Submission by ASTRA:
Television Funding – A Review of Screen Australia's Role and Objectives

August 2010

Introduction

ASTRA welcomes the opportunity to comment on *'Television Funding – A Review of Screen Australia's Role and Objectives'* (**the Review**).

The subscription television industry is supportive of the review, and appreciates the chance to examine the way in which we work with Screen Australia. In ASTRA's view, there are many examples, particularly relating to documentary production, in which the subscription television sector has worked well with Screen Australia.

The media and communications landscape in Australia is changing at a rapid pace. ASTRA contends that the eligibility criteria for television funding must evolve to reflect these changes. In particular, ASTRA is seeking a funding eligibility model that recognises the unique characteristics of the subscription television (**STV**) sector.

At present, ASTRA contends that the Screen Australia funding model, including its eligibility criteria, has been developed based on the free-to-air television model. As such, the Guidelines and Terms of Trade are unable to accommodate STV productions as effectively as they might.

ASTRA recommends that Screen Australia should:

- amend its eligibility criteria to enable it to be more flexible in its approach to investment approval;
- allow a greater level of flexibility in licence fee and financing arrangements. Screen Australia should not mandate minimum licence fee requirements nor prescribe financing structures but instead provide guidelines with a recognition of the need to be flexible where required.
- permit flexibility in the negotiation of holdbacks, including licence periods and windows, to ensure that STV is able to maintain an appropriate level of exclusivity in programming in order to meet consumers' expectations;
- allow additional flexibility for children's television funding which could allow for innovative story telling and digital distribution; and
- allow documentary funding to be contestable by all participants in the television sector, rather seemingly reserving the bulk of this funding for the national broadcasters.

About ASTRA

ASTRA is the peak industry body for subscription television in Australia. ASTRA was formed in September 1997 when industry associations representing subscription (multi-channel) television and radio platforms, narrowcasters and program providers came together to represent the new era in competition and consumer choice. ASTRA's membership includes the major subscription television operators, as well as channels that provide programming to these platforms. A list of members is attached at Annexure A.

The subscription TV industry is the undisputed market leader of digital broadcasting. A dynamic sector that is constantly evolving and growing, it is received nationally by 34% of Australians through their homes and many more through hotels, clubs and other entertainment and business venues.

Since its inception, over $A9 billion dollars has been invested in infrastructure, capital, facilities, productions, programs and services in order to establish and develop the subscription TV industry. ASTRA's members are responsible for the bulk of this investment which has been distributed throughout metropolitan, regional and remote markets. Consequently, the sector has created an enormous number of jobs, investment, infrastructure and production content throughout Australia. The industry continues to invest heavily in its own growth and the growth of the Australian film and television broadcast sectors including the continuing investment in television programming and production.

Subscription Television and the Production Industry

Television production is an essential element of the production industry and provides skills and training for individuals involved across all aspects of the industry.

ASTRA's members play a critical role in the development of film and television productions. Subscription television:

- promotes diversity and choice of programming in a variety of genres available to Australian audiences;
- facilitates the development of the Australian broadcasting and production industry through its investment in productions;
- develops Australian producers, actors, writers and other creative talent; and
- develops and reflects the Australian identity, character and diversity of Australian culture like no other medium through its niche programming.

The subscription television industry plays an integral part in supporting the production sector by providing the platform to allow those that work in the industry to develop their skills as well as create screen based productions.

The Subscription Television Model – the Economics of Subscription Television

Subscription television is available to Australian subscribers who have chosen to purchase television content for its range and choice. Approximately 34% of Australian households subscribe to subscription television. Subscribers can elect to subscribe to a number of programming tiers in addition to the basic service that every subscriber receives.

The subscription model relies on consumers making a direct payment to platforms in return for content choice. This results in far greater audience discretion than free to air television (**FTA**). Inherent in this model is a demand and motivation to produce specialised programs which attract a dedicated audience.

STV has a direct relationship with subscribers, compared with commercial FTA which has a direct relationship with advertisers. This means that the monetary value of programming occurs very differently. With regard to commercial FTA, the number of consumers viewing the program when broadcast dictates the value of the program to the broadcaster and, with respect to serial programming, impacts on its decision as to whether it will continue broadcasting that program, either at that timeslot or another timeslot or whether it will cease broadcasting altogether. In contrast, as STV's model relies on subscriber revenue, the value proposition can be quite different, being tailored to the specific audience for a relevant channel with significantly less concern over whether the program will appeal to advertisers.

