Digital Media
Research Centre

Australian Television Drama's Uncertain Future:

How Cultural Policy is Failing Australians

May 2024

Produced by the Making Australian TV in the 21st Century Research Team

Executive Summary

This report summarises the findings of our four-year study of Australia's broadcasting and production sectors and the challenges internationalisation and digital technologies pose for national screen industries and Australian stories. We identify a long period of policy making prioritising industry interests over those of the Australian community as a key threat to the creation of Australian drama that contributes to and strengthens Australian culture and identity. Digital technologies profoundly disrupted Australian television, requiring fit-for-purpose policy based on impartial sector expertise like never before. Instead, Australian cultural and economic policy objectives have been muddled and policy has consistently prioritised corporate interests.

Levels of Australian television drama have declined profoundly in recent decades. The number of hours broadcast each year has fallen 55% from its peak in the early 2000s. The amount of drama broadcast each year has fallen by another 170 hours since we published the Australian Television Drama Index in 2021. At the same time hours of drama are falling, federal government spending on TV drama supports multiplies. Over the last five years, TV drama subsidies increased by an average of 19% each year, while the hours of locally produced drama on Australian television screens decreased by an average of 10% each year.

The Australian dramas that remain on our screens are increasingly not stories that are specific to Australia. The burgeoning federal subsidies now also fund productions commissioned by multi-territory streamers for global audiences. Their dramas may be set in Australia but rarely engage with Australian social and cultural themes in a meaningful way. These services are focussed on maintaining international subscriptions rather than returning cultural value to Australians in exchange for the funds and tax offsets they receive.

Policy has not adapted to Australian commercial broadcasters' steep decline in spending on local drama made for Australian audiences, including long-running series that were once the core business of the drama production sector. Instead, commercial broadcasters have received significant concessions to their content obligations for Australian drama and children's programs despite maintaining access to spectrum that affords them significant political and cultural power.

The sector's major policy tools – the producer offset tax rebate and funds administered by national screen agency Screen Australia – have operated with low levels of transparency and not been subject to independent review. Both have prioritised sector economic activity over the achievement of the social and cultural objectives that historically underpinned Australian content regulations and supports. Most recently, the government has expanded industry subsidies such as the location offset with no Australian content criteria.

This report focuses on the failure of cultural policy to safeguard supplies of distinctively Australian television drama with cultural and social value for the Australian community. Australians are footing the growing bill for subsidising screen production in Australia but have had little voice in policy conversations in recent years. Instead, cultural policy has overwhelmingly prioritised the interests of screen industries. The report includes an addendum that addresses economic policy for the sector.

About the authors

The Making Australian TV in the 21st Century Research team is funded by an ARC Discovery Project Grant (DP210100849) and includes Professor Amanda D. Lotz, Dr Marion McCutcheon, Professor Anna Potter, and Professor Kevin Sanson

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Index

Introduction

Cultural policy for Australian television drama is no longer fit-for-purpose, and the number of hours of drama produced each year has dropped by 55% since 2001. The production sector continues to receive substantial, and growing, public subsidies to make drama series. The Australian community is not benefiting because there are inadequate safeguards to ensure that contemporary Australian drama delivers social and cultural value in return for these subsidies.

Successive governments have not addressed how digitisation has changed the business of television in ways that erode the effectiveness of policy designed for other conditions, particularly the impacts of commercial broadcasters' plummeting levels of drama investment. For the last six years the dominant policy discourse has focused on content obligations for streaming services assuming these will deliver cultural and social value.

The Productivity Commission made very clear the challenges facing Australian content regulations almost 25 years ago. In its inquiry into broadcasting, the commission issued a reminder that 'The objectives of content regulation are cultural and social rather than economic' and recommended that 'appropriate policies should be developed for the pursuit of cultural and social objectives in the future converged media environment'.[1]

This has not happened. The primary beneficiaries of broadcasting and screen production policy reform and renewal since the Productivity Commission's report have been industry interests, not the Australian community. **The demise of Australian television drama is a direct consequence of a failure to adopt policies for contemporary conditions and the blurring of cultural and economic policy priorities.**

RECOMMENDATIONS

Fit-for-purpose cultural policy

Policymakers need to establish the objectives of cultural policy for the broadcasting and screen production sectors given twenty-first century conditions and identify relative priority among them. For instance, an equivalent of the proposed objectives of the News Media Assistance Program (access, quality, media diversity, engagement) would clarify intended aims.[2] Cultural objectives should prioritise the needs of Australians rather than industry, as the changed industrial context no longer enables economic supports to reliably deliver cultural outcomes.

Since 2020, policymakers have focused nearly exclusively on streaming quotas as a proposed solution to a much broader problem framed as the safeguarding of Australian stories. Those efforts have been stymied by the lack of clear objectives. Policy solutions may include streamers, but the purpose of policy needs to be established first.

Four interventions

1

Cultural specificity, access, and diversity should be key objectives of cultural policy for the Australian screen sector. To that end, funding to ensure Australians have access to 50–75 hours of new, varied, culturally specific drama per year must be established.

Of course more than these hours of drama can and should be produced, but the change in conditions necessitates carving out support for a number of titles that reach a high bar of Australian cultural specificity in an industry geared for global audiences. These titles need greater support than current settings to reduce dependency on foreign financing and demands for reduced cultural specificity that commonly result.

Culturally specific drama provides compelling accounts of the Australian experience in all its diversity. It offers Australians ways to understand their place in the world, relationships among Australians, and the challenges we face, as in dramas such as *Redfern Now* (ABC, 2012–13), *Gallipoli* (Nine, 2015), *The Family Law* (SBS, 2016–19), *Total Control* (ABC, 2019–24), *New Gold Mountain* (SBS, 2021), *Fires* (ABC, 2021), *The Newsreader* (ABC, 2021–), *RFDS* (Seven, 2021–), *In Our Blood* (ABC, 2023–), *Safe Home* (SBS, 2023), *House of Gods* (ABC, 2024), and *Boy Swallows Universe* (Netflix, 2024). To be clear, this is not a call for stories with kangaroos, koalas, accents and Australian landmarks.

Much like how *Mr Bates vs The Post Office* (ITV, 2024) recently galvanised viewers in the UK in understanding a great injustice in their society, supports for dramatic examinations of Australian crises such as Robodebt, epidemic levels of domestic violence, and accounts of ongoing struggles of cohesion in a migrant and colonialist nation deliver crucial social understanding but are often dismissed as lacking international or commercial viability.

Titles receiving supports intended to deliver social and cultural value to the Australian community must be accessible to all. This could be achieved through ensuring there is a non-paywalled distribution window. Titles can also be licensed to paid services, as this makes it easier for some Australians to find and view, or be sold abroad.

As an objective, *accessibility* demands prioritising the Australian community's ability to watch these dramas, not industrial strategies of exclusivity and scarcity. There are multiple routes by which this can be achieved, though the most efficient is to resource Australia's public service broadcasters. The provision of culturally specific drama that reflects Australian society in all its *diversity* aligns with both the ABC's and SBS's charter obligations, with both services being widely accessible. Releasing through commonly used free services such as YouTube also supports objectives of accessibility.

In 2022-23 six different paid services commissioned Australian drama. Few Australians subscribe to several let alone all of those services. It is a poor policy approach to spend taxpayer funds on content not freely accessed by Australians.

2

Clarity is need regarding the cultural objectives of the producer offset and Screen Australia. Ideally social and cultural aims should be separated from economic development.

Greater transparency and precision in goals are needed. Screen Australia's conflicting mission has proven enormously challenging. Cultural and economic policy must be the remit of separate instruments because they have different metrics. The producer offset's considerable and increasing administrative load should be shifted to the Department of Infrastructure, Transport, Regional Development, Communication and the Arts that already administers the location offset.

The producer offset has been the drama sector's major policy lever although the 2023 increase in the location offset may well change that. The Significant Australian Content (SAC) test needs to be revised, clarified and adequately codified to ensure the producer offset achieves its stated cultural as well as economic objectives. With appropriate reform, it could be used with more nuance to achieve a broader range of objectives that deliver better value to Australian taxpayers. Whether the same level of offsets should be available to titles solely available through paid services should also be formally considered because of their limited accessibility.

At this point, neither Screen Australia nor the producer offset can be depended on to reliably deliver cultural policy objectives. Without a strong SAC test for producer offset eligibility, both of these 30% subsidies (the producer offset and the location offset) are effectively functioning the same way, as industry supports, not in support of cultural policy.

3 The ABC and SBS are key cultural institutions that should be central to delivering screen drama cultural objectives.

The ABC and SBS require resourcing dedicated to this mission given they are the only institutions aligned to serving Australians and prioritising accessibility and diversity. The free-to-air availability of these broadcasters, combined with their established free-to-access, on-demand infrastructure is important given the accessibility challenges of the contemporary ecosystem.

Just as founding frameworks such as the *Broadcasting Services Act 1992* warrant updating for the profoundly changed conditions, so too does the ABC Charter require modernisation to acknowledge its expanded duties given the erosion of commercial broadcasters' contribution to Australian society. Crucially, policy that requires public service broadcasters to ensure culturally specific, accessible, and diverse screen stories must guarantee dedicated funding and expectations for drama objectives.

4 Enforce prosocial obligations and/or fees on entities using broadcast spectrum.

Historically, Australian cultural policy was underpinned by the robust contribution of commercial broadcasters in license fees and the alignment of their market goals with providing Australian drama. Reducing commercial broadcaster obligations over recent decades has been disastrous for the Australian community in terms of their access to freely available Australian drama. Current conditions in which commercial broadcasters access public spectrum with minimal corresponding public responsibility must be rectified.

