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Dr Ruth Harley  
Screen Australia  
Level 4, 150 William Street  
Woolloomooloo NSW 2011

Dear Ruth,

## **SCREEN AUSTRALIA BLUEPRINT TELEVISION PROPOSAL**

SBS welcomes the opportunity to respond to Screen Australia's Blueprint Television Proposal (the "Blueprint").

### **A. GENERAL COMMENTS**

SBS has work closely and very effectively with Screen Australia and its predecessor organisations over many years. The strength of the collaboration has largely been built on Screen Australia's recognition of SBS's unique role in the Australian media, driven by its Charter and the distinctive interests of its audiences. In providing a degree of certainty of funding to SBS, Screen Australia has helped ensure the vibrancy and viability of Australia's independent production sector; this has also been vital to SBS's success.

The result has been a string of major documentary and drama productions that have won critical acclaim, attracted significant audiences and supported SBS's vital role in reflecting Australia's multicultural society.

Screen Australia now proposes to make some significant changes to the funding arrangements that have operated for the past few years; any such change must be approached with caution. SBS has taken the opportunity to respond to a number of calls for submissions to Screen Australia over the past 18 months. We are disappointed that our recommendations have been largely overlooked in the creation of the Blueprint.

In general, we note the following:

1. The Blueprint should maintain a focus on (a) delivering content to the Australian audience and (b) fostering a sustainable production sector.

SBS believes:

- (a) introducing funding restrictions on returning seasons and formats and hampering the ability of the public broadcasters to deliver coherently scheduled content (by

**Our story:** When we began in 1975, there were only a handful of languages broadcast on Australian media. Now there are more than 68 languages broadcast by SBS, which makes us the world's most multicultural broadcaster.

*Six Billion Stories and counting...*

removing the certainty of co-finance being made available to fund their commissioned content) is counter productive to meeting audience demands.

- (b) the Blueprint does not dovetail with other Screen Australia initiatives which have been devised, ostensibly, to foster a sustainable television production sector. SBS notes in particular that the Blueprint seems to undermine the ability of Screen Australia “Enterprise” recipients to build on their business models by (amongst other things) denying them access to funding for returning seasons and foreign formats and creating high levels of uncertainty for documentary funding.
2. SBS supports Screen Australia’s Statement of Intent, but does not consider the Blueprint will permit the flexible approach Screen Australia is looking to achieve. SBS would advocate a less rigid approach with respect to Screen Australia’s television funding guidelines.
3. SBS does not think it appropriate for Screen Australia to attempt to establish minimum terms of trade with broadcasters. This is a matter between broadcasters and individual producers, or by reference to formalised terms of trade with the SPAA.
4. SBS does not agree with Screen Australia’s underlying audience assumptions. The Blueprint presupposes that pay television content is significantly under funded when measured against its relative audience share. SBS has analysed the relevant data and identifies inherent flaws with Screen Australia’s methodology in the Appendix to this submission.

## **B. SCREEN AUSTRALIA BLUEPRINT ISSUES**

The Blueprint will have a significant impact on the viability of SBS’ commissioned content. Adopting the sequence of the Screen Australia Blueprint document, SBS comments as follows:

### **1. CONVERGENT TELEVISION OVERVIEW**

#### **1.1 Licence Fees, General**

Broadly, SBS supports the one off increases to licence fees.

##### **1.1.1 Drama**

SBS is concerned that Screen Australia’s approach of divorcing the calculation of minimum broadcast licence fees from the episodic cost of drama (including comedy) programs will negatively impact on the production of lower budget, quality drama programming.

Previously Screen Australia had regard to two discrete factors when allocating minimum licence fees, namely:

- (a) a cash floor price (previously \$400,000 per hour); and
- (b) a fixed percentage of the overall budget (previously 30% in the case of mini series).

