

FUNDING AUSTRALIAN CONTENT ON ‘SMALL SCREENS’: A DRAFT BLUEPRINT

**A review of Screen Australia’s role and
objectives in television funding**

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Not attached to this document

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Executive summary

This document is the first key milestone in Screen Australia's review of its funding of television production, announced 18 June 2010, to ensure that the organisation is supporting the television production industry and Australian storytelling in an optimum way.¹

Part A outlines a draft blueprint for the future funding of small-screen content, highlighting some of the issues involved and posing particular questions for discussion. Part B provides a background to the blueprint.

Context

Screen Australia was formed in 2008 following the merger of the Australian Film Commission (AFC), the Film Finance Corporation Australia (FFC) and Film Australia Limited (FAL). The current methods and mechanisms for supporting the development and production of Australian programming on television have been largely inherited from the predecessor agencies² and were created prior to the introduction of other financial support incentives such as the Producer Offset.

In establishing the Producer Offset, the Australian Government anticipated that productions with a more commercial focus would be financed by this mechanism, leaving Screen Australia's funds (consequently reduced by Government) to be directed to other quality, culturally significant and innovative programming.

As Screen Australia's appropriation from Government and ability to provide funds contracts, it is timely to review the role of the agency in relation to television funding in terms of allocation and investment. Perhaps more importantly, it is also necessary to review Screen Australia's role in terms of supporting the demand for Australian content in a fast-evolving media landscape.

Convergence

While television remains the primary medium for audiovisual content, consumers routinely access content via a range of screens, including computers and mobile devices, in a process known as convergence.³

As communications and media technology develops, new challenges and opportunities arise for all industry participants. Traditional business models are being placed under pressure and regulatory and policy settings struggle to keep pace. Current regulation in turn confines the ability of individual distribution platforms to monetise content in this converged environment. Issues highlighted in current and

¹ Review of television production funding, Screen Australia website, www.screenaustralia.gov.au/new_directions/tv_review.asp

² The exception to this is documentary production funding where, in establishing its programs, Screen Australia moved away from a commissioning model, in which the agency acted as executive producer and rights controller, to the current equity investor model.

³ The Department of Broadband, Communications and the Digital Economy Annual Report 2009-10 defines convergence as "the process by which technologies (for example, televisions, phones and computers) and platforms (for example, broadcast, telecommunications and online) that originated having distinct functionalities evolve to overlap, so that the end user experience is similar regardless of the platform or device".

future Government reviews, such as the convergent media review planned for 2011 (see page 7), will assist in defining the way forward.

Internationally, these technological changes are affecting the way markets support local content. An examination of television production funding methods in Canada, New Zealand and the United Kingdom reveals important ongoing Government funding support for traditional television content as well an increasingly significant multi-platform approach (see part B, section 7).

Screen Australia's role

Screen Australia's current review of television funding acknowledges and accommodates this multi-platform and multi-screen environment.

The agency has a key and active role to play in the creation, support and financing of Australian content distributed on television, mobile and online platforms – collectively referred to as 'small screens' throughout this document in a deliberate reference to the converged landscape in which traditional television content is now located.⁴

Screen Australia's role includes:

- establishing minimum terms of trade between broadcasters or channels and producers;
- helping to generate a legacy of premium content for the nation;
- driving innovation and the evolution of creative storytelling and form; and
- helping to ensure the Australian production sector is robust and sustainable and continues to develop a highly skilled production workforce.

Screen Australia must embrace and support the ongoing creation of quality, innovative, original, culturally significant small-screen storytelling that resonates with contemporary audiences but which may not otherwise be produced due to cost or lack of commercial viability. This includes:

- a) premium television content of national significance (identified by the nature of its narrative and production values), across factual and dramatic programming, for a broad range of audiences; and
- b) platform and format-agnostic content aimed at stimulating the development and growth of distinct and new forms of engaging (often interactive) narrative and communication, as well as the talent that is native to these media

In order to achieve these outcomes, Screen Australia must consider the developments in, and pressures on, the creation and exploitation of content. The agency's terms of trade and program guidelines for production and development need to accommodate changes in the marketplace and in technology. The agency must at times be flexible in response to changing market conditions yet it must also be clear and consistent about the requirements that parties must meet in order to receive Screen Australia investment.

These principles – flexibility, clarity, innovation and quality – underpin Screen Australia's draft blueprint for funding Australian content on small screens.

In developing a strategy for supporting one sector, it is essential to emphasise the importance of a healthy screen production industry overall. The continued strength of small-screen content, with investment in equipment, infrastructure, training and

⁴ Theatrically released content is designated 'big screen' content, by comparison.

employment, will support and enhance other forms of content creation including theatrically released ('big screen') content.

The draft blueprint

In summary, Screen Australia will provide funding for small-screen content in two major areas:

- Convergent Television: premium content that is driven or triggered by the television broadcast platform
- All Media: content that is driven or triggered by any distribution platform

Convergent Television

Description: Screen Australia will fund significant, high-quality small-screen productions created for television broadcast.

Funding allocation: Approximately \$30–35 million. This makes up the bulk of Screen Australia's small-screen content funding, which is appropriate given television's continuing influence.

Format: Restricted to drama (adult's and children's) and documentary content.

All Media

Description: Screen Australia will fund original, innovative screen content for distribution on a variety of platforms.

It is proposed that content funded under All Media will explore creative storytelling that engages audiences across existing distribution platforms as well as new and evolving platforms. A more flexible approach will be adopted to content format and funding arrangements in the All Media Fund compared to Convergent Television.

Funding allocation: Approximately \$2–5 million.

