

20 April 2018

## Screen Producers Australia's submission to the ACCC Digital Platforms Inquiry

Screen Producers Australia was formed by the screen industry to represent large and small enterprises across a diverse production slate of feature film, television and interactive content.

As the peak industry and trade body, we consult with a membership of more than 450 production businesses in the preparation of our submissions. This consultation is augmented by ongoing discussions with our elected Council and appointed Policy Working Group representatives. Our members employ over 17,000 Australians and drive more than \$1.7 billion worth of annual production activity from the independent sector.

On behalf of these businesses we are focused on delivering a healthy commercial environment through ongoing engagement with elements of the labour force, including directors, writers, actors and crew, as well as with broadcasters, distributors and government in all its various forms. This coordinated dialogue ensures that our industry is successful, employment levels are strong and the community's expectations of access to high quality Australian content have been met.

Screen Producers Australia welcomes the opportunity to provide a submission to the ACCC with regard to its Digital Platforms Inquiry.

For further information about this submission please contact James Cheatley, Director, Government Relations and Policy ([james.cheatley@screenproducers.org.au](mailto:james.cheatley@screenproducers.org.au)).

# Executive Summary

Google and Facebook's influence in the advertising market has not only impacted the capacity of free to air broadcasters to raise revenue, it has downstream impacts for the market for content. The market for content in Australia is a buyer's market, or oligopsony. The impact of Google and Facebook has exacerbated market failure for Australian producers in this market for content. This market failure expresses itself through buyers seeking "more for less" from producers and vertical-integration of broadcasters. According to ABS data, this trend towards vertical integration is increasing. In 2015-16, 55 per cent of production costs were in-house, compared to 44 per cent in 2011-12.

It is incumbent, therefore, on government to address this market failure by ensuring fair contracting in the market. Without government action to address market failure, there will be an accelerating decline in the number of sustainable production businesses, which in turn will have an impact on jobs, skills development, the diversity of Australian content and hasten the brain drain of Australian talent to larger markets. This market failure can only be ameliorated through interventions that ensure fair contracting between producer and broadcaster.

SPA makes two recommendations:

- 1) The Government should intervene in the market to address competition issues through a UK-style legislated terms of trade.
- 2) The Government should extend local content obligations to new market entrants.

## Competition issues

The size and scope of the Australian film and television industry is determined by several factors.

### *Domestic markets for film and television and “shelf space”*

The size of the Australian commercial television market is determined in large measure by the value afforded by advertisers on programming decisions. A proportion of these programming decisions are regulated through the Australian Content Standard and the Australian Children’s Television Standard to ensure Australian drama, documentary and children’s programs shelf space.

The size of the Australian public television market is determined in large measure by programming decisions made by reference to their budgets and their charters. These programming decisions by public broadcasters are not specifically regulated to ensure Australian content shelf space.

The size of the Australian subscription television market is determined in large measure by subscriptions and the value afforded by advertisers on programming decisions. These programming decisions by subscription television broadcasters are not specifically regulated to ensure Australian content shelf space. However, there is a minimum expenditure requirement on drama channels to produce Australian content.

The size of the Australian film market is partially determined by Screen Australia’s funding levels and distribution agreements between distributors and exhibitors that afford a theatrical window and shelf space to Australian films.

These markets have been static or declining for the past decade.

### *Screen Currency Report*

In 2016, Screen Australia engaged Deloitte Access Economics Olsberg SPI to comprehensively measure the economic and cultural value of the Australian screen industry.

The *Screen Currency* report outlines that in 2014-15, the Australian screen production industry contributed over \$3 billion in value add to the economy and over 25,000 full time equivalent jobs. Specifically, the report noted that screen content under Australian creative control generated \$2.6 billion and 20,158 FTE jobs. Production, post, digital and visual effects (PDV) services provided by Australian businesses added another \$382 million and 4093 FTE jobs. Australian screen content attracts around 230,000 international tourists to Australia each year, driving an estimated \$725 million in tourism expenditure.

This report provides a snapshot of the Australian film and television at a moment in time. However, as noted in Part Three of this submission, production levels and employment in the industry have been static or in decline for the past decade. To ensure the growth and sustainability of the Australian film and television industry, the Government should commit to a series of reforms, as set out in Part Seven of this submission.

## Market failure for producers

At SCREEN FOREVER in 2016, in a speech titled *The Good, the Bad and the Possible*,<sup>1</sup> Graeme Mason identified some market realities as they relate to Australian producers:

- “Television has many specific challenges, at least in scripted and documentary/factual, the areas Screen Australia is involved in. *For a start, buyers want more for less money.*”
- “But judging the deals coming to us, some producers seem to have been coerced into putting aside business realities.”
- “Some producers are also being railroaded into asking Screen Australia to sweep aside long-held terms.”
- “Many film and TV producers – experienced and not – expect and want us to police deals.”

The market for television content in Australia is an oligopsony. An oligopsony – like its inverse, an oligopoly (few sellers, many buyers) – is a form of imperfect competition. Sellers can be at a major disadvantage in an oligopsony. A large number of producers<sup>2</sup> compete with one another for access to spectrum, a public good, which is controlled by a small number of broadcasters.

