

722 111 - 24 6000
12 111 - 1000



AUSTRALIA COUNCIL
181 Lawson Street Redfern
Sydney NSW Australia
Postal Address
PO Box 788
Strawberry Hills NSW 2012
Telephone (02) 9950 9000
Toll free (1800) 22 6912
Fax (02) 9950 9111
<http://www.ozco.gov.au>



January 19, 2000

Ms Delwyn Rance
Broadcasting Inquiry
Productivity Commission
Locked Bag 2
Collins Street East PO
Melbourne

VIC 8003

Dear Ms Rance,

Re: Inquiry into Broadcasting

I have attached, for the information of the Inquiry into Broadcasting, a copy of the submission which the Australia Council made to the Convergence Review.

Our particular focus is on the issue of local content and it would seem, therefore, to be equally relevant to the Productivity Commission's Broadcasting Inquiry.

Yours sincerely,

A handwritten signature in cursive script that reads "Margaret Seares".

Margaret Seares
Chair, Australia Council

CONVERGENCE REVIEW

Response from the Australia Council

1. The issues

The Convergence Review puts forward the fundamental question, which is:

How must the Government's policy objectives and intervention strategies be adapted to fit a convergence industry environment. [p.4].

Of greatest relevance to the work of the Australia Council is the section on *Structural convergence and the policy challenge*, and *Structural convergence and policy issues*.

The paper points out (p.4) that "...local content rules for broadcasting, may not have the same relevance or meaning in convergence industry settings. These policy objectives may need to be re-interpreted as the external environment changes". It then goes on to pose the question "If it is agreed that Government should pursue certain outcomes, what kinds of intervention will be available if structural change erodes traditional mechanisms of intervention?"

The Australia Council's primary interest in this issue arises from the impact which the new industry context could have on the relationship between content producers and audiences [see p.27]. If one accepts the thesis that the new convergence environment will "undermine the assumptions which underpin traditional policy interventions" [p.37] then one needs either to investigate and establish the potential for new output standards for Australian content, or look to more effective non-regulatory interventions to deliver the Government's policy objectives or the community's own aspirations for a strong reflection of itself in broadcasting content.

2. The policy objectives

In the cultural sphere, these policy objectives include "a vigorous and representative Australian culture and internationally competitive Australian industries" [p.32]. These two are very strongly related within the Australian context. There is already a high degree of cross-over of activity within the cultural industries themselves. Actors work for stage and screen; musicians write for concert hall and screen/radio; writers publish for the book market and write for the screen; visual artists create works across the spectrum. And, in a sub-set of convergence, the division between production and delivery is increasingly broken down in the works of Australia's new media artists.

This cross-over activity is essential if we are to maintain "a vigorous and representative Australian culture" in a small marketplace such as ours. The economic situation of creative artists and producers of cultural content is precarious, and very sensitive to changes in any part of the market. If the new environment results ultimately in a reduction of the creative and financial rewards for artists, the vigour and viability of the arts in Australia will be severely affected. For Australia's artists this impact of a changing marketplace is even more significant than for those in similarly populated countries in Europe or Asia, where touring to other marketplaces is comparatively inexpensive and easily facilitated and hence artists are less dependant on income from multiple modes.

The recently released Major Performing Arts Inquiry Report, commissioned by the Minister for Communications IT & the Arts, paints a picture of a relatively vulnerable cultural sector, already dealing with some of the (negative) impacts of more intense competition in a market which is increasingly global. One of the principal conclusions of the Report was that, without

significant Government intervention at both State and Federal levels, the level of artistic vibrancy in Australia today is likely to decline. Government intervention includes, but is not restricted to, financial support. It also includes other levels of support, and here the present regulatory framework for local broadcasting content is an important component.

3. Community Imperatives

In addition to Government policy objectives in relation to a strong and representative Australian arts sector and the promotion and support of Australian culture, there is a strong community imperative that there should be no diminishment of Australian voice and 'identity' in the media generally. Recent research into public attitudes to the arts in Australia, commissioned by the Australia Council, revealed a unanimity of view across a wide range of age-groups, gender, and social demographic, in relation to this point. Although many people had, and have, trouble in quantifying what is meant by "Australian identity", the issue of the protection of this identity against the impact of globalisation came up again and again in the qualitative part of the research, in particular in relation to the impact of American culture in the Australian community.

