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Report on the inquiry into the Australian film and television industry

House of Representatives
Standing Committee on Communications and the Arts

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Chair's foreword

The Australian film and television industry plays an important role in telling the stories that help to foster our cultural identity and also makes a significant economic contribution to the nation. There are however significant technological changes and other issues impacting on its future growth and sustainability.

On-demand platforms such as Amazon and Netflix have transformed the way Australians access their screen content. Cinema and television are no longer as dominant due to this audience disruption although they remain an important part of this industry.

This inquiry was a timely examination of the policy settings that underpin our domestic screen industry including tax incentives and Australian content quotas. Direct funding by Screen Australia, international co-production treaties, and the foreign actor certification scheme were also reviewed.

The committee has made 13 recommendations to government to help secure the future growth and sustainability of Australia's screen industry.

Tax offsets

The current tax incentives for film and television were devised 10 years ago and include the producer, location and post, digital and visual effects (PDV) offsets.

The producer offset provides a tax rebate for Australian drama and documentaries and is currently 40 per cent for cinematic features but only 20 per cent for television productions. This distinction is really no longer valid as television and film now have comparable production costs and television is a far larger employer. Notably also, most Australian filmmakers cannot access a cinematic distribution and many films bypass cinema for alternative content platforms.

There was almost universal support during the inquiry to harmonise this offset. The committee is recommending a single producer offset of 30 per cent to better reflect the current screen marketplace. The committee is also recommending that the 65 hour cap for the producer offset be removed.

The location and PDV offsets incentivise overseas studios to film and do post-production work in Australia and take advantage of our unique environment and world-class infrastructure and expertise.

Australia's location offset is currently 16.5 per cent but this is no longer competitive with other jurisdictions such as the UK, parts of Canada, and New Zealand. As a result of this, the Australian Government has been offering direct cash incentives to attract large Hollywood productions.

The committee sees little sense in this and is recommending a competitive location offset of 30 per cent to provide more certainty to international studios who are considering filming here.

The PDV offset is competitive at 30 per cent but the committee is recommending that it be decoupled from the location offset so that both can be claimed for the same production. This will further enhance Australia's international competitiveness. The committee is also recommending that any content platform be eligible for the location and PDV offsets to reflect the changing nature of screen audiences.

We are recommending also that the location offset expenditure threshold be reduced from $15 million to $5 million for pilot features. Attracting these productions to Australia will be of great benefit to our domestic entertainment workforce and the industry as a whole.

Australian content quotas

Australia's commercial broadcasters are currently subject to minimum Australian content requirements of 55 per cent overall which ensures that Australian stories are being told on our screens. The overall Australian content levels need to be maintained but some structural changes to the quota system are also needed.

Subscription on demand companies are very new and are therefore not required by the legislation to invest in Australian productions. These companies are operating very profitably here and the committee is recommending that part of their revenues in Australia should be invested in new Australian content.

The children's sub-quotas imposed on the commercial broadcasters should be reformed to reflect current viewing trends such as the current dominance of the ABC in this market. However, any new quota system must ensure that quality Australian programs continue to be available for children across all platforms, particularly live-action drama which is an important genre for children.

The committee would also support a contestable fund as an alternative approach to the hours-based sub-quota for new children's content. Contributions to this fund would need to be made by the commercial and subscription broadcasters to finance the creation of quality Australian children's programs into the future.

The ABC is now the most important broadcaster of Australian programs for children but has no quota requirements. We are recommending that the ABC charter be amended to require a minimum hours-based quota for first release children's screen content. This reflects the ABC's strong commitment to children's television and community feedback and other data indicating that it has become the primary provider of Australian programming for children.

Other recommendations include a redefinition of first release to ensure that already broadcast New Zealand content cannot fill new content quotas in Australia. The committee also wants SBS to source more of its multicultural programming domestically and is recommending that its charter require a minimum of 50 per cent Australian content.

Other issues

Other issues raised in this inquiry included Screen Australia funding, the digital games industry, international co-productions, foreign actors and mental health issues in Australia's entertainment workforce.

The committee is recommending that 10 per cent of Screen Australia's funding be earmarked for films that are filmed outside of Sydney and Melbourne. Other regions of Australia have a lot to offer this industry and should be supported.

The committee is also recommending that the *Interactive Games Fund* be reinstated. The digital games industry has great growth potential and has a considerable skills overlap with the wider screen industry.

International co-productions are a valuable source of investment into the Australian screen industry as evidenced for example by the number of collaborations in the pipeline with China. We are recommending that new co-production agreements be signed with other countries in Asia.

The use of well-known foreign actors is important for attracting investment into Australian productions. The committee is recommending that the process for issuing a certificate to enable a foreign actor to obtain a work visa be streamlined and the requirement for prior union consultation be removed. The committee recognises that the Media, Entertainment and Arts Alliance is not opposed to overseas actors and has rarely objected to one. However, as this consultation is advisory only, it strikes the committee as unnecessary red-tape.

The mental and occupational health statistics for Australia's entertainment workforce are very poor. The committee's final recommendation is that the Minister for Small Business consult with the industry on ways to address this.

An important final note is that although the reforms recommended by this report will contribute to the growth of Australia's film and television industry, they do not take account of long term impacts to the federal budget.

On behalf of the committee, I thank the many contributors to this inquiry who provided us with valuable evidence through submissions and public hearings. I thank the Deputy Chair of the committee, Mr Tim Watts MP, and other committee members for their contributions to this report. I also thank the committee secretariat, Stephen Boyd, Kilian Perrem and Emma Banyer, and my own staff for their diligent work in supporting this inquiry.

Luke Howarth MP
Chair

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Chair	Mr Luke Howarth MP
Deputy Chair	Mr Tim Watts MP
Members	Mr Andrew Broad MP
	Ms Sarah Henderson MP
	Mr David Littleproud MP
	Ms Emma McBride MP
	Ms Susan Templeman MP
	Mr Rick Wilson MP

Committee Secretariat

Secretary	Mr Stephen Boyd
Inquiry Secretary	Dr Kilian Perrem
Senior Research Officer	Dr Emma Banyer
Office Manager	Ms Jazmine Rakic

Terms of reference

On 31 January 2017 the Minister for Communications and Minister for the Arts, Senator the Hon Mitch Fifield, 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).

The terms of reference asked the committee to inquire into 'factors contributing to the growth and sustainability of the Australian film and television industry'.

List of abbreviations

ABC	Australian Broadcasting Corporation
ABS	Australian Bureau of Statistics
ACCM	Australian Council on Children and the Media
ACMA	Australian Communications and Media Authority
ACTF	Australian Children's Television Foundation
AIE	Academy of Interactive Entertainment
ASTRA	Australian Subscription Television and Radio Association
ATO	Australian Tax Office
BMEE	Blue Mountains Economic Enterprise
EU	European Union
FTE	Full Time Equivalent (jobs)
IGEA	Interactive Games and Entertainment Association
IP	Intellectual property
MEAA	Media, Entertainment and Arts Alliance
MOU	Memorandum of understanding
NEDE	New eligible drama expenditure
PBO	Parliamentary Budget Office

PDV	Post, digital and visual effects
QAPE	Qualifying Australian production expenditure
SAC	Significant Australian content
SBS	Special Broadcasting Service
SPA	Screen Producers Australia
SVOD	Subscription video on demand
VFX	Visual effects

List of recommendations

Tax incentives for screen production

Recommendation 1

The committee recommends that the Australian Government makes the following changes to the producer offset:

- Introduce a single offset level of 30 per cent for all types of qualifying production, which includes film and television. This will remove the distinction between theatrical and non-theatrical features.
- Remove the 65 hour cap on television series accessing the offset.

Recommendation 2

The committee recommends that the Australian Government makes the following changes to the location and post, digital and visual effects (PDV) offsets:

- Increase the location offset to an internationally competitive level of 30 per cent. This will eliminate the need for top-up grants and provide more financial certainty to overseas production companies considering Australia as a destination.
- Decouple the location and PDV offsets so that both can potentially be claimed for the same production.
- Provide in the legislation that productions commissioned for any content platform will be eligible for the location and PDV offsets if qualifying Australian production expenditure (QAPE) requirements are met.
- Reduce the minimum QAPE threshold for the location offset to $5 million specifically for pilot features.

Australian content quotas

Recommendation 3

The committee recommends that any future reforms to Australia's content quota system ensure that commercial and subscription television companies continue to invest in and broadcast Australian programs for general audiences at current levels. In addition, the new quota system should provide that subscription video on demand services invest a percentage of the revenues they earn in Australia, for example 10 per cent, in new Australian content.

Recommendation 4

The committee recommends that the children's content sub-quotas be reformed in light of current viewing trends but continue to ensure access to a variety of quality Australian content for children, particularly live-action drama, across all platforms.

Recommendation 5

The committee recommends that the Australian Government reviews the hours-based quota for first release children's screen content and considers replacing some or all of this quota obligation with a contestable fund to support the creation of quality Australian children's programs into the future.

Recommendation 6

The committee recommends that first-release be redefined to mean first broadcast anywhere in the world.

Recommendation 7

The committee recommends that the charter for the Australian Broadcasting Corporation be amended to require a minimum hours-based quota for first release children's screen content. This reflects the ABC's strong commitment to children's television and community feedback indicating that the ABC has become the primary provider of Australian programming for children.

Recommendation 8

The committee recommends that the Special Broadcasting Service Corporation charter be amended to require additional multicultural programming to be sourced domestically so that a minimum of 50 per cent Australian content is shown across all of its channels. This must also include a commitment to more content from regional areas.

Other issues in Australia's screen industry

Recommendation 9

The committee recommends that 10 per cent of Screen Australia's funding be earmarked for productions outside of Australia's two major capitals. The rules governing this regional funding allocation should stipulate that the production:

- must conduct its principal photography in a town, small city or area that lies beyond metropolitan Sydney or Melbourne; and
- does not need to meet significant Australian content rules but must satisfy the same QAPE threshold requirements as the producer offset and must employ a majority of Australians.

Screen Australia must also provide a regional breakdown in its annual report of the productions it has funded.

Recommendation 10

The committee recommends that the *Interactive Games Fund* be reinstated.

Recommendation 11

The committee recommends that the Australian Government expands the current co-production program by negotiating agreements with additional Asian countries.

Recommendation 12

The committee recommends that the Australian Government amend the Foreign Actor Certification Scheme to remove the obligation for union consultation.

Recommendation 13

The committee recommends that the Minister for Small Business discuss mental health and other occupational health and safety issues with small businesses in Australia's entertainment industry and consult on ways to address these concerns into the future.

1

Introduction

Referral of the inquiry

1.1 On 31 January 2017 the Minister for Communications and the Artsreferred 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 broadcasters[3]. However, many of these issues have been addressed by the recent media reforms[4] 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 <u>instrumental value</u>. *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 <u>institutional value</u>. *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 <u>intrinsic value</u>. 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 break-down 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

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

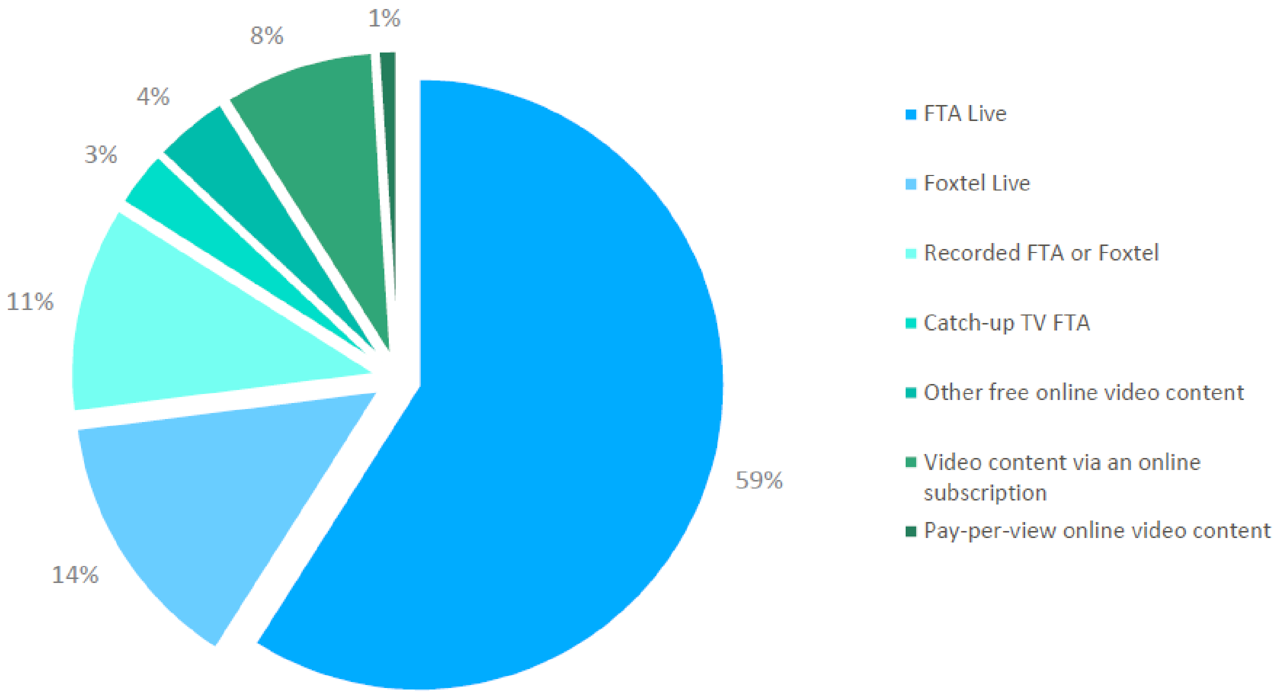
19 Deloitte Access Economics, *What are our stories worth?: Measuring the economic and cultural value of Australia's screen sector,* 2016, p. 5.

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

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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:

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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

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.

2

Tax incentives for screen production

Introduction

2.1 There are currently three different tax incentives for the production of films and television programs in Australia. They include the producer offset, the location offset, and the post, digital and visual effects (PDV) offset.

2.2 These tax offsets are uncapped in most circumstances but only one type of offset can be claimed for any given production.[1]

2.3 Screen Producers Australia (SPA) states that government funding and tax incentives make up:

- 58 per cent of feature film production funding;
- 21 per cent of commercial television production funding; and
- 25 per cent of online and subscription video on demand (SVOD) production funding.[2]

2.4 The Department of Communication and the Arts (the department) stated that through these tax incentives, since their introduction in 2007, 'over $1.6 billion has been provided to support the sector, with over $1 billion provided through the producer offset alone, for stories with significant Australian content.'[3]

2.5 This chapter deals with issues raised in the inquiry concerning the three tax offsets for screen production. The producer offset is dealt with separately from the location and PDV offsets, which are considered

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1 Screen Producers Australia (SPA), *Submission 86*, p. 9.

2 SPA, *Submission 86*, pp. 7-8.

3 Mrs Sally Basser, First Assistant Secretary, Arts Division, Department of Communications and the Arts, *Committee Hansard*, Canberra, 16 June 2017, p. 2.

together. Separate conclusions and recommendations are made under these two sections.

Qualifying Australian production expenditure

2.6 A tax offset for screen production can only be claimed for eligible expenditure on that production, known as qualifying Australian production expenditure (QAPE).

2.7 Production expenditure is the expenditure incurred by the applicant company in, or that is reasonably attributable to, the making of the film or television program.[4] It does not include any aspect of financing, distribution, marketing or promotion of the project.[5]

2.8 QAPE is the subset of production expenditure that can be considered for a tax offset and includes:

- goods and services provided in Australia;
- the use of land located in Australia; and
- the use of goods that are located in Australia at the time they are used in the making of the project.[6]

2.9 QAPE is used to determine whether minimum expenditure thresholds have been met for offset eligibility. It is also then used to determine the actual return from the Australian Tax Office (ATO) as this is a fixed percentage of the QAPE spend.[7]

2.10 There are different QAPE expenditure thresholds for different types of production under each offset. For example, the current QAPE threshold to claim the producer offset for a cinematic feature is $500 000 which was reduced from $1 million in 2011-12.[8]

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4 Screen Australia, *Guidelines: Qualifying Expenditure*, <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/qualifying-expenditure> viewed 18 August 2017.

5 Screen Australia, *Guidelines: Qualifying Expenditure*, <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/qualifying-expenditure> viewed 18 August 2017.

6 Screen Australia, *Guidelines: Qualifying Expenditure*, <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/qualifying-expenditure> viewed 18 August 2017.

7 Screen Australia, *Guidelines: Qualifying Expenditure*, <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/qualifying-expenditure> viewed 27 September 2017.

8 Screen Australia, *At a Glance: a Quick Reference Guide to the Producer Offset*, <https://www.screenaustralia.gov.au/getmedia/d077b782-71c2-4ad9-be1a-3cedf82c4946/Offset-at-a-glance.pdf> viewed 18 August 2017.

2.11 There are also significant Australian content (SAC) rules that must be met to obtain certification for the producer offset, as outlined in the next section.

2.12 Unlike the producer offset which has SAC requirements, the location and PDV offsets can be claimed for any production work conducted in Australia as long as the specific QAPE thresholds are met. These offsets are commonly claimed for foreign productions, including large blockbuster films in the case of the location offset, as outlined later in the chapter.

2.13 This chapter discusses the issues raised in the inquiry regarding the current tax incentives for screen production and makes recommendations for changes to these arrangements to better reflect the current marketplace for Australia's screen industry.

Producer offset

Background

2.14 The producer offset provides a refundable tax offset of **40 per cent** of QAPE on feature films with a first release in a cinema and **20 per cent** of QAPE on all other productions such as television programs.[9]

2.15 Only production companies that are permanently resident in Australia or with a permanent establishment in Australia are eligible for the producer offset.[10]

2.16 Eligibility for the producer offset requires certification from Screen Australia to the ATO that the expenditure qualifies for this rebate. In the first instance, productions must meet SAC rules which assess:

- the subject matter of the film;
- the place where the film was made;
- the nationalities and places of residence of the persons who took part in the making of the film;
- the details of the production expenditure incurred in respect of the film; and
- any other matters that the film authority considers to be relevant.[11]

9 Screen Australia, *Guidelines: what is the producer offset?* <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/about-the-producer-offset> viewed 18 August 2017.

10 Screen Australia, *Guidelines: eligible entity* < https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/eligible-entity> viewed 30 August 2017.

2.17 In the second instance, the QAPE associated with the project must meet a minimum threshold depending on the format of the production as outlined in Table 2.1.[12]

Table 2.1 QAPE and duration thresholds for the producer offset

Format	Minimum duration	Total QAPE threshold	Per hour QAPE threshold
Feature films, including theatrical documentaries, animation and IMAX (offset=40 per cent)			
Feature	80 mins	$500 000	n/a
Large format (e.g. IMAX)	45 mins	$500 000	n/a
Non-feature programs other than documentaries or animations (offset=20 per cent)			
Single-episode	Commercial hour	$500 000	n/a
Season of a series (at least 2 episodes)	Commercial ½ hour per episode	$1 million	$500 000 per actual hour
Non-feature documentaries (offset=20 per cent)			
Single-episode or season of a series	Commercial ½ hour per episode	$500 000	$250 000 per actual hour
Non-feature animation (offset=20 per cent)			
Season of a series (at least 2 episodes)	Commercial ¼ hour per episode	$1 million	$500 000 per actual hour
Single-episode	Commercial hour	$500 000	n/a
Or, if the project is not a season of a series or single episode:			
Short-form animation (single episode or series)	Commercial ¼ hour in total	$250 000	$1 million per actual hour

Source *Screen Australia, Guidelines: Eligibility, Format <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/format> viewed 28 September 2017. n/a, not applicable.*

2.18 In addition to these QAPE requirements, the 20 per cent offset available for television series is capped at a maximum of 65 commercial hours.[13]

2.19 The formats that are **not** eligible for the producer offset include commercials, discussion or game shows, training films, news and current affairs shows, and computer games.[14]

2.20 The numbers of producer offset certificates issued by Screen Australia in 2015-16, and their value, are listed in Table 2.2.

