Australian Government

SCREEN AUSTRALIA

FUNDING AUSTRALIAN CONTENT ON 'SMALL SCREENS': A DRAFT BLUEPRINT

A review of Screen Australia's role and objectives in television funding

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Contents

Executive summary

This document is the first key milestone in Screen Australia's review of its funding of television production, announced 18 June 2010, to ensure that the organisation is supporting the television production industry and Australian storytelling in an optimum way.[1]

Part A outlines a draft blueprint for the future funding of small-screen content, highlighting some of the issues involved and posing particular questions for discussion. Part B provides a background to the blueprint.

Context

Screen Australia was formed in 2008 following the merger of the Australian Film Commission (AFC), the Film Finance Corporation Australia (FCC) and Film Australia Limited (FAL). The current methods and mechanisms for supporting the development and production of Australian programming on television have been largely inherited from the predecessor agencies[2] and were created prior to the introduction of other financial support incentives such the Producer Offset.

In establishing the Producer Offset, the Australian Government anticipated that productions with a more commercial focus would be financed by this mechanism, leaving Screen Australia's funds (consequently reduced by Government) to be directed to other quality, culturally significant and innovative programming.

As Screen Australia's appropriation from Government and ability to provide funds contracts, it is timely to review the role of the agency in relation to television funding in terms of allocation and investment. Perhaps more importantly, it is also necessary to review Screen Australia's role in terms of supporting the demand for Australian content in a fast-evolving media landscape.

Convergence

While television remains the primary medium for audiovisual content, consumers routinely access content via a range of screens, including computers and mobile devices, in a process known as convergence.[3]

As communications and media technology develops, new challenges and opportunities arise for all industry participants. Traditional business models are being placed under pressure and regulatory and policy settings struggle to keep pace. Current regulation in turn confines the ability of individual distribution platforms to monetise content in this converged environment. Issues highlighted in current and future Government reviews, such as the convergent media review planned for 2011 (see page 7), will assist in defining the way forward.

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[1] Review of television production funding, Screen Australia website, www.screenaustralia.gov.au/new_directions/tv_review.asp

[2] The exception to this is documentary production funding where, in establishing its programs, Screen Australia moved away from a commissioning model, in which the agency acted as executive producer and rights controller, to the current equity investor model.

[3] The Department of Broadband, Communications and the Digital Economy Annual Report 2009-10 defines convergence as "the process by which technologies (for example, televisions, phones and computers) and platforms (for example, broadcast, telecommunications and online) that originated having distinct functionalities evolve to overlap, so that the end user experience is similar regardless of the platform or device".

Internationally, these technological changes are affecting the way markets support local content. An examination of television production funding methods in Canada, New Zealand and the United Kingdom reveals important ongoing Government funding support for traditional television content as well an increasingly significant multi-platform approach (see part B, section 7).

Screen Australia’s role

Screen Australia’s current review of television funding acknowledges and accommodates this multi-platform and multi-screen environment.

The agency has a key and active role to play in the creation, support and financing of Australian content distributed on television, mobile and online platforms – collectively referred to as ‘small screens’ throughout this document in a deliberate reference to the converged landscape in which traditional television content is now located.[4]

Screen Australia’s role includes:

- establishing minimum terms of trade between broadcasters or channels and producers;
- helping to generate a legacy of premium content for the nation;
- driving innovation and the evolution of creative storytelling and form; and
- helping to ensure the Australian production sector is robust and sustainable and continues to develop a highly skilled production workforce.

Screen Australia must embrace and support the ongoing creation of quality, innovative, original, culturally significant small-screen storytelling that resonates with contemporary audiences but which may not otherwise be produced due to cost or lack of commercial viability. This includes:

a) premium television content of national significance (identified by the nature of its narrative and production values), across factual and dramatic programming, for a broad range of audiences; and

b) platform and format-agnostic content aimed at stimulating the development and growth of distinct and new forms of engaging (often interactive) narrative and communication, as well as the talent that is native to these media

In order to achieve these outcomes, Screen Australia must consider the developments in, and pressures on, the creation and exploitation of content. The agency’s terms of trade and program guidelines for production and development need to accommodate changes in the marketplace and in technology. The agency must at times be flexible in response to changing market conditions yet it must also be clear and consistent about the requirements that parties must meet in order to receive Screen Australia investment.

These principles – flexibility, clarity, innovation and quality – underpin Screen Australia’s draft blueprint for funding Australian content on small screens.

In developing a strategy for supporting one sector, it is essential to emphasise the importance of a healthy screen production industry overall. The continued strength of small-screen content, with investment in equipment, infrastructure, training and employment, will support and enhance other forms of content creation including theatrically released (‘big screen’) content.

[4] Theatrically released content is designated ‘big screen’ content, by comparison.

The draft blueprint

In summary, Screen Australia will provide funding for small-screen content in two major areas:

- Convergent Television: premium content that is driven or triggered by the television broadcast platform
- All Media: content that is driven or triggered by any distribution platform

Convergent Television

Description: Screen Australia will fund significant, high-quality small-screen productions created for television broadcast.

Funding allocation: Approximately $30–35 million. This makes up the bulk of Screen Australia's small-screen content funding, which is appropriate given television's continuing influence.

Format: Restricted to drama (adults' and children's) and documentary content.

All Media

Description: Screen Australia will fund original, innovative screen content for distribution on a variety of platforms.

It is proposed that content funded under All Media will explore creative storytelling that engages audiences across existing distribution platforms as well as new and evolving platforms. A more flexible approach will be adopted to content format and funding arrangements in the All Media Fund compared to Convergent Television.

Funding allocation: Approximately $2–5 million.

Format: Two distinct components are proposed:

- Production investment for individual projects and productions including scope for strategic partnerships with content platforms, aggregators and developers – the Ignition Program
- Experimental production and development for producers – the Digital Sandpit Program

Together these funds and the emphasis that Screen Australia has placed upon various funding criteria, discussed in the body of this document, will ensure greater flexibility for industry and sharpen the focus on the development, creation and support of innovative and high-quality small-screen content.

Importantly, Screen Australia's programs and funding approach will continue to evolve as the media landscape and the industry itself evolves.

Ongoing dialogue about the draft blueprint is encouraged and addressed by questions within the outline of each funding area.

Scope of the review

The scope of Screen Australia's television funding review is defined by the terms of reference, the legislated objectives and role of the agency as well as the visions and goals as outlined in Screen Australia's *Charter of Operations 2009–2010*.

Terms of reference

The terms of reference for the review are outlined in the background paper *Television Funding – A Review of Screen Australia's Role and Objectives.*[5] They are to:

1. confirm the objectives and role of Screen Australia with regard to television funding, taking into account levels of investment and the role the agency has in developing and producing innovative and nationally significant television programming;
2. review Screen Australia's funding eligibility requirements, including minimum licence fees, holdback provisions and marketplace attachments, and determine whether these levels and requirements remain appropriate; and
3. evaluate the funding allocation for National Documentary Program (NDP) projects including the provision of program funding for particular television broadcasters or channels.

Screen Australia's objectives and role

The objectives and role of Screen Australia are established under the *Screen Australia Act 2008.* The functions of Screen Australia are to:

- support and promote the development of a highly creative, innovative and commercially sustainable Australian screen production industry; and
- support or engage in:
  - the development, production, promotion and distribution of Australian programs; and
  - the provision of access to Australian programs and other programs; and
- support and promote the development of screen culture in Australia; and
- undertake any other function conferred on it by any other law of the Commonwealth.[6]

Screen Australia's Charter of Operations

The outcomes of the review are also influenced by a number of the visions and goals as outlined in the *Screen Australia Charter of Operations 2009–2010*. These are to:

- grow demand for Australian content
- support the development of a more commercially sustainable screen industry
- increase the quality, variety, innovation and ambition of projects and talent being developed

[5] Review of television production funding, Screen Australia website, www.screenaustralia.gov.au/new_directions/tv_review.asp
[6] Screen Australia Act 2008

Screen Australia is tasked with a national leadership role within the Australian screen industry by:

- investing in quality screen productions that engage audiences and have cultural relevance.
- contributing to the development of a commercially sustainable screen industry by promoting the effective use of the Producer Offset and the international co-production program
- encouraging innovation across the industry, including supporting cross-media platform applications and new ways of responding to the rapidly developing digital world[7]

Review timetable

The intended timetable for the review including work undertaken to date is as follows:

Date	Stage	Progress / Notes
June 2010	Announcement of review.	Completed.
July–September 2010	Consultation with stakeholders (broadcasters, producers, industry guilds) including receipt of written and oral submissions.	Completed. To date, 23 meetings have been conducted and 12 written submissions received.
September–November 2010	Development of a draft funding blueprint.	Completed.
19 November 2010	Draft blueprint issued for comment.	Completed.
31 January 2011	Comments close on draft blueprint	Industry consultation during this period
March 2011	Draft guidelines issued for comment	
April/May 2010	Development and refinement of program guidelines.	Industry consultation during this period.
May 2011	Release of new program guidelines	
1 July 2011	New guidelines take effect.	

Other reviews

Screen Australia notes that the Government is currently undertaking, or has signalled it will soon undertake, a review of the following areas of media and arts policy:

- Department of Broadband, Communications and the Digital Economy, Convergent Media Review (anticipated to commence late in 2010)
- the Office of the Arts, Department of Prime Minister and Cabinet, review of Government Investment into the Indigenous Broadcasting and Media Sector
- the Office of the Arts, Department of Prime Minister and Cabinet (formerly handled by the Department of Environment, Water, Heritage and the Arts), 2010 Review of the Independent Screen Production Sector
- Department of Broadband, Communications and the Digital Economy, Sport on Television: A Review of the Anti-siphoning Scheme in the Contemporary Digital Environment
- Australian Communications and Media Authority, Spectrum Re-allocation in the 700 MHz 'Digital Dividend' Band discussion paper.

[7] Screen Australia, Charter of Operations 2009–2010, August 2009

The outcomes of these various reviews will impact production and distribution levels as well as commercial and creative decisions. It is within this environment that Screen Australia has sought to effectively position its proposed funding and investment decision-making process.

Feedback invited

Feedback on the draft blueprint can be provided online through www.screenaustralia.gov.au/TVreview

Closing date for comments is 31 January 2011.

PART A. Draft blueprint for Screen Australia's funding of small-screen content

1 Context

1.1 Introduction

Screen Australia's strategy and decision-making process for funding small-screen content are guided by its terms of trade and program guidelines. The terms of trade and program guidelines establish the criteria under which Screen Australia transacts with and provides specific support for the Australian screen production industry.

These various requirements affect the commercial relationships between the creators and investors of Australian small-screen content: in most cases between producers supplying the content and broadcasters purchasing that content.

Consequently, Screen Australia's funding has the ability to shape and influence the content production market often providing pricing 'floors' for content by way of minimum licence fees paid by broadcasters as well as overseeing the legitimacy of various commercial terms. In effect this provides Screen Australia with a quasi-regulatory function for various industry conditions, with its investment criteria acting as 'policy levers' within industry transactions. It is these levers that are largely the focus of Screen Australia's review of its funding of small-screen content.

Structural changes have occurred in the marketplace since the Film Finance Corporation first developed the program guidelines. Changes include the merger of the Australian Film Commission (AFC), the Film Finance Corporation Australia (FCC) and Film Australia Limited (FAL) and the formation of Screen Australia. Also, the introduction of the Producer Offset and the proliferation of distribution methods brought about by technological advances, as well as changes in viewer behaviour, require further consideration.

In this context, the review and associated consultation with the industry has examined the impact of Screen Australia's involvement in the negotiation process, reviewing the outcomes of a number of core components of the transaction process, including licence fees, holdbacks, equity and distribution advances or guarantees.

The issue of digital rights is also relevant to dialogue about the consumption and monetisation of content across multiple screens.

1.2 Current program expenditure

The 2010/11 budget allocation for Screen Australia funding through the Production Investment Department is $60 million. That amount has been notionally distributed between the following program areas:

- Features (including low-budget) $22–26 million
- TV drama (adult), TV drama (children's), Low budget drama $18–20 million

- National Documentary Program
  Domestic Documentary Program
  International Documentary Program
  Special Documentary Program
  Documentary Development: $16.5 million

Screen Australia investment in most programs is generally as equity, except when a documentary investment is less than $200,000. From March 2010, all documentary projects approved by Screen Australia with funding of $200,000 and under are provided as a grant rather than a recoupable investment.

1.3 Submissions and consultation with industry

Screen Australia received 12 written submissions after releasing its paper *Television Funding – A Review of Screen Australia's Role and Objectives* in June 2010, and has since held 23 meetings with a variety of industry stakeholders including industry guilds, screen content producers and subscription, national and commercial television broadcasters and channels.

A variety of views and positions about Screen Australia's role and objectives in supporting television content emerged from these discussions, covering specific aspects of Screen Australia's television funding programs; the guidelines and terms of trade for these programs; their administration; and the amount and distribution of funding. Views were also provided about the policy settings in which Screen Australia's funding activities operate.

There were many common views provided by all segments of the industry. However, there were also different perspectives largely divided between broadcasters (or channels) and producers. This is not surprising given the nature of the specific levers (such as minimum licence fees) incorporated into the current terms of trade and program guidelines. There were also differences between the views expressed by subscription television broadcasters or channels, commercial television broadcasters and national broadcasters.

The following discussion aims to capture the main issues raised during the consultation. These issues have guided the development of the blueprint outlined in section 2.

Points of agreement:

1. Screen Australia has a continuing and important role to play in providing funding support for television and other 'small-screen' content.

2. Screen Australia's current programs and the parameters they set for funding support for small-screen content were largely established by the predecessor agencies and pre-dated many of the structural shifts and changes occurring in the television and converged content industries.

3. Screen Australia's role includes:

- financing small-screen content that isn't otherwise financially viable to produce;
- establishing minimum terms of trade between broadcasters or channels and producers;
- helping to generate a legacy of premium content for the nation;
- driving innovation and the evolution of creative storytelling and form; and
- helping to ensure the Australian production sector is robust and sustainable.

4. Screen Australia's programs and funding support must recognise the evolving nature of screen content creation, distribution and the change in audience engagement with the content.

Key points of difference:

A range of views on the following issues emerged from the consultation:

- Licence fees and minimum expenditure thresholds
- Holdback periods
- Assessment/investment decisions
- Documentary funding allocations for broadcasters

These are discussed in detail in the next section, along with issues associated with Screen Australia's current funding programs for television, in the context of the proposed blueprint.

2 The way forward

The way forward for Screen Australia's funding of small screen content is influenced by:

- the environment in which small screen content is being produced and consumed in Australia;
- stakeholder views and submissions;
- a number of the visions and goals described in the *Screen Australia Charter of Operations 2009–2010*.

As previously outlined, Screen Australia's goals are to:

- grow demand for Australian content
- support the development of a more commercially sustainable screen industry
- increase the quality, variety, innovation and ambition of projects and talent being developed.

Screen Australia is tasked with a national leadership role in the screen industry by:

- investing in quality screen productions that engage audiences and have cultural relevance
- contributing to the development of a commercially sustainable screen industry by promoting the effective use of the Producer Offset and the International Co-production Program
- encouraging innovation across the industry, including supporting cross-media platform applications and new ways of responding to the rapidly developing digital world.[8]

Principles

Four principles form the foundation of Screen Australia's draft blueprint:

1. **Flexibility**
   Screen Australia's guidelines should facilitate good market-based outcomes for content creation. They should be responsive to changing industry conditions and market pressures and the type of content that may require Screen Australia's funds.
2. **Clarity**
   Screen Australia's guidelines should provide a clear framework in which negotiations and content creation can proceed. The guidelines should provide clear signals to industry about expected parameters for the funding arrangements between all parties.
3. **Innovation**
   The guidelines should facilitate innovative content and help develop markets and audiences for growing and evolving content.
4. **Quality**
   The guidelines should also enable premium Australia content to be produced, creating a legacy of quality audiovisual material for the nation.

Strategic direction

Screen Australia proposes to provide funding for small screen content in two areas:

- Convergent Television: premium content which is driven or triggered by the television broadcast platform
- All Media: content which is driven or triggered by any transmission platform

[8] Screen Australia, Charter of Operations 2009-2010, August 2009

2.1 Convergent television

Screen Australia will fund significant, quality small-screen productions produced for television broadcast.

It is proposed that programs for funding content under Convergent Television will be restricted to drama and documentary projects where television broadcast is the primary platform. A more flexible, genre-agnostic approach will be enabled via the All Media fund outlined in section 2.2.

Funding allocation: Approximately $30–35 million

2.1.1 General issues

Blueprint proposal: Distribution platform and market attachment

A television broadcaster or channel must be attached to the project by way of presale. It is proposed that the content must also be distributed on at least one other digital media platform. This could include catch up television services, mobile phone or other online release. As audiences are consuming content via an expanding array of platforms (see part B, section 3), the intention is to ensure accessibility to the content on those additional platforms to ensure the greatest opportunities for audience engagement.

The only exception to the requirement for a presale is for a proposed strand of documentary funds titled 'Signature Documentaries' (discussed further on page 20) where a presale, while desirable, is not a pre-requisite.

Discussion: Licence fees

When striking deal terms for the exploitation of any project, two fundamental elements negotiated are licence fees (discussed here) and holdback rights (discussed on page 14). The negotiation of these rights can be complex because of issues that arise as a result of the manner in which licence fees and holdback rights can impact on equity.

Licence fees refer to the amount paid for the right to 'play' or broadcast the program. The licence fee contains provisions that determine the number and length of screenings allowed under the licence; fees are based on the perceived value to the broadcaster.

A range of industry views have been expressed with respect to licence fee requirements for accessing Screen Australia funding including that licence fees be reduced, be increased, not have a minimum set by Screen Australia, have different minimums for different broadcaster/ channels based on business models and capacity to pay, or involve a 'second run' licence fee that sets a floor for the secondary platform broadcast.

There are also particular issues for drama (see page 17) and documentary (see page 20).

Blueprint proposal: Licence fees

It is proposed that the requirement for broadcasters to pay a licence fee minimum is retained for both drama and documentary projects funded through Convergent Television. It is also proposed to increase licence fee minimums by approximately 10 per cent and provide for an annual CPI increase.

It is proposed to retain the limitation that the licence fee in any of these forms of content cannot be partially made up of equity or a New Zealand broadcast right.

Licence fees are further discussed in the context of the proposed Convergent Television drama programs on page 17 and documentary programs on page 20.

Question:
Does any particular genre – drama, children's or documentary – require licence fees to be varied by an amount other than 10 per cent?

Discussion: Holdbacks

A number of industry participants have suggested that Screen Australia should be funding programs of national significance and that these programs – partly funded by Australian taxpayers – should be made available to the nation to view. They argue that it is therefore inappropriate for Screen Australia's content to be restricted – either through lengthy holdback periods or by permitting the content to appear only on subscription television.

However, broadcasters and channels have defended their right and need to control the content in which they invest from being accessed by competing media platforms for a variety of reasons including the protection of their equity investment in the project and their ability to recoup and/or profit from broadcast. As media platforms and distribution outlets expand, the brand created by successful content may become as significant as the brand associated with the distribution platform.

Blueprint proposal: Holdbacks

Broadcasters and channels wish to limit the opportunity for competitors to access content in which they have made significant initial investments. However 'holding back' competitors from broadcasting content needs to be balanced against opportunities for producers to exploit their work and opportunities for the Australian public (who have invested in the content via Screen Australia, the public broadcasters and the Producer Offset)) to see the work.

If a television broadcaster or channel wishes to prevent the producer exploiting the rights to the content for up to a specified period (see below), it is proposed that there should be no additional licence fee required of the broadcaster. Broadcasters invest heavily in the marketing of content to develop and build brand.

If, however, the television broadcaster wishes to prevent the producer from exploiting the rights to the content for more than the specified period, then an additional and appropriate licence fee would need to be paid by the broadcaster. It is proposed that the quantum will be negotiated on a case-by-case basis.

Specified holdback periods (from first run or technical delivery, whichever is the earliest) are proposed as follows:

- 24 months for children's drama
- 18 months for TV drama
- 12 months for documentary

These periods are consistent with the 'holdback' arrangement agreed between the ABC and SPAA.

Questions:
Are the periods specified above reasonable standard thresholds for a holdback before additional licence fees must be paid to compensate the producer? If not, what is a reasonable time?

Are there any other considerations that Screen Australia should take into account when determining an acceptable holdback position?

Should there be a maximum holdback period – an upper limit, beyond which the restriction becomes unreasonable?

