# SUBMISSION

# BY

# THE MEDIA ENTERTAINMENT AND ARTS ALLIANCE

# TO THE

# PRODUCTIVITY COMMISSION
# REVIEW OF BROADCASTING LEGISLATION

**JUNE 1999**

The Alliance welcomes the opportunity to participate in the Productivity Commission's Inquiry into Australia's broadcasting services.

Established in 1992 following the amalgamation of the Australian Journalists Association, Actors Equity and the Australian Theatrical and Amusement Employees Association, the Media Entertainment and Arts Alliance is the industrial and professional organisation representing the people who work in Australia's media and entertainment industries. Our membership includes journalists, artists, photographers, performers, film and television technicians.

This submission focuses on the Broadcasting Services Act's cross media and foreign ownership rules, Australian content regulation and the role of public broadcasters. We refer the Commission to the Alliance's most recent detailed submissions on these areas and will provide copies on request

## 1. CROSS MEDIA RULES

In 1997, the Federal Government abandoned its plan to amend the Broadcasting Services Act's cross media ownership rules in the face of widespread community opposition. In an open letter to Prime Minister John Howard, published in 'The Australian' on May 5 1997, former Prime Minister Malcolm Fraser was joined by over 100 prominent Australians from across the community in declaring that, 'we share a common belief that Australia's media will serve this country best by being as diverse and independent as possible. Whatever difficulties these rules [the cross rules] present, they have worked as a minimum guarantee of diversity in Australia.'

Communications Minister Alston was unable to persuade his parliamentary colleagues of the need for reform. The Backbench Communications Committee chaired by Queensland National MP Paul Neville was critical of the proposal to liberalise the cross media rules and argued that ' further entrenchment of the concentration of media assets concern the Committee greatly'[1].

This opposition is not surprising given the longstanding concern voiced by successive Australian Governments about the dangers of concentration of media ownership.

While there is a range of views on whether the BSA's cross media restrictions should be retained, there is general consensus that the public interest demands access to a diversity of views through the media. The Alliance is unaware of any submission that questioned that fundamental tenet of media policy in this country, namely that diversity of ownership in the media is a desirable outcome.

Central to this inquiry is an assessment of whether the cross media rules impede competition. We believe the reverse to be the case. The likely outcome of scrapping these rules is a reduction in the number of major media owners operating in Australia. The ambitions of the News group, PBL and now Fairfax to extend their media existing interests into cross mediums is a matter of public record.

1 Letter from Backbench Communications Committee to Senator Alston, 5/5/97

Television and newspapers operate in a mature, oligopolistic – and sometimes monopolistic - market where the barriers to entry are high. There is no evidence to suggest the removal of the cross media restrictions will ease market entry for new players .

**Current Rules Encourage Diversity**

The BSA prohibits a controller of a commercial television or radio licence from being in a position to control a company which publishes newspapers in the same market. Control is defined as a 15 per cent or greater share holding.

The objects of the BSA set out the policy rationale underlying these restrictions, namely the encouragement of diversity in the control of the more influential broadcasting services.

While these rules are not perfect, the Alliance maintains that they continue to serve their purpose of preventing further concentration of an already highly concentrated media industry.

The rules have ensured the existence of five major commercial forces in the media: three major print groups, and three commercial television networks, with Mr Kerry Packer's Publishing and Broadcasting having interests in both print and television.

If the cross media rules had not been introduced, the inevitable move toward networking in television and radio would have resulted in News Limited, which already controls over 60 per cent of the newspaper circulation, and PBL, emerging as the dominant duopoly in the industry, each controlling key broadcasting and newspaper properties across the country.

Australian media is already highly concentrated and the cross media rules have undoubtedly maintained the current diversity of ownership and editorial opinion in the media by requiring media companies to make a choice between print and broadcast media.

Coupled with television aggregation in regional areas, and an expansion of the reach of the ABC and SBS, many Australians now have a wider choice of news and entertainment outlets than they did in the 1970s.

Far from being anachronistic, it is the same concern to ensure media diversity which has recently seen the UK Government adopt not dissimilar limits and rules on cross media ownership as have existed in Australia for a decade. The new UK rules were developed after an extensive review process lasting several years in which alternative procedures for maintaining diversity (such as share of voice) were considered but not adopted.

**Cross Rules In Context**

The cross media rules were first proposed in 1985 as an explicit trade-off for allowing the proprietors of television stations to expand their holdings.

Up until 1987, television proprietors could own only two television stations or six radio stations, Australia-wide, whether they be major city services or small country stations. There were no restrictions on ownership of newspapers, television and radio in the same market.

As a result, two of the major media groups - Fairfax and Herald and Weekly Times- had accumulated, over the years, interests in television, newspapers and radio in their respective markets of Sydney and Melbourne.

Regional media companies such as Northern Star, had similarly come to dominate media in some country areas. They had begun in print and had extended into "new" technologies of radio and television as the licences were offered.

Mr Kerry Packer's Nine Network led the push by the television stations to be allowed to expand in order to build national networks.

As a trade-off for being permitted to create national television networks spanning all six capital cities, it was proposed there be strict limits on holding different kinds of media. The cross rules were similar in approach to those still used in the US and recently adopted in the UK.

In other words, television proprietors could control stations reaching up to 75 per cent of the national audience, but they could not own newspapers or radio in the same market. Existing interests were 'grandfathered' but once sold, the new rules were to be complied with.

The new rules saw a major restructuring of the media industry with companies opting to focus their activities through either print or broadcasting.

**TABLE I: Major media groups before 1987**

| **News Corp (Rupert Murdoch)** | **John Fairfax Group (Fairfax family)** | **Consolidated Press (Kerry Packer)** | **Herald & Weekly Times (diverse)** |
|---|---|---|---|
| The Australian | Syd Morning Herald | Ch 9 in Sydney and Melbourne | Melbourne Herald |
| Sydney Telegraph, Mirror | Sydney Sun | Magazines including Bulletin | Melbourne Sun |
| Brisbane Sun | Melbourne Age | Radio 2UE | Brisbane Courier Mail |
| Ch 10 in Sydney and Melbourne | Ch 7 in Sydney and Brisbane | Suburban Newspapers | West Australian<br>Perth Daily News |
| Magazines | Macquarie Radio Network | | Adelaide Advertiser |
| Regional Newspapers | Magazines including BRW | | Ch 7 in Melbourne |
| | Regional and Suburban Newspapers | | Regional and Suburban Newspapers |

**TABLE II: Major Media in 1999**

| **News Corp (Rupert Murdoch)** | **John Fairfax Holdings** | **Publishing and Broadcasting (Kerry Packer)** | **Seven Network (Kerry Stokes)** | **Network Ten (Can West)** |
|---|---|---|---|---|
| The Australian | Sydney Morning Herald | Nine Network | Seven Network | Ten Network |
| Daily Telegraph | Melbourne Age | Magazines | 33% of Skynews | |
| Adelaide Advertiser | Financial Review | Suburban News papers | *Stokes also owns Canb Times | |
| Brisbane Courier Mail | Magazines | 14.9% of Fairfax | | |
| Melbourne Herald Sun | Suburban Newspapers | | | |
| Tasmanian Mercury | | | | |
| NT News | | | | |
| 25% of Foxtel | | | | |
| 33% of Skynews | | | | |
| Magazines | | | | |
| Suburban and Regional Newspapers | | 25% partner in Foxtel<br>33% in Skynews | Holds $30M shares in Optus | |

**Note PBL holds a controlling interest in John Fairfax Trust which holds a 14.9% share holding in John Fairfax Holdings.**

**The No Case**
Advocates of liberalising the cross rules present the following arguments:

- **Convergence of technology makes cross media rules anachronistic and will lead to artificial barriers between services.**

There is no evidence to support this argument. International experience shows there are few synergies between print media and broadcast media.