11 SPA, *Submission 86*, p. 10.

12 Screen Australia, *Guidelines: Eligibility, Format* <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/format> viewed 28 September 2017.

13 Screen Australia, *Guidelines: Eligibility, Series* <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/series> viewed 27 September 2017.

14 Screen Australia, *Guidelines: Eligibility, Format* <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/format> viewed 28 September 2017.

Table 2.2 Producer offset certificates issued in 2015-2016

Producer offset certification			
Certificates issued in 2015-2016			
	Provisional	**Final**	
	Number	**Number**	**Offset value ($m)**
Features	57	43	172.75
Non-feature documentaries	38	68	20.21
TV and other	31	36	49.66
Total	**126**	**147**	**242.62**

Source Screen Australia, Annual Report 2015-2016, p. 99.

2.21 Screen Australia advised how the producer offset has benefitted the industry since its introduction:

> Massively. I think anyone appearing [before] the committee will say that the producer offset has fundamentally changed the sector. I think we had a 50 per cent increase in inward investment.[15]

Harmonising the offset for cinematic and non-cinematic features

2.22 A producer offset of 40 per cent is available for Australian films if they are first released in a cinema. All other Australian productions including television programs and films that are not released in a cinema can receive a 20 per cent offset only.

2.23 The evidence to the inquiry indicates however that this distinction should no longer exist as the reasons for giving the higher offset to cinema features are no longer valid.

2.24 The committee learned that technological advances in the industry have significantly changed the way screen content is accessed and cinema is no longer as dominant a medium other than for large Hollywood productions. Many Australian films are now viewed through a variety of digital platforms and not in a cinema.

2.25 The current Australian and Children's Screen Content Review notes that the market for cinema audiences in Australia is now much more competitive and is changing, due in part to the availability of other viewing platforms:

> Access to cinema audiences has also become much more competitive as the market for independent films has become more crowded and, at the same time, blockbusters with ever-wider

15 Mr Graeme Mason, Chief Executive Officer (CEO), Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 3.

> releases have increased their box office share. While cinema can still be seen as the apex of a feature film release, some audiences are drawing a diminishing distinction between a feature film viewed in cinemas and content viewed on other platforms.[16]

2.26 Screen Australia states in its 2015 report *Issues in Feature Film Distribution* that digital distribution has had profound impacts on the feature film business and on audience behaviour:

> Digital distribution is radically rewriting the rules of the feature film business in much the same way it did with other creative industries such as music and publishing, altering not only established release patterns and revenue models but causing (as well as responding to) seismic shifts in audience behaviour and expectations.[17]

2.27 Screen producers affiliated with the Blue Mountains Economic Enterprise (BMEE) advised the committee that there are now different models of delivery for films, many of which are no longer being viewed in cinemas but on electronic devices or on television.[18]

2.28 White Hot Productions also questioned whether the higher producer offset for cinema was appropriate given the emergence of alternative viewing platforms for film:

> Feature films have a higher rebate because of the time taken to mount and complete them, and when cinema and television dominated as methods of distribution, it was sensible to use cinema as the determining factor for the different levels of rebate. Now that Netflix, Amazon and others are in the market, and some want world exclusivity, I think the time has come to review this approach, as some films may be better served with effort being concentrated in a channel of distribution other than cinema.[19]

2.29 SPA states that the current producer offset arrangements were introduced at a time before streaming services had disrupted the dominance of cinemas and television for film distribution.[20]

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16 Department of Communications and the Arts, *Australian and Children's Screen Content Review Consultation Paper*, Canberra, August 2017, p. 4.

17 Screen Australia, *Issues in Feature Film Distribution*, July 2015, p. 4.

18 Mr Matthew Drummond, Director/Filmmaker, *Committee Hansard*, Katoomba, 12 July 2017, p. 5.

19 Mr Ian Kirk, Chairman, White Hot Productions, *Committee Hansard*, Melbourne, 26 July 2017, p. 47.

20 SPA, *Submission 86*, p. 24.

2.30 Iloura pointed to the changing environment for films that are currently released through cinemas and indicated that this will change significantly over the next decade.[21] Iloura stated:

> Right now, nearly all films that come out—and again I would defer to Ausfilm on this—do get released straight to cinema. Netflix are the big streaming giant, and they are totally changing the game. There are Amazon and Hulu, and there are a couple of others. But, over the next five to 10 years, more and more major films are going to bypass cinemas.[22]

2.31 The committee was advised that it is very difficult for Australian filmmakers to access the 40 per cent offset because they simply do not have the budget to release their productions in a cinema and cannot make money if they do.

2.32 The committee also heard that even if a theatrical release is possible, most Australian producers cannot compete with large studios from the United States to access the most valued timeslots in an Australian cinema.

2.33 White Hot Productions submits that cinemas are reluctant to screen Australian films due to expectations of low commercial returns.[23] White Hot Productions stated:

> A cinema release is still thought to be a fundamental requirement for a movie to come to the attention of its potential audience and hence to achieve its full commercial potential even though there has been a proliferation in the ways to watch movies.[24]

2.34 Screen Australia commented that although cinema audiences have grown for 'blockbuster' films, the smaller budget productions find it hard to gain audience share.[25] Screen Australia stated:

> In terms of film, we are going through a moment where your big films—your blockbusters—still have an enormous audience. Audiences are going up in cinema year on year, but it is harder in the independent, smaller space to get traction, interestingly, unless you are skewing to an older demographic who have time and money to do so.[26]

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21 Mr Thomas Wild, National Head of Production, Iloura, *Committee Hansard*, Melbourne, 26 July 2017, p. 31.

22 Mr Wild, Iloura, *Committee Hansard*, Melbourne, 26 July 2017, p. 31.

23 White Hot Productions, *Submission 7*, p. [2].

24 White Hot Productions, *Submission 7*, p. [2].

25 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 2.

26 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 2.

2.35 Australian Film and TV Bodies comments that there is strong competition for time slots in Australian cinemas due to their finite capacity and that distributors rely on costly marketing to attract audiences.[27]

2.36 Filmmakers affiliated with BMEE advised that in the current framework, including Screen Australia funding rules, it is very difficult for filmmakers to make money through a cinematic release.[28]

2.37 There was consistent support in the inquiry for a harmonised producer offset of 40 per cent for all qualifying Australian film and television productions. There would be no requirement under such a harmonised system to obtain a cinematic release to obtain a higher offset.

2.38 The commercial broadcasters informed the committee that television should not be discriminated against with a lower offset because it provides far more value to Australian audiences, employs far more people and now essentially costs the same to produce as films made for cinema.

2.39 Free TV Australia advises that the reasons behind the higher offset for cinematic features, primarily the higher costs of production, are no longer valid as the production costs for television are now much higher, premium television content makes an equally valuable contribution to the sector as feature films, and television broadcasters are a major source of employment and training for the industry.[29]

2.40 The Victorian Film and Television Industry Working Party recommends that 'due to the "critical mass" importance of TV production underpinning the entire screen sector, the 40 per cent producer offset for film be extended to Australian television projects'.[30]

2.41 The Australian Screen Sound Guild submits that its members are becoming more reliant on television for employment opportunities and that increasing the offset for qualifying television production is vital for this sector to remain competitive and grow.[31]

2.42 The Media, Entertainment and Arts Alliance (MEAA) commented that 'to maintain the current rebate differential would ignore the new reality in terms of the renewed role of television in producing quality content.'[32] MEAA stated:

> Frankly, the tax offset disadvantages and discriminates against television production and online digital streaming platforms,

27 Australian Film & TV Bodies, *Submission 90*, pp. 9-10.

28 Mr Michael Joy, Private Capacity, *Committee Hansard*, Katoomba, 12 July 2017, p. 6.

29 Free TV Australia, *Submission 135*, p. 17.

30 Victorian Film and Television Industry Working Party, *Submission 54*, p. [4].

31 Australian Screen Sound Guild, *Submission 102,* pp. [1]-[2].

32 The Media, Entertainment and Arts Alliance (MEAA), *Submission 125*, p. 14.

> which is the cutting edge of storytelling in Australia at the moment. So one of our key submissions to you is that the producer offset should be increased to 40 per cent across the board.[33]

2.43 Seven West Media commented that the public benefit from the producer offset will probably be greater for television programs as they are likely to be more widely viewed than cinematic features.[34] Seven West Media stated:

> Broadcasters employ large numbers of Australians on in-house productions, in many cases providing valuable training that is used later throughout the industry and importantly providing permanent employment opportunities (which are otherwise rare in the arts/media sector). For this reason, the offset for television content should be brought into line with the current rate for feature films, to reflect the level of investment made by the producer, regardless of whether the content is intended for cinematic release or broadcast.[35]

Other changes to producer offset eligibility

2.44 The committee was also advised that the 65 hour limit on the producer offset for a television series was arbitrary and should be removed and that the QAPE levels are too high as they do not capture valuable lower budget productions.

2.45 SPA comments that the 65 hour cap for television series accessing the producer offset is 'a perverse disincentive for success'.[36]

2.46 SPA remarks in this regard that a sustainable industry requires certainty in terms of employment, training and investment and that this cap should therefore be removed. SPA also advocates for a reduction in the minimum QAPE threshold for drama of $500 000 per hour to capture lower budget productions and provide more entry-level opportunities.[37]

2.47 Free TV Australia concurs with the SPA view regarding the 65 hour cap and questions the reasoning behind its introduction:

> There is not a lot of detail documented on why the cap was introduced – the Explanatory Memoranda and other documents only say that at 65 episodes the drama should be 'self-sufficient' and should no longer require the offset. However, the challenges

33 Ms Zoe Angus, Director of Equity, MEAA, *Committee Hansard*, Sydney, 20 July 2017, pp. 10-11.

34 Seven West Media, *Submission 128*, p. 8.

35 Seven West Media, *Submission 128*, pp. 8-9.

36 SPA, *Submission 86*, p. 24.

37 SPA, *Submission 86*, p. 24.

> of funding a drama series do not change or ease in any way at year 5 even if the drama is successful. As a result, there are very few examples of dramas that have continued beyond the 65 episode cap.[38]

2.48 SBS further remarked that the current QAPE thresholds are an issue for lower budget productions:

> We have also noted that the minimum expenditure thresholds that must be satisfied under a number of funding arrangements are too high and are an impediment for mid-level productions and production companies, and are limiting diversity within the production sector.[39]

2.49 Members of the Australian Subscription Television and Radio Association (ASTRA) also remarked that a QAPE threshold of $500 000 is prohibitive for younger, innovative producers operating with lower budgets.[40] Foxtel's representative further stated:

> Our point really is that the funding arrangements have to have sufficient flexibility that you allow for people at different parts of that spectrum [low and high budget productions] and particularly allow people to develop skills at the low end and work their way up to the higher end.[41]

2.50 It was also argued during the inquiry that the offset should include genres outside of drama and documentaries.

2.51 Seven West Media also commented that there is no clear rationale for limiting the producer offset to the drama and documentary genres as productions outside of these areas are 'just as expensive to produce, and provide employment and training for large production crews, utilizing Australian production and post-production facilities.'[42]

2.52 ASTRA members concurred noting that the offset be available across multiple genres. ASTRA stated:

> The model has changed. We used to lead audiences; now, they lead us. I want the ability to successfully create content in whichever genre they want. I also feel that the job creation across those genres, whether the cost bases are different, is relatively

38 Free TV Australia, *Submission 135*, p. 17.

39 Ms Clare O'Neil, Director, Corporate Affairs, SBS, *Committee Hansard*, Canberra, 16 June 2017, p. 30.

40 Mr Bruce Meagher, Group Director, Corporate Affairs, Foxtel, *Committee Hansard*, Sydney, 19 July 2017, p. 61.

41 Mr Meagher, Group Director, Foxtel, *Committee Hansard*, Sydney, 19 July 2017, p. 62.

42 Seven West Media, *Submission 128*, p. 9.

> similar in my experience. We have very different production models, but that has been my experience.[43]

Conclusions

2.53 The producer offset provides a tax rebate for part of the cost of making Australian dramas and documentaries and was designed 10 years ago to enhance the financial viability of Australia's domestic screen industry and ensure that Australian stories would continue to be told in cinemas and on television.

2.54 The producer offset provides a refundable tax offset of 40 per cent of qualifying Australian production expenditure (QAPE) on feature films with a first release in a cinema, and 20 per cent of QAPE on all other non-feature productions such as television programs.[44]

2.55 Only production companies that are permanently resident in Australia or with a permanent establishment in Australia are eligible for the producer offset.[45] In addition, the producer offset can only be claimed for eligible QAPE.

2.56 QAPE is a subset of production expenditure that can be considered for tax incentives such as the producer offset, and includes goods and services provided in Australia and the use of land located in Australia.[46]

2.57 In addition, there are minimum levels of QAPE that must be reached to access the producer offset under each qualifying genre. This minimum is $500 000 for a feature film and a single-episode drama.[47]

2.58 In addition to these QAPE requirements, the 20 per cent offset available for television series is capped at a maximum of 65 commercial hours.[48]

2.59 There was consistent and strong support during the inquiry for harmonisation of the two producer offset levels so that a single rebate would be applied to all types of qualifying production. The evidence

43 Mr Ben Richardson, Senior Vice President and General Manager, Viacom International Media Networks Australia and New Zealand, *Committee Hansard*, Sydney, 19 July 2017, p. 59.

44 Screen Australia, *Guidelines: what is the producer offset?* <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/about-the-producer-offset> viewed 18 August 2017.

45 Screen Australia, *Guidelines: eligible entity* < https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/eligible-entity> viewed 30 August 2017.

46 Screen Australia, *Guidelines: Qualifying Expenditure*, <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/qualifying-expenditure> viewed 18 August 2017.

47 Screen Australia, *Guidelines: Eligibility, Format* <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/format> viewed 28 September 2017.

48 Screen Australia, *Guidelines: Eligibility, Series* <https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/eligibility/series> viewed 27 September 2017.

indicates that this distinction is out of date as films are now released through a number of different platforms and cinematic distribution is out of reach to most Australian producers.

2.60 The committee accepts that the rationale used 10 years ago for providing the higher offset for a cinematic release makes less sense in today's marketplace. Given the evidence for the high barriers against obtaining a theatrical release for domestic film makers in Australia and the significant changes in how viewers now access all types of screen content, the committee believes that reforms to this incentive are warranted.

2.61 Cinema is still an important medium for Australia's screen industry but the committee acknowledges the important and fundamental role that television will continue to play, and that online streaming services are increasingly playing, in telling Australian stories. Television channels and streaming services will play a vital role in the future sustainability and competitiveness of the domestic screen industry in terms of training and jobs, and in producing high quality Australian content.

2.62 The committee concludes that there should no longer be any distinction between theatrical releases and other types of screen production when applying the producer offset. However, the committee does not believe that a harmonised offset of 40 per cent is possible in the current budgetary climate.

2.63 Advice from the Parliamentary Budget Office (PBO) indicates that the foregone revenue from this change would be considerable at $65 million per year (Table A1; Appendix D). The PBO also projected in this analysis that there would be no changes in spending on eligible television production as a result of an increased producer offset.

2.64 The committee does however support some increase in the offset for non-feature productions. Advice from the PBO indicates that a harmonised producer offset of 30 per cent will be revenue neutral over the forward estimates (Table A1; Appendix E). The committee supports this reform which will better reflect the changing landscape of how screen content is accessed. It will also reflect the fact that the dominance of cinema for accessing feature content is reduced and that this medium is largely inaccessible to smaller independent filmmakers in Australia.

2.65 Advice from SPA is that the industry would have the ability to increase production if the right financial conditions were in place. SPA comments:

> Many production companies have projects ready to go, what prevents the ideas going into production is a lack of finance. The

> industry is essentially an R&D industry in which only a few ideas enter into production.[49]

2.66 The committee agrees that the 65 hour cap on television series accessing the producer offset should be removed and that a successful production that achieves longevity should not be penalised in this way. PBO costings indicate that the impact of this to the budget would be $5 million per annum (Table A5; Appendix E).

2.67 The current QAPE thresholds for the producer offset are appropriate however and will help to ensure that the standard and quality of Australian productions are sufficient to gain an audience.

2.68 The committee is also satisfied that the current rules governing format eligibility for the producer offset are appropriate and that this incentive should be focussed on promoting the telling of Australian stories through dramas and documentaries.

Recommendation 1

2.69 **The committee recommends that the Australian Government makes the following changes to the producer offset:**

- **Introduce a single offset level of 30 per cent for all types of qualifying production, which includes film and television. This will remove the distinction between theatrical and non-theatrical features.**
- **Remove the 65 hour cap on television series accessing the offset.**

Location and PDV offsets

Background

2.70 The location offset provides a rebate for the production of large-scale film and television productions in Australia, generally by foreign production companies. The current rate of the location offset is 16.5 per cent (raised from 15 per cent in 2011). The QAPE level must be at least $15 million to access the location offset.[50]

49 SPA, *Supplementary Submission 86.1*, p. [1].

50 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 9.

2.71 To be eligible for either the location offset or PDV offset, a company must be an Australian resident company or a foreign resident company with an ABN that is operating through a permanent establishment in Australia.[51]

2.72 The formats that are eligible for the location offset include feature films, telemovies, and television series.[52] As with the producer offset the formats that are **not** eligible for the producer offset include commercials, discussion or game shows, training films, news and current affairs shows, and computer games.[53]

2.73 The Government also currently provides 'top-ups' on a case-by-case basis to encourage large feature projects to come to Australia. For example, a top-up of $22 million was provided to Warner Bros Pictures to film the movie blockbuster *Aquaman* on the Gold Coast, which commenced production in 2017.[54]

2.74 The PDV offset provides a 30 per cent rebate on post, digital and visual-effects work done in Australia (ie, not principal photography) regardless of where the production was shot.[55]

2.75 The QAPE threshold for accessing the PDV offset is $500 000.[56] Eligible formats for the PDV offset are the same as those for the location offset.[57]

2.76 The current legislation provides that a television series would have to be shown on free-to-air or subscription television to qualify for the location or PDV offset.[58]

2.77 Films and single episode dramas commissioned for online services qualify for either of these offsets under the current rules.

51 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 11.

52 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 10.

53 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 10.

54 The Hon Scott Morrison MP, The Treasurer, and Senator The Hon. Mitch Fifield, Minister for the Arts, joint media release, 15 December 2016, < http://sjm.ministers.treasury.gov.au/media-release/132-2016/> viewed 18 September 2017.

55 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 16.

56 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 18.

57 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 18.

58 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 19.

2.78 The location and PDV offsets are administered by the Department of Communications and the Arts (the department) which states in its 2015-16 annual report:

> Under the Australian Screen Production Incentive, the Minister for the Arts issued final certificates for the Location Offset and Post, Digital and Visual Effects (PDV) Offset to 55 productions, which represented qualifying Australian production expenditure of $241,524,205.[59]

2.79 The number and value of the applications for these two offsets from 2010 to 2015 are listed in Table 2.3.

Table 2.3 Number and value of the location and PDV offsets granted from 2010 to 2015

Location and PDV tax offset	2010-11	2011-12	2012-13	2013-14	2014-15
Location and PDV offset provisional applications	1	9	14	16	32
Location and PDV offset final applications	5	10	12	19	56
Estimated location and PDV offset rebate payable to productions certified in financial year ($)	16.8m	23.4m	12.9m	43.6m	69.4m

Source *Screen Producers Australia, Submission 86, p. 11. Data originally from the Attorney General's Department.*

The location offset is not competitive

2.80 There was considerable evidence to the inquiry that the current location offset in Australia is now too low compared with similar incentives offered in other countries. Table 2.4 provides a comparison of the incentives for location shooting in different competitor jurisdictions.