Discussion: Investment decision-making

The majority of television funding provided by Screen Australia has been invested with limited assessment of subject matter or other aspects of the content. Funding is provided as long as the production arrangements meet the requirements of the guidelines and sufficient funds are available. Assessment criteria come into play only if there are not enough funds to meet the demand by eligible projects.

The industry is generally happy with these arrangements, given that to date, available funds have mostly been able to meet demand. However, a combination of increased demand from broadcasters and a reduction in Screen Australia's direct funding allocation is leading to more pressure on available funds. In this environment it is no longer possible for the agency to support all productions seeking funds. Therefore, moving forward, investment decisions will necessarily involve a holistic project assessment.

Some industry participants have welcomed the opportunity for Screen Australia to be more actively involved in different forms of content assessment in a limited way. They comment that by assessing content, Screen Australia has an opportunity to better influence investment outcomes and results. However, others feel project assessment, of any kind, should not be the domain of Screen Australia.

ISSUE – drama: As discussed above, current TV drama projects are rarely assessed beyond eligibility and availability of funds. This results in limited diversity and lack of overall direction in Screen Australia's funding strategy. It also potentially leads to over supplies of particular genres of drama content. For example, current guidelines permit the funding of multiple series of successful content brands such as *Underbelly*. It can be argued that Government investment should not continue to be deployed for successful television series that once established, achieve high ratings and can be readily monetised by broadcasters or channels.

ISSUE – documentary: Other than consideration of National Documentary Program content areas, documentary projects applying for production investment are rarely assessed beyond eligibility and availability of funds. This limits Screen Australia's ability to ensure optimum investment outcomes and funding decisions.

Blueprint proposal: Project assessment

A minimum amount of project assessment is proposed in order to ensure the delivery of a diverse range of quality small screen content. This is also important and appropriate following the introduction of the producer offset and the ability that this provides Screen Australia to target its small screen investments carefully.

Assessment criteria currently come into play only when demand for funds exceeds funds available. It is proposed that all projects would be assessed holistically against the following criteria:

- strength of the proposal, including its national and cultural significance,
- the project's potential to connect with its target audience
- track record and capacity of the creative team;
- strength of the marketplace (ie level of co-finance excluding Screen Australia and the state agencies);
- diversity of slate.

Questions:
Are these appropriate criteria for assessing TV drama and documentary projects?

Should particular criteria apply to the National Documentary Program (see page 20)?

Blueprint proposal: series funding

It is proposed that only the first two series of any production be funded by Screen Australia. It is possible that Screen Australia will only fund the first season of a production that is demonstrated to be very successful. This is important as it ensures Screen Australia's funds are available to fund a broad range of content and not continue to fund already successful content. The current requirement for drama series that only a second season will be financed 'where the percentage and quantum investment by Screen Australia is substantially lower than for the previous program' would be a stated guideline preference but not a requirement.

Question:
Should Screen Australia limit its funding to only one series?

Discussion: Foreign formats

Currently funding can be provided for Australian versions of foreign formats. A case in point is *Who Do You Think You Are?* – a documentary series appearing on SBS. This has the effect of providing Screen Australia revenues to international holders of format licences. Some industry participants have suggested that this shouldn't be an issue so long as the local production is an Australian production. Others have been more concerned as the effect is that Screen Australia's funding is ultimately diverting funds from the development of Australian intellectual property.

Blueprint proposal: foreign formats

It is proposed that the production of an Australian version of a foreign format should not be supported via Screen Australia's direct funds. This will ensure that Screen Australia's funds are used to prioritise the development of Australian intellectual property and companies.

2.1.2 Drama programs

Discussion: Current programs

Screen Australia funds television drama mini-series and telemovies for both adults and children. Particular formats are eligible and there are a range of budget and market attachment requirements. See appendix 1 for more details of these programs.

ISSUE: Series vs mini-series: Currently 'series' (as opposed to mini-series) are not eligible to receive funding. It has been raised that there is a somewhat artificial distinction between the two types of television drama (created in part due to regulations relating to commercial free to air broadcast licenses and previous tax incentives).

ISSUE: Children's television: There is currently an absence of children's live action drama production and a relatively small demand upon this program's funds. Some have suggested that this is due to (relatively) cheaper animation productions being preferred by the commercial broadcasters. Others have indicated that the market floors for licence fees (for example) are too prohibitive for broadcasters who cannot monetise children's television. Current guidelines are quite prescriptive in terms of the type of production that will and will not be funded. References in the guidelines are also commercial television centric and fail to recognise the broader media landscape producing children's television content.

Blueprint proposal: Eligible drama formats

Series vs mini-series: It is proposed to remove current restrictions on the type and length of projects eligible to receive funding. Instead the proposal is to deal with duration on a case by case basis to better reflect the flexibility of content being commissioned and sought.

With regard to adult drama, there will be no distinction drawn between series and mini-series, allowing a more flexible approach to funding. However, in order to ensure Screen Australia can fund a diverse slate of television drama, it is proposed to only provide funding for the first 13 episodes of any program.

With particular regard to children's drama, the content will no longer have to be 'C' drama in order to be funded, thereby allowing a broader range of content to be eligible. The primary audience for the content, however, must be children.

Discussion: Minimum licence fees for drama

A range of views have been expressed on the balance between licence fees and equity in financing drama projects, and the role Screen Australia plays in establishing minimum licence fees.

ISSUE: Subscription television drama channels, and drama channel package providers, are required to invest at least 10 per cent of their total program expenditure in new Australian drama (for more discussion see part B, section 5.2). Amongst some channels, there is a preference for acquitting much of their expenditure as equity investments rather than large licence fees in order to provide them with a better recoupment position in the content being funded. A number of commercial television broadcasters also share this preference. Inflexible requirements for very high licence fee payments can sometimes therefore dissuade productions from seeking Screen Australia financing, which can perversely result in lower levels of overall production or result in a production not being made at all.

The nature of the regulation of subscription television also means that high licence fees, which contribute to a channel's total program expenditure, increase the channel's subsequent expenditure liability in the following year.

Blueprint proposal: Drama licence fees

As noted on page 14, it is proposed that a licence fee requirement is retained for television drama funded through Convergent Television, with the minimum to be increased by approximately 10 per cent and provisions for annual CPI increases.

For adult TV drama, this would mean a floor price of $440,000 per hour. At the same time, requirements tying licence fees to minimum proportions of production budgets would be removed. This will create flexibility for broadcasters and producers to negotiate agreements and help reduce inflationary pressure on production budgets.

For children's drama, the minimum licence fee would be $105,000 per half-hour.

Given the difficulties broadcasters and channels have in monetising children's content and the need to be more flexible in financing this type of content, it is proposed that for children's drama, the licence fee minimum will be open to include additional broadcasters who seek to exploit a secondary run (such as subscription television channels). This flexibility would not be extended to adult drama or documentary content.

Question:
Does the proposal to raise licence fees in conjunction with removing requirements relating to the proportion of production budget provide sufficient flexibility?

Discussion: Development for television drama

ISSUE: A small number of stakeholders have indicated their support for Screen Australia establishing separate development funding for television drama. Others have disagreed – indicating that this is something that television broadcasters and channels already successfully do. They indicated that television broadcasters and channels have a comprehensive understanding of their audience and the type of content that will be of appeal.

It should be noted that current guidelines however prohibit the funding of content that has been developed by a broadcaster.

Blueprint proposal: Broadcaster involvement and development

Screen Australia does not propose to provide development funding directly for television drama projects, although slate development support provided through the Enterprise Program does include television drama.

In terms of projects developed by a broadcaster and subsequently subcontracted to a producer, it is proposed to amend the guidelines to reflect the current practice of allowing some broadcaster development in the circumstances where chain of title resides with the producer. This recognises the audience knowledge of the broadcasters and channels and their current role in developing ideas and content.

2.1.3 Documentary programs

Discussion: Current production programs

Screen Australia funds the production of documentaries through a number of different programs. See appendix 1 for more details of these programs.

The funding allocation for the **National Documentary Program (NDP),** including the provision of program funding for particular broadcasters or channels, forms part of the terms of reference for this review.

The stated aim of the NDP is to support a slate of premium documentary projects that focus on a broad range of themes of national significance. NDP projects are documentaries of record that have

> 'a sense of cultural ambition and a budget scale that separates them form other Screen Australia domestic documentary investments'.[9]

Some of the program guidelines for the NDP are outlined below:

- The NDP is broadly framed around four content areas: art and culture, contemporary and social issues (including social history), science and environment and national history and identity (including the Making History initiative with the ABC).
- There is no cap on the maximum amount that Screen Australia can invest in a one-off program or series under the NDP other than the

[9] The National Documentary Program, program guidelines – Production Financing, July 2010

overall limits applied to the level of direct funding as a proportion of the project's budget.

- Screen Australia has meaningful consultation with the producer during the development and production of programs to ensure the themes or core content continue to develop.
- Special terms of trade apply to the NDP (including Screen Australia's non-exclusive rights of retention in the program, out takes and other materials for educational purposes and future productions by Australian filmmakers).

The **Domestic Documentary Program** and **International Documentary Program** fund documentary programs in tranches across the financial year. The Domestic program provides investment to match a domestic broadcaster's licence fee. No international marketplace attachment is required. The International program funds documentaries which have a domestic broadcaster presale (minimum of $110,00 per hour) as well as an international territory presale and/or an advance from an international sales agent.

ISSUE: The Domestic and International programs are market-door programs with Screen Australia investment triggered by market attachments. In the case of the Domestic program, the absence of any floor price for the market attachment has meant there has been no incentive for growth in licence fees.

The **Special Documentary Program** funds productions of documentaries with no market attachments.

ISSUE: The Special Documentary Program has been criticised for not requiring productions to have market attachments and therefore potentially failing to reach audiences. Special Documentaries generally find their audiences on completion via national and international festival circuits and/or broadcast television. The absence of upfront broadcaster attachment limits the price paid on completion.. At the time of creation, the broadcaster may have been willing to invest a substantive amount to fund the content but once it is made, a minimal licence fee is all that most broadcasters are willing to pay. On the other hand, advocates for the Special Documentary Program argue that the point of it is that the docs generally have no interest from the broadcasters in the first place – but once made are often picked up. In other words, it is content that would not be made at all if it were left to the broadcasters to be the gatekeepers. In this argument, the existence of the program ensures diversity of content.

Blueprint proposal: Documentary production programs

It is anticipated that a notional allocation of $16 million will be set aside for Convergent Television documentary programs.

It is proposed to reduce the number of programs to three, namely:

- **National Documentary Program** for a premium slate of projects with themes of national significance; the special terms of trade that currently apply to the NDP would be extended to the new National Documentary Program and funding would remain uncapped.

- **General Documentary Program** for domestic and international audiences.[10] Note that this would be a single pool of funding; it is not proposed to allocate funds between 'domestic' projects (those without an international presale) and 'international' projects; however, a distinction between the two would be made by way of different licence fee requirements (see below).
- **Signature Documentary Program**, representing strong authorial work from filmmakers. While a broadcaster or channel pre-sale is desirable, it would not be a prerequisite for this program. This aims to balance producers' freedom to independently develop and create these projects with the desirability of connecting the projects to audiences through broadcast television.

All programs would permit applications for completion funding where appropriate.

Factual projects may also be funded under the All Media programs (see 2.2).

> Questions:
> Should particular assessment criteria apply to the National Documentary Program?
>
> Should 'Signature Documentaries' require broadcast or channel interest and how should this interest manifest?

Blueprint proposal: Documentary licence fees

As noted under the general licence fees discussion on page 14 minimum licence fees are proposed for all programs under Convergent Television except the Signature Documentary Program. Furthermore, it is proposed to increase licence fees by approximately 10 per cent across the board with provisions for annual CPI increases.

- **General Documentary Program**
  - for projects without an international presale: It is proposed to introduce a minimum licence fee of $135,000 per hour, with Screen Australia to match the broadcaster contribution. This measure aims to encourage growth in licence fees by way of a 'minimum' matched Screen Australia incentive.
  - for 'international' projects (with an international presale): it is proposed to increase the licence fee to $120,000 per hour, to be matched by Screen Australia funding; the international presale would comprise a minimum of 10 per cent of the budget, continuing current practice
  - in both cases, total Screen Australia funding would be capped at $500,000 for series; no cap would apply to one-off documentaries.
- **National Documentary Program**: Given that this program is targeted at the creation of premium documentaries, it is proposed to introduce a minimum licence fee of $150,000 per hour for NDP projects with budgets under $750,000. Budgets in excess of this amount would require a higher licence fee on a case by case basis. Screen Australia funding would continue to be uncapped.

> Questions:
> Is matched funding for the General Documentary Program the best way to target funding? If not, what are alternative funding mechanisms?
>
> In the General Documentary Program, does the approach proposed for projects with international potential adequately recognise the circumstances of international deal-making?

[10] Previous allocations for the Domestic and International programs would be combined in the General Documentary Program.

Discussion: Current development support

Screen Australia currently provides project development support up to $20,000 per project covering research and development of a concept; treatment; script writing; strategic shooting and/or editing to attract marketplace development or production finance; marketing and pitch materials including plans or elements for multi-platform delivery; producer fees, director's and writer's fees, and where applicable, participants' fees, research, financing, travel, production budgeting and scheduling expenses. Marketplace contributions are encouraged but matched funding is not automatic.

Slate-based development funding is also provided through Screen Australia's Enterprise Program.

ISSUE: There is a large demand for limited documentary development funds and the current structure of the program creates difficulties in providing meaningful and focused support. No funds are currently allocated to professional development support for filmmakers.

Blueprint proposal: Documentary development

Funding would continue to be allocated for development, but the aim would be to target these funds more effectively, for example focusing particularly on early concept development – getting a project to the point where it could be presented to a broadcaster. Funds could also be set aside for professional development activities.

Question:
Should Screen Australia directly fund documentary development or should these funds help leverage other funding (such as State agency funds) in order to better target development of the sector.

Discussion: Documentary funding allocations for broadcasters

It has been Screen Australia's practice to notionally allocate much of its documentary funding to programs commissioned by the national broadcasters. This was a practice largely inherited from the FFC and created at a time when only the national broadcasters called on documentary funding support from the Australian Government agency. Currently Screen Australia's documentary funds are notionally allocated in the following way:

ABC (ABC1, ABC2, ABC3, ABC News24)	40%
SBS (SBS ONE, SBS TWO)	40%
NETWORK 7 (including Channel 7, 7 TWO, 7mate and regional affiliates); NETWORK 9 (including Channel 9, GO!, Gem and regional affiliates); NETWORK 10 (including Channel 10, Channel 11, One HD); Subscription television channels (including but not limited to the History Channel, Bio, MTV, Discovery and National Geographic Channel).	20%

Therefore while 40 per cent of funds is notionally allocated to content to be broadcast on the ABC channels and another 40 per cent to content for broadcast on the SBS channels, the remaining 20 per cent is open to competitive allocation to channels and broadcasters other than the national broadcasters – namely commercial television broadcasters and subscription television channels. As it is not common for commercial television broadcasters to call on funding support for their documentary programs, the 20 per cent of funds is mostly provided to subscription television channels. Often this is because commercial television broadcasters are commissioning content that is more easily monetised.

It should be noted that the ABC has generally received more than its 40 per cent over the past few years mainly due to the especially earmarked Making History Initiative.[11] See section 6.2 for analysis of Screen Australia's investment by broadcaster.

Some industry participants have suggested that Screen Australia formalise funding splits and potentially extend this practice across all of Screen Australia's television allocations. They argue that this may help provide certainty to a channel or broadcaster's slate of production in that they would be able to determine, in broad terms, the potential for Screen Australia investment and therefore commission content according to this overall budget. It should be noted, however, that the current practice of allocating funding has not prevented an over-subscription to parts of Screen Australia's funds in 2010.

[11] Since Screen Australia began operations, funds specially earmarked for ABC projects under the Making History initiative were included in the National Documentary Program. The Making History initiative finishes in June 2011, and it is proposed that these funds will be rolled back into the National Documentary Program.

Others have suggested that the pre-allocation of such a large amount of funds is anti-competitive, shutting out potential industry participation and productions from opportunities to receive funding.

ISSUE: Historically, funding splits for documentary programs are not formalised. Some submissions to the review called on Screen Australia to formalise funding splits and potentially extend the practice across all of Screen Australia's television allocations.

As noted above, some submissions proposed that formalised funding splits could help provide certainty to a channel or broadcaster's slate of production. This certainty was seen as more important for documentary production than drama given the type of budgets and number of projects and producers competing for funding.

Other industry participants suggested that pre-allocating such a large amount of funds, currently some $16 million, is anti-competitive.

Blueprint proposal: Funding splits

As discussed above, funding allocated for documentary production is currently notionally divided between projects in which the national broadcasters are involved (40 per cent each to the ABC and SBS) with 20 per cent open to competition from projects in which subscription television and commercial television broadcasters are involved.

In an environment in which funding is more aggressively sought a more flexible approach is warranted.

It is proposed that up to five batches of funding will be offered per year, with no broadcaster able to secure more than 60 per cent of any one batch. If funding from a particular batch is not fully allocated, the remainder would be transferred to the following batch.

These arrangements would be reviewed after two years and determined amongst other things by the broadcaster's performance in documentary production, the audience and critical success it achieves as well as historic access to funds.

It is not proposed to introduce funding splits to drama production funding.

Question:
Would batching with a cap on individual broadcasters provide the sector with flexibility and increased opportunity or would the lack of certainty regarding outcomes outweigh these benefits?

What other approach might Screen Australia take to ensure the best possible documentary projects are supported throughout the year?

2.2. All Media

Screen Australia will fund original, innovative multi-platform screen content for distribution on a variety of media platforms.

Funding allocation: Approximately $2–5 million

Discussion: Current programs

Screen Australia currently provides specific support for innovative digital or multi-platform projects through two programs.

Low-budget Drama Program

The current Low Budget Drama Program aims to provide the opportunity for producers to create distinctive drama series for television and/or digital distribution.

Demand for funds from this program has not been high. Some have expressed views that it is very difficult to create low budget drama that has enough production value to be engaging. Others have indicated that the aim of the fund is not clearly defined and appears to overlap with the 'Innovation' fund.

Innovation Program

The Innovation Program aims to grow the skills, audience and economic viability of the screen production sector by backing striking examples of innovation in form and content in screen-based media.

Funding is provided for the development and/or production of innovative, dynamic multi-platform and single-platform interactive media of any duration, format, or type, including, but not limited to, content-rich websites, interactive television applications and interactive content for handheld devices including smartphones, and online, PC, and console games.

At present the limited funds available through the Innovation Program are part development, part production investment, with the program aiming to support a variety of different forms of content. However it has been suggested that there is a lack of clarity about some aspects of the program – for example in relation to whether the interactive elements of television production or productions that are multiple-platform formats fall within television production funding guidelines (Low Budget Drama Program) or the Innovation Program. Opportunities exist to offer clarity, focus current funding and also generate more substantive projects.

Blueprint proposals

It is proposed that content funded under All Media will explore creative storytelling that engages audiences across all forms of existing distribution platforms as well as new and evolving platforms. A more flexible approach will be adopted to content format and funding arrangements in the All Media fund compared to Convergent Television.

Two distinct components are proposed for the All Media fund:

1, Production investment for individual projects and productions, including scope for strategic partnerships with content platforms, aggregators and developers – the Ignition Program

2. Experimental production and development for producers – the Digital Sandpit Program

2.2.1 Ignition Program

Production investment for small-screen content with no restrictions on distribution platform.

Eligibility: Formats

A flexible approach with regard to the length and type of project is proposed.

Funding will be provided for all forms of content which has a strong storytelling component. News, current affairs, sport and infotainment are ineligible. Feature and short films are also ineligible in this fund as they receive support in other programs. Locally produced new program formats developed with a view to international sale are eligible for funding. Foreign formats are not eligible to receive funding.

It is proposed that, other than in exceptional circumstances, only the first series of any production be funded by Screen Australia in this program. This will help provide funding opportunities for new projects.

> Question:
> Is the proposed approach to format eligibility – all forms of content with a strong storytelling component – appropriate, practicable, or too limiting?

Eligibility: Distribution platforms and market attachments

A market attachment would be required in the form of a presale or equity investment by any recognised and appropriate entity that will communicate the content to the public. It is proposed that the required amount be a percentage of the total budget for the project.