Television news and current affairs is picture orientated, driven by its complex logistic demands, focused at a number of news windows throughout the day, with the content usually packaged in a highly formatted form covering a strictly limited number of stories.

Radio news is highly perishable, based on actuality with critical time lines to be met virtually through the hour.

Print has a far more expansive agenda, at its core a text based service which operates on a 24 hour news cycle.

As any working journalist will attest, the ‘news cultures’ of the three media just do not make them compatible for integration other than for cross promotion.

In terms of on line product there is not any evidence that structural separation of print and broadcast media is impeding the development of online products.
In Australia, PBL, News and Fairfax have all secured a top five position among local Internet sites without any claim their Internet strategies were being inhibited by the lack of cross media product and distribution. As with the US the trend is towards flexible joint venture arrangements to bring together relevant product and marketing resources. The CBS venture with AOL and Fox’s partnership with Yahoo are two recent examples.

- **New technology has led or will lead to a blossoming of new services which will automatically result in greater diversity of content and which therefore make the cross media rules unnecessary**

Despite the claims in 1997 by opponents of cross media restrictions that the burgeoning of new services have rendered the cross rules redundant , two years on four content houses continue to dominate the traditional and new media markets: Fairfax, PBL, News and the ABC. With each able to effectively squeeze new players out of the market by zero pricing their on line content there is no sign that change is imminent.

While the web has created a new distribution system – removing some of the start up costs associated with printing and delivery of print products – it is clear that there remains a significant bottleneck around content. The opening up of distribution has made content the key resource and has placed the major media groups in a commanding position on the net.

Just as the Government has taken a view it is against public policy to allow a consolidation of the four major finance houses so to it would be against the public interest to allow the big four content houses to be further concentrated.

In the Alliance’s view it is just too early to judge whether in the long term the emerging new services will deliver greater diversity of content. To date the evidence suggests most of the ‘news’ content of on-line services is being supplied by the traditional media which is effectively cross subsidising its new media operations by not internally charging its new media divisions .

On MEAA's estimate there are only a limited number of journalists, Australia wide, who are generating original on-line news services. Similarly there are no journalists employed that MEAA is aware of who directly supply copy for any Pay TV news service, with the entire local feed for SkyNews coming from material already shot for the commercial networks.

This compares with an estimated 10,000 journalists working in the traditional mass market media.

The reality is the existing media groups in league with the two major telecommunications companies - Telstra and Optus - are dominating virtually every form of new service.

**The Dominance of traditional media is in decline.**

At the same time the circulation and audience reach data shows newspapers and television remain the dominant media though which people gain virtually all their information on political, social and economic life in Australia.

Television, radio and newspapers account for 94 per cent of consumers' media time with on line services accounting on average for 1 per cent of 'media time.'

While in recent years the pick-up rate of domestic Internet usage has increased and these services may one day assume a greater influence in our society, the household base of Internet capable PCs is a quarter of the reach of TV.

**TABLE III: Penetration of traditional media and new technology into homes**

| | |
|---|---|
| Homes with television | 98% (1) |
| Readership of daily newspapers | 13.44 million (2) |
| Homes connected to pay TV | 840,000 (12.3% of households) (3) |
| Homes with internet access | .9 million (4) |
| People who have used the Internet from home in the past 12 months | 1.038 million (5) |

Sources:

1. CEASA 1998
2. Roy Morgan Readership Survey 1998
3. Aust Pay TV News
4. ABS Household Use of Information Technology, Feb 1998
5. Ibid

It is indisputable that for the foreseeable future, Australians will rely on the five commercial media groups and the ABC for virtually all their news.

**Free to air**

Since 1992, the Australian Broadcasting Authority has issued only two new television licences. Packer's NTD8 attempted to block the issuing of a second licence for Darwin through appeals to the Federal Court.

The Government has ruled out using the sixth high powered television frequency in the major capitals for a fourth commercial network, and by doing so has spared the three major television groups from facing increased competition in their existing markets.

Last year's decision warmly greeted by FACTS and SEVEN, TEN and PBL, to extend the embargo on additional commercial licenses until 2008 provides yet another example of the industry's lack of sincerity in its calls for deregulation.

Whatever merits there may have been to ease the crossmedia restrictions, the embargo on any free to air channels until at least 2008 makes it now far more problematic to relax the cross media rules.

With no opportunity for new players in the broadcast industry, it is, in our submission, inconceivable the Government should now consider the further concentration and consolidation of media ownership, which would flow from allowing these now protected broadcasters to merge with local print interests.

**Digital conversion**

In the US it is proposed that these new channels be auctioned off with limits on the number of channels existing players can control.

In Australia, the networks argue they should automatically be given the extra channels.

If the industry is consistent in its call for deregulation because of technological change it would also accept the introduction of other new services which are now available through this technology. This is not the case.

**Pay television**

The clear trend emerging in Australia is for existing media companies - in partnership with the two telecommunications companies - to dominate pay TV.

Unlike the US, which put in place strict cross ownership rules to prevent the television networks, production houses and telephone companies from controlling its cable industry, Australia introduced pay TV in a virtual policy vacuum. This has led to further concentration of media ownership and a wasted chance to break down concentration.

**Broadband services and the Internet**

The Internet by its global nature will be difficult for any one player to dominate in terms of content. Both Fairfax and News Ltd are already running successful web sites and have invested heavily in on-line classifieds. The cross media rules are proving no barrier!

If there is one key public policy issue, it is to ensure continued access to bandwidth. Telstra has been woefully slow in providing affordable ISDN capacity with Australia's residential ISDN prices up to 50 per cent higher than the US. Telstra has also been slow to roll out digital compression technologies and Australia's local call prices remain among the highest in the world.

At the same time Telstra is threatening to use its market power over broadband cable distribution to squeeze content providers looking to develop broadband content.

The recent rush to secure cable access in the US underlines the critical importance of an open access regime to cable for broadband products.

At the same time News and PBL already have a major stake in the key pay TV operator, Foxtel. In conjunction with the other major shareholder of Foxtel, Telstra, News and PBL are now in the box seat to control access to new broadband interactive services.

This is likely to have far reaching effects on the content and control of new interactive services such as home shopping, gambling, home education and information.

With ownership of the broadband delivery system already under control of the two carriers in league with News and PBL, it is absolutely critical other competitors who wish to use these networks can genuinely gain access without discrimination.

The prospect of content companies being arbitrarily denied access to the broadband system is a very real one as the decision by News in 1996 to exclude the joint ABC/Fairfax pay TV news service showed.

This will require a robust access regime similar to that developed to ensure telephony interconnection for Optus.