Reinstating drama quotas is not effective policy, but broadcasters should contribute funds that support cultural policy in lieu, such as through contributions to a fund that could support the hours of culturally specific drama called for here.[3]

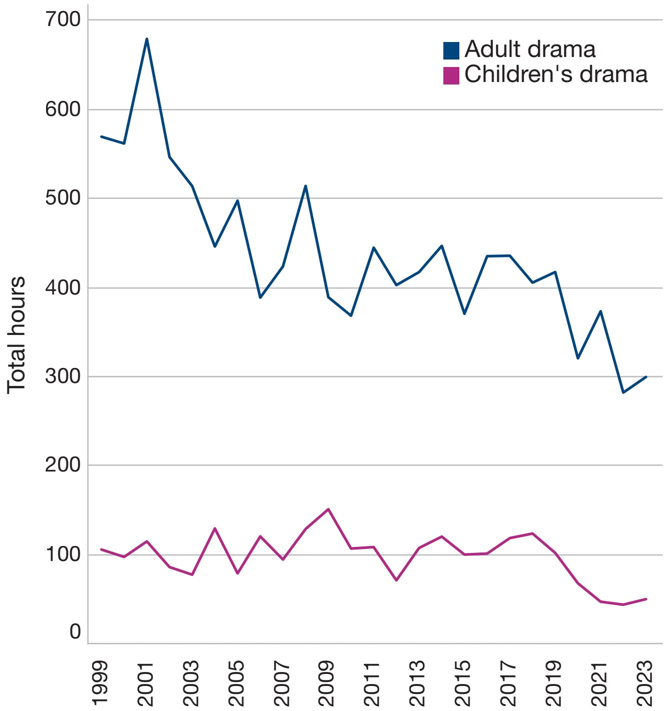
Australian drama in crisis

Hours of Australian television drama released each year by all channels and services declined significantly between 1999 and 2023: adult drama fell from 570 to 300 broadcast hours, and children's drama more than halved, from 106 to 51 hours (Figure 1). The figures are stark and underscore a much bigger problem; many of the few remaining dramas today are not made for an Australian audience. Instead, they are commissioned by services targeting global markets.

Australians once enjoyed freely available, long running series such as *Blue Heelers* (Seven Network, 1994-2006), *Water Rats* (Nine Network, 1996-2001), and *Offspring* (Network Ten, 2010-17) and mini-series such as *All the Rivers Run* (Seven Network, 1983), *The Dismissal* (Network Ten, 1983), and *Bodyline* (Network Ten, 1994). But drama series today are both more limited in number and provide far less of this kind of social and cultural value to the Australian community.

Previous conditions – in which commercial broadcasters Seven, Nine and Ten competed by commissioning hundreds of hours of drama to attract Australian viewers' attention – allowed policy including content quotas to deliver economic *and* cultural outcomes. These outcomes took the form of both many hours of work and stories that represented and reflected Australians' lives. With less drama now funded by commercial broadcasters, its cost is increasingly being subsidised by Australians through tax rebates to the production sector. Such rebates prioritise economic activity over value returned to the Australian community.

Figure 1: Australian TV drama hours, 1999–2023



Drama hours on Australian television have more than halved since the turn of the 21st Century.

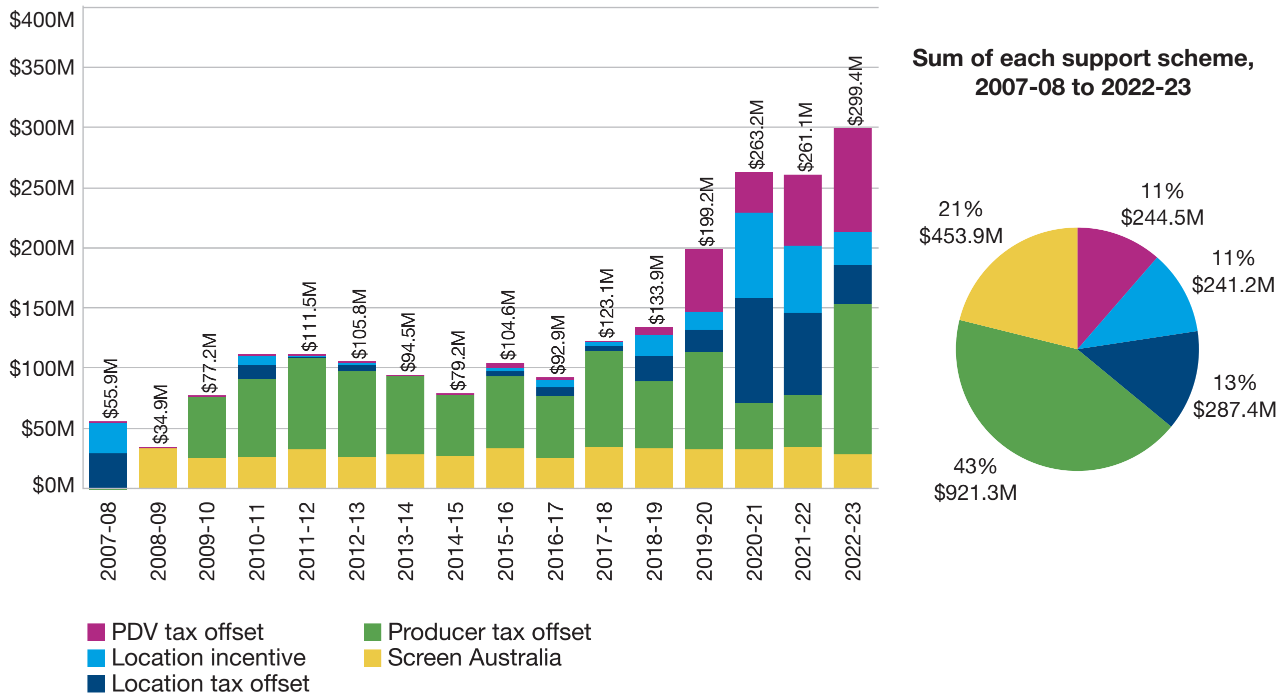
Sources: Screen Australia Drama Report and Screen Guide, ACMA Australian content monitoring reports

Many of the series receiving these tax rebates are ostensibly set in Australia but tell stories that could take place anywhere. For example, *Wolf Like Me* (Stan, 2022-) is a romantic comedy about two Americans set in Adelaide and *Lie With Me* (Network Ten, 2021) is an adultery thriller set in Melbourne where a couple has recently moved from the UK. Others yet are shot in Australia but set in other places, for example, *Clickbait* (Netflix, 2021) and *Nine Perfect Strangers* (Prime Video, 2021-). These series receive as much as 30% of their spending back in tax rebates from the federal government, and often money from state governments as well. Streaming services may be spending more per hour but their lack of meaningful engagement with any aspect of Australian society raises the question of what value the Australian community specifically receives from those funds.

Over the ten years to 2023, funding for television from federal sources increased by an average of 15.6% each year, while the hours of Australian TV drama available fell by an annual average of 5.6%.

In 2007, as part of screen policy reforms, the Australian government introduced the Australian Screen Production Incentive (ASPI),[4] which is composed of three separate tax incentives for screen production: the producer offset, the PDV offset (post, digital and visual effects) and the location offset. Nearly two decades, and more than $1.5 billion in supports later,[5] the key pillars of that policy change have undergone little of the scrutiny or independent review characteristic of most sectors of government. The offsets are uncapped funds and only the producer offset considers the story and who's making it. Additionally, Screen Australia administers a general drama fund and an Indigenous drama fund with criteria ranging from cultural value to commercial viability.

Figure 2: Federal government TV drama supports by scheme (2022-23 dollars)



Most government supports do not require cultural value to Australians as part of their criteria. Only the yellow segments of the figures, direct funding, considers social and cultural value. In theory, the producer offset does so as well, but its criteria allow country of production and Australian staffing to suffice.

Note: Estimates of the location incentive, location tax offset and PDV tax offset assume that all TV drama productions reported in Screen Australia's Drama Report receive maximum subsidies. See endnote 4 for explanation of the difference between location offset and incentive.

Sources: Screen Australia Annual Reports and Drama Reports, Australian Taxation Office Film Tax Offset advice summaries

The business of making television drama for Australians has eroded, and the policies that are meant to support Australian stories are not achieving their original social and cultural objectives. Part of this crisis derives from forces beyond the control of policymakers, such as the impact of digital distribution technologies. But the failure to address the consequences of these changes has prevented policy reform to ensure cultural and social objectives are achieved for Australians. Recent policy actions have prioritised the production sector and Australian taxpayers are shouldering the costs.

A combination of inadequate and imprecise policy tools with a system of supports that lacks accountability and transparency have led policy to become unfit for purpose. Australia needs to separate and redevelop its cultural and economic policy initiatives to ensure that Australians can freely access distinctively Australian stories, not merely those produced here.

Changed playing field, lost foundation

Since the establishment of Screen Australia (2008) and the Australian Screen Production Incentive (2007), a number of unanticipated adjustments have altered the operation of the country's television drama sector. The playing field in place twenty years ago has been turned on its side, radically changing the context within which Australian television drama commissioning and circulation occurs.

Factors changing the sector

1. Commercial broadcasters profoundly reduced their drama commissioning
2. Nationally-focussed industries became globally intertwined with transnational ownership of services (Network Ten) and production companies (Matchbox, Southern Star, CrackerJack, Screentime, Playmaker, Lingo, Werner Film Productions)
3. Series commissioning is increasingly reliant on multi-territory streaming services such as Netflix
4. Increasing reliance on foreign funding as a proportion of drama budgets

Within Australia, commercial broadcasters' businesses were reconfigured by the fragmentation that resulted from the launch of digital multichannels in 2009. Seven, Nine and Ten's new channels created extra content costs without delivering new advertiser spending. This change eroded the foundation of their profitability, as did the audience fragmentation the new channels caused.

