This is best printed in colour as it contains colour coded graphs
A submission to the Department of Communications
Commercialising SBS by stealth
A response to the SBS Advertising Flexibility Regulation Impact Statement
There is strong evidence that SBS's ability to comply with its Charter obligations will be severely threatened with increases in advertising, thus making it less efficient in its primary function
Save Our SBS Inc

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I was and still am extremely disappointed that SBS has chosen to place advertisements in program. I ... ask that it is restricted to between programs. I choose not to watch commercial television because of the prevalence of ads and sadly, am now choosing to not watch SBS either for the same reason. As a public broadcasting service I feel strongly that you should be offering programming WITHOUT in-program ads. Do not lower the standards of SBS to that of the commercial channels.

**** Postcode above: 2088

SBS occupies a unique place within the Australian media and it is integral to its Charter that it maintains a position that is free of commercial interference or influence. It is imperative that SBS removes in-programme advertising, both to fulfil its commitments to its Charter, and to maintain a quality service to its viewers, who value the diversity and excellence of the service that it strives to offer.

**** Postcode above: 3040

I am a long-time strong supporter of SBS and it pains me to say this, but since the introduction of in-program breaks and the reduced diversity of programs in prime time I watch SBS a lot less. And I stopped watching films since SBS began including commercial breaks. The inclusion of add breaks in films is particularly disruptive and totally appalling.

**** Postcode above: 5034

A representative sample of 713 comments in *A study of 2044 viewers of SBS television on advertising, Charter, relevance and other matters* (a national study of SBS viewers, 102 pages, 2013)^I.

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9 March 2015

EXECUTIVE SUMMARY

Save Our SBS opposes appropriation cuts to SBS and the proposals to increase advertising by averaging or deregulation and product placement^{II}.

OPTIONS OFFERED

In order to further reduce government funding to SBS, the March 2015 Department of Communications *SBS Advertising Flexibility Regulation Impact Statement* (RIS) asks stakeholders, including Save Our SBS, to select one of three options ^{III}:-

- Option one Maintain the status quo/No change to regulation
- Option two SBS Act amended to allow advertising flexibility (120 min/day capped at 10 min/hour)
- Option three Remove all advertising restrictions in the SBS Act

Save Our SBS – along with some 50,000 individuals – rejects options two and three. Evidence based reasons and community feedback, are provided in this submission.

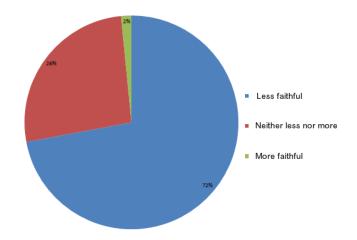
ADVERTISING IMPACTS ON CHARTER

There is very strong evidence that any increase in advertising, albeit from averaging as described in the RIS option two, would seriously impact on SBS's ability to comply with its Charter obligations, thereby making it less efficient not more efficient in its primary function.

Two major studies were conducted in the period since SBS introduced in-program advertising, one in 2008^{IV} (n =1733) and the other in 2013^{V} (n = 2044). NITV was not included in either study. These studies are particularly relevant in the current environment. The data in Appendices 2 and 3 is from those studies.

The studies required participants read SBS's Charter in order to answer specific Charter related questions. The outcome of the different study groups was virtually the same. Three-quarters (71.6% in 2008 and 72.1% in 2013) of SBS viewers nationally said that SBS was less faithful to the Charter since it had introduced in-program advertising (see graph next page).

Faithfulness to the SBS Charter since in-program advertising began



source: A study of 2044 viewers of SBS television on advertising, Charter, relevance and other matters, SOSBS, 2013 (pg 12)

The findings of the two recent studies (above) are consistent with that of Dr Chris Lawe Davies VI, University of Queensland, and a 1999 study of public service broadcasters in 19 countries commissioned by the BBC carried out by McKinsey and Co, which concluded that an increased dependence on advertising led unavoidably to a more populist and a less distinctive schedule VII. The 2008 & 2013 studies strongly suggest that SBS will be less efficient in Charter delivery if it were to double primetime advertising. The RIS option two, therefore proposes an outcome that will make SBS less efficient in its primary function and the Efficiency Study VIII acknowledged that "risks to the amount of Charter-related content" may be a consequence of [primetime] increased advertising (pg 85 Efficiency Study).