In the Alliance’s view a robust independent access regime is essential for the broadband system to ensure free flow of content. This regime should be independently managed by a government regulator and should have the specific goal of maximising diversity. If an appropriate access regime is not established, then the Government should move to impose a strict 15 per cent cross media limits on carrier interests in major newspapers, free to air and pay television and radio and vice versa, with existing interests to be grandfather.

**Radio**

Calls for radio to be exempted from the cross media rules seek to deny the simple fact that radio continues to be a key source of news and opinion.

Radio is a critical medium to deliver localism in an era where television is increasingly networked. To allow a relaxation of the cross media rules for radio would be to invite a repeat of the situation which had developed up to the mid 1980s when many regional areas had their entire local media controlled by the one company.

Over the last decade there has been enormous rationalisation of news operations in the radio industry where today there is one dominant radio news service - the SKY operation associated with radio 2UE and 3AW.

With the ABC radio budget cut backs reducing many regional services there is a critical need to maintain a diversity of ownership in regional areas.

While there has been an increase in the number of stations from 138 to 170, most of these have been supplementary stations At the same time the number of owners of radio has been cut by 36 per cent according to research by the Communications Law Centre. The same figures show that 75 percent of licences are now operated as part of major networks.

Radio ownership has already been significantly liberalised to ensure it has an appropriate economic base.

With news sources already so concentrated within the industry any weakening of the cross media laws would risk virtually all of the major sources of commercial radio news and current affairs being controlled by the same media groups which already dominate the print and newspaper industry.

**THE INDUSTRY BOOMS**

The media companies argue that the cross media rules are impeding investment in new services. These arguments should be viewed with deep suspicion and are not borne out by the facts.

Investment in the industry is booming with huge capital expenditure being spent on new cable and wireless delivery systems, new highly automated printing facilities, full electronic pagination systems, large scale expansion of television and film production plant.

In addition, there is strong investment in online content and applications with Australia well recognised as a leading web development centre.

Rather than the sector being impeded by the cross media rules, the evidence is that shareholder value in the sector has been surging with the accumulated media index for the ASX rising well over 160 per cent over the last four years, well in advance of the main All Ordinaries index.

**EDITORIAL DEMOCRACY**

The challenge of editorial democracy is how to separate the power of a proprietor from the editorial process, that is, the preparation of news and comment for publication, broadcast or other form of distribution. Senior journalist, Michelle Grattan's articles, '*Editorial Independence: An Outdated Concept*?' and '*Does the PM take us all for Mugs'* provides a useful insight into the tension between the editorial and commercial interests within newspapers. See Attachment 1.

Australia has a long history of struggle between proprietors and journalists over the integrity of news and current affairs.

These struggles are an important component of the affirmation of the independence of the work of journalists and have, rightly, attracted a great deal of publicity and comment.

However, the mere existence of the struggle should not be used to justify the claim that the editorial process has somehow been captured by journalists.

Rather the continuing relevance of the principles of editorial democracy and the fact that they are constantly being fought over, is compelling evidence that, at the end of the day, power and control rests with the owners.

Most of the debate in Australia has been around the ability of working journalists to impose a Code of Ethics on themselves.

This important system of self-regulation was first adopted nationally by the then-Australian Journalists Association in 1944. The AJA Section of the Alliance has been going through a fundamental review of the Code and, in January this year, adopted a new Code to meet the pressures of the nineties. A copy of this Code is attached at Attachment 2.

It is important to remember that the existence of this Code has not been uncontested.

In the 1940s, the Australian Consolidated Press group -- then one of the major newspaper publishers -- fought the Code through the courts in a rejection of the right of journalists to take on responsibilities other than those imposed by their employers.

This was rejected by the courts which upheld the right of the AJA to have such a Code and related enforcement provisions in its Rules.

More recently, various media companies have attempted to impose their own Code of Conduct which seeks to supplant the independent AJA Code.

This has regenerated conflict over the right of journalists to adhere to a self-imposed system of regulation, rather than simply bow to the dictates of the employers.

However, the fact that this fight is being re-fought in the nineties shows how ludicrous is the claim that journalists are now in control.

For example, in 1996 the Herald & Weekly Times sought to rely on the management Code to dismiss a journalist for conduct outside working hours. While this was successfully resisted industrially, it clearly demonstrates that management codes left unchallenged seriously undermine the independence of journalism.

The AJA Code is also, of course, only binding on members of the AJA section of the Alliance. From the 1940s until the 1990s this was not a significant caveat as virtually all working journalists were and were expected to be members of the association.

Over the past five years, there has been a major campaign by leading employers to encourage journalists to leave the association and sign individual contracts. While only a limited minority have done so, it has perforce weakened the ability of journalists to self-regulate the practice of journalism.

Editors and editorial managers are also not covered by the Code.

Government policy has also cut across the ability of journalists to regulate their own work.

From the earliest industrial awards until now, journalists have had the right to refuse to have their name associated with the publication of any material they had been directed to perform.

This provided a de facto limited moral right in works created and was an important protection against unscrupulous editors or managers. However, it is being removed from most industrial awards under the Federal Government’s program to limit awards to 20 matters.

While some publishers have agreed to have these provisions included in certified agreements, other employers are refusing to countenance what they see as an infringement of management’s prerogative.

Finally, over the past 15 years, journalists have been attempting to strengthen the independence of journalism through charters of editorial independence.

Journalists don't want newspapers run by collectives. Journalists want strong and independent editors. Yet the pattern of ownership means that strong, independent editors are rare and too-often short lived. With the best will in the world, any editor knows he or she exists at the whim of the proprietor. And he or she knows that any future career within management or on another paper depends on the good will of the company.

At the centre of the discussion over editorial charters, then, is the question of how to guarantee the independence of editors.

This in itself poses two problems, First, how to protect the editors who clash with their proprietors. And second, how to protect the journalists -- and the community -- from editors who are pliant creatures of the proprietor.

It has to be said that the campaign for editorial charters has had only limited success in these aims.

Charters currently only exist within the Fairfax group where they have been more a domain for contested struggle rather than an accepted set of guidelines. Other media companies have refused to countenance them.

In conclusion, then, it is clear that the various means for underpinning the independence of journalism are under attack. Rather than seeing increasing recognition of the rights of journalists, we see employers increasingly attempting to wind back those rights that journalists have historically enjoyed and to withdraw recognition from the rights of journalists to regulate themselves.

## CHANGES TO THE CROSS MEDIA RULES

The Alliance supports calls for media regulation to be based on clearly defined and consistent rules with minimum discretion to avoid the politicisation of media policy and to ensure compliance.

The current cross media rules satisfy these conditions and any move to a more subjective test such as a "share of voices" test should be strongly avoided.

Such a test would involve the Government in constant micro-management of the industry as well as leaving the Government to make valued judgments about relative media influence.

MEAA notes the UK Government has abandoned its plan to use such a test because of the complexities involved and has now adopted rules not dissimilar to Australia's after extensive review and consultation.

MEAA believes the Australian Broadcasting Authority continues to be the appropriate regulator for media specific regulation.

Options to give the ACCC jurisdiction over media regulation would still require the ACCC to regulate on an industry specific basis, with the current Trade Practices Act not capable of ensuring diversity of opinion.

Such a shift would then represent a shuffle of the regulators and would almost certainly require the ACCC to make subjective judgments about the national interest.

Any proposal to amend the cross media restrictions should be judged according to one single criteria: will it increase media diversity?