59 Department of Communications and the Arts, *Annual Report 2015/16*, Canberra, September 2016, p. 43.

Table 2.4 Incentives for location shooting in 2006 and in 2016 among different jurisdictions

Country/Jurisdiction	Tax Credit/Offset Rate 2006	Tax Credit/Offset Rate 2016
Australia	12.5%	16.5%
New Zealand	12.5%	20-25%
United Kingdom	16%	25%
Ireland	20%	32%
Ontario	18%	21.5%+37% production labour
British Columbia	18%	43.72% production labour
Quebec	20%	20% 37% production labour
Louisiana	10-20%	30%
Georgia	9-12%	30%

Source Ausfilm Submission 114, p. 13.

2.81 Ausfilm has responsibility for promoting Australia as a destination to international filmmakers, and is supported in part by the Australian Government, and submits that location offset is no longer competitive.[60] Ausfilm states:

> At 16.5% the Location Offset has not been competitive for some time. In April 2012 the then Labor government attracted *The Wolverine* to shoot in Australia with a top up commitment of $12.8 million to effectively take the incentive to 30%.
>
> …
>
> These one off payments and the marketing activities of Ausfilm have helped to keep Australia under active consideration and demonstrates that the competitive level for the Location Offset is 30%.[61]

2.82 Ausfilm comments also in its submission that 'footloose productions', ie, productions that are not made in their country of origin, bring considerable economic benefit.[62]

2.83 MEAA concurs that the location offset is currently insufficient, commenting that the government appears to recognise the lack of competitiveness of this incentive through its ad hoc funding. MEAA also remarks that the uncertainty around these individual grants means that

60 Ausfilm, *Submission 114*, p. 4.

61 Ausfilm, *Submission 114*, pp. 10-11.

62 Ausfilm, *Submission 114*, p. 11.

Australia will likely miss out on productions in the short term and be unattractive for investment by producers in the long term.[63]

2.84 Screen Queensland comments that 'Australia currently has the lowest incentive in the world to attract international productions' and that the uncertainty created by the top-ups has lost business for both Australia and Queensland.[64]

2.85 There was consistent support for the location offset to be increased to 30 per cent to ensure Australia's international competitiveness in attracting large overseas productions. This would also remove provide more certainty of funding for foreign studios and remove the need for individual top-up grants.

2.86 Village Roadshow Limited recommends a location offset of 30 per cent, commenting that although Australia has facilities and infrastructure that is comparable to other countries, it is no longer attractive to foreign production companies because of the lower tax incentive:

> Australia is considered by the major global film production studios as one of the four only 'full service' locations for film production, along with the United States, Canada and the United Kingdom. In spite of this, major Hollywood productions have steered clear of Australia over the past 5 or more years because of the uncompetitive level of the location offset at 16.5%.[65]

2.87 Australian Film & TV Bodies comments that the uncertainty of the top-up grants to individual international productions to enhance the current location incentives will not serve Australia's screen industry in the long-term.[66] Australian Film & TV Bodies states:

> The size of the potential opportunity is clearly illustrated by examining an example of the outlays provided by just one major international content producer in 21st Century Fox (Fox). In the past four years, Fox has invested US$1.65 billion dollars in international film & TV productions outside of Australia. Australia would have a real opportunity to secure a substantially bigger share of that investment if it were to raise the location offset to 30%, especially given that Fox owns a world-class production facility in Australia.[67]

63 MEAA, *Submission 125*, pp. 14-15.
64 Screen Queensland, *Submission 136*, p. 4.
65 Village Roadshow Limited, *Submission 29*, p. 2.
66 Australian Film & TV Bodies, *Submission 90*, p. 17.
67 Australian Film & TV Bodies, *Submission 90*, p. 18.

2.88 Fox Studios Australia also submits that the current policy around location incentives is too ad hoc as it is unclear what productions will be eligible for a top-up. Fox Studios Australia further comments that without a consistent policy, Australia will have a more difficult time competing and encouraging companies like Fox to make Australia its preferred production location.[68]

2.89 Fox Studios Australia further stated:

> Film and television production is a global business. Every competing production centre that hosts primary production offers film and television incentive programs. A permanent increase to the location offset to 30 per cent from the current 16½ per cent is required for Australia to compete internationally and maintain export contribution of foreign production in Australia.[69]

2.90 Warner Bros informed the committee that the location offset not only drives investment but is the primary driver of the growth of Australia's screen industry:

> Not only is the direct investment easy to identify but we believe the foreign investment is a catalyst for a number of positive inward results. I will outline a few of them: training the current and next generation of Australian cast and crew to create a creative workforce that is able to work on a variety of different production types; providing continuity of local employment; early exposure and adoption of cutting-edge production technologies; expanding the country's infrastructure capacity in production and also in postproduction facilities; increased tourism surrounding the locations used for international productions; and raising the international profile of Australian cast and crew.[70]

2.91 Warner Bros further commented that Australia is still considered a very desirable location due to the availability of world class infrastructure, experienced crew, and the quality of the post-production studios, but with an uncompetitive location offset of 16.5 percent Australia cannot effectively compete with the other top-tier jurisdictions.[71]

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68 Fox Studios Australia, *Submission 92*, p. 2.

69 Mr Wayne Borg, Managing Director, Fox Studios Australia Pty Ltd, *Committee Hansard*, Sydney, 19 July 2017, p. 13.

70 Ms Danielle Dajani, Senior Vice President, Physical Production, Warner Bros, *Committee Hansard*, Sydney, 19 July 2017, p. 19.

71 Ms Dajani, Warner Bros, *Committee Hansard*, Sydney, 19 July 2017, p. 19.

2.92 The Victorian Government agrees that the Australian location offset is too low and that footloose productions are being attracted to countries with better incentives such as the UK, New Zealand and Hungary.[72]

2.93 Submissions to the inquiry also argue that the QAPE threshold of $15 million for the location offset prevents Australia from competing for some of the many pilot features that are produced every year, particularly in the United States. Ausfilm submits that many hour long scripted pilot dramas commissioned in Los Angeles, with an estimated production cost of about US$5.5 million, are now being filmed in other countries such as Canada. Ausfilm states:

> Studio based half hour pilots for sitcoms generally do not leave Los Angeles, but increasingly hour long dramas are going elsewhere in the USA and to Canada. In 2015/16 some 61 hour long drama pilots were shot elsewhere than Los Angeles, 31 of them in Canada.[73]

2.94 The Victorian Government also argues that footloose television such as pilot shows is a growing market that Australia is well placed to capitalise on:

> Footloose television pilots from US networks and cable programs do not qualify for the Location Offset. Attracting a television pilot will usually mean that the series will be produced in the same country, if the pilot is greenlit… We would welcome changes to the offset legislation to introduce television pilots as an eligible format and adjust the Australian expenditure threshold accordingly.[74]

2.95 The department also stated that the current location offset was not sufficiently attractive and further commented that 'the 16.5 per cent on its own is not sufficient to attract productions, to compete with other jurisdictions.'[75]

The location and PDV offsets should apply to all platforms

2.96 A number of contributors to the inquiry advised that the current eligibility requirements for the location and PDV offsets need to be reformed to allow access by online streaming services which were not available when the scheme was devised.

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72 Victorian Government, *Submission 138*, p. 9.

73 Ausfilm, *Submission 114*, p. 16.

74 Victorian Government, *Submission 138*, p. 10.

75 Ms Lyn Allan, Assistant Secretary, Creative Industries Branch, Department of Communications and the Arts, *Committee Hansard*, Canberra, 16 June 2017, p. 8.

2.97 Fox Studios Australia commented that the streaming sector did not exist when the rules were introduced but is now growing rapidly and must be allowed to access these incentives:

> Today, Netflix and their like are some of the most prolific producers of content. Netflix alone are spending in excess of US$6 billion per annum to make content… The current legislation around streaming prohibits eligibility for the location offset and the post, digital and visual effects offset for the likes of Netflix, Amazon and other streaming services to produce content here in Australia. This is a significant sector that is exploding exponentially, and we are missing out on millions in export dollars and handing an advantage over to our competitors because of this historic anomaly.[76]

2.98 SPA submits also that the restriction of PDV offset to cinema and television broadcasting is outdated as these formats are no longer the dominant distribution channels and streaming services have now established a significant portion of the market.[77] SPA comments:

> Netflix has announced it is has a $6 billion war chest for content acquisitions and commissions. Amazon has also established a presence in Australia with a large acquisitions and commissioning budget. The technology-specific, outdated restriction limits the growth of the PDV sector by closing off streaming content from qualification.[78]

2.99 Animal Logic also submits that streamed television series should qualify for the location and PDV offsets as their exclusion is an unintended consequence of the legislation that was drafted in 2007.[79] Animal Logic comments:

> Since 2007, streaming services such as Netflix, Amazon and Stan have emerged, and films and television series made for streaming services are eligible for the Producer Offset and films are eligible for the Location Offset and PDV Offset. However, "television" series produced for those services are currently considered ineligible for the Location Offset and PDV Offset. This anachronism is an unintended drafting consequence for a format

76 Mr Borg, Managing Director, Fox Studios Australia Pty Ltd, *Committee Hansard*, Sydney, 19 July 2017, p. 14.

77 SPA, *Submission 86*, p. 24.

78 SPA, *Submission 86*, p. 24.

79 Animal Logic, *Submission 113*, p. 7.

> not contemplated at the time the legislation was drafted and the distinction does not exist in other countries.[80]

2.100 Screen Queensland also advises that eligibility for the location offset needs to include streaming platforms:

> … we also need to include content made for other platforms such as streaming video on demand that would otherwise meet the spend thresholds for the location offset to be included in the location offset. As the legislation was written before SVODs existed they are not eligible and as such we cannot attract work to this country unless it is created by Australians.[81]

The PDV offset should be decoupled from the location offset

2.101 There was considerable support for the decoupling of the location and PDV offsets to allow the same production to claim a rebate under both incentives. This is not allowed under the current rules.

2.102 Fox Studios Australia remarked that preventing access to both offsets for the same production is putting Australia at a competitive disadvantage versus virtually all other jurisdictions.[82]

2.103 Ausfilm noted that decoupling would not actually be required if both offsets were at the same level as post-production expenditure can be claimed against the location offset.[83]

2.104 Animal Logic recommends however that the location and PDV offsets be decoupled in the event that these offsets remain at different levels.[84] The proposition to decouple the location and PDV offsets is supported also by Australian Film & TV Bodies, MEAA, and the Victorian Government.[85]

2.105 The department informed the committee that it is very aware of the issues that have been raised regarding the location and PDV offset rules and that the effectiveness of these incentives in the current environment will be examined as part of the ongoing content review.[86]

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80 Animal Logic, *Submission 113*, p. 7.

81 Ms Tracey Vieira, CEO, Screen Queensland, *Committee Hansard*, Brisbane, 13 July 2017, p. 2.

82 Mr Borg, Managing Director, Fox Studios Australia Pty Ltd, *Committee Hansard*, Sydney, 19 July 2017, p. 14.

83 Ms Debra Richards, CEO, Ausfilm, *Committee Hansard*, Sydney, 20 July 2017, pp. 52-53.

84 Animal Logic, *Submission 113*, p. 5.

85 Australian Film & TV Bodies, *Submission 90*, p. 3; MEAA, *Submission 125*, p. 2; Victorian Government, *Submission 138*, p. 10.

86 Mrs Basser, Department of Communications and the Arts, *Committee Hansard*, Canberra, 16 June 2017, p. 4.

Conclusions

2.106 The location offset provides a rebate for the production of large-scale film and television productions in Australia, generally by foreign production companies. The current rate of the location offset is 16.5 per cent (raised from 15 per cent in 2011).[87]

2.107 The PDV offset provides a 30 per cent rebate on post, digital and visual-effects work done in Australia (ie, not principal photography) regardless of where the production was shot.[88] Hence, the PDV offset can also be accessed for production work by foreign production companies.

2.108 The eligible production formats are the same for the location and PDV offsets and include feature films, telemovies, and television series.[89] However, these two offsets cannot be claimed together for the same production nor applied for in conjunction with the producer offset.[90]

2.109 Notably however, for a television series to be eligible for a location or PDV offset under the current rules, it must be produced for free-to-air or subscription television.[91] Television series produced for online streaming platforms do not qualify at present.

2.110 There are no significant Australian content requirements to access the location or PDV offsets but there are minimum qualifying Australian production expenditure (QAPE) levels that must be reached.

2.111 The minimum QAPE level for the location offset is $15 million[92] and for the PDV offset is $500 000.[93]

2.112 The Australian Government also sometimes provides 'top-ups' to the location offset on a case-by-case basis to encourage large feature projects

87 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 9.

88 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 16.

89 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, pp. 9, 18.

90 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 14.

91 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 10.

92 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 9.

93 Department of Communications and the Arts, *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*, Canberra, 2015, p. 18.

to come to Australia. A recent example is the $22 million grant provided to Warner Bros Pictures in late 2016 to film *Aquaman* on the Gold Coast.[94]

2.113 The committee agrees that Australia's current location offset of 16.5 per cent is no longer internationally competitive when compared with offsets of 25 per cent in the UK and over 40 per cent in some parts of Canada among others. The committee also agrees that some of the eligibility requirements for the location and PDV offsets are now out-of-date.

2.114 The top-up funding that is sometimes provided by the Australian Government to supplement our lower location offset and attract large-scale international productions such as *Aquaman* is simply too ad hoc and uncertain.

2.115 The committee concludes that certainty of funding through an internationally competitive location offset will be required for Australia to be a financially viable destination for foreign production companies and agrees that this should be 30 per cent.

2.116 The format requirements that were enacted a decade ago to be eligible for the location and PDV offsets did not take account of the emergence of online platforms for screen content for obvious reasons. This now needs to be corrected however given the emergence of major multinational SVOD providers such as *Netflix* and *Amazon* and dominant role that they and others will continue to play in producing and distributing screen content.

2.117 The committee learned during the inquiry that the investment in new content planned by *Netflix* alone is enormous at $6 billion. Australian production companies should not be prevented from competing for some of this work because of out-of-date rules.

2.118 Many submitters to the inquiry also argued for a decoupling of the location and PDV offsets so that both could be claimed for the same production on the basis that it would enhance Australia's international competitiveness for overseas production work.

2.119 The committee agrees that this is a reasonable proposition and could attract post-production work to Australia on films that had already been shot here under the location offset. The committee understands that this decoupling measure would be redundant if the two offsets became equivalent but still regards it as a sensible reform in case the PDV offset was increased in the future.

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94 The Hon Scott Morrison MP, The Treasurer, and Senator The Hon Mitch Fifield, Minister for the Arts, joint media release, 15 December 2016, < http://sjm.ministers.treasury.gov.au/media-release/132-2016/> viewed 18 September 2017.

2.120 The committee is satisfied that the current PDV offset of 30 per cent is competitive with other jurisdictions and that the current QAPE minimum of $500 000 to access the PDV offset is appropriate.

2.121 It is vitally important to attract overseas production and post-production work to Australia on a continuing basis to sustain our screen industry into the future. Reforms to the location and PDV offsets will help to achieve this by placing Australia on a level playing field with other countries seeking to attract production work from overseas.

2.122 Analysis by the PBO has indicated that the foregone revenue to government from a 30 per cent location offset would be about $35 million per year over the forward estimates (Table A3 in Appendix D). This PBO advice also indicates a relatively small increase in QAPE resulting from the increased certainty of a higher location offset (Appendix D).

2.123 The PBO costings also indicate a negligible impact to the budget if a $5 million QAPE threshold was introduced for the location offset (Table A3, Appendix D). The committee believes that this measure should be introduced specifically for pilot shows as attracting these types of non-feature productions from the overseas, and the United States in particular, will be of great future benefit to the domestic industry.

Recommendation 2

2.124 **The committee recommends that the Australian Government makes the following changes to the location and post, digital and visual effects (PDV) offsets:**

- **Increase the location offset to an internationally competitive level of 30 per cent. This will eliminate the need for top-up grants and provide more financial certainty to overseas production companies considering Australia as a destination.**
- **Decouple the location and PDV offsets so that both can potentially be claimed for the same production.**
- **Provide in the legislation that productions commissioned for any content platform will be eligible for the location and PDV offsets if qualifying Australian production expenditure (QAPE) requirements are met.**
- **Reduce the minimum QAPE threshold for the location offset to $5 million specifically for pilot features.**

3

Australian content quotas

Introduction

3.1 The regulatory regime governing the Australian screen industry includes Australian content quotas, as well as sub-quotas for children's content, documentaries and Australian drama. These quotas apply to free-to-air broadcasters and pay television, and ensure a minimum amount of Australian screen content is produced and broadcast.

3.2 This regime was constructed to remedy a 'market failure'. Law-makers recognised that regulation and incentives were necessary to ensure Australians had access to a variety of recognisably-Australian screen content, because:

- the viewing audiences and markets for Australian content are small;
- Australian content is expensive to produce; and
- broadcasters have access to cheaper international content in English.[1]

3.3 The Explanatory Memorandum for the Broadcasting Services Bill 1992 (Cth) (the BSA) provides a context for why Australian governments value Australian screen content, and have traditionally supported quotas:

> The rationale for this provision is that it is widely accepted that television is a powerful medium with the potential to influence public opinion, and that television has a role to play in promoting Australians' cultural identity.[2]

3.4 Further, the regulations are designed to ensure Australians have access to screen content that 'reflects the multicultural nature of Australia's

1 Department of Communications and the Arts, Australian and Children's Screen Content Review, *Consultation Paper*, Canberra, August 2017, p. 1.

2 Broadcasting Services Bill 1992, *Explanatory Memorandum*, Current revised, p. 65.

population, promotes Australians' cultural identity and facilitates the development of the local production industry.'[3]

3.5 As well as legislating to ensure Australian content is shown on Australian screens, the current provisions 'provide for children to be specifically catered for in programming'.[4]

3.6 This chapter discusses the current quotas and regulations in relation to Australian content, including Australian children's and preschool children's ('C' and 'P') programming,[5] the role of the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS) in commissioning and broadcasting Australian content, and the issue of Australian content on subscription video on demand (SVOD) services.

The current quota system

Background

3.7 The BSA contains specific rules about the broadcast of, and/or expenditure on, Australian content. The current regulations require commercial television broadcasters to meet minimum transmission quotas of general Australian programming. These quotas are summarised in Table 3.1.

3 Broadcasting Services Bill 1992, *Explanatory Memorandum*, Current revised, p. 66.

4 Broadcasting Services Bill 1992, *Explanatory Memorandum*, Current revised, p. 66.

5 The Australian Communications and Media Authority (ACMA), *C and P programs*, <www.acma.gov.au/Industry/Broadcast/Television/Childrens-TV/c-and-p-programs-i-acma> viewed 30 August 2017.

Table 3.1 Content requirements for commercial free-to-air broadcasters

Content type	Minimum Australian content requirements
Overall	55 per cent of all programming broadcast each year between 6am and midnight
Australian adult drama	At least 250 points of first-release Australian drama programs broadcast each year
Australian C and Australian P programs	260 hours of C material broadcast each year 130 hours of P material broadcast each year 50 per cent of C programming must be first-release Australian C programs All P programs broadcast must be Australian programs
Australian C drama	At least 25 hours of first-release Australian C drama programs broadcast each year in the C time band 8 hours of repeat Australian C drama programs broadcast each year in the C time band
Australian documentary	20 hours of first-release Australian documentary programs broadcast each year between 6am and midnight

Source *Australian Communications and Media Authority (ACMA), Submission 64, p. 9.*

3.8 Broadcasters must also meet minimum sub-quotas for Australian documentary and drama:

- at least 20 hours of first-release Australian documentary programs annually, each of at least 30 minutes duration, between 6am and midnight;
- minimum amounts of first-release Australian drama, based on a points system:
  - ⇒ at least 250 points for first-release Australian drama each year and a score of 860 points for each triennium period.

