

SUPPLEMENTARY SUBMISSION OF ABC ALUMNI LIMITED TO SENATE STANDING COMMITTEE ON ENVIRONMENT AND COMMUNICATIONS

ADDRESSING FUNDING ISSUES RELEVANT TO:

Section 3 Terms of Reference: The allegations of political interference in the Australian Broadcasting Corporation (ABC), with particular reference to:

(d) the political influence or attempted influence of the Government over ABC editorial decision-making, including:

(i) outcomes of the Competitive Neutrality of the National Broadcaster Inquiry and Efficiency Review - ABC and SBS, and

(ii) the role of funding uncertainty in facilitating political influence;

(e) governance, legislative and funding options to strengthen the editorial independence and strength of the ABC to prosecute its charter obligations; and

(f) other related matters.

OPENING REMARKS

It is ABC Alumni's view that there is a compelling need to strengthen both the ABC's funding base and the mechanisms of delivery to protect the corporation from political harassment and outright interference in its editorial processes.

The existing ABC triennial funding model, whereby government can at a whim cut budgets mid-cycle, is at the core of the serious issues relating to the ABC's editorial independence which are the subject of this Inquiry.

This three-year cycle has also proved inadequate for the corporation to confidently plan ahead, to properly fulfil all of its Charter obligations, and to carry out its operations efficiently.

We believe it is essential for the ABC to have secure (or "guaranteed") funding, free from the risk of political interference, and that the current three-year funding cycle should be increased to a minimum period of five years. A shorter funding period with uncertainty about medium-term and longer-term funding levels is crippling for any media organisation, especially in this time of digital disruption.

FUNDING LEVELS

Savage funding cuts over the last 5 years

"No cuts to education, no cuts to health, no change to pensions, no change to the GST and no cuts to the ABC or SBS."

Tony Abbott election promise, September 2013

On the eve of the 2013 election, then opposition leader Tony Abbott made his now notorious promise that if the Coalition won government he would not make any cuts

to the budgets of either the ABC or SBS. As history has shown, it was a hollow promise, broken by both the Abbott and subsequent Turnbull administrations.

Within months of coming to power, the new prime minister Abbott and his then communications minister Turnbull embarked on what would become a series of severe cuts to the ABC budget:

- * an annual \$9 million cut (for a total of \$45 million over the forward estimates) announced in the May 2014 Budget
- * cumulatively to a \$254 million cut over five years announced in November 2014
- * an effective \$20 million dollar per annum cut in 2016 by only partially renewing earmarked funding for news and current affairs (Enhanced News Gathering program for rural and regional Australia)
- * another \$30 million over three years was lost in 2016, when the government did not renew tied funding to cover the capital costs of digital transmission
- * a further \$83.7 million to be cut over three years from 1 July 2019, described as an "indexation pause"
- * no clarity yet on whether the government will roll over another \$41.4 million over three years to continue the Enhanced News Gathering program

If these latest cuts are not reversed, the ABC Board and management will be left with no alternative but to implement program restructures requiring the retrenchment of hundreds more ABC program makers and support staff. This is against a backdrop of 1,000 full-time equivalent positions being terminated since 2014. Staff cuts of this magnitude have a serious deleterious effect on the ABC's capacity to meet audience expectations.

The ABC's once renowned presence in Asia and the Pacific has also been defunded:

- * in September 2014 the government cancelled, after one year, a DFAT \$223 million ten-year contract (\$22 million per year) awarded to the ABC to provide broadcasting and online content to Asia and the Pacific, including *in situ* correspondents.
- * belatedly, late last year, the government realised the consequences of that decision, acknowledging a loss of Australian "soft power" in Asia/Pacific at precisely the time that China is engaged in a multi-dimensional diplomatic effort which includes a far-reaching expansion of broadcasting into the region. After commissioning a review of this issue, prime minister Morrison announced, on 7 November 2018, significant diplomatic and military initiatives to improve engagement with the region. As for broadcasting, he said, *"I've been speaking to Free-TV Australia and the commercial TV networks about how we get more of our Australian content into the region. Our Pacific family switching on to the same stories, news dramas and sports we are watching at home."* The *Australian Financial Review* described this part of the announcement as "a snub" to the ABC.
- * Subsequently, in January this year (2019), the prime minister announced he was handing over \$17.1 million over three years to the commercial networks to supply Australian content to Pacific broadcasters. This is funding the commercials never sought and seemingly knew nothing about until the PM's announcement. According to FreeTV Australia's chief executive Bridget Fair, "no commercial networks are building partnerships in the Pacific". Meantime, the ABC's once substantial Pacific reach has been decimated. At a time when Australia needs to communicate

effectively and knowledgeably with its near neighbours, it's hard to fathom any strategic value in this allocation of money to the commercial networks rather than to the public broadcaster which is required by the ABC Act to undertake this work in the national interest.

