming to groups which might be under-served in a purely commercial context – e.g. content for children and Indigenous communities.

That the ABC should be represented within and, where appropriate, play a lead role in the take-up of new technologies.

64 On its recent performance, it has failed on three out of four criteria. ABCTV is increasingly losing its distinctiveness, through the closure of regional production it is failing to meet the needs of regional and rural Australia, and it is turning its back on programming to some groups which might be underserved in a purely commercial context.

65 The first of these three criteria, its distinctiveness, is central to the survival of the ABC. Without it taxpayers are justified in questioning why they fund the national broadcaster.

¹⁴ABC Triennial Funding Submission 2006-2009
http://www.abc.net.au/corp/pubs/documents/ABC_Triennial_Funding_Submission_Summary.pdf

66 So where does the diversity lie?

News: ABC news and current affairs coverage is identified by many Australians as the core of the ABC. Expectations are frequently placed on it to provide a degree of diversity in a concentrated (news) media environment. Despite the additional funding that has flowed through to News (and in particular the transfer of approximately \$20 million in savings from the TV Production Plan initiative to fund the News 24 project), it is suffering. Its distinctiveness is being eroded by the drive to produce more and more content across more and more platforms. The end result is a reduction in quality as news gatherers are denied the opportunity to adequately investigate and research stories.

Radio: The ABC has managed to maintain the distinctiveness of its radio broadcasts. The supplementation of its local radio network by three specialist networks differentiates ABC Radio from most other broadcasters.

Online: The ABC's online presence clearly represents an area where the ABC is distinct from other media outlets. The breadth and quality of its online material sets it apart from all other segments of the media in Australia. The problem is, however, that the majority of Australians still view the ABC as primarily a TV and Radio outlet, and its on-line presence is not sufficient to establish its distinctiveness.

ABC TV: ABC TV is losing its identity. This is not entirely the fault of ABC management. The decision by Network 7 to purchase material for its multi-channels that had traditionally been ABC staples has contributed to its current identity crisis. But some blame must be directed at ABC management. When Mr Dalton announced the axing of the ABC Arts programming, the explanation was provided that greater attention needed

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to be given to its prime time audience. Prime time may be interpreted as meaning mass audience timeslot. The ABC has traditionally sought to balance its need to be comprehensive while addressing specialist programs by placing programs that are likely to generate wide appeal in the prime time slot and relegating programs that are likely to attract smaller and niche audiences to other time slots. The introduction of multi-channelling has provided scope for the ABC to find different ways to schedule specialist programs. They could, for example, screen some of their specialist programs on ABC2 in, or near, primetime.

67 Mr Dalton has sought to defend the decision to axe Art programming by painting those who oppose the change as elitist; that they are prepared to ignore their audiences. The ABC must first look to its audiences and what they want, he retorts. All program makers at the ABC understand the debate. Audiences are of course central to the purpose of the ABC. But ratings are not the only measure of success. Some of our members who produce the lawn bowls program report that for many of their audiences, the weekly program is their most important link with the ABC. They may not value its Arts or its News but support the ABC because it meets special or niche needs that no other broadcaster is likely to cover. The Charter does not require the ABC to compete head to head with the commercials, and it absolutely does not require it to compete in all time slots. Its success often lies in building sets of committed audiences that through their agglomeration increase the ABC's reach.

68 The CPSU suggests that the ABC, by axing its dedicated Arts program, *Art Nation*, and the specialist staff that made up the Arts Unit, compounded by last week's decision to axe the specialist Arts program on Radio National, demonstrates that the ABC has walked away from a core

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Charter¹⁵ responsibility to ‘encourage and promote the musical, dramatic and other performing arts in Australia’. The ABC has claimed that it remains committed to the Arts, but intends to remove the staff who are capable of providing the critical examination of the Arts in Australia. The axing of programs at the ABC and their replacement with outsourced programs has resulted in a different style of program being aired. The CPSU acknowledges that this is not necessarily a direct result of outsourcing per se, as it has been driven as much by a change in the scheduling approach being taken by the ABC. It has identified however that outsourcing is less conducive to the development of research rich material; that the ABC would be able to produce material for a lower cost to the taxpayer internally; and would build a greater store of ‘rights’ if it produced the material internally.

69 The terms of reference also seek submissions on the impact of outsourcing on the broader industry. The CPSU notes that outsourcing results in increased activity within the private sector and a reduction in ABC activity. The changes however are not necessarily symmetrical. The ABC has previously been able to provide cost efficient production through economies of scale. Its size allowed it to schedule production so that staff could be utilised on a number of productions simultaneously. The CPSU has been a consistent advocate of effective production planning to ensure that production costs are minimised by maximising labour utilisation rates. The CPSU notes that the private sector, which is frequently structured around project start ups and close downs, and by proportionally higher cost overheads, decreases overall productivity in the broader industry.

¹⁵Sect 6 Australian Broadcasting Corporation Act 1983 , Charter Of The Corporation

70 The following sections of this submission deal with the issue of the ABC's ability to create its own Arts programming and the impact of this on the ABC's coverage of Arts and on Innovation and Design. The impact of the decisions on Children's programming and sport and are dealt with later in the submission as these areas had their own specific terms of reference.

4.4 **The Impact of Outsourcing: Arts and the ABC Charter Responsibilities**

71 The ABC announced on August 2nd that the *Art Nation* program will be wound up in late November this year. The main impact of the ABC's decision however is its intention to make redundant the 15 producers and researchers who make up the specialist TV Arts unit. This unit is currently responsible for making *Art Nation*, *Artscape* documentaries and content for the online portal 'Arts Gateway'.

72 In relation to term of reference (a), that is the ABC's capacity to create, produce and own its television content, the loss of this unit would mean the ABC no longer has a team dedicated to making programs and online content that regularly reviews and documents Australia's diverse arts scene.

73 It is worth referring briefly to the 2004 report by Professor Liz Jacka titled 'Arts programming on ABC Radio, Television, and Online', commissioned by the CPSU to examine the impact of the ABC's reduced commitment to arts programming. There isn't time to review that report here, except to note that many of the failings in arts programming identified by Professor Jacka still remain at the ABC. The report divided television arts programming into two categories and our submission will focus on the first category due to the ABC's recent decision having a significant impact

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on the ABC's capacity to make and own these types of programs in future. The categories are:

- (i) programs about the arts, including commentary, reviews and documentaries
- (ii) performance programs, including broadcasts of live performances and original works produced especially for television

74 *Art Nation* is the most recent version of a weekly program dedicated to reviewing and critiquing a broad range of events and artists across Australia's arts industry and cultural scene. ABC television has produced a 'flagship' review show for the arts going back at least to the 1980s, with various program lengths, formats and timeslots in the TV schedule. When the hour long *Sunday Arts* was axed at the end of 2009, TV management decided that its replacement should be a 'magazine style' program limited to half an hour. *Art Nation* was launched in 2010 and once again was made by the internal TV Arts unit. It appears on ABC1 on Sundays at 5pm. It is repeated on ABC2, although the actual time of broadcast has varied depending on changes to ABC2's schedule (see below).

75 *Art Nation* has been the main vehicle for the TV Arts unit to provide weekly in-depth coverage and reviews on TV and online of Australia's diverse creative output and activity. Episodes are podcast on the Arts Gateway and remain accessible to the public. Content for this program alone amounts to over 350 stories per year of artists, performances and exhibitions from across metropolitan and regional Australia not seen elsewhere on free-to-air TV. This timely and regular coverage affords vital

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exposure for our arts industry and encourages thousands of Australians to attend an exhibition or a performance soon after.

- 76 The TV Arts unit's estimated output is 500-600 items of content each year. Its abolition would mean the ABC no longer has the specialist resources to produce well-researched stories covering the following art genres, as featured on *Art Nation* and *Artscape*: architecture, contemporary art forms, dance, design, installation art, music forms (not covered on other TV programs), opera and musical theatre, painting, photography, sculpture, street art, theatre and many visual art forms. It will be noted that the visual arts and the performing arts in particular, despite the explicit reference in the Charter, will suffer the most from this discontinuation of specialist attention.
- 77 ABC TV has three remaining internally-made programs under its arts umbrella; however these are dedicated to specific genres. They are the monthly program *First Tuesday Book Club* (literature), the semi-regular *Jennifer Byrne Presents* (literature) and the weekly *At the Movies* (film). The *Message stick* program also produces stories on indigenous arts and culture from time to time.
- 78 In the ABC's announcement regarding the axing of *Art Nation*, poor ratings was cited as one reason for the ABC's decision, although ratings figures were not mentioned. It has been well-known to many inside and outside the ABC that any arts program on a Sunday afternoon, regardless of which ABC channel it is on, will struggle for ratings, whereas a 'prime time' weekday timeslot would at least give the program a chance of gaining a wider audience. The other two regular arts programs, *First Tuesday Book Club* and *At the Movies*, are both shown in prime time slots

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on ABC1, i.e. 10pm on a weeknight. *Artscape* documentaries also have a prime time slot, at 10pm on Tuesdays.