The disadvantages of an oligopsony include:

- Buyers can set sellers off against each other, thereby lowering the purchase price paid to all sellers.
- Buyers can dictate costs of sellers through imposing exact specifications relating to quantity, quality, suppliers, wages, innovation and rights.
- Buyers are able to pass on risk inherent in the product.

The market has come under pressure to compete with Google and Facebook for advertising revenue, as set out in the consultation paper on page 17. For audience, Netflix, Stan and other new market entrants continue to grow significant subscription bases. For example, since entering the Australian market in 2015, approximately 7.6 million Australians have Netflix.<sup>3</sup> These new market entrants bring with them a wealth of content to Australian audiences, the vast majority of which is foreign – Netflix has an estimated 2.5 per cent Australian content on its Australian library. There is more Australian content on the US Netflix library than there is on the Australian Netflix library.<sup>4</sup>

These two factors, declining advertising revenues and audience fragmentation have conspired against Australian producers, as Graeme Mason outlines above. The Australian Bureau of Statistics report *Film, Television and Digital Games, Australia*,

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<sup>1</sup> <https://www.screenaustralia.gov.au/getmedia/aa9d4041-f0fd-45d2-8764-633d44d930d4/SPA-2016-speech.pdf>

<sup>2</sup> 2819 film and production businesses in 2015-16, see Australian Bureau of Statistics, 8679.0 - Film, Television and Digital Games, Australia, 2015-16.

<sup>3</sup> <http://www.roymorgan.com/findings/7343-netflix-subscriptions-june-2017-201709270713>

<sup>4</sup> Dr Ramon Lobato and Alexa Scarlata, *Australian Content on SVOD Catalogs: availability and discoverability*

2015-16 shows between 2011-12 and 2015-16, there has been negligible growth of five per cent in total income for production businesses from \$2.2 billion to \$2.3 billion, while production income is down six per cent over the same period to \$1.6 billion. We have seen KEO Films, a UK-owned but locally-run production company, close its Australian operations, citing difficult market conditions in Australia.<sup>5</sup>

Without government intervention, the market structure and current market conditions will continue to disadvantage Australian producers to the benefit of either international competitors who operate in more favourable market conditions or broadcasters who commission content from producers. This will in turn, disadvantage Australian audiences through a lack of diversity in quality Australian programming. A cohort of strong Australian producers in the market is key to a diversity of quality Australian programming. The key to a strong Australian production sector that supplies the market is producers' capacity to retain the intellectual property in their productions and leverage this through international trade.

## **Demand side issues**

In the Australian market, there exist three categories of regulated buyer:

- public (ABC and SBS)
- commercial (Channel 7, Channel 9 and Network 10), and
- subscription (Foxtel).

The new market entrants (Stan, Netflix, Telstra TV etc.) but these services are not creatures of regulation, indeed barely regulated at all. Their effects on the market are discussed below. This section will distinguish between “regulated buyers” and “unregulated buyers”.

### ***Regulated buyers***

The regulated buyers in the market exist because of government intervention: the ABC and SBS by virtue of their enabling legislation; the commercials and Foxtel owe their existence to licences afforded under the *Broadcasting Services Act 1992* with government thus far supporting commercial broadcasters by restricting the number of commercial broadcast licences to three<sup>6</sup> and affording them privileged access to live sporting events through the anti-siphoning list. With regard to levels of Australian programming, the government has a different approach to regulation depending on the nature of the broadcaster. These regulations are demand-side interventions in the market and have been demonstrated to be largely successful, yet not without problems, in achieving their public policy objectives.

The ABC and SBS are independent of government and the levels of Australian programming is informed by their interpretations of their interdependent charters. Absent any specific obligations to Australian content, the public broadcasters can align their commissions and acquisitions to other priorities.

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<sup>5</sup> <http://www.screenhub.com.au/news-article/news/television/david-tiley/keo-kod-as-war-on-waste-company-goes-into-the-bin-253947>

<sup>6</sup> Section 37A, *Broadcasting Services Act 1992*.

## Commercial broadcasters

The commercial broadcasters have local content obligations in the form of quotas (transmission, sub-genre). These quotas exist for a variety of strong public policy reasons: the importance of Australian stories, narrative and expressions on Australian screens, a quid pro quo for privileged access to a public asset, the importance of a local independent production industry of sufficient size and scope that has capability and capacity to supply the quotas.