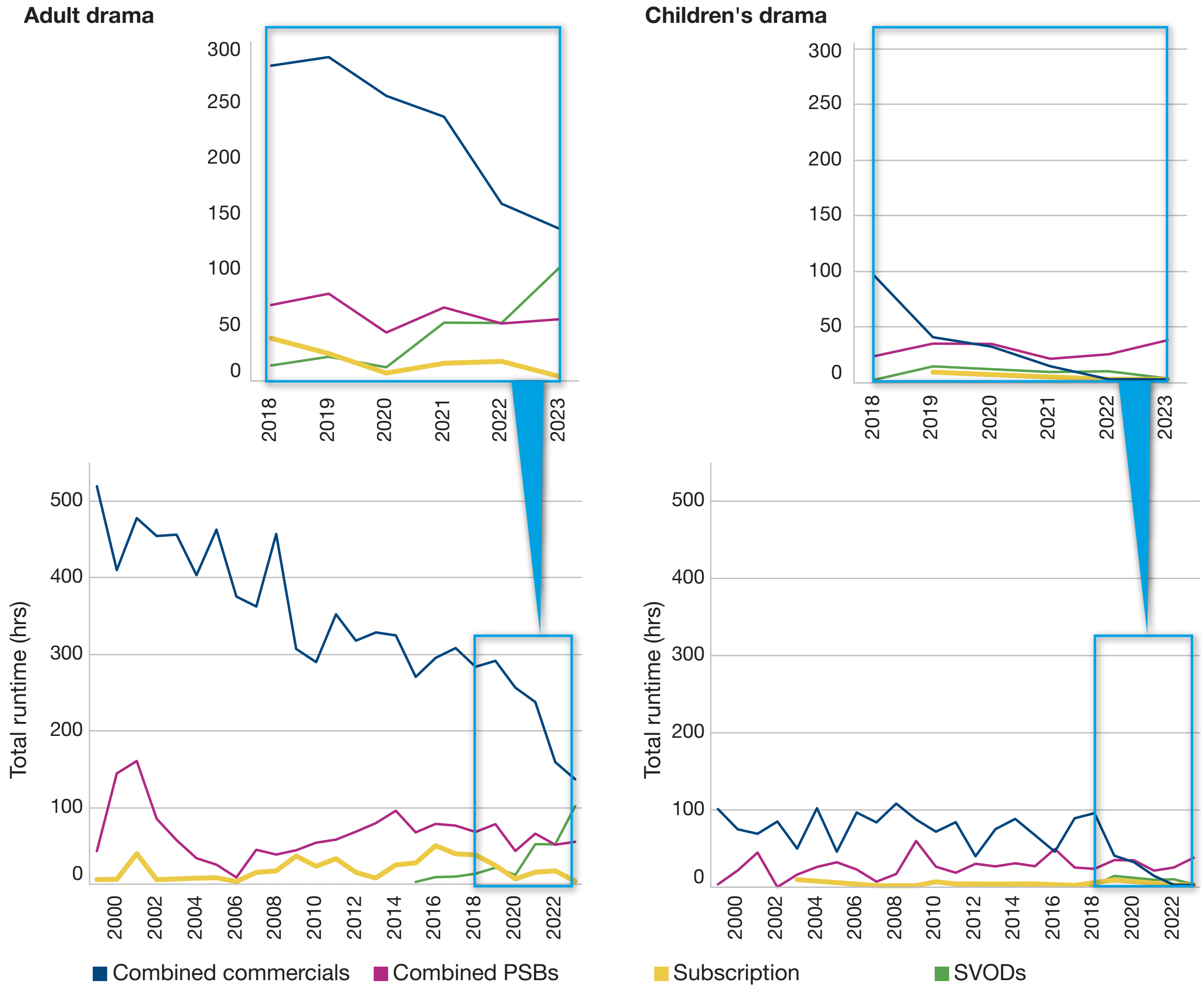
The once-robust business of commercial broadcasters has been further challenged as advertisers have gained more ways to reach potential consumers. Advertisers began moving their spending from traditional media early in the 21st century to search (Google) and social media (Meta). Initially this spending came at the expense of print and direct mail but television's share of advertiser spending has also declined.[6] **Between 2006-07 and 2020-21, free-to-air television's share of total advertising expenditure in Australia fell from nearly half to 18%.**[7]

As commercial broadcasters' advertising revenue fell, they commissioned less drama. Commercial broadcasters' hours of adult drama dropped from 520 in 1999 to 116 hours in 2023, a decline of 48% over the time series being considered here, with on average 13% fewer hours each and every year.

Their expenditure on drama has also fallen: commercial broadcaster expenditure on drama decreased from $222.5m in 2002-03 (14% of all program expenditure) to $71.7m in 2021-22 (3%).[8]

Bringing these data lines together, they are spending less per hour, with average drama expenditure falling from $415,000 per hour to $219,000 per hour, nearly halving, over the same period. All figures here are adjusted for inflation.

Figure 3: Australian TV drama hours, 2018 to 2023



The decline in commercial broadcast drama hours accounts for the crisis in Australian television drama.

Sources: ACMA Australian content reports, Screen Australia Drama Reports and Screen Guide, ABC Annual Reports, SBS Annual Reports, IMDb, trade press

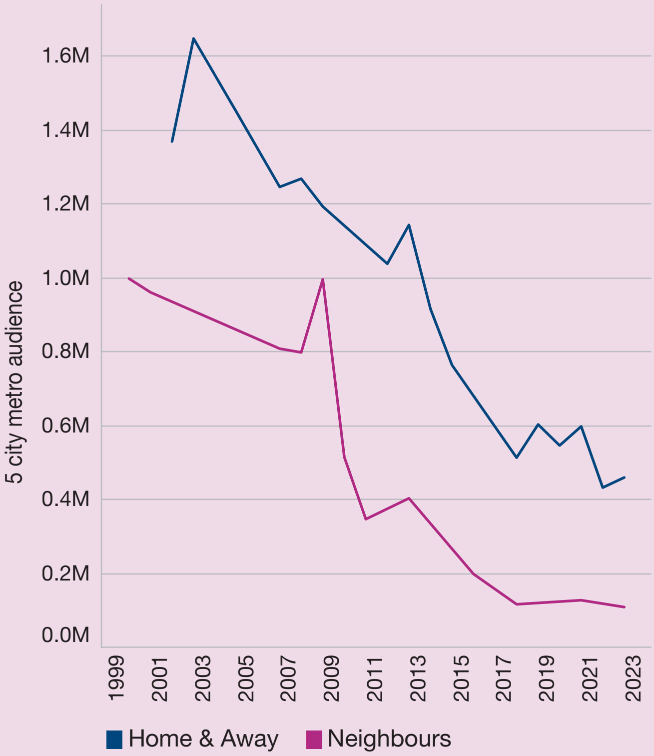
Commercial broadcasters are spending less as they commission fewer original series and increasingly rely on soaps to meet their sub-quota requirements. Fifty-nine per cent of the 116 hours of adult drama in 2023 were *Neighbours* and *Home and Away,* which, over the last 20 years, have lost as many as half of their Australian viewers (see Figure S). In October 2023, the domestic audience for *Neighbours* was a mere 244,000,[9] accumulated over one week's worth of viewing on broadcast and catch-up services. Its dwindling audience suggests the soap delivers limited social and cultural value to the Australian community despite accounting for most of Network Ten's local drama contribution.

Soaps

Former Communications Minister Paul Fletcher's change to the Australian Content Standard has enabled Networks Seven and Ten to cover their drama quota obligations mostly through low-cost soaps whose audiences are largely outside Australia. Long running soaps may provide valuable training grounds for Australian practitioners, but the cultural value they deliver to Australian taxpayers is less clear. With a small and decreasing local audience-base, the longevity of long-running Australian serials derives from their popularity overseas, particularly in the UK, and their function as a relatively cheap way to meet quota.

Very few Australians derive significant value from these titles and their relatively low cost and high number of broadcast hours compared with new and shorter-run drama means that commercial broadcasters have little incentive to offer anything else. In December 2023, Minister for the Arts Tony Burke opened the producer offset to soap production, handing taxpayer funded supports to long running soaps for which there is no evidence of market failure: they have always been, and continue to be, very profitable due to foreign sales.

Figure S: Five city metro audience for *Home & Away* and *Neighbours*



Note: Time series here are smoothed by averaging available ratings data for each calendar year. Reliant on Metro data due to public availability.

Source: OzTAM, collated from a variety of sources

The marked decline in hours since 2020 is the direct outcome of the reduction of drama sub-quota requirements and elimination of children's television content quotas for commercial broadcasters by then Minister for Communications Paul Fletcher. **Since this change, adult drama on commercial broadcasting services has fallen by 47% and children's drama on commercial broadcasting services has declined from 33 hours in 2020 to zero.** For the first time since 1979, Australia has no policy requiring the provision of local children's drama by any service.

In an era when all Australian television drama was commissioned by services seeking to attract the attention of Australians, competitive dynamics ensured dramas that reflected Australian life. Streamers do not operate under these conditions; they commission for global audiences. This change requires cultural policy with more rigorous expectations.

In sum, policy reform since the introduction of digital technology has been extraordinarily accommodating to commercial broadcasters without consideration of the needs of the Australian community. Commercial broadcasters were effectively handed extra spectrum at no cost in 2009 and since then their licence fees and required content contributions have been dramatically reduced. Commercial broadcasters may be less profitable, even substantially so, but they still enjoy wide-reaching access into Australians' lounge rooms. This is an extraordinary yet uncalculated component of spectrum value and the basis of the quid pro quo that defined policy under the *Broadcasting Services Act 1992*.

Globalisation and technological change have irreversibly impacted the Australian screen industries. Commercial broadcasters no longer provide the economic backbone of Australian drama.

Endemic problems with existing policy frameworks and subsidies

The introduction of the producer offset in 2007 and the establishment of Screen Australia in 2008 were major policy reforms intended to position Australia's screen production sector for economic sustainability, including through sector consolidation. Both were designed and implemented before the advent of multi-channelling, when commercial broadcasters were the principal source of drama investment, and streaming services were largely imagined. Both have consistently prioritised industry interests over those of Australian audiences. The operations and inner workings of both are opaque.