79 Arts programming shouldn't be driven by a chase for ratings and arguably most arts programs will only ever attract a select audience. However it would appear that TV management has no interest in giving priority in the schedules of its TV channels to a program that reviews and showcases our broad-ranging arts scene, whether it be *Art Nation* or a different format. Despite the corporation's espoused commitment to arts programming, there is a long-running managerial reluctance to feature 'the arts' other than a few art forms (books and films) that arguably have wider appeal. When ABC2 was launched a number of years ago it was hoped that arts programming in all its forms would feature in its line-up. This channel presents performances by musicians and bands from time to time, however the repeat of *Art Nation* has not been given a better timeslot than it gets on ABC1. Despite its advertised timeslot on ABC2 of 11.20pm on Sundays, it is often moved around in the schedule. For example it has been shown at 9.30pm (21/08/11), 10.30pm (28/08/11) and 10.45pm (04/09/11). The program is available to watch at anytime on the ABC's online catch-up player iView, however its failure to attract a larger audience is largely due to scheduling decisions.

80 There are other factors that suggest *Art Nation* was set up to fail by TV management. CPSU understands that *Art Nation* has not received a publicity budget since its launch in 2010. Staff have resorted to making their own flyers to hand out to contacts in the arts industry. Across ABC TV's multiple channels *Art Nation* has received an inexplicably low number of on-air promotions. In 2011 the program has been promoted no more than 3 times on ABC1 so far; even other internally-made

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programs receive at least one promotion per week. The issue of publicity and marketing budgets is discussed later in this submission.

81 The TV Arts unit has also been held back in its development and contribution to arts programming. The producers and researchers in the unit have the experience and willingness to make more in-depth stories and program formats different from the format and length of *Art Nation*. Numerous staff ideas for new stories and program formats have been put forward in recent years but ignored by the management of the Arts & Entertainment department of ABC TV. The Managing Director's public comments on 7th September 2011 that "the loss of a 30-minute Sunday afternoon arts magazine program...should not be conflated with the end of arts programming on the ABC" was particularly insulting to a group of dedicated program makers who've continued to make the best content they could despite the constraints set by management. Added to this, the unit has worked under constant uncertainty of its direction and importance due to its Executive Producer being replaced nine times in ten years.

82 *Artscape* documentaries are currently produced by both the TV Arts unit (8 per year) and external producers commissioned by the ABC (8 per year). This arrangement could be cited as an example of a 'mixed model' of internally and externally produced content. However the proposal to axe the internal unit means all of these programs and the rights to them will be outsourced to the commercial sector.

83 The Arts unit is highly efficient and with minimal training staff have up-skilled to take on editing to reduce production periods for *Artscape*. Sometimes with the help of internal editors they can complete post-production of these documentaries in four weeks, whereas external

producers require six weeks. Producers have also taken on camera operator, audio and lighting tasks (with only one day of formal training), which has enabled the TV division to save costs by not requiring field crews from the Resources division as frequently.

- 84 The decision to outsource arts documentaries raises questions about cost, commercial influences on commissioning and ownership of the content. As raised elsewhere, no-one knows if the ABC gets better value for money per documentary by outsourcing this content, however other factors need to be taken into consideration such as the value to the ABC of the unit's accumulated skills base, knowledge of the arts industry and vast experience in this form of TV production. Each externally made documentary is one more that the ABC doesn't own the ongoing rights to (they receive a limited run on the online portal), one less item for the ABC's TV archives, and the ABC loses the potential for future sales.
- 85 Questions of comparative costs have been raised regarding a recent *Artscape* documentary, *Stunt Love* (previously known as '*Railroad Man*'). It was the first joint commission between ABC TV, the Adelaide Film Festival Investment Fund and the South Australian Film Corporation. *The Australian* reported last year that writer and director Matt Bate, and producers Sophie Hyde and Caroline Man, would receive \$150,000 to produce the half-hour documentary about South Australian-born Hollywood stunt pioneer J.P. McGowan¹⁶.
- 86 The taxpayer deserves to know how the \$150,000 cost of the outsourced program *Stunt Love* compares with the costs of in-house *Artscape*

¹⁶<http://www.theaustralian.com.au/business/media/screen-australia-in-funds-shift/story-e6frg996-1225835372125>

productions. This is particularly pertinent given the assertions by Mr Scott that the cuts were caused by a need to drive the ABC dollar further.

- 87 A major concern with the ABC's drive to outsource more TV content is the growth of commercial influence on commissioning decisions. One of the fundamental reasons for internal production capacity at the ABC is that its producers and researchers are independent and less likely to choose stories or subject matter for commercial reasons. A number of *Artscape* documentaries from external producers have raised the question as to whether the program was commissioned for its inherent or topical interest, or for reasons of self-promotion by the subject or sponsor of the documentary. An example is '*21C - Art in the First Decade*'¹⁷ about the Gallery of Modern Art in Brisbane (GOMA), which also appears to own the rights to the program.
- 88 The other significant contribution of the TV Arts unit is the content it provides for 'Arts Gateway'. In addition to *Art Nation* and *Artscape* stories, the Gateway will lose hundreds of items such as web extras, previews, photo galleries and blogs produced by the Arts unit.
- 89 In his recent speech to the National Press Club (31/08/11), the Managing Director was careful to point out that the ABC will continue arts coverage online, as well as TV and Radio. It is true that the Gateway features arts content from across the ABC, i.e. News Online, *ABC TV News*, *7.30*, *Lateline*, Radio National, Classic FM, ABC Digital Radio (e.g. Jazz, Country), ABC Local Radio, and any ABC TV programs related to the arts, such as *First Tuesday Book Club*, *At The Movies*, one-off documentaries, and series that may run arts-related stories (eg. *Message Stick*, *Big Ideas*).

¹⁷http://www.abc.net.au/arts/tv_radio/artscape/vodcast_mp4.xml

There are also online initiatives such as ABC Open that do arts-related stories. Apart from ABC's News 24 weekly arts program, *The Arts Quarter*, and occasional offerings from a foreign correspondent, the contributions from News sources are general reporting of exhibitions or events. Some appear to have been taken straight from wire service footage. The trend across ABC platforms is to create more video content which could end up increasing the amount of videos on the Gateway. However an increase in content is not the same thing as creating or distributing well-researched and produced specialist content by those whose job it is to monitor developments in the arts industry and offer a critique of the multiple art forms based on knowledge of its historical and cultural context.

90 If the ABC cannot produce and own the rights to its own arts content, an invaluable national archive of TV Arts owned by the ABC in perpetuity will not be added to. When footage is required for a news story, a retrospective or an obituary of a prominent Australian artist, the ABC is able to draw upon this huge archive without the need to pay an external rights holder. As examples, in recent times the arts archive has provided valuable profiles of or interviews with Bill Hunter and Dame Joan Sutherland for screening after they died. The ABC was recently able to screen a documentary made by the Arts Unit years ago on Margaret Olley when she passed away. This catalogue of ABC-owned material will be much diminished in future.

91 The ABC has a long history of arts programming and historically it viewed this program genre as central to its public service remit. It is disturbing to note that the 2011 version of the ABC's Editorial Policies fails to mention the ABC's commitment to arts broadcasting in the same terms as its previous commitments. The former version of the policies contained a

section 'The ABC and the arts' (3.3), where the ABC Board affirmed it was "strongly committed to fostering the arts" through the ABC's various platforms. It went on to say that "the ABC is itself an integral part of Australia's artistic and cultural life. ABC content in itself is a creative activity, and the production of content directly affects employment in a wide range of arts." If the ABC will no longer act as a creative producer of Australian content, it would represent a huge diminution of a major Australian cultural institution. The implications of this development would also need to be taken into consideration in relation to the government's formation of a new National Cultural Policy.

4.5 **The Impact of Outsourcing: Innovation, Science and Design**

92 The axing of *The New Inventors* leaves a gap in the ABC's provision of programming that deals with design and innovation. The program was a quirky mix of original ideas and problem solving that in an unforced way managed to serve specialist audiences (science, design and innovation) by providing a program that informed and entertained and simultaneously reflected cultural diversity and was educational. The true beauty of the program was that it was not slick. It managed to show that ordinary people can come up with solutions to problems in life, and in doing so was highly educative: children realised that they too could be innovative. Some were genuine eccentrics...but they were real people. The program at the same time told stories of different Australians: farmers trying to work out better ways of fencing, designing cattle gates or grain storage. Without trying too hard the program in a genuine sense showed metropolitan Australians some of the problems faced by their counterparts in rural and regional Australia. The program served a public purpose and for good measure managed to tick virtually all the boxes in

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the Charter. As the submission mentioned before, the program had been white-anted. It had its research resources cut, it was, at short notice, required to change its format in a manner that left its host standing on the side of the program.

93 The program also had an important role in assisting the economic exploitation of ideas and innovations. While this does not appear as a Charter requirement, without doubt the program had a direct impact on bringing many ideas and inventions to both a national and international marketplace. It is of course not possible to state with any degree of certainty whether the same ideas would have made it to market without the program. Staff of the program reported, however, that rarely a week went by when they would not be told that an invention that had been showcased on the program had been launched commercially. The CPSU would suggest that the program served a wider public purpose and may, in fact, have represented a more effective means of promoting an awareness of science and assisting innovation than many more expensive commonwealth funded initiatives.

94 The questions therefore must be asked why, if the program was seen as losing audience appeal (although in the final week of shooting it out-rated 7.30), management did not consider the alternative of investing in the program and allowing the staff that worked on it to develop a different form of program that showcased innovation and design. The question also needs to be asked, what program is the ABC proposing to place in the slot that will better serve its public purpose?

