



SCREEN
PRODUCERS
AUSTRALIA



DOING BUSINESS WITH COMMISSIONING PLATFORMS

RESEARCH SURVEY
DECEMBER 2021

PRODUCER PAIN POINTS

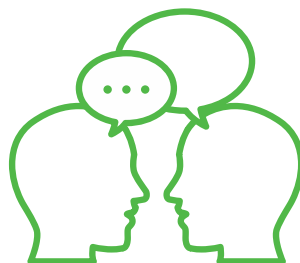
At an industry level, the three major concerns are:



**FAIRNESS OF
DEALS**



**ADMINISTRATIVE
COMPLEXITIES**



**LACK OF RESPONSIVENESS
AND COMMUNICATION**

RESULTS SNAPSHOT



7 out of 10 platforms failed to be recognised as negotiating 'fair' deal terms with producers.



1 in 4 respondents have been encouraged to commence production without an official greenlight.



2 international platforms were recognised as contributing to liquidity issues in the way drawdowns were structured.



Half of all platforms are reported to have pressured producers into unfavourable variations to existing contracts.

KEY FINDINGS

Australia's independent screen producers are facing a range of complex bargaining challenges in doing business with commissioning platforms, the results of a research survey undertaken by SPA have shown.

The survey asked producers who have recently had a commission with the ABC, SBS, commercial free-to-air television broadcasters, subscription television broadcasters and their providers, or streaming platforms, a range of questions relating to the terms on which they have done business over the last three years.

The responses provide an insight into the ways in which producers, particularly small to medium enterprises, can feel compelled to compromise on key aspects of production deals in order to get a commission over the line or maintain a working relationship with commissioning platforms. Collectively, these challenges work to inhibit productivity, sustainability and creativity in the sector, most acutely at the small business level (the majority of producing businesses).

The responses showed that in almost half of commissions reported, producers experienced challenges in ensuring the appropriate budget was offered to meet the quality and volume expectations of commissioners. This is a significant issue for producers, who may be forced to cut elements of the production to keep to budget, whilst still facing quality

demands from commissioning platforms, and poses risks to safety as well as the ongoing working relationships. This is likely to be a reflection of funding challenges within the sector and was a particular concern for producers working with commercial free-to-air television commissioners.

While the streamers were recognised as offering more appropriate budgets, access to timely payments from these commissioners is cited as a particular challenge.

In approximately one quarter of commissions, producers are facing difficulties with the way drawdowns and cashflows are structured, which can create serious difficulties with liquidity. When this occurs, it creates substantial and harmful operational strain, particularly for smaller producers who may not have the resources to absorb cashflow delays/shortfalls in the middle of a production.

There were also reports of producers being pressured or encouraged to start production without an official greenlight, a situation which creates undue risk for a production and impacts smaller businesses in particular. This issue was reported in almost a quarter of deals, and its emergence as an issue should be closely monitored to ensure it does not develop into an industry-wide practice, given the untenable position it places producers in.

Also of concern was that a third of respondents reported feeling pressured to agree to non-beneficial contract variations following the commencement of a production. This experience was recognised as occurring with half of all the platforms included in the survey. This is highly suggestive of an unequal bargaining relationship and unfairly leaves producers worse off. This was reported across the various categories of commissioning platform and is a worrying sign.

Whilst these results suggest producers often feel pressured to accept unfavourable terms, further results suggest a lack of confidence that good work or good will from producers will in fact lead to future opportunities with the commissioning platform. This was, again, reported as a concern across the categories of commissioning platform and was reported in almost half of responses. This lack of confidence in future opportunity is sub optimal for small business operators and stifles the kind of entrepreneurial behaviour that is a pre-requisite for small business growth.

Not covered in the survey but also recently reported to SPA are some concerning practices regarding the sharing of the increased costs associated with managing a production which safely and effectively manages the risks associated with COVID-19. SPA is keeping a watching brief on these issues and reporting regularly to Government and agencies.

Overall, the results of the survey suggest current industry conditions are in many cases unfavourable to SME producer businesses in ways which create uncertainty and harm, and which stifle productivity, growth and investment. Operating a small business comes with its own challenges, however these survey results show the further challenges which arise when the major buyers in the market (who in this case, are unavoidable trading partners) are large in size and limited in number.

The data gathered in this survey will provide a baseline against which the results of future surveys can be compared to determine whether these bargaining constraints are becoming more established, and to identify trends within and across commissioning platforms.

