

ScreenSound Australia  
National Screen and Sound Archive

15 November 2000

## INQUIRY INTO COST RECOVERY BY COMMONWEALTH AGENCIES

Issues relating to ScreenSound Australia  
the National Screen and Sound Archive



### Introduction

1. ScreenSound Australia, the National Screen and Sound Archive, is Australia's national custodian of our audiovisual heritage. Along with other national cultural institutions such as the National Gallery, the National Library and the War Memorial, ScreenSound Australia collects, preserves and makes accessible the Australia's cultural heritage.
2. The Archive is an agency within the Department of Communication, Information Technology and the Arts. It evolved from various film and sound archival functions within the National Library of Australia, and became an institution in its own right in 1984.
3. Within the Archive there are a number of business units that collectively account for the effective running of a cultural heritage institution, and for the maintenance of our mission;

*"To increase the use, enjoyment and safety of Australia's audiovisual heritage, and through this to enrich the lives of all Australians."*

4. The **Collections Group** is responsible for:
  - the development of the national collection to increase its representative quality,
  - the safe storage, transportation and physical control of the collection,
  - the preservation of collection materials including research, treatment and copying, the intellectual control of the collection, including complex data relating to the items such as physical description, content description, providence and rights ownership, and
  - eBusiness.
5. The **Public Outreach and Business Support Group** is responsible for:
  - a range of access programs incorporating exhibitions, screenings and presentations,
  - lectures and seminars,
  - communications and public relations,
  - Employee, Property and Office Services,
  - Finance, and
  - Corporate Planning and Coordination
6. We also have a unit that is responsible for co-ordination, policy work and our state offices in Sydney and Melbourne which carry out a number of functions relating to public outreach, collection development and collection information.

ScreenSound Australia  
National Screen and Sound Archive

15 November 2000

### **Cost Recovery within the Archive**

7. Some of the products offered by the business units focus completely on external customers whilst some others have been developed to service both internal and external customers. Activities designed to service external customers may attract a fee in order to recover some or all of the costs, and include:

- consultant and technical services in relation to the preservation of audiovisual material,
- access to collection materials for research,
- the use of collection material for inclusion in programs and productions,
- entry to exhibitions, presentations and screenings,
- the development and sale (wholesale and retail) of audio and video product,
- training,
- shop and cafe, and
- hire of the venue and facilities.

8. When setting the charges for these services the Archive is cognisant of its mission to make the collection safe but also accessible to the Australian people. We need to balance easy access to the collection against the benefits of cost recovery. These benefits are in three areas:

- control of demand,
- reduction of the cost to government (and the taxpayer), and
- expansion of the service.

9. The business of running a national archival repository for cultural material is not profitable, with the bulk of the collection having *cultural* and *social value* rather than *monetary value*. The cost of collecting and caring for this material will always be substantially greater than what one could reasonably charge for its access.

10. The example below illustrates that the actual cost of properly dealing with archival collection materials can amount to an expense that would be difficult to pass directly onto one customer. Amortization of these costs is the only possible way to make them acceptable. The question remains - over what period or number of customers can this cost be reasonably amortized if full cost recovery is to be pursued?

ScreenSound Australia  
National Screen and Sound Archive

15 November 2000

***Example 1 The Cost of Providing Access to an Archival Film***

A simple costing model which tracks elements for the preservation and copying of a film would typically identify the following:

- acquisition negotiation for the film and establishment of a file record (10 hours)
- examination of the film to extract content and technical data, and entering information into the Archive's database (10 hours)
- cleaning and repair of the film (2.5 hours)
- copying of the film to master video (1 hour)
- creation of a video access copies (1 hour)
- storage of original and copied materials (for 50 years)
- administrative services in relation to the loan and tracking of the access video copy (1 hour)

Each of these stages will involve costs on behalf of the Archive relating to administrative expenses, staff and overheads, capital depreciation, and materials.

On the assumption of acquiring, preparing and copying a typical motion picture 16mm film of 1000 feet in length, the total cost to make the film accessible in video format would be in the order of \$1,300.

***Example 2 The Cost of Providing Access to a Film requiring Copying from Nitrate to VHS***

This example ignores the acquisition and storage costs of material in our collection but looks at the cost of access to a very short piece of nitrate film that is not available in a ready access format. This might, for example be a single item from a 1940's newsreel. The costs in a typical case would be based on the following assumptions:

- 1) Repair time is estimated from historical data at the average time take to prepare a 700 foot film for printing.
- 2) Assume newsreel is a composite print running time approximately 8 minutes for 700 feet. Normal preservation practice is to produce 1 negative and 1 magnetic from Composite Print, therefore this costing does not include production of a new print. Production of a new print for screening would add about \$1250 to the cost shown below.
- 3) Telecine would be from Nitrate original for lowest cost.
- 4) All costs are based on our established rate card as of 15/11/2000.

