

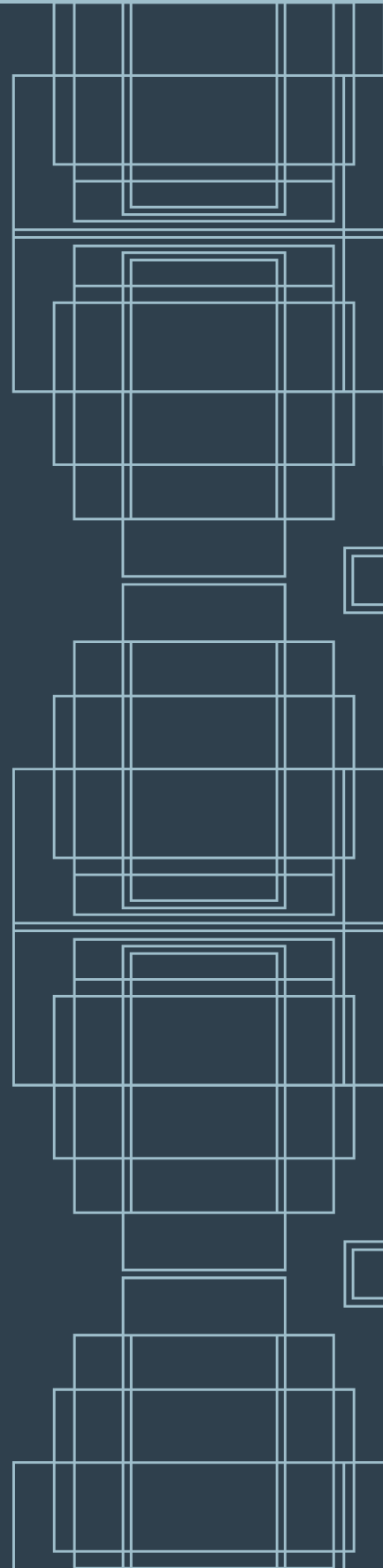


AUSFILM

INQUIRY INTO THE TREASURY LAWS AMENDMENT (DELIVERING BETTER FINANCIAL OUTCOMES AND OTHER MEASURES) BILL 2024

Submission regarding the
Location Offset

5 April 2024





SUMMARY

- Ausfilm is a unique partnership between government and industry that markets Australia and our screen incentives, including the Location Offset, to the world.
- Ausfilm strongly supports the Location Offset provisions in the Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Bill 2024. These provisions were subject to detailed industry consultation throughout 2023 and early 2024 and have the broad support of industry.
- The reforms to the Location Offset will generate significant and more stable employment opportunities for Australian screen sector workers and businesses, build the industry's capacity and capabilities, and drive increased inward investment.
- We urge the Senate Economics Legislation Committee to review the bill and recommend its passage as soon as possible, preferably in early May. This would significantly increase Australia's ability to win work on international productions that provide important jobs, investment, and training for Australia's screen sector.

1. Introduction

Ausfilm welcomes the opportunity to make this submission regarding the Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Bill 2024 (the bill), and thanks the Senate Economics Legislation Committee (the Committee) for its consideration of important reforms to the Location Offset tax rebate. This submission addresses reforms to the Location Offset contained within schedule 6, parts 1 and 2 of the bill, and does not explore other elements in the bill.

Ausfilm is a unique government and industry partnership that promotes Australia as a leading film and television production destination, and drives inward investment across the nation. We do this by marketing Australia's suite of screen production incentives, notably including the Location Offset, and connecting international filmmakers with the local screen industry. Ausfilm has operated for 30 years, and in 2022/23, we fielded enquiries worth more than \$3 billion. Ausfilm receives an annual grant from the Australian Government and reports to Government on the operation of Australian production incentives and the state of international production. Ausfilm is also significantly funded by its members.

This submission is made on behalf of Ausfilm's 53 corporate members, which work with global filmmakers across all aspects of content creation. They include Australia's major studio complexes in Sydney, Melbourne, Brisbane, and the Gold Coast; Australia's major production service providers; and Australia's foremost picture, sound, music, visual effects, and animation studios. Ausfilm's membership also includes eight of Australia's national, state and territory screen agencies.

We understand several Ausfilm corporate members are making separate submissions to this inquiry. We encourage the Committee to review these submissions in detail: they may share common elements, but also provide unique input, explaining how the Location Offset is pivotal for their businesses and staff.



