

that there is nothing inevitable about this. It is interesting to consider why, with the exception of Peter Walsh, ALP Finance Ministers cannot seem to balance the books.

There is a clear institutional interest at work, due to the importance of public-sector unions and public-sector workers in ALP preselection and decision-making forums, creating a powerful incentive for ALP governments to be fiscally lax in order to protect the preselection base of ALP politicians.

This is clearly not merely a theoretical point. This conflict of interest effectively destroyed the Cain–Kirner Government in Victoria. Despite claims at the time (and subsequently by apologists), it is quite clear from ABS figures—and those of independent rating agencies like Moody's and Standard & Poor's—that assets were sold and leased, and money borrowed, to pay for salaries of public-sector workers. The massive overstaffing of the Victorian Education Department, for example, clearly represented publicly provided benefits to a special interest (teachers) important in ALP preselection forums.

This conflict of interest is also clearly currently operating in New South Wales, where the interest of public-sector unions and workers—as expressed in ALP party forums such as State Council—in the continuation of inefficient public provision is impeding the capacity of the Carr Government to deal with New South Wales' increasingly desperate need for new infrastructure.

Conflicts of interest are not themselves disabling, however. The question is, how do you deal with them? The answer has to be openness and accountability. How the Leader uses his moral authority also matters. There have been plenty of examples of ALP governments standing up to union and other ALP-connected interests: as NSW Premier Bob Carr and Treasurer Michael Egan have attempted to do over electricity privatization. Top-performing Commonwealth Finance Minister Peter Walsh, backed by Prime Minister Bob Hawke, certainly showed what can be done.

#### NOTE

1. So Phillip Lynch gets 1976/77 and 1977/78; Eric Robinson 1978/79 to 1980/81; Dame Margaret Guilfoyle 1981/82 and 1982/83; John Dawkins 1983/84 and 1984/85; Peter Walsh 1985/86 to 1989/90; Ralph Willis 1990/91 to 1993/94; and Kim Beazley 1994/95 to 1995/96.

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# Letting Go of Redundant Television Quotas

FRANCO PAPANDREA

**D**ESPITE its many successes at home and abroad—and its deserved claim to being one of the most competitive in the world—the Australian film and television production industry is immensely paranoid about changes to quotas for Australian television content. Even the slightest hint of a change to the quota regime is sufficient to set off strident opposition from industry leaders. The most recent agitation in the industry follows a proposal for minor modifications to the quotas by the Productivity Commission.<sup>1</sup> Without any objective evidence to back up its claims, the industry would have us believe that the removal of what amounts to no more than two redundant quotas will spell the death of Australian programming on television. Is there any substance to the industry's claims, or are they the typical rhetoric of self-interested rent-seekers intent on protecting a privileged assistance status?

The industry is well practised at predicting doom and gloom, even in the face of overwhelming evidence to the contrary. A recent case in point is the industry's three-year pitched battle against recognition of New Zealand programmes for compliance with the Australian quotas when all the evidence indicated that recognition would have no significant impact.<sup>2</sup> But while, in the case of New Zealand programmes, the industry could at least argue that Aus-

tralian and New Zealand programmes reflect different cultures, not even that argument is plausible with regard to the changes proposed by the Productivity Commission.

#### THE QUOTA REGIME

As noted by the Productivity Commission, the rationale for Australian content policy is the promotion of social and cultural objectives, not assistance to the local industry (*Broadcasting Draft Report*, page 208). Commercial television has

always had an obligation to broadcast Australian programmes. Initially, it was required to employ 'Australians, as far as possible, in the production and presentation of programmes'. Quotas were first introduced in 1961 and were gradually expanded afterwards. Currently, they require at least 55 per cent of all programming to be Australian and mandate

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specific sub-quotas for adult and children's drama, children's programmes and documentaries. Also, no less than 80 per cent of all advertising time must use Australian-made commercials.

How well have the quotas worked from the perspective of the community? A recent comprehensive study of Australian content regulation<sup>3</sup> used a contingent valuation survey to estimate the value of the community benefits accruing from the regulation. While it concluded that the benefits were broadly commensurate with the cost of the regu-

lation, more interestingly it found that the benefits could be increased with a different composition of programmes. Although support for domestic programming was widespread, many respondents wanted a different composition of programmes. Large proportions wanted increases in documentaries, news and current affairs, and children's programmes. With respect to drama, respondents indicated a desire for more movies and fewer serials and series of the type encouraged by quotas. It also questioned the sustainability of quotas in a rapidly changing technological environment.