The producer offset

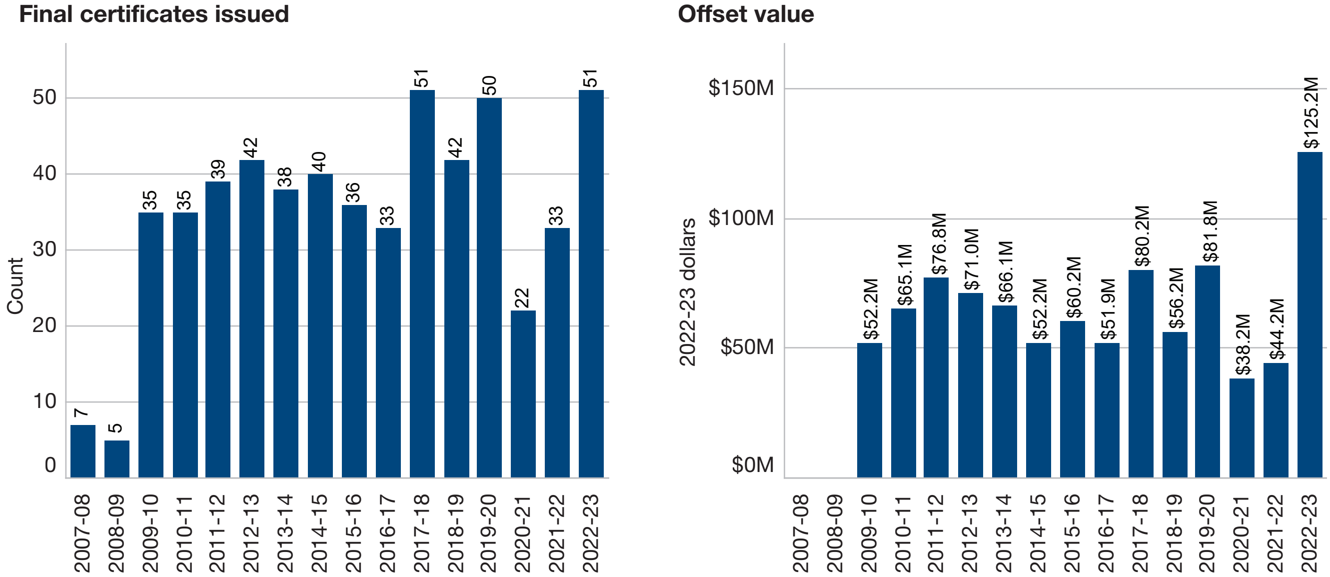
The producer offset is an uncapped tax rebate that currently returns 30% of qualifying Australian production expenditure for television drama productions and 40% for film. In its most recent reporting year, 2022-23, the producer offset certification process approved offsets valued at $125 million for 'television and other' content (Figure 4). The amount distributed for television drama rose sharply in 2023, despite falling production levels.

One of the producer offset's key aims is 'assist[ing] Australian producers to build stable and sustainable production companies'.[10] But **this tax rebate was always intended to be more than just an industry support and is also meant to deliver social and cultural outcomes to the Australian community.** For this reason, eligible projects must pass a Significant Australian Content (SAC) test, that according to Screen Australia 'reflects the cultural policy objective of the producer offset'.[11]

Tied to historical precedent in broadcasting policy, the SAC test relies heavily on the nationalities of key creatives working in Australia for a project's eligibility or the very broad clause covering 'any other matters that [Screen Australia] considers to be relevant'.[12] Hiring Australians in key creative roles and producing in Australia are ineffectual criteria for the delivery of social and cultural value when drama is increasingly produced for transnational viewers, as is the case now. A project being made under Australian creative control does not guarantee it will be a distinctively Australian story, for example the movie *Peter Rabbit* (2018). The SAC test is inadequate as a means of ensuring the producer offset supports stories that reflect and represent life in Australia to the Australian community.

Additionally, the administration of the producer offset is opaque. Tax laws prevent any information about the recipients of the producer offset being made available. We cite *Peter Rabbit* as it is one of the few titles publicly known to have received the offset. It is perceived likely, however, that almost all applications are successful, not least because producers tend to take Screen Australia to court if their project is deemed ineligible. The secrecy surrounding the offset's distribution makes it impossible to assess the extent to which it has supported commercially successful projects, contributed to sector sustainability, or benefitted the Australian community.

Figure 4: The producer offset: 'TV and other'



Costs of producer offset continue to rise and many of the titles, perhaps as much as one-third, are now behind paywalls rather than freely accessible to Australians.

Source: Screen Australia annual reports

The last formal, public evaluation of the producer offset was undertaken in 2017 by Screen Australia based on data from a range of surveyed companies and production sector activity. Politicians, industry bodies (Screen Australia and Screen Producers Australia), and advocacy campaigns (Make it Australian) continue to call for sectoral tax rebates on the grounds they will support social and cultural objectives of Australian stories. This is by no means guaranteed given the low bar set by the SAC test and the imperative to produce for transnational audiences.

Screen Australia

Screen Australia was created in 2008 through the amalgamation of three separate agencies[13] into a single mega agency supporting film and television production, along with a broad range of other activities. It has a confusing and somewhat contradictory remit with dual roles as an industry support responsible for driving sector growth and a cultural agency. Its responsibilities include a broad range of commercial, cultural and social objectives, among which are important diversity activities such as the Gender Matters initiative and First Nations programs. Screen Australia administers the producer offset in addition to its own discretionary funding programs.

Combining all these functions in a single agency confers enormous power and influence, along with multiple conflicts of interest. For example, the agenda of industry growth and internationalisation that Screen Australia has consistently pursued rarely prioritises the interests and needs of Australians. Nor it is likely to be compatible with the goals of national cultural representation that the agency and stakeholders consistently invoke to justify greater financial support for the sector.

Screen Australia's operations lack transparency and accountability. The agency has an extremely broad remit that includes the administration of billions of dollars in subsidies, yet it has never been the subject of an independent review or analysis by the National Audit Office. Instead, Screen Australia self-assesses its performance through its annual report and the Drama Report. The latter problematically lumps together spending on all scripted content production activity in Australia, including international film productions using Australia as a non-identifiable location. The emphasis on sector economic activity in the Drama Report obscures the extent to which the offsets increasingly subsidise productions that deliver little or no social or cultural value to the Australian community and frequently benefit US conglomerates. This reporting has also concealed decreasing levels of Australian television drama production.

Producers fear making a complaint to Screen Australia because of its enormous power and influence within the sector as the sole national funding agency. Its direct funding decisions are not explained or justified, and producers do not get feedback on unsuccessful funding applications. There is little that prevents its decision-making systems being abused or vulnerable to conflicts of interest, and no space for independent review in which producers can safely speak out. The agency's power also means producers are reluctant to publicly criticise any aspects of its operations in case of jeopardising future funding applications.

Increasing focus on sector supports without any cultural test

The location offset was deliberately designed to attract large budget film and television projects to Australia. Initially set at 16.5%, it allowed for ministerial discretion to boost the support to 30% through a fund called the location incentive. In 2018, an additional 13.5% location incentive was introduced for eligible productions.

The location offset was increased to 30% in 2023 (subject to legislation), replacing the location incentive. The location offset has only economic criteria for eligibility, including a minimum spend per hour of $1.5m for drama and requirements to contribute to sector training and infrastructure.

The location offset is a purely economic incentive with no cultural criteria attached. The location offset is also uncapped and unlimited. With the increase to 30%, this incentive is now of equal value to the producer offset in drama budgets, meaning even the thin cultural protections in the SAC test are irrelevant to receiving rebates for producing big budget drama. Given the spiralling per hour costs of drama production (the norm for streamers that can spend at rates supported by their global subscribers), $1.5m per hour will apply to a growing number of productions and this uncapped rebate scheme is likely to be very costly. This sizable and uncapped location incentive eliminates the pretence of cultural policy that exists in the producer offset. It delivers value to industry but not the Australian community.

Much of the policymaking of the last 15 years appears to have prioritised the interests of industry (particularly those already in receipt of Screen Australia funding) rather than longstanding cultural and social priorities for Australian content. This focus on industry comes at the expense of the Australian community that funds rebates such as the location offset and in exchange receives uncertain social and cultural value. The sector lacks a clear, consistent, transparent, and accountable way to determine social, cultural and public value, despite relying on taxpayer money to sustain these subsidies.

ADDENDUM

What does this mean for Australian screen industry supports?

In this addendum we turn away from cultural policy to consider how the contemporary environment also requires reconsideration of economic policy. We maintain that the economic and cultural challenges the Australian television sector faces are not mutually exclusive but nevertheless require policy solutions that disentangle economic objectives from cultural goals. A ‘one-size-fits-all’ policy approach is no longer fit-for-purpose.

A considerable amount of the data our research project has collected will be useful to economic policymaking given the failure of Screen Australia and the ACMA to publish the kind of data and reports generated by the the Australian Film Commission. In what follows, we identify aspects of economic policy that warrant further investigation and note two additional adjustments that have had an impact on the production ecosystem.

Australia is not a large country, and its screen production sector is vulnerable to market failure. From 2019 to 2023, federal government incentives accounted for between 21% and 36% of total expenditure on TV drama. Supports such as the producer offset have become regarded as entitlements in the sector. The government is now one of the most important investors in Australian drama, but few guarantees exist that the tax revenue foregone is generating benefits for the Australian community.

Industry bodies such as Screen Producers Australia are concerned that the structure of existing supports (i.e., the equalisation of the producer offset and location incentive) risks transforming Australia into a ‘service industry’ in which local workers support productions led and funded by foreign entities. There is very little scope for writers, directors, actors and key department heads to undertake meaningful work in such an environment. There also is concern that service production makes it more difficult to develop, finance and staff productions made for the local market because of crew availability, wage inflation, competition for equipment and soundstages, and the lack of control over intellectual property. Drama expenditure data demonstrate the dominance of the international productions that have located themselves in Australia: in two out of the three years to 2023, spending on international feature films and drama was greater than all expenditure on Australian feature films and drama.

Dedicated industry supports must account for the same changed conditions outlined in this report and accept more realistic aims about the size and scale of production activity appropriate for Australia.

Economic policy priorities for industry supports

Clear objectives

Industry supports need clear objectives and to be separated from cultural policy. Policymakers have not openly established the aims or priorities of industry supports. For example, are industry supports designed to:

- Increase job numbers or ensure career longevity and professional advancement?
- Prioritise Australian companies or all production firms equally?
- Privilege screen content that is freely accessible or only available behind a paywall?
- Provide support indefinitely or generate a self-sustaining sector?

It is unlikely the size of the Australian market, even with industry supports, can facilitate indefinite growth and ever-expanding production firms. Effective policymaking requires clear objectives informed by the logical limits of what the local ecosystem can sustain.