The introduction in 2007 of in-program advertising caused the advertiser to become the client of SBS. The sole purpose of TV advertising is to on-sell audiences to the client, i.e., to the advertiser. The SBS viewer is now the product to be on-sold. When advertising was between programs only, the viewer was more clearly the client. The RIS options two and three will further elevate the advertiser as the client (instead of the viewer) and that will directly impact on SBS Charter adherence which the Efficiency Study also acknowledged: "there will be a greater pressure on SBS management to consider the trade-off of delivering on commercial expectations, against delivering those functions described in the SBS Charter" (pg 85).

In late 2006 with the discovery of a 'loophole' in the law, SBS introduced in-program advertising in television programs. SBS reinterpreted the phrase "natural program breaks" in the SBS Act 1991 to enable the insertion of commercial breaks within programs. Prior to that, breaks had only been between programs except on rare occasions such as the half time natural break of a soccer match.

ANALYSIS OF THE IMPACT OF THE RIS OPTIONS TWO AND THREE

The RIS option two includes averaging capped at 10 minutes per hour (120 minutes per day) and product placement (and option three, total deregulation). Product placement in programming and more advertising interruptions to audience engagement with all forms of content – broadcast and online – represent a fully commercial strategic plan for SBS.

Executive 'brain space' will be dominated by the revenue imperative, and not the Charter obligations of the public broadcaster. Evidence of Charter non-adherence has existed since 2007 with the introduction of in-program advertisements (refer to graph on previous page).

As advertising increases and product placement occurs, program ideas inevitably will be assessed on their associated monetary potential, their 'bank-ability'.

If the RIS options two or three were adopted, SBS will effectively become Australia's fourth free to air TV network.

SBS was legislatively created in 1979 by the federal parliament of Australia to service the needs of the rapidly growing non-English speaking migrant communities. Both major political parties in Australia support migration policies for a bigger Australia.

At the time of SBS's creation, the ABC was seen as deficient in engaging with non-English speakers. A public broadcaster with clear Charter obligations to help build a sense of inclusion and national cohesion by designing, acquiring and broadcasting multilingual radio and TV programs has significantly contributed to Australia's multicultural success.

Now in 2015 as geo-political tensions threaten domestic peace and as the Internet can be used as a vehicle for jihadi recruitment and the like, the role of SBS as a binding influence on migrant communities is clearly more important than ever.

As a taxpayer investment in counter terrorism, SBS can play a major role in extending the entire polity's understanding of complex religious and ethnic tensions.

If the RIS options two or three became law, SBS will be forced to concentrate on programs that aggregate audiences and demographics to enhance advertising revenues. The Charter requires that SBS broadcast programs in the preferred languages; contrary to this, the dominance of English language-only programs on SBS ONE in television primetime (compared to the period before SBS commenced in-program advertising), indicates that commercial bias is already occurring. Extending this through product placement and ad averaging (actually a doubling of primetime advertising) will destroy SBS's raison d'être.

Any change to SBS advertising arrangements may only gain community support if restricting advertisements to between programs and in the natural breaks of sport (see Appendices).

Government appropriation to SBS is around \$270million per annum making it — with its radio, TV and online reach to Australian and international communities — a most cost effective public broadcaster. Revenue from all sources is far less than any other Network.

The future of SBS, particularly with migration policies which may build the Australian population to 40 million people by 2055, now needs to be intensively considered by the federal parliament. Against this, a fourth fully commercial TV network (which is what is effectively proposed for SBS in RIS options two and three), at a time of 'over the top' video streaming to Australian households increasingly enabled by high speed broadband services, places existing domestic TV networks at a competitive disadvantage as they struggle to sustain their own advertising revenues.

For these compelling reasons, the RIS options two and three, which will take SBS further down the commercial road, should be rejected. If the proposal to increase advertising via averaging or product placement eventuates, SBS will suffer far greater losses than monetary losses and that will be forever.