It is our strong submission, based on our detailed working knowledge of the industry across the country, that any move to weaken the current rules will diminish diversity by establishing the conditions for a media duopoly. This would leave Australia hostage to narrow sectional and commercial interest.

## 2. FOREIGN OWNERSHIP

The Broadcasting Services Act imposes limits on the foreign ownership of commercial free to air and pay television service.

The BSA prohibits foreign control of a commercial television licence. Two or more foreign persons must not have company interests exceeding 20 per cent of a company holding a commercial TV broadcasting licence. An individual is restricted to a maximum 15 per cent interest.

While the BSA does not restrict foreign control of a subscription TV licence, ownership limits apply namely - 35 per cent in the case of two or more persons or 20 per cent in the case of an individual.

The BSA imposes no foreign ownership or control restrictions on radio or any other media.

All media assets valued at $5 million or more are subject to the Foreign Acquisitions and Takeovers Act which empowers the Treasurer to examine proposals for take overs of Australian business.

In addition to the general provisions of the FATA detailed guidelines exist in relation to the print media.

Much of Australia's media is already foreign controlled as a result of ad hoc decisions in the past. News was permitted to take over the Herald & Weekly Times, CanWest has been permitted to take a 57.5 per cent stake of the Ten network and the O'Reilly group has been allowed to buy 50 per cent of one of the largest regional publishers.

After careful consideration the Alliance has reluctantly come to the conclusion that while an Australian owned media remains preferable, this objective has been largely undermined and will be difficult to pursue unless the Government is prepared to consider divestment. It will be increasingly difficult as media and telecommunication services become more globalised.

The far more pressing problem in Australia is media concentration. It is our view that there is room to explore the liberalisation of foreign ownership restrictions if, after careful analysis, it is established that these rules limit diversity.

Retention of editorial independence and local content rules are essential.

This relaxation would have to be on the condition foreign investors commit to enforceable charters of editorial independence for their Australian titles and on the continuation of the local content television quotas.

To argue that foreign ownership limits should be retained, but the content rules weakened, is both contradictory and self serving.

The forthcoming round of multilateral services trade negotiations cannot be ignored in the context of any decision to liberalise the BSA's restrictions on foreign ownership. Before any concession is granted Australia must secure the ability to maintain and amend domestic legislation regulating Australian content and any other measures designed to encourage local cultural activity.

## 3. AUSTRALIAN CONTENT

Television was introduced to Australia in 1956. Recognising the impact the medium would have on the cultural health of the nation the Coalition Government of the time, moved to quarantine space for Australian programming by introducing the Australian Content Standard in 1961.

Since its introduction the Standard has been progressively strengthened, most recently with the transmission quota being raised from 50 per cent to 55 per cent. Regularly reviewed and revised, the Content Standard, although arguably a blunt instrument, has nonetheless served Australia well, guaranteeing the community access to Australian programs.

Australian content regulation has enjoyed bi-partisan support since its introduction. In announcing the introduction of Digital Terrestrial Television Broadcasting in March 1998 Communications Minister Alston reaffirmed his Government's support: 'The current stringent local content requirements which apply to analog commercial FTAs [free-to-air broadcasters] will continue to apply to the digital environment.'

### Why regulate for Australian content

The influence of television within the Australian community is well documented. Australians watch on average over three hours per day. See Attachment 3.

The influence of television in shaping a nation's cultural identity is commonly cited as a key justification for legislative intervention: '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 Australian cultural identity…It is intended [in making an Australian content standard under section 122] that commercial television broadcasters broadcast Australian programming which reflects the multicultural nature of Australia's population, promotes Australian cultural identity and facilitates the development of the local production industry'[2].

In an address to the Screen Producers Association of Australia Conference in 1997, Communications Minister Alston noted: 'Continuing government support is essential to achieve the Government's cultural objectives and to maintain a sustainable, internationally regarded industry. An appropriate regulatory framework is required to enable Australian audiences to have access to Australian film and television product'[3].

Senator Alston went on to say, 'While international recognition is important, we must never lose sight of the importance of this industry to Australia - especially to the future of Australia on both the cultural and economic fronts.'

This commitment was restated in the 1998-9 Budget: 'Our vision is that Australia, as it moves into the 21st Century, will continue to develop world-class communications and cultural sectors that will build on the creativity of our people and the opportunities provided by new technologies, to enrich the economic, social and cultural well being of all Australians'[4].

**The Economics of Programming**

Australia is not alone in regulating for local content.

With the notable exceptions of the USA and India, government intervention has been required to deliver to audiences access to reasonable levels of domestic programming. The regulations mandating local programming that apply in a number of European countries and Canada are summarised at Attachment 3.

The cost differential between imported and local programming means that audience preference alone is not sufficient to deliver reasonable levels of Australian product.

This price differential is not a function of the cost of production. Australian production costs compare favourably with those of other English speaking countries. The competitive structure of the Australian production industry explains the unprecedented levels of foreign production that has relocated to Australia in recent years.

Rather this differential is explained by the structure of the television market evidenced throughout the world, where producers seek to recoup production costs in the home market and on sell into foreign markets for a fraction of the production budget.

As recognised by the ABA the phenomena that dictates that foreign programming is cheaper than its domestic equivalent is not a peculiar to Australia:

> 'In the USA, drama programs typically cost $US1.2 million per hour to produce. There programs are sold to US networks for $US800,000 per hour,

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[2] DOCITA, Submission No. 32, p2, to the Senate Inquiry quoting Explanatory Memorandum to *Broadcasting Services Bill, 1992*.

[3] Senator Richard Alston, Minister for Communications and the Arts, Keynote Address to the November 1997 Screeen Producers of Australian Association Conference.

[4] Communications and the Arts Portfolio May 1998 p9, Portfolio Budget Statements 1998-9.

> and subsequently sold around the world at whatever price the secondary market will stand. This can be as little as a few hundred dollars… a top-rating US drama still only costs Australian broadcasters $A30,000 to $70,000 an hour. This far less than the price broadcasters must pay for Australian drama programs. These range from a relatively low cost for series and serial (approximately $50,000 to $200,000 per hour) to considerably higher licence fees (approximately $200,000 to $400,000 per hour) for adult telemovies and mini-series...'[5]

While in recent years, the proportion of production costs covered by the licence fee paid by Australian FTA broadcasters has declined, it remains the case that foreign product can be purchased for a fraction of its imported equivalent.

In the report on Commonwealth Assistance to the Film Industry in 1997, David Gonski noted that: 'in a deregulated environment commercial broadcasters would seek to invest in product that would attract the highest audiences at the lowest cost. Government involvement in television broadcasting is therefore required to ensure that Australian audiences have access to the diverse slate of programming considered necessary to achieve its cultural objectives'[6].

Gonski, while noting that the popularity of Australian programming would ensure that a level of Australian drama would continue to find its way onto FTA commercial services, argued that 'it is likely to be restricted to low cost series and serials'[7].

**Broadcaster compliance with the Standard**

The FTA broadcasters consistently comply with the overall level of Australian content required by the transmission quota. This is, however, not always the case for programs governed by sub-quotas - drama and children's programs. See for example Attachments 6 and 7.

That commercial free-to-air television broadcasters rarely exceed the minimum required level of Australian content for programs at the expensive end of the range - drama and children's programs - indicates a preparedness to do only the minimum required by regulation.