Based on Screen Australia’s previous calculations, a \$400,000 licence fee would be required for a production with an (hourly) episodic cost of \$1m (that figure increased to at least \$600,000 for a production with an episodic cost of greater than \$2m per hour).

The same \$400,000 licence fee was also required for a production with an episodic cost of \$350,000 per hour – effectively disqualifying that production from Screen Australia funding.

SBS has made a number of representations to Screen Australia advocating the abolition of the cash floor price all together, to be replaced with a more flexible approach by which the floor price is calculated solely with regard to the overall budgeted cost of the production.

Instead, the Blueprint inflexibly adopts a cash floor price without reference to the production costs. This will stymie SBS' development of fresh new Australian drama and, in particular, comedy series.

SBS considers that with respect to lower cost drama and comedy programs (that is programs with an hourly cost of under **\$500,000**) the broadcast licence fee should be set (solely) commensurate with the production budget as agreed between the broadcaster and the producer.

This will, amongst other things, compensate for Screen Australia's proposal to disband its low budget television production fund.

### **1.1.2 Documentary**

SBS understands and agrees with the general expectation for licence fees to increase over time.

However, given SBS' commissioning budget does not necessarily enjoy a CPI increase year on year; there is a concern that an annual index linked adjustment to licence fees will ultimately mean fewer commissions by SBS.

### **1.2 Holdbacks**

Beyond establishing licence fee expectations, SBS does not consider it appropriate for Screen Australia to involve itself with the terms governing the broadcast licence. These are matters between the producer (or SPAA) and the relevant broadcaster.

In any case blackouts and holdback periods should be negotiated on a case by case basis.

### **1.3 Investment decision making**

The domestic production sector remains dependent on Screen Australia financial support.

Whilst it is therefore appropriate for Screen Australia to satisfy itself that its financial investment is secure (including by reference to the production company's previous track record) it should refrain from making any assessment as to the creative nature of the program other than by reference to the strength of the market place endorsement of the content.

Beyond a general assessment of whether the content falls under one of the genres Screen Australia supports, SBS does not consider it appropriate for Screen Australia to exercise any editorial control.

### **1.4 Series Funding**

SBS strongly opposes the introduction of any new restriction on the funding of returning series of programs.

SBS notes the current producer offset legislation already provides a series funding cap at the 66<sup>th</sup> episode<sup>1</sup> for the federal government indirect subsidy. It seems counter intuitive to introduce another cut off point for direct subsidy.

In the alternative SBS strongly advocates for an exemption from this restriction on behalf of the public broadcasters.

If this rule were to be applied retrospectively several key and important Australian productions would in all probability never have been financed. This includes productions such as *Who Do You Think You Are?* and *East West 101*.

A commercial network may, by virtue of a series' relative success, be able to increase funding for a returning series enabling that series to be produced without recourse to Screen Australia finance. The same is not true for SBS.

In fact SBS already finds itself increasingly commercially disadvantaged funding returning seasons by virtue of increased production costs and a reduction in the availability of co-finance.

SBS nevertheless continues to fund these programs and as a result:

- (a) SBS build brands which to Australian audiences react (the third series of *Who Do You Think You Are* played to an average audience of more than 800,000<sup>2</sup> people); and
- (b) encourages the growth of a sustainable production industry. Specific production companies have built successful businesses predicated on securing returning series commissions.
- (c) these programs have a chance at securing overseas sales (in generally overseas markets require a minimum number of episodes before any meaningful sales are possible).

## 1.5 Foreign Formats

SBS disagrees with the proposal to disqualify foreign formats from Screen Australia direct subsidy.

SBS considers that to do so would be to unfairly prejudice the Australian free to air audience.

In defence of the production of formats:

1. Australian audiences enjoy formats. By definition they are programs which have worked well in other territories – so are less speculative;
2. the format fee which is generally payable to an off shore company is still generally a smaller investment (or at least not a disproportionate one) than fully developing a brand new program to a similar standard. It therefore represents value for money.