In considering audience size, a 'strong' audience on subscription television is 200,000 subscribers and 40,000 is considered 'good'. This is compared to free to air in which a 'strong' audience is upwards of 2 million viewers and 1 million viewers is considered 'good'.

Subscription Television Model vs the Free to Air Model

ASTRA is concerned that the existing funding model of Screen Australia is predicated on the traditional free to air television model. The traditional model of television is changing as we move to a digital era (as will be discussed later in this submission).

In broad terms, the FTA targets the mass market with broad appeal programs that are acceptable to advertisers and broadcasters have no direct relationship with their viewers. STV targets specific audiences with innovative programming in order to maintain the support of subscribers and offers choice and control to its subscribers.

Another key difference between the FTA and STV model is that STV does not rely on audiences watching programs at a one off specific time and night. That is, cumulative viewing statistics are more relevant to STV than the viewership of one play of a program. The STV platforms facilitates cumulative viewing by programming targeted alternative viewing times, +2 channels (time delayed 2 hours after original broadcast) and personal digital recorder (PDR) functionality. Customers are given the scope to watch what they want when they want to watch it.

Table 1: Differences between Australian television sectors*

	Subscription Television	**Free to Air (Commercial Television)**	**Public Sector Broadcasters**
Primary source of revenue	Subscribers	Advertising	Government appropriations
Reach of Australian Homes	34%	100%	100%
Viewers per week	5.8 million (Week 30, 2010)	12.7 million (Metro, week 30)	10.8 million (Metro, Week 30)
Share of Viewing All Homes	22.7% metro, 21.0% regional (6am-12mn consolidated YTD)	58.1% metro, 51.4% regional (6am-12mn, consolidated, YTD)	16.8% metro, 17.1% regional (6am-12mn, consolidated YTD)
Share of Viewing STV Homes	56.9% year-to-date (6am-12mn)	35.7% year-to-date (6am-12mn)	6.5% year-to-date (6am-12mn)
Biggest audience for individual program 2010	FOX Sports Live: Tennis: French Open Women's Final 332,000 (w/c 30/5/2010)	Ten MasterChef Grand Final 4 million (w/c 25/07/2010)	ABC Doc Martin 1.56 million (w/c 4/7/2010)
'Strong' initial Audience for individual program	200,000	2,000,000	600,000
'Average' initial Audience for individual program	40,000	1,000,000	300,000
Number of channels	200+	9	6

*Sources: OzTam and RegionalTAM

ASTRA contends that Screen Australia's eligibility criteria has been developed on the assumption of a FTA model and does not always sufficiently accommodate the STV model. The lack of flexibility in the application of the criteria, at times, acts as a disincentive for STV to engage with Screen Australia.

However, with the rise of the digital economy such a 'one size fits all' approach is increasingly at odds with the different productions models that are developing. As outlined above, the STV's model differs fundamentally from the FTA model – each sector has different relationships with customers, audience sizes for individual programs, risk profiles and economic model. Screen Australia's approach to funding productions in the STV sector must be sufficiently flexible to accommodate for such fundamental differences in these two models.

OBJECTIVES AND ROLE OF SCREEN AUSTRALIA

Screen Australia is tasked with assisting the development of a sustainable production industry as well as assisting in the development of Australian programs.

Section 6 of the *Screen Australia Act 2008* (**the Act**) sets out the functions of Screen Australia as follows:

> *(a) support and promote the development of a highly creative, innovative and commercially sustainable Australian screen production industry; and*
>
> *(b) support or engage in:*
> *(i) the development, production, promotion and distribution of Australian programs; and*
> *(ii) the provision of access to Australian programs and other programs*
> *…*

In addition, the Act sets out the 'Considerations Governing the Performance of its Functions" as:

> *(a) ensure the development of a diverse range of Australian programs that deal with matters of national interest or importance to Australians, or that illustrate or interpret aspects of Australia or the life and activities of Australian people; and*
>
> *(b) place an emphasis on:*
> *(i) documentaries; and*
> *(ii) programs of interest or relevance to children; and*
> *(iii) programs with a high level of artistic and cultural merit;*
> *…*

ASTRA contends that Screen Australia is unable to meet these objectives effectively as it otherwise may be able to, as the Guidelines and Terms of Trade which dictate the involvement with a major sector of the television industry – the subscription television sector – can at times act as a disincentive to working with Screen Australia. The Guidelines and Terms of Trade and, before these, the policies implemented by the Film Finance Corporation have at times operated as a deterrent to subscription television participants even seeking funding. The experience of *Cloudstreet* (discussed below in more detail) confirmed the concerns of many within the industry as to the inflexibility and lack of commerciality of Screen Australia's policies.