95 The CPSU also notes that the program is not one that would readily or comfortably move to the private sector. A program like *The New Inventors* is all about commercial development and marketing. A program

made in the private sector would be susceptible to segments being promoted by commercial interests. Segments on grain handling systems could, and would be promoted by the companies that have an interest in their products being exposed, and urban water tank devices by those using the program as a marketing tool.

- 96 A posting on *The New Inventors* web site reflects the views of many about the axing of the program (and genre):

| | |
|-----------|------------------------|
| Author | shejoy |
| Date/Time | 21 Aug 2011 10:49:02pm |
| Subject | The New Inventors |

I was devastated to learn from a friend that the New Inventors program was being discontinued. This is a program I have been following for a few years and it has been so worthwhile for encouraging and promoting creativity, lateral thinking and new enterprises. Every help possible needs to be given to manufacturing and farming in Australia and this program seemed to be of vital importance in these areas. ABC has an important role to play in encouraging quality programs such as New Inventors, rather than just programs which get the most ratings/earn the most dollars in the short term.

It's such a shame that this program has been axed

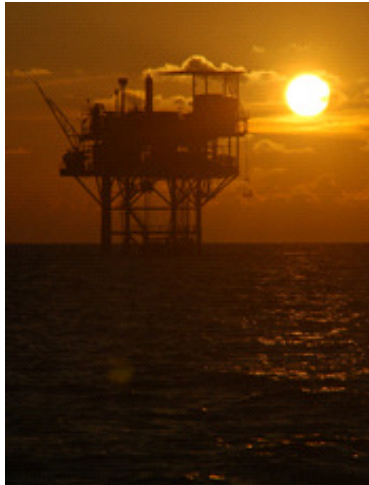
- 97 In formation about some of the 900 inventions that have been showcased on the program are described in an Appendix to this submission.

4.6 **The Impact of Outsourcing: The Quality and Style of Documentaries**

- 98 The ABC has closed down its Documentaries and Natural History Units. Those units had been responsible for the production of some of Australia's best, and award winning documentaries. The CPSU argues that the ABC's ability to produce its own documentaries contributed significantly to the broadcaster's distinctiveness. The last internally made

documentary (outside of Arts and Religion) was *Crude*¹⁸. Intriguingly the ABC web site posts a Director's comment about the program in which its producer, Dr Richard Smith, posed the question: Why make it? (i.e.. the documentary). The answer he gave to the question is reprinted below:

Why make it?



Oil is in the news every day. Whether you are interested in the economy, politics or the environment it is impossible to escape the impact of the stinky black liquid. The price, availability and use of oil effects us every day in every way. We might curse at the pump when the price goes up, but few of us stand there thinking deeply about this stuff that flows so freely into our fuel tank. Ask a dozen people what oil really is and where it comes from and you'll get a dozen puzzled looks and hesitant answers. Sure, we all know it's a fossil fuel, but what does that mean? I for one, wanted to know more, and the more I delved into

the amazing story of oil, the more it became clear that I was diving into a mystery that only now could Science begin to answer with some clarity. The more pieces of the puzzle that came together, the more I realised that this was a story everyone should know.

Oil has two dramatic impacts on human civilization. On one hand, it is the cheap energy source and raw material that drives transport and the economy. A miracle fluid that flows from the ground under its own pressure, oil is also turned into fuel, fertiliser, and feedstock for just about every industrial process imaginable. Nearly seven billion people have come to depend on it, with even a slight hesitation in supply having consequences that ripple around the globe.

Oil is also part and parcel of the greatest threat now facing our planet - Global Warming. It is our profligate use of this same 'cheap' energy source that is now changing the Earth's climate in ways that are likely to end in tragedy.

Now, after less than a century of significant exploitation, the world's oil tanks appear half empty. New discoveries began drying up thirty years ago. Increasingly worried voices from inside 'Big Oil' are warning that we may already be at the peak of production. Whether we hit the peak last year, this year or it is still two decades away, it is clear that oil is running out. As soon as we crest production the days of cheap oil will be over though not, it seems, our thirst...

¹⁸ Crude: The Incredible Journey of Oil <http://www.abc.net.au/science/crude/resources/statement.htm>

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How did the sludgy remains of microscopic plants from the past end up holding such dramatic sway on the future of the human race? Will we deftly step away from our reliance on oil before the consequences become dire?

The evidence from Science is clear: we are messing with the Carbon Cycle in a way that some evidence suggests could do more than make life for us a little tricky. The faster we pull oil out of the ground, the greater the gamble that we will return the Earth to the super-heated climate catastrophes of the past.

- 99 The simple reason why it was made, and why the ABC should continue to make documentaries such as *Crude*, is because they are excellent, educative and entertaining. The documentary went on to win the Eureka Prize for best Science Journalism in 2008. Dr Smith was denied the opportunity of making further documentaries within the ABC and with 27 other internal producers and directors was retrenched in 2008. Shortly after leaving the ABC he began work on a 6 part documentary, *Voyage to the Planets*, which went to air on the ABC in 2010.
- 100 The broadcast of the new Richard Smith documentary however is a welcome aberration of the TV documentary schedule. Over the past six years there has been a significant shift in the style of documentary that is presented on the ABC. As mentioned previously in this submission, the ABC has shifted its emphasis to an observational reality style.
- 101 One of the problems with the direction adopted by ABC TV management is that their pursuit of lighter, entertainment style documentaries, and the outsourcing of these programs, is that the ABC now appears to be presenting programs that are largely indistinguishable from the style of documentaries playing on the commercials. This in large part is due to decisions taken by ABC management to focus on building audiences in the prime time slot. It is also due, however, to the production companies the ABC are in business with are producing similar programs for both the ABC and the commercials.

Section 5. **Regional Production: Impact of Program Closures and Outsourcing on Regional Program Making**

102 The first term of reference deals with the impact of the 2 August announcement on the capacity of the ABC to create and produce its own television content, particularly in Brisbane, Adelaide, Perth and Hobart.

103 These four cities are widely referred to by the acronym 'BAPH' within the ABC. The term has, over the past decade, taken on new meaning. It has become a verb. To be 'BAPHed' is understood to mean reduced in importance and to be 'done over' (it is actually less polite than this..). ABC management has over the past decade withdrawn production from the BAPH branches to the extent that BAPH have been largely excised from the TV production slate. The significance of the recent announcement is that the decision represents the last step in what has been an on-going program of closing regional TV production.

104 The decision to close down regionally based production has indirect effect on the capacity of the ABC to incorporate regional stories on its national production slate. While the ABC retains its regional production, programs that may originate out of Sydney or Melbourne (such as *Gardening Australia*) provide local crews for the stories. The loss of local capacity means that these stories are less likely to be told because of the expense of flying crews in and out.

105 The ABC Charter does not overtly require the ABC to produce or broadcast material that reflects regional perspectives. That duty however is implied by the duty of ABC to broadcasting programs that contribute to a sense of national identity that reflect its cultural diversity. That the ABC has duty as a regional broadcaster was addressed by the 1982 Dix

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Committee, the Committee that was responsible for the framing of the modern ABC:

The States and regions should have a firmer place in ABC organisation and in the broadcast output¹⁹.

- 106 That report went on to make detailed recommendations concerning the need to provide greater autonomy over branch TV schedules. The Dix Committee envisaged the ABC as a federal broadcaster that respected and gave space for regional voices to be heard.
- 107 Since then, the commitment to regionalism in TV has steadily declined. The regional *7.30 Reports* were swallowed up and the national TV schedule has eliminated all regional input other than local sport and ANZAC Day coverage. Even these two remaining areas of difference are at threat. The widespread (and we believe substantiated) rumours that the ABC is to axe local football coverage and get rid of its outside broadcast vans would remove its capacity to cover events such as ANZAC Day marches). Radio, in contrast, has supported localism and regionalism.
- 108 The 2 August announcement referred to in the terms of reference concerned the axing of *The New Inventors* (Sydney), *Art Nation* (Melbourne), and *Collectors* (Hobart) and the redundancies associated with these cuts. The announcement also included the redundancy of a number of staff in Adelaide and Perth associated with previous decisions to axe *Talking Heads* (Adelaide), and *Can We Help?* (Perth). The announcement concerning the Adelaide and Perth redundancies primarily involved employees of the Television Division. The union has been advised that additional staff are expected to be made redundant who are employed by the Resources Division. This separate Division

¹⁹The ABC in Review, National Broadcasting in the 1980's para 29, AGPS 1981

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employs the operational and studio staff used by the Television Division to produce programs.

109 The terms of reference are taken more broadly by the CPSU to refer to ongoing regional production cuts, the outsourcing of production in those centres and the loss of regional production capacity.

110 Over the past 10 years there have been ongoing cuts to regional production. The cuts have been driven much more aggressively since 2006 with the arrival of Mr. Kim Dalton as the new Head of Television.

Impact on Brisbane, Adelaide, Hobart and Perth

Brisbane

111 The recent decision has little impact on Brisbane production. The table shows that little Television production remained in Brisbane by the time Mr Dalton had arrived at the ABC. Brisbane is the home of *Australian Story*, a series produced not by the Television Division, but rather by the News Division. News does not share the Television Division drive to outsource and may therefore remain insulated.