It is also proposed that the content must also be distributed on at least one other digital media platform. While not excluding content that is broadcast on television, it is proposed that preference be given to content that does not use television broadcast as its primary vehicle for distribution. This will distinguish the content from that funded under Convergent Television and ensure that emphasis in this fund is placed on platforms other than or complementary to traditional broadcast television.

> Question:
> What would be an appropriate percentage of the budget to require as a market attachment?

Licence fees and holdbacks

It is proposed that there be no licence fee minimums mandated under this program. The licence fee in any of these forms of content cannot be partially made up of equity or a New Zealand broadcast or distribution right.

Holdback periods have been proposed under Convergent Television (see page 14). These could also be extended to the Ignition program.

Question:
Should there be a minimum licence fee requirement for this program? If so on what basis would a licence fee be established?

Should holdback periods be specified for this program? If so, what would be an appropriate period?

Amount of funding

It is proposed that the amount of direct funding provided by Screen Australia will be capped at $1 million for any one project, as well as meeting the requirements of Screen Australia's terms of trade.

It is also proposed that the Ignition Fund will be a three-year rolling fund allowing the support of additional investments in significant projects as appropriate.

Funding splits

No funding splits for different distribution platforms are proposed for this program.

Project assessment

See also discussion under Convergent Television, page 16.

Project assessment is proposed in order to ensure the development and delivery of a diversity of projects, ensure the quality of content, allow Screen Australia to manage an overall slate of content.

Assessment will be based on the strength of the proposal (including the level of innovation and originality), the strength of the market place, the capacity of the creative team (including successful track record), the budget and financing strategy (including broadcaster and licensing arrangements), the projects potential to reach its intended audience as well as the overall slate diversity. For drama projects the script including the quality of the writing and the scripts readiness to proceed into production will also be assessed.

Broadcaster involvement and development

It is proposed that projects in which a broadcaster or other platform has contributed an idea or development of the project be eligible to receive funding so long as the producer is permitted to own the intellectual property in the project. This recognises the platform's audience knowledge and their role in developing ideas and content for their audiences.

Strategic partners

Also under this program it is proposed to offer strategic partnerships with particular content platforms, aggregators and developers which develop and produce an agreed slate of content.

Potential partners would be assessed based on their ability to work with producers to develop, create and distribute content; the level of proposed partner investment in the content; their capacity to meet agreed KPIs; and the shared revenue potential.

This is an extension and development of partnerships that Screen Australia’s has previously entered into with, for example, the ABC to produce ‘triple j tv docs 5’ and the ‘Serious Games Initiative’.

2.2.2 The Digital Sandpit Program

Experimental production and development for productions and producers pushing the boundaries of storytelling, content distribution and audience engagement.

Guidelines

The program will deliberately model many aspects of the current Innovation Program allowing producers to explore new platforms and methodologies. Content intended for television broadcast will not be eligible for support under this program. Neither will content conceived primarily as ancillary marketing or promotions to other content. Instead, a strong storytelling narrative will be an important component to any content funded.

Preference will be given to content that has marketplace support and opportunities to be clearly communicated to the public.

Otherwise relevant requirements outlined in other All Media programs will be consistent applied including additional licence fees payable for content held back from additional exploitation beyond 12 months, and flexible formats. There will be no minimum licence fee requirement. Game development and production may be considered as part of this program.

This fund will also include support for fellowships, internships and workshops.

Assessment

It is proposed that there be a detailed assessment of potential projects or recipients seeking funding through this program.

Questions:
To what extent should this program be modelled on the Innovation Program? For example, should there be more focus on practitioner development activities in the Digital Sandpit Program, with project funding being specific to the Ignition Fund?

Are there aspects of the Innovation Program that should be retained or changed in maximising the effectiveness of this program?

PART B. Background to the draft blueprint

3 The media landscape

The speed at which the media and communications landscape in Australia is altering can be seen by reviewing some of the changes that have occurred since Screen Australia commenced operation on 1 July 2008.

This shift in the landscape has been brought about by modifications to legislation, increased competition in the marketplace, the introduction of new services and products, lowered access costs and increased download speeds, among other factors.

3.1 Television

In Australia, television ownership continues to increase. Recent articles have highlighted the growing number of large flat-screen television sets per household as well as the decreasing cost associated with the purchase of new televisions.[12] The Australian Digital Switchover Taskforce has indicated that as at June 2010 74 per cent of Australian households have now converted their main television to digital.[13]

From 1 January 2009, commercial broadcasters in Australia were legally able to provide digital multi-channels that carried content that varied from their primary channel.

In March 2009, Ten launched the sports channel ONE, in August Nine launched the youth/entertainment channel GO! and in November, Seven launched the entertainment channel 7TWO. For commercial and national broadcasters the list of channels broadcast has subsequently grown to include: ABC1, ABCNews24, ABC2, ABC3, SBS ONE, SBSHD, SBS TWO, 7, 7mate, 7TWO, 9, GO!, GEM, Ten and ONE.

These channels have tended to be 'themed' (for example, sports, children's, news), as highlighted in a recent DBCDE paper:

> One benefit of digital television multi-channels is that they allow commercial broadcasters to provide channels that target specific audiences. Examples of this include the 24-hour sports channel ONE from the Ten Network, the entertainment channel GO! from the Nine Network, and the ABC3 children's channel. The launch of these multi-channels suggests that providing specialised programming aimed at audiences is a direction in which broadcasters wish to take their multi-channels.[14]

The ongoing growth of the subscription television channel offering is also relevant. In 2009, FOXTEL and AUSTAR launched next-generation services broadcasting a vast

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[12] Televisions to outnumber household population, The Spy Report, 19 July 2010
[13] DBCDE, Digital Taskforce, Digital Tracker Report, April – June 2010
[14] *Content and access: The future of program standards and captioning requirements on digital television multi-channels*, December 2009

array of digital channels in metropolitan and regional areas across Australia. FOXTEL has indicated that they currently broadcast over 200 channels and AUSTAR over 180 channels, and they are supplementing these services with FOXTEL Download and AUSTAR AnyWhere online TV.

Personal video recorders are also changing the way that viewers consume television – a fact recognised by ratings agencies such as OzTam, which now release time-shifted viewing statistics. This trend has implications for commercial broadcasters, which are currently required to transmit Australian programming between 6am and midnight.

In another shift in viewing patterns, Nielsen's 2010 Internet & Technology Report revealed that increased internet usage in Australia over 2008/09 had also correlated with an increase in television viewership amongst internet users.[15]

3.2 Internet TV/IPTV

Many television sets now come with built-in internet access offering a gateway to online content. Examples include Panasonic's Viera Cast service and Sony's Bravia Internet Video.

Australia has recently seen the launch of broadcast-style services such as FetchTV (a digital video recorder that incorporates three digital tuners and an online subscription content and video on demand service) and the Telstra T-Box (which has two television tuners and access to internet channels from BigPond).

The imminent launch of the Boxee Box, Google TV and FOXTEL on Xbox 360 in Australia as well as the updated version of AppleTV will add even more choice for Australian consumers.

3.3 Online

The Australian Government's biggest-ever single infrastructure project is the National Broadband Network (NBN). The NBN will involve the roll out of fibre optic cabling, capable of delivering 100 megabits per second, to at least 93 per cent of Australian homes and businesses. The plans include the connection of the remainder of Australia via wireless and satellite technology.

Although political opinions differ on the mode of delivery, it is generally acknowledged that high-speed broadband has the potential to revolutionise film and television content creation and delivery,[16] simultaneously providing opportunity for new content business models that could dramatically reshape the Australian screen sector.

Statistics recently released by the Australian Bureau of Statistics highlight the demise of dial-up internet connections. In contrast, mobile wireless (excluding mobile handset connections) grew by 21.7 per cent since December 2009.[17]

The Australian Communications and Media Authority (ACMA) has also released figures which indicate that Australians are using the internet more intensively, with 28 per cent of people 14 years and over estimated to be 'heavy' users (online more than 15 hours per week), up from 14 per cent in 2005.[18]

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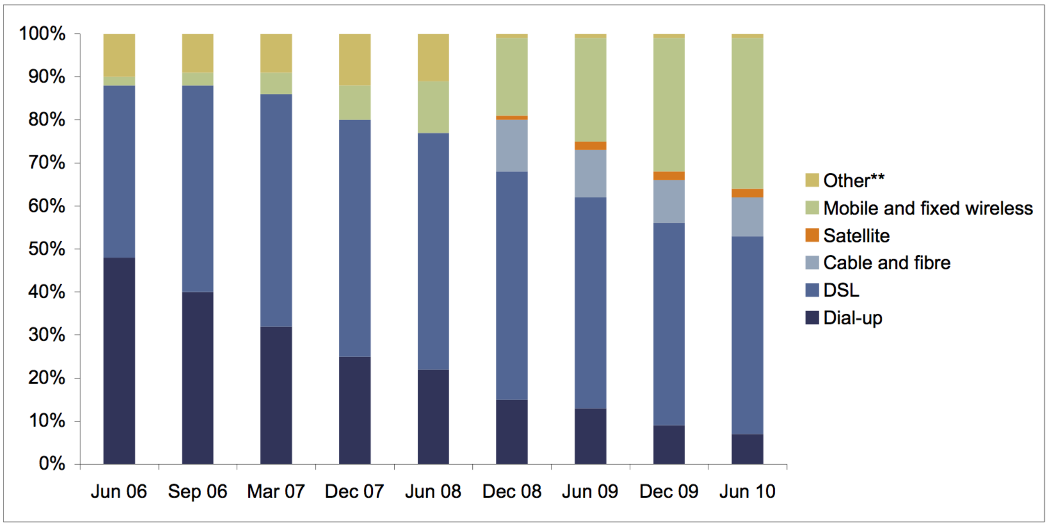
[15] Nielsen 2010 Internet & Technology Report, 1 March 2010

[16] Stephen Conroy, SPAA Conference, November 2009

[17] Australian Bureau of Statistics, *Internet Activity Australia*, June 2010

[18] Australian Communications and Media Authority, 'Increased internet use underpinning Australians' engagement with the digital economy', media release, 11 November 2010.

Proportion of internet subscribers by connection*



Source: Australian Bureau of Statistics (ABS), *Internet Activity Australia* (cat. no. 8153.0), June 2010
Notes:
* For ISPs with more than 1,000 active subscribers.
** Before December 2008, 'Other' includes satellite, cable and fibre.

It was recently reported that 'four out of five online Australians (81 per cent), or 10.7 million people, watched videos online on sites such as YouTube, Facebook, nineMSN in July, with almost a billion (970 million) videos viewed that month'.[19]

In June 2010, global technology company Cisco predicted that global internet video traffic would surpass global peer-to-peer traffic by the end of 2010 and that the global online video community will include more than 1 billion users by the end of 2010.[20]

The growth and popularity of online distribution platforms such as YouTube has implications for Australian content.

While at present there are a number of online services that are complementary to traditional forms of media such as 'catch-up TV', there is also a trend for online only development. Both Australian free-to-air and subscription broadcasters have online catch-up services, which are proving popular with Australian consumers. For example, in July 2010, Channel Nine reported that there had been over a million video streams of the program *Underbelly: The Golden Mile.*[21]

The current proliferation of catch-up TV services includes Seven (PLUS7), Nine (Fixplay), Ten (full episodes and video), ABC (iView), SBS (Catch Up), FOXTEL (Download) and AUSTAR (AnyWhere).

The growth of global online content consumption emphasises the importance of determining the most appropriate and effective funding and support structure for Australian content into the future. Opportunities undoubtedly exist for increasing direct support for the creation and provision of content on emerging media platforms; Screen Australia alone has funded 24 projects through its Innovation program since January 2009 and state funding agencies, including Film Victoria and Screen NSW, are active in this space.

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[19] Sinclair, L., 'Online videos approach a billion views', *The Australian,* 9 September 2010
[20] Cisco, 'Annual Cisco Visual Networking Index Forecast Projects Global IP Traffic to Increase More Than Fourfold by 2014', 2 June 2010
[21] Media Centre NineMSN, 'New Content launched on FIXplay', 8 July 2010

3.4 Mobile

The 2010 Australian Mobile Phone Lifestyle Index, published by the Australian Interactive Media Industry Association, revealed that:

- 47 per cent of respondents had data included in their payment plan compared to 31 per cent in 2009; 62 per cent of respondents had more than 50MB included in their plan; and the 251–500MB category rose from 6 per cent in 2009 to 19 per cent in 2010
- 83 per cent of respondents used their mobile phone for purposes other than voice and SMS compared to 77 per cent in 2009
- 49 per cent of respondents used their mobile phone for entertainment purposes on at least a monthly basis. This figure was down slightly on 51 per cent in 2009.

The report highlighted that entertainment services and content such as ringtones, wallpapers, games, videos and mobile TV continued to be accessed in a range of formats, including SMS, images, video, audio (eg podcasts) and as text on mobile sites.[22]

Telecommunication companies are demonstrably responding to this demand for mobile content, with Telstra offering live news and sports broadcasts by paid subscription and Vodafone offering multi-channel subscriptions for music and entertainment as well as news and sports for a monthly fee.

3.5 Games

Research by PricewaterhouseCoopers indicates that the interactive games sector in Australia grew by 41 per cent in 2008 and in 2013 will be worth $2.2 billion.[23]

Screen Australia research further indicates that the games sector in Australia generates approximately $2 billion in sales revenues and over $130 million in production income annually.

While there are some state and federal funding streams for games developers in Australia, the impact of current measures is limited in comparison to support mechanisms for screen and television production such as the Producer Offset.

Current measures also pale in comparison to the support offered for games development in other territories such as Canada, the UK, France, South Korea and China. Canada has been a leader in implementing targeted tax credits and its suite of investment programs are being replicated by territories such as the UK in recognition of the value of this rapidly evolving sector.

Without additional support mechanisms, high production costs and new technologies will make it increasingly difficult for Australian games companies to build sustainable businesses and retain their intellectual property as many will have little choice but to enter unfavourable funding agreements with foreign entities in order to survive.

It should be noted that gaming consoles such as the Xbox are also capable of streaming online content. The recent deal between FOXTEL and Xbox will see programs and video-on-demand streamed to consumers later this year.[24]

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[22] *The Australian Mobile Phone Lifestyle Index 2010*, The Australian Interactive Media Industry Association
[23] PricewaterhouseCoopers Entertainment & Media Outlook 2009–2013 media release , 12 August 2009
[24] http://www.foxtel.com.au/discover/products-features/foxtel-on-xbox-360/default.htm

4 The role of government in creating small-screen content

This section outlines the role of the Australian Government and Screen Australia in the market for creating small-screen content, specifically television.

4.1 Introduction

Australian small-screen content is largely created because it satisfies the commercial imperatives associated with individual business models for various content distribution platforms (see section 5 for how this applies to the different television broadcasters). However, content also appears on Australian television because the government has determined a policy direction to ensure that Australians have access to Australian small-screen content and that the production sector that creates that content is healthy and sustainable.

In Australia, as with other international jurisdictions, it has long been recognised that the level of investment in local content and access to that content would not be realised without some form of regulation and industry support. This government intervention has had a significant impact upon the level of demand for and supply of Australian content by television channels and broadcasters, thereby shaping the commercial objectives and outcomes of these platforms.

The rationale for this regulation, as stated in the Explanatory Memorandum to the *Broadcasting Services Act 1992* is that it is "widely accepted that television is a powerful medium with the potential to influence public opinion, and that television has a role to play in promoting Australia's cultural identity."[25]

4.2 Sources of investment

There are a number of sources of investment in Australian screen content appearing on small screens. Key sources include:

- broadcasters and television channels
- producers, including funds cashflowed against the Australian Government's Producer Offset
- funding from Screen Australia in the form of:
  – grants
  – interest-free limited recourse loans
  – pro-rata equity investment (recoupable investment)
- state agencies
- other, such as private sources.

The proportion of their investment in a particular project, and its size, is largely motivated by the ability to monetise the content on the distribution platform (see section 5) and the impact of government intervention through policy.

[25] Broadcasting Services Bill 1992, Explanatory Memorandum. The Parliament of Australia, Senate. p. 67

4.3 Government support for screen content creation

In addition to funding and initiatives from the state and territory governments (see page 39), Australian Government support for the screen production sector is achieved through:

- funding of various screen bodies, festivals, publications, awards, programs and guild activities through Screen Australia
- negotiations and administration of treaties and memoranda of understanding to establish and facilitate co-productions with other countries
- direct funding to and/or provision of spectrum to the ABC, SBS, NITV and community television broadcasters
- provision of spectrum to the commercial broadcasters
- direct funding of the Australian Film, Television and Radio School as well as other educational institutional funding and support
- direct funding of Ausfilm and the Australian Children's Television Foundation
- direct funding of the arts, particularly through the Australia Council
- immigration and visa regulation and administration
- export incentives, such as export market grants.[26]

More significantly, there are three major policy levers that affect the production of Australian small-screen content: content regulation, tax incentives and direct funding.

What is 'Australian' content?

Official co-productions can take advantage of the government support systems available in both partner countries. An official co-production is eligible to apply for investment from Screen Australia, for example, and doesn't have to pass the 'significant Australian content' test for eligibility for the Producer Offset.

Australia has co-production treaties with Canada, China, Germany, Ireland, Israel, Italy, Singapore, United Kingdom and Northern Ireland, and memoranda of understanding (MOUs) with France and New Zealand. Projects that have been commissioned under official co-production arrangements between 2007 and 2010 can be found at www.screenaustralia.gov.au/coproduction

For the purposes of compliance, the *Broadcasting Services (Australian Content) Standard 2005* recognises Australian official co-productions and New Zealand programs equally with Australian programs. New Zealand programs are recognised so as to be consistent with the Protocol on Trade in Services to the Australia New Zealand Closer Economic Relations Trade Agreement of 1988.

[26] In 2008/09 Austrade provided approximately $5.27 million in export grants to companies in the audiovisual industry. Source: Unpublished Austrade data; compiled by Screen Australia; Australian Bureau of Statistics, *Australian and New Zealand Standard Industrial Classification* (cat. no. 1292.0).

4.4 First policy lever: content regulation

Commercial free-to-air broadcasters

Currently, commercial free-to-air television is the primary vehicle by which Australians access Australian content. The amount of Australian content appearing on commercial television in Australia is regulated under the *Broadcasting Services Act 1992*, administered by ACMA.[27]

The *Broadcasting Services (Australian Content) Standard 2005* places legal obligations on Australian commercial broadcasters. The stated object of the standard is to:

> 'promote the role of commercial television broadcasting services in developing and reflecting a sense of Australian identity, character and cultural diversity by supporting the community's continued access to television programs produced under Australian creative control'.[28]

The provision of Australian content to Australians is a core obligation of the commercial broadcasters. It is one of a number of key requirements that in effect become trade-offs for access to key broadcast spectrum and therefore audiences, and for an oligopoly market structure that acts as a limitation to the amount of competition for key advertising revenues

Australian content requirements for commercial broadcasters include specific transmission quotas for individual genres. Genre sub-quotas apply to broadcaster licensees for drama, children's and documentary programs (see appendix 2).

Drama and children's drama quotas can be accrued over a three-year period. This in turn has an effect on the supply and demand of Australian content within that timeframe (see section 6). ACMA has indicated that, within the current three-year quota timeframe, this is the last year for the drama quota and the middle year for children's drama.

In March 2010, the Minister for Broadband, Communications and the Digital Economy highlighted the Government's future approach to the regulation of local content when he said:

> 'The objective of protecting local content must remain at the centre of our approach to regulatory reform, but as international content competes ever more fiercely for Australian audiences, we must look at how we can continue to deliver that content in the future.'[29]

The scope of Screen Australia's draft blueprint for funding Australian content on small screens takes into consideration the pressures related to future delivery methods of Australian content by targeting a multi-screen approach.

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[27] Australian content has been managed by the Australian Broadcasting Control Board (1948–1976), the Australian Broadcasting Tribunal (1977–1992), the Australian Broadcasting Authority (1993–2005) and the Australian Communications and Media Authority since 2005.

[28] Broadcasting Services (Australian Content) Standard 2005

[29] Minister for Broadband, Communications and the Digital Economy, address to the Australian Broadcasting Summit, 24 March 2010

Subscription television

Subscription television in Australia is not subject to the Australian content standard but is regulated under the *Broadcasting Services Act 1992*, administered by ACMA, to spend a minimum amount per annum on Australian drama programs.