Format: Two distinct components are proposed:

- Production investment for individual projects and productions including scope for strategic partnerships with content platforms, aggregators and developers – the Ignition Program
- Experimental production and development for producers – the Digital Sandpit Program

Together these funds and the emphasis that Screen Australia has placed upon various funding criteria, discussed in the body of this document, will ensure greater flexibility for industry and sharpen the focus on the development, creation and support of innovative and high-quality small-screen content.

Importantly, Screen Australia's programs and funding approach will continue to evolve as the media landscape and the industry itself evolves.

Ongoing dialogue about the draft blueprint is encouraged and addressed by questions within the outline of each funding area.

Scope of the review

The scope of Screen Australia's television funding review is defined by the terms of reference, the legislated objectives and role of the agency as well as the visions and goals as outlined in Screen Australia's *Charter of Operations 2009–2010*.

Terms of reference

The terms of reference for the review are outlined in the background paper *Television Funding – A Review of Screen Australia's Role and Objectives*.⁵ They are to:

1. confirm the objectives and role of Screen Australia with regard to television funding, taking into account levels of investment and the role the agency has in developing and producing innovative and nationally significant television programming;
2. review Screen Australia's funding eligibility requirements, including minimum licence fees, holdback provisions and marketplace attachments, and determine whether these levels and requirements remain appropriate; and
3. evaluate the funding allocation for National Documentary Program (NDP) projects including the provision of program funding for particular television broadcasters or channels.

Screen Australia's objectives and role

The objectives and role of Screen Australia are established under the *Screen Australia Act 2008*. The functions of Screen Australia are to:

- support and promote the development of a highly creative, innovative and commercially sustainable Australian screen production industry; and
- support or engage in:
 - the development, production, promotion and distribution of Australian programs; and
 - the provision of access to Australian programs and other programs; and
- support and promote the development of screen culture in Australia; and
- undertake any other function conferred on it by any other law of the Commonwealth.⁶

Screen Australia's Charter of Operations

The outcomes of the review are also influenced by a number of the visions and goals as outlined in the *Screen Australia Charter of Operations 2009–2010*. These are to:

- grow demand for Australian content
- support the development of a more commercially sustainable screen industry
- increase the quality, variety, innovation and ambition of projects and talent being developed

⁵ Review of television production funding, Screen Australia website, www.screenaustralia.gov.au/new_directions/tv_review.asp

⁶ Screen Australia Act 2008

Screen Australia is tasked with a national leadership role within the Australian screen industry by:

- investing in quality screen productions that engage audiences and have cultural relevance.
- contributing to the development of a commercially sustainable screen industry by promoting the effective use of the Producer Offset and the international co-production program
- encouraging innovation across the industry, including supporting cross-media platform applications and new ways of responding to the rapidly developing digital world⁷

Review timetable

The intended timetable for the review including work undertaken to date is as follows:

Date	Stage	Progress / Notes
June 2010	Announcement of review.	Completed.
July–September 2010	Consultation with stakeholders (broadcasters, producers, industry guilds) including receipt of written and oral submissions.	Completed. To date, 23 meetings have been conducted and 12 written submissions received.
September–November 2010	Development of a draft funding blueprint.	Completed.
19 November 2010	Draft blueprint issued for comment.	Completed.
31 January 2011	Comments close on draft blueprint	Industry consultation during this period
March 2011	Draft guidelines issued for comment	
April/May 2010	Development and refinement of program guidelines.	Industry consultation during this period.
May 2011	Release of new program guidelines	
1 July 2011	New guidelines take effect.	

Other reviews

Screen Australia notes that the Government is currently undertaking, or has signalled it will soon undertake, a review of the following areas of media and arts policy:

- Department of Broadband, Communications and the Digital Economy, Convergent Media Review (anticipated to commence late in 2010)
- the Office of the Arts, Department of Prime Minister and Cabinet, review of Government Investment into the Indigenous Broadcasting and Media Sector
- the Office of the Arts, Department of Prime Minister and Cabinet (formerly handled by the Department of Environment, Water, Heritage and the Arts), 2010 Review of the Independent Screen Production Sector
- Department of Broadband, Communications and the Digital Economy, Sport on Television: A Review of the Anti-siphoning Scheme in the Contemporary Digital Environment
- Australian Communications and Media Authority, Spectrum Re-allocation in the 700 MHz 'Digital Dividend' Band discussion paper.

⁷ Screen Australia, Charter of Operations 2009–2010, August 2009

The outcomes of these various reviews will impact production and distribution levels as well as commercial and creative decisions. It is within this environment that Screen Australia has sought to effectively position its proposed funding and investment decision-making process.

Feedback invited

Feedback on the draft blueprint can be provided online through [\[insert link xx\]](#)

Closing date for comments is 31 January 2011.

DRAFT

PART A.

Draft blueprint for Screen Australia's funding of small-screen content

1 Context

1.1 Introduction

Screen Australia's strategy and decision-making process for funding small-screen content are guided by its terms of trade and program guidelines. The terms of trade and program guidelines establish the criteria under which Screen Australia transacts with and provides specific support for the Australian screen production industry.

These various requirements affect the commercial relationships between the creators and investors of Australian small-screen content: in most cases between producers supplying the content and broadcasters purchasing that content.

Consequently, Screen Australia's funding has the ability to shape and influence the content production market often providing pricing 'floors' for content by way of minimum licence fees paid by broadcasters as well as overseeing the legitimacy of various commercial terms. In effect this provides Screen Australia with a quasi-regulatory function for various industry conditions, with its investment criteria acting as 'policy levers' within industry transactions. It is these levers that are largely the focus of Screen Australia's review of its funding of small-screen content.