112 While it no longer has the capacity to produce its own Television material, it has retained trained and skilled staff who have been called upon to make that content.

Hobart

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- 113 Hobart production capacity is endangered by the recent announcement. *Collectors* is a Hobart based production that is the staple of ABC Tasmanian production. The announcement that the program will be replaced by a new program, *Auctions*, gave no reprieve to the Tasmanian production crew. The *Collectors* production is to be replaced by a short run (5 episodes). The replacement program is only ten episodes compared with the 22 episode production of *Collectors*. It is generally understood that ABC internal production is to be closed and that announcement is likely to be made when the current attention dies down.
- 114 The recent history of Hobart production (and the removal of *Gardening Australia*) is discussed in the following section of this submission on the Regional Program Initiative.

Adelaide

- 115 The 2 August announcement concerning the retrenchment of Adelaide TV production employees flowed from the December 2010 decision to axe *Talking Heads*, an interview based program that:

*focussed on drawing out our guest's own perspective on their journey. ...the early influences, psychological factors and aspirations that drove their choices in life..*²⁰

- 116 Viewer reaction to axing of *Talking Heads*, *Talking Heads* Guestbook²¹

| | |
|-----------------|-------------------------|
| From: | Wendy Moody |
| Date: | 5/12/2010 1:01 AM |
| Subject: | Talking Heads cessation |

²⁰<http://www.abc.net.au/tv/talkingheads/about/>

²¹<http://www2b.abc.net.au/guestbookcentral/list.asp?guestbookID=255>

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| | |
|-----------------|--|
| Comment: | I was very disappointed to hear Peter Thomson tell us it was the last "Talking Heads". Will someone tell us how and why. In a media environment that is full of bias and manipulative comment, this show, shone as an example of how to do it correctly. Because of the quality of both the interviewer and the content, the format was able to remain simple. Yet the show remained fresh and interesting and the intelligent interviews gave us great insight into people who made a difference in this world...and I want more. |
|-----------------|--|

117 In 2006 ABC TV in South Australia were producing *The Cook and the Chef*, a program funded under the Regional Program Initiative. South Australia also contributed to a range of productions by contributing segments to those programs. In 2007 *The Cook and the Chef* was axed and the Brisbane program *Talking Heads* was moved to Adelaide. Production wound up in 2010. A limited number of staff are retained on the external production of *Poh's Kitchen*. Local coverage of sport remains in doubt.

Perth

118 The recent announcement confirmed the retrenchment of staff working on the ABC1 factual series *Can We Help?* The Perth-produced series provided answers to audience questions from a range of experts. Prior to the axing of the show it had produced 211 episodes across 6 years. The axing of the program in 2010 followed the axing of *Rollercoaster*.

119 No replacement programs are proposed.

120 At considerable cost new state of the art television studios were built for the ABC in its new purpose built building. They are now not utilised by the ABC.

Section 6. **Regional Production and the National Regional Program Initiative**

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

121 The question posed by the terms of reference must be answered in the affirmative.

122 In 2001 the Federal Government responded to the ongoing decline in regional production through the announcement of the National Interest Initiative (NII). The initiative was designed to promote and support the development of new programs, radio, online and television from regional areas.

123 The majority of the allocation of \$17.8 million per annum for four years was spent to increase regional radio staff and funded a significant expansion of regional online production in Radio.

124 \$8 million was spent on TV, but the results were not always as impressive. ABC management closed down the ABC's most successful regional production, *Gardening Australia*, and shifted it from Tasmania to Melbourne so it could access the NII funding that was only meant to be available for new programs. That program that replaced *Gardening Australia* in Tasmania was called *Collectors*²².

125 In answer to a Question on Notice(QON) in 2003 about the criteria used by the ABC in the application of the NII funds, the ABC stated:

In making allocations, the ABC has applied the following broad criteria to program funding proposals, which should:

²²<http://www.abc.net.au/news/2004-11-05/abetz-calls-for-abc-regional-funding-inquiry/580320>

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Give major priority to the delivery of new programs and content that are produced in or are reflective of regional and rural Australia; to deliver services that would otherwise not be available to regional Australia; and, in the case of television, **to generate production outside of the major production centres of Sydney and Melbourne** (emphasis added)²³

126 In 2007 Mr Mark Scott²⁴ welcomed the extension of the now renamed *Regional and Local Programming initiative*, which had also been increased to \$68.7 million over the triennium:

The Managing Director of the ABC, Mark Scott, has welcomed the announcement today by the Communications Minister Senator Helen Coonan of an additional \$19.1 million to extend the ABC's Regional and Local Programming initiative.

Mr Scott said the ABC's commitment to regional Australia had been strengthened by the Regional and Local Programming initiative since it began in 2000-01.

"ABC Radio in particular is a lifeline for many regional communities, and while other media companies have been centralising and syndicating their programming from the cities, the ABC has opened more regional studios and employed additional staff in regional Australia.

"Across Radio, Television and ABC Online, this initiative has boosted ABC programming, providing more choice and more local content for audiences Australia-wide.

"Highlights include:

Four new regional radio studios at Ballarat (Vic), Erina (NSW)
Katherine (NT) and Wagin (WA);

60 additional regional radio staff, across 39 locations;

9,400 hours each year of additional local radio programming;

²³ question 004 from Senator Santoro,
http://www.aph.gov.au/senate/committee/ecita_ctte/estimates/bud_0304/cita/abc.doc,

²⁴ Mark Scott Media Release 4th January 2007 <http://www.abc.net.au/corp/pubs/media/s1828901.htm>

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A range of television programs produced outside Sydney or Melbourne, including *Collectors*, *Talking Heads* and *The Cook and the Chef*. (Bolding added)

Additional ABC Online content for children, families and regional audiences; and Australia Wide, a half hour news and information program reflecting regional Australia, broadcast daily on ABC 2.

127 The CPSU points to the acknowledgment by Mr Scott that the additional funds had been used to build local TV regional programming, and in particular to the building of *Collectors* and *Talking Heads*.

128 The CPSU suggests that this Committee poses the following question to the ABC:

Does the ABC acknowledge that the additional funds were provided to the ABC for the production of a range of regional productions and that following the ABC's request for the funds to be rolled into its base, it betrayed the government's trust by closing down the productions?

129 The Regional Initiative Funds were separate and additional. They were not part of base funding, and as such were precarious. The ABC sought the rolling in of these funds to the base, and the federal government obliged. ABC management then abused the government's trust by withdrawing support for regional programming. The funds were now available to be spent as the ABC wished. Management announced the closure of *Talking Heads*, the South Australian production, in December of last year and the closure of the remaining regional production in Western Australia, *Can We Help?*, in March 2011 and the axing of the *Collectors* in August 2011.

- 130 The following explanation for the axing of *Talking Heads* was placed on the program's web site. The last paragraph in particular warrants further examination.

Thank you for your comments regarding the ABCTV Series Talking Heads series completion. It is indeed sad to see the end of such a dearly loved program.

Peter Thompson has done a remarkable job providing our audiences with such rich and insightful interviews each and every week for the past 6 years and we have loved working with him and bringing these to you. But after 6 years on air, it is time for a change as ABCTV looks to refresh the schedule.

As a replacement, the ABC is developing an initiative with the South Australian Film Corporation to work with independent producers and allow them to express their creative ideas. Through this initiative it is planned to extend the production of factual entertainment programs for prime time ABC1 out of our Adelaide ABC studios (bolding added)

- 131 When *Can We Help?* was axed a similar statement was made about the ABC initiative with ScreenWest, the West Australian film funding body.

6.1 ABC Co-Production Deals in South Australia and Western Australia

- 132 The ABC had negotiated agreements with the SA and WA film funding bodies prior to the axing of *Talking Heads* and *Can We Help?*

- 133 At Senate Estimates, in response to questions raised by Senator Ludlam about how the ABC intended to use its relatively new (publicly funded) TV studios after the axing of its one remaining internal production in Western Australia, *Can We Help?*, Mark Scott rattled off a number of programs that had been commissioned, not as replacements for the internal program, but rather as material that had been in development long before the axing of *Can we help?* These productions had been

funded from the additional funding provided by the ABC. The only program that is being produced under the funding deal with ScreenWest is a program called *Who's Been Sleeping in My House?*

- 134 The following extract from a letter drafted and sent to the Managing Director of the ABC by WA Production staff explains the history of the project:

The decision not to recommission the last remaining production, Can We Help?, was widely anticipated after the announcement of the Screenwest deal. This arrangement is not a 50-50 partnership or a genuine co-production because there is no obligation or even encouragement to external producers to use ABC staff or resources (p.5, ABC Screenwest Factual Entertainment Initiative). That announcement went hand in hand with advice to ABC staff to resign from the ABC and pitch their ideas from outside the ABC if they wanted their program to go to air.

You may not be aware, but one ABC employee did just that, and the ABC is now picking up the pieces.

We are writing to you to ensure you have a clearer understanding about the impact of the outsourcing policies of Mr Dalton. This case study should serve as a warning to the ABC that the model being pursued by Mr Dalton is not necessarily cost effective.