What makes this series of budgetary attacks all the more concerning is that at the time they began in 2014, Australia was already well behind comparable countries in its commitment to public broadcasting. An analysis of commitments that year revealed, for example, that Australia invested only *half* as much per capita in public broadcasting (ABC & SBS combined) as the United Kingdom, i.e. only AU\$57 per inhabitant in Australia compared to the equivalent of AU\$114 per inhabitant in the UK. Given the UK's greater population size, this differential is significantly greater in real terms. And the 50% figure plummeted to a mere 34% when Australia's commitment was compared to the average spent by 18 comparable countries, topped by Norway which spent the equivalent of AU\$179 per inhabitant. (Nordicity analysis, 2014.)

As at 2017, the ABC with a population one-third the size of the UK has a total budget of AU\$1.1 billion, only one-eighth the BBC figure (equivalent AU\$8.6 billion).

It is, further, abundantly clear that the Coalition government, urged on by commercial media organisations in pursuit of financial benefit, has been overtly hostile to the ABC. Funding has been used as a weapon. As well, since last July it's been Liberal Party policy to privatise the ABC (a position not supported by its Coalition partner but nonetheless indicative of the remorseless anti-ABC intentions).

Whilst the ABC has endured significant defunding in past decades, at the hands of both Labor and Coalition governments, the present situation is more precarious than many Australians who "love and trust" the ABC are aware.

The ABC's current total annual budget is \$1,043.7 million, of which \$865.1 million is slated for operations and the remainder for transmission. This represents just 0.2% of federal government expenditure, compared to 0.6% in the 1980s. Further, the ABC has calculated a decrease in real funding of 28% or \$336 million since the mid-1980s, reflecting the culmination of successive cuts from both Coalition and Labor administrations. Staff numbers have dropped by one-third since 1987, when there were 6,092 full time or equivalent employees, to 4,097 (as at 2017).

An accurate comparison with Australia's commercial television networks is not possible because their activities and those of the ABC are so divergent (the ABC covering a wide range of platforms including radio and with a significant network of correspondents regionally and internationally). However, despite its more diverse operations, it is worth noting that the ABC's budget falls well below the revenue of the major commercial networks: in the last financial year (2018), Nine Network's revenue was \$1.62 billion, Seven Network's \$1.31 billion (we do not have figures for Network Ten, now owned by the US's giant CBS network).

Impact of continual funding cuts

We contend that the frequency and magnitude of the cuts inflicted on the ABC over the last five years can be categorised as akin to political interference.

It has meant that a raft of core ABC services valued by its audiences and fundamental to public broadcasting have either been drastically reduced or lost.

There is no longer, for example, any weekly state-based television current affairs program (and therefore no effective TV “watchdog” on local and state political and other affairs). International reporting, especially in the strategically important neighbouring areas of Asia and the Pacific, is now inadequately staffed and resourced (there is no ABC reporter stationed in the Pacific, nor is there sufficient funding to employ freelance coverage to fill the gap). *Foreign Correspondent’s* annual output has been significantly reduced. Radio National is so impoverished, both in personnel numbers and budget, that it’s running multiple repeats of individual programs, much to the chagrin of its loyal listeners. Drama and documentary production are compromised across all platforms.

As far as possible, talented and dedicated ABC staff have worked hard to maintain high standards and quality output. In television, exceptional reporting has continued from stalwarts like *Four Corners*. *War on Waste* is a standout innovative program developed by Australian independent producers, and the local version of *Stargazing* (a British format) attracted significant audience numbers. Likewise, in radio and online there have been some new developments, and specialist world-class programs such as *The Science Show* have continued to break ground and maintain their stature through the exceptional capacities of over-stretched and under-resourced minimal remaining staff. But across all content-making areas, the relentless budget cuts and associated personnel and resource losses have nonetheless taken a bitter toll and will likely continue to do so if defunding is not arrested.

Recommendation of appropriate funding level

It is ABC Alumni’s view that the ABC budget, at a minimum, should be restored to the indexed equivalent level of 2014 – thereby reversing all the cuts made in contravention of Tony Abbott’s 2013 election promise, in order for the ABC to regain its footing in key areas that have been abandoned or diminished, and for it to continue to innovate and to properly deliver the service valued and expected of it by the Australian people.

We also believe the Abbott government cuts of \$22 million per year to the ABC’s international service should be restored immediately, and that international funding to the ABC should be substantially increased (at least three-fold) in response to growing geo-political complexity in the Asia Pacific region (see SABAP submissions to the Review of Soft Power and the Review of Australian Broadcasting Services in the Asia Pacific).