2012–2016 Australian content compliance results published by the ACMA

Quotas on commercial free-to-air television	Australian programs on primary channel	Australian programs on non-primary channel	First release Australian documentary	First release Australian drama	First release Australian children's drama	First release Australian children's programs	All children's programs	All Australian preschool programs
	5 year average			(triennial score 2014–2016)	(triennial score 2012–2014)		5-year average	
Minimum requirement	55%	1460 hours <sup>7</sup>	20 hours	860 points	96 hours	130 hours	260 hours	130 hours
Seven	70	3,561	65	883	97	130	261	131
Nine	70	1,984	24	870	92 <sup>8</sup>	129	310	131
Ten	62	3,392	31	874	97	131	262	131

The Government has made a series of decisions to make commercial broadcasters more competitive in the face of the threat of Google and Facebook. These decisions include abolishing broadcast licence fees and no action to date on the New Zealand content loophole (a House of Representatives committee recommended a solution to the New Zealand content loophole late last year<sup>9</sup>). An unintended consequence of these decisions is that in making the commercial broadcasters more competitive, it has made the value proposition for in-house production and sports rights more appealing, to the detriment of the independent sector. In-house production has increased from 44 per cent of all production costs in 2011/12 to 55 per cent in 2015/16.<sup>10</sup>

The Nine Network recently concluded a five-year deal for the Australian Open worth \$300m. The Seven Network and Foxtel recently concluded a six-season deal for cricket rights worth \$1.2 billion. In comparison, the three commercial broadcasters spent just \$95.2 million on adult drama and \$23.4 million on children's content (of which they have submitted to the Government that they want to be relieved of their obligations).

<sup>7</sup> 1460 hour quota took effect from 1 January 2015

<sup>8</sup> In 2014, the ACMA found that Nine Network had broadcast two children's programs without the required C classification and therefore failed to meet the C quota requirement for 2013

<sup>9</sup> The House Standing Committee on Communications and the Arts, *Report on the inquiry into the Australian film and television industry*, Tabled 7 December 2017.

<sup>10</sup> Australian Bureau of Statistics, 8679.0 - *Film, Television and Digital Games, Australia, 2015-16*.

<b>Program expenditure</b>	<b>2015-16 \$ million</b>	<b>% of total spending</b>
Australian sport	497.9	26.0%
Australian news and current affairs	384.2	20.0%
Overseas drama	300.5	15.7%
Australian light entertainment - other	243.5	12.7%
Australian light entertainment - variety	220.0	11.5%
Overseas - other	113.4	5.9%
Australian adult drama	95.2	5.0%
Australian other programming	30.2	1.6%
Australian children's - other	13.1	0.7%
Australian children's drama	10.4	0.5%
Australian documentaries	8.7	0.5%

Source: ACMA

The quotas are minimum requirements. The commercial broadcasters comfortably meet their overall transmission quotas, but the results for sub-genre quotas for first run drama, documentary and children's programming are less comfortable reading. That the commercial broadcasters' results either barely met the minimum requirements or fell below the minimum requirements indicates their level of commitment to those genres is dictated by those obligations.

As PwC modelling suggested in 2011,<sup>11</sup> if the quotas were removed the level of programming would fall significantly. PwC used three hypothetical scenario that modelled the likely effect of changes to the Australian minimum content requirements.

With regard to the first hypothetical scenario "The minimum content requirements are removed and all other levels of government support remain the same", PwC's modelling provides a cautionary tale. Where Australian content requirements are removed, PwC estimated the volume of Australian content broadcast would fall to approximately 43 per cent. The level of investment in Australian television content would fall approximately 28 per cent and in the short run employment in the television production and broadcasting sector would fall by approximately 2,000 full time equivalent jobs. Documentary production was expected to halve. Subscription broadcast spend on Australian drama was expected to fall to 6 per cent. No children's content was expected to be produced. This is consistent with the effect of removing children's quotas in the UK, where expenditure fell 93 per cent after quotas were removed.<sup>12</sup>

It is an open question whether if the current obligations are removed or reduced they are able to be re-introduced or restated because of Australia's free trade agreement with the United States.

It is not a coincidence that of all the genres, commercial broadcasters' expenditure fell only in those genres that are the subject of quotas. It is indicative of the approach adopted to these "at risk" genres by commercial broadcasters. Should the quotas be

<sup>11</sup> PwC, *Minimum content requirements research report*, 2011

<sup>12</sup> <http://www.telegraph.co.uk/news/2017/04/17/broadcasters-forced-invest-british-made-childrens-tv-programmes/>

removed, an unregulated market will not deliver anywhere near the same level of drama, documentary and children's program that is currently produced.

### ***The past ten years***

As noted in SPA's 2017 submission to the Standing Committee on Communications and the Arts Inquiry into factors contributing to the growth and sustainability of the Australian film and television industry, production levels have been static or declining for many genres. This submission is at **Attachment B**.

### ***How can quotas be met while expenditure falls?***

There are two main reasons why quota obligations can be met while expenditure can remain "stagnant or decrease" for drama, documentaries and children's programs: the increasing use of New Zealand content to acquit Australian content obligations and competition issues determined by the structure of the market.

#### *New Zealand content loophole*

This loophole means that instead of commissioning new Australian-produced content, commercial television broadcasters can buy second-run, cheap New Zealand programs and have them qualify as Australian programs to acquit their obligations under the Australian Content Standard.