A number of quality Australian programs that have received outstanding acclaim and significant industry recognition, such as *Love My Way*, *Tangle* and *Satisfaction* have been entirely funded by the subscription television sector. These programs meet the cultural objectives of Screen Australia as they clearly *"illustrate or interpret aspects of Australia or the life and activities of Australian people"* and are "*programs with a high level of artistic and cultural merit*". Additionally, the investment that STV has made in this programming has assisted and supported a "*highly creative, innovative and commercially sustainable Australian screen production industry"*. Moreover, there is a wide variety of Australian programming that is ineligible for Screen Australia funding because of rigid eligibility requirements that are not consistent with STV practice, but are rather predicated on practices developed by and for free to air broadcasters.

The STV industry would welcome changes to the Guidelines and Terms of Trade that would provide greater flexibility to broadcasters and channels to enable productions such as these to be financed with the assistance of Screen Australia, in order to complement the existing television landscape.

Finally, ASTRA believes that in relation to public announcements on the funding of projects: Screen Australia should provide the broadcasters and producers of the projects which will recieve funding reasonable notice that they are going issue a media release announcing the funding. This is the approach generally adopted by other Government agencies in relation to releasing such public information relevant to individual companies. It would also allow Screen Australia and relevant producers/broadcasters to work together to maximise publicity for the relevant projects. Regrettably Screen Australia has often released public statements on projects it is funding without providing any notice that it is issuing the media release.

The Importance of Flexibility in the Digital Era

ASTRA contends that flexibility will become more critical as the media landscape evolves.

While it is necessary to have guidelines to inform decision making processes, these guidelines should not be so rigidly applied across the television industry. In order for Screen Australia to fulfill its objectives, ASTRA submits that it must review the way it works with different sectors of the television industry, rather than adopting a ‘one size fits all’ approach to productions. Rather, each production should be evaluated on its merit and whether it meets the broader objectives of Australian programming outlined in the Act.

Screen Australia must operate in the context of a changing media landscape. With the advent of the National Broadband Network and high speed broadband more generally, Australians will acquire their media from numerous sources and platforms. The digital economy is having profound changes on consumer behaviour. It is also likely to have implications for the way in which programs are developed and produced.

The need for quality Australian programs will be as important as ever. However, Screen Australia’s current model is restrictive in terms of:

- financing (minimum licence fee requirements);
- holdbacks; and
- formats which are too prescriptive.

These restrictive eligibility criteria can fail to encourage innovative production and distribution.

In ASTRA’s view, if Screen Australia is going to continue to work with the Australian television industry, it will need to evolve its eligibility criteria to reflect these changes and meet the needs of the digital era. This will include providing incentives for producers to use innovative methods to tell Australian stories. It will mean that the use of other mediums besides traditional broadcast television to complement story telling will become popular changing the way media is consumed.

ASTRA is keen to encourage a successful vibrant production sector. However, a successful production industry may not necessarily be defined in the same way it has been in the past. This is likely to impact the traditional financing structures of television deals.

Recommendation
Screen Australia should amend its eligibility criteria to enable it to be more flexible in its approach to investment approval.

ELIGIBILITY CRITERIA – SUBSCRIPTION TELEVISION AND SCREEN AUSTRALIA

ASTRA contends that the eligibility criteria for Screen Australia funding does not provide adequate flexibility in the financing structures of television productions.

The eligibility criteria relate to commercial negotiations between producers and broadcasters and these should remain commercial negotiations rather than mandated requirements of Screen Australia. This can be done without compromising Screen Australia's broader policy objectives.

Licence Fee requirements

The mandated minimum licence fee requirements that form part of Screen Australia's Guidelines are excessive in the context of a subscription television environment and have regrettably prevented some subscription television productions to obtain funding for projects that otherwise meet all other criteria.

Screen Australia's Program Guidelines – Production Financing state that: *"Screen Australia will expect a local free-to-air or pay television presale of not less than x% of the budget, with a floor price of $y per hour, or part thereof"*. The percentage and dollar requirement varies depending on the type of programming:

- TV drama – 30% and $400,000
- children's TV drama - $95,000

This requirement for all television production fails to make a distinction between STV or FTA licence fees or more generally, the commercial terms offered by a FTA and an STV service.