2. International production helps to sustain the local industry

International productions choose to work in Australia because of our renowned crew and actors, world-class production and post-production businesses, diverse and stunning locations, leading studio complexes, and well-calibrated policies and systems of support. Since 2018/19, foreign dramas have spent an average of \$812 million in Australia each year: this includes titles that shot in Australia, and titles that only located post-production, digital and visual effects (PDV) work here. Spend on foreign dramas represents around 45 per cent of the average \$1.7 billion spent annually on drama production and post-production in Australia.¹

Australia's capacity to produce Australian screen stories and storytellers relies on a longstanding framework of Government support. The Location Offset is a pivotal part of this framework, as the industry needs a consistent pipeline of both Australian and international productions to support a robust sector that can thrive and globally compete. International productions provide a range of vital benefits for the industry, notably:

- **Well-paid, highly-skilled employment for Australian cast and crew:** two recent, large-budget international productions spent a combined AU\$329 million in Australia. They employed a combined 2,288 crew members, 125 actors, 1,167 extras, and 107 stunt performers, and engaged 1,917 Australian vendors.²
- **Opportunities for key Australian creatives:** international productions enable local talent to remain in Australia and work on projects with large-scale budgets. Recent titles *Young Rock* series 1 and 2, *Nautilus*, *La Brea* series 1, 2 and 3 and *The Wilds* series 2 all employed Australian directors, many of whom had been previously working overseas. Global box office smash *Anyone But You* featured Australians Bryan Brown, Rachel Griffiths, Charlee Fraser and Joe Davidson alongside Sydney Sweeney and Glen Powell, while *Apples Never Fall* stars emerging Australian actors Conor Merrigan-Turner and Essie Randles alongside Annette Bening and Sam Neill.
- **Income and investment for Australian businesses:** in the last five years, foreign dramas that shot in Australia spent an annual average of \$532 million and a total of \$2.7 billion.³ This spend by titles that shot in Australia includes physical production and PDV work, and enables production and PDV businesses to invest in equipment and facilities. The spend also significantly flows to other sectors of the economy such as catering, transport and construction.
- **Training opportunities for local talent:** international productions have invested in training and skills development, with increasing outcomes in recent years due to a requirement under the Location Incentive grant program. Ausfilm's development of the 2023 Australian Screen Workforce Development Framework, and membership of the cross-governmental Workforce Capacity Development Working Group, has underlined how important these contributions are to addressing skills shortages in the local industry.
- **Technological development and innovation:** international productions expose Australian workers and businesses to industry best-practice, and drive local investment into world-class capabilities. To cite just three examples, Australia boasts world-leading drone camera technology, virtual production stages, and visual effects techniques powered by ethical use of artificial intelligence. These innovative capabilities have been driven by work on international productions, and those techniques are all available to Australian projects.

¹ Screen Australia, [Drama Report](#), 2023, p 8. Five-year averages from 2018/19 to 2022/23. Includes titles that shot in Australia, and titles that only had PDV work done in Australia.

² Confidential industry data provided to Ausfilm. Some data is estimated, as work was ongoing at the time data was provided.

³ Screen Australia, [Drama Report](#), 2023, p 44.



- **Investment into Australian productions:** many Ausfilm members, particularly those working in post-production, choose to reinvest foreign revenue into Australian projects. For example, KOJO completed post-production and effects work on the South Australian independent film *Talk To Me*, and invested in the film, helping it get made. *Talk To Me* was the world's breakout horror movie of 2023 and has grossed more than USD \$90 million.
- **Soft power and tourism benefits:** international productions raise Australia's profile and provide unique tourism benefits. Sydney is benefitting from this phenomenon: it hosted the production of global hit *Anyone But You*, with star Sydney Sweeney featuring the city extensively across traditional and social media, as well as the upcoming blockbuster *The Fall Guy*, which heavily features landmarks such as the Sydney Harbour Bridge. These advantages cannot be replicated by simply purchasing advertising: they are intrinsic to the creation and power of narrative storytelling.

3. Location Offset reform has broad and sustained support

The Location Offset currently provides a rebate of 16.5% of eligible spend. Successive governments have recognised this is not a competitive setting: ad hoc grants were provided to selected projects from 2012, the Gillard Government's 2013 National Cultural Policy introduced an incentive fund and flagged the introduction of a 30% Offset, and the Location Incentive grant program was established by the Turnbull Government in 2018 and extended by the Morrison Government in 2020, providing a grant that effectively lifted support to 30%.

An effective 30% level of support has been very successful: spend on foreign dramas that shot in Australia has increased from \$13 million in 2017/18, to \$809 million in 2022/23.⁴ However, the grant-based nature of funding also created some inefficiencies and uncertainties for productions and Australian businesses. The 30% Location Offset rebate will significantly boost the industry by facilitating a robust and consistent pipeline of physical production and PDV work, providing more certain and stable employment, investment and training for Australian workers and businesses.