The availability of cheap second-run NZ content to acquit first-run Australian content obligations means Australian producers are competing with NZ producers at a price point that is uncompetitive. This is on the basis that the content is either purchased in its second window after airing in New Zealand or because the cost of production in New Zealand is often cheaper (labour costs are lower) or more heavily subsidised (some New Zealand television content attracts a 40 per cent tax offset). This, together with oligopsonic market conditions, means Australian producers are hamstrung from competing at a level playing field, with deleterious effects over the long term for sustainability of the independent production sector.

In 2014, the commercial television broadcasters averaged 180 hours of New Zealand content that qualified as Australian. In 2015, the commercial television broadcasters averaged 135 hours.<sup>13</sup> Hypothetically, assuming the entirety of the 135 hours was substituted for first run miniseries drama and the cost of first-run Australian drama miniseries averages nearly \$1.368 an hour,<sup>14</sup> the loss to the Australian production industry is estimated to be \$184.68m in 2015.<sup>15</sup>

In late 2017, the House Standing Committee on Communications and the Arts Inquiry into factors contributing to the growth and sustainability of the Australian film and television industry recommended the Government close the New Zealand content loophole by redefining the concept of "first release":

"The committee recommends that first-release be redefined to mean first broadcast anywhere in the world."

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<sup>13</sup> In 2016, the average was 110 hours.

<sup>14</sup> Screen Australia, *Drama Report 2015-2016*.

<sup>15</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8679.0>

### *Competition issues*

As noted above, the market for television programs in Australia is an oligopsony, a form of imperfect competition which hands buyers great control over the market. The broadcasters can use this market power to play producers off against one another to demand more, for less, while bringing more production in-house. Another concerning trend emerging in the market is increasing vertically-integrated broadcasters that produce more content in-house. The worst-case long-term scenario if this trend continues is a handful of vertically-integrated broadcasters, all that have their headquarters within a handful of kilometres from the Sydney CBD, controlling the development, generation and output of Australian programming for Australian audiences.

### ***How does the Government regulate the market power of the broadcasters?***

Outside general competition law, there exists two *de facto* arrangements to address the market power of broadcasters: a minimum licence fee in the Australian Content Standard and Screen Australia's terms of trade.

#### *Australian content standard*

Section 11 of the Australian Content Standard sets out a formula for calculating the drama score for an Australian drama program: 'drama score = format factor x duration (in hours)'. Drama series and serials acquired by broadcasters from independent producers for certain a determined minimum licence fee receive a higher format factor than other series and serials. There is also a tiered treatment of feature films in recognition of the disparity in licence fees paid by licensees. This minimum licence fee increases annually.

This market intervention is a tacit admission of market failure and provides an incentive to a broadcaster to contract with an independent producer at a price determined by the government.

#### *Screen Australia's terms of trade*

Screen Australia's terms of trade broadly outline the core terms on which it transacts its business. Including Screen Australia investment in a production is an incentive for both the producer and broadcaster: producers can obtain the benefit of having Screen Australia at the table with its terms of trade, broadcasters have the benefit of a reduction in the overall cost of content.

Among other things, Screen Australia's terms of trade:

- denies broadcasters access to Screen Australia funding
- guarantees at least award (or above award if agreed) rates for employees, and
- seeks to ensure the producer retains some margin on the offset (10 per cent for feature films and television, 15 per cent for documentaries).

As outlined by Graeme Mason at SCREEN FOREVER, these terms of trade seek to ensure producers may contract on a long-term sustainable basis by retaining a margin on their productions. The margin is there to be drawn upon if production costs balloon, but also to ensure production businesses can retain some equity in

productions. Critically, they also exclude broadcasters from program funding, which assists independent producers to build sustainable businesses and contribute to a diverse slate of programming.<sup>16</sup> These terms of trade only apply where Screen Australia is involved in some way. However, Screen Australia is not involved in most contracts in the market. For example, Screen Australia does not invest in light entertainment or reality television. Moreover, licence fees paid by commercial broadcasters have significantly dropped to the point where some producers have felt they had to work outside of Screen Australia minimums in order to get a project produced.

### ***The solution to market failure***

There is one solution to address market failure created by the oligopsonic market structure where a minimum level of production is determined by quotas: legislated terms of trade that sets a standard for contracting between big and small business.

David Fernández-Quejada has written on the nature of quota obligations and their effect on the market:

“The simple implementation of quota policies leads to a scenario of low-cost entry and plentiful suppliers; in other words, an oligopsonic market in which broadcasters control the bottleneck of access to the television spectrum. In this context, producers have no chance to build assets, meaning that growth can only occur at the expense of other competitors or from a quota increase. However, this hypothetical increase cannot be a long-term solution because the tendency is to reproduce the same scenario. *The only solution is the one that the UK implemented in 2003: a regulatory intervention on the terms of trade governing agreements between broadcasters and producers that allows producers to retain control over rights and to build their own portfolio of products that can be marketed elsewhere.*”<sup>17</sup>

This simple intervention has created in the United Kingdom, arguably, the most successful independent production industry in the world. As Chalaby writes, with this intervention, “the British government operated a strategic shift in favour of content producers and created a new intellectual property regime. This regime has enabled producers to keep hold of their rights and become asset-owning businesses, eventually giving rise to a new breed of production companies: the super-indies [which] have acquired the scale to compete in an international TV market and drive ... British TV exports.”<sup>18</sup>

Other Australian markets have similar interventions. Relationships between buyers and suppliers in the food and grocery market, dominated by just two buyers – Coles and Woolworths – is mediated by The Food and Grocery Code of Conduct, a voluntary code prescribed under the Competition and Consumer Act 2010 and

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<sup>16</sup> SPA is concerned by reports that broadcasters are seeking to access Screen Australia program funding.