Capacity and pathways

Often industry supports are justified on the basis that the social and cultural goals sought by cultural policy cannot be delivered without a screen industry to make drama. This is true, but a threat of no industry activity is unlikely.

Policymakers need to define 'sustainability' for the twenty-first century context. Historically, Australia has had many small production companies, but our data suggest current and future production levels will make it difficult for more than a few to remain viable over a long term.

In terms of pathways into the industry, soaps historically provided steady employment for many and were a crucial training pathway. But their training value cannot justify high levels of support given their low demand by Australian viewers. More recently, offshore productions provide for job opportunities, especially for local craft and technical workers, at a scale not possible within the domestic sector. But their value as a pathway is precarious given the competitive dynamics between national and international jurisdictions and the potentially adverse impact on the domestic production sector (e.g., crew availability, wage inflation). They also are not guaranteed to produce content with much, if any, local cultural value to taxpayers.

Pathways are an issue, but new thinking and alternatives are needed. Establishing a reliable level of annual production (50-75 hours) could be part of that solution. Returning to in-house production at the ABC may be another avenue to explore.

Internationalisation of the sector

Many of Australia's major drama producers are now owned by foreign conglomerates. This is the state of the industry globally, and our research does not suggest that production company ownership uniformly leads to failure to deliver social and cultural value. But it raises questions about the extent to which Australian taxpayers support these companies and their productions.

Key adjustments in the Australian production sector

Ownership changes

Over the past 25 years, the Australian television industry has shifted from a domestic-first sector to a thoroughly internationalised business. Many of the country's most prolific drama producers have been acquired by multinational firms in the past decades (Table A.1), and foreign-owned companies have been responsible for more than one-third (and sometimes as much as one half) of all hours of drama produced in Australia over that same period (Figure A.1).

Table A.1: The top ten producers of Australian drama (soaps excluded), ordered by number of titles, 2014–2023

		Australian drama 2014-2023		
Production company	Ownership	Title count	Broadcast hours	Screen Australia production funding
Matchbox Pictures	Acquired by NBCU in 2011/14	25	199	$20.2m
Fremantle Australia	Acquired Pearson, which acquired Grundy in 1995	16	188	$14.3m
Screentime	Acquired by Banijay in 2012	14	99	$6.3m
Endemol (Shine) Aust.	Acquired Southern Star in 2009	12	74	$13.4m
Playmaker Media	Acquired by Sony in 2014	10	116	$9.2m
Cordell Jigsaw Zapruder Productions	Australian owned	8	62	$4.4
Jungle Entertainment	Australian owned	8	45	$4.3
Lingo Pictures	Acquired by ITV Studios in 2022	8	43	$7.4m
Guesswork Television	Australian owned	7	60	$1.4m
Princess Pictures	Australian owned	7	32	$0.5m

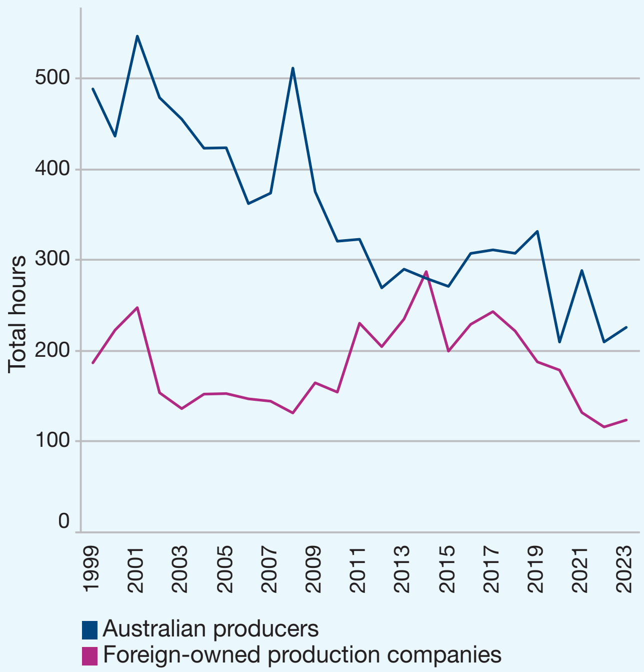
This is noteworthy but symptomatic of changes in the television business around the world. In Australia and elsewhere, the significant presence of foreign-owned firms raises questions about whether they should have the same level of access to existing offsets and government supports as domestic firms. On one hand, domestic firms are disadvantaged because they lack a deep reservoir of capital, worldwide distribution infrastructure, and the creative expertise of a large-scale production firm. On the other, this is the state of the sector globally. In order to access financing, distribution, and market intelligence, production companies require access to the global structures.[14]

The significant decline in the total hours of local drama produced over the past quarter century is more disruptive to the Australian production ecosystem than the presence of foreign-owned production firms (Figure A.1). The years 1999 to 2023 saw the production of a cumulative total of nearly 13,500 hours of Australian drama, at an average of 537 hours per year. Throughout that period, however, drama hours trended downward as a result of the changing dynamics of the commercial broadcasters' business, at an average decrease of 2.2% per annum.

The decline in drama hours is most acute for domestic production firms. For example, broadcast hours of adult drama by Australian-owned production companies fell by 3.2% each year between 1999 and 2023, while adult drama hours by foreign-owned producers fell by an annual average of 0.3% (Table A.2).

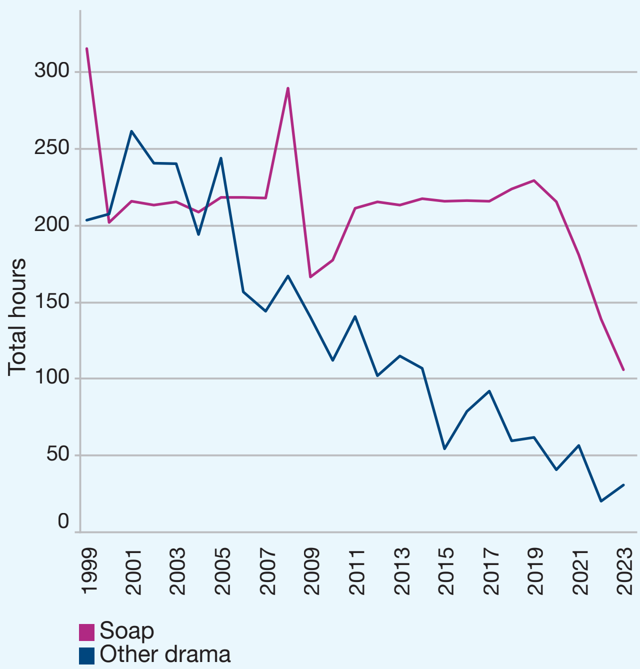
Excluding the considerable hours of soaps produced each year (two titles for much of the time series presented here, produced by two companies that accounted for half of total Australian adult drama output) reveals even greater differences for adult drama produced under local and international control. Hours of non-soap adult drama by Australian-owned production companies fell by an annual average of 3.5%, while hours by foreign-owned companies *increased* by 2.7% per annum (Table A.2). The relative decline in the number of hours produced by domestic firms means foreign firms are producing a far greater percentage of non-soap drama (Table A.2).

Figure A.1: Australian adult and children's drama hours: Australian-owned vs foreign-owned production companies



Hours of drama from Australian-owned production companies have fallen at a greater rate than drama by foreign-owned pro-duction companies

Figure A.2: Australian adult drama hours: soaps vs other drama series



Hours of non-soap adult drama have fallen steadily over the last two decades

Table A.2: Average annual change in adult drama broadcast hours, 1999 to 2023

	Including soaps	Without soaps
Australian producers	-3.2%	-3.5%
Foreign-owned producers	-0.3%	2.7%

Hours of adult drama from Australian producers has fallen, while hours of non-soap adult drama by foreign producers has increased

Sources: ACMA Australian content reports, Screen Australia Drama Reports and Screen Guide, ABC Annual Reports, SBS Annual Reports, IMDb, trade press

Lost partners: Local broadcasters and Australian production companies

The relationships between broadcasters and producers have a strong influence on how the benefits of drama commissioning are accrued by the production industry. The nature of this relationship has changed along with the transformation of the broadcasting industry. In the decade since 2013, commercial broadcasters have commissioned from a smaller range of companies than during the first decade of the 2000s, and from fewer Australian-owned companies (Figure A.3). Between 2014 and 2023, 66 per cent of all drama hours were produced by the top 10 production companies. Five of the top seven producers were foreign-controlled.

The commercial broadcasters' approach to supporting the Australian production sector has varied. The Seven Network largely self produces, which creates Australian jobs and ensures that the revenue from foreign sales comes back to Australia. The Nine Network historically spread its commissions across several production companies, many of which are among those that were acquired by foreign entities in the late 2000s. Nine's drama commissions dwindled to two series in 2022 and one series in 2023, with two of those series coming from a single, foreign-owned production company. Network Ten has consistently turned to Fremantle, with it producing more than 80% of its drama productions. Notably, whether by chance or policy, the ABC has an established record of working with a highly diverse group of content providers, 78% of which are Australian-owned, providing opportunities for independent and emerging drama producers (Figure A.4).

There will be implications for the sustainability of the remaining Australia-owned production companies as streamers produce more, and perhaps eventually the most, hours of drama in Australia. Recommendations are difficult without clear objectives. The sector is likely on the verge of a new dynamic – the data from 2022-23 suggest a trend towards considerably more government spending. Enacting an uncapped 30% location offset will have significant costs and alter the content mix. Streamers are likely the only commissioners spending enough to reach the new location offset spending threshold. These services will likely opt for the location offset instead of the producer offset in the future, allowing them access to millions in tax rebates without delivering the 'Australian stories' the sector and politicians have claimed central to new policymaking.