Increasing the Location Offset rebate to 30 per cent has been examined by multiple Government inquiries. It was recommended by the 2017 House Standing Committee on Communications and the Arts inquiry into *Factors contributing to the growth and sustainability of the Australian film and television industry*,⁵ and by the Chair of the 2019 Senate Environment and Communications References Committee inquiry into *The economic and cultural value of Australian content on broadcast, radio and streaming services*.⁶ The reform was announced by the Government in the May 2023 Budget, and quickly gained support from across the industry, including from Ausfilm; the Media, Entertainment and Arts Alliance; Screen Producers Australia; and international clients.

4. The bill provides balanced reform

Ausfilm supports the Location Offset reforms as set out in the bill. The bill would introduce the following changes:

1. The rebate will be increased from 16.5% to 30%
2. The amount that productions must spend in Australia will increase

⁴ Screen Australia, [Foreign Drama Production – Activity Summary](#), accessed 5 April 2024. All spend for a title is allocated to the year in which production of that title commenced; spend is not apportioned across the duration of the production.

⁵ House Standing Committee on Communications and the Arts, [Report on the inquiry into the Australian film and television industry](#), 2017, pp 34-36.

⁶ Senate Environment and Communications References Committee, [Report on the inquiry into the economic and cultural value of Australian content on broadcast, radio and streaming services](#), 2019, p 99.



3. Productions will be required to:
 - a. Contribute to training and/or capacity building
 - b. Use one or more Australian providers of PDV services
 - c. Provide information to Government on the impact of productions
4. The changes will be backdated to commence from 1 July, 2023.

Points 1 and 2 involve simple amendments to existing legislative provisions. The requirements described in point 3 have been adapted from requirements in the previous Location Incentive.

The reforms have been developed via welcome and detailed consultation since the May Budget:

- In June, the Office for the Arts (OFTA) held initial consultations with stakeholders regarding a potential framework
- Throughout the second half of 2023, OFTA held further discussions with industry, and issued a refined model in December
- In February, the Government published an exposure draft.

The reforms have also been developed based on experience during the Location Incentive program. Ausfilm connects international productions with Australia's screen sector, and we have communicated with local and foreign stakeholders on these issues. We believe the reforms strike a healthy balance by ensuring the benefits of international productions flow to Australia's industry, and ensuring Australia has a clear and competitive incentive for international projects.

5. The importance of swift review and passage

Ausfilm appreciates the Committee has an important responsibility to review legislation and policy changes, and that the Committee is operating several inquiries. We are however requesting that the Committee expedite its review, and provide a report as soon as possible – ideally before the Budget sitting week in May – that recommends passage of the Location Offset reforms. This would significantly aid Australian workers and businesses that are experiencing significant economic hardship.

Last year, industrial disputes in Hollywood triggered a global production shutdown which lasted from May to December. The disputes halted work on productions around the world, including two projects that were mid-shoot in Queensland. The disputes also heavily disrupted the future work pipeline: for example, the major production *Metropolis* was cancelled, after being set to shoot in Victoria with 700 cast, 2,500 employees and 700 businesses and service providers.⁷

The US industrial disputes have been resolved, but have created three main concerns:

1. Australian workers and businesses lost significant income and face an uncertain future: a situation described by some as 'like COVID, but without JobKeeper'
2. The global pipeline of productions has been disrupted, and opportunities for work are inconsistent
3. International studios, streaming services and independent filmmakers have become more risk averse. Some have advised Ausfilm that they cannot commit productions to Australia

⁷ Victorian Government (14 April 2022), [Location Incentive attracts Metropolis to film in Australia](#), accessed 5 April 2024.



until legislation amending the Location Offset has been passed. Other productions must decide on their locations in April and May.

Film and television executives seek certainty when making commercial business decisions worth from \$20 million to \$200-\$300 million. Australia is competing for these projects in a dynamic and highly competitive market against other jurisdictions such as the United Kingdom and Canada.

This reform has been eagerly anticipated by the Australian sector, and the sooner it is passed, the sooner the full benefits will flow through the industry. Additionally, a report from the Committee that endorses the Location Offset reforms, published as soon as possible, would significantly increase Australia's ability to win work on much-needed international productions. In contrast, any delay to the passage of this reform would impact cast, crew, and businesses. Australia has a hard-won reputation as a top-tier destination for international production, and a strong history of cross-party Parliamentary support for the screen sector. We request that the Committee do what it can to support the sector at this important time.

6. Conclusion

Ausfilm thanks the Government and the Parliament for their sustained support for the Australian screen sector. The reforms to the Location Offset herald a significant moment for the sector, facilitating a stable pipeline of employment, investment, and training. The reforms have been broadly welcomed by the screen industry. The Committee's timely review and support would significantly support the sector, which is struggling to recover from the loss of more than half a year of work. We would be delighted to discuss this submission further. Please contact Patrick May, Ausfilm's Director of Policy and Research, via [REDACTED]