National broadcasters

The national broadcasters are subject to local content conditions under the *Australian Broadcasting Corporation Act 1983* and the *Special Broadcasting Service Act 1991.*

AUSTRALIAN CONTENT	
DISTRIBUTION PLATFORM	**REGULATION AND LICENCE OBLIGATIONS**
National broadcasters	Enabling legislation contains Australian content requirements in relation to contributing to a sense of national identity and reflecting cultural diversity as set out in the ABC Charter[30] and the SBS Charter.[31]
Commercial broadcasters	Minimum of 55 per cent Australian programming between 6am and midnight on primary channel Sub-quotas for adult drama, documentary and children's programs on the 'main' channel (see Appendix 2) No Australian content conditions for multi-channels
Subscription television	Expenditure on new Australian drama programs must be at least 10% of total program expenditure (based upon licence fees) per annum for drama channel providers (obligations fall to licensees under the legislated framework)
Community television	None. Code of Practice encourages Australian-originated programming[32]
IPTV/Internet	None
Online content	None
Mobile content	None

Obligations under the Australia–United States Free Trade Agreement

On 1 January 2005 the Australia–United States Free Trade Agreement came into force. The agreement contains local content provisions related to audiovisual content that in effect act as a restraint upon Government regulation of Australian content on a number of distribution platforms. These local content provisions have the following implications:

Commercial free-to-air multi-channel broadcasters

- Annual transmission quotas for local content imposed on free-to-air analogue and digital broadcasting (other than multi-channelling) shall not exceed 55 per

[30] Australian Broadcasting Commission Act 1983
[31] Special Broadcasting Services Act 1991, Sect 6
[32] Community Television Code of Practice, accessed 10 November 2010; http://www.acma.gov.au/webwr/aba/contentreg/codes/television/documents/ctvcodeofpractice.pdf

cent of programming transmitted between 6am and midnight. Sub-quotas for drama, documentary, and children's etc, within the 55 per cent may be applied.[33]

- Annual transmission quotas may not exceed 55 per cent of the programming on an individual channel of a service provider transmitted between 6am and midnight and may not be imposed on more than two channels or 20 per cent of the total number of channels (whichever is greater) by that provider. No transmission quotas shall be applied to more than three channels of an individual service provider. Sub-quotas related to drama, documentary, children's etc, may be applied.
- Transmission quotas may be applied where a free-to-air commercial television channel subject to a transmission quota, is rebroadcast over another transmission platform or moves a channel to another transmission platform. [34]

Under the agreement, local transmission quotas are subject to a 'ratchet mechanism'. If either Australia or the US liberalises a measure, making it less inconsistent with the obligations of the relevant chapter, it cannot then became more restrictive because the liberalised measure becomes part of the free trade agreement commitments. This means that if the existing level of the mandated Australian television local content transmission quota were to be reduced from 55 per cent down to 40 per cent, it cannot be returned to the former level in the future.[35]

Subscription television broadcasting services

- Currently, expenditure requirements for Australian drama production do not exceed 10 per cent of total program expenditure. Under the terms of the free trade agreement, there is no restriction on requirements being imposed on the arts, children's, documentary and educational in the future.
- If the Australian Government finds that the expenditure requirement for production of Australian drama is insufficient to meet its stated goal, the expenditure requirement may be increased to a maximum level of 20 per cent. This increase to occur following a transparent process and consultation with affected parties, including the US.[36]

International co-productions

- Australia reserves the right to adopt or maintain, under its International Co-production Program, preferential co-production arrangements for film and television productions.[37]
- Australia reserves the right to provide subsidies and grants for Australian cultural activity where the subsidy or grant is subject to local content or production requirements.

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[33] Australia–United States Free Trade Agreement, Annex I
[34] Australia–United States Free Trade Agreement, Annex II
[35] Australian Government, Senate Select Committee – Final Report on the Free Trade Agreement between Australia and the United States of America, Chapter 6, 5 August 2004
[36] Australia–United States Free Trade Agreement, Annex II
[37] ibid

4.5 Second policy lever: tax incentives

Producer Offset

The Producer Offset, introduced in 2007, reformed the taxation treatment of the Australian screen media industry. It was designed to support the industry and:

> 'encourage greater private sector investment in the industry and improve the market responsiveness of the industry'.[38]

The new law provides a refundable tax offset for producers of feature films, television and other projects that are official co-productions or satisfy a Significant Australian Content test, and meet format, project completion and expenditure thresholds. Administered by Screen Australia, it is worth 40 per cent of qualifying Australian production expenditure (QAPE) for feature films and 20 per cent of QAPE for non-feature formats (drama or documentary).

The direct funding provided by Screen Australia is supplementary to the financial support provided via the Producer Offset, which is governed by Division 376 of the *Income Tax Assessment Act 1997*. In addition to these support mechanisms, investment by the marketplace remains crucial to the viability of the production and distribution of Australian programs.

The impact of the Producer Offset on television drama investment is explored further in section 6.

Other offsets

The Producer Offset is one of three offsets under the Australian Screen Production Incentive, designed to increase production and help the Australian industry grow by developing sustainable businesses.

The other two offsets under the Australian Screen Production Incentive are administered by the Office of the Arts, Department of the Prime Minister and Cabinet:

- the Location Offset, a 15 per cent offset on the QAPE of a large-budget non-Australian film, designed to support employment and growth in the sector
- the PDV Offset, a 15 per cent offset on the QAPE that relates to post, digital and visual effects production; designed to encourage the development and growth of the Australian visual effects, post-production and animation sector.

Information on the Location and PDV Offsets is available at www.arts.gov.au/locationoffset.

Review of sector support

Issues related to the effectiveness of current support measures such as the Producer, Location and PDV offsets are currently being reviewed by the Australian Government as part of its 2010 Review of the Independent Screen Production Sector.

[38] Tax Laws Amendment (2007 Measure No. 5) Bill 2007 Explanatory Memorandum, p 183

4.6 Third policy lever: direct investment

Screen Australia is the Australian Government's primary mechanism for delivering direct investment in the independent screen production sector through grants, interest-free limited recourse loans and pro-rata equity investment (recoupable investment). The agency also administers the Producer Offset and the International Co-production Program.

The 2010/11 budget allocation for Screen Australia's direct production investments is approximately $60 million, with around $34–38 million notionally going to television content.

As an investor with a mandate that goes beyond maximising financial returns on its own investment, Screen Australia can also have an effect on the nature of the commercial transactions that drive the industry. As noted in section 1.1, the agency's investment criteria can effectively become 'micro' policy levers in this context.

For example, in the case of television funding, Screen Australia's program guidelines set minimum licence fees which vary depending on the format and budget level of the content being created, providing a benchmark or a reference point for independent producers during negotiations.

This licence fee floor is often higher than that which the market would establish on its own, which has the effect of benefiting the producer relative to the broadcaster or channel who must pay more for the right to access the produced content. This can be seen as beneficial to independent producers given the market imbalance in their negotiating positions relative to broadcasters and channels.

A possible downside is the potential for too high a licence fee to dissuade broadcasters or channels from commissioning quality Australian content where the budget level requires Screen Australia's support.

Screen Australia's draft blueprint for funding small-screen content has been developed with a particular focus on making these micro levers work as effectively as possible in fostering a healthy industry ecology.

See section 7 for comparisons with the funding programs of Canada, New Zealand and the United Kingdom.

State and territory governments

State and territory governments support the screen production sector by providing funding and incentives that encourage growth of the sector, especially in their own jurisdiction. Currently, agencies such as Film Victoria, the Northern Territory Film Office, ScreenACT, Screen NSW, Screen Queensland, Screen Tasmania and ScreenWest provide support programs that complement the funding programs provided by the Australian Government through Screen Australia.

The state and territory agencies are often co-investors with Screen Australia and have a particular role to play in fostering emerging talent.

4.7 Responding to the changing media landscape

As with many other countries around the world, the changing media and communications landscape in Australia is placing pressure on the industry and raising many issues for government policy makers and regulators.

Fractured audiences put pressure on business's ability to monetise content through traditional methods such as advertising revenue, purchase or government support. Yet this support remains crucial to the commercial and cultural viability of the Australian screen production sector.

In 2009/10, the Australian Government responded fiscally to support the ongoing development of Australian content on Australian television via funding and rebates.

In the 2009/10 Budget, the ABC and SBS received extra funding for Australian content. The ABC received an extra $70 million over three years and SBS received an extra $20 million to fund up to 50 new hours of Australian content annually over a three-year period.[39]

In February 2010, the Minister for Broadband, Communications and the Digital Economy announced that commercial free-to-air broadcasters would be provided with licence fee rebates of 33 per cent in 2010 and 50 per cent in 2011 to 'ensure that commercial broadcasters can continue to invest in new Australian content'.[40]

When announcing the rebate, the Minister noted that broadcasters had a unique role in preserving Australia's national culture, but that 'they are faced with a converging media environment and switch to digital television, as well as the impact on revenue created by a decline in advertising spend as a result of the Global Financial Crisis'.[41]

[39] Senator the Hon Stephen Conroy, Budget 2009: More Australian stories from ABC and SBS, 12 May 2008
[40] 'Government to protect Australian content on commercial television', 7 February 2010, http://www.minister.dbcde.gov.au/media/media_releases/2010/007
[41] ibid

5 Television broadcasters

Australian screen content is created either because of government intervention – through regulation, incentives and funding – to ensure the creation and transmission of the content (see section 4), or because of a naturally operating market for the content – usually because it is easily monetised through advertising or subscription revenue.

5.1 Monetising content

The popularity of television as an entertainment medium means that screen content is produced, broadcast and regularly consumed by a large number of Australians. Within the current regulatory and policy settings, broadcasters are required to make commercial decisions about the type of content that will be broadcast based on aspects such as cost, competition, audience, future growth and the ability to monetise the content.

From a commercial perspective, content that appears on Australian television does so because it satisfies the marketplace requirements associated with the individual industry business models.

Commercial free-to-air television broadcasters, for example, make investment decisions to support a business model that obtains revenue through the sale of advertising, which is directly associated with the content and the audience viewing that content. The greater the audience share achieved through programming, the greater the opportunity to maximise revenue by selling advertising at a premium.

When these networks go beyond the requirements of existing Australian content regulation, it is almost entirely driven by this ability to monetise the content directly through advertising revenues. If the various licence requirements to broadcast Australian content were not in place, production that could not be as readily monetised would not occur.

While the subscription television sector, like commercial free-to-air, obtains revenue through the sale of advertising, the majority of its revenue is obtained from the sale of subscriptions. Channels make investment decisions to fund local content but the content cannot be immediately monetised because the subscription model requires revenue to be passed on to channels by subscription television platform operators, such as FOXTEL or AUSTAR, through the sale of subscriptions. These payments are usually part of multi-year commercial relationships that often provide a 'per subscriber per month' amount to channels. One aspect that has a bearing on that amount is the ability of the channel to create Australian content that can be highly marketed and publicised by both the channel and the operator in order to help generate new or retain existing subscribers.

There is no Australian content regulation for subscription television except for expenditure on new eligible drama content each year (see page 37). The levels of expenditure by this sector on drama production would arguably be significantly less without this specific regulation due to the traditionally expensive nature of drama production. However, the sector also creates lifestyle, general entertainment, news, sporting, infomercial and documentary content, on the basis that its business model supports such investment.

From the perspective of the national broadcasters ABC and SBS, content is commissioned based on satisfying the criteria outlined in their respective charters. Recently, there has been a trend to monetise content through merchandise sales and online distribution platforms, and, in the case of SBS, through advertising.

Both broadcasters and subscription channels seek equity in the programs they support as well as the right to broadcast them that comes with the payment of a licence fee. While there may be various motivating factors, such as greater creative control and ownership, equity is seen as particularly relevant to the subscription channels and their ability to monetise content. Unlike licence fees, it provides them with access to potential future income.

5.2 Revenue and program expenditure

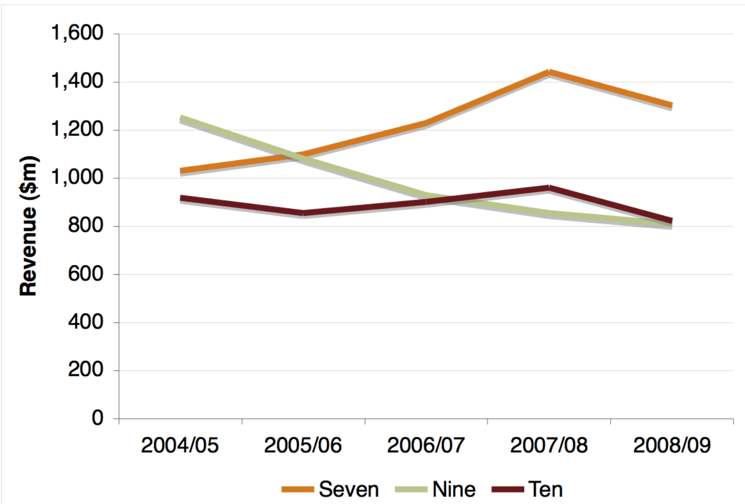
Commercial free-to-air broadcasters

Australia's commercial free-to-air broadcasters are regulated by ACMA. As part of their reporting requirements, each provides income and expenditure information that is published in the annual *Broadcasting Financial Results*.

Unlike subscription television, they are not subject to regulations relating to program expenditure, rather they are subject to transmission quotas for Australian programming (see below).

Seven is the only broadcaster to see an increase in their revenue in the five years to 2008/09 – despite a fall from 2007/08 levels, income is up 26 per cent since 2004/05. In contrast, Ten has fluctuated during this period and Nine has seen a year-on-year decline. In five years, Nine has gone from the highest revenue-raising broadcaster to the lowest, down by 35 per cent from $1,252 million to $808.9 million.

Commercial free-to-air broadcasters: Revenue by network

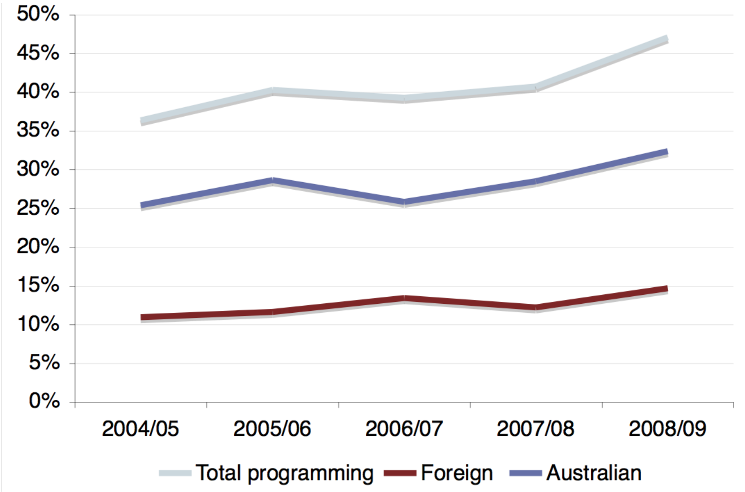


Source: Australian Communications and Media Authority, *Broadcasting Financial Results*

Program expenditure has remained relatively steady, despite fluctuating, or even falling, revenues.

Expenditure on foreign programs accounted for a slightly higher proportion of network revenue in 2008/09 than it did five years earlier. However, despite this increase, the proportion of foreign expenditure remains approximately half that of Australian expenditure, as spending on local programs also increased.

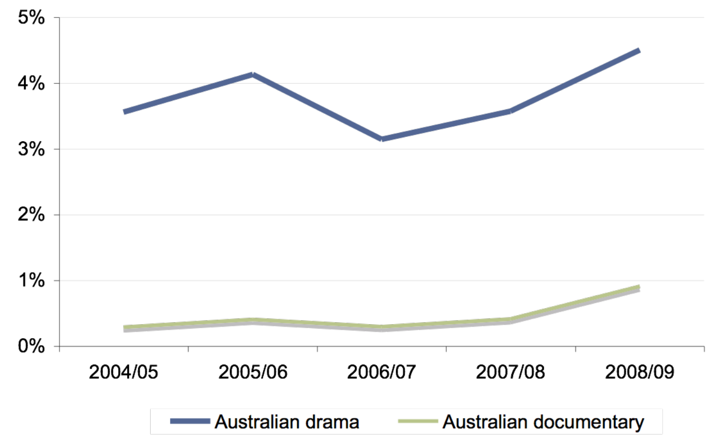
Commercial free-to-air broadcasters: Expenditure on Australian and foreign programming as a proportion of revenue



Source: Australian Communications and Media Authority, *Broadcasting Financial Results*

Expenditure on Australian drama as a proportion of revenue has risen over the last five years, from 3 per cent in 2006/07 to 5 per cent in 2008/09. Documentaries have also increased as a proportion, rising sharply in 2008/09, although from a low base.

Commercial free-to-air broadcasters: Expenditure on Australian drama and documentary as a proportion of revenue



Source: Australian Communications and Media Authority, *Broadcasting Financial Results*

Overall, this suggests that there may be stability brought on by *Broadcasting Services (Australian Content) Standard 2005* quotas. A longer view reinforces this assumption; for example, program spending as a proportion of total operating costs has seen only minor fluctuations (from 36 to 43 per cent) in the 19 years since 1990/91.[42]

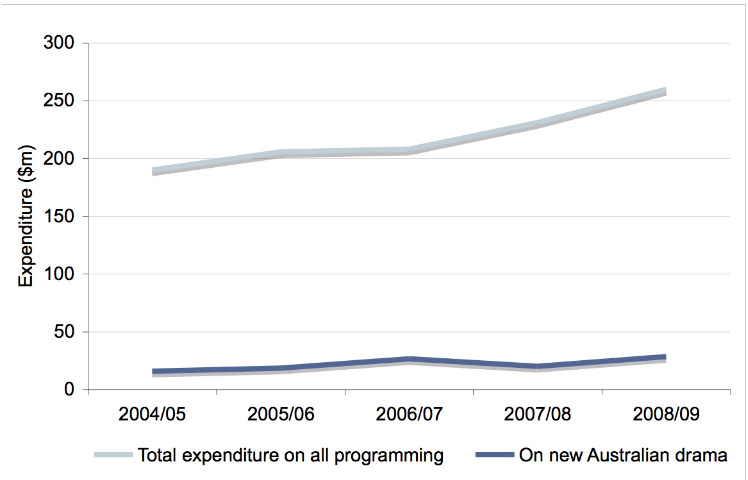
[42] Australian Communications and Media Authority (ACMA) (formerly the Australian Broadcasting Authority), *Broadcasting Financial Results*.

Subscription drama channels and providers

Subscription television drama channels, and drama channel package providers, are required to invest at least 10 per cent of their total (Australian and international) program expenditure in new Australian drama. The scheme accommodates the dynamics of production schedules by allowing drama channels and providers to operate under a type of accrual system under which obligations that arise in one reporting period that are not acquitted must be fully acquitted in the following period.

In 2008/09, expenditure on new Australian drama amounted to $28.5 million, out of a total expenditure on all Australian and international programming of $259.8 million.

Subscription television: Program expenditure by subscription drama channels



Source: Australian Communications and Media Authority, *Broadcasting Financial Results*

National broadcasters

Unlike their commercial free-to-air and subscription counterparts, the Australian national broadcasters, ABC and SBS, are not regulated in terms of the amount of content they must screen or expenditure requirements. However, both screen significant amounts of local content as part of their charter commitments. See Australian and foreign content, page 47.

According to the ABC's 2008/09 annual report, an extra $10 million provided annually by the Australian Government over the three years to 2009 was invested across a diverse slate of productions, increasing Australian content on ABC television from independent producers.

Similarly, in 2007 SBS committed to invest at least $100 million in Australian-produced content by 2012.

As noted earlier, the Australian Government committed additional funds in the 2009/10 budget to assist the ABC and SBS in the production of Australian content.

5.3 Audience share

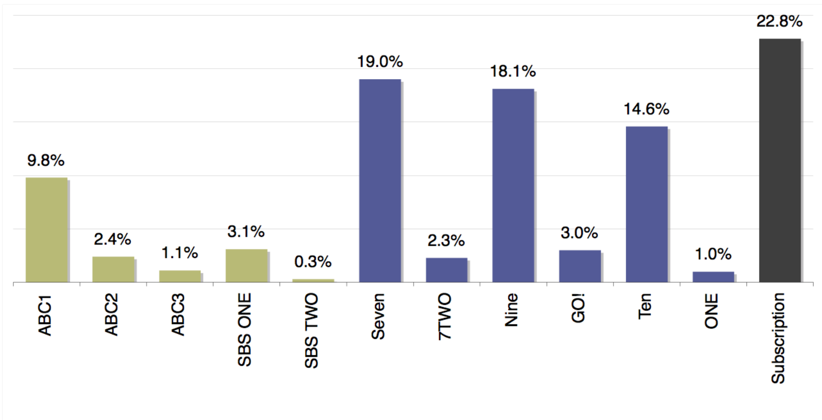
In the six months to June 2010, the average share of total viewing across the time period 6am to midnight was 19 per cent for Seven, 18 per cent for Nine and 15 per cent for Ten. ABC1 averaged 10 per cent and SBS ONE 3 per cent, while the subscription channels as a group drew a share of 23 per cent.