**Expenditure on Australian Programming in decline**

Since 1990 there has been a steady decline in expenditure on Australian drama.

The following trends emerge:

- expenditure on Australian children's and drama programs has steadily declined: from $127.5 million in 1990-91 to $91.8 million in 1996-97, dropping as low as $85.2 million in

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[5] Australian Boradcasting Authority, *Review of the Australian Content Standard* - Discussion Paper, July 1998, p22.
[6] *Review of Commonwealth Assistance ot the Film Industry*, David Gonski, January 1997, p19.
[7] Ibid, p6.

1994-95 after which time sketch comedy was included in the definition of drama for the first time[8]

- expenditure on overseas programs has increased overall, although the pattern has not been as even as has been the downturn on expenditure on Australian programs: from $177.3 million in 1991-92 to $214.9 million in 1996-97[9]
- the balance of payments in respect of television programs has seen an absolutely steady year to year increase in export dollars earned by Australian programs selling into international markets - from $35 million 1991-92 to $91 million in 1995-96 - sitting alongside an equally steady increase in purchase of overseas programs - from $239 million in 1991-92 to $302 million in 1995-96[10]
- the licence fees paid by Australian broadcasters have either stayed static at levels of a decade ago or, in some cases, have dropped below levels paid a decade ago.

**Alternatives to Australian content regulation**

- **Direct Subsidy**

The Alliance understands that the Commission is considering enhanced government subsidy for film and television as an alternative to a mandatory Australian Content Standard for sub-quota programming - drama, children's programs and documentary.

Currently, the Australian Government provides a little over $100 million to the Australian production industry by way of direct subsidy. The commercial broadcasters spent approximately $92 million in 1996-97 on acquiring Australian drama and children's programs, under 4 per cent of the total revenue for the 47 commercial licensees.

New Zealand, a country that has opted for subsidy as the sole mechanism to deliver local content has distressingly low and falling levels of local content.

In the NZ On Air 1998 Local Content Report, released in 1999, the Chair, David Beatson, said:

'New Zealand has a remarkably low level of locally produced programming by world standards. Our total local hours hover at around 24 per cent compared to over 55 per cent in Australia, 60 per cent in Canada, over 85 per cent in Britain and 95 per cent in the United States. . .

'Our latest survey shows an overall increase in local content from 21 per cent to 24 per cent in 1998. While this is, on the surface, a positive result, the increase is primarily due to more news, coverage of the Commonwealth Games and more repeats. Four years ago, repeats comprised 16 per cent of total hours; in 1998, the repeat level was 26 per cent'.

The report noted the following trends:

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8 Refer to Attachment 9, Program Expenditure by Australian Commercial Fre-to-air Television Services.

9 Refer to Attachment 9, Program Expenditure by Australian Commercial Free-to air Television Sercices.

10 Refer to Attachment 9, Australian Balance of Payments Television Programs.

- first run children's programming dropped consistently for four consecutive years;
- increasing emphasis on repeated and semi-infomercial programmes
- decline in expensive and/or high risk programming
- increase in cheaper programming often with little New Zealand resonance
- decline in documentaries of substance, current affairs, drama and children's programming

- **Broaden the definition of an Australian Program**

Some broadcasters argue that Australian content regulations should be relaxed to allow the production of programs that would be more attractive to overseas markets, thus enabling the cost of production to be offset by overseas sales and reduce the level of licence payable by Australian broadcasters.

With *Water Rats* now sold to more countries than any other television program in the world - 180 in total - arguments that relaxing content regulations would make Australian programs more attractive to overseas audiences are clearly not sustainable. It is however true that the international success of programs such as *Neighbours* has already meant that Australian broadcasters are no longer prepared to pay the full cost of production.

The Standard defines an Australian program as one which is 'produced under the creative control of Australians who ensure an Australian perspective.' An Australian perspective is deemed to exist if a minimal Australian creative elements as prescribed by the Standard are utilised. This creative elements tests can hardly be described as onerous. A program may qualify as Australian notwithstanding the use of significant foreign elements. For example, a drama written and co produced by non-Australians, with only 50 per cent of the leading cast being Australian and the copyright in the program being owned by a foreign person and or company will qualify as Australian quota.

The Alliance argues that any further liberalisation of the definition of a qualifying Australian program could jeopardise the cultural objective of the Standard namely delivering identifiably Australian programming to local audiences.

**New media competitors not subject to same rules**

Free-to-air broadcasters argue they will be disadvantaged in the emerging digital environment by carrying a level of regulatory intervention not implemented in other communication media.

The Alliance is of the view that the Internet poses no challenge to free-to-air broadcasters: the Internet is being used a communication tool in ways that are distinctly different to free-to-air broadcasting.

Currently, Australians primarily access the Internet for business, research or study purposes. See attachment 9. That it is not widely used as an entertainment medium is supported by assessments, as yet untested, that Internet use has not impacted adversely on viewing audiences for free-to-air television.

Three years ago, it seemed the Internet might offer an alternative platform for sitcoms and seemed set to compete with television series. In June 1996, there were two American so-called "bit-coms" - sitcoms for cyberspace - on the Internet. By September the same year, the number had jumped to 76, the month in which Australia's first Internet sitcom, *Friday's Beach*, was launched on the MSN network[11].

From the outset, the limitations of the technology that prevent full motion image in grabs of longer than a minute or so, impeded its viewer take-up rate. More importantly, however, it appears that audiences have turned to the Internet for information, infotainment and games rather than for entertainment in the form offered by television drama. The Internet is principally being used to save time rather than pass the time.

*Friday's Beach* folded after one series and was taken off the Internet after one repeat. The experience has been the same in the United States with most if not all bitcoms/sitcoms folding.

Similarly, and despite the high penetration rate of CD Rom drives in Australia - currently 3.7 million, up more than 300 per cent since 1995, the future seems to be narrowing to a focus on interactive games. Businesses have found that the Internet provides a more effective communication medium because of the ability to easily update information. However, CD Roms still have some application where there is a need for full motion image.

## 4. PUBLIC BROADCASTERS

The Alliance understands that the Commission is considering whether the ABC and SBS might be better placed than the commercial FTA broadcasters to deliver the Government's cultural objectives in terms of Australian content

We are of the view that quarantining the Australian content obligations to the public broadcasters is at odds with the cultural policy objective of the BSA, namely the promotion of the role of broadcasting services in developing and reflecting a sense of Australian identity, character and cultural diversity.

Any move to off load the commercial network's Australian content obligations onto the ABC and SBS would result in an unsustainable and unjust burden being transferred from the private sector to the public sector. Without dramatically enhanced subsidy, the public broadcasters could not possibly produce or acquire the level of domestically sourced output currently airing on the commercial networks.

The ABC and the SBS were established by Government with different charters. In respect of the ABC, the charter is to provide a comprehensive broadcasting service. In respect of SBS, the charter is to serve the specific and diverse needs of a multicultural nation.

Both, by virtue of not being tied to the needs of advertisers, have the profound advantage [and concomitant responsibility] of being able to challenge what broadcasting means. They are able to take programming risks that the commercial sector find unacceptable.