Paradoxically, it is likely that Australians recognise and support a 'public good' in the production and distribution of Australian cultural content, even where their own market choices respond to the market perceptions and appeal of global commercial products. It is likely that there is significant market failure in cultural industries, akin to the market failure in investment in training by Australian SMEs.

If, then, the Government and community objectives are to be reached in an environment of 'convergence' what will be the most desirable and achievable mechanisms for doing so?

We submit that the convergence review should consider mechanisms relating to direct outputs (such as content quotas), control of distribution channels (such as ownership and control rules or public/community broadcasting), producer subsidies (such as grants to artists or soft loans to producers) or consumer subsidies (vouchers which permit consumer choice).

4. Regulatory and non-regulatory alternatives

The report notes that regulatory interventions "can be highly effective but may lack flexibility because they are more dependent on assumptions about industry and market structure" [p.36]. Alternatively, [p.36] the Government can employ non-regulatory intervention through measures such as direct or indirect subsidy of relevant activities.

If Australia had a long history of cultural development and cultural support, the notion of abandoning any regulatory framework and relying upon current modes of non-regulatory intervention could well be considered. However, we do not have that history and it is important to note that even those countries which do, such as France, are looking to safeguard their cultural identity in this age of globalisation. It is too early for us to allow a *laissez-faire* approach to determine the shape of Australian culture, and of Australians' understanding of their culture, into the next century.

The Australia Council advocates the continuation of a regulatory framework for Australian content quotas, although the nature of that framework may well be different in the new environment. If a licensing regime is to remain for broadcasters and other content deliverers, the inclusion of Australian content regulation and regulation of Australian ownership and control of key distribution channels within the licensing framework could remain an option. However, it is recognised that other means of regulation may need to be developed to achieve the intended outcomes while reflecting the more diverse and fragmented environment which this report predicts.

If, however, the environment is such that a regulatory framework would have little impact or meaning, then the alternative of non-regulatory intervention will need to be addressed. The current levels of intervention, through subsidy, for both the film and arts sectors, is not at a level which can sustain the industries as they stand now, let alone in a deregulated environment. This is made very clear in both the recent Major Performing Arts Inquiry Report, and in the recent report on the film industry commissioned by the Minister for the Arts, Peter McGauran.

A new regime will therefore require a significantly increased level of subsidy and consideration of new policy instruments in order to achieve the Government's policy objectives and the community's aspirations. For example, the government could direct and subsidise a new 'community' distribution mechanism for youth culture and youth music with very high levels of Australian content, extending the current community broadcasting scheme. And the review will need to consider an expanded role for Australia's public broadcasters in achieving Australian content objectives. (One might note, for instance, that "Miracle on 52nd Street" is regularly shown in prime time on commercial television but that the equivalent Australian cultural icon "A bush Christmas" is shown by the ABC at 2 am!)

Because of the impossibility of ensuring and guaranteeing levels of subsidy over a long period in a politically changeable environment, a revised subsidy regime will require an additional component whereby a major portion, or the totality, of the subsidy is tied to an optimal percentage of some publicly accountable figure: this may be GDP, for example. A system such as this is used in Western Australia, where the funding for both the arts and the film industry is tied to a percentage of annual lotteries sales, in an environment where sales are unlikely to decline. Significant work would be required to determine the appropriate percentage and, here, some overseas examples from culturally supportive environments (France, Netherlands, Denmark, UK, Germany, Singapore) could provide some of the basis for the calculations.

This latter system would therefore enable a non-regulatory implementation to be introduced, while guaranteeing the sustainability of the cultural industries and therefore the ability to deliver on the Government's policy objectives for those industries. The 'percentage tie-in' of the subsidy quotient would allay the fears of the cultural industries that the country's culture was being, in a sense, abandoned to the marketplace and would, at the same time, enable the wider community to see that a fixed proportion of GDP was being spent in order to preserve and sustain a vigorous and representative Australian culture.