Over a year ago a programme idea was pitched from within the ABC. In accordance with Mr Dalton's policy, the programme was not commissioned until the employee had left and resubmitted the idea from outside. The programme production began with ABC staff involvement limited to sound post production and final video post production. The production, however, started falling apart and the ABC was forced to bail out the production by supplying camera and sound operators (including interstate travel); producers, a production co-ordinator, editors and editing facilities for substantial periods of time. It would appear the ABC has ended up forking out considerably more on the production than it would have cost if built in house, and has entered the deal having relinquished its ongoing rights to the production.²⁵

- 135 Mr Scott has repeatedly stated that the ongoing dismantling of internal production and the outsourcing of production is because the ABC can

²⁵ Letter prepared and signed by 30 WA ABC staff to the ABC Managing Director, 3rd July 2011

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'leverage more production out of its budget' by working with the independent sector. The nature of the leveraging is slightly different under the ScreenWest and SAFC deals than with general documentary and drama production. The following notes describe how this is achieved:

- 136 Under the SAFC/ABC 'FACTory' deal²⁶ the Corporation agrees to commission programs at a minimum price of \$125,000 and pay a \$40,000 licence fee for 30 min episode of factual production. The SAFC then invests \$50,000 equity in the program. The private sector producer then obtains a Producer Offset of \$20,000 and the ABC contributes a further \$15,000 resources and facilities:

| |
|--|
| \$40K ABC license fee |
| \$15K ABC Resources & Facilities (equity contribution in kind) |
| \$ 50K SAFC equity investment |
| \$ 20K Producer Offset |
| <hr/> |
| \$125,000 total cost of production |

- 137 Under this arrangement a private sector producer may enter into this arrangement and obtain equity in a production that has been fully funded by the taxpayer, i.e. \$55,000 from the ABC, a further \$20,000 from the Commonwealth Government through Screen Australia and a further \$50,000 from South Australian taxpayers.
- 138 The ABC will have invested \$55,000 in the production and hold no rights to the program. Its money will have simply paid for a licence fee. That licence fee is likely to cover a limited number of showing rights, but ownership of the production will be held by the private sector producer and SAFC who are free to on-sell the program in other markets, such as Pay TV. The reader may be forgiven for believing that this is beginning to read like a script by Mel Brooks.

²⁶<http://www.safilm.com.au/library/The%20FACTory%20Guidelines.pdf>

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- 139 The comparison that needs to be made is how this cost structure compared with the production that immediately preceded it, i.e. *Talking Heads*? 40 episodes of *Talking Heads* were produced for \$2million per annum, i.e. \$50,000 per episode. The ABC/SAFC deal has resulted in a doubling of the cost to the taxpayer and the loss of content rights to the ABC.
- 140 The ScreenWest deal²⁷ is very similar. Under that deal the minimum per episode budget remains at \$125,00; the ABC's license fee increases to \$50,000, the ABC's resources and facilities increases to \$18,000, the state government (through ScreenWest) funding is reduced to \$32,000 and producer equity.

²⁷<http://www.screenwest.com.au/go/screenwest-funding-program/abc-screenwest-factual-entertainment-initiative>

6.2 Impact of Decisions on Content Ownership and Intellectual Property

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

- 141 The CPSU submits that the outsourcing of production will have a serious and detrimental effect on the ABC's ownership of content rights.
- 142 Multi-channelling increases both the demand for, and per unit cost of content.
- 143 When ABC operated a single channel, it put roughly 60,000 hours of television to air a year. With the advent of multi-channelling, the ABC now puts in excess of 200,000 hours of television to air.
- 144 The ABC has been provided with additional funding for its digital capital conversion and has also received additional funding to bolster its Australian drama and documentary content. The additional funding however has come nowhere near meeting the cost of filling the multi-channelled schedule.
- 145 The multi-channel environment has altered the market for content. The price of rights has increased significantly and is likely to continue. The increase can be attributed to simple microeconomic explanation: supply of content has remained the same, and demand has soared. The positions taken by the commercials, and in particular Network 7, have also had a significant impact on the ABC's capacity to purchase rights. Network 7 has been particularly successful in positioning itself in the multi-channelled environment by purchasing the rights for its secondary network of British (BBC and other) material that traditionally would have

been snapped up by the ABC at low cost. Margaret Simmons recently commented:

Here are the constraints. The unintended consequences of the advent of digital multichannels in Australia is that the cost of buying quality overseas content has skyrocketed, going up by 30%-40%. That means that BBC and other programs that once would have been core ABC content are now going to commercial television, because Aunty simply can't compete on price. Downton Abbey, which went to Channel Seven, is one example quoted to me by ABC sources. It would have sat well with the ABC, but Aunty had to drop out of the bidding at a very early stage while the commercial channels raided the BBC catalogue²⁸.

146 It is therefore with a degree of incredulity that the ABC TV under Kim Dalton and Mark Scott have decided to abandon in-house production, and the ownership of the rights that is generally associated with that model. Effective forward planning and management of the ABC's schedule dictate that the ABC must maintain a reserve of program material that it owns so that it has the capacity to run and repeat material.

147 At the same time as Mr Scott and Mr Dalton are walking away from a production model that had secured ownership of rights and intellectual property, they, or more particularly Mr Dalton, have failed to secure the interests of the ABC or taxpayers in the deals that he has negotiated with individual producers and production companies. The CPSU understands that the ABC is not actively pursuing the securing of rights or equity in the programs it is funding. Traditionally the ABC had sought to strike deals with co-producers that maximises its equity in the programs. The ABC sometimes came in for criticism from SPAA for its negotiation of the contracts, and insistence on securing equity, extended rights or the quarantining of material to get value for taxpayer dollars, i.e. acting in the interests of the ABC and taxpayers.

²⁸<http://www.crikey.com.au/2011/08/05/conroys-cutting-remarks-ruffle-feathers-at-abc/>

148 The negotiation of the rights surrounding *Crownies* is a case in point. Drama of that type traditionally costs around \$400,000 per hour. Industry speculation is that the ABC paid above the rate, did not secure extended playing rights to the program and failed to press for equity in the program. This Committee should be concerned that the ABC and taxpayers have received so little for what can be estimated to have been their \$10 million investment.

Lack of Available Data on Production Costs

149 The CPSU acknowledges that much of the discussion around the economics and questions about whether the ABC and taxpayers are getting value for money are not well informed. The CPSU concurs with statements made by Geoff Brown, Executive Director of SPAA:

This would be a much better debate if commentators were better informed about the core issues relating to ABC commissioning, ABC in-house programming and how independent producers work²⁹.

150 The information needed to inform the debate however is not readily accessible. Very little is known about how, where, or upon what conditions the ABC has spent the \$185-190³⁰ million over the past three years on co-productions. The little we can glean from public reports, such as the Screen Australia annual report, is dated. The ABC Annual Reports appear to be designed to hide rather than illuminate data. ABC Annual Reports, for example, do not provide any disaggregated data on the costs of commissioning, or the value of the rights the ABC purchases when it commissions programs. They do not provide readily accessible information

²⁹ <http://if.com.au/2011/08/05/article/KHZBOBGKDJ.html>

³⁰ Both figures have been cited in the media recently by MR Scott and Dalton as the total cost of the ABC spend.

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about the proportion of the ABC spend on the various categories of production/purchase:

- Internal production
- Co-productions over which the ABC has contributed all cash and resources
- Co-productions where the other party has contributed some cash
- Pre-purchases

Questions that need to be asked

151 The terms of reference call for an examination of 'the implications of these cuts on content ownership and intellectual property'. The issue is taken to mean not the impact of the limited decision to axe three programs, but rather the impact of the general shift away from internal production to external production.

152 As noted above there is little information on the public record about the costs of production or of the ABC's equity or ownership of rights in the programs it commissions. The CPSU considers that the issue of ownership of rights is important and that the ABC should accordingly be required to furnish to this Committee answers to the following questions to enable the Committee to adequately consider the term of reference.

- (a) What has been the ABC spend on TV internal production (excluding RAGE) in each year since 2001 together with any projections that may have been made under the Production Plan for future production

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- (b) What has been the spend on co-productions in each year since 2001 together with any projections that may have been made under the Production Plan for future production?
- (c) What has been the spend on co productions where the ABC has fully funded through cash and/or resources and facilities these productions in each year since 2001 together with any projections that may have been made under the Production Plan for future production
- (d) How much has the ABC spent on TV programming through internal production, co-production and pre-purchase (acquisition of rights) over the past 5 years?
- (e) What is the total value of the rights inventory held by the ABC and attributable to that spend?
- (f) Does the ABC hold the rights beyond 5 years for any of the productions (other than internal productions) that it has commissioned in the past 5 years?
- (g) It has been reported that the ABC has reduced its target for equity in programs from 8% to 1%. Is this true, and if so why?

Mr Dalton said in a speech to the 2007 Annual Conference of SPAA:

Whilst this area will always be an area of robust engagement between the ABC as a user of rights and producers as creators of rights, we must move forwards with the intention of being fair in our dealings and respectful in regard to our needs and objectives. ABC TV recognises that fundamentally it is a user of rights rather than a creator or owner of rights, and new terms of trade that reflect the new realities of the fragmentation of broadcasting, that facilitate a cohesive strategy to making content available, will be crucial³¹.

³¹http://abc.net.au/corp/pubs/documents/SPAA_conf_2007.pdf

- (h) When Mr Dalton made the statement that ABC TV saw itself as a 'user' rather than a 'generator' of rights, had the ABC Board considered or endorsed that view? Has the ABC Board subsequently considered or endorsed that view?
- (i) Was Mr Dalton authorised to make that statement?
- (j) Does it represent the ABC Board's current thinking about the matter? And if it does not, why is the speech still posted on the ABC website?