Programs pioneered by the public broadcasters have regularly been purchased, once their viability has been established, by the commercial sector. From documentary programs such as

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[11] *The Performer in New Media, Selected Conference Papers, September 1996,* Media Entertainment and Arts Alliance, 1996, Performance for the Future, Martin Cooper, p74.

the science program, *Beyond 2000* to comedy programs such as *Good News Week* and *Mother and Son* and drama programs such as *Come In Spinner* and *Newspaper Man*, once roadtested by the public broadcaster, they have gone on to become mainstream fodder.

The ABC pioneered quality news and current affairs with programs such as *This Day Tonight* and *Four Corners*. Years later, *The Sunday Program* is as much an institution as *The 7.30 Report*. This level of risk taking accepted by the ABC is not confined to Australian programming. For instance, commercial networks are now capitalising on the audience created by the ABC for overseas drama programs such as *The Bill* and *Heartbeat.*

Consistently, the ABC, and now joined by SBS (particularly through the work of its production arm, SBSI). has been at the leading edge of television drama - *Phoenix, Janus, Wildside, Brides of Christ* to name but a few.

The role of the ABC - required as it is to deliver a comprehensive service - cannot be underestimated in any assessment of the performance of the commercial sector. The ABC has been able to take programming forward - taking the burden of risk that the commercial sector finds unsustainable. It has been fundamental to the success of Australian drama produced for commercial television.

While the Alliance understands that an examination of the ABC itself is not within the terms of reference of this Inquiry, it is not possible to consider the performance of the commercial sector nor the need for regulation of Australian content in the commercial sector without reference to the ABC.

As indicated above, the Alliance believes that a strong ABC is an important and irreplaceable plank in the delivery of the Government's objectives in broadcasting. As the Mansfield Inquiry made clear, the ABC is highly valued by the Australian community. Public interest in the Inquiry was unparalleled with Mansfield receiving over 10,000 submissions, the vast majority strongly supporting the ABC.

In the current debate fuelled by the report by the Victorian Economic Development Committee into the ABC, it is important that the role of the ABC not be confused with whether there are management issues within the ABC that need to be addressed. The Alliance believes that there may well be inefficiencies, especially in the management of the organisation, that need attention. Indeed, if there was an inadequacy in the Mansfield Report it is likely that concerns about the very survival of the organisation deflected attention from managerial issues that should have been interrogated. Notwithstanding the fact that the management of the ABC could be reviewed, any cost savings that could be found should not result in a downsizing of subsidy to the ABC but to a reallocation of resources.

## Attachment 3

## Content Regulation in Countries Other Than Australia

### Europe

The European Council directive ‘Television without Frontiers’ of 1989 (Directive 89/552/EEC) requires a majority of transmission time to be reserved for European programs and at least 10% to be reserved for European work produced by independent producers. The Directive also enables member states to mandate additional provisions providing such provisions do not conflict with the Directive. Additional provisions may be more proscriptive than the Directive but not less proscriptive.

**United Kingdom**: Non-European programs cannot exceed 50% of broadcast time. For Channel 3 (Independent Television Commission) 65 % of programs, including repeats, must be originally commissioned rather than acquired by the channel. The Channel 3 licence also specifies sub-quotas according to program type. Channel 3 and 4 must devote a majority of their transmission time to European material, including 25% being independently produced.*

**France**: 50% of prime time (6pm to 11pm each day and 2pm to 6pm on Wednesday) must be original French language works and an additional 10% must be works from European countries.

**Italy**: At least 50% of all movies screened must be European, of which half must be Italian.

**Spain**: 51% of transmission time must European programs of which 50% must be in Spanish or one of the other official languages of Spain.

**Denmark**: At least 50% of programs must be of Nordic origin.

**Canada:** 60% of total transmission time must be Canadian programming. Additionally, public licensees must broadcast 60% Canadian content during prime time (6pm to midnight) and private licensees, 50%.

Source: Franco Papandrea 1997, ‘Cultural Regulation of Australian Television Programs’, Bureau of Transport and Communications Economics, AGPS Canberra.

* Prior to the introduction of the Directive, British quota was 86%. Since the introduction of the Directive, an implicit uncodified 86% British quota has continued.

## Attachment 4

### Television Audiences in Australia

The following information and tables have been sourced from *Get the Picture*, 1998, Australian Film Commission, pages 209-215 which relies on data provided by ACNeilson *TV Trends 1998*

Average daily television viewing of people in various age groups, metropolitan markets:

| | **1991** | **1995** | **1997** |
|---|---|---|---|
| Children 5-12 | 2 hr 39 min | 2 hr 33 min | 2 hr 31 min |
| Teens 13-17 | 2 hr 44 min | 2 hr 34 min | 2 hr 40 min |
| People 16-24 | 2 hr 46 min | 2 hr 24 min | 2 hr 23 min |
| People 25-39 | 3 hr 11 min | 3 hr 11 min | 3 hr 4 min |
| People 40-54 | 3 hr 2 min | 3 hr 17 min | 3 hr 20 min |
| People 55+ | 4 hr 21 min | 4 hr 24 min | 4 hr 24 min |
| All people | 3 hr 13 min | 3 hr 13 min | 3 hr 13 min |

The amount of television watched by Australians - 3 hours and 13 minutes each day, on average - has remained the same since 1991. On average women, except in 13-17 age bracket, watch slightly more than men and people over 55 are heavier viewers than other age groups.

## Attachment 4 continued

### Viewing Habits

The most popular time for television viewing in 1997 was between 7 pm and 9 pm when at least one television was turned on in more than 60% of households.

| Time of day | | Percentage of households with at least one television turned on |
|---|---|---|
| Morning | 6 - 7 | 6% |
| | 7-8 | 13% |
| | 8-9 | 15% |
| | 9-10 | 14% |
| | 10-11 | 13% |
| | 11-12 | 14% |
| Afternoon | 12-1 | 19% |
| | 1-2 | 22% |
| | 2-3 | 22% |
| | 3-4 | 22% |
| | 4-5 | 27% |
| Evening | 5-6 | 41% |
| | 6-7 | 57% |
| | 7-8 | 63% |
| | 8-9 | 64% |
| | 9-10 | 59% |
| | 10-11 | 45% |
| | 11-12 | 25% |

### Television sets

Proportions of Australian homes with television sets, metropolitan and regional markets

| | **1997** | | **1998** | |
|---|---|---|---|---|
| | **Metro** | **Regional** | **Metro** | **Regional** |
| One set | 42% | 45% | 42% | 46% |
| Two or more sets | 58% | 55% | 58% | 54% |
| Av. no per household | 1.8 | 1.7 | n/a | n/a |

**Attachment 4Continued**

**Australians Use of Leisure Time**

In February 1994 the Australian Bureau of Statistics published the results of the first nation-wide Time Use Survey in Australia which was conducted in 1992.