***Costing***

Item	Quantity	Rate	Subtotal
Film Repair	10 hours	\$48.00	\$480.00
Film Stock - Dupe Neg	720 feet	\$0.29	\$206.06
Film Stock - Mag	720 feet	\$0.04	\$28.80
Lenders	4 of	\$2.50	\$10.00
Printing & Processing	total		\$510.00
Telecine (includes stock)	0.5 hour minimum	\$270.00	\$135.00
Video Transfer (includes stock)	0.5 hour minimum	\$125.00	\$62.50
Total			\$1,432.36

ScreenSound Australia  
National Screen and Sound Archive

15 November 2000

11. Within the Archive, the judgment of which materials need to be copied for access and preservation will be based primarily upon the *access demand* and the *preservation needs* of the artifact. There is therefore no certainty at the end of the preservation and copying process that the material will be accessed any great number of times. Its value is not only on how many times an artifact is accessed in its lifetime, but the impact that this artifact has or potentially has on our society.

12. It becomes clear from the above that full cost recovery for the provision of access to the national collection is not practical, and that if fees are charged at all, it must be on a partial recovery basis. Other activities such as consultancy and technical services, may however, attract a greater level of cost recovery.

### **ScreenSound's Job Costing Model**

13. The Archive has developed a costing model designed to track all costs associated with activities or jobs carried out within the organization. This accrual-based model takes into account both direct and indirect costs of an activity, including cash costs, overheads and asset depreciation. We therefore have an accurate measure of the cost of the Archive's various businesses and can make a deliberate judgment on the extent to which a business is subsidized.

### **Current Cost Recovery Practices**

14. The Archive sets a range of charges for its activities which are based upon the cost of the activity, the need to provide equitable access to the collection, and to a certain extent, market forces. Charges are levied primarily to:

- provide resources for our activities additional to those available from government appropriations, and
- to ensure there is an increase in access to the collection in line with the resources of the Archive.

As noted above there are also circumstances in which we can use fees to regulate demand.

15. As a result of the above considerations, ScreenSound has made a deliberate decision to seek **full cost recovery** for:

- access to the Archive's technical facilities and expertise which are unique within the Asia/Pacific region, and in increasingly high demand. These services primarily focus on the preservation treatment and copying of high heritage film, video and audio materials, and
- access to the Archive's headquarters site (as a venue) which can be hired out for professional, academic and social functions.

ScreenSound Australia  
National Screen and Sound Archive

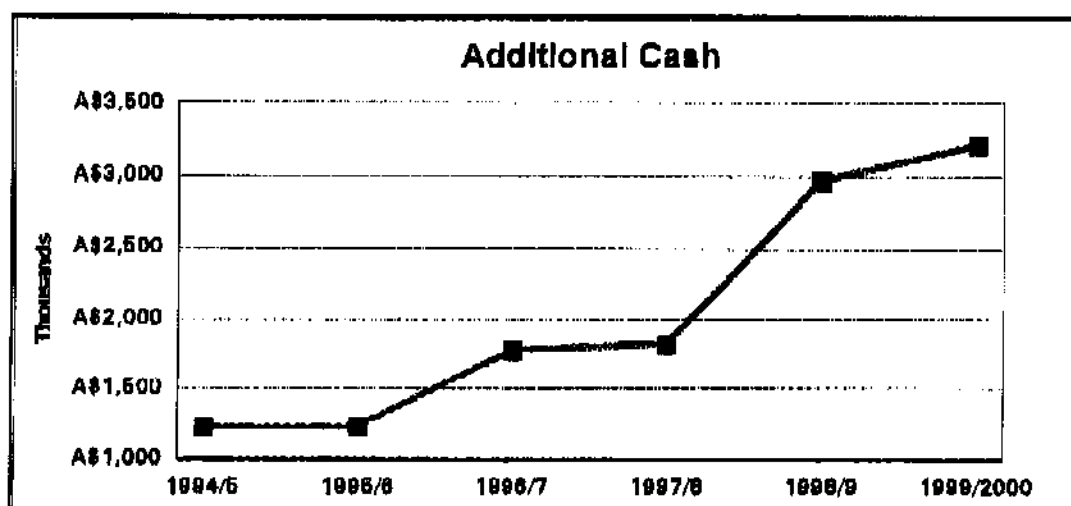
15 November 2000

16. On the same basis, ScreenSound has made a deliberate decision to seek **partial cost recovery** for many of its access services including:

- film screenings,
- presentations,
- exhibitions and traveling exhibitions (and related services at our headquarters),
- video and audio products produced by ScreenSound, and
- access to the collection for its use in news items, broadcast productions, research, education, film festivals and the like.