<sup>17</sup> David Fernández-Quijada (2012) Quoting television: a cross-national analysis of regulatory intervention in the independent television production industry in the UK and Spain, *International Journal of Cultural Policy*, 18:4, 378-397 – emphasis added.

<sup>18</sup> Chalaby, J. (2010). The rise of Britain's super-indies: Policy-making in the age of the global media market. *International Communication Gazette*, 72(8), pp. 675-693.

administered by the Australian Competition and Consumer Commission. The horticulture market has a mandatory code of conduct that sets contractual conditions in relationships between growers and buyers.<sup>19</sup>

**Recommendation 1: Government intervene in the market to address competition issues**

***Unregulated buyers***

Subscription video on demand services deliver television programs and films over the internet, rather than through traditional broadcasting means. As such, they are not regulated like broadcasting organisations and operate in a regulatory “grey area”.

In September 2000, the then Minister for Communications, Information, Technology and the Arts, Senator the Hon Richard Alston, made a ministerial declaration specifying that the following class of service does not fall within the definition of “broadcasting service”:

...a service that makes available television programs or radio programs using the internet, other than a service that delivers television programs or radio programs using the broadcasting services bands.

The minister explained that the purpose of the definition is to ensure that a service that “provides television or radio programs through the internet—other than a service that delivers television programs and radio programs using the broadcasting services bands—does not fall within the definition of a broadcasting service”. What was perhaps a minor regulatory intervention to address a lower order issue in 2000, has had a host of unintended consequences that persist decades later.

Because SVOD services make television programs and films available through the internet and not the spectrum, these services are not regulated like television broadcasters. These unregulated do not have requirements to show Australian, regional and children’s content, restrictions on advertising and classification requirements, or minimum expenditure on Australian drama.

To show how lacking these SVOD services are in regulation, Netflix agreed to a self-regulatory model for classification of content. The outcry over the availability of *13 Reasons Why*,<sup>20</sup> a US drama dealing with the suicide of a teenage girl, to Australian children on Netflix, highlights the limits of self-regulation and the need for government intervention.

The media landscape has changed dramatically since Senator Alston made his declaration in 2000, with new market entrants taking a greater audience share. At December 2017, Foxtel had more than 2.8 million subscribers and obligations to Australian content.<sup>21</sup>

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<sup>19</sup> <https://www.accc.gov.au/business/industry-codes/food-and-grocery-code-of-conduct>

<sup>20</sup> <http://www.dailytelegraph.com.au/news/nsw/13-reasons-why-netflix-show-most-dangerous-program-on-tv/news-story/2055b0d7cea12766392ca47a986691d3>

<sup>21</sup> [https://newscorpcom.files.wordpress.com/2018/02/q2-2018-press-release\\_final\\_02-08-2018-1230pm.pdf](https://newscorpcom.files.wordpress.com/2018/02/q2-2018-press-release_final_02-08-2018-1230pm.pdf)

Stan has close to a million Australian subscribers.<sup>22</sup> Netflix has nearly three million Australian subscriptions.<sup>23</sup> Amazon Prime has entered the market, Facebook is commissioning long-form content and plans to spend up to \$1 billion on original commissions in 2018.<sup>24</sup> YouTube Red has just announced its first commission,<sup>25</sup> and niche streaming services continue to emerge. While these services bring added competition to legacy businesses, they also do not compete on a level playing field - none of these services have obligations to Australian content.

### *The European Union model*

The EU is bringing SVOD services into its regulatory environment. The proposed revision to the EU Audiovisual Media Services Directive<sup>26</sup> will include modifications to the existing Directive with aim of enhancing the promotion of European film and television content by:

- allowing media services to impose financial contributions to providers of on-demand services established in other media services (but only on the turnover generated in the imposing country),
- putting on-demand players under the obligation to promote European content to a limited level by imposing minimum quota obligations (20% share of the audiovisual offer of their catalogues) and an obligation to give prominence to European works in their catalogues,
- low turnover companies, thematic services and small and micro enterprises are exempted from these requirements.

The 20 per cent library quota has since been revised upwards to 30 per cent.<sup>27</sup>

### *Standing Committee on Communications and the Arts recommendation*

In late 2017, the Standing Committee on Communications and the Arts Inquiry into factors contributing to the growth and sustainability of the Australian film and television industry recommended:

“any future reforms to Australia’s content quota system ensure that commercial and subscription television companies continue to invest in and broadcast Australian programs for general audiences at current levels. In addition, the new quota system should provide that subscription video on demand services invest a percentage of the revenues they earn in Australia, for example 10 per cent, in new Australian content.”

