

Introduction

Referral of the inquiry

- 1.1 On 31 January 2017 the Minister for Communications and the Arts referred an inquiry into the sustainability of Australia's film and television industry to the House of Representatives Standing Committee on Communications and the Arts (the committee).
- 1.2 The terms of reference asked the committee to inquire into 'factors contributing to the growth and sustainability of the Australian film and television industry'.

Objectives and scope

- 1.3 The terms of reference are broad and provide for a wide scale inquiry into the status of the Australian screen industry and ways to grow the industry sustainably.
- 1.4 The committee wanted to hear how Australian independent screen content producers, public and commercial television networks, and film and television production companies could expand and better compete for investment with overseas production companies and multinational streaming platforms.
- 1.5 At the same time, the committee was also interested in suggestions for increasing domestic and international investment in Australia, and in the factors contributing to the sustainability of the industries that support production such as lighting, sound and post-production.
- 1.6 In the course of the inquiry the committee heard evidence from witnesses on the growing importance of alternative platforms for screen content,

such as games and online distribution platforms. The report also considers these sectors.

- 1.7 In their submissions to the inquiry, the commercial free-to-air networks all indicated that broadcast licence fees were of concern.¹ However, at the time of drafting this report, legislation had been adopted that largely removes the licence fee burden on commercial free-to-air broadcasters.² This report does not therefore address this issue.
- 1.8 The inquiry received evidence on some of the difficulties facing local television networks around local content regulation on the regional free-to-air broadcasters³. However, many of these issues have been addressed by the recent media reforms⁴ and are therefore also not considered in this report.

Overview of Australia's screen industry

Economic contribution

- 1.9 Screen Australia engaged Deloitte Access Economics to measure and quantify the economic value of the Australian screen sector. The resulting report, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector* (the Deloitte report), was published in 2016.
- 1.10 The Deloitte report considers the size of the local screen industry and its impact on the economy through jobs and market activity, exports and tourism. It also looks at audience value and cultural value. The figures in the Deloitte report refer to the 2014-15 financial year and consider all screen production activity in Australia, including local production with Australian creative control (which it calls 'core screen content'), overseas production filmed or edited in Australia ('footloose production'), and other types of screen content produced in Australia, including digital games production.⁵

1 See for instance, Nine Entertainment Co., *Submission 134*, p. 3, and Free TV Australia, *Submission 135*, pp. 9-10.

2 *Bills Digest: Broadcasting Legislation Amendment (Broadcasting Reform) Bill 2017*, Parliament of Australia website, at parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=BillId_Phrase%3A%22r5907%22%20Dataset%3Abillsdgs;rec=0 viewed 14 September 2017.

3 WIN Corporation, Southern Cross Austereo and Prime Media Group, *Submission 127*, p. [6].

4 Department of Communications and the Arts, 'Updating Australia's media laws', www.communications.gov.au/what-we-do/television/media/updating-australias-media-laws viewed 23 August 2017.

5 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector*, 2016, pp. 1-2.

- 1.11 The Deloitte report found that the Australian screen industry contributes:
- \$3 072 million in value add to the Australian economy; and
 - 25 304 full time equivalent (FTE) jobs.⁶
- 1.12 These broad figures could be broken down in the following way:
- core screen content: \$847 million in value add and 7 650 FTE jobs;
 - footloose production: \$382 million in value add and 4 093 FTE jobs; and
 - digital games production: \$123 million in value add and 1 053 FTE jobs.⁷
- 1.13 The Deloitte report also advises that core Australian content generated \$252 million in export earnings in 2014-15, and that the screen industry as a whole generated \$725 million in tourism expenditure in Australia.⁸ A survey commissioned by Deloitte for the report estimates that around 230 000 international tourists 'visit or extend their stay in Australia each year as a result of viewing Australian film and TV content'.⁹

Cultural contribution

- 1.14 It is more difficult to measure the audience value and cultural contribution of screen content. The Deloitte report quantifies audience value, while cultural value is described in a report by Olsberg SPI, *Measuring the Cultural Value of Australia's Screen Sector* (the Olsberg report), published in 2016, which was also commissioned by Screen Australia.
- 1.15 The Deloitte report measures audience value in two ways:
- As a combination of revenue from consumers to the screen sector, such as ticket sales, combined with any 'consumer surplus' benefit above what people paid.
 - By the value of time spent watching Australian screen content, which is particularly useful in instances where the content is free to watch.¹⁰
- 1.16 The Deloitte report found that the total audience value of Australia's broad film and TV content viewing in 2014-15 was approximately \$17.4 billion in 'consumer welfare benefit'.¹¹

6 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector*, 2016, p. v.

