

## Funding Adequacy and Efficiency Review Summary of KPMG Recommendations

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The key findings of KPMG in the Executive Summary of their draft report dated 19 January 2006 are:

### **Funding Adequacy**

"...even with indexation we do not believe the ABC could sustain its present range, quantity and mix of outputs at its present level of funding." [1.2.1]

The minimum level of additional funding required for the ABC to be able to sustain its present outputs as it does presently is detailed below. This does not cover any new services.

| [1.8 Table 2]<br>Additional Funding Requirement<br>(after indexation of 2.5%) | 2006-07<br>\$million | 2007-08<br>\$million | 2008-09<br>\$million |
|---|----------------------|----------------------|----------------------|
| Capital   | 24.6                 | 24.6                 | 24.6                 |
| Operating   | 11.4                 | 17.1                 | 23.5                 |
| <b>Total additional post-indexation funding</b>                               | <b>36.0</b>          | <b>41.7</b>          | <b>48.1</b>          |

### **Efficiency**

KPMG considered "many types and levels of benchmarks and external points of reference in reviewing the ABC", including Australian commercial operators, international public broadcasters and industry research.

"...the ABC provides a high volume of outputs and quality relative to the level of funding it receives." "...the ABC appears to be a broadly efficient organisation." [1.2.2]

KPMG suggest efficiency gains may be found in areas including:

- Outsourcing (specifically of Outside Broadcast vans);
- Leasing rather than owning assets;
- Better utilisation of Production Resources staff;
- Revenue targets for State Directors; and
- A 5% reduction in staffing of Legal, Archiving, Library and HR.

Note: KPMG conclude that even after factoring in savings from these efficiency gains the ABC requires the additional funding outlined in the table above to maintain existing services.

### **Cost Trends**

Operating Costs: ABC total employment costs and average FTE employment cost have risen more slowly than in the commercial TV and radio sectors. Staff numbers have remained flat. However, staff costs have risen faster than the ABC's appropriation funding. Against industry comparators, the ABC "performs as well as, if not better" in managing labour costs "within tight budgets". [1.6.1]

The ABC has also “managed expenses tightly in the past few years. As staff numbers have been maintained but salary costs have risen faster than funding, expenses have been squeezed.” [1.6.2]

Capital Costs: “KPMG agrees with the general proposition that a capital funding deficit exists based on the ABC’s present mode of operation and assuming that this is maintained.” [1.6.3]

### ***Other high level findings***

- The range and scale of the ABC's operations in Australia and overseas is unmatched by any other Australian media organisation.
- The ABC's total outputs have increased in volume and by number of delivery platforms over the past 10 years, within limited funds, and are consistent with most other public broadcasters as well as local and commercial competitors.
- Television is under stress to maintain its level and quality of outputs due to increasing costs driven by industry pressures.
- There are good examples of leadership and innovation across the ABC, such as podcasting.
- There are significant costs in “being the ABC” including the audience complaints and feedback mechanisms, the extent of archiving and library services and maintaining the geographical spread of TV and radio operations against an industry trend of greater consolidation.
- “Cash consciousness” regarding external payments is very high across the ABC.
- There is a focus on increasing the utilisation of labour, but less so towards the use of assets.