Structural changes have occurred in the marketplace since the Film Finance Corporation first developed the program guidelines. Changes include the merger of the Australian Film Commission (AFC), the Film Finance Corporation Australia (FCC) and Film Australia Limited (FAL) and the formation of Screen Australia. Also, the introduction of the Producer Offset and the proliferation of distribution methods brought about by technological advances, as well as changes in viewer behaviour, require further consideration.

In this context, the review and associated consultation with the industry has examined the impact of Screen Australia's involvement in the negotiation process, reviewing the outcomes of a number of core components of the transaction process, including licence fees, holdbacks, equity and distribution advances or guarantees.

The issue of digital rights is also relevant to dialogue about the consumption and monetisation of content across multiple screens.

1.2 Current program expenditure

The 2010/11 budget allocation for Screen Australia funding through the Production Investment Department is \$60 million. That amount has been notionally distributed between the following program areas:

- | | |
|--|-----------------|
| • Features (including low-budget) | \$22-26 million |
| • TV drama (adult), TV drama (children's),
Low budget drama | \$18-20 million |

- National Documentary Program
Domestic Documentary Program
International Documentary Program
Special Documentary Program
Documentary Development: \$16.5 million

Screen Australia investment in most programs is generally as equity, except when a documentary investment is less than \$200,000. From March 2010, all documentary projects approved by Screen Australia with funding of \$200,000 and under are provided as a grant rather than a recoupable investment.

1.3 Submissions and consultation with industry

Screen Australia received 12 written submissions after releasing its paper *Television Funding – A Review of Screen Australia's Role and Objectives* in June 2010, and has since held 23 meetings with a variety of industry stakeholders including industry guilds, screen content producers and subscription, national and commercial television broadcasters and channels.

A variety of views and positions about Screen Australia's role and objectives in supporting television content emerged from these discussions, covering specific aspects of Screen Australia's television funding programs; the guidelines and terms of trade for these programs; their administration; and the amount and distribution of funding. Views were also provided about the policy settings in which Screen Australia's funding activities operate.

There were many common views provided by all segments of the industry. However, there were also different perspectives largely divided between broadcasters (or channels) and producers. This is not surprising given the nature of the specific levers (such as minimum licence fees) incorporated into the current terms of trade and program guidelines. There were also differences between the views expressed by subscription television broadcasters or channels, commercial television broadcasters and national broadcasters.

The following discussion aims to capture the main issues raised during the consultation. These issues have guided the development of the blueprint outlined in section 2.

Points of agreement:

1. Screen Australia has a continuing and important role to play in providing funding support for television and other 'small-screen' content.
2. Screen Australia's current programs and the parameters they set for funding support for small-screen content were largely established by the predecessor agencies and pre-dated many of the structural shifts and changes occurring in the television and converged content industries.
3. Screen Australia's role includes:
 - financing small-screen content that isn't otherwise financially viable to produce;
 - establishing minimum terms of trade between broadcasters or channels and producers;
 - helping to generate a legacy of premium content for the nation;
 - driving innovation and the evolution of creative storytelling and form; and
 - helping to ensure the Australian production sector is robust and sustainable.

4. Screen Australia's programs and funding support must recognise the evolving nature of screen content creation, distribution and the change in audience engagement with the content.

Key points of difference:

A range of views on the following issues emerged from the consultation:

- Licence fees and minimum expenditure thresholds
- Holdback periods
- Assessment/investment decisions
- Documentary funding allocations for broadcasters

These are discussed in detail in the next section, along with issues associated with Screen Australia's current funding programs for television, in the context of the proposed blueprint.

2 The way forward

The way forward for Screen Australia's funding of small screen content is influenced by:

- the environment in which small screen content is being produced and consumed in Australia;
- stakeholder views and submissions;
- a number of the visions and goals described in the *Screen Australia Charter of Operations 2009-2010*.

As previously outlined, Screen Australia's goals are to:

- grow demand for Australian content
- support the development of a more commercially sustainable screen industry
- increase the quality, variety, innovation and ambition of projects and talent being developed.

Screen Australia is tasked with a national leadership role in the screen industry by:

- investing in quality screen productions that engage audiences and have cultural relevance
- contributing to the development of a commercially sustainable screen industry by promoting the effective use of the Producer Offset and the International Co-production Program
- encouraging innovation across the industry, including supporting cross-media platform applications and new ways of responding to the rapidly developing digital world.⁸

Principles

Four principles form the foundation of Screen Australia's draft blueprint:

1. Flexibility

Screen Australia's guidelines should facilitate good market-based outcomes for content creation. They should be responsive to changing industry conditions and market pressures and the type of content that may require Screen Australia's funds.

2. Clarity

Screen Australia's guidelines should provide a clear framework in which negotiations and content creation can proceed. The guidelines should provide clear signals to industry about expected parameters for the funding arrangements between all parties.

3. Innovation

The guidelines should facilitate innovative content and help develop markets and audiences for growing and evolving content.

4. Quality

The guidelines should also enable premium Australia content to be produced, creating a legacy of quality audiovisual material for the nation.

Strategic direction

Screen Australia proposes to provide funding for small screen content in two areas:

- Convergent Television: premium content which is driven or triggered by the television broadcast platform
- All Media: content which is driven or triggered by any transmission platform

⁸ Screen Australia, Charter of Operations 2009-2010, August 2009

2.1 Convergent television

Screen Australia will fund significant, quality small-screen productions produced for television broadcast.

It is proposed that programs for funding content under Convergent Television will be restricted to drama and documentary projects where television broadcast is the primary platform. A more flexible, genre-agnostic approach will be enabled via the All Media fund outlined in section 2.2.