It is also misleading to suggest that the production of overseas formats within Australia automatically diverts funds from the development of Australian intellectual property.

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<sup>1</sup> s376-170 - 4 (c) *Income Tax Assessment Act 1997*

<sup>2</sup> National average audience per episode

Four seasons of the Australian *Who Do You Think You Are* have been commissioned (and three already produced) under format licence. The copyright in each of those four seasons is wholly owned by the Australian producers together with the various Australian funding agencies which invested in the productions.

## **2. CONVERGENT TELEVISION: DRAMA FORMATS**

### **2.1 Eligible Drama Formats**

SBS repeats its objection to Screen Australia funding being made available for only two seasons of any given program. SBS considers Screen Australia should adopt a less rigid approach and allow the market place to guide its investment decisions.

### **2.2 Drama minimum licence fees**

SBS refers to its recommendation made in 1.1.1 above.

SBS disagrees that removing the requirement for licence fees to be tied to minimum proportions of the budget will create flexibility for broadcasters and producers to negotiate agreements and help reduce inflationary pressure on production budgets. As set out above, SBS considers the exact opposite to be true.

### **2.3 Broadcasters and development**

SBS believe Screen Australia should retain the flexibility to invest in the development of television drama where appropriate.

Screen Australia could mitigate the risk associated with speculative development investments by requiring matched development funding by a broadcaster (or other market place attachment).

## **3. CONVERGENT TELEVISION: DOCUMENTARY**

### **3.1 Documentary Production Programs**

#### **3.1.1 *National Documentary Program***

SBS supports the continued funding of the National Documentary Program (“**NDP**”) to ensure the production of landmark Australian documentary programs.

SBS considers that specific entry (qualification) guidelines should be developed to ensure projects meet the stated aims of the program; however SBS does not agree that Screen Australia should have

*“...meaningful consultation with the producer during the development and production of programs...”*

Beyond ensuring the program meets the relevant criteria, Screen Australia should not require any degree of editorial consultation or approval.

### **3.1.2 Signature Documentary Program**

Provided the NDP and the General Documentary Fund is officially apportioned in accordance with 3.4 below, SBS has no comment regarding earmarking funds for the Signature Documentary Program.

### **3.2 Documentary licence fees**

SBS supports the introduction of the proposed minimum licence fee thresholds, noting however (as above) that absent a specific index linked increase in SBS' commissioning budgets, a year on year CPI increase is likely to lead to an overall reduction in the number of projects SBS is able to commission.

### **3.3 Documentary Development support**

The availability of Screen Australia documentary development funds is extremely beneficial.

SBS would support Screen Australia requiring broadcaster matched funding to be made available in order to leverage Screen Australia development finance.

### **3.4 Documentary: Funding allocations for broadcasters**

SBS does not support the introduction of a 60% cap and does not agree that an additional source of documentary finance should be made available for pay television broadcasters.

Content on subscription television is currently available to just 30% of Australians. Of the many pay channels available to those 30% subscribers only a handful offer content which would qualify for Screen Australia funding in any case. On that basis SBS fundamentally disagrees that there is any inequity in the long established documentary funding proportions.

SBS considers that priority should be given to fund content which is readily available to all Australians.

The SBS commissioning budget is dependent on the guaranteed availability of 40% of the available documentary funding. The reliance on that 40% informs SBS' ability to:

- (a) forward schedule programming;
- (b) establish time-slots which build audiences;
- (c) put together 'initiatives' to encourage the development and production of certain types of production and to develop and foster emerging talent;
- (d) partner with the State Screen Agencies and international co-production partners on slates of productions;
- (e) assist with the development of projects to ensure they are properly planned and written before cameras roll.

The proposal to replace the nominal funding envelope with the introduction an overall cap on the availability of funds will mean SBS has no guarantee of securing any co-finance for its commissioned programming.