#### PROPOSED CHANGES NOT ENOUGH

The Productivity Commission's (1999) draft report on Broadcasting recommended the removal of the 55 per cent overall quota for Australian content and of the 80 per cent quota for advertising, but recommended retention of the specific quotas for adult and children's drama and documentaries. It also recommended retention of the current quotas for children's programmes, but with a reconsideration of whether all the quota for pre-school children programmes should be exclusively Australian.

The recommended removal of the overall content and advertising quotas are quite sensible proposals. Neither of these quotas is having any effect on the behaviour of broadcasters. The three commercial networks willingly exceed the quota levels by a substantial margin because it is profitable for them to do so. Much of the overall quota time is filled with popular programmes such as news, current affairs, sports, game shows and infotainment which cannot be substituted easily with imported programmes. Similarly for advertising, the driving force is the use of appealing commercials with which audiences can identify. The fact that a lot more than 80 per cent of all commercials are Australian provides a very clear indication that advertisers are using Australian commercials because they are effective and not because they are forced to do so by quotas.

If—as the industry would have us believe—broadcasters and advertisers are anxiously waiting to reduce Australian content as soon as the quotas are removed, why are they currently behaving irrationally by using substantially more Australian material than the quotas require them to? The answer, of course, is that broadcasters and advertisers are not acting irrationally. Their

interest is best served by maximizing profit. This is clearly evident with children's drama where more programming means more cost, rather than more profit, and so no more than what is required by the quota is transmitted. By freely choosing to exceed the overall content and advertising quotas, the broadcasters are obviously indicating that they earn more profits that way and

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would continue to pursue those profits whether or not the quota is in place.

Australians want and get substantial Australian programming on commercial television. Much of that programming would be supplied with or without regulation. The inherent popularity and natural protection of domestic programmes such as news, current affairs and sports, will guarantee their screening on commercial television. The fierce competition to secure the rights to popular sporting events, for example, bears testimony to the value of those programmes to commercial broadcasters and has nothing to do with the quota regime. But not all domestic programming is attractive to broadcasters. Without regulation, for example, stations would be supplying few Australian children's programmes even though the community at large considers such programming to be particularly important and valuable.

With drama programmes we are faced with a dilemma. Although some Australian drama enjoys considerable support from audiences, a freely operating free-to-air broadcasting market will not usually take account of the external cultural benefits accruing to society. Consequently, drama would be unlikely to be supplied at the optimal level desired by society without some form of market intervention.

The Productivity Commission proposes the retention of the current drama quotas at least for the time being. Its report, however, raises serious doubts about the continued viability of the current quota system in a liberalized digital television regime and in a convergent media environment. Essentially, it says, the quotas will self-destruct in the not-too-distant future. Thus, the sting in the tail of the Productivity Commission's recommendations is not in the quotas it proposes to abolish, but in those it proposes to retain. Having raised doubts about the ongoing effectiveness of the quotas, it is somewhat disappointing that the Commission has not suggested an appropriate solution (it must be acknowledged, however, that the Commission has called for further inputs on this issue).

If we accept that domestic drama is essential to the enhancement of our cultural identity, then some form of assistance (that is independent of delivery platforms) will need to be developed to ensure its availability to audiences. Possible examples include production subsidies and direct provision of socially desirable programmes by the national broadcasters. The television production industry, therefore, rather than blindly opposing change to unsustainable quotas, would better serve both its own and the community's interests by engaging in constructive dialogue to develop an assistance package more suited to a changing media environment.

#### NOTES

- 1 Productivity Commission, *Broadcasting*, Draft Report, Ausinfo, Canberra, 1999.
- 2 Although the High Court ultimately ruled in favour of New Zealand programmes in early 1998, there has been no increase in their (negligible) use on Australian television. This was anticipated in Papandrea, F., 'Resolving Conflict Between Cultural and Trade Policies: The Case of Australian Content on Television', *Prometheus*, 16 (4), December, pages 69–79, 1998.
- 3 Papandrea, F., *Cultural Regulation of Australian Television Programmes*, Bureau of Transport and Communications Economics, Occasional Paper 114, AGPS, Canberra, 1997.

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