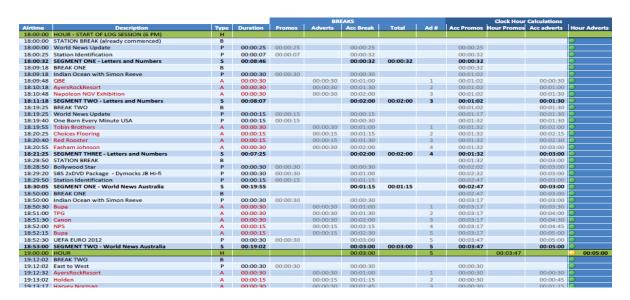
SBS should be assisted by a clear expression of the parliament to get back to its Charter purpose and not the commercial perversion of that purpose by those advocating such a course within its management and board. Such views are out of step with the SBS community, and this is evidenced by a petition of some 50,000 persons (see Appendix 1).

OPTION TWO IS ON A PAR WITH COMMERCIAL TV

In the context of the RIS options, it is necessary to point out some misleading information contained within the RIS.

The RIS (pg 3) states that if SBS is permitted to broadcast 10 minutes of advertising per hour, that that will be less than the commercial broadcasters at 13 to 16 minutes per hour. However, the RIS fails to explain that if the Department's option 2 became law, SBS ONE has the potential to, and would eventually broadcast 14 minutes of disruptive commercial breaks in each - 6pm to 12midnight - primetime hour. The RIS does not explain that the SBS Act (at section 45) excludes promos from the computation of advertising whereas the commercial stations Codes include promos in the same count as advertisements IX. The effect of the RIS option two would therefore be on a par with the non program material of commercial TV.

Save Our SBS spot checks conducted since 2009, consistently show that SBS ONE aired 5 minutes of ads and about 4 minutes of promos per hour from 6pm to 12midnight, i.e., 9 minutes of disruptive commercial breaks hourly, every night^X. A portion of a log is shown.



Consistent with current practice, it follows that if SBS is permitted to broadcast 10 minutes of advertising (RIS option two) and did so, that that would result in the hourly quota of commercial breaks to 14 minutes (10 minutes of advertisements, plus 4 minutes of promos). The presentation of SBS will be no different from commercial TV.

Save Our SBS Inc

APPENDIX 1

DATA 2015 COMMUNITY RUN PETITION

The Save Our SBS, Margaret Pomeranz and Quentin Dempster petition Preserve its Integrity! Don't Increase Ads on SBS^{XI} (hosted on CommunityRun) opposes increasing advertisements to 10 minutes per hour (at 120 minutes per day), the RIS option two. The final sentence in the petition requests that in-program commercial breaks be stopped (implying advertising between programs is acceptable – although not directly stated).

Preserve its Integrity! Don't Increase Ads on SBS



47,340 of 50,000 signatures

Campaign created by Margaret Pomeranz
& Quentin Dempster.

Do not amend the SBS Act 1991 to permit advertiser-averaging, which will see a doubling of ads and commercial breaks on SBS. This will mean that during primetime & sports broadcasts, SBS will look no different from the commercial networks.

Increasing ads will seriously threaten SBS's ability to comply with its Charter obligations.

If the law is amended, eventually SBS will broadcast 14 minutes of disruptive commercial breaks per hour in peak viewing – 6pm to midnight and in sport (10 minutes of ads plus 4 minutes of promos every hour) – the same as commercial TV.

Commercial breaks disrupting SBS programs are not natural and should be stopped, not increased!

A fully referenced detailed factual blurb was provided on the petition page to assist those wanting more information and check the facts, before signing.

The 47,340 (as at 9 March 2015) petitioners who signed, represent a broad range of ethnicities from every Australian State and Territory.

APPENDIX 2

DATA 2013 STUDY



The online survey was open to any interested person with internet access. The total number of genuine participants from real people was 2044 and no automated or robot (spam) entries were counted. The (figure %) is the percentage of the 2044 surveyed while the (n = figure) is the total number of people who gave the answer cited. Links were provided to the SBS Charter, the Act, and the Codes of Practice in the questions that referred to them.

1) Do you want SBS to devise a plan to remove all advertising from within programs?

Yes	94.5%	n = 1932
No	5.5%	n = 112

2) How strongly do you agree or disagree with this statement: "As a public broadcaster advertising ought to have no place on SBS but should be left to commercial broadcasters instead".

