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Mr Skrzynski, SBS Chair, & the SBS Board
Locked Bag 028
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sent by email and post

Dear Mr Skrzynski & the SBS Board,

Save Our SBS submission to the SBS Review

We welcome the approach taken by SBS to conduct a comprehensive review of the organisation. In consideration of this recent SBS review, we provide this submission for consideration by the SBS Board.

Introduction

Save Our SBS is concerned with many aspects of SBS and always seeks to support our multicultural broadcaster in improving its place within the communities that it serves.

In this submission, Save Our SBS concentrates on the television operations and discusses the number one issue that has troubled many in the community since 2007; programs being interrupted for advertisements. We also examine the difficulties of free to air broadcasters relying in whole or part on advertising and in the case of any public broadcaster within an Australian context, present the benefits and evidence as to why SBS should aim to rid itself of all advertising in the longer term.

We present the case that as a *first* step, SBS should cease interrupting programs for advertisements (and promos) and outline the reasons why – beyond the obvious annoyance of the disruptions.

We consider the consequences if the SBS Board were to amend the current (*SBS Guidelines For The Placement of Breaks in Television Programs September 2006*,¹ that outlines the existing SBS policy for programs to be interrupted. We ask the question: “*What would happen if the SBS Board amended those Guidelines and no longer allowed programs to be interrupted?*”

Whilst it cannot be confirmed if there might be a drop in revenue raised from advertising if SBS were to restrict advertisements to between programs only, we conclude that there will be an immediate substantial benefit to SBS in terms of the public perception of SBS,

and, that SBS will ultimately benefit financially from increased government funding in the longer term due to a change of advertising policy now.

SBS perception: public or commercial?

SBS was formed in the mid 1970's but it was not until 1991² that it was allowed to broadcast advertisements.

*While the impact was subtle in the early years, the volume and stridency of advertising has grown with time. . . limited advertising was introduced in 1992-3 [but] the current full-blown interruption into all programs for commercial breaks [did not commence until] late 2006.*³

Prior to 2006 SBS was seen as a public broadcaster that sometimes ran advertisements between programs only, and, occasionally in live sporting events. As a hybrid broadcaster, it was then perceived to respect the viewer because it did not allow advertising to disrupt the viewer experience. However, by 2007 when all programs on SBS television were interrupted as a matter of policy, the perception of SBS was that it was no longer a broadcaster to be funded by government, but that it had become a commercial broadcaster. Thousands of people voiced their objections⁴ at the time. Some two years later, in December 2008, a public review was held by the Department of Communications Broadband & Digital Economy⁵. A significant number of the more than 2000 submissions, were not happy about the SBS advertising policy and expressed the broad view that since the introduction of commercial breaks in programs on SBS television, SBS had deteriorated and was no longer worthy of public support.

At best, the decision by SBS to interrupt programs for advertisements has largely been perceived as an act of contempt by SBS for its audience. The perception and the reality is that SBS considers the needs of the advertisers, to achieve the maximum return for their advertising dollar by disrupting programs, over and above the needs of the viewer. This is at odds with the perception within Australia of how a public broadcaster should act.

The goodwill that SBS had built up over the many years prior to the decision to interrupt programs for advertisements has largely been destroyed. However that goodwill could very easily now be returned if SBS were to announce a change of policy and no longer allow any programs to be interrupted for advertisements.

The client of SBS: viewer or advertiser?

The disruption to the viewer experience for the interruptions of advertisements is not the only reason that SBS is perceived as losing faith with its audience. The on-selling of the viewer by SBS, to the advertiser is accentuated each time a program is interrupted for a commercial break.

When SBS did not carry advertisements and when the advertisements were outside programs, the viewer was treated as the client of SBS and SBS considered the needs of their client, the viewer. But when SBS began to interrupt programs for advertisements, the client of SBS very blatantly became the advertiser. It became obvious that the viewer

of SBS was merely a commodity, a product, to be sold to the new client of SBS, namely the advertiser. Viewers were deeply offended by this obvious lowering of their status, and still see this as a sign of the destruction of the goodwill that SBS once had with its audience.

When there was no advertiser appearing within the program, the product of SBS was clearly the actual program content. However, when SBS began to interrupt programs for advertiser, the product changed from being the program to the viewer who is now on sold by SBS to the new client of SBS, the advertiser. This is at the heart of the reason that the SBS community of viewers have an intense dislike for the interruptions of programs for advertisements; more so than would apply to a commercial broadcaster. It is seen as being against the spirit, the very essence of what a public broadcaster should be and only gives weight to the perception that SBS is now akin to that of commercial television and hardly worthy of public funding. This view may be unique to Australia.

Forced breaks are forced, not natural breaks

It is very difficult to break into a program under the pretext that the break is natural when the interruption of the program appears to be un-naturally forced. Most breaks on SBS television look like that.