INSIGHTS BY PLATFORM

PUBLIC BROADCASTERS

The survey results show that in half of respondents, there had been concerns with public broadcasters providing sufficient budgets to match expectations of quality and volume (50% answering 'yes').

The public broadcasters performed well in regard to drawdowns (19% reported concern) and finalising contracting prior to commencing work (16% reporting issues).

Of concern, however, was that more than a third of respondents reported being asked to agree to unfavourable contract variations (38% answering 'yes'). The survey also showed a lack of confidence amongst respondents that good work would create future opportunities (41% reporting concern).



COMMERCIAL FTA

A primary concern for producers commissioned by commercial FTA broadcasters was that budgets were frequently reported to not be sufficient to match commissioner expectations (73% reported this as an issue).

A third of respondents also reported being pressured to commence production prior to being officially greenlit (33%) and a similar number (27%) indicated drawdowns were a challenge.

Thirty-three percent of respondents indicated they had been asked to agree to unfavourable contract variations and just over half of respondents (53%) felt confident their good work would create future good will with the broadcasters.

SUBSCRIPTION TV

Almost half of survey respondents reported concerns with the appropriateness of budgets offered by subscription television commissioners (41%), and a quarter (27%) indicated concerns about the structuring of deliverables and drawdowns.

The rate of respondents being asked to commence without greenlight was 27%, with just under a third (27%) reporting concerns with unfavourable contract variations. Fifty-nine percent indicated confidence that the quality of their work would build future goodwill with subscription TV broadcasters.



STREAMING SERVICES

Responses to the survey indicate that streaming platforms are performing well in offering appropriate budgets for commissions (89% answered positively).

Concern regarding contract variations and commencing without an official greenlight was also low (19 and 21% respectively) and a substantial number of respondents felt confident of being able to build future good will with the platforms (73%).

Despite these responses, some of the more popular streaming platforms failed the fairness of deals rating question.

There were concerns reported with specific streaming platforms that structure drawdowns in such a way that it causes liquidity issues for producers (56% reporting issues) - this aligns with reports SPA has received from producers.

ABOUT THE SURVEY

RESEARCH OBJECTIVE

The objective of this research survey was to understand the challenges Australian production businesses (which are largely small and medium enterprises) face in striking deals with, and working with, commissioning platforms (which are generally much larger, sometime global entities).

RESEARCH METHODOLOGY

Australian production businesses with an active membership to Screen Producers Australia (SPA) were invited to take part in a survey in September and October 2021.

The survey asked a range of questions which were dynamically generated depending on the level of experience the producer has had with each platform.

PERCEPTION based questions were asked of all respondents, regardless of whether they had specific experiences with that platform, to measure the industry's overall impression of each platform.

If the respondent indicated they had engaged in any formal commissioning processes (e.g. submitted materials for assessment, formal meetings, pitching, etc) in the past three years, they were asked a range of EXPERIENCE based questions relating to those processes.

If the respondent indicated they had proceeded to a formal commission with a platform in the past three years, they were then asked a further series of EXPERIENCE based questions related to contracting with, and delivering the project to that platform.

Where there were insufficient responses for a particular platform, it was excluded from the analysis to ensure a balanced and representative data source.

Overall, 301 responses were received to the EXPERIENCE questions.

COMMISSIONING PLATFORMS

The following platforms were captured in the survey data:

- Public Broadcasters: Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS), including National Indigenous Television (NITV).
- Commercial Free-to-Air Networks: Seven, Nine and Ten.
- Subscription TV & Providers: BBC, Discovery, Foxtel and Viacom. "Providers" refers to commissioning brands that provide channels and content for a Subscription TV service.
- Streaming Services: Acorn, Amazon Prime Video, Disney+, Netflix and Stan.

SURVEY QUESTIONS

- Date of your most recent commission with the [commissioner]?
 - 2021
 - 2020
 - 2019
- Have you engaged in a commissioning process with the [commissioner] in the past 3 years (e.g. submitted materials for assessment, formal meetings, pitching, etc)?
- Do you feel the [commissioner] offers appropriate budgets to match their expectations of quality and volume?
- Have you been encouraged to commence production without an official greenlight in the last 12 months?
- Are drawdowns and deliverables structured in a fair way to avoid liquidity issues for the production?
- Have you ever had to agree to variations to an existing agreement that offered no material benefits to yourself?
- Do you feel good work and good will on your part will lead to better terms in future deals?
- Please rank the [commissioner] from very poor - very good on the following:
 - Fairness of deals
 - Support for creative teams
 - Support for producers
 - Frankness, honesty and constructiveness of feedback
 - Ease of administrative processes
 - Responsiveness of communication