The commercial and national broadcasters achieved slightly higher shares across the evening viewing period (6pm to midnight), and the subscription channels correspondingly lower.

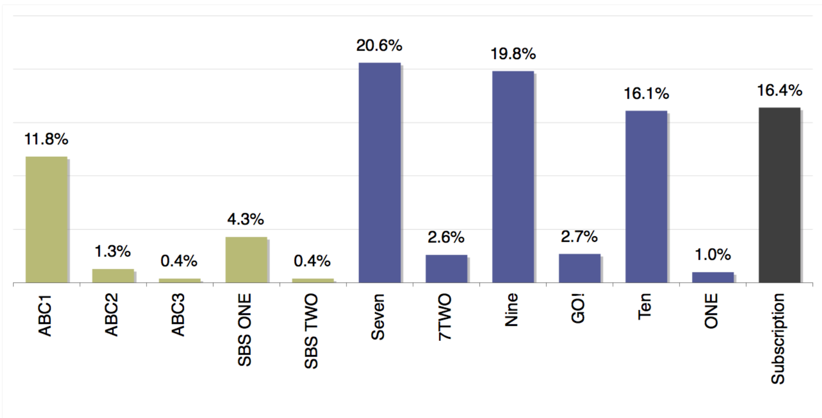
Subscription television currently has a penetration rate of approximately 30 per cent of Australian households.

In these households, the highest average share for any single subscription channel was FOX8 with 4.6 per cent between 6am and midnight. Fox Sports 2 had the greatest share between 6pm and midnight with 5.2 per cent.

Audience share, by channel, January–June 2010
6am to midnight

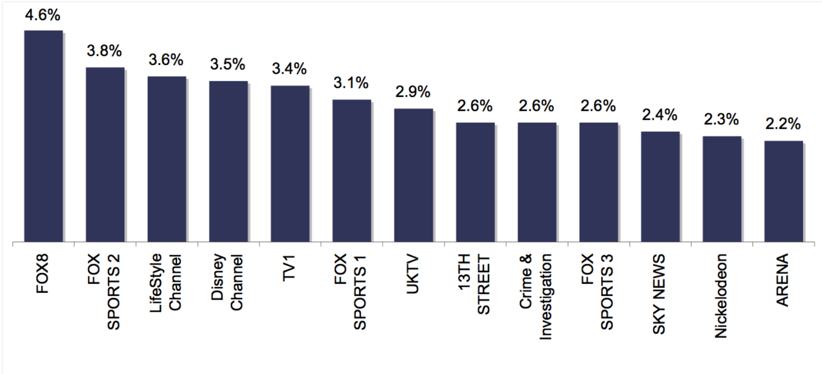


Evening: 6pm to midnight

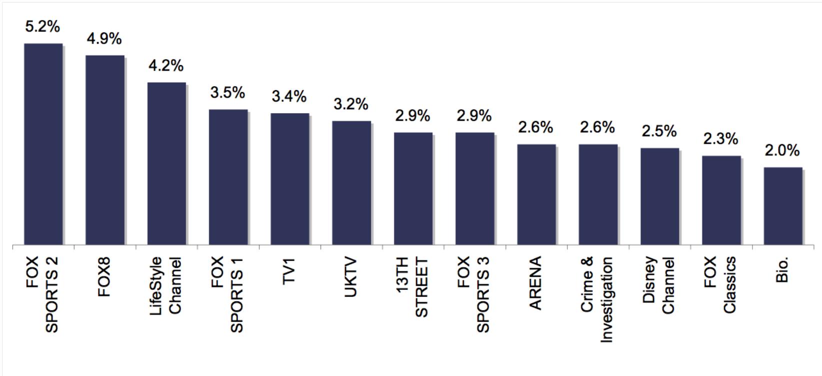


Source: Screen Australia analysis of OzTAM data (5-city metro, consolidated, ie Live + As Live + Time Shift viewing up to 7 days)

Audience share of top subscription channels, homes with subscription TV, Jan-June 2010
6am to midnight



Evening: 6pm to midnight



Source: Screen Australia analysis of OzTAM data (Nat STV, consolidated, ie Live + As Live + Time Shift viewing up to 7 days)

COMMUNITY TELEVISION

Community television has operated in Australia since 1992 when the former Australian Broadcasting Authority (now the Australian Communications and Media Authority or the ACMA) granted licences to community television services on a trial basis in Sydney, Melbourne, Brisbane, Adelaide, Perth and Lismore.

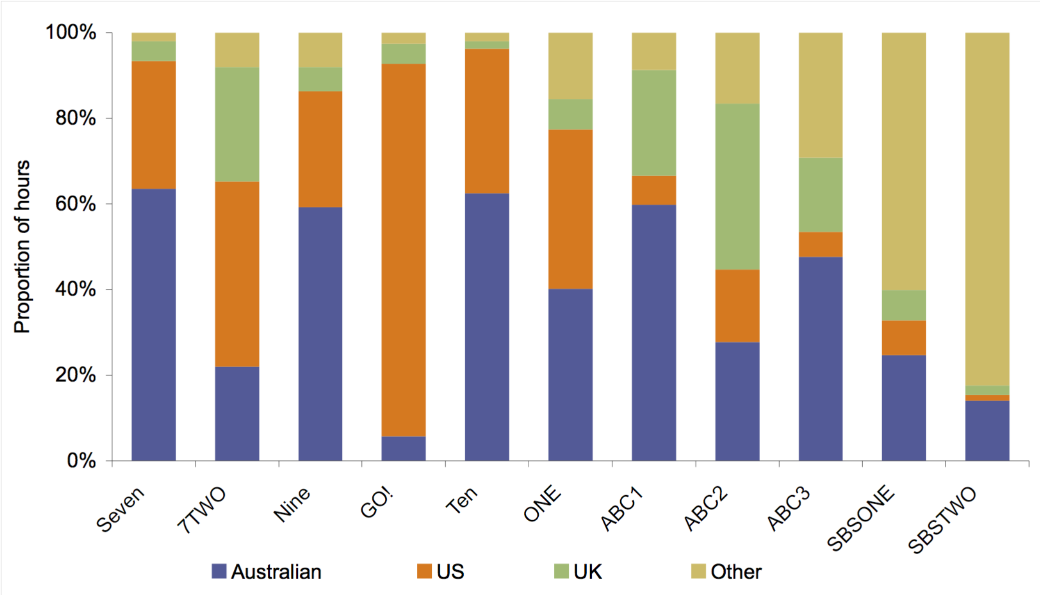
On 4 November 2009 the Australian Government announced a pathway to digital for the metropolitan community television stations, granting temporary digital simulcast to the three long-term services in Sydney, Melbourne and Brisbane along with the trial community television service in Adelaide. The trial community television service in Perth was only authorised to transmit digitally, with funding assistance provided to help those stations meet the costs of commencing digital broadcasts. Digital transmission of community television is now available in Sydney, Perth, Melbourne, Brisbane and Adelaide.[43]

Community television is largely dependent on viewer feedback and advertising placements by their key sponsors to determine audience support for programming, with access costs to ratings information often prohibitive given their budget constraints.

[43] http://www.dbcde.gov.au/television/community_television accessed 17 November 2010

5.4 Australian and foreign content

Proportion of hours of Australian, UK, US and other content broadcast by national broadcasters and commercial free-to-air channels, January-June 2010



Source: Screen Australia analysis of OzTAM data (5-city metro, duration average 6am-midnight)
'Duration average': reflects average hours broadcast across all five metro cities, not five cities separately. Australia as a country of origin was analysed for programs broadcast in this period and corrected where possible. Channels where country of origin was re-assigned for some programs were ABC1, ABC2, ABC3, SBS ONE, SBS TWO, 7TWO and GO!.

Commercial free-to-air broadcasters

As part of their licence requirements, each commercial free-to-air network must broadcast an Australian content quota of 55 per cent of hours on their 'main' channel. Between 1 January and 30 June 2010, all three networks exceeded this target. Seven broadcast the highest proportion of Australian content with 64 per cent, followed by Ten with 63 per cent and 59 per cent for Nine.

The impact of Australian content regulation is clear when these figures are compared to their affiliated multi-channels. Network Ten's ONE broadcast the most Australian content (40 per cent), followed by 7TWO (22 per cent) and GO! (6 per cent).

Across both the main channels and the multi-channels, GO! broadcast the highest proportion of US content (87 per cent), with the other channels broadcasting between 27 and 43 per cent.

7TWO broadcast the most UK content (27 per cent), compared to between 2 and 7 per cent for the other channels.

Content originating in a country other than Australia, the US and UK made up less than 16 per cent of hours broadcast.

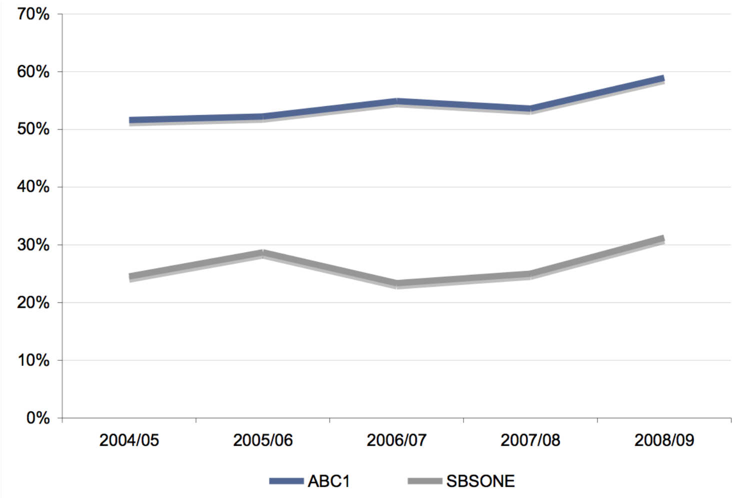
National broadcasters

Like the commercial free-to-air broadcasters, the national broadcasters ABC1 and SBS ONE screened most of their Australian content on their main channels between January and June 2010. And, like the commercial networks, these main channels attract a higher audience share when compared to the multi-channels. The highest amount of Australian content on any multi-channel was on the children's channel, ABC3 (48 per cent).

Of the two national broadcasters, ABC1 aired the higher proportion of Australian content in the first six months of 2010 – 60 per cent in contrast to SBS ONE's 25 per cent. Both national broadcasters screened a similar proportion of content sourced from the US – 7 per cent for ABC1 and 8 per cent for SBS ONE. ABC1 broadcast the higher share of content from the UK (25 per cent), while SBS ONE showed the higher proportion of content sourced from countries other than Australia, US and the UK (60 per cent).

Because of its multicultural brief, SBS tends to broadcast a higher proportion of imported programs (around 70–80 per cent) than the ABC or the commercial networks. Since 2004/05, the proportion of Australian content broadcast on SBS ONE has remained relatively steady while ABC1 has marked a gradual increase.

National broadcasters: Proportion of Australian content hours broadcast



Source: Screen Australia analysis of ABC and SBS annual reports

5.5 Ratings for Australian titles

For commercial and national broadcasters, audience measurement continues to be one of the key elements for determining the success of programming decisions. The strength of top rating Australian titles is reflected through strong audience measurement statistics over 2009 on both commercial and national broadcasting platforms.

Australian titles have traditionally dominated the ratings and that trend has been getting stronger in recent years; the top 20 programs on free-to-air TV have all been Australian since 2007.[44] Although many of the highest-rating programs are sports, Australian titles have topped the mini-series and drama lists since 2007, and comedy for two of those three.

All the top five mini-series in 2009 were Australian, as were seven of the top 20 series, and 14 of the top 20 documentaries.

[44] http://www.screenaustralia.gov.au/gtp/wftvtopprog.html; accessed 18 November 2010

6 Television production

This section explores television drama and documentary production investment and activity from three perspectives:

- levels of production activity
- Screen Australia investment
- performance of Screen Australia investment.

These three categories are analysed to provide context for the climate in which Screen Australia administers its television production investment and the agency's current standing within the wider ecology of the screen industry.

This information on production levels offers insight into the effect of the policies and market setting discussed in sections 4 and 5. Of particular consideration are the impact of Screen Australia's current program guidelines and the effect of the Producer Offset, both of which pre-date the formation of Screen Australia in 2008.

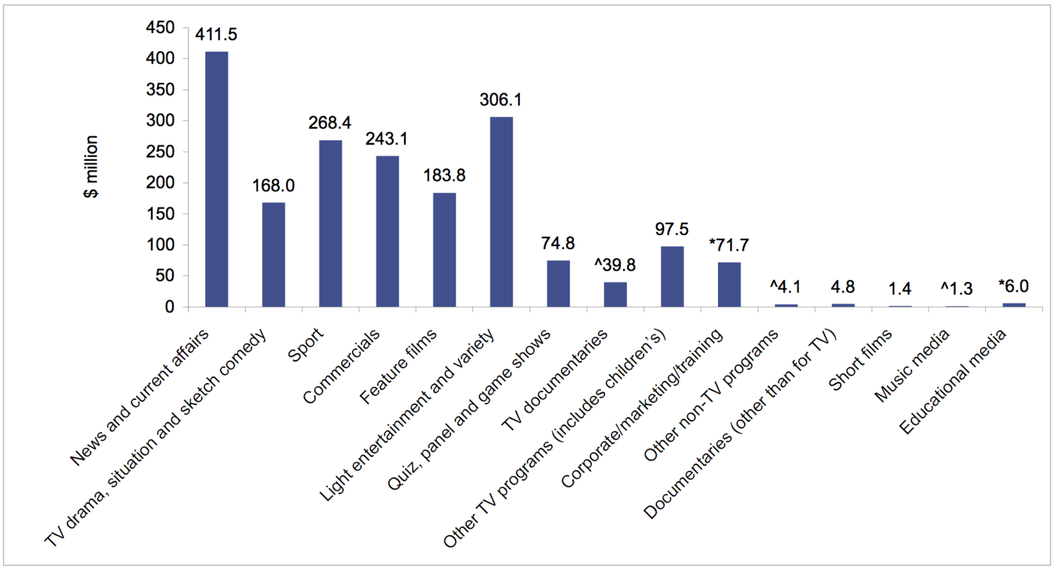
6.1 Production activity

All production

The most recent comprehensive view of total industry size and production activity was last compiled in 2006/07 by the Australian Bureau of Statistics, published in *Television, Film and Video Production and Post-production Services*. (See Appendix 3.)

To provide a full picture of production activity, the survey totals the production costs incurred not just by film and video production businesses, but also by television broadcasters.

Value of production activity by production type, 2006/07



Source: Australian Bureau of Statistics (ABS), *Television, Film and Video Production and Post-production Services, 2006/07* (cat. no. 8679.0).
^ Estimate has a relative standard error of 10–25 per cent and should be used with caution.
* Estimate has a relative standard error of 25–50 per cent and should be used with caution.

According to this analysis, news and current affairs was the top production category in 2006/07, as it had been for the past three surveys, accounting for 22 per cent of all production costs. This was followed by light entertainment and variety at 16 per cent and sport at 14 per cent. Television drama (including situation and sketch comedy) was sixth highest, at 9 per cent of total production costs. Documentary production (both for television and other mediums) was valued at $44.6 million (around 2–3 per cent of the total).

Drama activity (based on year of production)

Australian television drama

Analysis of figures from Screen Australia's production reports indicates that the annual Australian adult drama slate (domestic and co-production titles) has decreased in terms of hours each year since 2007/08 but increased in terms of total budgets, Australian expenditure and average cost per hour over the same period. This reflects a decrease in series/serials production and an increase in mini-series.

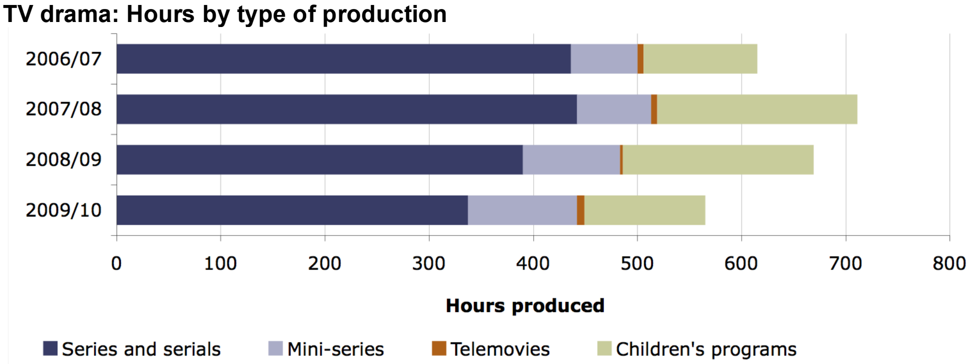
Mini-series are defined as less than 13 hours in total length, with each episode at least 55 minutes.[45] They account for a smaller proportion of hours (due to the 13-hour limit), but a greater proportion of total spend, due to their higher cost per hour compared to series/serials.

The Australian children's television drama slate decreased in 2009/10 to 116 hours with a total spend of $53 million. Both domestic and co-production children's drama activity fell. This type of production tends to be cyclical, partly due to the long production schedules of some titles, and much of the recent decrease is a balancing of increased production in the previous two years.

Children's drama production is expected to increase again next year, with around 78 hours worth already scheduled for 2010/11 production, including returning series of *Dance Academy* and *My Place* for the ABC, and new titles *Lightning Point, Get Ace* (both for Ten) and *Guess How Much I Love You* (ABC).

As previously outlined, the effect of sub-quota arrangements under the *Broadcasting Services (Australian Content) Standard 2005* may be considered relevant in determining production levels over a three-year period.

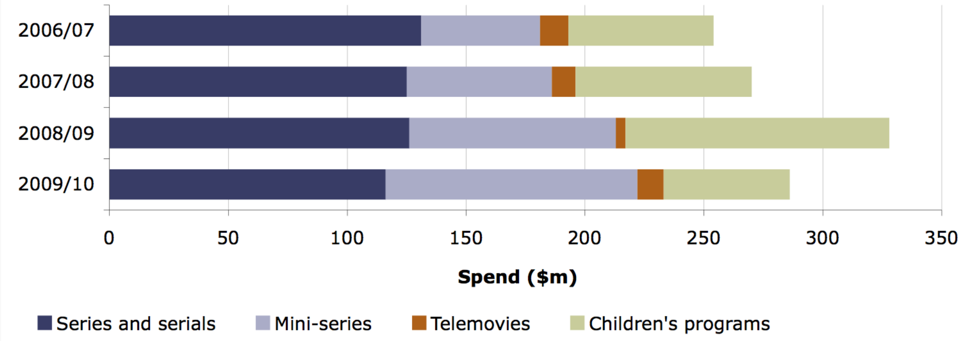
TV drama: Hours by type of production



Source: 2007/08–2009/10: Screen Australia, *The Drama Report 09/10* ;
2006/07: Screen Australia: *National Survey of Feature Film and TV Drama Production 2008/09*

45 Screen Australia follows the definition of mini-series set out in Division 10BA of the *Income Tax Assessment Act 1936*

TV drama: Spend by type of production



Source: 2007/08–2009/10: Screen Australia, *The Drama Report 09/10* ;
2006/07: Screen Australia: *National Survey of Feature Film and TV Drama Production 2008/09*

	No.	Total hours	Total budgets ($m)	Total spend ($m)	Av. cost/hr ($m)
Adult drama					
2006/07	32	506	193	192	0.381
2007/08	28	519	197	196	0.380
2008/09	27	486	218	218	0.449
2009/10	27	448	234	233	0.522
4-year average	*29*	*490*	*211*	*210*	*0.433*
Children's drama					
2006/07	13	109	78	61	0.716
2007/08	18	192	120	74	0.625
2008/09	17	183	132	111	0.721
2009/10	9	116	76	53	0.655
4-year average	*14*	*150*	*102*	*75*	*0.679*
Total drama					
2006/07	**45**	**615**	**271**	**253**	**0.441**
2007/08	**46**	**710**	**317**	**269**	**0.446**
2008/09	**44**	**669**	**350**	**328**	**0.523**
2009/10	**36**	**564**	**310**	**286**	**0.550**
4-year average	***43***	***640***	***312***	***284***	***0.490***

Source: 2007/08–2009/10: Screen Australia, *The Drama Report 09/10* ;
2006/07: Screen Australia: *National Survey of Feature Film and TV Drama Production 2008/09*

CHILDREN'S TELEVISION DRAMA PRODUCTION

The following offers a deeper analysis of children's television production in order to better understand issues and concerns for producers operating in this sector.