Regardless of the law, the public perception is that SBS is forcing breaks into programs where a break was never intended.

In their answer to question 7 of Questions on Notice (sqn 0093) 2008, SBS supplied a document titled *Programs delivered to SBS without breaks (2007)*⁶, that revealed that in 2007 SBS had positioned some 5627 commercial breaks into approximately 2046 programs that “*in their original format had not been produced, assembled or compiled with provision for any commercial breaks, such as British Broadcasting Corporation programs or cinema-release movies etc*”⁷. The above suggests that the breaks in these programs were not natural and that SBS had un-naturally forced the breaks into those programs. In their answer, SBS said they “*were not able to determine which programs had been . . . produced . . . with provision for commercial breaks*”. The producers of six programs from the list cited, made suggestions as to the positioning of breaks⁸.

Although specific figures are available as to the number of such breaks, the precise statistics is not needed when a night of ordinary viewing of SBS television quickly leads the viewer to believe that breaks are usually forced into most programs.

In a small study conducted at the end of 2008, when SBS had been interrupting all television programs for just on two years, 96.3 percent of the 1733 participants said they wanted “*SBS-TV to stop interrupting programs for commercial breaks.*”⁹

Winning back audience and political support for SBS television

As revenue from TV advertising plummets, and as audience reaction to the interruption of programs with advertising persists, now is a good time to reassess the hybrid financing model that the SBS has adopted.

While rumours of the death of advertising may well have been greatly exaggerated, new delivery platforms and new ways of reaching niche audiences are already having a significant effect on the broadcast media. While advertising may not be dying, its relationship with broadcasting is changing.

According to *Inside Film* SBS director of television and online content, Matt Campbell, told an international documentary conference in Adelaide recently that a sharp drop in advertising revenue had meant that SBS had “no money for online . . . no money for SBS TWO. . . It really is dire”¹⁰

While Mr. Campbell said that the loss of revenue was largely caused by the global financial crisis this has not been the only factor affecting the advertising revenues of broadcasters. The financial crisis appears to be easing (at least in Australia) but there are other structural factors that are likely to continue to threaten advertising revenues for broadcasters. Both newspapers and commercial broadcasters are suffering.

In his book *The Chaos Scenario* U.S. writer and broadcaster Bob Garfield argues:

For the past four centuries, mass media were funded or at least subsidized by mass marketing, which piggybacked on what we now call “content” to issue messages of its own.

*Like the eternal co-dependence of flowers and bees, this was an extremely convenient symbiotic relationship for those involved. Or if you prefer a more spiritual analogy, imagine the media yin coupled snugly with the advertising yang, a transcendent oneness yielding cheap and free content for all. Well, that’s over – or damn near. In the digital age, that time-honored symbiosis is coming apart. It’s happening slowly enough that most consumers haven’t really noticed. But it’s happening quickly enough that media and marketing are in big trouble – trouble that I believe will send the world spinning into a post-apocalyptic post-advertising age.*¹¹

Garfield later goes on to demonstrate the steady decline in television viewing compared to Internet usage in the U.S.

According to Nielsen, in the new millennium, the U.S. TV audience eroded an average of 2% a year – even though, in the same period, the population increased by 30 million. According to Swivel, in 2000 Americans devoted an average of 793 hours to broadcast TV and 104 to the Internet, a ratio of just under 8:1. By 2008, with broadband penetration in the U.S. tripling, the TV/Internet ration had gone to 675-200, or 3.4:1.

It is a similar story in Australia as Bob Peters writes for the Screen Australia website.

Viewing free-to-air television still accounted for the greatest usage of discretionary time by Australian children in 2007: 87 minutes per day or 30 per cent. However, this was 26 per cent less than in 1995, with children redirecting a considerable amount of time to watching subscription television and spending increased time viewing video (DVD and VHS). This shift in behavior highlights

*the challenges that television is likely to face in the future as the availability of alternatives continues to expand.*¹²

In *The Long Tail* Chris Anderson argues that the decline in audiences for the broadcast media is not simply the fact that there are other alternatives like DVDs or the Internet. While it is true, as Mark Pesce has said, that the Internet can function as a giant TiVo, enabling viewers the strip out advertisements, the changes are more fundamental than that.

The point is that these technologies can serve niche audiences much better than broadcasting can. This feature is of particular relevance to the SBS.

The great thing about broadcast is that it can bring one show to millions of people with unmatched efficiency. But it can't do the opposite—bring a million shows to one person each. Yet that is exactly what the Internet does so well. The economics of the broadcast era required hit shows—big buckets—to catch huge audiences. The economics of the broadband era are reversed. Serving the same stream to millions of people at the same time is hugely expensive and wasteful for a distribution network optimized for point-to-point communications.