Subscription Television Licence Fees

Many STV productions involve different financing structures, including what, when compared to a FTA model, might be described as 'lower' licence fees and, as a result, are not eligible for Screen Australia funding.These fees are a function of the differences between the STV and FTA business models, difference audience and market dynamics, and different risk profiles which arise because of the rise of the digital economy, fragmenting audiences and the normal operation of the market place.

Relative to FTA, the 'success' of an STV program is not of immediate or direct benefit to those licensing it for broadcast. Smaller numbers of viewers, and less advertising revenue, means that the licensing for broadcasting on STV does not create the same incentives as for FTA which, for the most part receives the majority of returns on the program via advertising.

Risks of return for those funding an STV project are higher. Investors in a production have a greater incentive to ensure that licence fees are a lower percentage in relation to other aspects of funding of the project in order that investor returns are more quickly accessible.

In addition, the regulation contained in the Australian Content Standard is geared towards managing the FTA networks minimum Australian drama content requirements, by dictating a high minimum licence fee for productions to be broadcast by commercial television broadcasters. A higher licence fee allows FTA networks to more quickly achieve their overall drama obligations – as dictated by annual minimum drama score - set out in Part 6 of the Australian Content Standard. Licence fees of more than $300,000 per hour attain a higher score than those acquired at a lesser rate. However, the Australian Content Standard does not apply to subscription broadcasters, who should not be placed in a position whereby their own commercial interests and regulatory obligations should be treated as subservient to those of FTA broadcasters.

Case Study: Drama Licence Fees - Cloudstreet

Cloudstreet is one of the most iconic and culturally significant examples of Australia literature. Premium Movie Partnership (PMP/Showtime) worked with Screentime to develop a 6 x 1 hour mini series with a budget of over $10 million.

The licence fee offered by PMP was $400,000 per hour, totaling $2,400,000. This was part of a financing deal that the Producer, Screentime, was satisfied with and included other components that the Guidelines do not identify as relevant considerations.

The application by Screentime to Screen Australia was for 15% of the budget. Screen Australia required that the licence fee be increased from $2,400,000 to $3,150,000 to meet its Production Guidelines. Screentime and PMP were not willing to increase the licence fee to a commercially unacceptable level and did not believe that the original licence fee structure would have significantly impacted Screen Australia's legitimate expectation to recoup a minority equity position.

The deal also involved PMP cashflowing the Producer's acquisitions of the underlying rights (at $700,000) – a factor that was not considered relevant under the Guidelines. The cashflowing of this amount, and the quantum, demonstrates the fact that each deal is unique and should be viewed on its own merits.

As a result of Screen Australia finding Cloudstreet 'ineligible', PMP has had to defer or reduce the length of other quality Australian programs, such as Tangle Series 2 (which is 6 episodes rather than 10 like the first series) and *Satisfaction 4*, as well as reduce its involvement in feature films.

Recommendation

ASTRA recommends that Screen Australia allow a greater level of flexibility in licence fee and financing arrangements. Screen Australia should not mandate minimum licence fee requirements nor prescribe financing structures but instead provide guidelines with a recognition of the ability to be flexible where required.

Hold Back Provisions

As outlined above, the subscription television model relies on creating innovative programming that Australians pay to watch. In order to make this a viable proposition, STV relies on exclusivity in its programming, as is a common feature of every IP industry. That is, when it invests significantly in content, its business model requires that its customers have access to programming that is exclusive over the FTA environment.

However, ASTRA members are concerned as Screen Australia has not been willing to agree holdbacks that reflect industry practice. In ASTRA's view, this is an unsatisfactory outcome for STV consumers.

The FTA business model is predicated on being able to reach almost 100% of Australians; once a program has been aired, the competitive landscape does not favour repeated viewings on FTA networks and FTA broadcasters generally do not require extensive holdbacks from STV, as the maximum audience for that program has already been reached. The reach of STV is well below that of FTA, and in order to attract and retain subscribers, STV broadcasters rely on exclusivity of certain programs. In order to maintain loyalty from its subscriber base, significant holdbacks are required by STV to maximise the value of programs in which STV broadcasters and channels have invested.