I strongly agree	80.7%	n = 1650
I somewhat agree	13.6%	n = 277
I neither agree nor disagree	1.9%	n = 39
I somewhat disagree	2.7%	n = 56
I strongly disagree	1.1%	n = 22

3) The SBS Charter begins "The principal function of the SBS is to provide multilingual and multicultural radio and television services. . ." Since SBS-TV introduced in-program advertising, how faithful do you think it is to the SBS Charter?

Less faithful to the Charter now than it		
used to be	72.1%	n = 1473
Neither less nor more faithful to the		
Charter now than it used to be	26.4%	n = 539
More faithful to the Charter now than it		
used to be	1.6%	n = 32

4) Last year, in prime-time viewing weeknights between 6pm and 11pm, SBS-ONE had few programs exclusively or predominately in languages other than English (LOTE) and SBS TWO had a mixture. As the nation's multicultural broadcaster, do you think SBS ONE & SBS TWO should broadcast more foreign language programs in prime-time viewing than has occurred?

Yes	52.0%	n = 1063
It is okay — leave it as it is	44.9%	n = 917
No — less LOTE programs please	3.1%	n = 64

5) Imported and foreign language programs cost less than local content. SBS is bound by a Charter obligation that it broadcast programs in "preferred languages" and is exempt from the requirement placed on other TV networks to broadcast a quota of Australian content. SBS believe if there were no in-program commercial breaks, then there would be less local content and it would not be able to expand. Considering the foregoing, which one of the two choices below do you want SBS to implement?

Restrict advertising to between programs only (as it used to be) but with little or no expansion, possibly less local content and more imported and foreign language programs 93.4% n=1910 Keep the in-program commercial breaks (as it is now) and expand SBS, possibly with more local content and perhaps fewer imported programs 6.6 % n=134

6) Do you find the in-program commercial breaks disruptive and an impediment to your viewing experience?

Yes	96.7%	n = 1976
No	3.3%	n = 68

7) The SBS Act permits SBS to broadcast advertisements "before programs commence, after programs end or during natural program breaks". SBS believes it may place breaks within programs where one did not exist and all in-program advertising only occurs during natural breaks. Which one of the two statements below would you most strongly agree with as applying in the majority of cases to the placement of in-program advertisements in SBS television programs?

Most in-program advertising breaks look forced or artificially contrived; it would be misleading to describe these as natural program breaks 91.7% n=1875 Most in-program advertising breaks seem natural to the program context; it would be fair to describe these as natural program breaks 8.3 % n=169

8) The SBS Codes of Practice used to allow viewers to lodge formal complaints if concerned that advertisements were broadcast in non-natural program breaks. SBS removed that provision with the advent of full in-program advertising and as a result, the industry regulator is no longer able to consider such matters. Do you want the Codes amended so that if a viewer spots a break that is not a natural program break a complaint can be made under the Codes?

Yes	87.6%	n = 1790
No	2.5%	n = 52
I do not care	9.9%	n = 202

9) Do you think SBS is now subject to commercial influence or interference compared to how it was 10 years ago?

Yes	76.8 %	n = 1570
No	2.7 %	n = 55
I am not sure	20.5 %	n = 419

10) How important is it to you that advertising and disruptive breaks be moved out of SBS television programs (free-to-air & internet services)?

Very important	80.8%	n = 1651
Somewhat important	16.6%	n = 339
Not important	2.6%	n = 54

11) Since SBS-TV introduced in-program advertising, how relevant is SBS to you now?

Less relevant now than before	60.7%	n = 1240
The same relevance now as before	37.8%	n = 773
More relevant now than before	1.5%	n = 31

12) SBS is bound by a Charter requirement that it "contribute to the overall diversity of Australian television and radio services". Comparing now to the years before SBS placed advertisements within programs, how diverse do you believe SBS is?

Less diverse now	57.1%	n = 1168
Neither less nor more diverse now	40.2%	n = 821
More diverse now	2.7%	n = 55

13) Do you think increases in public funding ought to be withheld from SBS until it plans to move all advertisements and promos from within programs to between them - like it used to be?

Yes	47.7%	n = 974
No	29.7%	n = 608
I am not sure	22.6%	n = 462

14) No matter how much funding increases, SBS intends to maintain all commercial breaks in their current form. Do you support this?

Yes	4.9%	n = 101
No	95.1%	n = 3921

15) Would you approve if a Minister or Parliament required that SBS present television programs without commercial break disruptions (no in-program breaks), on free-to-air & internet services?