### Outcomes for cost recovery

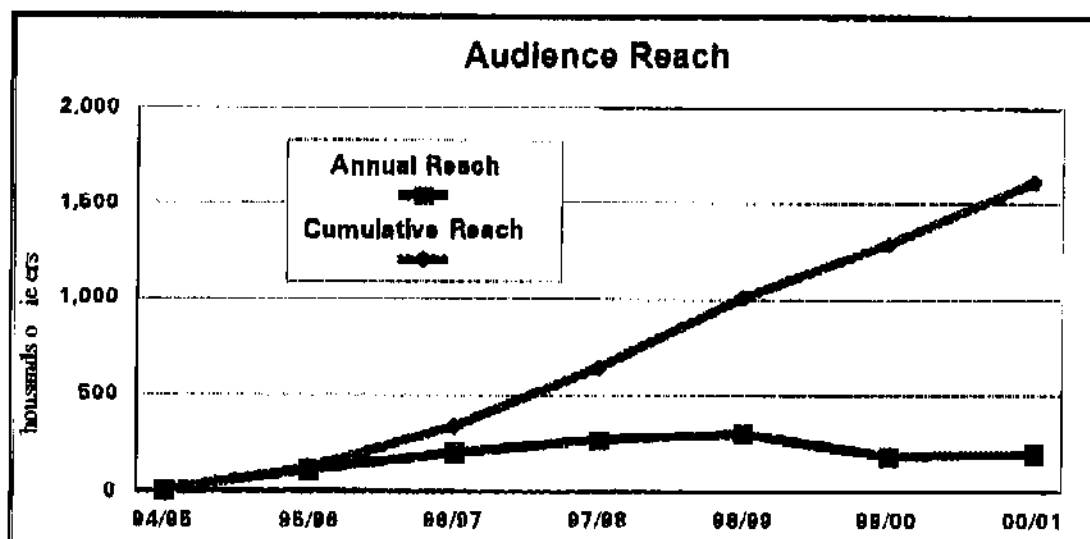
17. The strategic management of the Archive's programs and resources, including cost recovery issues, has resulted in an improvement in both of the two principle indicators of success detailed in paragraph 14 i.e. **supplementation of appropriation**, and **increase in access**. The graphs below demonstrate two useful indicators. In the area of access we have a range of other indicators but these reveal less about our cost recovery strategies than those shown below. An indicator of the broader access programs would be total audience reach of our collection - every year 70-75% of all Australians see or hear something from our collection (on television, on radio, in screenings or exhibitions, or through our product sales).



The above graph shows the level of supplemented funds as a result charges levied for products or services, sponsorship and grants.

ScreenSound Australia  
National Screen and Sound Archive

15 November 2000



The above graph shows an increase in access to the collection through the development of audio and video product. Charges are levied according to market forces which are continually monitored. All measures of access show a similar steady increase over the same period.

#### Comments on specific issues raised in the 'Scope of the Inquiry'

18. The following references are to the specific issues raised under the heading of 'Scope of the Inquiry' in the issues paper:

*3b) factors underlying cost recovery arrangements across Commonwealth Government regulatory, administrative and information agencies*

The Archive is an information agency. We have utilized cost recovery to reduce the cost of services to government and taxpayers, to increase the reach of our access services and to some extent control demand for our services. The first two of these factors are described above.

The need for 'control of demand' is a reflection of the fact that some of our services can be very costly (e.g. to provide access to material held only on fragile nitrate film can cost thousands of dollars). While such services will be justified when providing access to (for example) a television station that will broadcast the result to millions of viewers, it would be extravagant for an individual who wishes to see the material for personal interest. The fees will ensure that the television station pays for material that will be used commercially. The fees will also ensure that we discourage very expensive projects that show little or no community return.

*3c) who benefits from the regulations, administrative activity and information to which cost recovery arrangements are applied*

13 to 15 million people in Australia see or hear something from our collection every year (through TV, Radio, screenings, exhibitions and product), and it is estimated that at least 3 to 4 million of those see or hear at least 1 hour of material from our collection each year. Without a highly flexible cost recovery policy we would not be able to achieve such extraordinary results.

