Triple trouble: will the ABC avoid budget cuts in a month of threats?

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**Due to Australia’s small population and high concentration of few media voices, public broadcasters play a pivotal role in shaping the media ecosystem and cultural landscape. With the ABC and SBS under scrutiny ahead of the budget, The Future of Public Broadcasting series looks at the role of these taxpayer-funded broadcasters, how they shape our media and whether they provide value for money.**

The ABC faces three big threats in May. All of them are about funding and each one has the capacity to diminish the national broadcaster. The first has already come and gone in the form of the Commission of Audit, which recommended the closure of one of the ABC’s major international arms.

With two more threats yet to come – in the form of the Lewis review and the federal budget on May 13 – the ABC is understandably nervous. At stake is the question of how the Coalition government views the ABC and whether it is likely to embark on the kind of crusade of rationalisation and retribution attempted by the Howard government.

**Commission of Audit recommendations**

The Commission of Audit recommended the closure of the Australia Network, which is funded by the Department of Foreign Affairs and Trade but run by the ABC. The Commission of Audit implied that the service, which has a budget of A$223 million over ten years, is not an effective agent for soft diplomacy. The decision is a nod to the ABC’s rivals, who did not accept the Gillard government’s decision to hand the Australia Network to the ABC permanently in 2011.

While the Commission of Audit didn’t criticise the decision directly, it noted that the ABC was given the network in perpetuity:

> ...irrespective of the cost effectiveness of offers by other media companies.

The Commission of Audit concluded that the Australia Network is too expensive and that its audience is too small, despite the fact that it recently closed a deal to broadcast in China. In a recommendation that looks awfully like political payback, the Commission of Audit argued:

> ...funding directed toward the Australia Network would be better directed to other areas or returned to the budget.

This was no great surprise. The Abbott government has been busily hinting for months that the Australia Network has an uncertain future.

Perhaps the most significant news from the Commission of Audit was that the ABC’s own budget should stay intact, at least for the moment. This was despite hints that the rationale for substantial funding for the ABC – and SBS – should be under review. The Commission of Audit’s report said:

> The case for reconsidering the level of support for the public broadcasters is underpinned by
advances in technology, societal changes and an expectation of achieving efficiencies and value for money.

Ominously, the Commission of Audit said:

It could be argued that the need for government intervention or support has now been superseded by technology and commercial imperatives.

While this is true, it could also be argued that these same technologies have busted the traditional media's business models and fractured audiences, meaning the imperative has never been greater for a well-resourced national broadcaster that is committed to quality journalism.

The Commission of Audit said that there is:

…no ‘right’ level of funding that should be provided to the ABC and SBS, or ‘right’ level of services that should be provided by the public broadcasters.

Instead, the Commission of Audit argued that both broadcasters can and should become more efficient. It recommended the ABC and SBS benchmark their efficiency levels against each other, and against their rival commercial media organisations.

The Commission of Audit recommended that the DFAT-funded, ABC-run Australia Network be scrapped. AAP/Lukas Coch

The Lewis review

This is where it gets interesting for the ABC. It appears that at least two arms of government are talking to each other. The next big threat the ABC faces is the Lewis efficiency review, which insiders believe will be released before the federal budget.

It is as if communications minister Malcolm Turnbull had anticipated the Commission of Audit's findings because the person he asked to conduct the efficiency review in January was Peter Lewis – a former senior executive at Seven West Media who is well versed in commercial media modelling.

Lewis' brief was far reaching, although Turnbull was astute enough to rule out several things, such as advertising on the ABC or changes to the broadcasters’ respective charters. Lewis was told to focus on efficiency, particularly the back-of-house and day-to-day operations, as well as financial matters and organisational structures.

Insiders say Lewis needed a crash course on public broadcasting, as well as some convincing that the ABC’s more in-depth current affairs programs require greater resources than, say, Seven’s Today Tonight. They say Lewis has managed to stick close to his brief and that his findings shouldn’t surprise either broadcaster.

Speculation has ranged from a merger, which is widely discredited, to the fusing of some of the networks’ channels to modest job cuts and the closure of some services. However, there is also optimism that the closer Lewis looked the more he would have discovered that the ABC is already efficiently run compared to commercial networks and comparable public broadcasters.

There is also a sense that Lewis will come to a similar conclusion to previous studies of the ABC, such as the Mansfield and KPMG reviews, which both found that the ABC was in fact under-resourced.
One fear is that the Lewis review represents a threat to the editorial independence of the national broadcasters because the recommendations will go directly to Turnbull and amount to a prescription about specific program funding. One ABC insider described the process as “political interference”.

Certainly, there has been plenty of talk within the Coalition about the need to protect the specific areas, such as the ABC’s rural and regional radio stations, from any cuts.

**The federal budget**

Then there’s the final threat – the federal budget – which may or may not require an efficiency dividend from the ABC and SBS, and may or may not implement any one of the changes recommended by Lewis or the Commission of Audit.

ABC managing director Mark Scott is carefully avoiding being drawn into the politics by reminding anyone who asks that prime minister Tony Abbott did promise before the election not to cut either SBS or the ABC’s budget, and therefore it is all business as usual at the ABC.

However, it is also clear that the ABC is doing some strategic planning to prepare for any eventuality, and that it won’t be able to relax until these three threats have been averted.

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