3.9 The points system is detailed in Table 3.2.

Table 3.2 Points system for Australian drama, documentary and children's programs

Program type	Format Factor
Australian drama series or serial produced at the rate of more than one hour per week	1
Australian drama series or serial produced at the rate of one hour or less per week	2.5
Australian drama series or serial produced at the rate of one hour or less per week and acquired from an independent producer for a licence fee of at least $421 000 per hour (adjusted for CPI)	3
Australian feature film	2.5
Australian feature film that has been acquired for a licence fee of at least $211 000	4
Australian telemovie, mini-series or self-contained drama of less than 90 minutes duration	4

Source *ACMA, Submission 64, p. 5.*

3.10 A 'first-release program' is defined as a program that is 'first broadcast in the licence area if it has been acquired within 2 years of the completion of production of the program'.[6]

3.11 Drama programs from New Zealand can also be counted towards the Australian drama sub-quota and the children's drama-sub quota.[7]

3.12 Finally, commercial broadcasters are required to provide children's C and P programming. The 'C' and 'P' labels are derived from the classifications applied to children's content, where 'C' is children's content, suitable for children under the age of 14, and 'P' is preschool content. Commercial broadcasters must provide:

- 260 hours of children's (C) programs each year, including at least 25 hours of first-release Australian C drama and eight hours of Australian C drama that is not first-release; and
- 130 hours of P programming.[8]

3.13 Regional television networks must also provide 'local' content:

- minimum amounts of local (regional) content (this provision is only relevant to some regional commercial television broadcasters):
- a minimum of 720 points per six-week period; and
- a minimum requirement of 90 points per week. Local content can either relate to the licensee's licence area, or to a smaller local area within the licensee's licence area.[9]

3.14 There are additional requirements in relation to children's content that prescribe what commercial television networks can show and when. The following restrictions also apply:

- 50 per cent of C programs must be first-release Australian C programs and all P programs must be Australian;
- C and P programs must be shown within designated time bands:
  - ⇒ C programs, between 7am-8.30am and 4pm-8.30pm Monday to Friday and between 7am – 8.30pm Saturday, Sunday and School holidays; and
  - ⇒ P programs, between 7am – 4.30pm Monday to Friday.

6 *Broadcasting Services (Australian Content) Standard 2016*, Part 4, Section 8, 'What is a first release program', p. 9.

7 ACMA, *Submission 64*, p. 9.

8 ACMA, *Submission 64*, p. 9.

9 ACMA, *Submission 64*, p. 9.

- A minimum of 30 minutes of P material must be shown in P time periods every weekday and a minimum of 30 minutes of C material must be shown every weekday between certain times; and
- While there is no stipulated number of hours for first-run P programs, the ACS states that: 'A P program must not be broadcast more than 3 times in a period of 5 years'.[10]
- All C and P programs must be classified by the Australian Communications and Media Authority (ACMA) before being shown. To achieve a C or P classification a show must be 'entertaining' and 'well produced', and be content that 'enhances the understanding of children (or preschool children) and is appropriate for children (or preschool children)'.[11]

3.15 The following advertising restrictions apply to C and P programming:

- no advertisements can be shown during P programs;
- there are specific time limits on advertising during C program; and
- advertisements must be suitable for children, and cannot be broadcast more than twice in half an hour.[12]

3.16 The BSA also requires subscription television licensees and channel suppliers that provide drama channels to invest at least 10 per cent of their total program expenditure on new Australian drama.[13] There is no stipulation that they must broadcast the content.

3.17 The BSA does not include SVOD services and any service that makes programs available via the internet, meaning that these platforms are not currently required to broadcast or invest in Australian content.[14]

ABC and SBS

3.18 The ABC and SBS are exempt from the Australian content quotas and are instead regulated by their respective charters.

3.19 The ABC charter requires it to broadcast 'programs that contribute to a sense of national identity and inform and entertain, and reflect the cultural

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10 *Broadcasting Services (Australian Content) Standard 2016*, 'C Programs and P Programs', Part 8, Section 14, p. 16.

11 ACMA, *Children's Television Standards*, <www.acma.gov.au/Citizen/TV-Radio/Television/Kids-and-TV/childrens-television-standards-kids-tv-and-advertising-i-acma> viewed 9 October 2017.

12 ACMA, *Children's Television Standards*, <www.acma.gov.au/Citizen/TV-Radio/Television/Kids-and-TV/childrens-television-standards-kids-tv-and-advertising-i-acma> viewed 9 October 2017.

13 ACMA, *Submission 64*, p. 1

14 ACMA, *Submission 64*, p. 11.

diversity of, the Australian community', but does not stipulate specific local content quotas.[15]

3.20 SBS's charter does not overtly state that it should produce Australian content but stipulates that SBS must:

> … contribute to extending the range of Australian television and radio services, and reflect the changing nature of Australian society, by presenting many points of view and using innovative forms of expression.[16]

3.21 ABC and SBS do invest significantly in Australian programing including drama and documentaries, as according to the department:

> Between 2011–12 to 2015–16, the ABC has provided an average of 60 per cent Australian programming between 6am and midnight on ABC1 over the last five years, with a rate of 70 per cent in 2015-16. The SBS has provided an average of 44 per cent of Australian programming between 6pm to midnight on SBS1 between 2011–12 to 2015–6, with a rate of 39.3 per cent in 2015-16.[17]

Compliance

3.22 Compliance with the broad Australian content quota is high. Table 3.3 demonstrates that the commercial networks exceed the 55 per cent requirement, achieving 60 to 70 per cent Australian content over a 5-year period.[18]

Table 3.3 2012–2016 Australian content compliance results published by the ACMA

Quotas on commercial free-to-air television	**Australian programs on primary channel (5 year average)**	**Australian programs on non-primary channels (5 year average)**	**First-release Australian documentary (5 year average)**	**First-release Australian drama (triennial score 2014-2016)**
Minimum requirement	55%	1 460 hours	20 hours	860 points (over three years)
Seven	70%	3 561	65	883
Nine	70%	1 984	24	870
Ten	62%	3 392	31	874

Source *Department of Communications and the Arts, Australian and Children's Screen Content Review, Consultation Paper, August 2017, p. 7.*

15 *The ABC Charter*, <about.abc.net.au/how-the-abc-is-run/what-guides-us/legislative-framework> viewed 30 August 2017.

16 *About Us: SBS Charter*, SBS website, <www.sbs.com.au/aboutus/corporate/index/id/25/h/sbs-charter> viewed 31 August 2017.

17 Department of Communications and the Arts, Australian and Children's Screen Content Review, *Consultation Paper*, August 2017, Attachment B, p. 16.

18 Detailed data on compliance with the quotas is available in ACMA, *Submission 64.*

3.23 The ACMA submits that regional commercial television licensees record 'a high level of compliance with the regional local content obligations' which has been so consistent that it adjusted the local content licence condition in 2014 so that reporting was no longer required.[19]

3.24 In relation to the first release drama quota, the commercial free-to-air broadcasters tend to meet the quota, but not exceed it significantly.[20]

3.25 The ACMA confirmed in relation to the children's sub-quota that commercial free-to-air networks broadcast 'only the minimum that they are obliged to'. Table 3.4 provides these details.[21]

Table 3.4 2012–2016 Australian content compliance results – children's content

Quotas on commercial free-to-air television	First-release Australian children's drama (triennial score 2012-2014)	First-release Australian children's programs (5 year average)	All children's programs (5 year average)	All Australian preschool programs (5 year average)
Minimum requirement	96 hours	130 hours	260 hours	130 hours
Seven	97 hours	130 hours	261 hours	131 hours
Nine	92 hours	129 hours	310 hours	131 hours
Ten	97 hours	131 hours	262 hours	131 hours

Source Department of Communications and the Arts, Australian and Children's Screen Content Review, Consultation Paper, August 2017, p. 7.

3.26 Pay television broadcasters are also meeting their quota. The expenditure quota imposed on pay television is called new eligible drama expenditure (NEDE). It provides flexibility for pay television producers to show the Australian content they produce on whatever channel they like. The ACMA indicates that compliance with the NEDE is satisfactory.[22]

3.27 The NEDE scheme is structured according to an 'accrual expenditure model' and runs over a rolling three-year cycle. The ACMA provides the following example in its submission to demonstrate how the scheme functions:

> For example, where a scheme participant's expenditure for a given year is under 10 per cent, the participant must spend an amount

19 ACMA, *Submission 64*, p. 9.

20 Department of Communications and the Arts, *Australian and Children's Screen Content Review Consultation Paper*, August 2017, p. 7.

21 Ms Jennifer McNeill, General Manager, Content, Consumer and Citizen Division, ACMA, *Committee Hansard*, Canberra, 16 June 2017, p. 13.

22 ACMA, *Submission 64*, p. 8.

equal to the shortfall in the next financial year on new Australian drama, at a minimum. Where a participant's expenditure is over 10 per cent (and any existing shortfall expenditure) the excess may be nominated as 'carry-forward expenditure' and used in the following financial year.[23]

3.28 Table 3.5 provides the NEDE expenditure for the last five years.

Table 3.5 New eligible drama expenditure results 2011–2012 to 2015–2016

	2011-2012 ($m)	2012-2013 ($m)	2013-2014 ($m)	2014-2015 ($m)	2015-2016 ($m)
New eligible drama expenditure requirement	$28.82	$33.41	$28.57	$31.28	$32.79
Expenditure on new eligible drama	$24.38	$13.70	$36.81	$36.43	$51.23
Expenditure nominated to make up previous year's shortfall	$6.81	$6.41	$25.76	$18.06	$15.44
Expenditure nominated towards current year's 10 per cent requirement	$22.53	$6.42	$10.14	$12.47	$27.21
Remaining obligation to be acquitted in the next financial year	$6.41	$25.76	$18.06	$15.44	$2.44

Source *ACMA, Submission 64, p. 8.*

Reforming the quotas

Moving to an expenditure-based system

3.29 There were various proposals during the inquiry to reform the current hours-based Australian content quota system.

3.30 Seven West Media stated that broadcasters struggle with the hours-based quotas because people no longer want to consume content, particularly drama, through live broadcast, preferring to 'wait and record it all or stream it all'.[24]

3.31 The Australian Children's Television Foundation (ACTF) stated that the time-slot specific, hours-based quotas currently imposed on the

23 ACMA, *Submission 64*, p. 8.

24 Ms Therese Hegarty, Director of Content Distribution and Rights, Seven West Media, *Committee Hansard*, Sydney, 20 July 2017, p. 28.

commercial broadcasters 'are anachronistic'. They proposed a number of other solutions, including 'tradable' quotas.[25]

3.32 The Australian Council on Children and the Media (ACCM) argued that the hours-based quotas are no longer serving children either, as they are 'too easily circumvented'.[26] The ACCM proposed consideration of an alternative system of spending requirements and funding measures 'to ensure that the content is produced and finds its audience'.[27]

3.33 The Victorian Government submits that the current regulatory framework is failing to serve its audience as intended, because in order to be counted as Australian content only need to be produced by Australians, and may in fact be aimed at an international audience. It states that 'alternative approaches should be considered to ensure that Australian stories are produced primarily for Australian children'.[28]

3.34 Ms Patricia Edgar argues in her submission to the Australian and Children's Screen Content Review that the ABC should be funded and directed to provide content for children aged two to nine years old, and that children aged ten to 16 years should be served by 'a new multi-platform service appropriate to their needs and interests'.[29] She proposes that this should be financed through both public and private funding mechanisms, including a levy on the free-to-air commercial broadcasters of $10 million a year.[30]

3.35 SPA supports the idea of a contestable children's screen content fund to which the free-to-air broadcasters would be obliged to contribute.[31]

3.36 The ACTF also argued that this would allow one or two of the broadcasters to 'commission quality and distinctive Australian programs', rather than what they called 'three commercial broadcasters doing a lousy job'.[32]

3.37 The ACCM also proposed introducing an expenditure-based requirement, which they argue would be harder to 'water down' than the hours-based

25 Ms Jenny Buckland, Chief Executive Officer, the Australian Children's Television Foundation (ACTF), *Committee Hansard*, Melbourne, 26 July 2017, p. 53.

26 Professor Elizabeth Handsley, President, the Australian Council on Children and the Media (ACCM), *Committee Hansard*, Canberra 16 August 2017, p. 16.

27 Professor Handsley, President, ACCM, *Committee Hansard*, Canberra, 16 August 2017, p. 16.

28 Victorian Government, *Submission 138*, p. 7.

29 Ms Patricia Edgar, 'What really happened to Australian Children's Television? And where to from here?', *Submission to the Australian and Children's Screen Content Review*, July 2017, p. 3.

30 Ms Edgar, 'What really happened to Australian Children's Television? And where to from here?', *Submission to the Australian and Children's Screen Content Review*, July 2017, p. 3.

31 SPA, *Submission 86*, p. 15.

32 Ms Buckland, CEO, ACTF, *Committee Hansard*, Melbourne, 26 July 2017, p. 54.

quotas, which it argues in the case of children's content are being filled with cheap animation.[33]

3.38 The MEAA refers to the 2012 Convergence Review's recommendation to establish a 'Converged Content Fund', which would be funded by a percentage of total revenues from 'eligible content service enterprises invested in Australian dramas, documentaries and children's programs'.[34]

3.39 However, Flying Bark criticised this popular proposal, saying that a content fund would effectively be 'reducing the mechanism of competition', meaning producers would have a reduced market for their content.[35]

3.40 In relation to quotas for subscription television, SLR Productions proposes in its submission that the expenditure requirements for Australian children's drama on pay television networks should be increased.[36]

Children's quotas

3.41 The ACMA submits that the children's television quotas should be *reviewed* to ensure they are still fit-for-purpose, due to:

- changes in children's viewing behaviours, including a shift away from commercial television to dedicated children's channels on the ABC and pay television; and
- the fact that, under the current regulatory framework, children's programming is uncommercial.[37]

3.42 Research from the ACMA indicates however that while live broadcast television watching is decreasing it is still dominant among younger children.[38]

3.43 Changes in children's viewing habits are summarised by the Australian and Children's Screen Content Review as follows:

> The viewing habits of Australian children are also undergoing particularly rapid change. Very young children are watching ABC 2 and ABC ME in preference to commercial free-to-air stations, with two out of three parents reporting their children aged under 15 prefer watching children's programs on ABC channels. Overall, children are slowly migrating away from television and 2016 was

33 Professor Handsley, President, ACCM, *Committee Hansard*, Canberra, 16 August 2017, p. 18.
34 MEAA, *Submission 125*, p. 3.
35 Ms Stephen, Flying Bark Productions, *Committee Hansard*, Sydney, 20 July 2017, p. 68.
36 SLR Productions, *Submission 137*, p. 4.
37 ACMA, *Submission 64*, p. 1.
38 ACMA, *Communications report 2015-16, p. 5.*

> the first year in which the total time Australian children spent online on computers, tablets or mobile devices exceeded the time they spent watching television.[39]

3.44 The commercial broadcasters do not argue for changes to the general local content quota of 55 per cent, which they all exceed, but are all of the view that the children's sub-quotas should be abolished or dramatically reformed.[40]

3.45 Nine Entertainment Co. argues that existing regulation is 'based on the previously prominent position of the FTA networks', where they were considered 'an essential service or public utility', and that this is no longer relevant in a context with more players in the game.[41]

3.46 Free TV Australia submits that the Australian content obligations are 'onerous and rigid' and put the commercial broadcasters at a competitive disadvantage.[42]

3.47 Network Ten commented that commercial broadcasters cannot monetise children's content because of the time bands in which it must be shown, and the restrictions around advertising.[43]

3.48 Flying Bark Productions reject the idea that children's content is uncommercial however and commented that its business is dependent on monetizing children's content.[44]

3.49 Flying Bark suggested that the commercial broadcasters were not being inventive enough to tap into what she called the 'multibillion dollar children's entertainment services industry'. It proposed that the broadcasters could 'drive a sustainable service for children through investigating new models'.[45]

3.50 Ms Edgar comments in her submission to the content review that broadcasters need to accept that children's programming may not always be commercial:

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39 Department of Communications and the Arts, Australian and Children's Screen Content Review, *Consultation Paper*, August 2017, p. 4.

40 Ms Longstaff, Acting CEO, Free TV Australia, *Committee Hansard*, Sydney 20 July 2017, p. 45. See also Seven West Media, *Submission 128*, p. 2; Network Ten Pty Ltd, *Submission 130*, p. 2; and Nine Entertainment Co., *Submission 134*, p. 11.

41 Nine Entertainment Co., *Submission 134*, p. 11.

42 Free TV Australia, *Submission 135*, p. 2.

43 Mr Paul Anderson, Chief Executive Officer, Network Ten, *Committee Hansard*, Sydney, 20 July 2017, p. 33.

44 Ms Barbara Stephen, Managing Director, Flying Bark Productions, *Committee Hansard*, Sydney, 20 July 2017, p. 68.

45 Ms Stephen, Flying Bark Productions, *Committee Hansard*, Sydney, 20 July 2017, p. 66.

> It is understood the best children's media programs will not necessarily pay their way. Just as we need to subsidise schools, we need to subsidise the programs that will support the development and enlightenment of young children.[46]

3.51 The ACTF submits that without the quotas, broadcasters will not make children's content at all:

> Broadcasters can import children's content for a fraction of the cost of production of local content …With an infinite supply of cheap or free content, there is little incentive for a commercial broadcaster to invest in quality, locally made children's programs.[47]

3.52 The ACCM maintains that the quotas 'are beneficial for children', providing 'a minimum amount of quality, age appropriate, entertaining, life-enhancing and culturally-relevant content for Australian children'.[48]

3.53 Dr Anna Potter referred the committee to the example of the United Kingdom, where she said children's quotas were removed in 2003 and have recently been reinstated:

> The children's television industry was decimated; spending dropped by 90 per cent on local children's television. Just this year, Ofcom have reintroduced those quotas.[49]

3.54 Network Ten argued that children's television production 'should be the remit of the national broadcasters, ABC and SBS'.[50]

3.55 The ACCM criticised the suggestion that children's television should be entirely left to the ABC and SBS, however, and argued this 'would mean only one program would be available at any given time', leaving children with no choice or diversity of content.[51]

The move to animation

3.56 Broadcasters are increasingly fulfilling their children's drama content quota obligations by showing animation rather than live-action drama.

3.57 The ACTF identifies the introduction of the PDV Offset as one of the reasons for this move:

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46 Ms Edgar, 'What really happened to Australian Children's Television? And where to from here?', *Submission to the Australian and Children's Screen Content Review*, July 2017, p. 33.

47 ACTF, *Submission 91*, p. 5. See also, Dr Anna Potter, *Submission 97*, p. 3.

48 ACCM, *Submission 126*, p. 2.

49 Dr Anna Potter, *Committee Hansard*, Brisbane, 13 July 2017, p. 11.

50 Mr Paul Anderson, CEO, Network Ten, *Committee Hansard*, Sydney, 20 July 2017, p. 32. See also, Mr Marks, CEO, Nine Entertainment Co., *Committee Hansard*, Sydney, 20 July 2017, p. 38.

51 Professor Handsley, President, ACCM, *Committee Hansard*, Canberra, 16 August 2017, p. 18.

> [Access to the] PDV Offset meant that animated series that were commissioned for lower licence fees than Screen Australia required, were able to access Commonwealth support … The outcome is that whereas the C drama quota previously showcased a range of Australian drama for children, animated drama with (frequently with generic or 'international' settings) now dominates.[52]

3.58 The Australian and Children's Screen Content Review *Consultation Paper* confirms that 10 out of the 14 domestic children's titles produced in 2015–16 were animated, and most accessed the 30 per cent PDV Offset instead of the 20 per cent producer offset for television.[53]

3.59 The *Consultation Paper* notes also that 2016 saw only eight hours of live-action children's drama broadcast under the quotas, compared to 84 hours of animated children's drama.[54]

3.60 The ACTF suggests this is a problem because Australian animations are largely being made for a global audience and 'rarely contribute to the audience's developing Australian identity'.[55]

3.61 The ACCM stated that animation:

> …doesn't have that capacity to represent to Australian children their own life and their own environment in a way that enables them to feel that extra level of engagement and to have the opportunities to reflect on their own culture and their own environment and to find their place in it better.[56]

3.62 While some animation includes Australian storylines, accents and characters, Dr Potter claims that 'most animated series produced to fill the CTS quota carry no recognisable Australian content'.[57]

3.63 Dr Potter argued that this is counter to the policy intent of the quotas, because international-style animations are being used to fill content quotas 'that were put in place expressly to support identifiably Australian content'.[58]

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52 ACTF, *Submission 91*, p. 8.