**Recommendation 2: The Government should extend local content obligations to new market entrants.**

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<sup>22</sup> <http://www.if.com.au/stan-sees-growth-spurt-subscribers/>

<sup>23</sup> <http://www.roymorgan.com/findings/7343-netflix-subscriptions-june-2017-201709270713>

<sup>24</sup> <https://techcrunch.com/2017/09/08/facebook-plans-to-spend-up-to-1b-on-original-shows-in-2018/>

<sup>25</sup> <http://variety.com/2018/digital/news/youtube-the-super-slow-show-robert-kyncl-1202675301/>

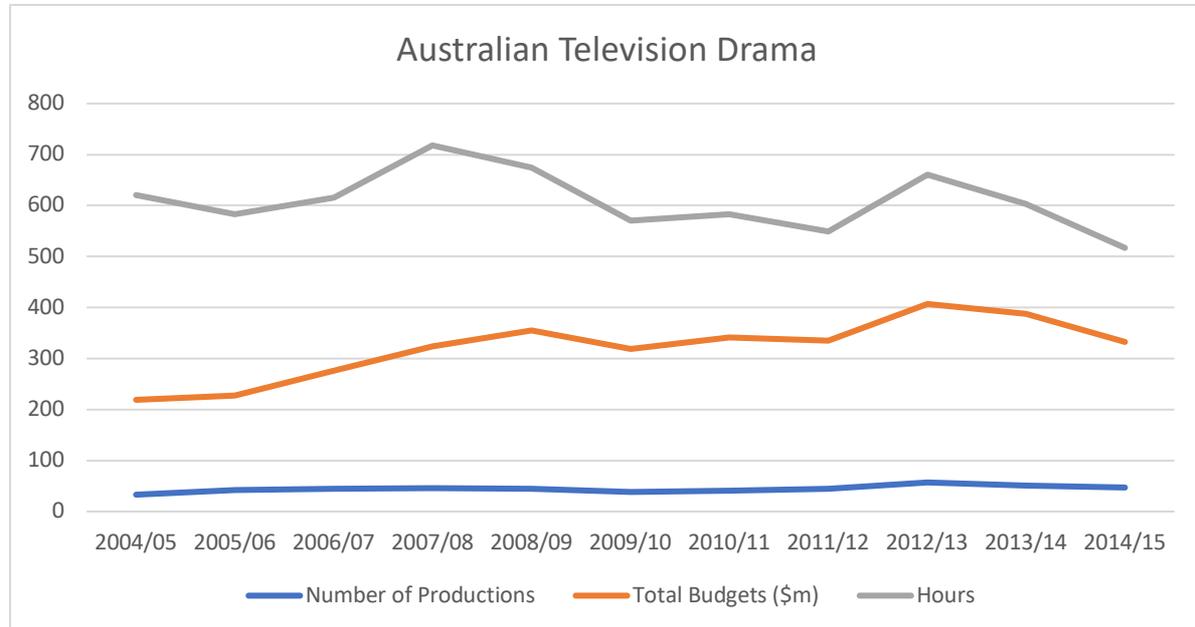
<sup>26</sup> <https://ec.europa.eu/digital-single-market/en/revision-audiovisual-media-services-directive-avmsd>

<sup>27</sup> [https://www.theregister.co.uk/2017/05/25/eu\\_pegs\\_homegrown\\_netflix\\_quota\\_at\\_30pc/](https://www.theregister.co.uk/2017/05/25/eu_pegs_homegrown_netflix_quota_at_30pc/)

## Attachment B

### 2004-05 to 2014-15

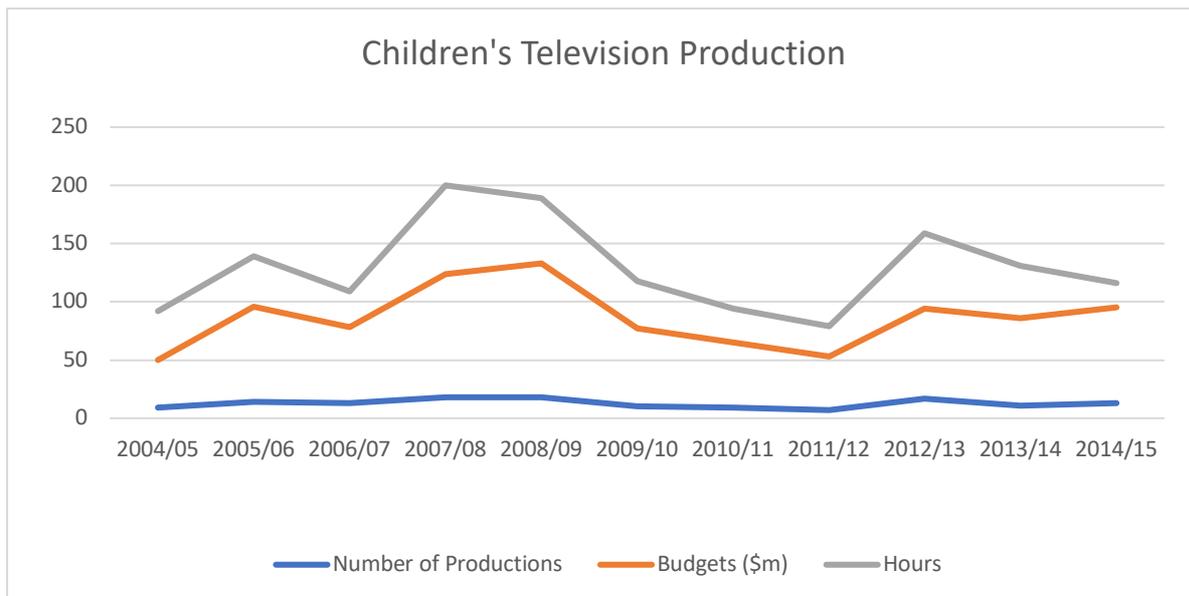
Data sourced from Screen Australia and the Australian Communications and Media Authority shows that levels of production have been inert or slowing for some years.