Figure A.3: Australian TV drama broadcast hours 2014 to 2023: top 10 production companies for each service

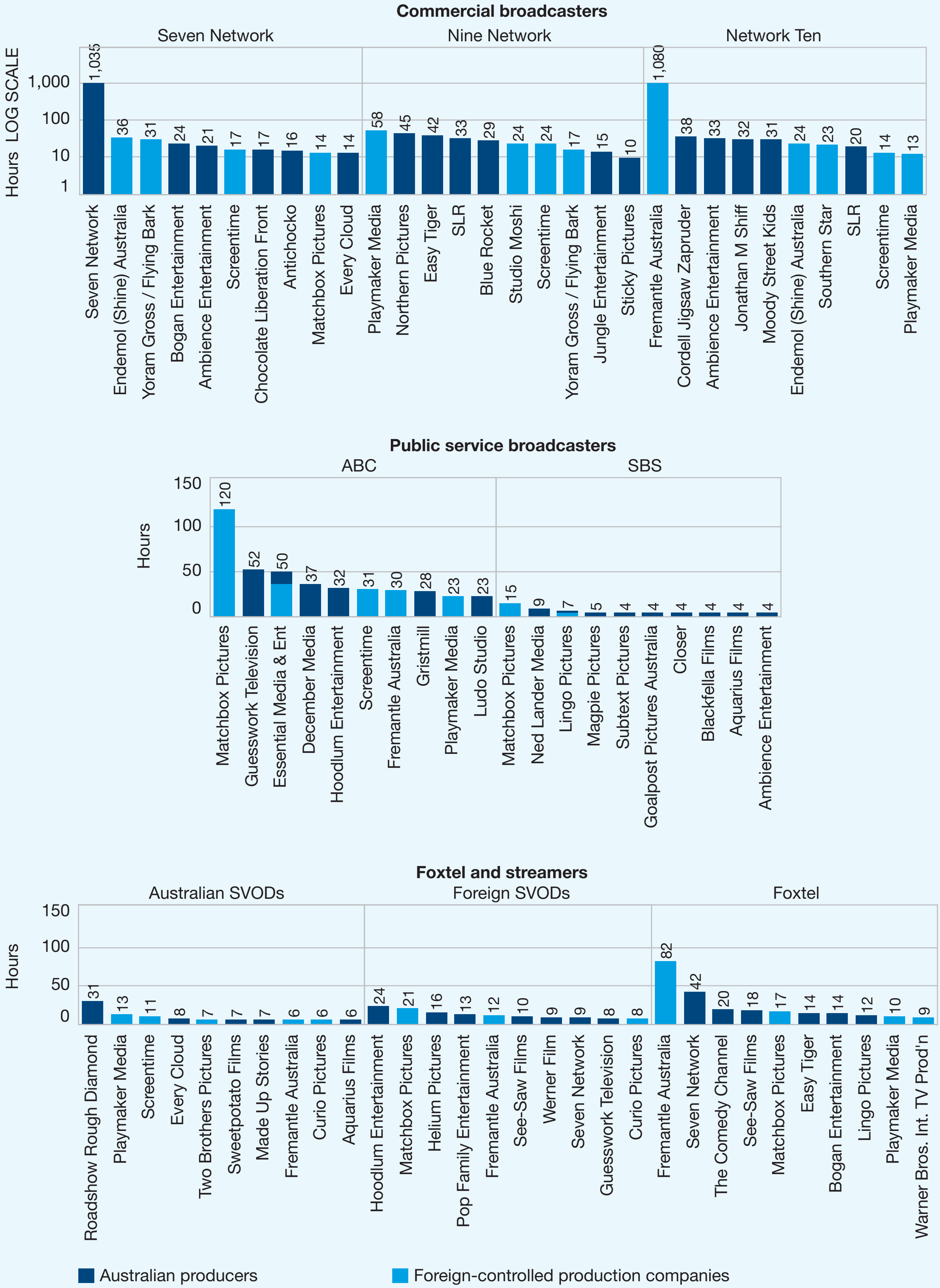
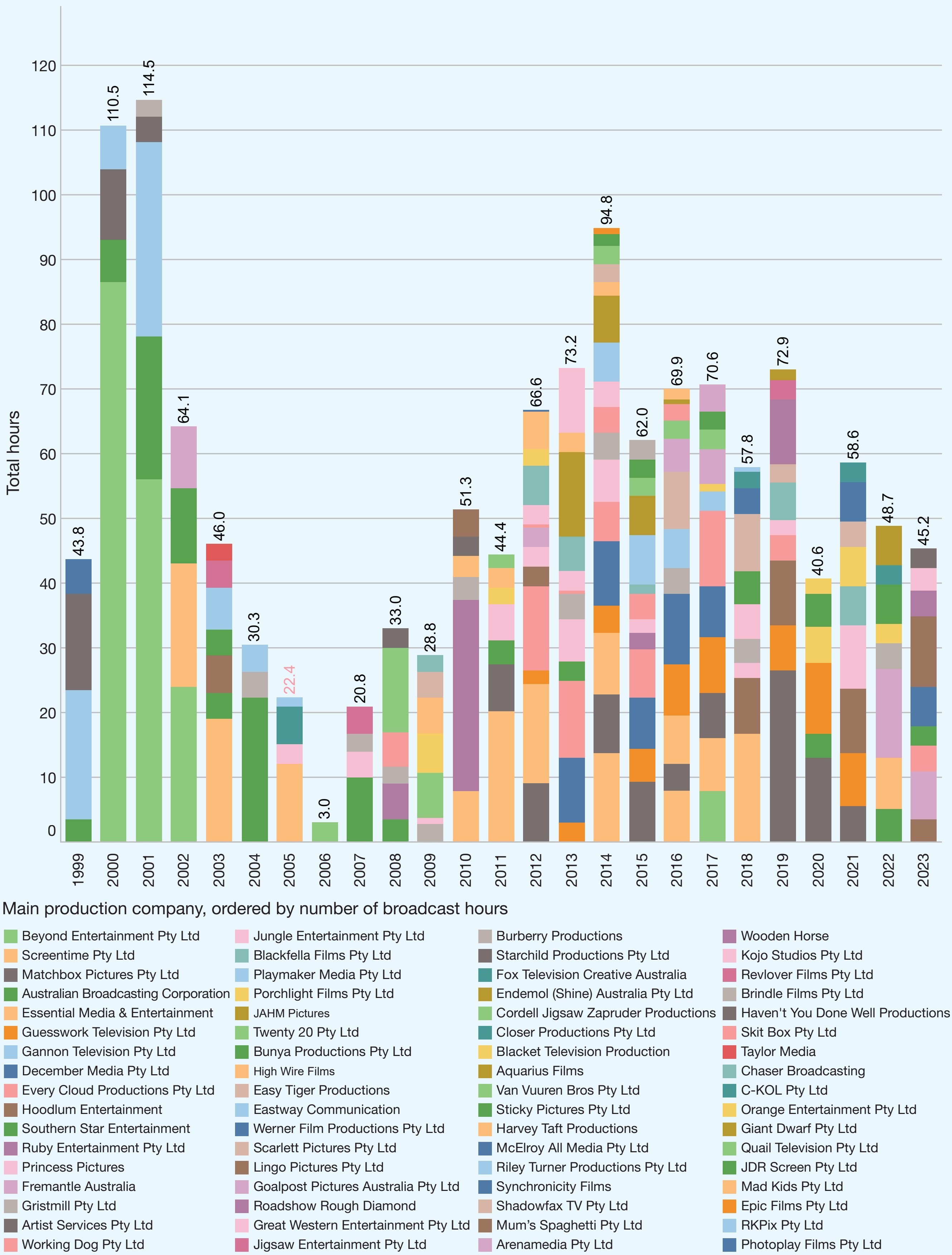
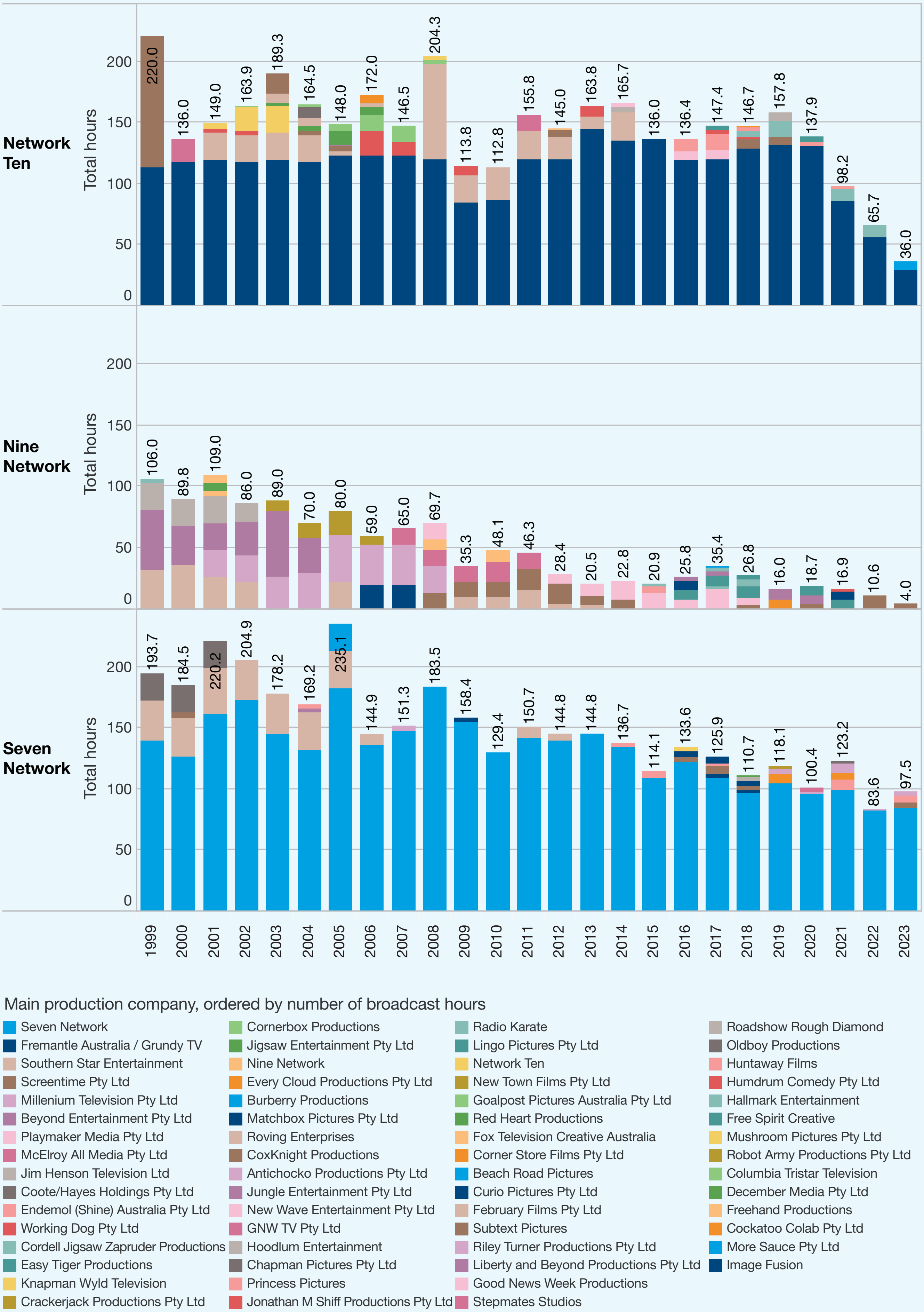