53 Department of Communications and the Arts, Australian and Children's Screen Content Review, *Consultation Paper*, August 2017, p. 8.

54 Department of Communications and the Arts, Australian and Children's Screen Content Review, *Consultation Paper*, August 2017, p. 8.

55 ACTF, *Submission 91*, p. 8.

56 Professor Handsley, President, ACCM, *Committee Hansard*, Canberra, 16 August 2017, p. 16.

57 Dr Anna Potter, *Submission 97*, p. 5.

58 Dr Potter, *Committee Hansard*, Brisbane, 13 July 2017, p. 15.

3.64 Flying Bark Productions defends animation as a valid form of Australian content and cautions against taking a narrow view of what is 'Australian'. Flying Bark states that it produces animated content which:

> …reflects the diversity of identities that makes someone Australian. What is critical in these programs is that we 'hear or see' Australians on our screens, and that our storytelling reflects our sense of humour, values and diversity in characters and settings wherever possible.[59]

3.65 The Media, Entertainment and Arts Alliance (MEAA) recommends:

> A study should be commissioned to determine whether separate caps are required for children's animation and conventional children's live action drama as a means of preserving live action children's drama as a total proportion of Australian content obligations.[60]

Inclusion of on-demand platforms

3.66 Australian and children's content quotas do not apply to internet-based and SVOD providers in the Australian market, such as Netflix and Stan. A number of submissions recommend that this be changed.[61]

3.67 The Victorian Government proposes that the current inability to apply the quotas to SVOD services 'appears contrary to the original intent' of the legislation. It submits:

> SVOD services fall outside the definition of a 'broadcasting service' because they deliver content via the internet not spectrum. Subsequently, new players in the screen content landscape such as Netflix are not subject to content quotas (or a range of other regulation) imposed on traditional television broadcasters. This appears contrary to the original intent of the *Broadcasting Services Act 1992*, which was to apply a simple regulatory regime to television 'irrespective of the technical means of delivery'.[62]

3.68 Submitters to this inquiry make various suggestions for imposing local content regulation on the SVOD sector, including:

- implementing an Australian children's quota on all new and emerging platforms such as Netflix, Amazon, Stan and YouTube;[63]

59 Flying Bark Productions, *Submission 141*, pp. [8-9].

60 MEAA, *Submission 125*, p. 3.

61 See for instance: SPA, *Submission 86*, p. 15; Kapow Pictures, *Submission 48*, p. [2]; MEAA, *Submission 125*, p. 2; and SLR Productions, *Submission 137*, p. 5.

62 Victorian Government, *Submission 138*, p. 4.

63 SLR Productions, *Submission 137*, p. 5.

- requiring SVOD providers to invest a proportion of Australian revenues into local content production;[64] and/or
- introducing 'technology neutral regulation' that captures online subscription services.[65]

3.69 The ACMA submits that the lack of regulation of SVOD providers 'has implications both for the efficacy of the interventions themselves and for the impact of those obligations on the competitive environment'.[66]

3.70 SPA argues that current content obligations 'should also be extended to SVOD services or other digital platforms' to ensure they invest in local children's content.[67]

3.71 Nine Entertainment Co. described imposing quotas on new services as 'a real danger' however, describing it as 'inflexible regulation' that would 'be very detrimental to the development of those businesses'.[68] Nine Entertainment Co. also provided figures suggesting Stan, which it part owns, is increasing its local content year on year without a quota:

> …in 2015 they did three hours, and that has increased to nine hours of local content in 2016, and in 2017 it's 21 hours, so it's growing.[69]

3.72 Dr Potter recommended that any new regulatory system arising from the review should impose a 'funding obligation' onto all providers of screen content, including SVODs. She added that 'they are making money out of this country, so why not invest something in local content.'[70]

3.73 The government previously explored the idea of imposing quotas on new market entrants, such as SVOD providers, in the 2012 Convergence Review which proposed a model based on investing a percentage of the companies' revenues in Australian content. The report argues that this approach provides 'a measure that is consistent with all businesses and content delivery models'.[71]

3.74 The quotas currently imposed on subscription television provide an example of an expenditure-based quota in practice. The ACMA regulates

64 MEAA, *Submission 125*, p. 2.

65 Create NSW, *Submission 142*, p. 9.

66 ACMA, *Submission 64*, p. 11.

67 SPA, *Submission 86*, p. 15.

68 Mr Marks, CEO, Nine Entertainment Co., *Committee Hansard*, Sydney, 20 July 2017, p. 41.

69 Ms Clare Gill, Director of Regulatory Affairs, Nine Entertainment Co., *Committee Hansard*, Sydney, 20 July 2017, p. 41.

70 Dr Potter, *Committee Hansard*, Brisbane, 13 July 2017, p. 15.

71 Australian Government, *Convergence Review: Final Report*, Canberra, March 2012, p. 65.

the quota, which provides flexibility to the business to determine how and even when expenditure occurs, within limits.[72]

3.75 The ACTF submission recommends that the government establish a new regulatory framework for all commercial screen content distribution platforms that is 'platform agnostic', applies to all commercial services in the market, and includes an Australian children's content obligation. It also supports an companying 'contestable fund' that would provide:

> …adequate provision of discrete government funding to a contestable content fund for the production of original, high-quality Australian children's drama.[73]

Conclusions

3.76 Australian content quotas apply to the commercial free-to-air television broadcasters. The quotas stipulate that no less than 55 per cent of programming is Australian, and set sub-quotas for specific genres, including documentary, drama and children's content. An expenditure-based drama quota also applies to subscription television providers that provide drama channels, such as Foxtel.

3.77 Commercial broadcasters are required to provide children's C and P programming. 'C' is children's content, suitable for children under the age of 14, and 'P' is preschool content. Commercial broadcasters must provide:

- 260 hours of children's (C) programs each year, including at least 25 hours of first-release Australian C drama and eight hours of Australian C drama that is not first-release; and
- 130 hours of P programming.[74]

3.78 Commercial broadcasters are also currently required to broadcast first-release Australian drama according to a points system.

3.79 Each broadcaster must achieve a score of at least 250 points for first-release Australian drama each year. Australian programs used to fill this quota are worth between one and four points, depending on the type of content and the licence fees paid. For instance, long-running series dramas are worth one point, whereas an Australian telemovie or miniseries is worth 4 points.[75]

3.80 Under the current system of regulation, the commercial broadcasters each show approximately 390 hours of Australian content for children on an

72 ACMA, *Submission 64*, p. 8.

73 ACTF, *Submission 91*, p. 13.

74 ACMA, *Submission 64*, p. 9.

75 ACMA, *Submission 64*, p. 5. See Table 1 on page 4 of this chapter for a detailed breakdown.

annual basis.[76] The ABC is currently showing approximately 3400 hours of Australian content for children per year across all of its channels.[77]

3.81 There are currently no quotas imposed on the ABC or SBS.[78] There are also no quota obligations for SVOD providers such as Netflix and Stan.

3.82 The quota system plays an important role in sustaining the television production industry in Australia. Some groups advised that if the quotas were removed the production of Australian drama, particularly children's programs, would be dramatically reduced.

3.83 Evidence from the ACMA to the inquiry indicates however that the existing regulations:

- do not account for the new ways that viewers are consuming screen content, such as through catch up services and on-demand or 'binge' watching; and
- because of a loophole in the legislation, do not apply to new market entrants whose services are internet-based, including SVOD providers like Netflix and Stan.[79]

3.84 Free-to-air broadcasters all meet their drama quotas and Australian drama and other content remains popular.

3.85 Australian drama is vital for the production industry in Australia and is important for Australian viewers. Current levels of expenditure on Australian drama must therefore be maintained in any revised quota system.

3.86 Large internet-based screen content providers such as Netflix are already taking a significant share of the Australian viewing audience and this share will most likely rise quickly in the future.

3.87 Documentary is also a valuable genre in the Australian screen content landscape and should continue to be produced and broadcast.

3.88 The committee notes that reality television is very prominent on commercial broadcasters. This is a bona fide genre that is popular with Australian families and provides significant employment opportunities for the screen workforce. Reality shows should not be discriminated against by any future reforms to the quota system.

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76 ACMA, *Submission 64*, p. 9.

77 Mr Anderson, Director Television, Australian Broadcasting Corporation (ABC), *Committee Hansard*, Canberra, 16 June 2017, p. 21.

78 ACMA, *Submission 64*, p. 9.

79 ACMA, *Submission 64*, p. 11.

3.89 The viewing habits of children appear to be moving away from the commercial channels but the committee does not support the complete removal of children's content obligations from commercial broadcasters.

3.90 There is also no requirement to produce children's live-action drama under the current Australian content rules and the commercial networks are increasingly using animation to comply with this particular sub-quota.[80]

3.91 There are many quality animations being produced but live-action drama must continue to be part of the mix of content produced for children.

3.92 The ABC should not become the only destination for children's viewing on free-to-air television. Not all children have access to pay television and subscription content services and therefore will benefit from a variety of content options on different free-to-air broadcast channels.

3.93 Some changes to the children's quota system are warranted however, given the changes in viewing trends. The committee therefore supports reforms to the current sub-quota system for C and P content but only if they continue to ensure access to a variety of quality Australian content for children, particularly live-action drama, across different platforms.

3.94 A review of the hours-based quota for first-release children's screen content would also be worthwhile. However, any reduction in this quota obligation would have to be replaced with a system for ensuring the continued production of new, high quality Australian content for children.

3.95 The committee would support a contestable fund as an alternative approach to an hours-based sub-quota for new children's content. Contributions to this fund would need to be made by the commercial broadcasters to finance the creation of quality Australian children's programs into the future.

3.96 In addition, all commercial content providers in the Australian market, including SVOD providers, should invest some of the revenue they earn in Australia on producing new Australian content, including children's content.

3.97 In summary, Australia's content quota system should:

- be platform neutral;
- apply to new market entrants;
- consider moving, at least in part, to an expenditure-based system for new-release children's material; and

80 Department of Communications and the Arts, Australian and Children's Screen Content Review, *Consultation Paper*, August 2017, p. 8.

- ensure that a variety of high-quality Australian content for children continues to be available across different platforms.

Recommendation 3

3.98 **The committee recommends that any future reforms to Australia's content quota system ensure that commercial and subscription television companies continue to invest in and broadcast Australian programs for general audiences at current levels. In addition, the new quota system should provide that subscription video on demand services invest a percentage of the revenues they earn in Australia, for example 10 per cent, in new Australian content.**

Recommendation 4

3.99 **The committee recommends that the children's content sub-quotas be reformed in light of current viewing trends but continue to ensure access to a variety of quality Australian content for children, particularly live-action drama, across all platforms.**

Recommendation 5

3.100 **The committee recommends that the Australian Government reviews the hours-based quota for first release children's screen content and considers replacing some or all of this quota obligation with a contestable fund to support the creation of quality Australian children's programs into the future.**

New Zealand content

Analysis

3.101 Under the current rules, New Zealand productions can be used to count towards Australian screen content quotas. This is as a result of the *Australia-New Zealand Closer Economic Relations Trade Agreement*, which does not contain a 'cultural exception' that is often included to allow countries to protect their cultural industries.[81]

3.102 New Zealand programs can also count as first-release under the quota system because they are being shown for the first time in Australia.[82]

3.103 Australian broadcasters are showing what SPA considers to be a *substantial* amount of New Zealand content as Australian content: 180 hours in 2014 and 135 in 2015.[83]

3.104 Data provided by the ACMA confirm that, while the overall proportion of content derived from New Zealand and shown on the networks is low (less than 1 per cent for the three major free-to-air broadcasters), it is higher for the sub-quotas.[84]

3.105 According to the ACMA, Ten provided almost 19 per cent New Zealand content towards its first-release children's drama content quota in 2016, which equates to 5 hours.[85]

3.106 SPA suggested that the loophole allowing New Zealand programs to count as first run in Australia could be closed by requiring the definition to be 'first released worldwide'.[86]

Conclusions

3.107 Australian television broadcasters can use New Zealand programs to acquit their quota obligations including first-release requirements because they are being shown for the first time in Australia.[87]

3.108 The regulations should require that all first-released content used to meet Australian quota obligations must not have been previously broadcast in another country.

Recommendation 6

3.109 **The committee recommends that first-release be redefined to mean first broadcast anywhere in the world.**

81 Screen Producers Australia (SPA), *Submission 86*, p. 13.

82 SPA, *Submission 86*, p. 13.

83 SPA, *Submission 86*, p. 13.

84 AMCA, *Supplementary Submission 64.2*, p. [1].

85 AMCA, *Supplementary Submission 64.2*, p. [3].

86 Mr Matthew Deaner, CEO, Screen Producers Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 32.

87 SPA, *Submission 86*, p. 13.

Quotas for the ABC and SBS

Analysis

3.110 There are concerns that the ABC may have recently reduced its commitment to producing children's content and proposals from many in the industry that quotas should be imposed on the ABC and SBS to ensure that quality programming will continue to be available for Australian children.

3.111 SPA argues that the ABC has 'been reducing' its expenditure on children's content and that there is 'no guarantee that the ABC will maintain their commitment to children's content in the future'.[88]

3.112 The ACTF also stated that the ABC was reducing its targets for children's programming:

> The ABC set a target of achieving 40% Australian content on ABCME's launch date, with a target of 50% local content by 2010. But in 2015/16, ABC executives indicated that they were working towards a significantly diluted target of 25% Australian content across both children's channels.[89]

3.113 The MEAA recommends that the ABC and SBS charters should be amended so that each is obliged to provide 'quality Australian drama, including children's drama', and report on their 'investment and production outcomes' through their annual reports.[90]

3.114 Dr Potter argued that without any quota or obligation, the ABC is 'free to withdraw funding from its children's services without public consultation or scrutiny'.[91]

3.115 The ACTF argues that a well-resourced ABC is critical for children, and that the ABC needs to have clear commitments to delivering children's content, further stating:

> Investment in local children's content production by the ABC mitigates the risk of a failure by the market to provide distinctly Australian content suitable for child audiences.[92]

3.116 The ACTF cites the example of the United Kingdom quotas for the BBC as a possible model for Australia:

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88 SPA, *Submission 86*, p. 14.

89 ACTF, *Submission 91*, p. 10.

90 MEAA, *Submission 125*, p. 3.

91 Dr Potter, *Submission 97*, p. 7.

92 ACTF, *Submission 91*, p. 10.

> Interestingly, the regulator in the UK has just suggested numbers of hours for the BBC. It's suggested that the BBC should do 100 hours of brand-new British content for preschoolers every year and 400 hours of brand-new British content for older children every year.
>
> ...
>
> I think they're good numbers.[93]

3.117 The ACCM went further, suggesting that the ABC should be held to providing at least a 50 per cent Australian content for its child audiences, and that 50 per cent of drama should be live-action.[94]

3.118 The ABC does not support a quota being imposed upon it:

> I think the ABC's position is that we do not think that applying quotas to the ABC is good. Apart from interfering with our independence as an independent broadcaster, I am not sure you get good outcomes with quotas. I am not convinced of that for the ABC, across all of its services.[95]

3.119 The ABC clarified also that while it is seeking to increase its Australian production in 2018 it does not set specific hours-based targets for local content, preferring to allow for flexibility in its editorial decisions based on the availability of high quality content across genres.[96]

3.120 The ABC also stated that it broadcasts over 3 400 hours of Australian children's content per annum – much more than the commercial broadcasters, [97] who broadcast around 400 hours each.

3.121 Interestingly, SBS welcomes the idea of a quota being placed upon it, but only if adequate funding is provided to cover the costs. It recommends the government:

> Consider a fully-funded content quota for SBS to support the further development of multicultural, multilingual and Indigenous children's content.[98]

3.122 The ACTF talked about the positive contribution to children's television that SBS is making through their Indigenous network, NITV. The ACTF stated:

93 Ms Buckland, CEO, ACTF, *Committee Hansard*, Melbourne, 26 July 2017, p. 52.

94 Professor Handsley, President, ACCM, *Committee Hansard*, Canberra, 16 August 2017, p. 19.

95 Mr David Anderson, Director Television, ABC, *Committee Hansard*, Canberra, 16 June 2017, p. 25.

96 Mr Anderson, Director Television, ABC, *Committee Hansard*, Canberra, 16 June 2017, p. 20.

97 Mr Anderson, Director Television, ABC, *Committee Hansard*, Canberra, 16 June 2017, p. 20.

98 Special Broadcasting Service (SBS), *Submission 133*, p. 1.

> If NITV were actually provided with a bit more funding, they could probably do some terrific stuff. They will go on to share some of that content with the ABC.[99]

Conclusions

3.123 The ABC charter specifies that it has a role in broadcasting programs of an educational nature but does not oblige the ABC to provide content specifically for children.[100] The SBS charter does not contain this requirement either.

3.124 The ABC now holds a dominant position in television entertainment for Australia's children, particularly pre-schoolers, and community feedback to members of the committee has confirmed that the ABC is the primary source of programming for their children. The committee appreciates and values this important contribution and for this reason believes that it must be maintained.

3.125 The editorial independence of the ABC should be preserved but the ABC charter should require a specific hourly commitment to children's programming that reflects its already strong commitment to children's television.

Recommendation 7

3.126 **The committee recommends that the charter for the Australian Broadcasting Corporation be amended to require a minimum hours-based quota for first release children's screen content. This reflects the ABC's strong commitment to children's television and community feedback indicating that the ABC has become the primary provider of Australian programming for children.**

3.127 SBS does not play a significant role in the children's viewing market due to its focus on multicultural and multilingual broadcasts and it would not be beneficial to impose a specific children's content quota on SBS.

3.128 SBS indicates that the proportion of Australian content on its main channel is currently 30-35 per cent.[101] The committee believes that SBS should be

99 Ms Buckland, CEO, ACTF, *Committee Hansard*, Melbourne, 26 July 2017, p. 53.

100 *Australian Broadcasting Corporation Act 1983*, <www.legislation.gov.au/Details/C2014C00721> viewed 28 September 2017.

101 SBS website, *Frequently asked questions- production*, <http://www.sbs.com.au/aboutus/faqs/index/id/80/h/Production> viewed 26 October 2017.

required to source more of its multicultural programming in Australia to support the domestic screen sector. This should also include a greater commitment to programming from regional areas.

Recommendation 8

3.129 **The committee recommends that the Special Broadcasting Service Corporation charter be amended to require additional multicultural programming to be sourced domestically so that a minimum of 50 per cent Australian content is shown across all of its channels. This must also include a commitment to more content from regional areas.**

4

Other issues in Australia's screen industry

Introduction

4.1 A number of additional issues facing Australia's screen industry were raised in the inquiry and are addressed in this chapter. These include funding of the screen industry by Screen Australia, the digital games sector, Australia's current international co-production treaties, copyright, and workforce issues.

Direct government funding

Background

4.2 The Federal Government provides direct funding to Australia's screen industry in the form of grants administered by Screen Australia.[1]

4.3 Screen Australia was established under the *Screen Australia Act 2008* (Cth) and from 1 July 2008 took over the functions and appropriations of its predecessor agencies, the Australian Film Commission, the Film Finance Corporation Australia and Film Australia Limited.[2] Screen Australia states that it:

> …offers funding and resources to support the development, production and marketing of Australian screen content, as well as for the development of Australian talent and screen production businesses. Project funding is generally provided to professional

1 Screen Australia, *Funding and Support Overview*, <https://www.screenaustralia.gov.au/funding-and-support> viewed 19 September 2017.