For example, when STV invests in an Australian drama series such as *Spirited* or *Slide*, it invests a significant amount into developing and marketing this product and building a brand. If inadequate holdback provisions are in place, then, potentially, a second or third series of a successful drama may be launching on STV as the first series is being aired on FTA.

This has a twofold effect: -

- the investment that STV has made into building a brand is acquired by FTA; and
- the STV model comes under threat as STV customers who choose to pay to view exclusive content are disadvantaged, believing that subsequent seasons of the program will appear on FTA in the shorter term.

In ASTRA's view, Screen Australia should not dictate the holdback provisions of subscription television funded programming as a condition of funding. These are commercial negotiations between the producer and broadcaster and Screen Australia should allow for some flexibility in its requirements.

While ASTRA understands that Screen Australia is keen to recoup any investment as quickly as possible, STV believes that the quality of its product can, and does, generate significant interest from international markets that can generate significant returns. Further, due to the nature of many STV funded programs, interest from FTA networks may not be such as to generate significant licence fees, and exploitation on other media, such as DVD, download or pay per view on demand services could be seen as a preferable avenue for recoupment.

In a digital era, exclusivity of content is a key component of the subscription television proposition. STV's viewers pay a premium to access this content and if it immediately airs on FTA then its value is lessened. It is contrary to the business model of STV.

Case Study: Spirited – FOXTEL Owned & Operated Channel - W

In some cases STV will want to maintain exclusivity over its content for a period of time. In the case of an Australian drama like Spirited, the value in ensuring exclusivity and an increased holdback is important.

Spirited is an 8 x 1 hour production. While Screen Australia contributed approximately 20% of the budget, FOXTEL contributed over 50%, but was only able to obtain a holdback period of 24 months against local free-to-air distribution.

STV is looking to obtain holdback periods against local free-to-air distribution for Australian dramas such as *Spirited* for the duration of the STV licence period.

Holdback Provisions and Free to Air

Minimal holdback provisions make more commercial sense in the FTA model. That is, once a free-to-air network has marketed and broadcast a program, it has effectively monitised the program through advertising. Additionally, with programming broadcast on the ABC and SBS, which is usually fully funded by the Australian taxpayer, there is a compelling argument on public policy grounds that such programming be made available to the STV industry to maximise the ongoing exploitation of such programming to Australians.

In this case, allowing the program to be distributed through other channels – such as subscription television – will allow producers and other equity investors to recoup additional revenue from the program.

Co-Productions – FTA and STV

Notwithstanding that exclusivity over funded programs for a significant period is a fundamental issue for many productions, there may be examples of programming where, due to the budget or scope of the proposed program, a co-production with FTA may be an attractive proposition to STV.

The current regulatory regime requires that a TV drama series program run first on FTA and then second on STV (in order that it may satisfy both the FTA quota obligation that includes Australian drama). Conversely, the Australian drama content requirements imposed on STV under the *Broadcasting Services Act* do not require STV broadcasters to broadcast drama programs in which they invest to be broadcast on STV. However, this ignores the commercial imperative of STV to retain first run rights for programs that are co-funded with FTA.

Screen Australia's Terms of Trade state the following:

GENERAL MATTERS, 1.2 Project eligibility) that *"[t]elevision projects must also be quota-eligible programs in relation to commercial broadcasters' compliance with the Australian Content Standard, as detailed on the ACMA website or the equivalent requirements applying to subscription TV."* These "*equivalent requirements"* are vastly different between STV and FTA and therefore create a disadvantage for STV.

ASTRA appreciates that this is an issue that requires amendment of the Australian Content Standard and STV will continue to lobby for this regulatory requirement to be amended.

Recommendation

Screen Australia should allow enough flexibility in the negotiation of holdbacks to ensure that STV is able to maintain an appropriate period of exclusivity in programming to deliver to its customers.

Other Issues – Funding of Children's Television Drama

Subscription television offers consumers a number of dedicated children's channels including Disney, the Cartoon Network, Nickelodeon and CBeebies. These channels provide high quality entertainment for Australian children with international programming as well as quality Australian children's television content.

STV is a participant in the commissioning of Australian children's drama with co-productions such as '*Me and My Monsters'* and *'Lightning Point'* (with Screen Australia). Many of these co-productions would, arguably, not have been produced without the assistance of STV funding.

In the future, STV is keen to be the commissioning broadcaster of Australian children's drama but, given the level of current minimum licence fee and prescribed formats, this option is precluded at present.