The ABC TV Division negotiated a Terms of Trade Agreement with SPAA shortly after the 2007 Annual Conference³².

- (k) Did that agreement result in a reduction in the rights held by the ABC?
- (l) Did that agreement result in a change in the holdback period? If so, what was that change?
- (m) Did this agreement result in a reduction in the number of 'runs' the ABC was entitled to use?
- (n) Did the terms of trade improve the ABC's content rights or equity overall, or was it designed to transfer rights to the private sector producers?

To enable the Committee to develop a better understanding over how a decision was taken to expend approximately \$10 million, the following questions are suggested about the commissioning of the series *Crownies*:

³²<http://www.abc.net.au/tv/independent/doc/TermsOfTrade.pdf>

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- (o) What equity does the ABC have in the program?
- (p) Did the ABC seek equity in the program, and if not why not?
- (q) Does the ABC have exclusive use of the program, and if so for how long?
- (r) Does the Commercial arm of the ABC hold any rights to *Crownies*? Did they have to purchase these rights from Screentime, and if so at what cost?
- (s) Which staff or managers were involved in the commissioning of *Crownies*?
- (t) Was there any competitive tendering or pitching process involved in the selection of *Crownies*?

The CPSU is conscious that statistics that have been thrown around in this debate are primarily designed to spin the argument. Mr Kim Dalton recently appeared on *Late Night Live* on Radio National and stated:

It is very important to recognise that 84% of our production is made in house. ...Not including News and Current Affairs...84% of ABC TV's commissioning is commissioned in house and that excludes Rage as well. So we are arguing about 16 % of what we commission, it is not a lot...it is particularly drama; its particularly documentaries and factual and its particularly the children's area as well³³.

153 The 84% figure is misleading. It is a reference to hours of commissioned production, and not the value or cost of production. We also believe the figure to be historical, i.e. reflecting the previous year's production levels. What we know is that the statistics of both hours and value of internal commissioned programming are both falling rapidly and are comprised of cheaper programming: 'talking heads' studio productions such as *First*

³³*Late Night Live*, the Future of the ABC 31 August 2011
<http://abc.com.au/rn/latenightlive/stories/2011/3307070.htm>

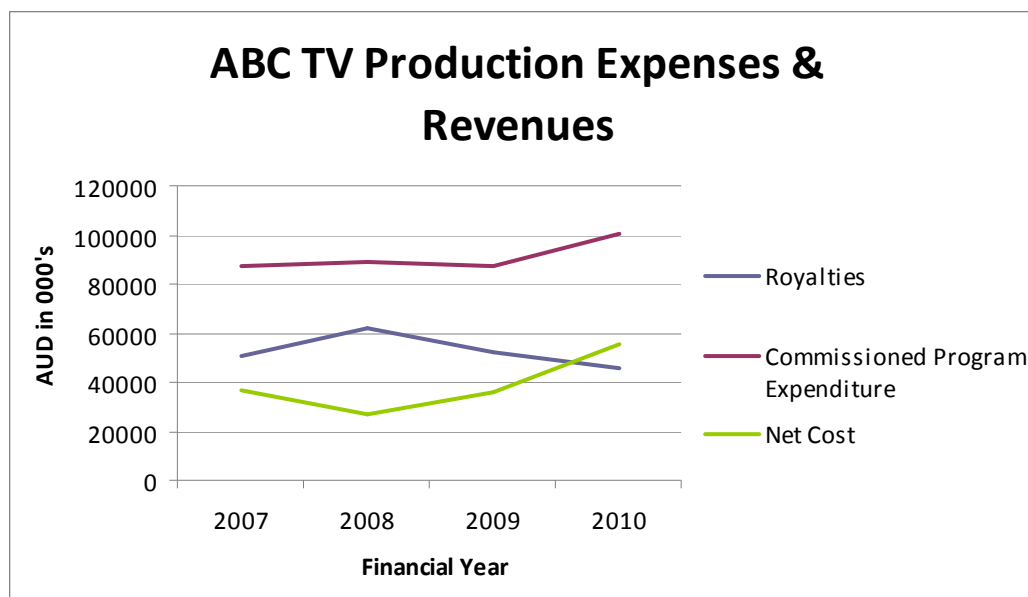
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Tuesday Book Club or *At the Movies*, local sport and a residue of internal programs such as *Catalyst* and *Compass* (that we also fear are under threat). Until about a month ago there was every indication the ABC was going to axe its local sports coverage. Had the local sports coverage been eliminated, the 84/16 figure could have been reversed and internal production would have represented a small minority of total hours.

154 As noted earlier in this submission, the ABC does not make much data available in its financial reports on the internal vs. external spend. The CPSU has however been able to derive the following information from the last four ABC annual reports:

155 **The total spend on external TV production over the past four years has been \$277,494,000. The expenditure on internal production in the same period has been only \$92,492,000. When Mr Dalton and Mr Scott make the argument that the outsourcing concerns are overstated because 84% is internal they don't say that the 84% of broadcast hours are produced on 33% of production budget, and 16% (external) are produced on 67% of the production budget. Even these figures don't explain the full story. The true cost to the taxpayer for external production is significantly higher because these figures only refer to ABC costs, and do not include additional state and federal funding.**

156 We also know from the annual reports that commissioned production costs are increasing along with net costs of production. Counter intuitively, at a time of increased taxpayer funding on programming, the royalties reported in the Annual Reports are declining:



Costs of Commissioned Program Expenditure

| FIN YEAR | 2007 | 2008 | 2009 | 2010 | 2008-2010 |
|---|--------------|--------------|--------------|---------------|---------------|
| TV Programs held for distribution | | | | | |
| Purchased | 34279 | 32337 | 31976 | 33239 | 97552 |
| Produced | 23559 | 26735 | 31865 | 22247 | 80847 |
| Work in Progress (produced) | 14085 | 15454 | 14189 | 32360 | 62003 |
| TV Inventory | 71923 | 74526 | 78030 | 87846 | 240402 |
| Royalties | 50567 | 62144 | 52024 | 45381 | 159549 |
| Completed Programs (brought forward) | 28432 | 23559 | 26735 | 31865 | 82159 |
| Work in Progress (Opening balance) | 11171 | 14085 | 15454 | 14189 | 43728 |
| Commissioned Program Expenditure | 86983 | 88975 | 87738 | 100781 | 277494 |
| Amortisation | 88942 | 84430 | 83873 | 92228 | 260531 |
| Work in Progress (Closing balance) | 14085 | 15454 | 14189 | 32360 | 62003 |
| Programs (closing) | 23559 | 26735 | 31865 | 22247 | 80847 |
| Net Cost | 36416 | 26831 | 35714 | 55400 | 117945 |

Data drawn from ABC Annual Reports

157 Geoff Brown from SPAA continued in his media release:

SPAA believes that a commissioning model is the most efficient approach for the future with the digital revolution escalating costs, as it best leverages the

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taxpayer's dollar to attract funding from other sources, thereby maximising the amount of independent Australian programming that can be made and shown on the public broadcaster.

158 The CPSU does not share SPAA's confidence that the current commissioning model is the most efficient. Part of the problem is that there is no way of telling. The commissioning process is closed, i.e. other than Kim Dalton very few people appear to know how much is being paid for programming; there are no benchmarks against which cost and efficiency comparisons can be made; there is no information available about what rights (and intangible assets) are now held by the ABC. It is for that reason the CPSU has called for an audit of ABC commissioning and of Mr Dalton's claims about 'leverage' (the Dalton Model) and answers to the following questions:

- does the Dalton model provide real value for money for the ABC?
- given the rapid increase in the value of TV rights, should the ABC trade away these rights?
- is the opportunity cost of forgone revenue to ABC Commercial factored into TV's commissioning process?
- does the Dalton model result in the commissioning of material that is designed to suit its secondary Pay-TV market at the expense of its Charter obligations?
- does the '\$90 for \$30' model amount to anything more than a 33% licence fee?
- How does this licence fee compare with benchmarked industry rates? Is the ABC giving away too much in these deals or should the ABC be seeking better terms?

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- what are the risks of the ABC further reducing its internal production capacity?
- Will the ABC be able to effectively negotiate contracts with private sector producers where they have lost the ability to make the programs themselves?³⁴

159 No reply was received. The questions however remain relevant to the work of this Senate Committee. The CPSU suggests that the Committee would benefit by posing these questions to the ABC.

Promotions, Publicity and Marketing

160 The ABC has favoured external production over internal production in both absolute terms, and relative terms (as a proportion of spend). Since the ABC has sought to justify the axing of internal programs in part on their failure to attract audience share, the CPSU suggest this committee may benefit by seeking data from the ABC on the relative internal/external spend. The CPSU also believes the Committee would benefit from information being provided by the ABC on the following:

- How are publicity budgets determined for programs?
- How are decisions made on which programs are to receive publicity?

161 Concerns have also been raised with the CPSU by its members over what appear to be arrangements with a private sector companies to provide marketing and promotions for programs (internal. But mostly external)

³⁴ Letter from CPSU to ABC Managing Director, 27 May 2011
http://www.cpsu.org.au/multiversions/23237/FileName/CPSU_TVprod_270511.pdf

and that these arrangements tend to be made with a small number of companies and that no tendering or testing of the market is undertaken before these arrangements are entered into.