7 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector*, 2016, p. v.

8 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector*, 2016, p. v.

9 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector*, 2016, p. 3.

10 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector*, 2016, p. 4.

- 1.17 The Olsberg report surveyed 1 049 people about their viewing habits and the way in which they value Australian content.¹² It found that Australians value Australian screen content highly, with 64 per cent saying that local content accounted for up to half of their ‘media diet’, and 22 per cent reporting that ‘most or all of their viewing was Australian’.¹³
- 1.18 Olsberg SPI considers three ways in which screen productions generate cultural impact, looking at whether screen content:
- had direct social or economic impacts, or instrumental value. *Gallipoli* demonstrated this by helping to define the Australian self-identity, and in launching the international careers of Peter Weir and Mel Gibson.
 - enabled an organisation, a government or a country to gain the trust and esteem of the public, which we consider institutional value. *Gallipoli* demonstrated this by re-establishing respect for ANZAC and Australia’s contribution to the Gallipoli Campaign.
 - brings value to individuals in a society by giving them a way to engage with ideas and aesthetic excellence, known as intrinsic value. It’s highly subjective so can be harder to evaluate. Some of the ways that *Gallipoli* showed such value were through its moving story, and its iconic imagery and music.¹⁴
- 1.19 The Olsberg report also found that Australian screen productions play a role in bringing about ‘change in the way Australia sees and runs itself, and the way the rest of the world sees Australia’.¹⁵ The report provides examples such as *Rabbit-Proof Fence*, *The Sapphires* and *First Australians*, which produced instrumental value through exploring the treatment of Indigenous Australians and generating ‘long-term cultural value’.¹⁶
- 1.20 The issue of children’s television is also significant. The Olsberg report argues that children’s television has ‘a particular ability to educate its viewership about the world around them’ and notes a ‘strong preference for domestic productions’ among Australian child viewers.¹⁷
- 1.21 The Olsberg report also contends that Australian screen content ‘explains Australia’ to other countries, and:

11 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia’s screen sector*, 2016, p. 4.

12 Olsberg SPI, *Measuring the Cultural Value of Australia’s Screen Sector*, 2016, p. 1.

13 Olsberg SPI, *Measuring the Cultural Value of Australia’s Screen Sector*, 2016, p. 1.

14 Olsberg SPI, *Measuring the Cultural Value of Australia’s Screen Sector*, 2016, p. 2. Original emphasis.

15 Olsberg SPI, *Measuring the Cultural Value of Australia’s Screen Sector*, 2016, p. 2.

16 Olsberg SPI, *Measuring the Cultural Value of Australia’s Screen Sector*, 2016, p. 2.

17 Olsberg SPI, *Measuring the Cultural Value of Australia’s Screen Sector*, 2016, p. 4.

... provides a unique avenue for international 'soft' power, presenting aspects of our country and culture, and promoting an understanding of and openness to Australian values.¹⁸

Cost of the industry incentives to government

- 1.22 The Australian film and television industries rely heavily on government support for production. The Deloitte report provides the following breakdown of the cost to government of screen industry incentives and direct funding in 2014-15:
- direct funding from government sources for Australian feature film and television production, generally for drama production, was approximately \$58 million.
 - support through the producer offset was \$77 million.
 - support through PDV offset for television was over \$7 million.
 - documentaries received \$25 million in direct funding and \$18 million through the producer offset.¹⁹
- 1.23 According to the Department of Communications and the Arts (the department) the Government provided over \$313 million to the Australian screen industry in 2016-17 through tax offsets.²⁰ Screen Australia reports the cost of the producer offset in 2015-16 was just over \$123 million.²¹
- 1.24 The tax offsets provided by government for the screen industry are discussed in detail in Chapter 2. Direct government funding is discussed in Chapter 4.