2 Screen Australia, *About us*, < https://www.screenaustralia.gov.au/about-us/who-we-are> viewed 19 September 2017.

> practitioners with some level of industry experience, depending on the program. For most production investment, a distributor or broadcaster usually needs to be on board as well.[3]

4.4 Screen Australia advised that it distributes between $80 million and $90 million per year in direct funding to the industry.[4] Screen Australia stated:

> We fund screen stories through competitive selection processes and a mixture of grants and investments. We support all formats. We are not a film agency. We cover films and we do drama series, shorts and new ideas, whether they're shown on the big screen, the TV screen, your computer or your phone. We receive over a thousand applications a year and, of course, have to decline the majority of those.[5]

4.5 Screen Australia advised that it also supports the sector in other ways, including business development, story and talent development, administration of co-productions, and distribution and marketing support.[6]

4.6 Screen Australia funding is capped at $2 million for a theatrical feature, generally accounting for no more than 65 per cent of the budget and inclusive of any producer offset amount, but can go higher under exceptional circumstances and at the Board's discretion.[7]

4.7 For non-feature productions, general drama and children's programs, to be shown on television or SVOD services, Screen Australia also has a cap of $2 million or up to 40 per cent of cent of the budget, 45 per cent in the case of children's drama, again inclusive of any producer offset amount.[8]

Analysis

4.8 There was some criticism during the inquiry of the funding approaches and guidelines used by Screen Australia. For example, there was concern from some stakeholders that Screen Australia's eligibility criteria are too restrictive for filmmakers. However, there was also support in many of the

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3 Screen Australia, *Funding and Support Overview*, <https://www.screenaustralia.gov.au/funding-and-support> viewed 19 September 2017.

4 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 1.

5 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 1.

6 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 1.

7 Screen Australia, *Funding and support, Production, Feature Production & Completion/ Post-Production,* < https://www.screenaustralia.gov.au/funding-and-support/feature-films/production/feature-production> viewed 20 September 2017.

8 Screen Australia, *Guidelines General Drama & Children's Programs*, July 2017, pp. 4, 6.

submissions for the work that Screen Australia does and its importance as an organisation.

4.9 BMEE submits that the majority of its screen industry members have expressed frustration with Screen Australia's eligibility requirements:

> Largely, the process to obtain funding is perceived as highly competitive, onerous and potentially linked to the risk of the loss of creative control/intellectual property. Consultation presented a consistent theme that Screen Australia programs are not reflective of the changing nature of the film and television industry.[9]

4.10 BMEE further submits that its members who work in this industry are frustrated by Screen Australia's emphasis on conveying a particular message and not on the commercial viability of the project.[10]

4.11 Seven West Media questions the terms of trade used by Screen Australia which prohibit funding applications from broadcasters, arguing that this is not the intention of the *Screen Australia Act*. Seven West Media points out that the Screen Australia guidelines prohibit the funding of television drama developed by a broadcaster unless the chain of title resides with the producer.[11] Seven West Media states:

> Broadcasters are the only Australian business excluded from eligibility. For example, a competing online platform would not be excluded from eligibility, including competing businesses that are owned by foreign multi-nationals, many of them foreign broadcast networks. Screen Australia has also launched a number of initiatives to fund content for platforms such as You Tube and Netflix, which do not pay their fair share of tax and therefore should not be eligible for taxpayer support.[12]

4.12 ASTRA submits that Screen Australia's licence fee requirements for drama of $440 000 per hour are suitable for commercial free-to-air productions but are prohibitive for subscription television services that attract lower audiences.[13] ASTRA states:

> The current $440,000 per hour requirement is another instance in which funding eligibility reflects the mass-audience, advertiser-funded commercial FTA [free-to-air] productions, but does not reflect the differing business models across different platforms… Greater flexibility is needed in this area to incentivise ongoing

9 BMEE, *Submission 31*, p. 4.

10 BMEE, *Submission 31*, p. 4.

11 Seven West Media, *Submission 128*, p. 10.

12 Seven West Media, *Submission 128*, p. 10.

13 Australian Subscription Television and Radio Association (ASTRA), *Submission 61*, pp. 14-15.

> investment in new productions and to encourage innovation and the development of lower cost, more agile production models.[14]

4.13 The Victorian Film and Television Industry Working Party commented that this licence fee has not increased since it was established 10 years ago and is no longer sufficient.[15] The Working Party stated:

> Screen Australia set that $440,000 licence fee requirement in 2007. That is 10 years ago. It is $100,000 for children's programs. That is 10 years old. In 1988 the licence fee for a miniseries was $350,000. It's increased less than $100,000 since 1988, and that's nearly 30 years. At the same time, production costs have gone up by at least 50 per cent.[16]

4.14 Screen Australia's importance to the industry and the value of its work was also acknowledged by contributors to the inquiry.

4.15 The ACT Screen Industry Association commented on the excellent research done by Screen Australia on the value and scope of the industry.[17]

4.16 Screen Producers Australia (SPA) advised that its members in general recognise and support the work of Screen Australia. SPA commented:

> From time to time there may be disagreements around decisions that they [Screen Australia] might make or policies they may change and we have robust conversations with them about that. But, generally, I think our members, and indeed ourselves, are very supportive of the work of the agency and are encouraging of what they do and the role that they play and have in our industry.[18]

4.17 Create NSW commented that it is supportive of Screen Australia and that 'they do a very good job with what they have'.[19]

4.18 Australian Film & TV Bodies noted that Screen Australia has a key role in facilitating the production of great Australian cultural content as none of

14 ASTRA, *Submission 61*, pp. 14-15.

15 Mr Ewan Burnett, Member, Victorian Film and Television Industry Working Party, *Committee Hansard*, Melbourne, 26 July 2017, pp. 26-27.

16 Mr Burnett, Victorian Film and Television Industry Working Party, *Committee Hansard*, Melbourne, 26 July 2017, p. 26.

17 Ms Monika Penders, CEO, ACT Screen Industry Association, *Committee Hansard*, Canberra, 16 June 2017, p. 39.

18 Mr Deaner, CEO, SPA, *Committee Hansard*, Sydney, 19 July 2017, p. 28.

19 Mr Michael Brealy, CEO, Create New South Wales, *Committee Hansard*, Sydney, 20 July 2017, p. 4.

the 94 films it has invested in since 2008 would have been financially viable without its support.[20]

Conclusions

4.19 Direct funding of Australia's screen industry by the Commonwealth Government is administered by Screen Australia. Screen Australia was established under the *Screen Australia Act 2008* and from 1 July 2008 took over the functions and appropriations of its predecessor agencies.[21]

4.20 Screen Australia currently distributes between $80 million and $90 million per year in direct funding to the industry but also supports the sector through business development and other assistance.[22] Screen Australia funding is generally capped at $2 million for each production.[23]

4.21 It is difficult to access direct support from Screen Australia due to the intense competition for this funding. The committee wishes to see more opportunities created for emerging talent outside of Australia's two major capital cities however and believes that some funds should be earmarked for productions that are filmed outside of metropolitan Sydney and Melbourne. This will also support regional jobs in the screen sector.

Recommendation 9

4.22 **The committee recommends that 10 per cent of Screen Australia's funding be earmarked for productions outside of Australia's two major capitals. The rules governing this regional funding allocation should stipulate that the production:**

- **must conduct its principal photography in a town, small city or area that lies beyond metropolitan Sydney or Melbourne; and**
- **does not need to meet significant Australian content rules but must satisfy the same QAPE threshold requirements as the producer offset and must employ a majority of Australians.**

Screen Australia must also provide a regional breakdown in its annual report of the productions it has funded.

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20 Australian Film & TV Bodies, *Submission 90*, p. 10.

21 Screen Australia, *About us*, < https://www.screenaustralia.gov.au/about-us/who-we-are> viewed 19 September 2017.

22 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 1.

23 Screen Australia, *Funding and support, Production, Feature Production & Completion/ Post-Production,* < https://www.screenaustralia.gov.au/funding-and-support/feature-films/production/feature-production> viewed 20 September 2017.

Digital games

Background

4.23 Submissions to this inquiry from the digital games industry argue that this sector overlaps the film and television sectors in terms of skills and training and that it has significant growth potential in its own right.

4.24 The current industry in Australia is contracting however despite the high demand by Australians for new video games and the expanding global industry.

4.25 Screen Australia notes that the digital games industry contributed $123 million and 1 053 jobs to the Australian economy in 2014-15.[24] In the following year, the *Film, Television and Digital Games Australia* survey results for 2015-16 released by the Australian Bureau of Statistics (ABS) indicate that digital game developers in Australia contributed $111.1 million in income to the economy, or about 1 per cent of the total screen sector income ($12.1 billion).[25]

4.26 The Academy of Interactive Entertainment (AIE) is a provider of training for the games and also visual effects (VFX) sectors and comments in its submission to this inquiry that the sales in the Australian interactive games industry were worth $2.96 billion in 2016, up by 4 per cent over the previous year.[26] AIE further states:

> This compares to the global industry which in 2016 was estimated to be worth US$99.6 billion and is expected to reach US$118.6 billion by 2019. By comparison, in 2015 Australian films earned $88.1 million, out of total box office takings of $1.26 billion.[27]

4.27 The Interactive Games and Entertainment Association (IGEA) notes the findings of its recently completed study 'Digital Australia 2018':

- 97 per cent of homes with children have computer games;
- 67 per cent of Australians play video games;
- 46 per cent of video game players are female;
- 34 years old is the average age of video game players;
- 43 per cent of those aged 65 and over play video games;
- 89 minutes is the average daily total of all game play; and

24 Screen Australia, *Submission 143*, p. 6.

25 Screen Australia, *ABS Film, Television and Digital Games Survey results released*, 15 June 2017, <https://www.screenaustralia.gov.au/sa/media-centre/news/2017/06-15-abs-survey-results> viewed 28 September 2017.

26 Academy of Interactive Entertainment (AIE), *Submission 123*, p. 5.

27 AIE, *Submission 123*, pp. 5-6.

- 76 per cent say making video games in Australia benefits the Australian economy.[28]

4.28 AIE remarks however that although the market for video games has continued to expand in Australia, the production of video games by Australian developers has contracted and that ABS statistics indicate a marked decline in jobs in this sector from 1 431 in 2006-07 to 581 in 2011-12.[29]

4.29 The *Film, Television and Digital Games Survey* by the ABS for 2015-16 indicates a slight rise in the number of Australian digital game developers to 734.[30]

4.30 IGEA also comments that the global video games industry is performing well but that Australia's games development sector, although well regarded, is flagging:

> Australia is known for having a small but diverse games development sector, comprised mostly of independent studios… While [ABS] figures do show that there has been some growth in employment and income for Australian games development recently, there has in fact been a significant contraction in the industry when compared to earlier years.[31]

4.31 IGEA further submits that this reduction of the sector has resulted in closures and downsizing of businesses which now mainly comprise smaller, independent studios.[32] IGEA further states:

> There were several reasons behind these closures, including the 2007-8 global financial crisis, the appreciation of the Australian dollar and, crucially, the existence of beneficial funding and tax incentive schemes in other countries. It simply became too difficult and costly to develop video games in Australia and, unfortunately, these problems persist today, working to stifle growth.[33]

Analysis

4.32 IGEA contends that the impediments to the growth of the digital games sector in Australia include:

28 Interactive Games and Entertainment Association (IGEA), *Submission 146*, p. 6.

29 AIE, *Submission 123*, p. 6.

30 Australian Bureau of Statistics (ABS), *Film, Television and Digital Games, Australia, 2015-16*, Canberra, 15 June 2017.

31 IGEA, *Submission 146*, p. 6.

32 IGEA, *Submission 146*, p. 7.

33 IGEA, *Submission 146*, p. 7.

- the inability to access Australian and overseas capital for innovative game development;
- non-competitive tax structures for interactive games development and production; and
- limited marketing and other general business assistance for the promotion of interactive games in the global marketplace.[34]

4.33 The committee was advised that the games sector in Australia has huge potential for growth and would generate considerable economic returns if granted access to the same tax incentives as film and television and received direct funding from government.

4.34 AIE remarks in its submission that the disproportionate success of Australia in the VFX sector is due in part to the talent of the workforce but that the current tax regime that attracts overseas production work to Australia has played a big role.[35]

4.35 The ACT Screen Industry Association further states that it is important that Australian game developers are well positioned to capture a share of the growing global market.[36]

4.36 AIE comments also in this regard that the Asia-Pacific digital games market is experiencing huge growth and that Australia is in a unique position to take advantage of this due to its 'unique geographic and cultural position as a multicultural nation within the Asian market.'[37]

4.37 AIE notes in its submission that a key impediment to the development of this sector is a lack of capital.[38]

4.38 AIE cites the growth of the gaming sector in Canada which has access to tax credits and also loans through a dedicated government media fund:

> While the Canadian economy shares a number of similarities with Australia's, including a similar reliance on their abundant natural resources, Canada's gaming industry far outperforms Australia's. Canada has the third largest electronic gaming industry in the world, behind only the United States and Japan. The Entertainment Software Association of Canada reported in 2015 the Canadian electronic gaming industry comprised 472 studios

34 IGEA, *Submission 146*, p. 8.
35 AIE, *Submission 123*, p. 5.
36 ACT Screen Industry Association, *Submission 65*, p. 3.
37 AIE, *Submission 123*, p. 6.
38 AIE, *Submission 123*, p. 8.

> which employed 20,400 people and generated US$2.25 billion in economic activity.[39]

4.39 Film Victoria advised the committee that it provides direct support to digital games and that this sector has enormous potential in Victoria with businesses starting to consolidate and become larger.[40]

4.40 Screen Australia states on its website that it was charged with administering a $20 million *Interactive Games Fund* in November 2012 and released an options paper on 10 December 2012 for industry consultation. However the government withdrew this funding in May 2013.[41]

4.41 IGEA states that funding from the Federal Government will be crucial to the future growth and sustainability of the games sector.[42]

4.42 AIE notes in its submission that this sector in dominated by Victoria which accounts for 48 per cent of the industry and states that this is due in part to direct funding from the State Government.[43]

4.43 The committee was also advised that there is a considerable skills and training overlap between the digital games sector and the film and television industry.

4.44 Screen Queensland advocates direct funding for the games industry, commenting that the 'screen industry now includes gaming and a range of new and emerging hybrids between the former more static world of film and television.'[44]

4.45 Screen Queensland further remarks in its submission that:

> Audiences increasingly watch movies and television programs at a time and on a platform of their choosing. Traditionally what may have originated as a film concept may have evolved into a game. In a global digital screen industry, it is possible for creators to conceptualise their ideas across multiple platforms…[45]

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39 AIE, *Submission 123*, pp. 9-10.

40 Mr Robertson, Board President, Film Victoria, *Committee Hansard*, Melbourne, 26 July 2017, pp. 2, 6.

41 Screen Australia, *Review of Interactive Games and Multiplatform Funding*, <https://www.screenaustralia.gov.au/sa/new-directions/past-reviews/interactive-funding> viewed 29 September 2017.

42 IGEA, *Submission 146*, p. 13.

43 AIE, *Submission 123*, pp. 6, 7.

44 Screen Queensland, *Submission 136*, p. 2.

45 Screen Queensland, *Submission 136*, p. 2.

4.46 AIE also advised that the digital effects skills are very transferable between film and television production and video game development.[46] AIE stated:

> To give an example, we use the same software packages… Programmers who work on video games also work on developing an application to do large-scale visual effects in terms of having large crowd scenes, such as in *Lord of the Rings*, so you need programmers. Game designers—less so. The producers of games could easily translate to producing of film, although that is a little bit more of a jump. But, on the programming side, it is very strong.[47]

Conclusions

4.47 The digital games sector in Australia is a very small component of the overall domestic screen industry, representing about 1 per cent of the total screen sector income of $12.1 billion in 2015-16.[48] There has also been a significant decline in the number of jobs in this sector in Australia with ABS statistics indicating a reduction from 1 431 in 2006-07 to 581 in 2011-12.[49]

4.48 This contraction contrasts with the increase in sales of video games in Australia by 4 per cent to $2.96 billion in 2016[50], and the growth of this industry globally which is estimated to be worth US$99.6 billion in 2016 and US$118.6 billion by 2019[51].

4.49 Evidence to the inquiry notes that there are impediments to the growth of this sector in Australia including an inability to access capital investment.

4.50 The digital games sector in Australia cannot access the tax incentives provided to the film and television industry. In addition, Screen Australia no longer provides direct funding to video game developers, although funding is available in some states from the relevant screen agency (an example is Film Victoria).

4.51 Other advice to the committee points to the transferability of digital effects skills between film and television production and video game

46 Mr John De Margheriti, CEO, Academy of Interactive Entertainment (AIE), *Committee Hansard*, Canberra, 16 June 2017, p. 47.

47 Mr De Margheriti, CEO, AIE, *Committee Hansard*, Canberra, 16 June 2017, p. 47.

48 Screen Australia, *ABS Film, Television and Digital Games Survey results released,* 15 June 2017, <https://www.screenaustralia.gov.au/sa/media-centre/news/2017/06-15-abs-survey-results> viewed 28 September 2017.

49 AIE, *Submission 123*, p. 6.

50 Academy of Interactive Entertainment (AIE), *Submission 123*, p. 5.

51 AIE, *Submission 123*, pp. 5-6.

development and the increasingly platform-neutral nature of screen narratives and creativity that leads to a crossover between film and games development.

4.52 There seems to be ample potential for the growth of Australia's digital gaming industry due to the popularity of video games both at home and abroad.

4.53 The committee therefore agrees that some direct funding should be available to the games sector from the Federal Government.

Recommendation 10

4.54 **The committee recommends that the *Interactive Games Fund* be reinstated.**

International co-productions

Background

4.55 Screen Australia administers Australia's international co-production program with the aim of fostering collaborations with filmmakers from a range of countries. Screen Australia states:

> In allowing two or more international producers to come together to make a screen project, it provides them with the opportunities to access the resources required to produce projects that will be internationally competitive. The objective of the program is to foster projects that will be truly international in terms of storytelling, budget ranges and the audiences to which they appeal. [52]

4.56 Co-productions are governed by the specific agreement between the respective governments in the form of either a treaty or a memorandum of understanding (MOU) negotiated by the department.

4.57 Australia currently has co-production treaties in force with 12 countries (Table 4.1).

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52 Screen Australia, *Co-production Program Guidelines*, <https://www.screenaustralia.gov.au/funding-and-support/co-production-program/guidelines> viewed 22 September 2017.

4.58 Notably, as a co-production is considered to be a national project of each participating country, the Australian component can access tax offsets and Screen Australia funding, and contribute to content quotas.[53]

4.59 The department outlined the value of the productions completed to date under this program:

> To date, 175 official co-production titles, with total budgets of $1.6 billion, have either been completed or have commenced production, as at 30 April of this year.[54]

Analysis

4.60 The committee was interested in the impact and value of co-productions to Australia's screen industry and whether the current framework for these international agreements could be improved.

4.61 The committee questioned the department on whether the output from Australia's current agreements could be benchmarked against comparable co-production arrangements between other countries.

4.62 The department responded that this is not the way it would make such a comparison:

> I think that bald numbers like that are a blunt instrument, and that is not the way we would look at them or benchmark them… It is up to the producers who wish to work with the other producers as to whether they take up the opportunities that are provided by the co-production agreements. For example, with China we know that there are a lot of unofficial, small-c co-productions happening. Part of it is to facilitate easier working. Not everything will necessarily come under a formal co-production…[55]

4.63 The committee also questioned Screen Australia about the apparent lack of activity under Australia's co-production treaties. Screen Australia responded that there are peaks and troughs in this respect but that a principle issue with these agreements is that they are very complicated.[56] Screen Australia stated:

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53 Screen Australia, *Co-production Program Guidelines*, <https://www.screenaustralia.gov.au/funding-and-support/co-production-program/guidelines/first-principles/why-make-a-co-pro> viewed 22 September 2017.

54 Mrs Basser, Department of Communications and the Arts, *Committee Hansard*, Canberra, 16 June 2017, p. 5.

55 Mrs Lyn Allan, Assistant Secretary, Creative Industries Branch, Department of Communications and the Arts, *Committee Hansard*, Canberra, 16June 2017, p. 5.

56 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 10.