. . . This shattering of the mainstream into a zillion different cultural shards is something that upsets traditional media and entertainment no end. After decades of executives refining their skill in creating, picking, and promoting hits, those hits are suddenly not enough. The audience is shifting to something else, a muddied and indistinct proliferation of . . . Well, we don't have a good term for such non-hits. They're certainly not "misses," because most weren't aimed at world domination in the first place. They're "everything else."

*. . . That mass of niches has always existed, but as the cost of reaching it falls—consumers finding niche products, and niche products finding consumers—it's suddenly becoming a cultural and economic force to be reckoned with.*¹³

Traditionally commercial broadcasters have valued share above reach – “hit shows – big buckets to catch huge audience” as Anderson put it. Publicly funded broadcasters (like the ABC) have given more emphasis to reach – something for everybody, at least some of the time.

As a hybrid broadcaster SBS TV has had a foot in each camp. The Charter requires it to provide something for everybody, but advertisers want to buy audiences for hit shows, like *Top Gear*. However it is difficult to build a prime time mass TV audience from an assortment of niche audiences. To hold a mass audience you need to grab them early in prime time and keep them with you for as long as possible. This is difficult if you follow a Chinese program with a Greek program then a German program and then a Vietnamese program.

The answer appears to have been to reserve prime time on the main channel for mostly English language programs, while the second channel (currently available to a much smaller number of viewers who don't yet have digital TV) while still primarily in English, carries slightly more programs in community languages in prime time. However this does not sit well with the station's role as a multicultural broadcaster.

The strategy of moving mainstream mass audience programs into what had been a niche broadcaster has not worked. While *Top Gear* brought a large audience (for SBS) to the station its very success in ratings terms was a negative for SBS. Channel 9 used its deep pockets to poach the program and the rights to make an Australian version. For the SBS it was back to the drawing board. The network's investment in the Top Gear experiment failed to pay dividends.

Meanwhile, as Matt Campbell has noted, there is no money for the SBS website. If as Garfield and Anderson suggest, the Internet is the best way of communicating with niche audiences, then that money needs to be found.

Both the BBC and the ABC have been very successful in integrating their web presence with their broadcast programs. Wired and wireless feed off one another. Yet the SBS has no money for the web.

The SBS is in a very difficult situation.

It has alienated sections of the audience, and some in the government, with its decision to interrupt programs with advertisements. As David Nolan and Natalia Radywyl have also concluded changes to program policy have tended to "place it at risk of losing the political support that has historically maintained it."¹⁴

While it was the SBS, rather than the ABC, which most needed a funding boost, the SBS received a tiny increase in the last budget while the ABC obtained a much larger sum.

We suggest that SBS should send a clear signal that it is changing direction. It should immediately seek to restore its relationship its audiences and the government by announcing that it will rescind its decision to interrupt programs with advertisements. This should be followed by a decision to phase out advertising altogether and operate as a dedicated public service broadcaster along the lines of the ABC.

SBS Board is required to develop or change an advertising policy

There is nothing in the *SBS Act 1991* that requires SBS to carry any advertisements.

Section 45(4) of the *SBS Act 1991* requires the Board to develop guidelines on advertisements and their placement and section 45(5) allows the Board to revise any guidelines.

As such, the Board is empowered to now revise the (*SBS*) *Guidelines For The Placement of Breaks in Television Programs September 2006* and completely replace those guidelines with a new set of *Guidelines*.

Save Our SBS believes that it is now timely for the SBS Board to create a new set of *Guidelines* that does not allow programs to be interrupted for advertisement or promo breaks.

Long term benefits of a new advertising policy

In 2006, when SBS changed the then policy to allow programs to be interrupted for commercial breaks, SBS also changed its policy on the type of advertisement it would accept. The then new, now current advertising policy, allowed SBS to accept almost any type of advertiser when previously SBS had been very selective in only accepting certain 'soft-sell-arty-type' advertisements.

As a result of the decision to accept almost any type of advertisement, SBS was more easily able to increase its advertising revenue quite aside from where the advertisements were positioned.

SBS declared in their answer to questions 5 and 6 of Questions on Notice (sqn 1493) that in 2008 and 2009 that SBS did not charge more to the advertiser to place an advertisement within the program compared to placing the advertisement outside the program¹⁵. This being the case, the question is not so much one of loss of potential income due to the position or re-position of the advertisement, as each advertisement was charged at the same rate regardless of position – inside or outside the program, but rather if SBS would continue to attract a range of advertisers who might be willing to have their advertisement placed between programs only.

Given that prior to late 2006, SBS only placed advertisements between programs, it would seem highly likely that advertisers would still be prepared to have their advertisements placed between programs. The old policy was selective as to the type of commercial that SBS would broadcast whereas the current policy does not discriminate and it would therefore follow that a larger number of advertisers is now available to SBS to continue advertising, however, positioned between programs only.

