

AUSTRALIAN WRITERS GUILD PRELIMINARY SUBMISSION TO PRODUCTIVITY COMMISSION BROADCASTING INQUIRY

The Australian Writers' Guild (AWG) welcomes the opportunity to make a submission to Productivity Commission's Inquiry into Broadcasting Legislation in Australia.

The AWG is the recognized representative of all performance writers across Australia, covering writers for film, television, theatre, radio and multi-media.

A high percentage of the Guild's full membership write adult and children's television drama, ranging from series and serials to mini-series and telemovies.

The Guild therefore has a strong interest in ensuring firstly, that the networks continue to screen Australian drama and secondly, that regulation is effective in ensuring that the networks pay a fair price for that product.

Governments of all persuasions have accepted that it is essential to our cultural identity that Australian audiences see and hear themselves depicted on our screens. The Australian content standard has been the major pillar of support for this cultural objective since the early 1960s.

Regulation is particularly important in the vulnerable areas of drama, children's drama and documentary. These formats are extremely expensive to make and are easily substituted by imported programming despite the popularity of local programming. Australian costs are not high by world standards but imported product in these categories is always significantly cheaper because it has recovered its costs in its home market. American productions which cost \$2m an hour to produce sell here for A\$50-60,000. The cost of producing an Australian drama program ranges from A\$90,000 an hour for a serial to A\$1-1.8m an hour for a mini-series. This is the rationale for the Australian content standard.

We note the terms of reference includes the issue of trade agreements, including CER. We will make a further submission on this issue prior to the hearing. At this stage we would just make the point that to allow material from NZ or any other country to count as Australian is an absurdity and makes a nonsense of the Australian government's cultural objectives.

The CER Trade in Services Protocol ought to have included a reservation for audio-visual services including Australian content regulation and the treaty should now be renegotiated as recommended by the recent Senate Inquiry into the matter.

We do not believe the revised standard has achieved the balance between cultural and trade as directed by Minister Alston following the High Court decision in favour of Project Blue Sky.

This is in part because of the power of the commercial networks who argued for minimal change and in part because the ABA was given an impossible task of addressing incompatible cultural and trade objectives.

At this stage the main issue we wish to focus on is inadequacy of the program licence fees paid for Australian drama programs by the commercial networks.

Australian dramas are popular with Australian audiences. Blue Heelers, Water Rats, Murder Call have rated in the top five programs

Program licence fees do not reflect the high ratings of these programs and their advertising revenue. We understand that advertising revenue for Blue Heelers is in the vicinity of \$1m an hour, which is four times the licence fee paid for the program.

Exports of Australian drama have also risen impressively. Exports of television programs rose from \$35m in 1991/92 to \$117m in 96/97. (*ABS Royalties on Theatrical Films Television Programs and Video Tapes by Type and Country Group*). Television program exports have grown much more rapidly than other categories of Australian exports, increasing by 200 per cent over the four years to 1996/97.

At the same time the license fees paid by the commercial broadcasters have remained static for some years and the proportion of the total budget represented by the domestic license fee has diminished. The deficit is found in foreign pre-sales and distribution advances. A reported "softness" in some overseas markets (notably Germany) is now causing difficulties for the independent production sector.

In the mid-80s and early 90s ownership changes in the commercial television sector caused abnormal losses but during the past few years the profitability of the commercial broadcasters has improved dramatically. ABS surveys show the profitability of the commercial free to air broadcasters increased markedly in the period 1993/94 to 1996/97 as follows

***Operating surplus Profit margin
Before tax and dividend
Distribution***

1993/94	\$376.9m	18%
1996/97	\$734.3m	28.2%

Source ABS 8680.0

Data released by the Australian Broadcasting Authority on 16 March 1999 shows that the profitability of networks has continued to rise. According to the ABA commercial television licensees increased their profits by a further 6.9% in 1997/98 (*ABA, Press release NR 23/1999*).

But despite an increase in the numbers of programs and an increase in budgets the Australian independent production sector has been unable to obtain improved licence fees.

Production costs have risen over the past five years, in particular costs for cast and crew, who (as employees covered by registered unions) have had access to the Industrial Relations system. At the same time, writers (being independent contractors and represented by an unregistered organisation) have not been able to negotiate any increase in their fees. In fact many have not even been able to access CPI increases and have faced increased superannuation costs at the same time. Producers have been able to exploit writers' lack of industrial rights and bargaining power, with the result that writers have borne the brunt of the producers' inability to negotiate a fair price for their product.

There are also only a small number of companies engaged in series and serials production in Australia. It is a settled market. Given the transmission of Australian content is mandatory for the commercial networks we would assume the price elasticity of demand should be very high and the producers ought to be price makers and the networks price takers. This does not appear to be the case and it may be a subject worthy of the Inquiry's attention.

The ABA has introduced a minimum licence fee for children's drama of \$45,000 a half hour but rejected repeated calls for the same mechanism to be introduced for adult drama.

We request that the Inquiry examine the reasons for the failure of the commercial networks to increase license fees for Australian drama and the deleterious effect this is having on the Australian production sector, and the writing community in particular.

We will make a further submission within the next 14 days on other issues relating to the rationale for Australian content regulation, the issue of international trade agreements, Australian content regulation for pay TV and the role of the National Broadcasters.

We look forward to an opportunity to elaborate further on these issues at your public hearings.