Viewing trends

- 1.25 The way people watch screen content is changing, but research conducted by the Australian Communications and Media Authority (ACMA) finds that broadcast television is still dominant among adults and small children. The ACMA reports regularly on the viewing habits of Australians. The following recent ACMA reports shed light on current trends:
- *Communications report 2015-16*; and

18 Olsberg SPI, *Measuring the Cultural Value of Australia's Screen Sector*, 2016, p. 3.

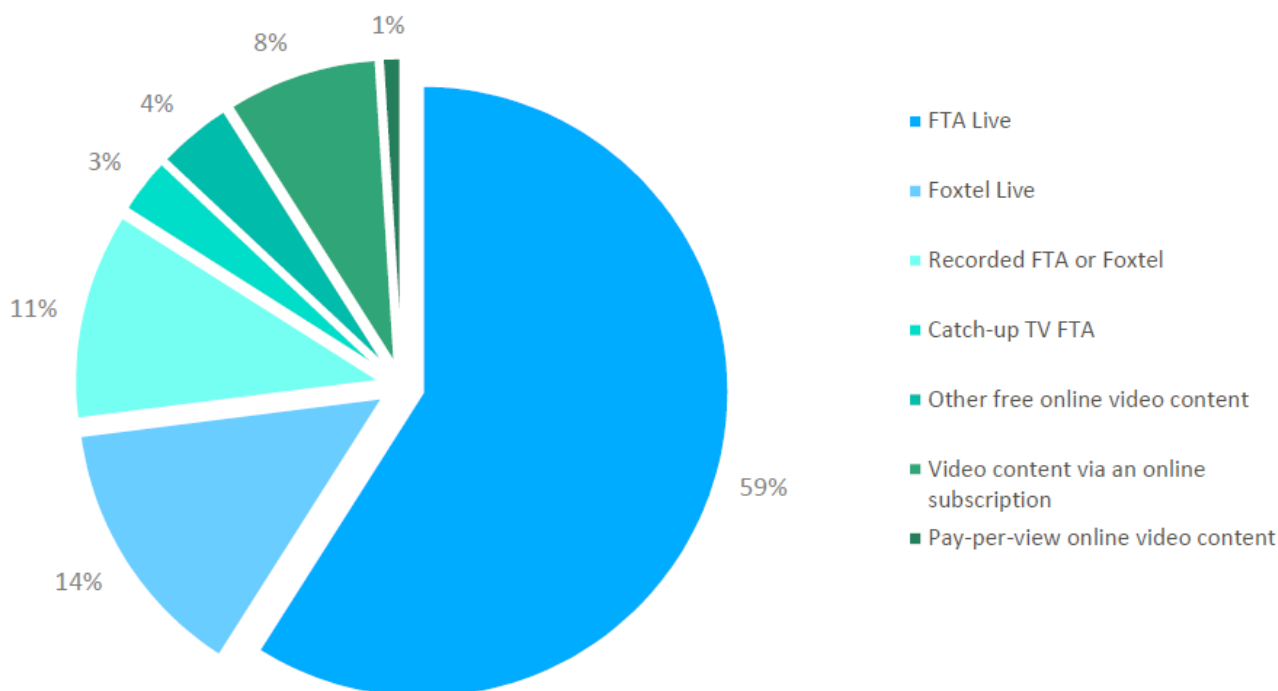
19 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector*, 2016, p. 5.

20 Department of Communications and the Arts, *Australian and Children's Screen Content Review, Consultation Paper*, Canberra, August 2017, p. 2.

21 Screen Australia, *Annual Report 2015/16*, p. 99.

- *Children’s television viewing and multi-screen behaviour: Analysis of 2005–16 OzTAM audience data and 2017 survey of parents, carers and guardians, August 2017.*

Figure 1.1 Share of time spent viewing by content type – Live TV accounts for the largest share of viewing



Source Image from thinkTV, *How Australians Watch TV*, <thinktv.com.au/why-tv/pinchable-charts/how-australians-watch-tv/> viewed 1 September 2017. Data from the ACMA Communications Report 2015-16. Note: categories appear in order running clockwise, with the largest being FTA Live.

- 1.26 The ACMA’s research reveals that, while viewing patterns are changing, Australians still spend the majority of their viewing time watching live broadcast free-to-air television on the day of the broadcast.²² Australians on average watch 21 hours of broadcast TV a week and watch 3.42 hours a week of catch up TV.²³
- 1.27 However, viewing habits vary among different age groups. Among adult Australians live free-to-air television ‘still holds the largest share – 59 per cent – of time spent with television or professionally produced content’. See Figure 1.1.²⁴

22 Australian Communications and Media Authority (ACMA), *Communications report 2015-16*, Canberra, 7 November 2016, p. 5.

23 thinkTV, *How Australians Watch TV*, <thinktv.com.au/why-tv/pinchable-charts/how-australians-watch-tv/> viewed 1 September 2017.