Conclusion

The idea that a public broadcaster should carry any advertisements does not fit comfortably with most Australians even though this is a privilege afforded to SBS under the *Act*. In the long term, SBS should aim to achieve non-reliance from any advertising.

If SBS is to move forward, it must learn from its past good and not so good performance. The SBS audience must be considered more seriously particularly regarding the ongoing and very strong dissatisfaction with SBS for interrupting programs. Audiences do not want that.

It is doubtful that any increase in revenue from advertising was due to the decision to interrupt programs for advertisements but rather may have been due to a change in the type of advertisement that SBS was prepared to accept post 2006.

Even if SBS were to suffer a loss of advertising revenue due to a policy that only allowed advertisements between programs, we submit that SBS would not only survive, albeit on reduced income for a period, but SBS would be better positioned with the public and the government to obtain increased funding from the public purse.

As long as SBS presents a façade of being able to be self reliant on income from advertising, there will be no incentive for any government to increase the SBS budget.

Save Our SBS strongly recommends that the SBS Board now create a new set of *Guidelines* to replace the current (*SBS Guidelines For The Placement of Breaks in Television Programs September 2006*) and that the new *Guidelines* only contain the single statement: “**Programs on SBS television shall not be interrupted for advertisement / promo breaks**”.

Save Our SBS Inc, Committee of Management

Further reading and other submissions made by Save Our SBS in support of SBS

- Dec 2009 *SBS Internet Funding: May 2010 Budget Request*, <http://saveoursbs.org/archives/921>
Dec 2008 *The ABC SBS Review*, <http://saveoursbs.org/archives/334>
Oct 2008 *The SBS Must Be Special*, <http://saveoursbs.org/archives/318>
Aug 2008 *SBS funding for 2009-2012*, <http://saveoursbs.org/archives/323>
Feb 2008 *A chronology of advertising on SBS*, <http://saveoursbs.org/archives/194>

References

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- ¹ (*SBS Guidelines For The Placement of Breaks in Television Programs September 2006*, http://www20.sbs.com.au/sbscorporate/media/documents/3913advertising_guidelines_2006.pdf)
² *Special Broadcasting Service Act 1991*, [http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/2F8013F942CC76E5CA2571FD0020C29/\\$file/SpecBroadService91WD02.pdf](http://www.comlaw.gov.au/ComLaw/Legislation/ActCompilation1.nsf/0/2F8013F942CC76E5CA2571FD0020C29/$file/SpecBroadService91WD02.pdf)
³ Cassidy, D 2008, *A chronology of advertising on SBS*, Save Our SBS Inc, <http://saveoursbs.org/archives/194>
⁴ *Petition*, Save Our SBS, <http://petition.saveoursbs.org/>
⁵ *ABC-SBS Review*, Broadband, Communications & the Digital Economy, http://www.dbcde.gov.au/media_broadcasting/consultation_and_submissions/abc_sbs_review/_submissions
⁶ Broadband, Communications & the Digital Economy, Senate Question Number 93, 2008 – answer supplied by SBS in the form *Attachment A – Programs delivered to SBS without breaks (2007)*, 37 pages
⁷ SBS, 2008, *Programs delivered to SBS without breaks (2007)*, <http://saveoursbs.org/wp-content/uploads/2008/07/programs-delivered-to-sbs-without-breaks-2007.pdf>
⁸ Save Our SBS 2008, *SBS Forced 6000 Ad Breaks*, <http://saveoursbs.org/archives/312>
⁹ Save Our SBS, 2008, *One Minute Survey Results*, <http://saveoursbs.org/archives/332>
¹⁰ Swift, B 2010, SBS's 'dire' funding position: Campbell, *Inside Film*, <http://if.com.au/2010/02/24/article/SBSs-dire-funding-position-Campbell/PKKPVCLJTZ.html>
¹¹ Garfield B, 2009, *The Chaos Scenario*, Stielstra Publishing
¹² Peters, B *Free-to-air television in Australia*, Screen Australia, <http://www.screenaustralia.gov.au/gtp/wftvanalysis.html>
¹³ Anderson C, 2009, *The Longer Long Tail*, Random House, London
¹⁴ Nolan D and Radywyl N, 2004 'Pluralising identity, mainstreaming identities: SBS as a technology of citizenship' *Southern Review* vol. 37 no. 2
¹⁵ Broadband, Communications & the Digital Economy, Senate Question Number 1493, 2009 – answer supplied by SBS in the form *Attachment A – SBS 2008 Ratecard* for each Australian State, 55 pages

This may be downloaded from: <http://saveoursbs.org/archives/998>