Figure A.4: Australian TV drama broadcast hours 2014 to 2023: adult drama broadcast hours by production company

ABC





Network Ten
Nine Network
Seven Network
Total hours
0
50
100
150
200
220.0
136.0
149.0
163.9
189.3
164.5
148.0
172.0
146.5
204.3
113.8
112.8
155.8
145.0
163.8
165.7
136.0
136.4
147.4
146.7
157.8
137.9
98.2
65.7
36.0
106.0
89.8
109.0
86.0
89.0
70.0
80.0
59.0
65.0
69.7
35.3
48.1
46.3
28.4
20.5
22.8
20.9
25.8
35.4
26.8
16.0
18.7
16.9
10.6
4.0
193.7
184.5
220.2
204.9
178.2
169.2
235.1
144.9
151.3
183.5
158.4
129.4
150.7
144.8
144.8
136.7
114.1
133.6
125.9
110.7
118.1
100.4
123.2
83.6
97.5
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Main production company, ordered by number of broadcast hours
Seven Network
Fremantle Australia / Grundy TV
Southern Star Entertainment
Screentime Pty Ltd
Millenium Television Pty Ltd
Beyond Entertainment Pty Ltd
Playmaker Media Pty Ltd
McElroy All Media Pty Ltd
Jim Henson Television Ltd
Coote/Hayes Holdings Pty Ltd
Endemol (Shine) Australia Pty Ltd
Working Dog Pty Ltd
Cordell Jigsaw Zapruder Productions
Easy Tiger Productions
Knapman Wyld Television
Crackerjack Productions Pty Ltd
Cornerbox Productions
Jigsaw Entertainment Pty Ltd
Nine Network
Every Cloud Productions Pty Ltd
Burberry Productions
Matchbox Pictures Pty Ltd
Roving Enterprises
CoxKnight Productions
Antichocko Productions Pty Ltd
Jungle Entertainment Pty Ltd
New Wave Entertainment Pty Ltd
GNW TV Pty Ltd
Hoodlum Entertainment
Chapman Pictures Pty Ltd
Princess Pictures
Jonathan M Shiff Productions Pty Ltd
Radio Karate
Lingo Pictures Pty Ltd
Network Ten
New Town Films Pty Ltd
Goalpost Pictures Australia Pty Ltd
Red Heart Productions
Fox Television Creative Australia
Corner Store Films Pty Ltd
Beach Road Pictures
Curio Pictures Pty Ltd
February Films Pty Ltd
Subtext Pictures
Riley Turner Productions Pty Ltd
Liberty and Beyond Productions Pty Ltd
Good News Week Productions
Stepmates Studios
Roadshow Rough Diamond
Oldboy Productions
Huntaway Films
Humdrum Comedy Pty Ltd
Hallmark Entertainment
Free Spirit Creative
Mushroom Pictures Pty Ltd
Robot Army Productions Pty Ltd
Columbia Tristar Television
December Media Pty Ltd
Freehand Productions
Cockatoo Colab Pty Ltd
More Sauce Pty Ltd
Image Fusion

Endnotes

1 Productivity Commission (2000) *Broadcasting Inquiry Report*, Report No. 11, 3 March, https://www.pc.gov.au/inquiries/completed/broadcasting/report, p. 379.

2 The December 2023 News Media Assistance Program Consultation Paper lays out and defines objectives of access, quality, media diversity, and engagement. A similar exercise establishing the purpose of screen policy is needed.

3 See, for example, the fund suggested in the Convergence Review (2012, p. XI). Several countries aggregate funds from different sources to support the creation of titles that meet cultural policy goals or that defy market priorities.

4 The Australian Screen Production Incentive is a set of supports that provides tax incentives for film, television and other screen production in Australia. It includes four separate programs:

- Producer Tax Offset. Originally set in 2007 at 40% of a company's total qualifying Australian production expenditure (QAPE) for feature films or 20% for films that are not a feature film, since 2021 the producer offset has provided a refundable tax offset of 40% of total QAPE for feature films and 30% for other eligible projects including TV drama. Productions must meet minimum duration requirements and QAPE thresholds. For a television drama series, eligibility thresholds are a single episode of at least one commercial hour or a series of at least two episodes of half an hour, and $500,000 for a single episode or hour or $1 million for a series of at least two episodes.
- Location Tax Offset. The location offset is available to productions that do not satisfy the SAC test. The offset was calculated at 15% of QAPE for films commencing before 2011 and at 16.5% for those commencing after 2011. A producer can access the location offset only if it has been issued a final certificate by the Minister for the Arts and it is either an Australian resident company or a foreign company with a permanent establishment in Australia.
- Location Incentive. From the outset of the Australian Screen Incentive, the Minister of the Arts could offer ad hoc grants to supplement the location offset to keep it competitive with subsidies available overseas, up to 30% of QAPE. In 2018, the Australian Government set aside $140 million as the location incentive fund which could add 13.5% to the location offset. In 2020, the government set aside another $400 million, which was intended to last until 2026-27 but was fully subscribed by 2023.

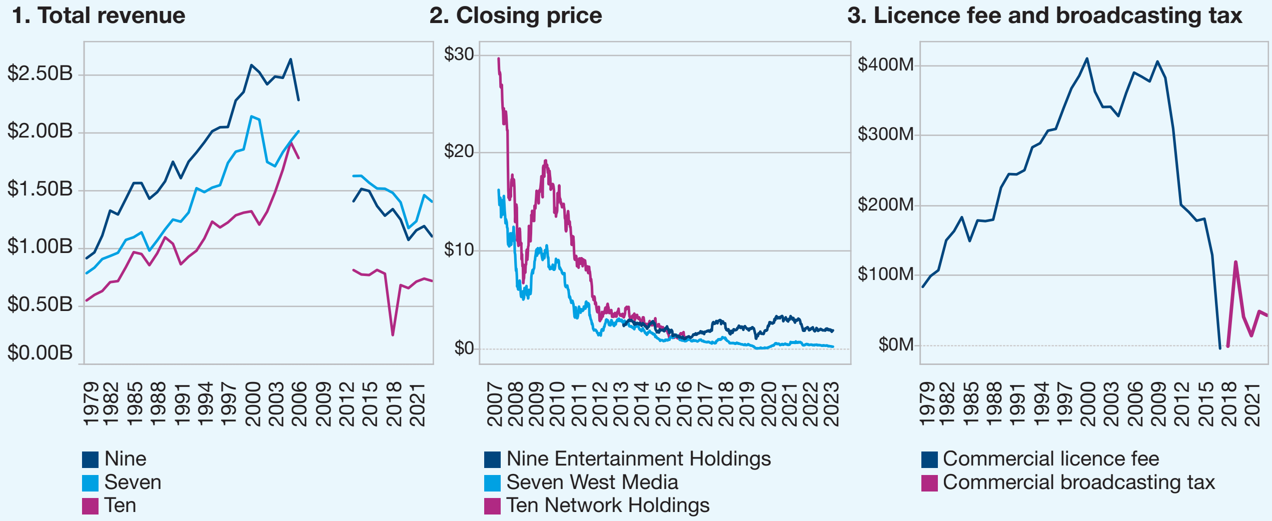
  In its 2023-24 Budget, the Australian Government announced that the location incentive would cease in July 2023 and be replaced by an increased location offset rate of 30%. Along with increasing the location offset rate, thresholds for accessing the offset were to increase: minimum QAPE per hour increased from $1m to $1.5m and minimum total QAPE increased from $15m to $20m. There were also new requirements for training and undertaking PDV with an Australian provider. At the time of writing, the proposed changes had not been legislated, with Treasury undertaking a review of the location offset and the producer offset in February 2024.
- Post, digital and visual effects (PDV) tax offset. Originally 15% of QAPE relating to PDV production, since 2011, the PDV has been set at 30%. Like the location offset, it is available only if a final certificate has been issued by the Minister for the Arts and the company is resident in Australia. Total QAPE related to PDV must be at least $500,000.

Also, many states and territories have similar incentives that can be stacked with the federal programs.

5 Including the value of Screen Australia TV drama production funding and producer offset values reported in Screen Australia annual reports, and estimates of the PDV and location offsets and location incentive by applying offset rates to foreign drama expenditures reported in Screen Australia drama reports.

6 Commercial broadcaster revenue dropped substantially from 2005 and stock prices plummeted from 2009 as they failed to innovate. Their licence fee payments to the Federal Government also fell substantially from 2009. In response to commercial broadcasters' arguments that changes in market conditions had compromised their ability to deliver Australian content, Parliament replaced the Television Licence Fees Act 1964 with the Commercial Broadcasting Tax Act 2017. This change functionally eliminated the policy quid pro quo that ensured commercial broadcasters return value to Australians in exchange for use of public spectrum.