Funding allocation: Approximately \$30–35 million

General issues

Blueprint proposal: Distribution platform and market attachment

A television broadcaster or channel must be attached to the project by way of presale. It is proposed that the content must also be distributed on at least one other digital media platform. This could include catch up television services, mobile phone or other online release. As audiences are consuming content via an expanding array of platforms (see part B, section 3), the intention is to ensure accessibility to the content on those additional platforms to ensure the greatest opportunities for audience engagement.

The only exception to the requirement for a presale is for a proposed strand of documentary funds titled 'Signature Documentaries' (discussed further on page 20) where a presale, while desirable, is not a pre-requisite.

Discussion: Licence fees

When striking deal terms for the exploitation of any project, two fundamental elements negotiated are licence fees (discussed here) and holdback rights (discussed on page 14). The negotiation of these rights can be complex because of issues that arise as a result of the manner in which licence fees and holdback rights can impact on equity.

Licence fees refer to the amount paid for the right to 'play' or broadcast the program. The licence fee contains provisions that determine the number and length of screenings allowed under the licence; fees are based on the perceived value to the broadcaster.

A range of industry views have been expressed with respect to licence fee requirements for accessing Screen Australia funding including that licence fees be reduced, be increased, not have a minimum set by Screen Australia, have different minimums for different broadcaster/channels based on business models and capacity to pay, or involve a 'second run' licence fee that sets a floor for the secondary platform broadcast.

There are also particular issues for drama (see page 17) and documentary (see page 20).

Blueprint proposal: Licence fees

It is proposed that the requirement for broadcasters to pay a licence fee minimum is retained for both drama and documentary projects funded through Convergent Television. It is also proposed to increase licence fee minimums by approximately 10 per cent and provide for an annual CPI increase.

It is proposed to retain the limitation that the licence fee in any of these forms of content cannot be partially made up of equity or a New Zealand broadcast right.

Licence fees are further discussed in the context of the proposed Convergent Television drama programs on page 17 and documentary programs on page 20.

Question:

Does any particular genre – drama, children's or documentary – require licence fees to be varied by an amount other than 10 per cent?

Discussion: Holdbacks

A number of industry participants have suggested that Screen Australia should be funding programs of national significance and that these programs – partly funded by Australian taxpayers – should be made available to the nation to view. They argue that it is therefore inappropriate for Screen Australia's content to be restricted – either through lengthy holdback periods or by permitting the content to appear only on subscription television.

However, broadcasters and channels have defended their right and need to control the content in which they invest from being accessed by competing media platforms for a variety of reasons including the protection of their equity investment in the project and their ability to recoup and/or profit from broadcast. As media platforms and distribution outlets expand, the brand created by successful content may become as significant as the brand associated with the distribution platform.

Blueprint proposal: Holdbacks

Broadcasters and channels wish to limit the opportunity for competitors to access content in which they have made significant initial investments. However 'holding back' competitors from broadcasting content needs to be balanced against opportunities for producers to exploit their work and opportunities for the Australian public (who have invested in the content via Screen Australia, the public broadcasters and the Producer Offset)) to see the work.

If a television broadcaster or channel wishes to prevent the producer exploiting the rights to the content for up to a specified period (see below), it is proposed that there should be no additional licence fee required of the broadcaster. Broadcasters invest heavily in the marketing of content to develop and build brand.

If, however, the television broadcaster wishes to prevent the producer from exploiting the rights to the content for more than the specified period, then an additional and appropriate licence fee would need to be paid by the broadcaster. It is proposed that the quantum will be negotiated on a case-by-case basis.

Specified holdback periods (from first run or technical delivery, whichever is the earliest) are proposed as follows:

- 24 months for children's drama
- 18 months for TV drama
- 12 months for documentary

These periods are consistent with the 'holdback' arrangement agreed between the ABC and SPAA.

Questions:

Are the periods specified above reasonable standard thresholds for a holdback before additional licence fees must be paid to compensate the producer? If not, what is a reasonable time?

Are there any other considerations that Screen Australia should take into account when determining an acceptable holdback position?

Should there be a maximum holdback period – an upper limit, beyond which the restriction becomes unreasonable?

Discussion: Investment decision-making

The majority of television funding provided by Screen Australia has been invested with limited assessment of subject matter or other aspects of the content. Funding is provided as long as the production arrangements meet the requirements of the guidelines and sufficient funds are available. Assessment criteria come into play only if there are not enough funds to meet the demand by eligible projects.

The industry is generally happy with these arrangements, given that to date, available funds have mostly been able to meet demand. However, a combination of increased demand from broadcasters and a reduction in Screen Australia's direct funding allocation is leading to more pressure on available funds. In this environment it is no longer possible for the agency to support all productions seeking funds. Therefore, moving forward, investment decisions will necessarily involve a holistic project assessment.

Some industry participants have welcomed the opportunity for Screen Australia to be more actively involved in different forms of content assessment in a limited way. They comment that by assessing content, Screen Australia has an opportunity to better influence investment outcomes and results. However, others feel project assessment, of any kind, should not be the domain of Screen Australia.

ISSUE – drama: As discussed above, current TV drama projects are rarely assessed beyond eligibility and availability of funds. This results in limited diversity and lack of overall direction in Screen Australia's funding strategy. It also potentially leads to over supplies of particular genres of drama content. For example, current guidelines permit the funding of multiple series of successful content brands such as *Underbelly*. It can be argued that Government investment should not continue to be deployed for successful television series that once established, achieve high ratings and can be readily monetised by broadcasters or channels.

ISSUE – documentary: Other than consideration of National Documentary Program content areas, documentary projects applying for production investment are rarely assessed beyond eligibility and availability of funds. This limits Screen Australia's ability to ensure optimum investment outcomes and funding decisions.