24 ACMA, *Communications report 2015-16*, Canberra, 7 November 2016, p. 5.

- 1.28 Younger age groups, on the other hand, are ‘moving away from live television’. The ACMA found that the 18–24 age group spent more time watching online video (5.6 hours) than live free-to-air television (4.5 hours).²⁵
- 1.29 The ACMA also reports on the kinds of online content people are watching. Catch-up television comes in at number one, with 44 per cent of Australians watching it in the six months to June 2016. Subscription video on demand (SVOD) services come a close second, with 32 per cent of Australians watching them in the same time period.²⁶
- 1.30 SVOD services are now ‘an established part of the Australian media landscape’, according to the ACMA, with around 2.7 million paid, free or trial subscriptions to SVOD providers, such as Stan and Netflix as at June 2016. For comparison, Foxtel and Presto had a combined 2.9 million subscribers in the same period, and the ACMA forecasts that SVOD subscribers will overtake Foxtel’s subscriber base by 2019.²⁷

Children’s viewing habits

- 1.31 The ACMA released research into children’s viewing behaviours in August 2017. This research reports that despite a slow decline in the total amount of time spent by children watching live free-to-air broadcast television, it ‘remains an important part of the way Australian children and families access children’s programming’. The research also finds that children are still watching programs ‘specifically made for them’.²⁸
- 1.32 Interestingly, the ACMA’s research indicates that 2016 saw an increase in the popularity of ‘dedicated children’s programming’, which made up more than 50 per cent of the top 30 programs watched by children aged 0–14. By way of comparison, in 2005, just one third of the top 30 programs watched by children were dedicated children’s programs.²⁹
- 1.33 The ACMA identifies the move to multichannels between 2005 and 2013 as a significant factor, creating a shift to ‘children’s destination viewing’. Children can now watch dedicated children’s channels, particularly on the

25 ACMA, *Communications report 2015-16*, Canberra, 7 November 2016, p. 5.

26 ACMA, *Communications report 2015-16*, Canberra, 7 November 2016, p. 5.

27 ACMA, *Communications report 2015-16*, Canberra, 7 November 2016, p. 5.

28 ACMA, *Children’s television viewing and multi-screen behaviour: Analysis of 2005–16 OzTAM audience data and 2017 survey of parents, carers and guardians*, August 2017, p. 1.

29 ACMA, *Children’s television viewing and multi-screen behaviour: Analysis of 2005–16 OzTAM audience data and 2017 survey of parents, carers and guardians*, August 2017, p. 1.

Australian Broadcasting Corporation (ABC), with ABC2 and ABC ME, but also on commercial television with channels like 9Go!.³⁰

- 1.34 Children are watching the ABC, but they are also watching commercial channels. The ACMA confirms that ABC2 is the most watched channel for pre-school children (aged 0–4), but commercial networks are more popular among older children, aged 13–17. However, those children are less likely to be watching programming made for children, and more likely to be watching ‘family shows’.³¹
- 1.35 Commercial broadcasters now show all of their quota-required children’s programs on their multichannels (such as 7TWO, 9GO! and Eleven). The ACMA’s analysis shows that viewer numbers for these programs have gone down and that children generally watch these programs on their own.³²
- 1.36 The ACMA confirms that the audience for children’s content on subscription television has remained stable between 2005 and 2013.³³
- 1.37 This report considers children’s viewing in more detail in the analysis of Australian screen content quotas in Chapter 3.

Past and current reviews

- 1.38 Government assistance to the film and television industries has been reviewed and reformed at various stages over the last two decades. In 1997, the government commissioned the *Gonski Review of Commonwealth Assistance to the Film Industry*, which proposed changes to the administration of the government’s assistance, as well as options for increasing private investment in Australian films.³⁴
- 1.39 In 2005 and 2006, the government commissioned studies of the tax incentives for the screen industry at that time including *Review of Divisions 10B and 10BA (2005)* and *Review of Division 376 of the Income Tax Assessment Act 1997: Refundable Film Tax Offset Scheme (2006)*. The findings of these reviews fed into the broader *Review of Australian Government Film Funding Support (2006)*, which sought to ‘ensure achievement of the most effective

30 ACMA, *Children’s television viewing and multi-screen behaviour: Analysis of 2005–16 OzTAM audience data and 2017 survey of parents, carers and guardians*, August 2017, p. 1.

31 ACMA, *Children’s television viewing and multi-screen behaviour: Analysis of 2005–16 OzTAM audience data and 2017 survey of parents, carers and guardians*, August 2017, p. 1.

32 ACMA, *Children’s television viewing and multi-screen behaviour: Analysis of 2005–16 OzTAM audience data and 2017 survey of parents, carers and guardians*, August 2017, p. 1.