It revealed that Australians spent more time watching television and videos than any other cultural or leisure activity.

| **Activity** | **Average Time Spent Per Day in Minutes** |
|---|---|
| *Social life and entertainment* | |
| Socialising | 77 |
| Associated travel - social | 17 |
| Visiting entertainment & cultural venues | 4 |
| Sports events | 2 |
| | |
| *Active leisure* | |
| Sport, exercise & outdoor activities | 27 |
| Hobbies, arts, crafts, etc | 8 |
| Games, cards, etc. | 6 |
| Holiday travel, driving for pleasure | 5 |
| Associated travel (excl holiday) | 5 |
| | |
| *Passive leisure* | |
| **Watching TV or video** | **108** |
| Reading | 23 |
| Relaxing, thinking, etc. | 36 |
| Talking (include phone) | 16 |
| Listening to radio, CDs etc | 5 |
| Writing/reading own correspondence | 2 |

Source: *The Arts: Some Australian Data*, *The Australia Council's Compendium of Arts Statistics, Fifth Edition,* Australia Council, 1996 quoting Australian Bureau of Statistics 1994, *Time Use on Culture/Leisure Activities 1992* (Catalogue No. 4173.0)

## Attachment 5

### Viewer Program Preference

There were 11 Australian programs in the list of Top 20 programs on Sydney TV for 1997 and 13 on Melbourne TV.

Muriel's Wedding and The Adventures of Priscilla, Queen of the Desert were among the top five movies screened on television in 1997.

| **Top Five TV Series 1997** | **Sydney** | **Melbourne** |
|---|---|---|
| 1. | ***Blue Heelers*** | ***Blue Heelers*** |
| 2. | Friends | ***Kangaroo Palace*** |
| 3. | ***Water Rats*** | Friends |
| 4. | ***Murder Call*** | Mad About You |
| 5. | Suddenly Susan | ***Water Rats*** |

Note: Italicised bold titles are Australian programs

## Attachment 6

### Australian Content Standard

| | Transmission quota | | First Release Australian drama | | | |
|---|---|---|---|---|---|---|
| | **1996** | **1997** | **1996** | | **1997** | |
| Annual requirement | 50 % | 50 % | 225 points | | 225 points | |
| Compliance in - | % | % | Points | hours | points | hours |
| **7 Network -** | | | | | | |
| ATN | 56.4 | 52.7 | 335.69 | 253 | 263.93 | 188.17 |
| HSV | 57.35 | 56.01 | 334.63 | 244.9 | 259.93 | 186.17 |
| BTQ | 57.61 | 53.86 | 331.69 | 251 | 268.43 | 189.95 |
| SAS | 60.98 | 61.08 | 324.29 | 233.25 | 261.48 | 186.68 |
| TVW | 60.54 | 58.95 | 327.69 | 245.15 | 267.82 | 190.13 |
| **9 Network -** | | | | | | |
| TCN | 60.6 | 62.9 | 268.7 | 149.6 | 272 | 124.8 |
| GTV | 59.1 | 60.0 | 271.7 | 149.9 | 269.6 | 124 |
| QTQ | 62.5 | 63.5 | 270.8 | 148.8 | 270.8 | 124.2 |
| **10 Network -** | | | | | | |
| TEN | 51.32 | 50.9 | 248.4 | 183 | 266.5 | 189.5 |
| ATV | 51.32 | 50.9 | 248.4 | 183 | 266.5 | 189.5 |
| TVQ | 51.32 | 50.9 | 248.4 | 183 | 266.5 | 189.5 |
| ADS | 51.32 | 50.9 | 248.4 | 183 | 266.5 | 189.5 |
| NEW | 51.32 | 50.9 | 248.4 | 183 | 266.5 | 189.5 |

## Attachment 7

### First release Australian children's drama

| | **1996** | **1997** |
|---|---|---|
| Annual requirement | 24 hours | 28 hours |
| Compliance in: | hours | hours |
| **7 Network -** | | |
| ATN | 24 | 27.5 |
| HSV | 24 | 27.5 |
| BTQ | 24 | 27.5 |
| SAS | 24 | 27.5 |
| TVW | 24 | 27.5 |
| **9 Network -** | | |
| TCN | 24 | 28 |
| GTV | 24 | 28 |
| QTQ | 24 | 28 |
| **10 Network -** | | |
| TEN | 24.25 | 28 |
| ATV | 24.25 | 28 |
| TVQ | 24.25 | 28 |
| ADS | 24.25 | 28 |
| NEW | 24.25 | 28 |

**Children's Television Standard**
**Attachment 6**

| | Australian C classified | | C classified | | Australian P classified | |
|---|---|---|---|---|---|---|
| | Total hours 1st release | | Total hours | | Total hours | |
| | **1996** | **1997** | **1996** | **1997** | **1996** | **1997** |
| Annual requirement | 130 | 130 | 260 | 260 | 130 | 130 |
| Compliance in - | hours | hours | hours | hours | hours | hours |
| **7 Network** | | | | | | |
| ATN | 144 | 134.0 | 261 | 261.5 | 131 | 130.5 |
| HSV | 144 | 134.5 | 261 | 262.5 | 131 | 130.5 |
| BTQ | 144 | 134.0 | 261 | 262.5 | 131 | 130.5 |
| SAS | 144 | 134.5 | 260.5 | 263.0 | 131 | 130.5 |
| TVW | 144 | 135.0 | 261 | 262.5 | 131 | 130.5 |
| **9 Network** | | | | | | |
| TCN | 133 | 133.5 | 268.5 | 271.5 | 131 | 130.5 |
| GTV | 133.5 | 134 | 269.5 | 271.5 | 131 | 130.5 |
| QTQ | 133 | 133.5 | 269 | 272 | 131 | 130.5 |
| **10 Network** | | | | | | |
| TEN | 160.25 | 131.5 | 306.75 | 282.5 | 131 | 130.5 |
| ATV | 160.25 | 131.5 | 306.75 | 282.5 | 131 | 130.5 |
| TVQ | 160.25 | 131.5 | 306.75 | 282.5 | 131 | 130.5 |
| ADS | 160.25 | 131.5 | 306.75 | 282.5 | 131 | 130.5 |
| NEW | 160.25 | 131.5 | 306.75 | 280.5 | 131 | 130.5 |

## Attachment 8

### Primary and Secondary Markets in Television

When Australian broadcasters acquire the transmission rights to overseas programs they are acquiring those broadcast rights at secondary market rates.

Internationally, television programs seek to recover their full production cost in their home territory - their primary market. Sales to other countries - secondary markets - constitute an additional revenue stream for the producer. Sales to secondary markets are always at rates dramatically lower than can be achieved in the primary market.

Whilst such figures are difficult to acquire, it is for instance known that *Seinfeld*, produced at a per episode cost in excess of $1 million, was acquired in Australia for approximately $25,000 per episode.

The most expensive form of television programming to produce is adult mini-series. In Australian, adult mini-series cost in the order of $1 million per hour to produce.

