Screen Producers Association of Australia

February 4th 2011

SPAA RESPONSE TO SCREEN AUSTRALIA BLUEPRINT FOR SMALL SCREEN FUNDING

1. Project Assessment

SPAA remains opposed to project assessment for both drama and documentary for television. The free-to-air broadcasters and commercial networks have well established commissioning processes which should be the only assessment required for television drama and documentary projects.

SPAA understands that there will from time to time be pressure on available funding at Screen Australia. In these cases, the only criteria for assessment should be on deal terms (as it has been in the past having regard for diversity of slate from a mix of independent production companies), with Screen Australia assisting the producer to leverage the best possible terms from broadcasters and networks. It is simply unworkable for Screen Australia to be involved in the assessment of television projects, and there is no reasonable justification for this given in the blueprint. This is particularly relevant since Screen Australia currently does not develop television drama. The broadcasters and producers bear the cost of television development. If a project has been effectively developed, commissioned/approved by a broadcaster or network and meets all the requisite guidelines, then the prospect of a project being turned down at a final stage by Screen Australia on editorial grounds would undermine confidence all round and provide no certainty for anyone.

2. Funding Envelopes

SPAA believes that the proposed 60% maximum available to any one broadcaster is unworkable and will lead to broadcasters over-subscribing (as happened last financial year leading to the collapse of the domestic and international doors for documentary, the source of much contention).

For documentary , there is a strong preference for envelopes of funding (40/40/20%) being allocated to ABC, SBS and 'other' respectively towards a balanced broadcaster slate. If broadcasters negotiate the intended outcome at the beginning of the year with regard to levels of domestic, international, low budget, one-off, series, then they should be measured on their performance at the end of the year against agreed criteria before negotiating the next year's allocation. These allocations should not be a 'right', but an envelope to draw down with funds still to be contracted between the producer and Screen Australia.

Should the 20% envelope be under-subscribed in any one year, then it should be rolled over into ABC and SBS joint allocation for the next financial year.

3. Licence Fees

SPAA supports the increase in licence fees, but would refer Screen Australia back to its original submission on this issue, recommending a 'one-off' index linked increase in line with CPI, and an initial 'catch-up' increase to compensate for lack of movement in licence fees during the last seven years.

4. Children's Programs

SPAA would make an exception regarding licence fees in the case of children's programs which need to be examined carefully. SPAA is aware that this is a vulnerable area; networks have and will continue to argue their obligation to children's programming, and there is some concern that a base licence fee of $105K might be an issue as it puts pressure on pay television channels to contribute extra to keep the licence fee at $95K for free to airs, which is a position they already vigorously resist. SPAA would therefore advise against raising the licence fee to $105K for children's programs. At present the current ABC floor is $110K which includes pay TV rights, which should not be jeopardised. The commercial free-to-airs should be encouraged to pay the current $95K floor without the inclusion of pay TV, leaving this for the producer to exploit, (current prices $2-25K licence fees), or paying $110K with the inclusion of pay TV rights. This is what the majority of the membership feel will be acceptable to broadcasters across the spectrum.

It's doubtful that any "P" programs would attract $105K licence fee – but SPAA members feel that it is worth opening up children's drama funding to P, at the same time recognising that the only main broadcaster beneficiary of such a policy would be the ABC. However, P programming should be strictly for drama projects, not light entertainment concepts (e.g. *The Wiggles, Hi-5*).

SPAA would resist the proposal to allow pay TV equity participation in children's programs. Children's pay television channels are majority multinational corporations. Pay television's concern that high licence fees impact on future year's expenditure requirements isn't a satisfactory reason to reduce independent producers' terms of trade with broadcasters; these are separate issues. Therefore, the membership does not support reduction of terms of trade for pay TV to obtain any Screen Australia investment, and this includes lower licence fees in return for equity positions.

5. Pay Television

The industry has been understanding of pay television's position since its inception with regard to non-profitability, which has always been used as a reason for pay TV operators not to pay the going rate, but this is no longer applicable, since Foxtel is clearly profitable and successful.

It has become clear that Pay TV operators are pressuring Screen Australia and producers to accept equity investments in drama productions rather than licence fees. The Broadcasting Services Act 1992 allows the Pay TV channels to use either equity or licence fees to meet the Australian Content Standard. This of course pre-dates the Producer Offset and was intended to provide scope for channels to fully finance program commissions, especially drama series.

SPAA does not see any public benefit in allowing Pay TV channels to take majority equity in programs jointly funded by the Producer Offset and Screen Australia production investment. A key policy objective of the Producer Offset legislation was to empower producers through equity. The dominant position of a Pay TV channel's equity investment, as distinct from a licence fee, works to defeat this aim and will reduce potential investment returns to Screen Australia.