To mitigate the risk of losing out completely, SBS would have no alternative but to vastly over-subscribe to each funding round and with projects which may or may not be fully developed. This will mean real and significant pressure on producers looking to work with SBS. In particular it will put producers at risk of investing time and money in the development of projects, many of which will ultimately be rejected by Screen Australia.

SBS presses for the reintroduction of formal funding envelopes for documentary funding which sees SBS' 40% preserved. SBS considers the following allotments appropriate:

SBS: 40%  
ABC: 40%  
Others: 20%

SBS would propose to ring-fence an annual portion of its General Documentary Fund to commission International projects.

#### **4. ALL MEDIA**

SBS supports Screen Australia's continued support of new media content.

##### **4.1 Ignition Program and the Digital Sandpit**

###### **4.1.1 Ignition**

SBS supports the idea of an "all" and "any" media Ignition Fund. However, that fund should concentrate on the content itself rather than committing itself to platforms.

We do not therefore agree with the proposal that

*"...preference be given to content that does not use television broadcast as its **primary** vehicle for distribution."* (our emphasis).

SBS considers that the fund should be completely platform agnostic.

###### **4.1.2 All Media Fund Generally**

SBS would support a pragmatic and flexible (including with respect to licence fees) approach to investment policies underpinning the both funds.

In our experience, given the experimental nature of projects emanating from funds such as the *Innovation Fund*, they do not always lend themselves to multiple distribution platforms – which is generally a requirement where investment is classified as "equity".

SBS considers it would enhance the creativity of projects if producers were not compelled to identify marketing potential of all projects beyond its initial audience.

Once Screen Australia has had a chance to consider, SBS would welcome an opportunity to discuss these concerns further.

Yours sincerely



**Shaun Brown**  
Managing Director





## Appendix

### Audience Share (5.3)

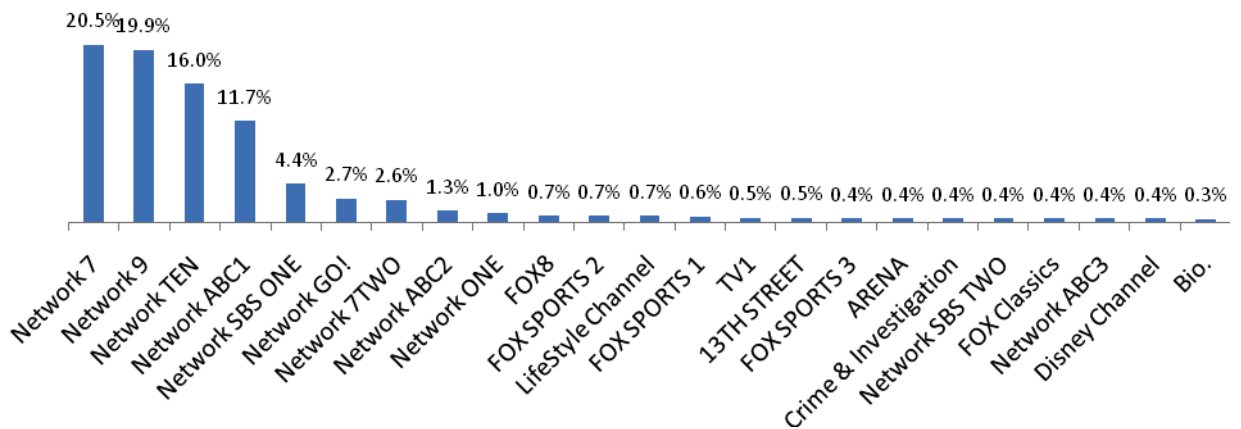
Comparing total share of Subscription TV (STV) to individual Free to Air channel (FTA) shares provides a misleading representation of the Television market. A more accurate description of the market compares either total FTA to total STV or compares all channels individually.

The charts below demonstrate both these approaches.