33 ACMA, *Children’s television viewing and multi-screen behaviour: Analysis of 2005–16 OzTAM audience data and 2017 survey of parents, carers and guardians*, August 2017, p. 1.

34 Screen Australia, *Getting Down to Business: The Producer Offset five years on*, 2012, p. 18.

mix of direct and indirect support, and appropriate structures' for the industry.³⁵

- 1.40 Following this review the Australian Government announced a package of measures to boost support for the Australia film and television industry, known as the 'Australian Screen Production Incentive', which included:
- three mutually exclusive tax offsets:
 - ⇒ the Producer Offset
 - ⇒ the Location Offset, and
 - ⇒ the PDV Offset.
 - the amalgamation of the Australian Film Commission, Film Australia and the Film Finance Corporation into a single screen agency [Screen Australia].³⁶
- 1.41 In 2010 the government conducted the *Review of the Independent Screen Production Sector*, which examined 'the viability of the sector and ... the extent to which the Government's support measures assist the sector to achieve the stated screen culture objectives'. This review led to significant changes to the Australian Screen Production Incentive, including lowering the thresholds for accessing the offsets, and increasing the range of expenses claimable.³⁷
- 1.42 In 2012 the Australian Government conducted the Convergence Review, which sought to 'examine the operation of media and communications regulation in Australia and assess its effectiveness in achieving appropriate policy objectives for the convergent era'.³⁸
- 1.43 The 2012 Convergence Review recommended reforming media ownership regulations, and dispensing with broadcast licensing fees, among other reforms.³⁹ The *Broadcasting Legislation Amendment (Broadcasting Reform) Act 2017*, which incorporates these changes, was assented to on 16 October 2017.⁴⁰
- 1.44 The Convergence Review also looked at the regulations which mandate Australian content and identified this as an area where regulation remains in the public interest. The Executive Summary of the final report of this review states:

35 Screen Australia, *Getting Down to Business: The Producer Offset five years on*, 2012, p. 18.

36 Screen Australia, *Getting Down to Business: The Producer Offset five years on*, 2012, p. 18.

37 Screen Australia, *Getting Down to Business: The Producer Offset five years on*, 2012, p. 20.

38 Australian Government, *Convergence Review: Final Report*, Canberra, March 2012, p. vii.

39 Australian Government, *Convergence Review: Final Report*, Canberra, March 2012, p. 3.

40 Bills and Legislation, Parliament of Australia, <www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bid=r5907> viewed 1 December 2017.

There are considerable social and cultural benefits from the availability of content that reflects Australian identity, character and diversity. If left to the market alone, some culturally significant forms of Australian content, such as drama, documentary and children's programs, would be under-produced.⁴¹

- 1.45 Following on from the Convergence Review, the Australian Government initiated the Australian and Children's Screen Content Review, which was underway at the time of writing this report, and was expected to report to Government by the end of 2017.⁴²

Conduct of the inquiry

- 1.46 The details of this inquiry are published on the committee's website. A media release announcing the inquiry and seeking submissions was issued on 9 February 2017.
- 1.47 The inquiry received 157 submissions and 18 supplementary submissions, which are listed at Appendix A. The committee held eight public hearings in 2017 including: Canberra, 16 June; Katoomba, 12 July; Brisbane, 13 July; Sydney, 19 and 20 July; Melbourne, 26 July; and Canberra, 9 and 16 August. The witnesses who appeared are listed at Appendix C.
- 1.48 The submissions and transcripts are available on the committee's website: www.aph.gov.au/Parliamentary_Business/Committees/House/Communications.

Report structure

- 1.49 Chapter 2 examines the current tax incentives for screen production in Australia including the producer, location and PDV offsets.
- 1.50 Chapter 3 considers the current Australian content quotas including:
- Australian programming quotas, including drama and documentary quotas;
 - children's programming sub-quotas;
 - the role of the public broadcasters in providing Australian content; and
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41 Australian Government, *Convergence Review: Final Report*, Canberra, March 2012, p. vii.

42 Department of Communications and the Arts, *Australian and Children's Screen Content Review*, <www.communications.gov.au/australian-childrens-screen-content-review> viewed 23 August 2017.

- content requirements for on-demand platforms.
- 1.51 Chapter 4 looks at other issues for the sustainability of the film and television industry including:
- direct government funding;
 - digital games;
 - international co-productions;
 - foreign actor visas; and
 - mental health issues in the entertainment workforce.