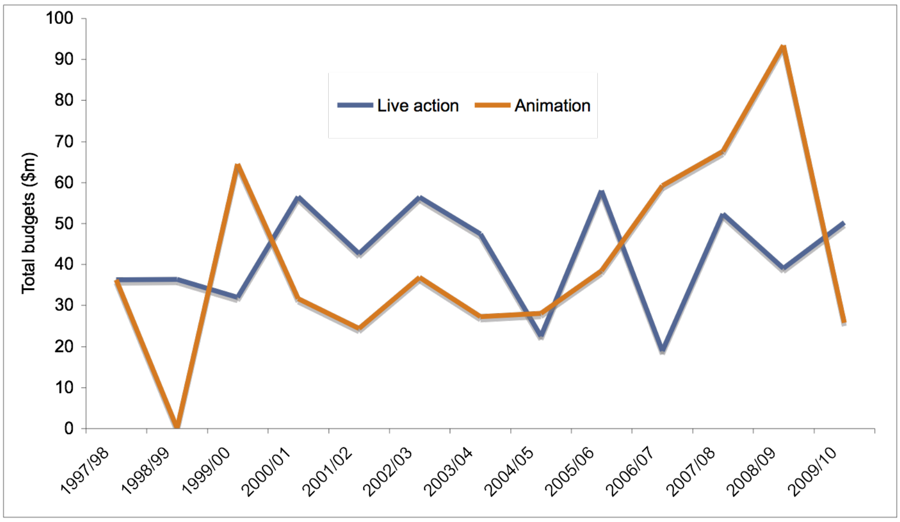
As a proportion of total television drama production

Over the three years 2007/08 to 2009/10, children's television drama has comprised an average of 25 per cent of total television drama hours produced and an average of 27 per cent of total television drama spend.

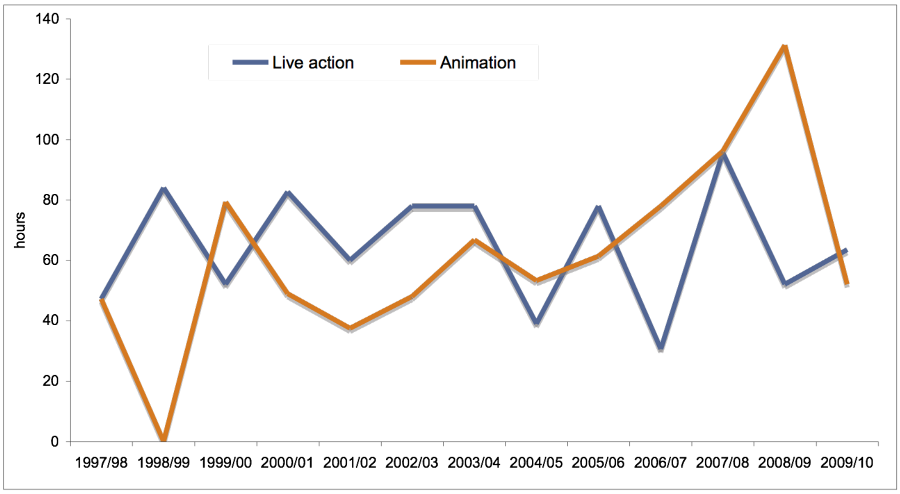
Animation vs live action

Animation production has been growing since the early 2000s and was higher than live action from 2006/07, in terms of both total budgets and hours produced, until 2009/10 when there was only one animated TV drama produced.

Australian children's drama (domestic and co-production), 1997/98–2009/10
Total budgets



Hours

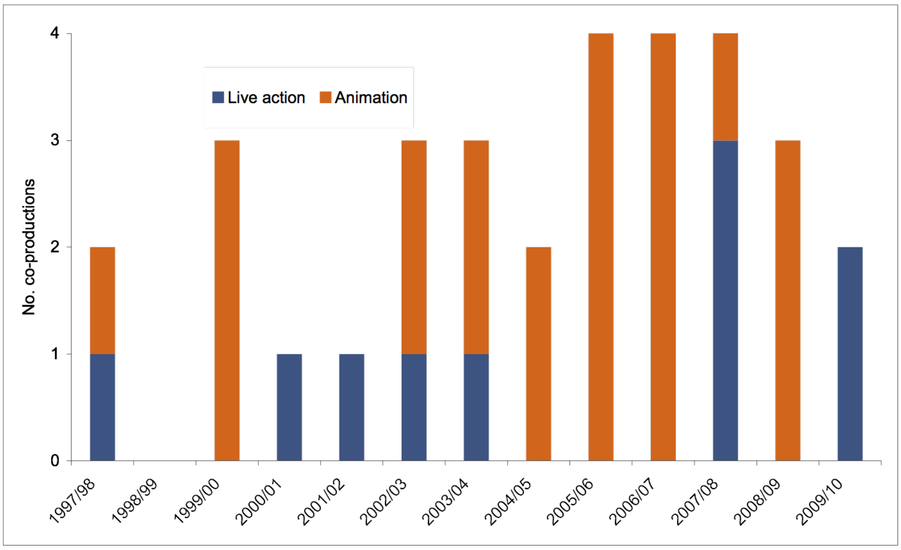


Source: Screen Australia analysis of production data

Children's drama co-productions

There have been no adult television dramas made as co-productions since 2005/06. However, there continues to be a high incidence of children's television dramas made as co-productions. Between 2007/08 and 2009/10, around a quarter of all children's television dramas have been co-productions (27 per cent of titles, 28 per cent of hours and 23 per cent of total spend). Co-productions for children are more likely to be animation than live action. From 2002/03 to 2008/09, most children's co-productions were animations (there were no co-production animations in 2009/10).

Number of children's TV drama co-productions, 1997/98–2009/10



Source: Screen Australia analysis of production data

Sources of finance

Children's drama is more reliant on finance from direct government funding and foreign sources than adult television drama.

Sources of finance as a proportion of total finance, three-year averages, 2007/08–2009/10

	Government	Foreign	Film/TV industry (incl. broadcasters)
Australian children's	16%	26%	42% (33%)
Australian & co-production children's	13%	37%	36% (29%)
Adults	5%	7%	74% (70%)

Source: Screen Australia analysis of production data

Documentary activity (based on year of production)

Australian documentary production

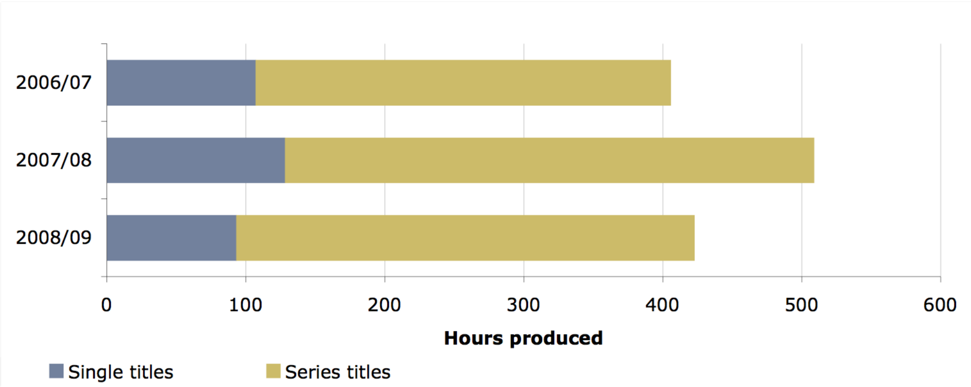
Annual production figures relating to documentary are released in February each year by Screen Australia. At the time of this review, 2008/09 data was the latest data available.

Documentary production peaked in 2007/08 with 509 hours and total budgets of $139 million – the latter approximately double the annual average recorded since the mid-1990s. Although production activity fell in 2008/09, it still achieved the second-highest levels of hours and total budgets on record at 423 hours and $106 million respectively.

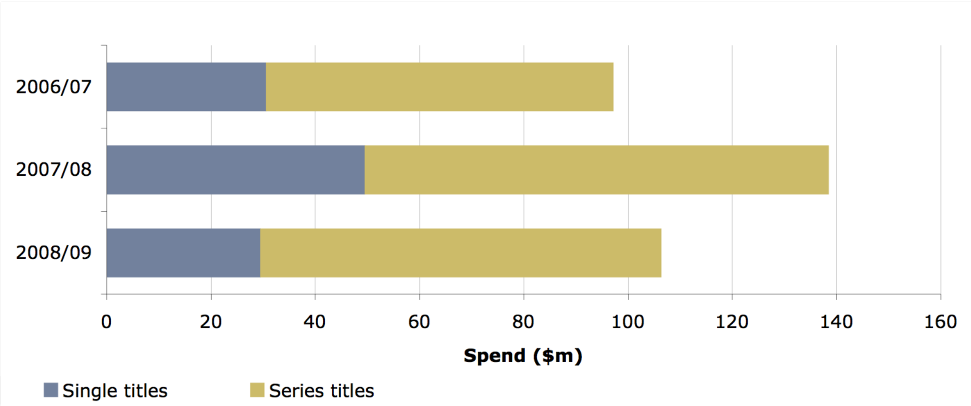
Documentary budgets for production companies fell by 25 per cent in 2008/09 from the previous year, whereas broadcaster budgets remained steady despite a fall in the number of hours.

Series titles, which account for the majority of hours each year, rose as a proportion from 75 per cent in 2007/08 to 78 per cent in 2008/09. There was also an increase in total budgets of series, up from 64 to 72 per cent.

Documentary production:
Hours by type of production



Spend by type of production



Source: Screen Australia analysis of production data

	No. titles	Total hours	Total budgets ($m)	Av. cost/hr ($m)
Documentary production by production companies				
2006/07	149	265	80	0.302
2007/08	183	394	125	0.317
2008/09	140	323	94	0.291
3-year average	*157*	*327*	*100*	*0.303*
Documentary production by broadcasters				
2006/07	47	141	18	0.128
2007/08	56	115	13	0.113
2008/09	54	100	13	0.130
3-year average	*52*	*119*	*15*	*0.124*
Total documentary production				
2006/07	**196**	**406**	**97**	**0.239**
2007/08	**239**	**509**	**139**	**0.273**
2008/09	**194**	**423**	**106**	**0.251**
3-year average	***210***	***446***	***114***	***0.254***

Source: Screen Australia analysis of production data

6.2 Screen Australia investment (based on year of funding)

Overview

The following table contains data on television funded by Screen Australia, based on the year of funding. Four years of data are presented so to include 2006/07, which predates the introduction of the Producer Offset and the merger of the Film Finance Corporation, Australian Film Commission and Film Australia Limited to form Screen Australia.

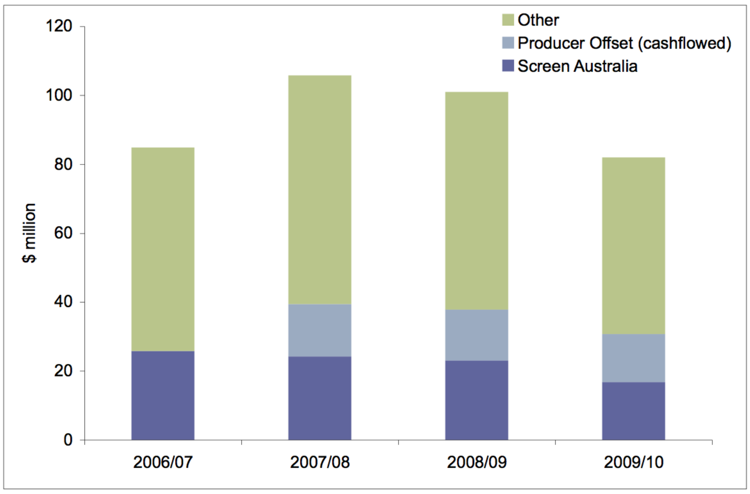
While the average cost per hour has increased for adult television drama overall over the last three years based on the year of production (see page 50), the average cost per hour of television drama for adults funded by Screen Australia has remained relatively stable since 2007/08 at around $1 million. The cost per hour for Screen Australia funded children's drama, however, has been increasing. There has also been a slight increase in cost per hour for Screen Australia funded documentaries.

	TV drama for adults			**TV drama for children**			**Documentaries**		
	Total hours	Total budgets ($m)	Av. cost/hr ($m)	Total hours	Total budgets ($m)	Av. cost/hr ($m)	Total hours	Total budgets ($m)	Av. cost/hr ($m)
2006/07	56	49	0.870	54	36	0.675	101	42	0.416
2007/08	62	62	1.008	67	43	0.652	111	45	0.409
2008/09	40	36	0.919	80	65	0.809	92	42	0.459
2009/10	59	63	1.074	20	19	0.955	96	40	0.464

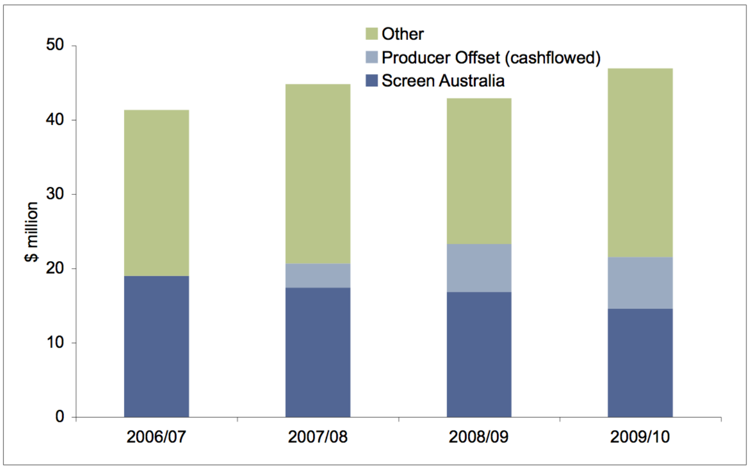
The total budgets of these productions have been broken down into the sources of finance: Screen Australia direct funding, the Producer Offset, and other sources, including the film/TV industry, private and foreign sources, as indicated in the graphs below.

Both graphs reflect a gradual decrease in direct funding from Screen Australia as the contributions from the Producer Offset have increased while overall budgets for total drama and documentary over the four years have been relatively stable.

Sources of finance for Screen Australia titles (by year of funding)
TV drama



Documentary



Source: Screen Australia analysis of production data
Note: 'Other' includes the film/TV industry, private and foreign sources.

Investment, by broadcaster

Screen Australia's current program guidelines contain broadcaster presale conditions for the funding of adult drama (except low-budget drama), children's drama and some documentary programs. Outlined below is total Screen Australia investment in titles funded between 2006/07 and 2009/10 apportioned according to the broadcasters involved.

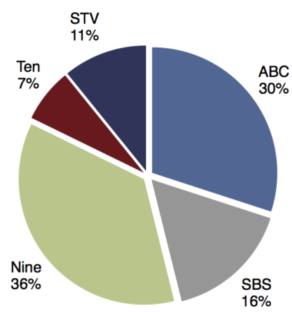
In 2006/07 and 2007/08, the majority of Screen Australia's investment in television drama for adults had been directed to titles produced for the national broadcasters. However, in the last two years, programs produced for the commercial free-to-air channels have received the majority of investment. Investment in subscription television titles only occurred in 2007/08 and 2009/10, but funds allocated in 2009/10 were nearly level with national broadcaster titles. Over the four years, the largest proportion of Screen Australia investment in television drama for adults has been associated with Nine Network projects, followed closely by the ABC.

Investment in children's television drama was concentrated on commercial free-to-air titles from 2006/07 to 2009/10, with similar amounts allocated for national broadcaster and commercial free-to-air titles in 2009/10. Three-quarters of all the children's drama investment has been allocated relatively equally between the Nine and Ten networks over the four-year period.

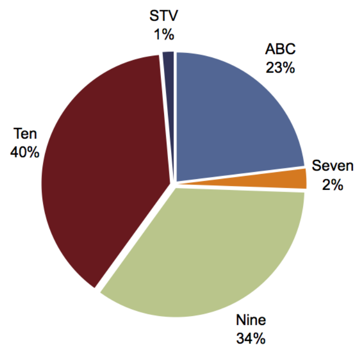
The majority of Screen Australia's investment in documentaries (88 per cent) was allocated to programs screened on the national broadcasters: over half for the ABC and nearly a third for SBS. However, investment in subscription television titles has grown significantly over the period, from $217,000 in 2006/07 to $1,760,000 in 2009/10. Only two documentary titles were funded for commercial free-to-air TV.

Share of Screen Australia investment ($m), by broadcaster, 2006/07–2009/10

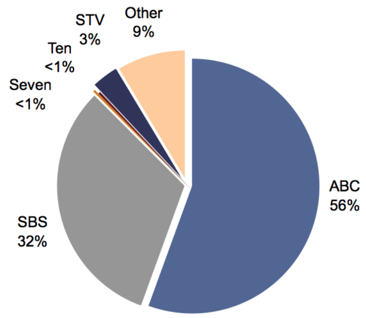
TV drama for adults



TV drama for children



Documentaries*



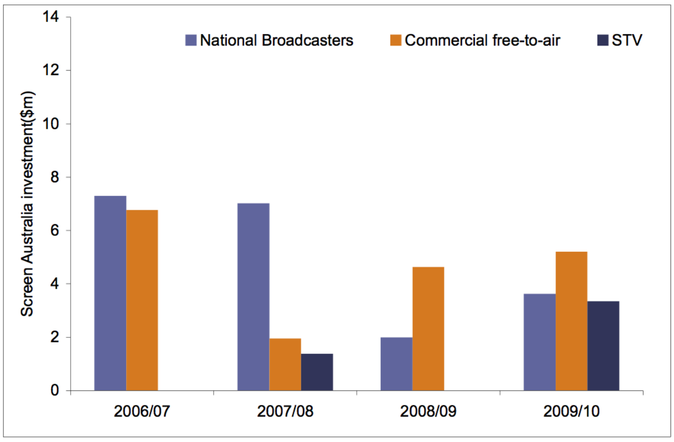
Source: Screen Australia

Notes:
Excludes Producer Offset cashflow, loans and grants (except documentary funding provided as a grant since March 2010).
Some children's drama and documentary titles involve a commercial free-to-air broadcaster as well as a subscription TV or international broadcaster. To avoid double counting, Screen Australia investment for those titles has been apportioned according to the contribution from each broadcaster. Also, some documentaries received development as well as production funding, and this funding has been included in the figures.

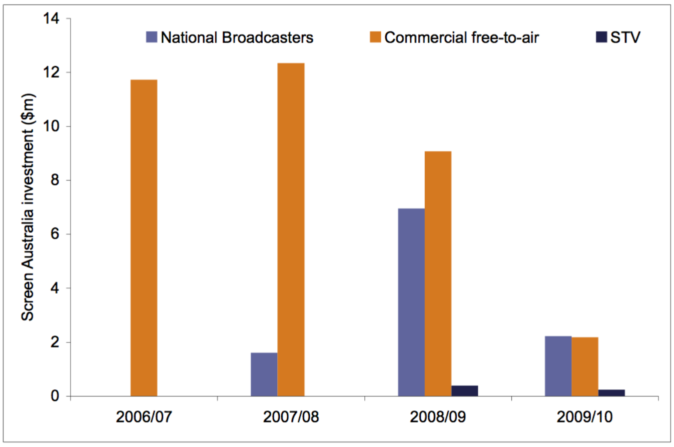
* In the documentary chart, 'Other' includes cinematic releases, titles funded under the Special Documentary Fund/Program (which does not require a market attachment), and websites funded under the National Documentary Program, as well as one program with Imparja as the broadcaster attached, another with Top End Aboriginal Bush Broadcasting Association.