Source: Screen Australia

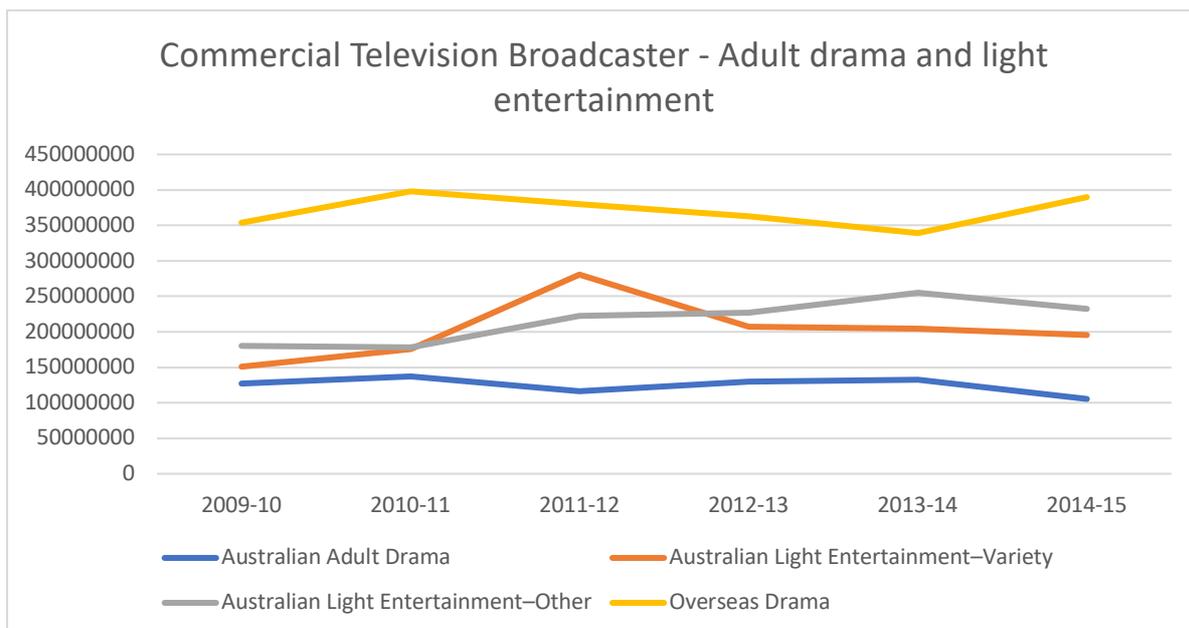
The above graph shows the number of productions has remained static over the term. Budgets have risen from over the term, but have been on downward trend since 2012-13. The spike in hours in 2007-08 corresponds with the introduction of the offsets and the second spike in 2012-13 follows reforms to the offsets introduced in 2011-12 and corresponds with multi-channeling. However, hours have been on a downward trend over the decade.

The number of television drama productions has not increased in ten years. This is an effect of the quotas and the commercial broadcasters' programming decisions. If it is assumed that the commercial broadcasters will not do more Australian drama than they are obliged, then the number of productions will not increase beyond the obliged level.