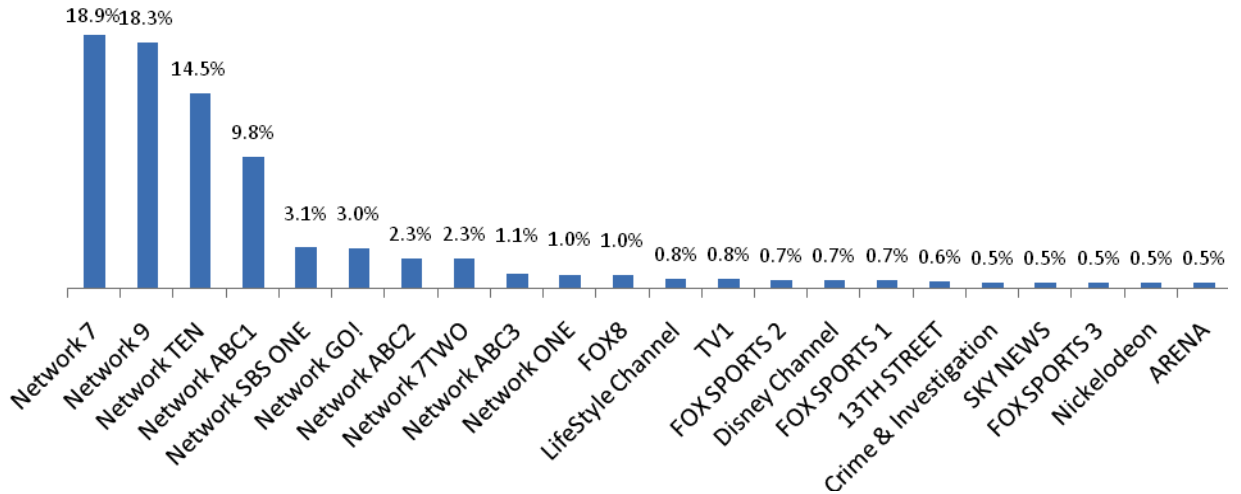
Total STV share will also misrepresent the potential audience share for a given Screen Australia funded production. Funded programs are not run across all STV channels rather they are broadcast on a single channel.

Moreover, channel share does not give a useful representation of the potential for Screen Australia productions as individual programs will not necessarily perform in line with average channel share. The scheduling and marketing commitment of the networks is paramount in delivering audiences to individual programs.

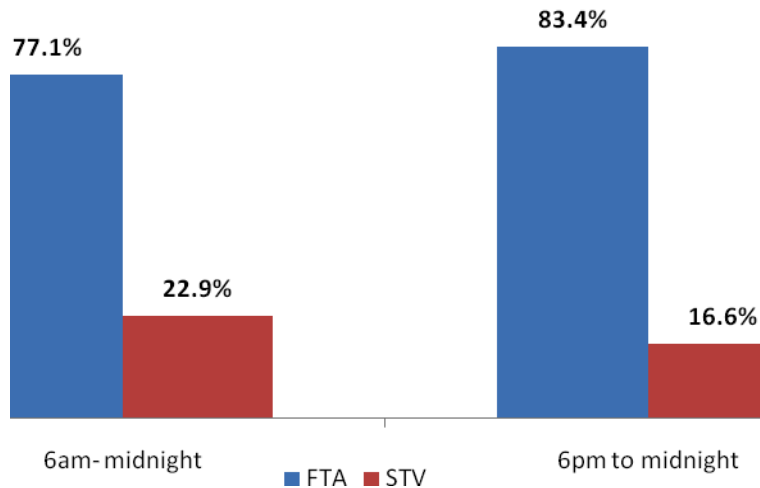
Audience Share across FTA and STV Networks- 6pm to midnight  
Wk 1-26, 2010, 5 City Metro, Consolidated



Audience Share across FTA and STV Networks- 6am to midnight  
Wk 1-26, 2010, 5 City Metro, Consolidated



Audience Share FTA V STV- Total Individuals  
Wk 1-26, 2010, 5 City Metro, Consolidated



### Program Performance

SBS delivers far higher reach per series for documentary than those shown on STV channels. Recently *Who Do You Think You Are Series 3* reached 3.28 million Australians nationally; over 12 times STV's top reaching series *As Australian As* with 258,000 nationally.