**Prices (per hour) Reported for Overseas Sales (after completion) of Australian Adult Miniseries January 1994 - June 1997**

| Territory | Free to air | Pay/Cable |
|---|---|---|
| Argentina, Chile, Paraguay, Uraguay | | £200 - US$2,750 |
| Austria | US$ 1,500 | |
| Belgium | US$ 3,000 - 3,750 | US$ 950 - 1,000 |
| Bulgaria | US$ 250 - 400 | |
| Canada | Cnd$ 7,500 - 12,000 | US$ 2,000 - 2,825 |
| China | US$ 1,000 - 3,462 | |
| Czechoslovakia | £ 480 | US$550 |
| France | FF 100,000 | FF 3,500 - 80,000 |
| Germany | | US$ 12,665 - 45,000 |
| Greece | US$ 1,900 - 3,000 | US$ 1,000 |
| Hungary | US$ 600 | |
| Indonesia | US$ 800 - 2,500 | |
| Ireland | US$ 563 - 1,500 | |
| Korea | US$ 2,000 - 2,500 | US$ 1,300 |
| Netherlands | US$ 9,000 | |
| New Zealand | US$ 2,500 - 17,000 | |
| Philippines | US$ 500 - 800 | |

| | | |
|---|---|---|
| Russia | US$ 2,000 - 5,000 | |
| Scandinavia | US$ 1,250 - 20,000 | |
| South Africa | US$ 5,000 - 6,000 | |
| Spain | US$ 5,000 | |
| Switzerland | US$ 1,000 | |
| United Kingdom | $US 1,600 - 180,000 | $US 22,000 - 28,000 |
| United States | | $US 1,000 - 5,000 |

Source: *Adult Miniseries: Prices Reported Since January 1994*, Australian Film Finance Corporation, 1997, unpublished

## Attachment 9

## Expenditure on Australian and Overseas Programs 1992 - 1997

| | 1992/93 | 1993/94 | 1994/95 | 1995/96 | 1996/97 | change 95/96-96/97 |
|---|---|---|---|---|---|---|
| Aust. drama | 89.0 | 72.66 | 72.8 | 77.2 | 73.8 | - 4.4% |
| Children's drama | 4.4 | 3.0 | 4.4 | 7.0 | 7.8 | + 11.3% |
| Documentaries | 17.9 | 19.3 | 24.0 | 24.0 | 13.3 | - 44.7% |
| **Total Australian** | **517.6** | **469.9** | **477.4** | **504.0** | **549.6** | **+ 9.0%** |
| | | | | | | |
| Foreign Drama | 164.9 | 160.9 | 183.4 | 174.2 | 199.6 | + 14.6% |
| **Total OS** | **183.2** | **184.1** | **200.6** | **196.5** | **214.9** | **+ 9.4%** |
| | | | | | | |
| **Total spending** | **700.7** | **654.0** | **678.0** | **700.6** | **764.5** | **+ 9.1%** |

Note: The figures for children's drama in 1995/96 reflects the increases in the children's drama quota introduced then. Prior to 1996 the requirement for first release children's drama was 16 hours and there was no requirements as there is now for 8 hours of repeat children's drama.

**Attachment 10**

**First release Australian adult drama and children's programming broadcast by Australian commercial television networks: 1991 - 1996**

| Year | Drama hours per year (average of 3 networks) | Australian Drama: % of total hour broadcast annually |
|---|---|---|
| 1991 | 221 | 2.5% |
| 1992 | 210 | 2.4% |
| 1993 | 195 | 2.2% |
| 1994 | 180 | 2.1% |
| 1995 | 168 | 1.9% |
| 1996 | 183 | 2.1% |

Source: Australian Broadcasting Authority Australian Content compliance results.
Note: 1996 increase due to sketch comedy being included in the definition of drama for the first time.

**Program Expenditure by Australian Commercial Free-to-air Television services**

| **Year** | **Drama & Children's Programs ($ millions)** | **Overseas Programs ($ millions)** |
|---|---|---|
| 1990-91 | 127.5 | 211.3 |
| 1991-92 | 108.2 | 177.3 |
| 1992-93 | 101.6 | 183.2 |
| 1993-94 | 86.3 | 184.1 |
| 1994-95 | 85.2 | 200.6 |
| 1996-96 | 90.8 | 196.5 |
| 1996-97 | 91.8 | 214.9 |

Source: Australian Broadcasting Authority Australian Content compliance results.
Note: 1996 increase due to sketch comedy being included in the definition of drama for the first time.

**Australian Balance of Payments Television Programs**

| **Year** | **Credits ($ millions)** | **Debits ($ millions)** |
|---|---|---|
| 1991-92 | 35 | -239 |
| 1992-93 | 39 | -240 |
| 1993-94 | 59 | -263 |
| 1994-95 | 73 | -266 |

| | | |
|---|---|---|
| 1995-96 | 91 | -302 |

Source: Australian Bureau of Statistics, Royalties on Theatrical Films, Television Programs and Video Tapes by Type and Country Group

## Attachment11
## Pay Television

### Pay television subscriber numbers

| Year | Number subscribers |
|---|---|
| December 1995 | 65,000 |
| December 1996 | 500,000 |
| December 1997 | 747,000 |
| October 1998 | 840,000 |

With a total penetration of 840,000 subscribers out of a total 6.8 million households, penetration in October 1998 was 12.3%.

Source: *Get the Picture*, 1998, Australian Film Commission, page 177, quoting figures provided by pay TV operators to *Australian Pay TV News*

### Viewing patterns

In October 1998, viewers with access to both Foxtel and Optus could tune into 52 channels (including seven foreign language channels).

Viewing figures are not yet publicly available. ACNeilsen People Meters have been in homes with Optus for a year but the information is being used internally only.

Broad findings on pay TV viewing come from Multi Channel Network, the sales company that sells advertising for channels on Austar and Foxtel. MCM quote figures that show free-to-air viewing has declined by 6% between 6pm and midnight over the past two years attributable to both pay TV and the Internet and report that children between 5 and 12 watched 18% less free-to-air TV between 6pm and midnight. However, substantiating data is not available.

Source: *Get the Picture*, 1998, Australian Film Commission, page 175.

## Attachment 11

## The Internet

**Computer penetration in Australian households, February 1998**

| | |
|---|---|
| Total number of households | 6.8 million |
| Total number of households with a computer* | 2.9 million |
| Total with Internet access | 0.9 million |

Source: ABS, *Household Use of Information Technology* (cat no. 8128.0), February 1998, quoted in *Get the Picture*, Fifth Edition, Australian Film Commission, December 1998, p 43

* The total number of computers in households is 3.29 million. This includes 2.72 million computers owned by a member of the household, 0.24 million owned by registered household businesses and 0.23 million owned by an employer but kept at home.

**Internet Activities**

Of the three million people who accessed the Internet in the 12 months to February 1998:

- 2 million used it for general browsing;
- 1.5 million reported activities relating to their work;
- 1.1 million reported activities about goods or services; and
- 1 million reported using the Internet for activities relating to studies.

The activities referred to above included searching for specific pieces of information, corresponding via email about the information, and any subsequent actions, such as purchasing goods or services.

Source: ABS, *Household Use of Information Technology* (cat no. 8128.0), February 1998, quoted in *Get the Picture*, Fifth Edition, Australian Film Commission, December 1998, p 48

**Proportion of Internet Users nominating their main reason for Internet Use**

| | |
|---|---|
| Email | 23.5 % |
| Business (include business research) | 19.7 % |
| Entertainment | 14.4 % |
| Academic and other research | 11.4 % |
| News and reference | 6.7% |

| | |
|---|---|
| Software downloads | 5.9% |
| Chat | 4.5% |
| Education | 4.5% |
| Just experimenting | 3.1% |
| Hobbies: Other than sport | 2.1% |
| Hobbies: Sport | 1.3% |
| Discussion groups | 0.6% |
| Shopping/financial transactions | 0.5% |
| Something else | 1.7% |
| Total | 100 % |

Source: www.consult, Australian Internet User Report, December 1998, quoted in *Get the Picture*, Fifth Edition, Australian Film Commission, December 1998, p 48

Note: Sample size = 10,371 Internet users