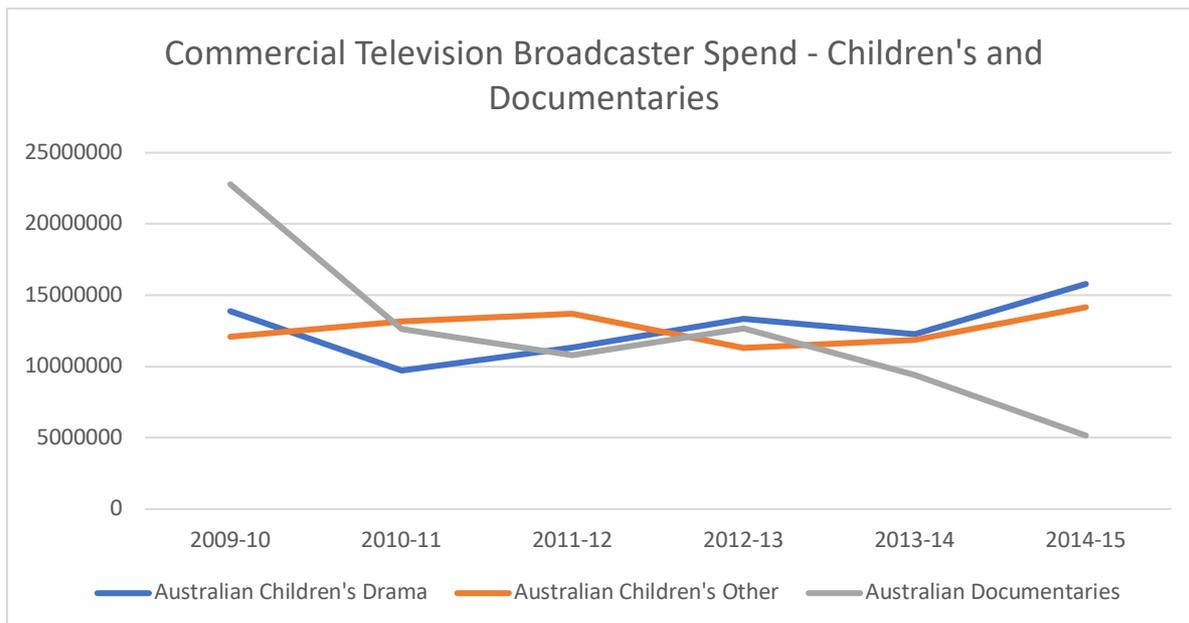
Source: Screen Australia

Again, the above graph shows a spike in hours in 2007-08 and in 2012-13, but the number of productions has remained constant across the decade.



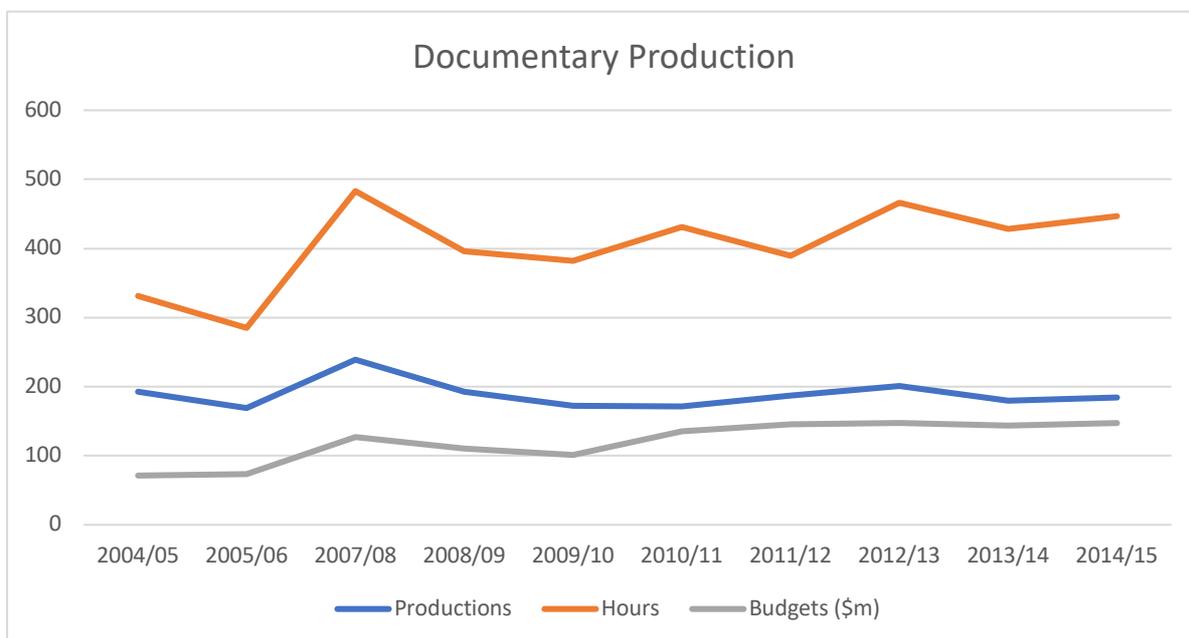
Source: ACMA

The above graph shows the reported spend by commercial television broadcasters on drama and light entertainment since 2009-10. We see a growth in spend on light entertainment and since 2012-13 a marked increase in spend on foreign drama and a correlative decreasing spend on adult drama.



Source: ACMA

This graph shows a significant drop in reported spend on documentaries and an increase in reported spend on children's drama by the commercial television broadcasters, which may reflect the spending cycle that is informed by the three-year quota obligations. Children's content is under significant pressure, with all the commercial broadcasters commenting that they would like to see their obligations to commission and broadcast children's content reassessed or removed.<sup>28</sup>



Source: Screen Australia

Again, the above graph shows the spike in production and hours for documentaries in 2007/08 has levelled out in the subsequent years, while budgets rising.

<sup>28</sup> Mitchell Bingemann, "Kids TV content under federal government review", *The Australian*, 27 February 2017.