Blueprint proposal: Project assessment

A minimum amount of project assessment is proposed in order to ensure the delivery of a diverse range of quality small screen content. This is also important and appropriate following the introduction of the producer offset and the ability that this provides Screen Australia to target its small screen investments carefully.

Assessment criteria currently come into play only when demand for funds exceeds funds available. It is proposed that all projects would be assessed holistically against the following criteria:

- strength of the proposal, including its national and cultural significance,
- the project's potential to connect with its target audience
- track record and capacity of the creative team;
- strength of the marketplace (ie level of co-finance excluding Screen Australia and the state agencies);
- diversity of slate.

Questions:

Are these appropriate criteria for assessing TV drama and documentary projects?

Should particular criteria apply to the National Documentary Program (see page 20)?

Blueprint proposal: series funding

It is proposed that only the first two series of any production be funded by Screen Australia. It is possible that Screen Australia will only fund the first season of a production that is demonstrated to be very successful. This is important as it ensures Screen Australia's funds are available to fund a broad range of content and not continue to fund already successful content. The current requirement for drama series that only a second season will be financed 'where the percentage and quantum investment by Screen Australia is substantially lower than for the previous program' would be a stated guideline preference but not a requirement.

Question:

Should Screen Australia limit its funding to only one series?

Discussion: Foreign formats

Currently funding can be provided for Australian versions of foreign formats. A case in point is *Who Do You Think You Are?* – a documentary series appearing on SBS. This has the effect of providing Screen Australia revenues to international holders of format licences. Some industry participants have suggested that this shouldn't be an issue so long as the local production is an Australian production. Others have been more concerned as the effect is that Screen Australia's funding is ultimately diverting funds from the development of Australian intellectual property.

Blueprint proposal: foreign formats

It is proposed that the production of an Australian version of a foreign format should not be supported via Screen Australia's direct funds. This will ensure that Screen Australia's funds are used to prioritise the development of Australian intellectual property and companies.

Drama programs

Discussion: Current programs

Screen Australia funds television drama mini-series and telemovies for both adults and children. Particular formats are eligible and there are a range of budget and market attachment requirements. See appendix 1 for more details of these programs.

ISSUE: Series vs mini-series: Currently 'series' (as opposed to mini-series) are not eligible to receive funding. It has been raised that there is a somewhat artificial distinction between the two types of television drama (created in part due to regulations relating to commercial free to air broadcast licenses and previous tax incentives).

ISSUE: Children's television: There is currently an absence of children's live action drama production and a relatively small demand upon this program's funds. Some have suggested that this is due to (relatively) cheaper animation productions being preferred by the commercial broadcasters. Others have indicated that the market floors for licence fees (for example) are too prohibitive for broadcasters who cannot monetise children's television. Current guidelines are quite prescriptive in terms of the type of production that will and will not be funded. References in the guidelines are also commercial television centric and fail to recognise the broader media landscape producing children's television content.

Blueprint proposal: Eligible drama formats

Series vs mini-series: It is proposed to remove current restrictions on the type and length of projects eligible to receive funding. Instead the proposal is to deal with duration on a case by case basis to better reflect the flexibility of content being commissioned and sought.

With regard to adult drama, there will be no distinction drawn between series and mini-series, allowing a more flexible approach to funding. However, in order to ensure Screen Australia can fund a diverse slate of television drama, it is proposed to only provide funding for the first 13 episodes of any program.

With particular regard to children's drama, the content will no longer have to be 'C' drama in order to be funded, thereby allowing a broader range of content to be eligible. The primary audience for the content, however, must be children.

Discussion: Minimum licence fees for drama

A range of views have been expressed on the balance between licence fees and equity in financing drama projects, and the role Screen Australia plays in establishing minimum licence fees.

ISSUE: Subscription television drama channels, and drama channel package providers, are required to invest at least 10 per cent of their total program expenditure in new Australian drama (for more discussion see part B, section 5.2). Amongst some channels, there is a preference for acquitting much of their expenditure as equity investments rather than large licence fees in order to provide them with a better recoupment position in the content being funded. A number of commercial television broadcasters also share this preference. Inflexible requirements for very high licence fee payments can sometimes therefore dissuade productions from seeking Screen Australia financing, which can perversely result in lower levels of overall production or result in a production not being made at all.

The nature of the regulation of subscription television also means that high licence fees, which contribute to a channel's total program expenditure, increase the channel's subsequent expenditure liability in the following year.

Blueprint proposal: Drama licence fees

As noted on page 14, it is proposed that a licence fee requirement is retained for television drama funded through Convergent Television, with the minimum to be increased by approximately 10 per cent and provisions for annual CPI increases.

For adult TV drama, this would mean a floor price of \$440,000 per hour. At the same time, requirements tying licence fees to minimum proportions of production budgets would be removed. This will create flexibility for broadcasters and producers to negotiate agreements and help reduce inflationary pressure on production budgets.

For children's drama, the minimum licence fee would be \$105,000 per hour.

Given the difficulties broadcasters and channels have in monetising children's content and the need to be more flexible in financing this type of content, it is proposed that for children's drama, the licence fee minimum will be open to include additional broadcasters who seek to exploit a secondary run (such as subscription television channels). This flexibility would not be extended to adult drama or documentary content.

Question:

Does the proposal to raise licence fees in conjunction with removing requirements relating to the proportion of production budget provide sufficient flexibility?

Discussion: Development for television drama

ISSUE: A small number of stakeholders have indicated their support for Screen Australia establishing separate development funding for television drama. Others have disagreed – indicating that this is something that television broadcasters and channels already successfully do. They indicated that television broadcasters and channels have a comprehensive understanding of their audience and the type of content that will be of appeal.