Annual Screen Australia investment ($m), by broadcaster type

TV drama for adults



TV drama for children

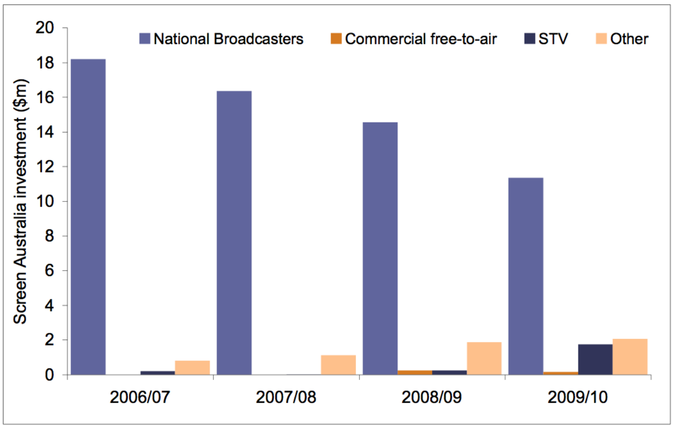


Screen Australia investment ($m)

	ABC	SBS	Seven	Nine	Ten	Subscription
TV drama for adults						
2006/07	5.22	2.09	0	5.93	0.84	0
2007/08	3.69	3.34	0	1.15	0.81	1.38
2008/09	1.42	0.58	0	4.05	0.59	0
2009/10	2.69	0.95	0	4.47	0.74	3.34
TV drama for children						
2006/07	0	0	0.50	5.53	5.69	0
2007/08	1.50	0	0.65	3.94	7.86	0
2008/09	6.95	0	0	6.91	2.58	0.40
2009/10	2.23	0	0	0	2.44	0.24

Source: Screen Australia
Notes: n.a. not applicable
Excludes Producer Offset cashflow, loans and grants.
Some children's drama and documentary titles involve a commercial free-to-air broadcaster as well as a subscription TV or international broadcaster. To avoid double counting, Screen Australia investment for those titles has been apportioned according to the contribution from each broadcaster. Also, some documentaries received development as well as production funding, and this funding has been included in the figures.

Screen Australia investment ($m)
Documentaries



Screen Australia investment ($m)

	ABC	SBS	Seven	Nine	Ten	Subscription	Other*
2006/07	11.23	6.98	0	0	0	0.22	0.82
2007/08	10.49	5.88	0	0	0	0.02	1.13
2008/09	10.12	4.43	0	0	0.25	0.24	1.83
2009/10	6.51	4.86	0.17	0	0	1.76	2.08

Source: Screen Australia
Notes: n.a. not applicable
Excludes Producer Offset cashflow, loans and grants (except funding provided as a grant since March 2010). Some children's drama and documentary titles involve a commercial free-to-air broadcaster as well as a subscription TV or international broadcaster. To avoid double counting, Screen Australia investment for those titles has been apportioned according to the contribution from each broadcaster. Also, some documentaries received development as well as production funding, and this funding has been included in the figures.

* Nine per cent of documentary funding over the period 2006/07–2009/10 was allocated to titles with international broadcasters attached or with no broadcaster attached. These were cinematic documentary releases and/or funded under the Special Documentary Fund/Program or by the Australian Film Commission. One program funded under the Domestic Program had Imparja as the broadcaster attached. Another had Top End Aboriginal Bush Broadcasting Association as the broadcaster. There were also several websites funded under the National Documentary Program. These have all been classified as 'other' for the purposes of this report.

6.3 Screen Australia investment performance

There are a number of ways of assessing the effectiveness of Screen Australia's television production investment. Awards, festival success and critical acclaim are measures of prestige but present challenges when seeking to establish a quantifiable return on investment.

In a small-screen environment, the most conventional measure of success and audience engagement is audience size as this is often linked to a producer's/ broadcaster's/channel's ability to monetise the content (see section 5). As such, analysis of the audience obtained by titles with Screen Australia investment is a relevant (although not exclusive) measure of sustainability and engagement.

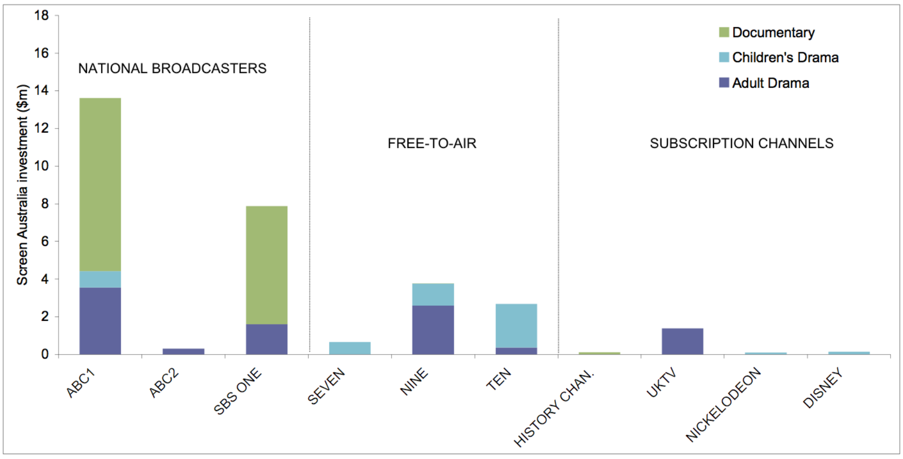
This section considers performance of Screen Australia's investment by broadcast year, whereas the previous section looked at investment by year of funding.

Investment by broadcast year

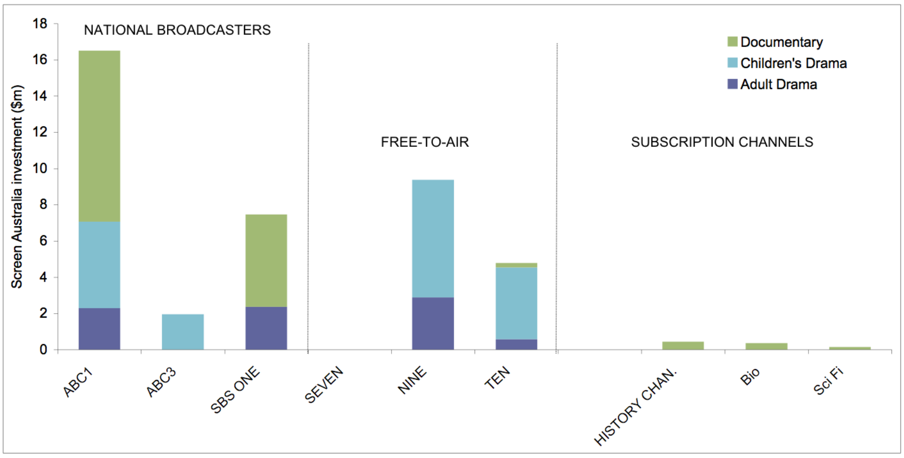
ABC1 was the only channel to have screened a cross-section of adult drama, children's drama and documentary programs with Screen Australia investment in both years, although Nine did so in 2008/09 and Ten in 2009/10. Seven broadcast no

Screen Australia–funded programs in 2009/10. ABC2 and ABC3 were the only multi-channels to be associated with first-release programs funded by Screen Australia, in 2008/09 and 2009/10 respectively.

Screen Australia investment in drama and documentary by broadcaster
2008/09



2009/10



	2008/09 ($m)			2009/10 ($m)		
	Adult drama	Children's drama	Doc	Adult drama	Children's drama	Doc
ABC1	3,559,510	865,582	9,193,391	2,295,072	4,774,875	9,441,097
ABC2	310,000	-	-	-	-	-
ABC3	-	-	-	-	1,963,482	-
SBS ONE	1,612,451	-	6,270,569	2,374,117	-	5,091,258
Nine	2,601,571	1,163,230	15,000	2,899,780	6,483,356	-
Seven	-	663,569	-	-	-	-
Ten	370,000	2,317,659	-	585,622	3,961,463	246,026
History Chan	-	-	111,239	-	-	435,000
UKTV	1,383,746	-	-	-	-	-
Nickelodeon	-	96,176	-	-	-	-
Disney	-	143,770	-	-	-	-
Bio	-	-	-	-	-	365,000
Sci Fi	-	-	-	-	-	150,000

Notes: ABC3 began broadcasting in December 2009.
Where there was co-investment in titles first released by commercial free-to-air and subscription television in the same financial year, Screen Australia's investment was apportioned; where it was in different financial years, Screen Australia's investment was allocated to the broadcaster who had the first release in the first financial year.

Audience return on investment

For the purpose of this report, an audience return on investment has been calculated for 2008/09 and 2009/10 by establishing the cumulative audience impressions (or viewings)[46] achieved by a title or titles and then dividing that number by Screen Australia's investment.

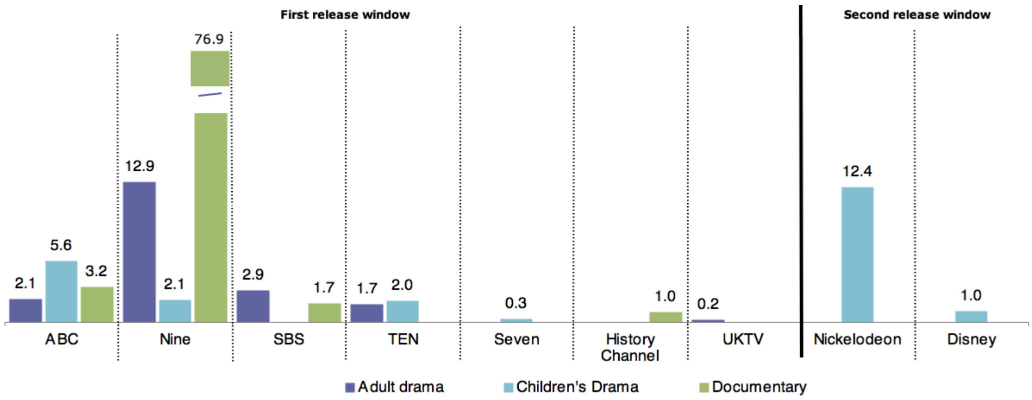
The analysis has been approached conservatively, with each year comprising the year of broadcast plus an additional three-month window to allow for repeat screenings. This means programs for each year are allowed the same 15-month window and therefore a consistent and meaningful comparison can be made year on year.

Only metropolitan television is included, which amounts to less than 70 per cent of the measured viewing population. If regional television was included, it is estimated that overall audience data could be up to 45 per cent higher.

Importantly, this particular performance measure must be considered within the context of Screen Australia's cultural objectives and other less quantifiable measures of success.

Note that in the 2008/09 graph below, two children's drama titles had investment from both a free-to-air broadcaster and a subscription broadcaster. Screen Australia's investment in these titles has been apportioned across the broadcasters involved. In both cases the first broadcast was on free-to-air, so its cumulative viewings are accounted for in the first release window. The second broadcast was on subscription television, with these viewings assigned to the second window.

Number of audience impressions per dollar of Screen Australia investment, 2008/09

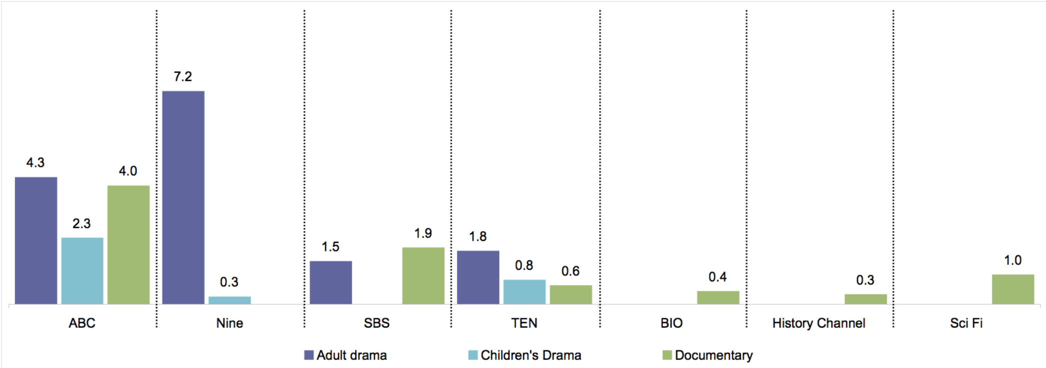


Source: Screen Australia; OzTAM, 5-city metro, Sydney, Melbourne, Brisbane, Adelaide, Perth

Notes: Audience impressions include repeat screenings up to 30 September 2009.
Estimates have been made for children's programs where ratings information was not adequate.
Screenings on multi-channel networks have been grouped by network, eg ABC1 and ABC2 are reported as ABC.

46 'Cumulative audience impressions' or viewings is the sum of average audience ratings. Therefore one person watching a program more than once is accounted for each time he/she views the program.

Number of audience impressions per dollar of Screen Australia investment, 2009/10



Source: Screen Australia; OzTAM, 5-city metro, Sydney, Melbourne, Brisbane, Adelaide, Perth

Notes: Audience impressions include repeat screenings up to 30 September 2010.
Estimates have been made for children's programs where ratings information was not adequate.
Screenings on multi-channel networks have been grouped by network, eg ABC1 and ABC2 are reported as ABC.

Based on this analysis, the Nine network delivered the greatest rate of return in terms of cumulative audience impressions per dollar of Screen Australia investment for adult drama in both 2008/09 and 2009/10, at 12.9 and 7.2 respectively.

In children's drama, as a subscription television co-investor with the ABC in *Blue Water High series 3*, Nickelodeon achieved an audience return on Screen Australia's investment of 12.4 impressions per dollar for its screening of the series in 2008/09. In 2009/10, investment in children's programs broadcast on ABC1 achieved the highest return with 2.3.

Nine's high result for documentary in 2008/09 was the result of screening just one title in the two-year period – *Trimbole: The Real Underbelly* – which, for the former Australian Film Commission's documentary development investment of $15,000, delivered a return of 76.9 audience impressions per dollar. In 2009/10, investment in ABC1 documentaries achieved the highest return, at 4.0.

7 International overview of production funding

To provide an international context, it is useful to examine production funding methods overseas and related trends.

The television production funding methods of Canada, New Zealand and the United Kingdom are outlined in the table that follows. Other relevant considerations such as local content quotas and tax incentives are included.

While production funding from government agencies is contestable based on some kind of criteria in all three countries, the regulatory settings and market structures that underpin the sectors vary accordingly. Some of their most notable features are highlighted in the commentary below. One trend of note in all three jurisdictions is the acknowledgement, through the structure of funding programs, of a converged multi-screen environment.

Canada

The Canadian model allocates funding based on measuring a broadcaster's performance against that of other broadcasters in each genre. Performance is measured based on audience success, historic access, regional licensing and above-threshold licensing.

Funding for Canadian content occurs through two funding streams: the Convergent Stream and the Experimental Stream. While the structure of these streams is outlined in the table, it is significant to note that the Convergent Stream supports projects that provide content on a least two distribution platforms, one of which is television.

New Zealand

In New Zealand, a recent initiative of NZ On Air saw the creation of the Platinum Television fund in 2009 to provide free-to-air television programming with an emphasis on quality. The fund was designed to support programs which often fail to proceed or which require a high level of subsidy. Details are included the table.

United Kingdom

In the UK, households pay for a television licence, which entitles them to watch or record television transmissions. Most of the fees collected are used to fund the BBC. 'Public service broadcasters', as they are known, are in turn regulated to ensure that independently produced content makes up not less than 25 per cent of their total output.

In addition to standard funding arrangements, the BBC launched the Window of Creative Competition (WOCC) in 2006, which sits on top of legislated requirements related to independent productions. This initiative allows independent producers to compete with in-house producers for 25 per cent of BBC programming. This amount is in addition to the 25 per cent independent production requirement under the *Communications Act 2003.* The BBC also has an in-house guarantee of 50 per cent BBC commissions for BBC productions. This effectively caps the possible independent production quota at 50 per cent.

The BBC conducts an annual planning process. Channels determine the types of programs they would like to commission, including price and transmission timeslot. If an independently produced program misses out on a slot in the independent quota, that program can then apply for a slot in the WOCC. Tariff prices indicative of what the BBC would expect to pay independent producers for particular type so program are issued in line with the BBC Code of Practice.[47]

Recommendations for supporting local content

Many countries are reviewing funding procedures in light of technological advances in a bid to continue to support local content in a converging environment. A report from the UK's House of Lords Select Committee on Communications recently highlighted substantial falls in expenditure levels on children's, news and current affairs programs. Some of the recommendations that came from the report were to extend the film tax credit specifically to children's programs and animation productions made for television on a pilot basis or to consider using proceeds from the sale of analogue spectrum as part of the BBC licence fee to fund local content.[48]

It is relevant to note the suggested measures, such a tax credits, already apply to the funding of Australian content on television. The consideration related to extra funding for local content from the sale of analogue spectrum remains relevant to a number of countries, including Australia.

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[47] http://www.bbc.co.uk/commissioning/tv/business/code.shtml; accessed 18 November 2010

[48] The House of Lords Select Committee on Communications, *The British film and television industries – decline or opportunity*, 24 January 2010

OVERVIEW OF PRODUCTION FUNDING IN AUSTRALIA, CANADA, NZ AND THE UK

FUNDING BODY	FUNCTION	TARGETED GENRES & LOCAL CONTENT QUOTAS	FUNDING STREAMS	CONSIDERATIONS
Screen Australia (Australia)	The key Australian Government direct funding body for the Australian screen production industry. Its functions are to support and promote the development of a highly creative, innovative and commercially sustainable Australian screen production industry	Documentaries, television drama, low-budget drama, children's television drama, multi-platform and single-platform interactive content Local content quotas apply	*Television Drama Funding:* Adult Television Drama Program Low-budget Drama Program Children's Television Drama Program *Documentary Funding:* National Documentary Program Domestic Documentary Program International Documentary Program Special Documentary Program *plus* Enterprise Program Innovation Program Indigenous programs	Sector also supported by tax incentives Analogue switch-off 31 December 2013
Canada Media Fund (Canada)	Funded by government and industry, the Canada Media Fund (CMF) is a not-for-profit corporation that supports content creation for television & other digital platforms. Its mandate is to champion the creation of successful, innovative Canadian content & software applications for current & emerging digital platforms through financial support & industry research. Telefilm Canada administers CMF funding.[49]	English language allocation of children's and youth, documentary, drama, variety & performing arts Local content quotas apply	Performance Envelope Program (launched April 2010): *Experimental Stream* – interactive, digital, media content & software applications *Convergent Stream* – drama, documentary, children's & youth, variety & performing arts	Sector also supported by tax incentives Broadcasters as producers able to access funding Multiple-platform approach. Applicants for convergent stream must make projects available across a minimum of two distribution platforms, including TV. Performance-based allocations to broadcasters via performance envelopes Analogue switch-off 31 August 2013
NZ On Air (NZ)	An independent, government funding agency with a mission to champion local content through skilful investment in quality New Zealand broadcasting[50]	Drama and comedy, documentary, special interest (including specialist current affairs), children's programs No local content quotas.	*Television Fund:* Drama & comedy, documentary, children's programs, arts, culture & performance, special interest; Maori Programming *Regional Television:* Current priorities are local news and information programs *Platinum Television Fund:* High-end one-off drama or drama mini-series, long-form documentary, shorts documentary, specialist current affairs, special event programming; Digital Content Partnership Fund New media projects *NZ On Screen:* Archive program of streamed NZ film & television content	Funding by way of grant. Any program funded must be transmitted on a national, free-to-air channel: TV One, TV2, TV3, C4, Maori Television or Prime Analogue switch-off November 2013

[49] http://www.cmf-fmc.ca/cmf-fmc.html?page_mode=about_us
[50] http://www.nzonair.govt.nz/aboutus/aboutusnzonair.aspx

OVERVIEW OF PRODUCTION FUNDING IN AUSTRALIA, CANADA, NZ AND THE UK

FUNDING BODY	FUNCTION	TARGETED GENRES & LOCAL CONTENT QUOTAS	FUNDING STREAMS	CONSIDERATIONS
New Zealand Film Commission (NZ)	The Screen Production Incentive Fund, administered by the NZFC, is designed to support increased production of medium & larger scale New Zealand cultural screen content, for the benefit of audiences; support the retention of New Zealand screen talent, stories & infrastructure by maintaining New Zealand's international competitiveness; & incentivise the New Zealand screen production industry to develop closer market connections & private finance for larger screen productions[51]	Telemovies or films for release on DVD or online, documentaries, episodic series, short-form animation Required to have significant New Zealand content to qualify for funding	Screen Production Incentive Fund	Format requirements and expenditure thresholds apply Broadcasters can access funding Applicants cannot also apply for funding through NZ On Air
Te Mangai Paho (NZ)	A Crown entity established to make funding available to the national network of Māori radio stations & for the production of Māori language television programs, radio programs & music CDs[52]	To promote Māori language & culture by making funds available, for broadcasting & the production of programs to be broadcast	Funding for Maori language programs	
EU MEDIA Desk (UK)	A support program of the European Union to strengthen the competitiveness of the European film, TV & new media industries & to increase the international circulation of European audiovisual product. Independent production & distribution companies can apply for development or distribution funding in the form of non-repayable grants[53]	Fiction (drama), animation, creative documentary EU Audiovisual Media Services Directive: 'where practicable', more than half of all programming on television channels should consist of content produced in EU countries. For the UK, this means predominantly UK content.	*Development Funding* Slate funding & slate funding second stage: – Drama, animation, creative documentary Single projects: – Drama, animation, creative documentary Interactive works: – concept development (up to a first playable application) of digital interactive content complementing an audiovisual project (drama, creative documentary or animation) specifically developed for at least one of the following platforms: internet, PC, console, handheld device, interactive television[54] *i2i Audiovisual:* Facilitate access to financing from banks & other financial institutions by subsidising part of the cost of the guarantees required by these institutions &/or part of the financing itself	UK television production sector not supported by tax incentives (film production only) Public service broadcasters comply with UK content quotas Analogue switch-off December 2012

[51] http://www.filmnz.com/production-guide/incentives/screen-production-incentive-fund.html; http://www.nzfilm.co.nz/DevelopmentAndFinancing/Screen_Production_Incentive_Fund.aspx (11 Nov 2010)
[52] http://www.tmp.govt.nz/ (accessed 11 November 2010)
[53] http://www.mediadeskuk.eu/information/ (accessed 11 November 2010)
[54] http://ec.europa.eu/culture/media/programme/producer/develop/index_en.htm (accessed 11 November 2010)

APPENDICES

APPENDIX 1: Screen Australia production and development programs

All applicants and projects must satisfy eligibility requirements of Screen Australia's Terms of Trade. International co-productions must secure acceptable offers to distribute or broadcast project in each co-production territory.