Commercial broadcaster financial time series (2023 dollars)

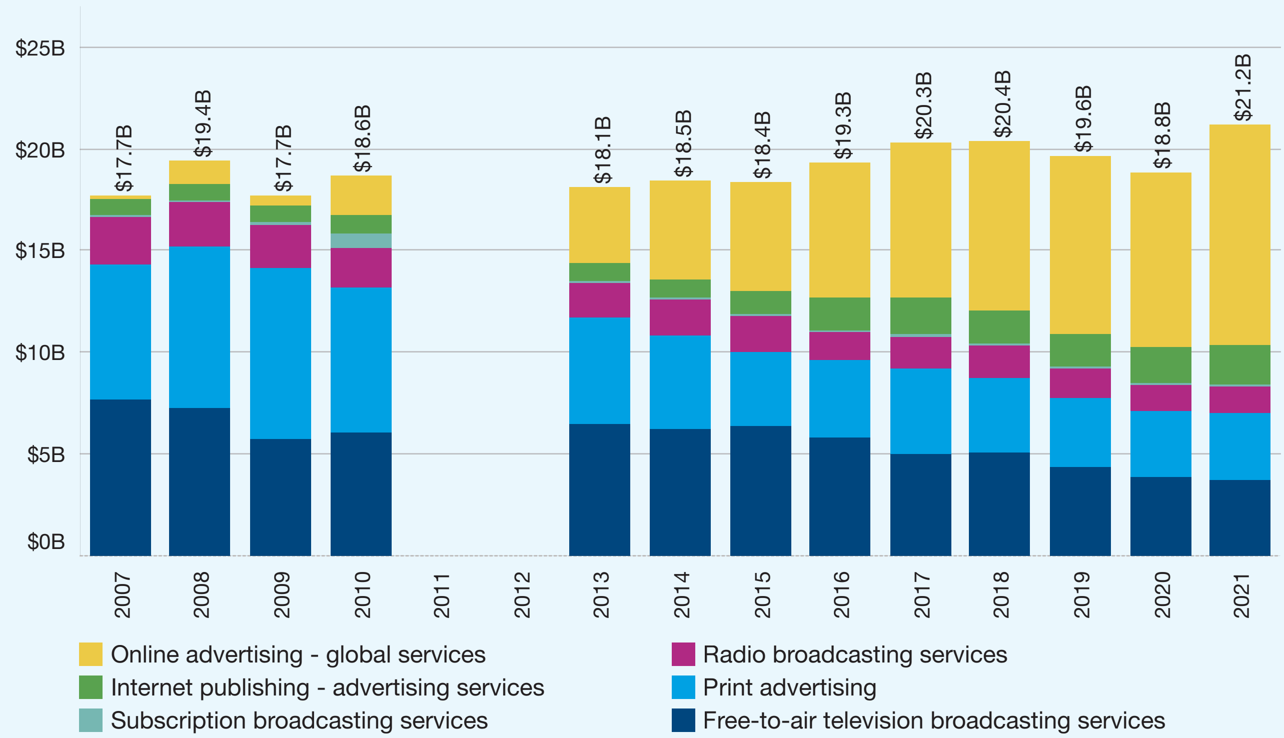


Note: The gap in the Total revenue chart marks the break between two available time series. From 1979 to 2006, total revenue is taken from the ABA and ACMA Broadcasting Financial Results From 2012 to 2023, the source is IBISWorld reports on the free-to-air broadcasting industry.

Sources: ACMA Annual Reports, ABA and ACMA Broadcasting Financial Results, Eikon for Datastream, IBISWorld Free-to-Air Broadcasting industry reports

7 Comparing industry demand for Australian advertising services as captured in the National Accounts with online advertising expenditure estimated by PWC for IAB Australia reveals that free-to-air television's share of advertising expenditure halved in real terms between 2006-07 to 2020-21, from $7.7 billion to $3.8 billion. At the same time, advertising expenditure with global online services increased from $0.1 billion to $10.8 billion, representing more than half of all advertising expenditure in Australia in 2020-21.

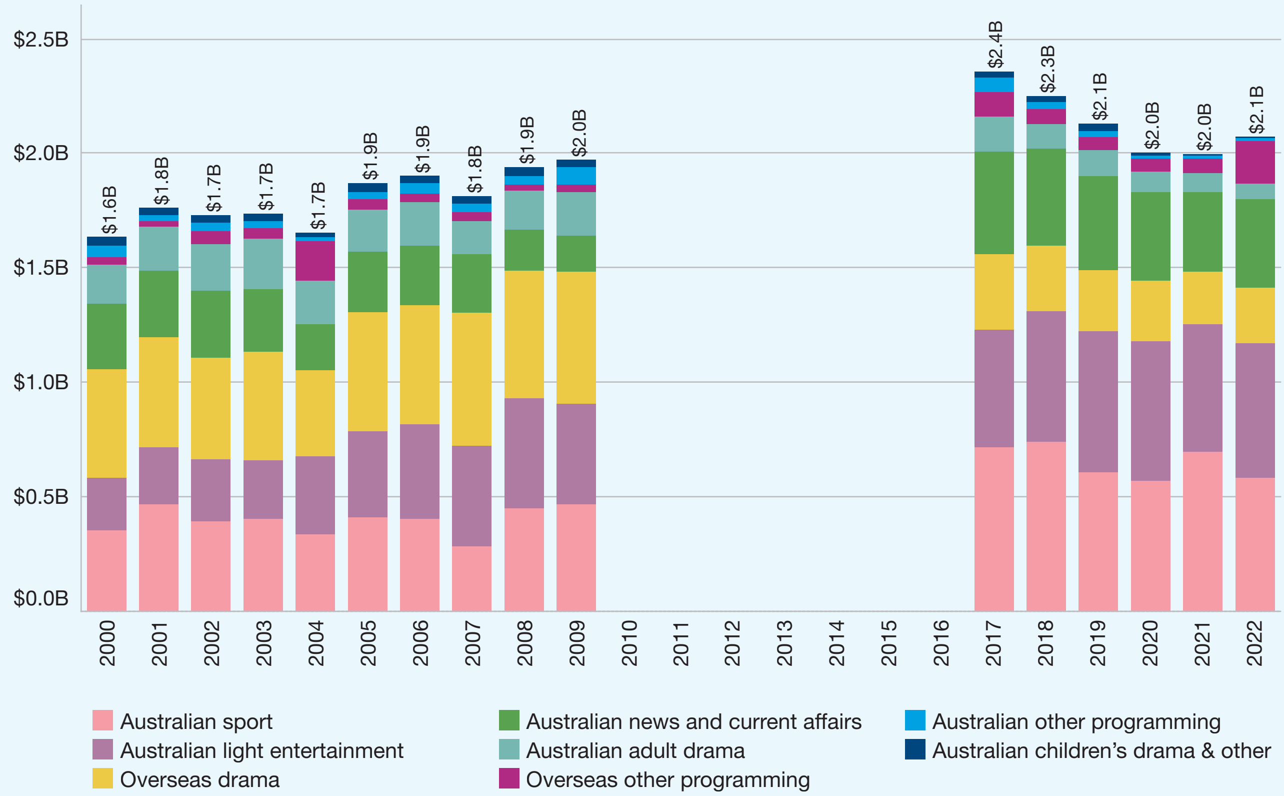
Use of Australian advertising services (2022-23 dollars)



Note: The value of online advertising as estimated by IAB Australia and PWC includes expenditure with domestic and international providers. Here the value of domestic internet publishing is subtracted from the IAB total to obtain an estimate of Australian advertising expenditure on global services.

Source: ABS National Accounts Input Output tables, IAB internet advertising expenditure

8 **Expenditure on programming by commercial television licensees (2022-23 dollars)**



Note: Missing data reflects years when the ACMA did not publish this time series.

Source: ABA and ACMA Commercial TV program expenditure

9 Haigh, J. 2023, 'Neighbours axed from timeslot after ratings disaster', news.com.au, 6 October, https://www.news.com.au/entertainment/tv/neighbours-axed-from-timeslot-after-ratings-disaster/news-story/3487e52d9b0677d5f8d9e6de312bbff6

10 The producer offset was intended to: 'assist the industry to be more competitive and responsive to audiences, by backing producers to take their projects to market; to provide a real opportunity for producers to retain substantial equity in their productions; to encourage Australian talent to return home to work on Australian projects; to attract foreign investment, encouraging diverse projects of scale and global ambition; and to encourage private investor interest in the screen industry' (Screen Australia 2017 Skin in the Game, the Producer Offset Ten Years On.)

11 Screen Australia 2022, Producer Offset Guidelines, March. p. 11 https://www.screenaustralia.gov.au/getmedia/70b2fae6-232c-4a48-be6d-e970aead20d9/Guidelines-producer-offset-2022.pdf

12 Ibid.

13 Screen Australia was created by the Australian Government to replace the Australian Film Commission, the Film Funding Corporation and Film Australia.

14 Doyle, Gillian, Paterson Richard and Kenny Barr. 2021. *Television Production in Transition*: *Independence, Scale, Sustainability and the Digital Challenge.* London: Palgrave; Esser, Andrea. 2017. "TV Format Sector Consolidation and Its Impact on the Configuration and 'Stickiness' of the UK Entertainment Production Market." *International Journal of Digital Television* 8 (1): 143–65.

Methodology

The primary sources of drama production data for this analysis are Screen Australia's Drama Report and Screen Guide. While the Drama Report publishes information about drama programs in production in Australia by financial year, it is not a census so we have cross checked its listings against Screen Australia's online Screen Guide to gain consistent information about production companies and seasons. We also identified the calendar year of broadcast (season year) for each title through desk research using sources such as broadcaster annual reports, IMDb.com, trade press and news articles in Factiva, Wikipedia, and general internet searches. The following guidelines ensured consistency across the database:

- Production companies: Titles are allocated to the production company with the main responsibility for production decisions. Where the Screen Guide does not unequivocally identify the production company, we used desk research to identify the producers. Production companies are named consistently over time. In the case of acquisitions and emerging partnerships, the production company named is the entity in existence in the year of production.
- Co-productions: We included only co-productions identified as official co-productions by Screen Australia.
- Telemovies are not included in the analysis. Exceptions are telemovies produced as a series or associated with a drama series.
- Series commissioned by subscriber-funded, video on demand services are included; series uploaded to services such as YouTube are not.
- Children's drama includes live action drama and animation. It encompasses C and P content produced in fulfilment of CTS quotas requirements as well as national broadcasters' drama and animation.

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