It should be noted that current guidelines however prohibit the funding of content that has been developed by a broadcaster.

Blueprint proposal: Broadcaster involvement and development

Screen Australia does not propose to provide development funding directly for television drama projects, although slate development support provided through the Enterprise Program does include television drama.

In terms of projects developed by a broadcaster and subsequently subcontracted to a producer, it is proposed to amend the guidelines to reflect the current practice of allowing some broadcaster development in the circumstances where chain of title resides with the producer. This recognises the audience knowledge of the broadcasters and channels and their current role in developing ideas and content.

Documentary programs

Discussion: Current production programs

Screen Australia funds the production of documentaries through a number of different programs. See appendix 1 for more details of these programs.

The funding allocation for the **National Documentary Program (NDP)**, including the provision of program funding for particular broadcasters or channels, forms part of the terms of reference for this review.

The stated aim of the NDP is to support a slate of premium documentary projects that focus on a broad range of themes of national significance. NDP projects are documentaries of record that have

'a sense of cultural ambition and a budget scale that separates them from other Screen Australia domestic documentary investments'.⁹

Some of the program guidelines for the NDP are outlined below:

- The NDP is broadly framed around four content areas: art and culture, contemporary and social issues (including social history), science and environment and national history and identity (including the Making History initiative with the ABC).
- There is no cap on the maximum amount that Screen Australia can invest in a one-off program or series under the NDP other than the

⁹ The National Documentary Program, program guidelines – Production Financing, July 2010

overall limits applied to the level of direct funding as a proportion of the project's budget.

- Screen Australia has meaningful consultation with the producer during the development and production of programs to ensure the themes or core content continue to develop.
- Special terms of trade apply to the NDP (including Screen Australia's non-exclusive rights of retention in the program, out takes and other materials for educational purposes and future productions by Australian filmmakers).

The **Domestic Documentary Program** and **International Documentary Program** fund documentary programs in tranches across the financial year. The Domestic program provides investment to match a domestic broadcaster's licence fee. No international marketplace attachment is required. The International program funds documentaries which have a domestic broadcaster presale (minimum of \$110,00 per hour) as well as an international territory presale and/or an advance from an international sales agent.

ISSUE: The Domestic and International programs are market-door programs with Screen Australia investment triggered by market attachments. In the case of the Domestic program, the absence of any floor price for the market attachment has meant there has been no incentive for growth in licence fees.

The **Special Documentary Program** funds productions of documentaries with no market attachments.

ISSUE: The Special Documentary Program has been criticised for not requiring productions to have market attachments and therefore potentially failing to reach audiences. Special Documentaries generally find their audiences on completion via national and international festival circuits and/or broadcast television. The absence of upfront broadcaster attachment limits the price paid on completion.. At the time of creation, the broadcaster may have been willing to invest a substantive amount to fund the content but once it is made, a minimal licence fee is all that most broadcasters are willing to pay. On the other hand, advocates for the Special Documentary Program argue that the point of it is that the docs generally have no interest from the broadcasters in the first place – but once made are often picked up. In other words, it is content that would not be made at all if it were left to the broadcasters to be the gatekeepers. In this argument, the existence of the program ensures diversity of content.

Blueprint proposal: Documentary production programs

It is anticipated that a notional allocation of \$16 million will be set aside for Convergent Television documentary programs.

It is proposed to reduce the number of programs to three, namely:

- **National Documentary Program** for a premium slate of projects with themes of national significance; the special terms of trade that currently apply to the NDP would be extended to the new National Documentary Program and funding would remain uncapped.

- **General Documentary Program** for domestic and international audiences.¹⁰
Note that this would be a single pool of funding; it is not proposed to allocate funds between 'domestic' projects (those without an international presale) and 'international' projects; however, a distinction between the two would be made by way of different licence fee requirements (see below).
- **Signature Documentary Program**, representing strong authorial work from filmmakers. While a broadcaster or channel pre-sale is desirable, it would not be a prerequisite for this program. This aims to balance producers' freedom to independently develop and create these projects with the desirability of connecting the projects to audiences through broadcast television.

All programs would permit applications for completion funding where appropriate.

Factual projects may also be funded under the All Media programs (see 2.2).

Questions:

Should particular assessment criteria apply to the National Documentary Program?

Should 'Signature Documentaries' require broadcast or channel interest and how should this interest manifest?

Blueprint proposal: Documentary licence fees

As noted under the general licence fees discussion on page 14 minimum licence fees are proposed for all programs under Convergent Television except the Signature Documentary Program. Furthermore, it is proposed to increase licence fees by approximately 10 per cent across the board with provisions for annual CPI increases.

- **General Documentary Program**
 - for projects without an international presale: It is proposed to introduce a minimum licence fee of \$135,000 per hour, with Screen Australia to match the broadcaster contribution. This measure aims to encourage growth in licence fees by way of a 'minimum' matched Screen Australia incentive.
 - for 'international' projects (with an international presale): it is proposed to increase the licence fee to \$120,000 per hour, to be matched by Screen Australia funding; the international presale would comprise a minimum of 10 per cent of the budget, continuing current practice
 - in both cases, total Screen Australia funding would be capped at \$500,000 for series; no cap would apply to one-off documentaries.
- **National Documentary Program:** Given that this program is targeted at the creation of premium documentaries, it is proposed to introduce a minimum licence fee of \$150,000 per hour for NDP projects with budgets under \$750,000. Budgets in excess of this amount would require a higher licence fee on a case by case basis. Screen Australia funding would continue to be uncapped.