Requirement for 'C' Classification

Screen Australia's Program Guidelines – Production Financing (**the Guidelines**) state that:
"Projects must be eligible for a 'C' classification under the Government's 'C' Drama guidelines in order to apply to Screen Australia. A 'C' classification will not be required from applicants whose projects in this category are licensed to the Australian public broadcasters – ABC and SBS."

It is of concern to ASTRA that there is no reference made at all to STV. Subscription television does not operate under the same classification requirements as commercial free to air television. That is, there is no classification for children's 'C' or preschool 'P' programming. STV would urge the same consideration be given to STV as is to the public broadcasters and reference be made to this in the Guidelines.

Case Study: Nick Shorts- Nickelodeon

Nick Shorts is a joint production initiative with Nickelodeon Australia, ScreenWest and the Film & Television Institute WA (FTI), designed to showcase and celebrate Australia's animation talent. This initiative allowed six producers the opportunity to produce innovative animated 1 to 3 minute short films for first run broadcast on Nickelodeon Australia.

Nick Shorts provided Australian producers and creative talent an opportunity to showcase original work on a National level on a range of Nickelodeon's platforms (including Nick TV, Turbo Nick and Mobile). Initiatives such as these help develop the skills of the Australian production industry and provide them with the possibility of developing concepts which if successful may be considered for further development by Nickelodeon International.

This would not quality for Screen Australia funding but is an example of an innovative production initiative that provides opportunity to the Australian creative community and supports creative talent.

Recommendation

ASTRA would recommend additional flexibility for children's television funding which could allow for innovative story telling and digital distribution.

Reference should be made to STV in Screen Australia's Guidelines.

Subscription Television and Documentary Funding

Subscription television is home to some of the most innovative and highly reputable documentary channels. Internationally renowned brands such as National Geographic, Discovery, the History Channel, BBC Knowledge and the Weather Channel are responsible for producing outstanding documentaries domestically and overseas.

As an overall comment, STV has a history of working successfully with Screen Australia in order to develop great Australian documentaries. STV productions have had assistance from Screen Australia through both the international and the domestic documentary programs.

There is a significant benefit to Australian producers in working with the international documentary channels which is consistent with Screen Australia's purpose of assisting the development of a sustainable Australian screen industry. Working with international organisations such as Discovery or National Geographic can open many doors for Australian producers, allowing them to develop international relationships for both distribution and future projects.

Examples of documentaries that STV and Screen Australia have invested successfully in together include: *'As Australian As'*, *'Charles Bean's Great War'*, *'Tragedy of Montevideo Maru'* and *Storm Surfers*.

The '40, 40, 20' Split of Documentary Funding

ASTRA believes that the current domestic documentary funding split 40% to the ABC, 40% to SBS and the other 20% to commercial and subscription television broadcasters does not reflect the changing media landscape.

Earlier in 2010, Dr Ruth Harley noted *"the 40 40 20 split is not enshrined in kind of legislation, it is current practice and it may change over time. It's a guide really and we're working in an environment that's changing over time"*[1].

ASTRA concurs with this sentiment. The media landscape is evolving rapidly. Digital television has resulted in a number of additional channels being available to consumers. In turn, broadcasters are seeking to deliver additional content over these channels. In ASTRA's view, it seems arbitrary to pre-allocate 80% of domestic documentary funding to one element of the industry – the national broadcasters.

This is not to say that the ABC and SBS should not have access to this funding at all, but this funding should be put towards supporting the best ideas and innovative programs in a converged media world. That is, this Government funding should be fully contestable between all sectors of the media and allocated on the basis of the merits of each proposal taken to Screen Australia.

Recommendation
Screen Australia's documentary funding split of should be contestable by all participants in the television sector.

Conclusion

The subscription television model relies on consumers making a direct payment to platforms in return for content choice. Inherent in this model is a demand and motivation to produce programs which attract niche audiences.

Screen Australia will need to evolve its eligibility criteria with respect to investment in productions financed or proposed to be broadcast on subscription television to reflect these changes and meet the needs of the digital era.

ASTRA contends that there should be a greater level of flexibility in financing arrangements and structures than Screen Australia's Guidelines currently allows and commercial negotiations should determine appropriate licence fees, holdback provisions and marketplace attachments appropriate to the economics of the sector.

[1] Harley, R, 'AICD 2010', 3 March 2010, http://www.screenhub.com.au/news/shownewsarticleG.asp?newsID=31866