PROGRAM/ FUNDING TIMING	ELIGIBLE PROJECTS/ CREATIVES	MARKETPLACE ATTACHMENTS & SUPPORTING MATERIAL	FINANCE	CONSIDERATIONS
Television Drama Program (adult) Across financial year in 3 tranches	High quality projects in the following formats: Mini-series (up to 13 hours in length) Single telemovies (including pilots) Telemovies (one-off, pilot & packages of up to 3) Animated mini-series (up to 13 episodes not less than half-hour each) Creatives sourced from freelance market, not from staff of FTA or STV No finance where project has been developed by a broadcaster then subcontracted to producer	Local presale for Australian FTA or STV for all drama programs Floor price (minimum licence fee) may not include equity for broadcaster or inclusion of NZ as part of floor price licence fee No STV or exclusive satellite rights as part of domestic FTA licence fee Sales agent for rest of world (ROW) to be attached **Mini-series** – Local FTA or STV presale not less than 30% of budget, floor price not less than $400,000 per hour – % of budget presale advance against ROW &/or equity investment – For 9-13 hour mini-series, SA only invests where prod budget is min $800,000 per hour **Telemovies** – Local FTA or STV presale not less than 35% of budget with floor price of $400,000 per hour – % of budget presale advance against ROW &/or equity investment – SA will only invest in pilot if able to be marketed as a 'stand-alone' **Higher budget productions** – Where budget exceeds $2m per hour, min % licence fee required by SA from FTA and STV is negotiated on case-by-case basis. Required licence fee generally at least $600,000 per hour **Animation** – Same as live action dramas	For individual projects, generally not more than $2.5m Total govt funds (SA and Producer Offset) capped at 40% of budget with producer contribution to be at least 90% of projected value of the Offset Non-Offset projects capped at 75% of project budget	Scripted comedy counts as drama SA encourages producers to secure as much non-SA funding as possible SA will prioritise projects that have lowest contribution from SA as proportion of budget Criteria apply if funds are insufficient to meet demand from eligible projects with the same proposed level of Screen Australia contribution: strength of the marketplace; recoupment potential; level of subordination of Screen Australia investment; successful track record and capacity of the creative team; readiness of script; diversity of slate (ie. diversity of genre and format).

PROGRAM/ FUNDING TIMING	ELIGIBLE PROJECTS/ CREATIVES	MARKETPLACE ATTACHMENTS & SUPPORTING MATERIAL	FINANCE	CONSIDERATIONS
Children's TV Drama Program Allocated in tranches One tranche each year for projects with no international presale to encourage distinctive programming with a specific focus on Australian audiences.	Mini-series of 13 half-hours or 26 half-hours Animated mini-series up to 26 episodes not less than one quarter commercial TV hour Telemovies Must be eligible for 'C' Drama guideline classification, except for ABC and SBS Creatives sourced from freelance market, not from staff of FTA or pay TV No finance where project has been developed by a broadcaster then subcontracted to producer	**Mini-series** – presale from a broadcaster for FTA or pay TV rights of not less than $95,000 per half-hour – Pay TV or exclusive satellite rights not included as part of domestic FTA licence fee – Major presale to OS territory or at least 2 substantial presales in other territories – Sales agent for rest of world to be attached to all projects **Telemovies** – considered on case-by-case basis	Generally not more than $3m for 26 half-hours or $1.5m for 13 half-hours Funds set aside each year for projects with no foreign presale Offset projects: total govt funds (SA and Producer Offset) capped at 45% with producer contribution to be at least 90% of projected value of the Offset Non-Offset projects capped at 75% of project budget	Scripted comedy counts as drama SA will prioritise projects that have lowest contribution from SA as proportion of budget Criteria apply if funds are insufficient to meet demand from eligible projects with the same proposed level of Screen Australia contribution: strength of marketplace, recoupment potential, subordination of SA investment, track record of creative team, readiness of script Projects with no international presale assessed according to: creative team; script; creative, audience and commercial potential; project viability
Low-budget Drama Program One round per year	Can be drama of any genre to any audience No light ent., community TV, educational programs, low-budget feature, shorts Creatives sourced from freelance market, not from staff of FTA or pay TV No finance where project has been developed by a broadcaster then subcontracted to a producer	Must have letter of interest or commitment from at least one of FTA or pay TV broadcaster or appropriate entity such as recognised mobile phone company or social networking site	$400,000 max funding for any one project	Creative team, script, creative potential and potential to reach intended audience, project viability

PROGRAM/ FUNDING TIMING	ELIGIBLE PROJECTS/ CREATIVES	MARKETPLACE ATTACHMENTS & SUPPORTING MATERIAL	FINANCE	CONSIDERATIONS
Documentary Programs: Include the following (discussed below): • National Documentary Program (NDP) • Domestic & International programs • Special Documentary Program	Both one-off documentaries and series that present Australian culture and an Australian viewpoint on international culture to Australian and international audiences No reality TV, infotainment, current affairs, cooking, 'how to' or sports programs Theatrical documentary features considered under feature film production guidelines	Australian FTA or pay TV licence fee, except in the case of the Special Documentary Program	Total funding 2010/11: $16.5m, including development. Offset projects: total govt funds (SA and Producer Offset) capped at 75% of project budget Funding provided as a grant for all documentaries with funding of $200,000 or under after 1/3/2010	SA retains 1% copyright where investment is greater than $100,000 Funding also provided for single-project development and time-critical shooting, plus special initiatives such as triple j tv docs
National Documentary Program (NDP) Applications can be made any time	Documentaries of record and longevity Broad range of themes of national significance framed around four areas: • art & culture • contemporary & social (incl. social history) • science & environment • national history & identity (incl. Making History initiative with the ABC)	Broadcast presale requirements Interactive projects considered on a case-by-case basis. SA ensures programs made in accordance with Production Investment Agreement Producers arrange financing and are point of contact with broadcasters, sales agents, third party investors & co-producers Distribution is a matter for producers, subject to consent from SA	Budget allocation 2010/11: $7.5m No cap for one-off program or series No minimum licence fee specified	Applicability to NDP core content areas, and diversity of projects and content Capacity of creative team, including track record Budget & financing strategy, including broadcaster & licensing arrangements Value of heritage collection
Domestic and International Documentary Programs In tranches across the financial year	**Domestic program** Investment to match domestic broadcaster's licence fee No cap on number of projects per broadcaster Program can also provide completion funding **International program** Co-financing requirements Program can also provide completion funding	**Domestic program** Domestic broadcaster only; third party can be used to enhance budget but % contributions of broadcaster & SA must remain equal; no international marketplace attachments required **International program** – Licence fee of at least $110,000 per hour from a domestic network, international sales agent, international territory presale &/or advance from an international sales agent, with a combined value of at least 10% of budget – Where projects have more substantial international marketplace attachment, SA may agree to some reduction in domestic broadcaster licence fee, but with less SA investment	Budget allocation 2010/11: $7.5m pooled **Domestic program** – SA matches broadcaster licence fee – No minimum licence fee required – Investment won't exceed $200,000 for a one-off program or $500,000 for a series	Strength of marketplace % and quantum of non-SA finance Balance between one-off programs & series & diversity of slate

PROGRAM/ FUNDING TIMING	ELIGIBLE PROJECTS/ CREATIVES	MARKETPLACE ATTACHMENTS & SUPPORTING MATERIAL	FINANCE	CONSIDERATIONS
Special Documentary Program One tranche per year	For projects that sit outside the remit of the broadcasters, that are bold in form and/or content with a strong creative vision. Local or international stories with Australian authorship Producer can apply with multiple projects but each project must have different director	No requirement for market attachments	Budget allocation 2010/11: $0.8m Approx $150,000 per project, may be up to $300,000	Creative team, script, treatment & project materials, creative potential, audience potential, project viability
Innovation Program Applications can be submitted any time.	Development and/or production of innovative, dynamic multi-platform and single-platform interactive media of any duration, format, or type, including content-rich websites, interactive television (iTV), apps and interactive content for handheld devices including smartphones, and online, PC & console games. Does not generally support the production of cross-platform content associated with linear film & TV series where producer has or intends to apply for SA production finance. Ancillary marketing or promotional additions, corporate communications, e-commerce & training not eligible. Art-based experimental projects eligible within certain criteria Applicants may be individual producers or teams, including from game studios. All teams require producer attached. Key team members must have relevant credits in chosen field	Linear TV series viewed more favourably for development funding if accompanied by a written letter of interest from broadcaster Projects with written expression of marketplace interest viewed favourably	Production – may apply for up to $250,000 towards the total budget required for completion of project or functioning prototype Development – up to $30,000 per development stage – development funding in form of grant where SA investment is $200,000 & under, over $200,000 funding is recoupable investment If SA is involved in both development & production, conditions apply	Level of innovation in chosen medium, growth potential of the project, target audience connection, skills & experience of applicants, level & quality of marketplace attachments *Development*: – assessed on the appropriateness of proposed development strategy & use of funds *Production*: – assessed on feasibility of project, budget, finance strategy, market focus, technical & audience reach Content will not be considered innovative in relation to delivery mechanism but how it uses the features of that mechanism Low-budget project won't get approval just because it is low budget Educational projects must be innovative content

PROGRAM/ FUNDING TIMING	**ELIGIBLE PROJECTS/ CREATIVES**	**MARKETPLACE ATTACHMENTS & SUPPORTING MATERIAL**	**FINANCE**	**CONSIDERATIONS**
Enterprise Program One round per year	Funding of up to $350,000 per year to support production companies that have identified opportunities to develop & expand their business in terms of turnover, range & number of projects &/or the range of business activities undertaken to enhance the company's sustainability Companies must: • have control of the project development process • demonstrate proposal is consistent with 3 or more aims of the Enterprise Program • demonstrate a capacity, track record and achievements to develop & implement proposal Include as least one company principal with a minimum of 5-years participation in the media/ entertainment industry & minimum credits in relevant screen content or equivalent	Detailed three-year business plan required, that includes company history, future vision for the company, financial records for the past three years, forward projections, CVs of company principals and key personnel, documentation of produced credits including box office, sales and ratings performance, details of current slate, and a budgeted proposal for Enterprise funding.	2010 funding round total $3m, to be split over the 3- year funding period	May not be used to cover the cost of production, post-production, deliverables or re-versioning for foreign territory sales, etc Generally recipients of Enterprise funding are not eligible to apply for other SA funding Assessed on • Business plan • Track record • Slate of projects • Resources

PROGRAM	ELIGIBLE PROJECTS/ CREATIVES	CONSIDERATIONS
Indigenous programs Screen Australia’s Indigenous Department proactively strives to support Indigenous projects and practitioners through providing: • script development funds, for drama, documentary and digital media • production investment in targeted initiatives, one-off projects, or in collaboration with broadcasters or other funding entities • support for Indigenous practitioners to attend conferences, markets and festivals, nationally and internationally • support and facilitation of internships and mentorship programs with more experienced practitioners. Screen Australia’s Indigenous programs are specifically targeted at development of the Indigenous screen production sector and are outside the scope of the current review.	To be eligible for assistance from Screen Australia’s Indigenous Department, applicants and their projects must: • meet the general Screen Australia funding criteria, and • have Indigenous Australians in key creative roles; a minimum of the writer and director must be Indigenous. Funding is not intended for projects by non-Indigenous filmmakers with Indigenous content. Indigenous filmmakers may apply to any Screen Australia program in addition to the funding programs of the Indigenous Department.	All funding programs assessed. Special initiatives include National Indigenous Documentary Fund (NIDF). The NIDF is financed by a combination of production funds from Screen Australia, SBS, the ABC and state agencies. NIDF Series 12 is currently in development. NIDF 12 is commissioned by the ABC.

APPENDIX 2: Australian content quotas

Australian content requirements date back to 1961. The current standard – *Broadcasting Services (Australian Content) Standard 2005* – commenced on 30 December 2005, as part of the *Broadcasting Services Act 1992*.

The object of the standard is to promote the role of commercial television services in developing and reflecting a sense of Australian identity, character and cultural diversity by supporting the community's continued access to television programs produced under Australian creative control.

The standard requires all commercial free-to-air television licensees to broadcast an annual minimum transmission quota of 55 per cent Australian programming between 6am and midnight. In addition, there are specific minimum annual sub-quotas for first-run Australian adult drama, documentary and children's programs.

Australian programs are defined by creative control and the origin of key creative personnel. For the purposes of compliance, the standard recognises Australian official co-productions and New Zealand programs equally with Australian programs. New Zealand programs are recognised so as to be consistent with the Protocol on Trade in Services to the Australia New Zealand Closer Economic Relations Trade Agreement of 1988.

Adult drama sub-quota

An Australian drama program is defined as one that incorporates scripted elements of character, theme and plot as part of a narrative structure. This may include actors delivering improvised dialogue based on a written outline. Sketch comedy and dramatised documentary are included.

Each broadcaster must achieve a score of at least 250 points for first-release Australian adult drama per year and a three-year score of 860 points. The score is calculated by multiplying a 'format factor' by the duration of the program. The format factor is a scale based on a combination of program type (serial or series, feature film, telemovie, mini-series or stand-alone drama of less than 90 minutes) and/or the level of licence fee paid.

The current three-year score was increased from 830 points in 2005. The annual score was increased from 225 points in 2003. This reflects adjustments to the format factors, with the aim of encouraging production and broadcast of more expensive drama programs.

Children's drama sub-quota

The Children's Television Standards 2005, which came into effect on 30 December 2005, classify children's programs as either C programs (for children other than preschoolers) or P programs (for preschool children). Drama falls within the C band.

Broadcasters are required to screen at least 96 hours of first-release Australian C drama over a three-year period and at least 25 hours per year. They must also screen at least eight hours of repeat Australian C drama per year.

Broadcasters are able to defer the quota hours through an accrual scheme and if an independent producer fails to provide an agreed program.

Documentary sub-quota

A documentary is defined as a program that is a creative treatment of actuality other than a news, current affairs, sports coverage, magazine, infotainment or light entertainment program.

In each year, a broadcaster must screen, between 6am and midnight, at least 20 hours of first-release Australian documentary programs, each of at least 30 minutes' duration.

Children's programming

As well as Australian content quotas, additional regulations apply to children's programming.

A broadcaster must screen a combined total of at least 260 hours of C programs (for children other than preschoolers) and at least 130 hours of P programs (for preschool children) per year from any source, with a combined total of at least 390 hours.

Children's programs must be broadcast within specific children's time periods and must meet other content and advertising requirements to meet the quotas.

For purposes of compliance, these programs must be made specifically for children or groups of children, be entertaining and well produced with high production standards, and enhance a child's understanding and experiences as is appropriate.

APPENDIX 3: Sources, methodology and data limitations

Production activity

TV drama data for 2007/08 – 2009/10 is based on Screen Australia's *Drama Report 09/10, c*ompiled by Screen Australia's Producer Offset and Co-production Unit, using data collected in the administration of the Producer Offset, incorporating production data gathered by the Strategy and Research Unit through contact with production companies and from publicly available sources.

TV drama data for 2006/07 is based on Screen Australia's *2008/09 National Survey of Feature Film and TV Drama Production.*

Documentary data is based on Screen Australia's *Documentary Production in Australia, 2010: A Collection of Key Data.*

Annual figures include all projects that started shooting during the financial year. All expenditure is allocated to the date principal photography started.

Hours are based on commercial broadcast hours.

Screen Australia's definition of 'documentary' follows that used by ACMA, specifically 'a program that is a creative treatment of actuality other than a news, current affairs, sports coverage, magazine, infotainment or light entertainment program, an corporate and/or training programs.'

Sketch comedy programs are included with TV drama, in line with ACMA's definition of TV drama under the Australian Content Standard.

In some cases estimates have been made where data was not available.

Figures may not total exactly due to rounding.

Data limitations

It is not possible to provide an analysis of overall production of content for television in this document other than reporting expenditure data from the Australian Communications and Media Authority. This is in part due to the cessation of the Australian Bureau of Statistics (ABS) service industry survey, which had been conducted every three years from 1993/94. The most recent data on total audiovisual production and post-production in Australia is provided by the 2006/07 survey, *Television, Film and Video Production and Post-production Services* 2002/03, with 2006/07*,* published July 2008. At this point, another survey has not yet been scheduled.

Screen Australia remains a strong supporter of the survey as a crucial source of key business indicators (such as income, expenditure, profit margin and employment) for the Australian audiovisual industry as a whole, and for production and post-production activity in particular. The survey also helps to inform and monitor the effects of government policy at federal and state levels.

With the last survey being conducted prior to the introduction of the Australian Government's Australian Screen Media Support Package in 2007/08, the capability to measure the full effects of the package are limited without this fundamental ongoing indicator.

The ABS survey provides the only comprehensive data on the overall performance of the audiovisual industry, covering business characteristics as well as production and post-production activity. It gives the only complete picture of all film and TV production in Australia, by compiling total production costs for a wide range of genres produced in Australia from TV news and current affairs to commercials. In addition it provides an essential view of the business performance of companies by analysing each business sector (for example, television broadcasters, feature film producers).

As the national statistical agency, the ABS is in a unique position to collect this data. The survey cannot be undertaken outside the ABS as other entities do not have the ABS's authority to demand responses.

As a comparison, NZ Stats and Stats Canada undertake annual surveys of their film and television industries.

Audience and performance data

Screen Australia's audience analysis uses ratings data sourced from OzTAM.

Average audience for free-to-air and national broadcasters refers to 'all people', 'five city metro', program average ratings; five-city metro is also used for subscription TV except where indicated. Based on 'live viewing' in both cases, except where indicated ('consolidated' data, which includes time-shifted viewing, has only been available since December 2009). Estimates have been made for children's programs where ratings information was not adequate.

Cumulative audience impressions or 'viewings' has been calculated by Screen Australia based on the sum of average audience figures (all people, five-city metro program average for free-to-air and national broadcasters as well as subscription television, live viewing). In this analysis, a person watching a show more than once is accounted for each time he/she views the show. Includes first release and repeat screenings on main and multi-channels up to 30 September 2009 for 2008/09 analysis and 30 September 2010 for the 2009/10 analysis. Estimates have been made for children's programs where ratings information was not adequate.

Screen Australia investment is based on titles contracted in the financial year, including any subsequent variations. In the context of sources of finance for titles with Screen Australia investment (sections 6.2 and 6.3), 'Producer Offset' figures refer to the Producer Offset cashflowed by various sources including Screen Australia predecessor agencies where applicable.

Where there was co-investment in titles first released by commercial free-to-air and subscription television in the same financial year, Screen Australia's investment has been apportioned; where it was in different financial years, Screen Australia's investment was allocated to the broadcaster who had the first release in the first financial year.