Questions:

Is matched funding for the General Documentary Program the best way to target funding? If not, what are alternative funding mechanisms?

In the General Documentary Program, does the approach proposed for projects with international potential adequately recognise the circumstances of international deal-making?

¹⁰ Previous allocations for the Domestic and International programs would be combined in the General Documentary Program.

Discussion: Current development support

Screen Australia currently provides project development support up to \$20,000 per project covering research and development of a concept; treatment; script writing; strategic shooting and/or editing to attract marketplace development or production finance; marketing and pitch materials including plans or elements for multi-platform delivery; producer fees, director's and writer's fees, and where applicable, participants' fees, research, financing, travel, production budgeting and scheduling expenses. Marketplace contributions are encouraged but matched funding is not automatic.

Slate-based development funding is also provided through Screen Australia's Enterprise Program.

ISSUE: There is a large demand for limited documentary development funds and the current structure of the program creates difficulties in providing meaningful and focused support. No funds are currently allocated to professional development support for filmmakers.

Blueprint proposal: Documentary development

Funding would continue to be allocated for development, but the aim would be to target these funds more effectively, for example focusing particularly on early concept development – getting a project to the point where it could be presented to a broadcaster. Funds could also be set aside for professional development activities.

Question:

Should Screen Australia directly fund documentary development or should these funds help leverage other funding (such as State agency funds) in order to better target development of the sector.

Discussion: Documentary funding allocations for broadcasters

It has been Screen Australia's practice to notionally allocate much of its documentary funding to programs commissioned by the national broadcasters. This was a practice largely inherited from the FFC and created at a time when only the national broadcasters called on documentary funding support from the Australian Government agency. Currently Screen Australia's documentary funds are notionally allocated in the following way:

ABC (ABC1, ABC2, ABC3, ABC News24)	40%
SBS (SBS ONE, SBS TWO)	40%
NETWORK 7 (including Channel 7, 7 TWO, 7mate and regional affiliates); NETWORK 9 (including Channel 9, GO!, Gem and regional affiliates); NETWORK 10 (including Channel 10, Channel 11, One HD); Subscription television channels (including but not limited to the History Channel, Bio, MTV, Discovery and National Geographic Channel).	20%

Therefore while 40 per cent of funds is notionally allocated to content to be broadcast on the ABC channels and another 40 per cent to content for broadcast on the SBS channels, the remaining 20 per cent is open to competitive allocation to channels and broadcasters other than the national broadcasters – namely commercial television broadcasters and subscription television channels. As it is not common for commercial television broadcasters to call on funding support for their documentary programs, the 20 per cent of funds is mostly provided to subscription television channels. Often this is because commercial television broadcasters are commissioning content that is more easily monetised.

It should be noted that the ABC has generally received more than its 40 per cent over the past few years mainly due to the especially earmarked Making History Initiative.¹¹ See section 6.2 for analysis of Screen Australia's investment by broadcaster.

Some industry participants have suggested that Screen Australia formalise funding splits and potentially extend this practice across all of Screen Australia's television allocations. They argue that this may help provide certainty to a channel or broadcaster's slate of production in that they would be able to determine, in broad terms, the potential for Screen Australia investment and therefore commission content according to this overall budget. It should be noted, however, that the current practice of allocating funding has not prevented an over-subscription to parts of Screen Australia's funds in 2010.

¹¹ Since Screen Australia began operations, funds specially earmarked for ABC projects under the Making History initiative were included in the National Documentary Program. The Making History initiative finishes in June 2011, and it is proposed that these funds will be rolled back into the National Documentary Program.

Others have suggested that the pre-allocation of such a large amount of funds is anti-competitive, shutting out potential industry participation and productions from opportunities to receive funding.

ISSUE: Historically, funding splits for documentary programs are not formalised. Some submissions to the review called on Screen Australia to formalise funding splits and potentially extend the practice across all of Screen Australia's television allocations.

As noted above, some submissions proposed that formalised funding splits could help provide certainty to a channel or broadcaster's slate of production. This certainty was seen as more important for documentary production than drama given the type of budgets and number of projects and producers competing for funding.

Other industry participants suggested that pre-allocating such a large amount of funds, currently some \$16 million, is anti-competitive.

Blueprint proposal: Funding splits

As discussed above, funding allocated for documentary production is currently notionally divided between projects in which the national broadcasters are involved (40 per cent each to the ABC and SBS) with 20 per cent open to competition from projects in which subscription television and commercial television broadcasters are involved.

In an environment in which funding is more aggressively sought a more flexible approach is warranted.

It is proposed that up to five batches of funding will be offered per year, with no broadcaster able to secure more than 60 per cent of any one batch. If funding from a particular batch is not fully allocated, the remainder would be transferred to the following batch.

These arrangements would be reviewed after two years and determined amongst other things by the broadcaster's performance in documentary production, the audience and critical success it achieves as well as historic access to funds.

It is not proposed to introduce funding splits to drama production funding.

Question:

Would batching with a cap on individual broadcasters provide the sector with flexibility and increased opportunity or would the lack of certainty regarding outcomes outweigh these benefits?

What other approach might Screen Australia take to ensure the best possible documentary projects are supported throughout the year?

2.2. All Media

Screen Australia will fund original, innovative multi-platform screen content for distribution on a variety of media platforms.

Funding allocation: Approximately \$2–5 million

Discussion: Current programs

Screen Australia currently provides specific support for innovative digital or multi-platform projects through two programs.

Low-budget Drama Program

The current Low Budget Drama Program aims to provide the opportunity for producers to create distinctive drama series for television and/or digital distribution.

Demand for funds from this program has not been high. Some have expressed views that it is very difficult to create low budget drama that has enough production value to be engaging. Others have indicated that the aim of the fund is not clearly defined and appears to overlap with the 'Innovation' fund.