162 **Recommendation:** That the Australian National Audit Office undertake and examination of the efficacy of the arrangements that the ABC has made with private sector marketing and promotion companies

163 One of the indicators of the health of the ABC's inventory is the value of the content rights sold through its Commercial arm. Library sales (the licensing of excerpts of ABC owned material) have declined by 45% over the past 12 months).

164 One of the effects of outsourcing has been the reduction in the stock of ABC owned programs. The CPSU is concerned that over time the ABC will become captive to the production companies it has in many cases spawned. Without an effective in-house production capacity, the ABC will become vulnerable.

165 The CPSU notes the narrow range of companies with which the ABC does the majority of its business. These companies include:

Beyond, Essential Media and Entertainment, Cordell Jigsaw, Matchbox, Princess Pictures, Screentime, Southern Star, Spectrum Films, Working Dog Productions, Zapruder's Other Films

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- 166 The small number of companies may reflect that they are the best in the field. Many of them undoubtedly were, as the list of awards and credits to programs such as *The Last Confession of Alexander Pearce* attest. In other cases the absence of any transparency in the commissioning process leads to reasonable suspicions that the programs are not necessarily the best, and that the ABC has not necessarily structured the deals to its advantage.
- 167 The CPSU suggests the lack of transparency of these financial deals is inconsistent with the general principles of accountability in public life. The general policy is that public sector agencies subject to the Financial Management and Accountability Act are required to go to tender for procurements above \$80,000. In the case of agencies subject to the Commonwealth Authorities and Corporations Act the threshold is \$400,000. The CPSU is not suggesting that the ABC should use a simple tender process to determine its commissioning, as these processes are not particularly suited to the evaluation of creative material³⁵.
- 168 The CPSU however considers that the ABC has unreasonably used its claim to editorial independence to avoid scrutiny of its commissioning decisions. The principles that are meant to guide government procurement of goods and services are: Value for Money, Encouraging Competition, Efficiency, Effective and Ethical use of Resources and Accountability and Transparency³⁶. These principles have equal application to all commissioning decisions. Their application to the ABC

³⁵The CPSU however notes the recommendations made by Price Waterhouse Coopers that the BBC should consider a greater use tendering in Children's and where the program ideas are generated from within the organisation:

BBC Window of Creative Competition Report for the BBC Trust July 2008

³⁶Commonwealth Procurement Guidelines - December 2008 <http://www.finance.gov.au/procurement/procurement-policy-and-guidance/CPG/division-1.html#resources>

would require improved reporting of the agreements and deals it has struck, competitive tendering, better described as competitive ‘pitching’, between private sector producers and effective competition between internal and external production.

BBC WoCC Model

169 The CPSU draws the Committee’s attention to the system of commissioning adopted by the BBC. The BBC system is predicated on the retention of a level of internal production (a floor of 50%), external commissioning (25%), and of contestable production for the remaining 25%. The contestable production must be open to bids from private sector and internal producers.

170 The contestable commissioning arrangement is referred to as the WoCC (the Window of Creative Commissioning). The BBC describes the WoCC as follows:

The WoCC is the part of our commissioning slate open to competition from all suppliers.

We have introduced the WoCC to ensure that the best ideas are commissioned for our audiences irrespective of who makes the programmes. It ensures a level playing field between all suppliers.

We make no planning assumptions about whether titles in the WoCC are produced by in-house or independent producers³⁷.

171 The BBC has determined that each genre (Drama, Entertainment etc) has different minimum guarantees of internal production³⁸ and that “the

³⁷<http://www.bbc.co.uk/commissioning/tv/how-we-work/the-wocc.shtml>

³⁸

guarantees vary from genre to genre ensuring that the BBC sustains a production base to deliver its public service commitments”³⁹ .

ABC TV Commissioning Structure

172 The management structure adopted by ABC TV has contributed to the destruction of internal production. The senior managers responsible for commissioning are frequently drawn from Screen Australia and its predecessors and invariably share Mr Dalton’s views about outsourcing. They are the personnel who on a day to day basis have been responsible for the de-commissioning of internal production. It was not always so. Before the push for outsourcing, commissioning used to involve a wider group of program makers. Executive Producers (including those based interstate) with responsibility for their area of specialist knowledge would meet, discuss and argue over which productions should be commissioned. The same group would decide whether the required skills and experience lie outside the organisation, or whether the programs could be made more effectively within. They would also bring their knowledge of programs being made by international and local program makers when deciding whether programs should be build inside, or not. It was an environment that thrived on the competition of ideas and resulted in good programs and ideas being brought to ABC audiences. ABC TV management structures have been transformed. The current structure is hierarchical and autocratic. Commissioning decisions lack transparency and give rise to concerns that the decisions are not necessarily taken in the best interests of the ABC. The CPSU considers that the system of commissioning be rebuilt. The CPSU suggests that a genuine cross Divisional structure of commissioning be developed that is

³⁹ See previous footnote

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genre based and encourages the development of genuine cross platform production.

- 173 **Recommendation:** The CPSU recommends that the ABC performance in the commissioning of all content (both internal and external) be referred to the Australian National Audit Office. The CPSU further recommends that this Committee require the ABC to provide full particulars of all costing of ABC internal and external commissioned programs, together with all details of the rights and equity it hold in all programs commissioned over the past 5 years. The CPSU further recommends the commissioning process be subject to periodic (every two or three years) external audit
- 174 **Recommendation:** The CPSU recommends that quotas be established for internal production, externally commissioned, and contestable (internal/external) production based on the BBC Commissioning model with quotas for the various genres.
- 175 **Recommendation:** The ABC to adopt a multiplatform commissioning structure, or alternatively a TV Division commissioning structure that includes Executive Producers and Commissioning Editors and representatives of the ABC Resources Division. The commissioning proposals and decisions should be adequately documented to enable effective audits to be conducted.

Section 7. **ABC Decision to end internal production of Bananas in Pyjamas**

Terms of Reference (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

"Are you thinking what I'm thinking B1?"

"I think I am B2"

"I'm a bit ashamed of myself. I think that recently I have been a bit shallow and two dimensional...I have performed poorly and that people may think less of me nowadays!"

176 The CPSU does not consider the decision to hand over production of *Bananas in Pyjamas* as a central issue in the debate about the future of internal production. There is insufficient information available about the costs and benefits to the ABC of outsourcing production. If for example a decision had been taken that the Bananas had reached the end of their life as performed characters and that they could be resurrected through an animated series, which the ABC did not have the capacity to make, it is possible the decision to outsource production could have been justified. The CPSU is prepared to make a couple of general comments about the decision.

177 The animated production has generally attracted negative critical reviews. Anger about the new format has spilled over to a Facebook 'hate' site – 'Bananas-in-pyjamas-gone-animated-australia-says-NO'⁴⁰ which has over 44,000 supporters.

178 To many Australians, Bananas and *Playschool* are the embodiment of ABC Children's television. The Bananas have served the ABC well over the year sand have generated a significant amounts of revenue for the ABC's

⁴⁰<http://www.facebook.com/pages/Bananas-in-pyjamas-gone-animated-australia-says-NO/111941255562291>

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Commercial arm. The decline in sales of ABC related products, we are told, has contributed significantly to the overall decline of Commercial Division performance over the past five years. The decision to outsource the Bananas, and to give up day to day control of the 'brand', represents an approach to Children's production that had until recently been foreign. Characters and programs were approached from a perspective of what works for children and how does it fit with their development needs. They now tend to be viewed as commodities to be exploited. While the ABC may make a dollar out of the exercise, they lose a lot in return: the value of the brand, the integrity that it used to represent, and the trust of parents.

179 So we don't sound too sanctimonious about it by dwelling on the morality of outsourcing the Bananas, the CPSU believes that the decision needs to be questioned on purely financial grounds. On the face of it, the decision does not appear to make financial sense. The ABC used to own a product that literally generated millions. The ABC could have reinvested in the Bananas and maintained ownership of the product in a manner that would have given it unlimited re-runs. It may be that the deal that was structured with Southern Star Endemol may give the ABC ongoing rights to domestic re-use. If they have not, it would appear to have been a poor investment. If they have, the question remains: what revenues has the ABC been able to draw from international sales from the characters in the past, and did they have reason to believe that they would not have been able to secure similar international sales if they had continued to control the duo?

180 The opinion piece in the Age sums up the views of many about the new production:

The ABC slips on banana appeal

June 24, 2011

Opinion



The original Bananas, pre-Singapore Photo: Leanne Pickett

PERHAPS we should not get too carried away by the detail that *Bananas in Pyjamas* this year is averaging 160,000 viewers in the mainland capitals, when last year it was averaging 185,000 viewers. The explanation might simply be that the show has moved from ABC1 to ABC2, so the target audience is having trouble finding it.

But it's equally possible to blame the slump in banana appeal on the fact that B1 and B2 have changed from real life figures to cartoon characters who look like Voldemort with a condom pulled over his head. And if that is the case, we can accuse the ABC of squashing a national treasure.

The Bananas are icons, and, more importantly, nice little earners, who used to generate \$10 million a year for the ABC. At the risk of mixing a metaphor, the ABC may have killed the goose that laid the golden egg when it replaced actors in foam suits with drawings done in a Singapore animation factory.