FUNDING MODELS

The funding-government nexus

By convention, since 1989 the ABC has been funded through a triennial cycle. However, since such funding decisions are an exercise of ministerial power or government policy decisions, they are discretionary. In effect this has two overlapping and potentially detrimental outcomes for the Corporation:

- *The funding amount and timing of such appropriation is unilaterally made by the government of the day.*
- *The exercise of this financial control may create an environment where perceived or real political influence on the ABC's editorial independence is possible.*

(ABC Submission to Senate Inquiry)

Professor Ken Inglis's exhaustive two-volume history of the ABC (1932-2006) records attempts by governments of all persuasions over the life of the organisation to discipline the ABC by reducing, or threatening to reduce, its funding. The 1970s and 1980s under the Fraser and Hawke governments are notable in this regard.

The introduction of the triennial funding convention in 1989 was intended to address this situation but has proved open to circumvention or overt flouting. Revelations at the time of the events of late 2018 which are being investigated by this Inquiry demonstrates that, directly or indirectly, the practice of government pressure being applied via funding continues unabated.

In addition, the establishment of efficiency reviews (12 in the last 15 years) – a means of government applying continued pressure to reduce ABC expenditure in order to accommodate continual budget cuts – has resulted in unsustainable constraints on resources and in alarming levels of loss of skilled staff.

Previous alternative funding models

From time to time over the lifetime of the ABC, many alternative sources of funding have been suggested, including licence fees (based on the UK model), advertising, corporate underwriting/sponsorship, levies on the revenue of commercial operators, subscription.

Many reviews and studies have rejected a **licence fee** on a number of grounds, primarily because: fees of this type are costly and difficult to administer; Australia lacks the critical audience mass to make such fees viable; and, as licence fees are set by government, which is at liberty to freeze or reduce them, the same potential to threaten a broadcaster and its independence exists as with appropriation.

The concept of an ABC supported by **advertising** has been strenuously rejected by the public and by commercial operators. A prohibition on advertising was enshrined in the ABC Act and it is doubtful that any government would risk raising this idea again.

Defining the boundaries of **corporate underwriting/sponsorship** is difficult and has proved problematic and controversial when put forward.

The ABC's online services – such as programs on-demand (ABC iview) and podcasts – present possibilities for **monetising by subscription** or other means that could offset the costs across the free-to-air television and radio platforms. However, we believe that any proposal of this kind is inappropriate for a taxpayer-funded public institution (effectively requiring taxpayers to pay twice for content in which they'd already invested) and would meet strong resistance from current audiences, particularly those who are not users of traditional radio and television broadcast services and who know the ABC primarily through its digital offerings.

Other funding models that have been mooted from time to time have proved equally impracticable and/or are not saleable politically. These include a **fixed levy** (like Medicare) or a **levy** (gathered via phone bills or other means). Models to place ABC funding delivery at arms' length from government, such as via a **parliamentary committee** or **future fund** are also in our opinion equally unrealistic in the current climate (requiring a government to be convinced to move to a funding system in which it would voluntarily relinquish a high degree of power and control).

Recommended funding model

ABC Alumni recommends that **the current three-year funding cycle should be extended to five years at a minimum** and that it should be protected from government-initiated adjustments during a cycle.

We believe that any shorter funding cycle cannot give the ABC the security it requires to operate an efficient and successful media organisation in an increasingly diverse and rapidly evolving digital environment.

We further recommend that **a bipartisan policy be established and that all agreements between the government and the ABC be transparent and published.**

Agreed provisions should include that neither the government nor the ABC can seek to change the funding allocation in the course of a cycle. This does not preclude the ABC from applying for additional special purpose funding that lies outside the terms of the particular quinquennial funding agreement.

In our view the proposed quinquennial funding should continue to come from consolidated revenue, with the proposed bipartisan policy and transparency being adequate to safeguard the ABC from fiscal uncertainty.

Importantly, such a system ensures the ABC's independence and eliminates the constant threat of political pressure and interference related to funding.

As a concomitant, we support The Australia Institute's recommendation to this Inquiry that the ABC should be required to justify its demands for funding by, as each new five-year cycle approaches, committing to a transparent process of consultation involving relevant organisations (e.g. industry groups and other stakeholders with special interests) as well as the general public (i.e. audiences), as part of developing

its forward plans for the new funding cycle. However, in our view such consultation could be undertaken directly by the ABC or by an external provider, rather than by the Department of Communications.

We also support the proposal to this Inquiry by the MEAA for the engagement of independent advisers “to assist government to assess triennial [or quinquennial, as we propose] appropriations against relevant ABC business plans and strategies”. In this way, the MEAA suggests, “the triennial [or quinquennial] allocation would be protected, but subjected to ordinary audit processes to ensure diligence in expenditure of public funds”.

It is ABC Alumni’s view that an urgent overhaul of the ABC funding process must be implemented both to safeguard the national broadcaster from further diminution and to protect its independence from political pressures, and we look forward to this Inquiry’s report and recommendations.

We thank the members of the Senate Committee for their attention to this supplementary submission.

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