Yes	92.1%	n = 1883
No	2.9%	n = 60
I am undecided	4.9%	n = 101

My origin is:

Australian born of Australian born		
parents	50.0%	n = 1023
Australian born of at least one parent		
not born in Australia	14.0%	n = 286
Not born in Australia but at least one		
parent was Australian born	2.0%	n = 41
Not born in Australia and neither		
parents born in Australia	33.0%	n = 674
Unspecified	1.0%	n = 20
TOTAL	100%	n = 2044

 $ACT3\%n = 61, NT1\%n = 17, WA8\%n = 155, NSW39\%n = 806, VIC22\%n = 459, QLD14\%n = 285, SA11\%n = 226, TAS2\%n = 35(TOTALs\ 100\%n = 2044)$

My Name (space required between your first & surnames):
My Email Address *

I Confirm My Email Address *

16) Any additional comments?

A total of 717 comments were submitted and a representative sample in shown at page 3 of this submission.

APPENDIX 3

DATA 2008 STUDY



This online one minute survey was about SBS. In addition to the nine multiple choice questions, participants were also asked for their post-code. The total number of people surveyed was 1733 participants.

1) In the past six months, how often did you watch SBS-TV?

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16 0.92% = "A lot"
149 8.6% = "Somewhat"
618 35.7% = "Not much"
947 54.7% = "Never"
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2) In the past six months, how often did you listen to SBS-radio?

```
      1023
      59.0%
      =
      "A lot"

      484
      27.9%
      =
      "Somewhat"

      179
      10.3%
      =
      "Not much"

      44
      2.5%
      =
      "Never"
```

3) Would you like SBS-TV to stop interrupting programs for commercial breaks?

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1669 96.3% = "Yes" 64 3.7% = "No"
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4) SBS-TV began interrupting programs for commercial breaks in late 2006. How frequently do you now watch SBS-TV compared to before, when there were no commercial break interruptions?

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809 46.7% = "Less now than before"

497 28.7% = "Somewhat less now than before"

402 23.2% = "About the same now as before"

21 1.2% = "More now than before"
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5) Do you want the government to legislate to prevent programs from being interrupted on SBS-TV?

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1661 95.9% = "Yes"
72 4.1% = "No"
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6) Given that SBS is a public, tax payer funded broadcaster, do you want SBS to be better funded from the public purse so that it is not reliant on advertising at all?

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1682 97.1% = "Yes"
51 2.9% = "No"
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7) Since SBS-TV became more 'commercial', how faithful do you think SBS-TV is to the SBS Charter?

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1240 71.6% = "Less faithful to the Charter now than it used to be"
110 6.3% = "Neither less nor more faithful to the Charter now than it used to be"
8 0.5% = "More faithful to the Charter now than it used to be"
372 21.5% = "I am not sure"
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8) Given that SBS was established as our multicultural broadcaster, do you think SBS-TV should broadcast more programs in languages other than English (LOTE) in prime-time viewing than it currently does?

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968 55.9% = "Yes (more LOTE programs please): SBS should have <u>more</u> programs in languages other than English during prime-time (evening) viewing"

57 3.3% - "H is now play (large it as it is): SBS should neither increase you decrease the number of
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57 3.3% = "It is now okay (leave it as it is): SBS should <u>neither</u> increase nor decrease the number of programs that are in languages other than English during prime-time (evening) viewing"

708 40.9% = "No (less LOTE programs please): SBS should have <u>less programs</u> in languages other than English in prime-time (evening) viewing"

9) Do you want SBS to cease broadcasting advertisements completely?

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1440 83.1% = "Yes"
293 16.9% = "No"
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10) Any additional comments?

A State by State break down of participants:

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618 were from NSW/ACT
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10 were from NT

164 were from OLD

153 were from SA

25 were from TAS

274 were from VIC

100 were from WA

28 were from elsewhere

NOTE: The total number of genuine responses was 1733. The reason why the total percentage of responses to each question did not add up to the total of overall responses is because a small number of people did not answer every question and in the case of YES/NO answers a null response was treated as NO and in the case of Q8, a null response was treated as OK. There were seven bot responses out of 1733 participants. More than 99 percent of responses were genuine responses from real people.

REFERENCES

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