*3d) the impact on business, particularly small business, consumers and the community of existing cost recovery arrangements, including any anti-competitive effects and incentive effects*

The Archive generally does not compete with the private sector. The services it provides are, by definition, those that the private sector cannot provide commercially. While some activities could potentially overlap with the private sector (e.g. technical services provided commercially by our laboratories) we have deliberately focussed those activities on the use of our skills and equipment in areas not provided for in the commercial sector (e.g. high end archival film and video restoration services).

Even where activities would appear to parallel private sector equivalents (our shop) we have targeted services so that they are clearly distinct from commercial alternatives (e.g. by location, content, marketing and presentation)

Where there is a risk of overlap in services we price on a scale that draws on private sector equivalents so that we are not undercutting commercial suppliers. Furthermore the very small scale of such activities precludes any risk of threat to private sector suppliers.

On occasion our cost recovery can be an inhibition to customer access to our collection. As noted above this is at times intended but we also make a very deliberate effort to make our collection accessible to all. Thus where there is interest in a segment of our collection but the cost of individual services prevents ready access we have developed a product range of 'compilation videos' that provide cheap, easy national access to our collection.

We are also flexible in our pricing of services, e.g. where a researcher is seeking access to our collection to prepare material that will be published we will often waive, or substantially reduce, access fees in return for a copy of the resultant research. Where other national institutions seek access to our collection for inclusion in exhibitions we will discount our fees heavily or come to reciprocal arrangements.

ScreenSound Australia  
National Screen and Sound Archive

15 November 2000

*3e) the impact of cost recovery arrangements on regulatory, administrative and information agencies, including incentive effects*

Our increase in revenue through cost recovery from \$289,000 in 1992/93 to well over \$2,000,000 last financial year has allowed us to provide a very substantial increase in access services. Customer feedback through market research and unsolicited feedback indicates a massively positive response to this expansion of services while criticism of our fees, while not entirely absent, has been trivial by comparison.

The introduction of expanded cost recovery programs over the last seven years has also allowed us to provide preservation and training services to other government, non-government and overseas organisations and thus widen significantly the preservation of audiovisual heritage outside our organisation. This both increases the general protection of heritage materials and reduces the pressure on us to do the job alone.

*3g) appropriate guidelines*

Our cost recovery arrangements see us making profits in some areas (e.g. commercial film restoration services), breaking even in some areas (e.g. training for other national and international institutions), losses in some areas (e.g. client access services such as those that result in 70-75% of all Australians seeing something from our collection each year), and no cost recovery at all for some services (such as storage of privately owned high heritage icons in our collection).

It has been vital for the development of our cost recovery regime that we have had the freedom to develop a regime that fits our specific circumstances. Understanding our business is very difficult. We are unique as the only public audiovisual archive in Australia. The inter-relationships between acquisition, storage and access can be very complex. With the freedom to develop a regime that meets our needs we have been able to deliver a much expanded result to the public without the need to seek additional funding from government.

The need to be able to adapt fee regimes and cost recovery strategies to our particular circumstances is going to be increasingly important as we move into the so-called 'digital age'. As we develop strategies to deliver the content of our collection 'on-line' we will need to put in place innovative new revenue arrangements. Given the turmoil in current revenue structures within the 'new economy' it is impossible to forecast what sort of revenue arrangements will be viable for the Archive. Flexibility will be the key to establishing a workable arrangement that achieves the contradictory objectives of the easiest and fairest access to our collection and the least cost to the taxpayer.



ScreenSound Australia  
National Screen and Sound Archive

15 November 2000

## **Summary**

18. The Archive confronts the issue of cost recovery for its services as it develops its business and expands its range of products and services for Australian and international clients. In the first instance the Archive has had a deliberate strategy to develop an increasingly accurate picture of the real costs (both cash and accrual) of each of the Archive's activities to assist in setting prices.

19. Secondly, the Archive has focussed on improving its measurement of the outputs of its various programs as a measure of their success in achieving their desired outcomes. This, along with the costing model, has allowed the Archive to track more accurately the efficiency and effectiveness of its programs, and to review the impact of issues such as fees and charges.

20. The increased outputs across a range of the Archive's businesses, along with the steady increase in additional funds, demonstrates the success of the organization's strategy in balancing its resources with program outcomes.

21. It is essential for the Archive to continue to have the flexibility to tune cost recovery strategies to the particular circumstances of its activities. There is no one approach to cost recovery that will be relevant to each of our various enterprises or activities. Our guiding principles are:

- reduction of cost to government/taxpayers;
- expansion of services, and (to a much lesser extent);
- regulation of demand.