I need to declare a bias. I first encountered the power of the giant fruits in 1992 when I was booed offstage by an audience of children and adults shouting "We want the Bananas" (the next act on the schedule). At the time I was working for ABC radio (in a role currently occupied by Adam Spencer) and this was a promotional appearance. I was used to such treatment, but I was shocked that the same invective was directed at my stage companion, Andrew Olle, a broadcaster of authority and charisma. Clearly, the ABC had created a two-headed monster.

This impression was confirmed three years later when my daughter was bitten on the finger at her preschool by a child trying to steal her Bananas beanie. At the time, our home contained several figurines of B1 and B2 and their teddy neighbours (Morgan, Amy and Lulu), two books, a T-shirt, a Lulu stamp which put green ink over our furniture, four video collections, and the aforementioned beanie. We were not hard-core addicts. Other households had blue and yellow towels, sheets, backpacks, pencil cases, rulers, socks and games.

When you try to think of alternatives to the concept of Bananas in Pyjamas, you realise what an inspired piece of marketing they were. Nobody would fill their home with Zucchini in Bikinis (too sexy), Beans in Jeans (too casual), Jellies in Wellies (too English),

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Kippers in Slippers (too smelly), Peas on Skis (too fast), Pears in Flares (too 70s), Passionfruits in Bathing Suits (see zucchinis), or Caulies with Brollies (too complicated).

I checked out the ABC store in Sydney's Queen Victoria Building this week and found a couple of dusty Banana dolls, a few umbrellas and one DVD. Clearly ABC Merchandising does not have much confidence in the cheap and nasty Singapore version of its once-loveable creations – even if it can boast that it has sold the new series to Channel 5 in Britain and Turner Broadcasting in the US. Kids don't rush to cuddle animations in the way they once squeezed creatures they perceived as real.

It's not too late to unscramble the fruit salad. For the sake of the nation, the ABC must cancel the cartoons and bring back the small men in yellow suits.

Section 8. **Sport**

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

181 The cuts announced on 2 August 2011 did not technically include any reference to cuts in local sport. Although the union had been hearing rumours to the effect that local sport was to be cut along with *The New Inventors, Collectors* and *Art Nation*, and issued a bulletin to members alerting them to the possible cuts, management has not yet made its position clear.

182 Under repeated prodding from the media, the ABC confirmed that it was axing the lawn bowls, but refused to confirm or deny reports that it was also intending to axe local football coverage.

183 The lawn bowls programming may not be everyone's cup of tea. Bowls Australia, however, claims a support base of 800,000 and point to between 200,000 to 500,000 regular viewers of the ABC program. Our members report that the bowls audience is generally not part of the ABC's wider audience and that for many represents their only point of contact with the ABC. Specialist programs are often miss-interpreted to mean stuff that is high brow. All it means is material that is likely to draw a particular audience and is distinguished from material designed to draw a mass audience. The bowls audience, therefore, look to the ABC for their '8 cents worth' and find it in their special interest program. In doing so they have extended the reach of the ABC.

184 It was widely rumoured that the ABC was about to axe local broadcast coverage of state league football and rugby. The CPSU believes that these rumours were well founded and that the ABC had intended to make the announcement but has backed off to see how the dust settles on the

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public debate and this Senate Inquiry. Local football and sports coverage provides the overwhelming bulk of remaining internal ABC production. Comparatively it is 'cheap as chips'.

185 It is apparent that the ABC has been under pressure from the private sector producers to axe local sports coverage so they can get access to the few resources that are used for internal production. Michael Cordell, Executive Producer Cordell Jigsaw Productions, a leading provider of outsourced programs to the ABC, when asked by Phillip Adams about his vision of the ABC, described it as a broadcaster stripped down to only making its own news and current affairs, stripped of local sport and the Outside Broadcast (OB) vans that support it⁴¹.

186 When we are discussing the loss of sport and of football, it is important to remember that the future of sport is inerrably linked with the retention of the Outside Broadcast vans that support it. To the informed, the discussion about the axing of sport is as much about the scrapping of the OB vans that are required for multi-camera outside broadcasts. The closure of sport would inevitably reduce the business case for the retention of the OB vans, and with the capacity, particularly of the smaller branches, to cover large external events including the ANZAC Day marches.

187 The CPSU encourages this committee to require the ABC to provide clear advice as to its intentions concerning the coverage of all local sport.

⁴¹<http://abc.com.au/rn/latenightlive/stories/2011/3307070.htm>

Attachment

Some of the best of *The New Inventors*

The New Inventors has showcased over 900 inventions.

All of them identify a particular problem and aim to make the world a better place by creating a new and unique solution to that problem.

Saving Lives

Saving lives has inspired more inventors than any other problem addressed on the New Inventors.

Sometimes it takes an invention to raise the standard for safety, and that was certainly the case with **Michael Crowe's [Reo Jack](#)**. Before he came on the New Inventors with this simple but ergonomic lifting device, WorkSafeVictoria had no guidelines around how the steel mesh that strengthens concrete slabs should be lifted on a building site. Following his appearance WorkSafe created a new [guideline](#) that advised the use of this very tool.

For twenty years **Don Morgan** had been testing his [Cone-head](#) crash helmet design. When he won the New Inventors 2007 Grand Final it was an emotional moment, as well as a turning point. His new design has finally made inroads into the US cycle and motorbike market, as well as attracting interest from the ski industry in Europe.

Plumber **Dan Mawby** was working at a Victorian racetrack when he realised the running rail around the track was a potential death trap. He didn't know much about racing, but he knew a lot about the plastic pipes from which he created the [Mawsafe Rail](#). The invention saw James O'Loghlin perform his first on-air stunt (he lived to tell the tale!) and now Dan's safer, flexible, self-releasing rail has now been installed in over 50 race tracks around Australia and several overseas. Already it's recognised as saving lives in some serious racing incidents.

The Challenge of Engineering

Australian inventors take on some of the biggest, oldest and most basic engineering challenges, leaving mouths agape and investors calling.

Chris Bosua hated the noise his air compressor made when it released a chunk of compressed air, so the mechanic designed a special valve which fed back all that compressed air back into the machine. He found that not only was his [EARS](#) (Exhausted Air Recovery System) quiet, it was more powerful, more efficient AND safer to use. Since

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winning the New Inventors 2006 Invention of the Year EARS is now used on air compression tools across Asia, America Europe and the Middle East.

When he wasn't inspecting plumbing for the Redland City Council, **Stephen Durnin** was solving a problem – how to keep an engine at its greatest efficiency across a range of gears. His infinitely variable transmission **D-Drive** stunned engineers around the world when it was presented on the New Inventors in 2010.

Glenn Thompson took on one of the great challenges of mechanical engineering – to combine a universal and a CV joint to create a coupling that would transfer power efficiently. He raised money from locals in his home town of Orange to build and test his first prototypes, which he presented on the New Inventors in 2007. His **Thompson Coupling** is now available for a range of purposes and the company continues to be recognised with awards for export and manufacturing excellence.

Tony Pike was a plumber when he invented **FLAT** – a Fluid Locking and Adjustment Technology designed to keep outdoor cafe tables level. He presented his invention on the show in 2006, but after very significant interest from venture capitalists today the range of products in development crosses aerospace, construction, military as well as cafe tables!

Marketing innovation

Inventing is a challenge, but marketing that invention is another slog entirely.

The drinking straw that turned normal milk into delicious flavoured milk struggled to win its episode, but as soon as **Peter Baron's Sipahh** went to air it was a clear winner with the consumers. Supermarkets battled to keep up with demand and school canteens saw sales of milk explode! It's now gone global, and a major British newspaper named the Sipahh straw among the fifty greatest ideas of the twenty-first century.

On what other TV show would you see a cat learn to use a human toilet? It was **Jo Lapidg** who turned the unusual **Litter Kwitter** into a market success. After she won her episode, Jo was overwhelmed with orders from around the world. The business was such a success a government funding body, who'd spurned her requests for support, actually employed Jo as a consultant.

Barry Hildebrandt Jnr and **Barry Hildebrandt Snr** could never have imagined the stir they would cause with the **Ezy As** – a medical compression stocking applicator. The New Inventors office wasn't prepared for the stir either. The homespun invention, that Barry and Barry created to solve a personal need, resonated so strongly with viewers that years later there are still calls. The Hildebrandts now run a thriving business and mix with the leaders of the medical industry at trade shows.

Saving the Environment

Energy efficiency, social responsibility and sustainability are driving the next wave of innovation.

Kylie Catchpole is a brilliant young physicist from the Australian National University and her **Plasmonic Light Trap (PLT)** has been nominated by MIT in their annual list of top 10 emerging technologies because it may finally give solar panels the efficiency and cost effectiveness to compete with fossil fuels.

Michael O'Brien is one of the new wave of young engineers and industrial designers who are eschewing the slick world of designer products to take their skills to places where simple survival is still a problem. His **Surgical Lamp** is a low-cost, battery operated LED surgical light designed to keep hospitals running in countries where access to the grid is by no means a certainty.

Electronic waste materials are now creating one of the world's biggest environmental nightmares, as **Steve Morriss**, toner and inkjet manufacturer was only too aware. So he came up with **E-wood**, a way of recycling the heavily contaminated plastics present in used electronic equipment and turning them into a building material.