6. Documentary

a. International/Domestic

After Screen Australia elected to collapse the international and domestic doors due to oversubscription of domestic projects, SPAA was reassured that the merging of the two doors temporary measure to alleviate the pressure on funding. It is therefore disappointing to learn that Screen Australia's intentions are to make this merger of funding envelopes permanent.

SPAA strongly recommends that the international door be reinstated for the following reasons:

- International door productions have been assessed on marketplace criteria, which are well understood between producers, domestic broadcasters and international partners. Any uncertainty which arises from another layer of assessment will jeopardise existing relationships with offshore partners, and hinder the forging of new ones.

- A separate international door provides an incentive for domestic broadcasters to engage with higher budget documentaries with international finance. ABC and SBS have already indicated to SPAA their willingness to participate in international projects.

- The international door has worked very well for many years, and SPAA cannot see the advantage of change at this stage, and it may well disadvantage those producers who have attracted international presales and significant finance in the past. This would be completely contrary to Screen Australia's stated policy of fostering sustainable business, let alone the clear intention of the Producer Offset.

- Screen Australia has undertaken some research in their blueprint document to estimate dollar values to 'eyeballs'. This might be a useful exercise (but questionable for public broadcasters), and if this kind of research is to be a feature of Screen Australia's statistical gathering, SPAA would argue strongly for Screen Australia to undertake an exercise which looks at the export dollars brought into the industry from international documentary programming and its effect on business growth and employment. Our information based on analysis prepared by senior members who have produced numerous international documentaries over the last few years, would suggest that this sector of the documentary industry brings in large amounts of funds into the industry from overseas sources every year.

- Matched funding: If Screen Australia intends to apply its proposal to match fund domestic broadcaster presales to international projects, then it would radically disadvantage those companies (many of them funded by Screen Australia through Enterprise) that are primarily engaged in international production. Screen Australia effectively matches all domestic funding, so it would be reasonable to suppose that this would be extended to international projects also. This would create a level playing field but would probably not be possible in the current funding climate, therefore SPAA recommends a rethink of the whole matched funding policy. Leaving projects with too big a gap to realistically fund from other alternatives is a waste of time and once again erodes certainty.

- Funding caps:This kind of 'one size fits all' approach will disadvantage projects with higher budgets requiring dramatic reconstruction, overseas expenditure, major acquisition of archival footage, etc. Funding caps with drive budgets down and will not contribute to a diverse slate of projects at different budget levels.

- The current cap of $500K for series does not encourage more ambitious international projects at higher budget levels. SPAA recommends that this be removed for international projects, which of course is difficult to consider without a clear distinction between international and domestic.

- If there is a perceived problem with international documentary, SPAA would recommend that the international guidelines are reviewed in conjunction with senior members and investment managers at Screen Australia, who are across deal terms and numbers of projects coming through. Screen Australia needs to be responsive to demands on discrete pots of funding, and have the ability to be flexible in financial reallocations across genres.

b. Series funding

- Screen Australia's objective to support commercial sustainability seems to be at odds with the proposal to limit series funding to two series, and against its own decision to fund through Enterprise many factual and documentary companies engaged in these activities.

- If content resonates with audiences, then why withdraw support? Surely a mix of new projects and ongoing fulfils the sustainability, diversity and audience remits. SPAA would like to see evidence that diversity has been limited due to funding of more than two series.

- The argument for reduced funding beyond a second series may have some validity for commercial networks' documentary programming (not a huge burden on Screen Australia) on the basis of advertising revenue, but public broadcaster funding remains the same over a triennial regardless of audience ratings. Audience ratings for public broadcasters can make a contribution to arguments for increased funding, but not in the short term.

c. Foreign Formats

One of our senior documentary members programs was singled out in the blueprint (hopefully with the producer's consent) as an example of why Screen Australia should not fund foreign formats. The revenue provided to foreign format owners on Australian documentary series is negligible. Screen Australia regularly invests in programs with foreign components. In a broader sense, the public broadcasters fill their prime time schedules with wholly imported (often factual, often format) programs. It is hard to imagine how funding series with overseas formats is hindering the development of Australian intellectual property. SPAA contends that these arguments are spurious and Screen Australia should consider any overseas formats presented to them by Australian producers, and examine the relevant costs and deal terms in the same way as any other projects.

d. Making History

As indicated in its original submission SPAA recommends that Screen Australia seeks to renew this discrete funding and apply it across broadcasters and networks on a 40/40/20 basis.

e. NDP

SPAA believes that the NDP should stand as a separate program within Screen Australia, and would also recommend renewing and updating the definitions and criteria governing the National Documentary Program.

SPAA would welcome the opportunity to discuss the blueprint further with Screen Australia, and with regard to documentary, in advance of the Australian International Documentary Conference.

Contact: Geoff Brown, 34 Fitzroy Street, Surry Hills, NSW 2010. Tel: 02 9 360 8988