Innovation Program

The Innovation Program aims to grow the skills, audience and economic viability of the screen production sector by backing striking examples of innovation in form and content in screen-based media.

Funding is provided for the development and/or production of innovative, dynamic multi-platform and single-platform interactive media of any duration, format, or type, including, but not limited to, content-rich websites, interactive television applications and interactive content for handheld devices including smartphones, and online, PC, and console games.

At present the limited funds available through the Innovation Program are part development, part production investment, with the program aiming to support a variety of different forms of content. However it has been suggested that there is a lack of clarity about some aspects of the program – for example in relation to whether the interactive elements of television production or productions that are multiple-platform formats fall within television production funding guidelines (Low Budget Drama Program) or the Innovation Program. Opportunities exist to offer clarity, focus current funding and also generate more substantive projects.

Blueprint proposals

It is proposed that content funded under All Media will explore creative storytelling that engages audiences across all forms of existing distribution platforms as well as new and evolving platforms. A more flexible approach will be adopted to content format and funding arrangements in the All Media fund compared to Convergent Television.

Two distinct components are proposed for the All Media fund:

- 1, Production investment for individual projects and productions, including scope for strategic partnerships with content platforms, aggregators and developers – the Ignition Program
2. Experimental production and development for producers – the Digital Sandpit Program

2.2.1 Ignition Program

Production investment for small-screen content with no restrictions on distribution platform.

Eligibility: Formats

A flexible approach with regard to the length and type of project is proposed.

Funding will be provided for all forms of content which has a strong storytelling component. News, current affairs, sport and infotainment are ineligible. Feature and short films are also ineligible in this fund as they receive support in other programs. Locally produced new program formats developed with a view to international sale are eligible for funding. Foreign formats are not eligible to receive funding.

It is proposed that, other than in exceptional circumstances, only the first series of any production be funded by Screen Australia in this program. This will help provide funding opportunities for new projects.

Eligibility: Distribution platforms and market attachments

A market attachment would be required in the form of a presale or equity investment by any recognised and appropriate entity that will communicate the content to the public. It is proposed that the required amount be a percentage of the total budget for the project.

It is also proposed that the content must also be distributed on at least one other digital media platform. While not excluding content that is broadcast on television, it is proposed that preference be given to content that does not use television broadcast as its primary vehicle for distribution. This will distinguish the content from that funded under Convergent Television and ensure that emphasis in this fund is placed on platforms other than or complementary to traditional broadcast television.

Question:
What would be an appropriate percentage of the budget to require as a market attachment?

Licence fees and holdbacks

It is proposed that there be no licence fee minimums mandated under this program. The licence fee in any of these forms of content cannot be partially made up of equity or a New Zealand broadcast or distribution right.

Holdback periods have been proposed under Convergent Television (see page 14). These could also be extended to the Ignition program.

Question:
Should there be a minimum licence fee requirement for this program? If so on what basis would a licence fee be established?

Should holdback periods be specified for this program? If so, what would be an appropriate period?

Amount of funding

It is proposed that the amount of direct funding provided by Screen Australia will be capped at \$1 million for any one project, as well as meeting the requirements of Screen Australia's terms of trade.

It is also proposed that the Ignition Fund will be a three-year rolling fund allowing the support of additional investments in significant projects as appropriate.

Funding splits

No funding splits for different distribution platforms are proposed for this program.

Project assessment

See also discussion under Convergent Television, page 16.

Project assessment is proposed in order to ensure the development and delivery of a diversity of projects, ensure the quality of content, allow Screen Australia to manage an overall slate of content.

Assessment will be based on the strength of the proposal (including the level of innovation and originality), the strength of the market place, the capacity of the creative team (including successful track record), the budget and financing strategy (including broadcaster and licensing arrangements), the projects potential to reach its intended audience as well as the overall slate diversity. For drama projects the script including the quality of the writing and the scripts readiness to proceed into production will also be assessed.

Broadcaster involvement and development

It is proposed that projects in which a broadcaster or other platform has contributed an idea or development of the project be eligible to receive funding so long as the producer is permitted to own the intellectual property in the project. This recognises the platform's audience knowledge and their role in developing ideas and content for their audiences.

Strategic partners

Also under this program it is proposed to offer strategic partnerships with particular content platforms, aggregators and developers which develop and produce an agreed slate of content.

Potential partners would be assessed based on their ability to work with producers to develop, create and distribute content; the level of proposed partner investment in the content; their capacity to meet agreed KPIs; and the shared revenue potential.

This is an extension and development of partnerships that Screen Australia's has previously entered into with, for example, the ABC to produce 'triple j tv docs 5' and the 'Serious Games Initiative'.

2.2.2. The Digital Sandpit Program

Experimental production and development for productions and producers pushing the boundaries of storytelling, content distribution and audience engagement.

Guidelines

The program will deliberately model many aspects of the current Innovation Program allowing producers to explore new platforms and methodologies. Content intended for television broadcast will not be eligible for support under this program. Neither will content conceived primarily as ancillary marketing or promotions to other content. Instead, a strong storytelling narrative will be an important component to any content funded.

Preference will be given to content that has marketplace support and opportunities to be clearly communicated to the public.

Otherwise relevant requirements outlined in other All Media programs will be consistent applied including additional licence fees payable for content held back from additional exploitation beyond 12 months, and flexible formats. There will be no minimum licence fee requirement. Game development and production may be considered as part of this program.

This fund will also include support for fellowships, internships and workshops.

Assessment

It is proposed that there be a detailed assessment of potential projects or recipients seeking funding through this program.