### Screen Australia Funded SBS Documentaries

First Run Content & Any Subsequent Repeats  
National Average Audience 000s

Program	Number of individual broadcast instances*	Total Reach (5 min consec)	National Average audience Per Ep	Highest Ep Average Audience
WHO DO YOU THINK YOU ARE? S3 (AUS)	6	3,280	817	960
IMMIGRATION NATION	3	1,684	548	601
SAS: THE SEARCH FOR WARRIORS	2	1,588	713	746
OUTBACK FIGHT CLUB	2	1,176	424	428
HOUSE OF FOOD OBSESSIVES	2	1,051	412	432
MY MUM TALKS TO ALIENS	1	604	360	360
EXTREME CLEANERS	1	557	288	288

Ozta Metro & Regta Metro Combined Agg Markets, Week 27 2010 - Week 5 2011, Consolidated data to week 4, week 5 overnight

Note: Data only from July 2010 as this is first availability of National data (metro+regional combined) due to changes in spill definitions.

### Screen Australia Funded STV Documentaries

First Run Content & Any Subsequent Repeats  
National Average Audience 000s

Program	Number of individual broadcast instances*	Total Reach (5 min consec)	National Average audience Per Ep	Highest Ep Average Audience
AS AUSTRALIAN AS...	33	258	8	19
STORM SURFERS: NEW ZEALAND	8	182	6	22
GALLIPOLI'S DEEP SECRETS	7	174	15	21
FOR VALOUR	7	150	9	23
THE TRAGEDY OF THE MONTEVIDEO / MARU	8	150	11	51
STORM SURFERS	7	117	4	13
1606 AND 1770: A TALE OF TWO DISCOVERIES	4	111	13	18
BLANK CANVAS	6	29	2	5

Ozta National, Week 31 2008 - week 5 2011, Consolidated data week 1 2010 - week 4 2011, week 5 overnight

Note: Dates used are to capture all runs based on titles from funding approvals documentation available.

\* Number of broadcast instances counts all separate episodes and any repeats



## Audience return on investment

There are a number of flaws with the audience return on investment model used in the document.

1. The use of Gross Audience Impressions, (i.e. summing the average audiences) doesn't represent the total viewer exposure of a Screen Australia production. Gross Audience Impressions is a metric used for advertisers to demonstrate number of one minute advertising impacts. It does not indicate the total number of people who have seen a piece of content. A measure of exposure better aligned with the Screen Australia remit is Total Reach of a program or series. This measures the total number of Australians who have viewed the content.
2. The repeat window of 3 months favours STV and disadvantages FTA. Repeats on SBS often deliver significant ratings however they rarely occur within such a short repeat window. The total number of Australians reached by Screen Australia funded programs on FTA is therefore underrepresented.
3. The calculation of return on investment is flawed as it assumes that the total audience outcome is attributable to the Screen Australia funding. Taking this approach to its logical conclusion, Screen Australia gets the greatest return on its investments by making very small contributions to large low-risk commercial productions as demonstrated by the \$15,000 contribution to *Trimbole: The Real Underbelly* in 2008/9. An improved measure would attribute Audience Impressions in proportion to the percentage of total production funding that came from Screen Australia.
4. Using Audience Impressions rather than reach unfairly favours the funding of shorter program lengths. The audience impressions for a one hour and a half hour program may be the same however the one hour program will typically reach more viewers. An approach where the extra cost for a one hour program is divided by Audience Impressions inherently favours shorter programs. Using Reach would provide a fairer measure.