> Something some submissions have not quite understood is that we normally operate under very strict rules on co-production treaties because they are normally part of a trade treaty and there are rules around how they can work.[57]

4.64 Screen Australia also remarked that one of the issues with co-productions with a country such as China is finding a project that both audiences will want to watch, which is what the co-production treaties are for.[58] Screen Australia commented:

> As soon as you are eligible to be a co-production for a feature film, you're eligible for the taxpayer 40 per cent producer rebate. So we have to make sure that it works for both parties as well… a lot of Chinese productions want to shoot here. The location offset at 16½ per cent isn't competitive, so they'll look at how they can facilitate the 40 per cent. The buck stops with us as to whether there is a significant Australian content in that regard and often there isn't.[59]

4.65 Screen Australia further noted that the language barrier is also a significant issue for co-productions with non-English speaking countries.[60]

4.66 The department advises however that 14 co-productions are in the pipeline under the Australia-China agreement which will be backed by investments of $400 million.[61] The department further remarks that only three features have been made since 2008 under Canada's agreement with China.[62]

4.67 There was ample support in the inquiry for an expansion of Australia's co-production partners.

4.68 SBS argues that there should be a renewed focus on negotiating co-production treaties as Australia is lagging behind other countries and screen content has never been more internationally positioned. SBS comments that its producers are looking to finance a greater proportion of their budgets internationally due to funding pressure.[63]

4.69 SBS supports more co-production agreements to foster greater sharing of skills and resources and informed the committee that whereas its content

57 Mr Mason, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 10.

58 Ms Fiona Cameron, CEO, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 10.

59 Ms Cameron, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 10.

60 Ms Cameron, Screen Australia, *Committee Hansard*, Sydney, 19 July 2017, p. 10.

61 Department of Communications and the Arts, *Submission 145* (responses to questions on notice), p. 1.

62 Department of Communications and the Arts, *Submission 145* (responses to questions on notice), p. 1.

63 SBS, *Submission 133*, p. 5.

had historically been regarded as quite parochial, and did not generate much overseas interest, the themes in many of its current programs have 'enormous global resonance'.[64]

4.70 SBS also points out that the actual number of Australia's co-production treaties, 12 in total, does not compare very favourably with many of the countries that it has partnered (Table 4.1).

Table 4.1 Number of co-production agreements in Australia's partner countries

Country	**Number of Co-Production Partner Countries**
Australia	12 (listed below in the left column)
Canada	54
China	14
France	50+
Germany	22
Ireland	5+Europe
Israel	16
Italy	34
Korea	6
New Zealand	15
Singapore	11
South Africa	8
United Kingdom	9+Europe

Source SBS, Submission 133.1 (responses to questions on notice), p. [1]; data originally sourced from Screen Australia.

4.71 Screen Queensland states in its submission that the Queensland Government endorses co-production treaties as a key source of finance for countries outside of the United States and that Australia has too few treaty partners.[65] Screen Queensland comments:

> Co-productions enable countries to work together to meet their cultural objectives in the development and production of content.
>
> …
>
> The limited number of treaty partners impacts Queensland and Australian producers by limiting their ability to raise funds and partner with other countries to create content.[66]

64 Mr Marshall Heald, Director, Television and Online Content, SBS, *Committee Hansard*, Canberra, 16 June 2017, pp. 30, 31.

65 Screen Queensland, *Submission 136*, p. 6.

66 Screen Queensland, *Submission 136*, p. 6.

Conclusions

4.72 Australia's international co-production program is administered by Screen Australia and is governed by a specific agreement between the respective governments in the form of either a treaty or a memorandum of understanding (MOU), negotiated by the department.[67]

4.73 Australia currently has co-production treaties in force with the United Kingdom, Canada, Italy, Ireland, Israel, Germany, Korea, South Africa, Singapore and China, and MOUs with France and New Zealand.[68]

4.74 A co-production under these agreements is considered to be a national project of each participating country. The Australian component can therefore access tax offsets and Screen Australia funding, and also contribute to content quotas.[69]

4.75 The department informed the committee that 175 co-production titles have been completed or commenced under this program to date, with budgets totalling $1.6 billion.[70]

4.76 International co-productions are clearly an important source of finance and training, and opportunities generally, for Australia's screen sector. They also serve an important role in making cultural connections both domestically and internationally. The committee is therefore very supportive of Australia's co-production program and believes that it should continue to be fostered and enhanced.

4.77 These collaborations are not without challenges, particularly in terms of developing content that will find an audience in both countries and language barriers, but the committee also observes that these obstacles are clearly not insurmountable. This is evidenced by the co-productions that have already occurred and are in the pipeline with China.

4.78 The committee concludes that additional co-production treaties would be beneficial to the industry and would not be detrimental to the future production of Australian stories and content.

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67 Screen Australia, *Co-production Program Guidelines*, <https://www.screenaustralia.gov.au/funding-and-support/co-production-program/guidelines> viewed 22 September 2017.

68 Screen Australia, *Funding and Support, Co-production Program*, <https://www.screenaustralia.gov.au/funding-and-support/co-production-program> viewed 22 September 2017.

69 Screen Australia, *Co-production Program Guidelines*, <https://www.screenaustralia.gov.au/funding-and-support/co-production-program/guidelines/first-principles/why-make-a-co-pro> viewed 22 September 2017.

70 Mrs Basser, Department of Communications and the Arts, *Committee Hansard*, Canberra, 16 June 2017, p. 5.

4.79 Co-production partnerships with additional Asian countries would therefore be valuable. Australia's treaty with China appears to be paying dividends in terms of output.

Recommendation 11

4.80 **The committee recommends that the Australian Government expands the current co-production program by negotiating agreements with additional Asian countries.**

Foreign actor visas

Background

4.81 Issues were raised in the inquiry regarding the current requirement to consult the MEAA before issuing a visa for a foreign actor to appear in an Australian production.

4.82 The guidelines for the entry of foreign actors into Australia to work in film and television are administered by the Ministry for the Arts.[71] This is also referred to as the 'Foreign Actor Certification Scheme'. A visa cannot be granted to a foreign actor unless authorised through a certificate issued by the Minister for the Arts.

4.83 There are separate foreign actor guidelines for government and non-government subsidised productions. Under each category, however, the migration regulations stipulate that the sponsor of a foreign actor must consult with the MEAA and provide details of the proposal.[72] The guidelines state:

> MEAA has the option to respond with a letter of opinion to the sponsor, with a copy provided to the Department [Department of Communications and the Arts], in relation to the application within 14 calendar days. The 14 day period commences from the date upon which the sponsor advises MEAA of their intent to apply for a certificate.[73]

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71 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017.

72 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017, pp. 4-6.

73 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017, p. 6.

4.84 For government subsidised productions, the Minister for the Arts must first be satisfied when certifying a visa for a foreign actor that:

- the casting of leading and major supporting roles accurately reflects the Australian characters portrayed;
- at least 50 per cent of performers in leading roles and 75 per cent of performers in major supporting roles are Australian; and
- where applicable, an Australian actor has been cast to play a 'traditional Australian character'.[74]

4.85 Certain budgetary conditions must also be met to allow for a foreign actor to be cast including a minimum of 60 per cent foreign investment for a feature film, telemovie or mini-series. This overseas investment requirement drops to 30 per cent if the productions are of sufficient scale, which in the case of a feature film is $2.5 million and above.[75]

4.86 When no Australian actor can be cast who satisfies the ethnic or other special requirements of a specific role, a foreign actor may also be allowed.[76]

4.87 If the film or television production is not subsidised by government, the guidelines state that a foreign actor certificate may be issued 'where reasonable opportunities have been provided to citizens or residents of Australia to participate in all levels of the production.'[77]

4.88 The final decision on certification is based on the department's assessment of whether the applicant has complied with the guidelines.[78]

4.89 If the certificate is issued, the foreign actor can then obtain a Temporary Activity Visa (subclass 408) which will be valid for up to 2 years.[79]

Analysis

4.90 Mr Roy Billing has questioned the need for MEAA involvement in the process to grant a certificate to a foreign actor submitting that it is

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74 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017, p. 3.

75 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017, pp. 3-4.

76 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017, p. 4.

77 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017, p. 4.

78 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017, p. 7.

79 Department of Immigration and Border Protection, *Temporary Activity visa (subclass 408)*, <https://www.border.gov.au/Trav/Visa-1/408-#tab-content-0> viewed 16 October 2017.

unwieldy, time-consuming and hinders private investment.[80] Mr Billing commented:

> There's wide concern in the industry about this compulsory process. I don't think it's needed, because Immigration can handle it the same as they do with every other industry. I know the union's trying to protect jobs for its members, but it boils down to a matter of finance… if we're going to have bigger budgets and more films, we need more private investment. Private investors are very wary of this union involvement.[81]

4.91 SPA argues that the certification process should be replaced with a more flexible system for bringing in high profile actors for the benefit of the industry.[82] SPA states:

> Greater flexibility and speed in decision-making (including by removing the requirement for union consultation and ministerial certification) in bringing in high profile, internationally recognised actors will increase the number of Australian productions, budgets and employment opportunities for actors and crew.[83]

4.92 The MEAA responded directly to Mr Billing's claims that it hinders private investment in film, stating that in 2013-14 it opposed none of the 199 applications for foreign actors to work in a non-government subsidised production and that it has only made two objections to any application in the past four years.[84]

Conclusions

4.93 The guidelines for the entry of foreign actors into Australia are administered by the Ministry for the Arts, referred to as the 'Foreign Actor Certification Scheme'.[85] A visa cannot be granted without this certificate. The migration regulations stipulate also that the sponsor of a foreign actor must also consult with the MEAA as the relevant Australian actors union before receiving certification.

4.94 The MEAA cannot veto the certification of a foreign actor, it can only raise an objection. The final decision rests with the Minister for the Arts.

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80 Mr Roy Billing, *Submission 8*, p. 1.

81 Mr Roy Billing, *Committee Hansard*, Canberra, 9 August 2017, p. 1.

82 SPA, *Submission 86*, p. 26.

83 SPA, *Submission 86*, p. 26.

84 MEAA, *Supplementary Submission 125.1*, pp. 7, 8.

85 Department of Communications and the Arts, *Guidelines on the entry into Australia of foreign actors for the purpose of employment in film and television productions*, Canberra, July 2017.

4.95 The committee acknowledges that private investment is vital to Australia's screen sector and would be concerned about any government-run process that acted as a disincentive for such investment because it was inefficient or too time-consuming.

4.96 The MEAA has made very few objections to foreign actor certificates in recent years and the committee acknowledges that it is not against the use of foreign actors in Australian productions.

4.97 Given that the union is satisfied with almost all of the applications it reviews, it strikes the committee that its involvement in this process is unnecessary red tape. The department should be able to adequately assess compliance with the foreign actor guidelines without the need to wait for an MEAA opinion that is almost always positive and is only advisory.

Recommendation 12

4.98 **The committee recommends that the Australian Government amend the Foreign Actor Certification Scheme to remove the obligation for union consultation.**

Mental health

Analysis

4.99 Entertainment Assist is a national charity that raises awareness of mental health issues in the entertainment industry. Entertainment Assist advised that the health and welfare of workers in the entertainment industry is worse than the general population with:

- suicide attempts more than double;
- levels of moderate to severe anxiety symptoms 10 times higher;
- levels of depression symptoms five times higher; and
- alcohol consumption twice as high and rates of other drug use range from seven to 12 times as high.[86]

4.100 Entertainment Assist comments that the causes of these poor outcomes lie in current industry conditions including the extreme competition for opportunities, high incidence of irregular working hours, and unpredictable incomes.[87]

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86 Entertainment Assist, *Submission 23*, p. 3.

87 Entertainment Assist, *Submission 23*, p. 3.

4.101 Entertainment Assist further advised that the common denominator for these high rates of poor mental health is 'passion', stating:

> … the industry is full of very creative people. Whether you are on stage, in front of a camera or wearing a black T-shirt in the background, that passion is exactly the same and that creativity is the same. You also have creative people who, through their creativity, are naturally sensitive. So you have creative, sensitive, passionate people working in one of the most cutthroat industries there is. We have supply that is way more than demand. There are challenges with job insecurity, isolation, touring, sleep problems—the list goes on and on and on. The industry itself is a factor and has enormous impact on the health and wellbeing of people.[88]

Conclusions

4.102 The mental health statistics provided to the committee for the entertainment industry are concerning and should be investigated further.

4.103 It is clear that many of Australia's entertainment workers are employed on a contract basis. The committee thus believes that the Minister for Small Business could consult with small businesses in Australia's entertainment industry to consult on ways to address some of the mental health and other occupational health and safety concerns that have been raised in this inquiry.

Recommendation 13

4.104 **The committee recommends that the Minister for Small Business discuss mental health and other occupational health and safety issues with small businesses in Australia's entertainment industry and consult on ways to address these concerns into the future.**

Luke Howarth MP
Chair
6 December 2017

88 Ms Susan Cooper, General Manager, Entertainment Assist, *Committee Hansard*, Melbourne, 26 July 2017, p. 11.

Dissenting report – Labor members of the committee

1.1 This inquiry was established to investigate the factors contributing to the growth and sustainability of the Australian film and television industry.

1.2 Labor members are committed to supporting Australian stories being created and told by Australian performers and crew in Australian film and television productions. Labor is the party of the arts and is the only party with developed, integrated and comprehensive policies that set up a vision for the sector and whose policies have been implemented an appropriately funded.

1.3 This requires a long-term commitment to a well-supported and funded Australian film and television industry. Government support for the Australian film and television industry, including through Australian local content requirements on free to air and pay television as well as diverse new technologies and direct funding, encourages increased private investment, trains further talent and assists market development as well as creating stories that Australians love to watch.

1.4 Labor members recognise the importance of Australian stories told through our world class screen practitioners, and to our funded organisations including the work of the public broadcasters and the key role played by all broadcasters, commercial and public in making Australian content available to all Australians and welcome efforts to support the industry.

1.5 Labor members are pleased that this inquiry recognised the challenges currently confronting the Australian film and television sector, including slow growth for the independent production sector and the impact of fragmenting audiences and technology change.

1.6 Labor members note that during the period of this inquiry, the Government provided licence fee relief for commercial free to air broadcasters, but have not provided assistance to the broader screen production sector.

1.7 It is clear that there is a need for further policy consultation, development and action on the part of the Federal Government in the near term to ensure the continuing growth and sustainability of the Australian film and television industry.

1.8 We recognise that this Committee’s work has occurred in parallel to the government’s Australian and Children’s Screen Content review which is likely to make recommendations on many similar issues.

1.9 It is in this context that we provide additional comments on a number of recommendations made by this inquiry.

Recommendation 1 – Producer Offsets

2.1 Recommendation 1 of the Majority report calls for:

‘the Australian Government to make the following changes to the producer offset: introduce a single offset level of 30 per cent for all types of qualifying production which includes film and television, and removes the 65 hour cap on television series accessing the offset’.

2.2 This would have the effect of increasing the producer offset for qualifying Australian production expenditure on television production from 20% to 30%, but reducing the offset from 40% to 30% for feature film production.

2.3 Labor recognises the range of submissions calling for the modernisation of the producer offset, but is concerned that any reduction in the level of the producer offset for Australian feature films could have an adverse effect on this important for of Australian storytelling, jeopardising cultural outcomes and adversely affecting jobs in the sector.

2.4 As such, we cannot support this reduction in the producer offset recommended by the majority report.

2.5 Labor members support the recommendation to remove the 65 hour cap on television series accessing the offset.

Recommendation 5 – Children’s Television Quotas

3.1 Recommendation 5 of the majority report advocates a review of the hours based quota for first-release children’s screen content. It further argues that any reduction in this quota obligation would need to be replaced with a system for ensuring the continued production of new, high quality Australian content for Children.

3.2 Labor members recognise the substantial evidence heard by the Committee that dramatic changes in children’s television consumption patterns means that the current hours based quota is not serving the interests of children, screen producers or broadcasters in the way that it once did.

3.3 However, we also recognise the universal support for the government ensuring that high quality, first release children's screen content is both produced and accessible to all Australian children.

3.4 Given this, we emphasise the need to proceed with caution with any moves to modernise Australian children's television regulations.

3.5 In particular, in the UK, a reduction in regulatory obligations for children's screen content led to a dramatic drop in this material and should serve as a cautionary tale for Australian policy makers.

Recommendation 7 – ABC Quotas

4.1 Recommendation 7 calls for the Charter of the ABC to be amended to require a minimum, hours based quota for first release children's screen content.

4.2 Labor members recognise the extraordinary success of the ABC as a provider of high quality Australian children's television content.

4.3 However, amendments to the charter of the ABC would need to reflect the effect of such an intervention on other programming produced by the organisation within its budget.

4.4 Such a charter amendment could only be considered after detailed discussions with the ABC and with a clear understanding of the cost implications and the broader impact of such an intervention.

4.5 As such, Labor members cannot support this recommendation.

Recommendation 8 – SBS Quotas

5.1 Recommendation 8 calls for that the SBS charter be amended to require additional multicultural programming to be sourced domestically so that a minimum of 50 per cent Australian content is shown across all of its channels. This must also include a commitment to more content from regional areas.

5.2 Additional programing requirements and charter amendments for SBS would have significant cost implications for the organisation and cannot be pursued in isolation of the question of government funding for the organisation.

5.3 As such, Labor members cannot support this recommendation.

Recommendation 9

6.1 Recommendation 9 calls for ‘10 per cent of Screen Australia’s funding to be earmarked for productions outside of Australia’s two major capitals.

6.2 Labor members support the majority report’s desire to see more opportunities created for emerging talent outside of Australia’s two major capitals capital cities.

6.3 However, we are concerned about the impact of quarantining a significant proportion of Screen Australia’s funding on its ability to deliver on its mandate across the entire sector nationally. This concern is particularly acute in the wake of recent dramatic funding cuts for Screen Australia under the current government.

6.4 As an alternative, Labor Members would support requirement that Screen Australia develops a strategy for supporting regional production and to report on the proportion of its funding allocated outside the major capital cities.

Recommendation 12

7.1 Labor Members reject the recommendation that *‘the Australian Government to amend the Foreign Actor Certification Scheme to remove the obligation for union consultation.’*

7.2 Labor rejects this recommendation to remove the obligation for union consultation.

7.3 The Chair’s Report provides no clear reason for recommending that the Foreign Actor Classification Scheme be changed to remove the obligation for union consultation. We believe the current process operates efficiently and provides necessary safeguards.

7.4 The Chair rightly acknowledges that there should be concern about any *“government process that would act as a disincentive”* to private investment in the film and television industry. However, no evidence was presented to the Inquiry to demonstrate a systemic issue with the union role in the visa process.

1.2.1 The Media Entertainment and Arts Alliance (MEAA) has objected to two visa applications in the past four years. The evidence presented by the MEAA's Equity members during hearings demonstrated that they are cognisant of the merits of casting overseas talent in Australian-based productions.

1.2.2 Data for the past three years demonstrates the number of visas considered:

I. In 2016-2017 MEAA endorsed **18** foreign actors for government-subsidised feature films, **14** for non-government subsidised feature films and **14** foreign actors for government-subsidised TV mini-series. In one instance, a letter of objection was issued for a government-subsidised TV mini-series.

II. In 2015-2016 MEAA endorsed **10** actors for government-subsidised feature films, **7** for non-government feature films, and **3** actors for government-subsidised TV mini-series. No applications were objected to.

III. In 2014-2015 MEAA endorsed **11** foreign actors for government-subsidised feature films, **3** for non-government feature films, and **2** actors for government-subsidised TV mini-series. No applications were objected to.

7.5 We further regard the MEAA's involvement in the visa application process as a necessary safeguard to ensure that government-funded projects promote Australian creative industries and give Australian actors the platform to grow and develop. Furthermore, we assert that the role of the MEAA in the visa application process safeguards against entertainment market abuses.

7.6 The Chair noted that, because the MEAA largely approves the applications it reviews, that its involvement constitutes "red tape". We reject this conclusion. Though the MEAA largely approves it applications it receives, this does not mean that the MEAA's involvement is arbitrary. As outlined above, the MEAA's involvement provides an essential check and balance on the use of foreign actors in subsidised film and television productions.

7.6.1 The MEAA is required to provide its consultation advice within 14 days for performers. There has been no evidence that the 14 days is an impediment to film financing and thus we reject the argument that union involvement constitutes red tape.

7.7 We also consider the MEAA’s role in the visa application process as one protecting not only protecting the rights of Australian actors and performers, but also those foreign actors undergo the application process. The MEAA advises film productions of their legal obligations under Australian law, and requires evidence that foreign actors will not be exploited, including through evidence that applicants will receive return international airfares and will be covered by medical, health and workers’ compensation insurances.

7.8 It is furthermore our strong belief that ordinary Australians, and Australian creatives, actors and performers see it as vitally important that any production subsidised by the government should use Australian cast members as much as possible. The MEAA’s involvement in the visa application process allows for this analysis by the affected parties.

7.9 We do not believe that there has been any substantive reasoning or evidence provided by the Majority Report for removing the MEAA’s involvement in the visa application process.

7.10 Therefore, Labor Members cannot support this recommendation.

Signed

Deputy Chair, Tim Watts MP

Susan Templeman MP

Emma McBride MP

A

Appendix A – List of Submissions

1	Mr Leo Baker
2	Screenwise
3	Hero Frock Hire
4	Name withheld
5	Mr Andrew Belletty
6	Baddog Productions
7	White Hot Productions Pty Ltd
8	Mr Roy Billing
8.1	Mr Roy Billing (supplementary)
9	Cheeky Little Media Pty Ltd
10	Name withheld
11	Name withheld
12	Northern Rivers Screenworks Inc.
13	Spike Films Pty Ltd
14	Spectrum Films Pty Ltd
15	Falls Productions
16	Mr Sam Williams
17	Mr Eduardo Gutierrez
18	Mr Phil Hook
19	Mr Gabriel Robinson
20	Confidential
21	Ms Emily Price
22	Ms Brooke Krumbeck

23 Entertainment Assist
24 Ms Liz Rogers
25 Mr Adam Rainford
26 BMC Productions Pty Ltd
27 Confidential
28 Ms Caroline Grubb
29 Village Roadshow Ltd
30 EP Australia
31 Blue Mountains Economic Enterprise
32 Ms Debbie Steer
33 Mr Jeff Rigby
34 Mr Daniel Findlay
35 Confidential
36 Mr Tim Strain
37 Mr John Doyle AM
38 Ms Jennifer Wells-Scherrer
39 Professional Film Crew of Western Australia
40 Name withheld
41 Name withheld
42 Ms Chloe McDonald
43 Mr Reiner Schuster
44 Warner Bros. Entertainment Australia Pty Ltd
44.1 Warner Bros. Entertainment Australia Pty Ltd (responses to question on notice)
45 Beyond International Limited
46 Mr Keaton Stewart
47 Mr Andrew Barr MLA, Chief Minister of the ACT
48 Kapow Pictures
49 Mr Tim Quarry
50 Mr Shane Dunne
51 Mr Andrew Teo
52 Mr Lachlan Phillips
53 Department of Tourism and Culture, Northern Territory Government
54 Victorian Film & Television Industry Working Party

55 Mr Scott Wood
56 Kojo
57 Mr Zhenshi van der Klooster
58 Media Resource Centre/Wide Angle Tasmania
59 Independent Screen Producers of Western Australia
60 Ms Tess Meyer
61 Australian Subscription Television and Radio Association
61.1 Australian Subscription Television and Radio Association (responses to question on notice)
62 See-Saw Films
63 Mr Nick Gascoine
64 Australian Communications and Media Authority
64.1 Australian Communications and Media Authority (supplementary)
64.2 Australian Communications and Media Authority (response to question on notice)
64.3 Australian Communications and Media Authority (response to question on notice)
65 ACT Screen Industry Association
66 Mr Anupam Sharma
67 FG Film Productions
67.1 FG Film Productions (supplementary)
68 Equity Diversity Committee (MEAA)
69 Ms Monica O'Brien
70 Mr David Trethewey
71 Ambience Entertainment
72 Ms Ruth Jabbour
73 Mr Noel Burgess
74 Mr Brad Smith
75 Mr Brad Price
76 Australian Screen Editors
77 Name withheld
78 Federation of Ethnic Communities' Councils of Australia
79 Mr Colin South
80 An Australian Film Initiative
81 Mr Reg Garside

82	Mr Ed Punchard
83	Prospero Productions
84	Films and Casting TEMPLE Pty Ltd
85	Mr Mark Walmsley
86	Screen Producers Australia
86.1	Screen Producers Australia (supplementary)
87	Australian Directors Guild & Australian Screen Directors Authorship Collection Society
88	Mr Gordon Andersen
89	Mr Thomas Pickford
90	Australian Film & TV Bodies
90.1	Australian Film & TV Bodies (response to question on notice)
91	Australian Children's Television Foundation
92	Fox Studios Australia
93	Australian Major Performing Arts Group
94	Iloura
95	Confidential
96	Australian Writers' Guild
97	Dr Anna Potter
98	Mr Jeffrey Truong
99	Northern Territory Industry Reference Group
100	Studio Moshi
101	Ms Christine Cheung
102	Australian Screen Sound Guild
103	Matchbox Pictures Pty Ltd
103.1	Matchbox Pictures Pty Ltd (supplementary)
104	Ms Lisa Malouf
105	Marshalls & Dent
106	Ms Tracy Lenon
107	Mr Brenton White
108	Ms Deborrah Tyson
109	Mr Aron Walker
110	Mr Nathaniel C.T. Jackson
111	Mr Paul Micallef

112 Mr Kieran Cato
113 Animal Logic
114 Ausfilm
114.1 Ausfilm (supplementary)
115 Mr Jon Adams
116 Mr David Redman
117 Happening Films
118 Planert er Pty Ltd
119 Jungle
120 Confidential
121 Screentime Pty Ltd
122 Mr John Hipwell S.P.A.
123 Academy of Interactive Entertainment
124 Sony Pictures Entertainment
125 Media, Entertainment & Arts Alliance
125.1 Media, Entertainment & Arts Alliance (supplementary)
126 Australian Council on Children and the Media
126.1 Australian Council on Children and the Media (response to question on notice)
127 WIN Corporation, Southern Cross Austereo and Prime Media Group
128 Seven West Media
129 Film and Television Industry Guilds
130 Network Ten Pty Ltd
131 Australian Broadcasting Corporation - ABC
131.1 Australian Broadcasting Corporation – ABC (responses to questions on notice)
131.2 Australian Broadcasting Corporation – ABC (response to question on notice)
132 Mr Marc Gracie
133 Special Broadcasting Service – SBS
133.1 Special Broadcasting Service – SBS (responses to questions on notice)
134 Nine Entertainment Co.
135 Free TV Australia
136 Screen Queensland
136.1 Screen Queensland (responses to questions on notice)

137 SLR Productions

137.1 SLR Productions (responses to questions on notice)

138 Victorian Government

139 Melbourne International Film Festival

140 Rising Sun Pictures

141 Flying Bark Productions

142 Create NSW

143 Screen Australia

144 Confidential

145 Department of Communications and the Arts (responses to questions on notice)

146 Interactive Games & Entertainment Association

147 Confidential

148 Confidential

149 Ms Lisa Scott

150 Confidential

151 Confidential

152 Confidential

153 Confidential

154 Glass Media Group

155 Confidential

156 Confidential

157 Mr Oscar Scherl

B

Appendix B – List of Exhibits

1 Mr Roy Billing (list of Australian actors working in the United States)

C

Appendix C – Hearings and Witnesses

Friday, 16 June 2017— Canberra

Department of Communications and the Arts

Mrs Sally Basser, First Assistant Secretary, Arts Division

Dr Carolyn Patteson, First Assistant Secretary, Content Division

Ms Lyn Allan, Assistant Secretary, Creative Industries Branch

Ms Caroline Fulton, Director, Screen Industry Section, Creative Industries Branch

Australian Communications and Media Authority

Ms Jennifer McNeill, General Manager, Content, Consumer and Citizen Division

Mr Stuart Paul, Senior Licensing and Compliance Officer

Australian Broadcasting Corporation

Mr David Anderson, Director Television

Special Broadcasting Service Corporation

Mr Marshall Heald, Director, Television and Online Content

Ms Clare O’Neil, Director, Corporate Affairs

ACT Screen Industry Association

Ms Monica Penders, Chief Executive Officer

Academy of Interactive Entertainment

Mr John De Margheriti, Chief Executive Officer

Federation of Ethnic Communities' Councils of Australia

Mr Joseph Caputo, OAM, JP, Chairperson

Dr Emma Campbell, Director

Wednesday, 12 July 2017— Katoomba

Blue Mountains Economic Enterprise – Panel

Ms Ann Niddrie, Creative Industries Cluster Manager, Blue Mountains Economic Enterprise

Mr Matthew Drummond, Director/Filmmaker

Mr Michael Joy, Private capacity

Mr Thomas Taylor, Director, Taylor Film

Ms Megan Williams, Producer, Little Monster Productions

Thursday, 13 July 2017— Brisbane

Screen Queensland

Ms Tracey Vieira, Chief Executive Officer

Dr Anna Potter

BMC Productions Pty Ltd

Mr Dominic Simon Crisci, Director

Wednesday, 19 July 2017— Sydney

Screen Australia

Mr Graeme Mason, Chief Executive Officer

Ms Fiona Cameron, Chief Operating Officer

Fox Studios Australia Pty Ltd

Mr Wayne Borg, Managing Director

Warner Bros. Entertainment Australia Pty Ltd

Ms Danielle Dajani, Senior Vice President, Physical Production

Screen Producers Australia

Mr James Cheatley, Director, Government Relations and Policy

Mr Matthew Deaner, Chief Executive Officer, Screen Producers Australia

Australian Directors Guild & Australian Screen Directors Authorship Collection Society

Mr Kingston Anderson, Chief Executive Officer

Australian Screen Editors

Ms Fiona Strain, President, Australian Screen Editors Guild

Ms Jenny Hicks, Vice President, Australian Screen Editors Guild

Mr Henry Dangar, Member and former President, Australian Screen Editors Guild

Ms Andrea Lang, Committee member and Freelance screen editor

Australian Film & TV Bodies

Mr Paul Muller, Chief Executive Officer, Australian Screen Association

Australian Subscription Television and Radio Association

Mr Andrew Maiden, Chief Executive Officer

Ms Holly Brimble, Policy and Regulatory Manager

Mr Bruce Meagher, Group Director, Corporate Affairs, Foxtel

Mr Ben Richardson, Senior Vice President and General Manager, Viacom International Media Networks Australia and New Zealand

Australian Writers' Guild

Ms Wendy Howell, Manager, Industrial Affairs

Ms Anna McNamee, Industrial Officer

Animal Logic

Mr Zareh Nalbandian, Chief Executive Officer

Thursday, 20 July 2017— Sydney

Create NSW

Mr Michael Brealey, Chief Executive Officer

Ms Grainne Brunsdon, Director Engagement, Partnerships & Development

Media, Entertainment & Arts Alliance

Mr Matthew Chesher, Director, Legal and Policy

Ms Zoe Angus, Director of Equity

Ms Adele Perovic, Member (Actors Equity section)

Ms Noni Hazlehurst, Member (Actors Equity section)

Ms Justine Clarke, Member (Actors Equity section)

Mr Daniel Oliver, Member (Crew section – Special Effects Workshop Supervisor)

WIN Corporation, Southern Cross Austereo and Prime Media Group

Mr Andrew Lancaster, Chief Executive Officer, WIN Corporation

Ms Creina Chapman, Head of Regulatory Affairs and Corporate Communications, Southern Cross Austereo

Ms Emma McDonald, General Counsel & Company Secretary, Prime Media Group Limited

Seven West Media

Mr Tim Worner, Chief Executive Officer

Ms Bridget Fair, Group Chief – Corporate and Regulatory Affairs

Ms Therese Hegarty, Director of Content Distribution & Rights

Network Ten Pty Ltd

Mr Paul Anderson, Chief Executive Officer

Ms Beverley McGarvey, Chief Content Officer

Ms Annabelle Herd, Director of Corporate and Regulatory Affairs

Mr Ian Wilson, Regulatory Affairs Manager

Nine Entertainment Co.

Mr Hugh Marks, Chief Executive Officer

Ms Clare Gill, Director of Regulatory Affairs

Free TV Australia

Ms Pamela Longstaff, Acting Chief Executive Officer

Ms Sarah Waladan, Head of Legal and Regulatory Affairs

Ausfilm

Ms Debra Richards, Chief Executive Officer

Mr Nick Herd, Head, Policy and Research

SLR Productions Pty Ltd

Ms Suzanne Ryan, Chief Executive Officer

Ms Helen Thwaites, Head of Business Affairs

Flying Bark Productions

Ms Barbara Stephen, Managing Director

Ms Emily Price, Financial Controller

Wednesday, 26 July 2017— Melbourne

Victorian Government

Mr Ian Robertson, Board President of Film Victoria

Ms Jennifer Tosi, Chief Executive Officer of film Victoria

Entertainment Assist

Mr Ian Allen OAM, Trustee of The Pratt Foundation – founding funder of Entertainment Assist

Ms Susan Cooper, General Manager

Village Roadshow Limited

Mr Joel Pearlman, Chief Executive Officer—Roadshow Films

Victorian Film & Television Industry Working Party

Mr Christopher Corbett, Representative, Australian Writers' Guild

Ms Susan Marriott, Representative, Victorian Screen Technicians Association and Women in Film and Television Victoria

Ms Glenda Hambly, Member, Australian Directors' Guild

Mr Ewan Burnett, Member

Mr Adam Portelli, Victoria and Tasmania Regional Director, MEAA as part of the Alliance

Iloura

Mr Thomas Wild, National Head of Production

Studio Moshi

Mr Andrew Davies, Chief Executive Officer and Executive Producer

Melbourne International Film Festival

Ms Claire Dobbin, Chair of the Board

Mr Mark Woods, Industry Director

White Hot Productions

Mr Ian Kirk, Chairman

Australian Children's Television Foundation

Ms Jenny Buckland, Chief Executive Officer

Wednesday, 9 August 2017— Canberra

Mr Roy Billing OAM

Wednesday, 16 August 2017— Canberra

Media Resource Centre and Wide Angle Tasmania [by videoconference]

Mr Anthony Keenan, Chair, Media Resource Centre

Ms Gail Kovatseff, Director, Media Resource Centre

Ms Abi Binning, Executive Director, Wide Angle Tasmania

Independent Screen Producers of Western Australia

Ms Julia Redwood, Member

Mr Andrew Ogilvie, Member

Ms Sue Taylor, Member

FG Film Productions [by teleconference]

Antony Ginnane, President

Australian Council on Children and the Media [by videoconference]

Professor Elizabeth Handsley, Board President

Ms Barbara Biggins OAM, Honorary Chief Executive Officer

D

Appendix D – Parliamentary Budget Office costings for variations in the screen production tax offsets (Part 1)

Parliament of Australia
Parliamentary Budget Office

Policy costing—outside the caretaker period

Name of proposal:	Tax offsets for film and television production
Summary of proposal:	This proposal has 10 options to change the *Australian screen production incentive* tax offsets for film and television production. Component 1 - Producer offset Option 1(a): Increase the producer offset from 20 per cent to 40 per cent for non-feature productions. Option 1(b)(i): Reduce the producer offset minimum Qualifying Australian Production Expenditure (QAPE) eligibility threshold from \$0.5 million to \$0.25 million for feature films and single episode dramas. Option 1(b)(ii): Increase the producer offset rate from 20 per cent to 40 per cent for non-feature productions and reduce the producer offset QAPE threshold to \$0.25 million for feature films and single episode dramas. Option 1(c)(i): Remove the producer offset eligibility cap that requires series dramas to have less than 65 hours of commercial screen time. Option 1(c)(ii): Increase the producer offset rate from 20 per cent to 40 per cent for non-feature productions and remove the producer offset eligibility cap that requires series dramas to have less than 65 hours of commercial screen time. Component 2 - Location offset and post-production, digital and visual effects (PDV) offset Option 2(a): Increase the location offset rate from 16.5 per cent to 30 per cent and remove the eligibility of film and television production to receive industry grants. Option 2(b)(i): Reduce the location offset minimum QAPE eligibility threshold from \$15 million to \$5 million. Option 2(b)(ii): Increase the location offset from 16.5 per cent to 30 per cent, remove eligibility of film and television production to receive industry grants, and reduce the location offset minimum QAPE eligibility threshold from \$15 million to \$5 million. Option 2(c): Reduce the PDV offset minimum QAPE threshold from \$0.5 million to \$0.1 million.

	Option 2(d): Allow subscription on-demand services to access the PDV offset. All options would have effect from 1 July 2018.
Person/party requesting the costing:	Mr Luke Howarth MP, Liberal Party of Australia
Did the applicant request the costing be confidential:	☒ Yes ☐ No
Date costing request received:	23 August 2017
Date costing completed:	8 September 2017
Expiry date of the costing:	Release of the next economic and fiscal outlook report.

Costing overview

This proposal has 10 options, each of which would be expected to decrease the fiscal and underlying cash balances over the 2017-18 Budget forward estimates period. Each option would be expected to have an ongoing impact that extends beyond the 2017-18 Budget forward estimates period. Detailed financial implications for each option over the period to 2027-28 are provided at Attachment A.

The costing does not include any departmental expense implications as the options would not be expected to significantly change the administrative complexity of the tax system.

The fiscal balance impact differs from the underlying cash balance impact because of a timing difference between when productions become eligible to receive the offset and when the offset is paid following lodgement of an income tax return to the Australian Taxation Office.

This costing is very sensitive to the projected amount of expenditure on film and television production in Australia. The base level and timing of production expenditure (and related offset claims) tend to be highly volatile over time which means that there is a high level of uncertainty in the costing estimates for this proposal. The largest cost options are those which increase the rate of payment of the producer offset or the location offset, with most of that cost arising from the higher rebates paid in relation to productions that are included in the projected base level of activity for the costing.

The costing is also sensitive to assumed behavioural responses by film and television producers as there is limited information available that indicates the degree to which companies may increase production in response to the proposals. The costing assumes the overall behavioural responses would be small due to the operation of demand and supply constraints and, in the case of the location offset, the removal of grants resulting in a limited change in the overall level of support.

Key assumptions

General assumptions

- The Parliamentary Budget Office (PBO) has estimated the baseline for this costing from 2017-18 based on the average historical offset claim amount over the previous five years.
  - It is assumed that there would be no growth in the QAPE of films and television productions from 2017-18 to 2027-28.
- Offset amounts are assumed to be claimed by companies in the year following certification of an offset.
- There is assumed to be an industry supply constraint on the total amount of production that can occur at any one time in Australia in the short and medium term across all production categories, partly due to the relatively small size of the Australian industry. This constraint limits the extent to which behavioural responses are expected to occur in response to this proposal.

Behavioural response assumptions

- It is assumed that there would not be an increase in spending on eligible television production as a result of the increased rate of the producer offset. This is because television producers tend to only provide sufficient content to meet the local content rules for particular production categories. Increasing the rate of the producer offset is assumed to result in a negligible increase in these productions.
- The proposed increase in the location offset rate and removal of the industry grants are assumed to result in a relatively small increase in QAPE due to the removal of uncertainty associated with current industry grant funding being replaced by a higher offset rate.
  - The costing assumes that if industry grants are no longer paid to productions receiving the location offset, the grant funding concerned will be directed elsewhere.
- Reducing the minimum QAPE eligibility threshold for the producer, location or PDV offsets is assumed to result in additional production activity for productions that would become eligible for the offset due to the reduced threshold.
- Removing the 65-hour cap for series dramas for the producer offset is assumed to result in a small number of additional series dramas.
- Allowing subscription on-demand services to access the PDV offset is not assumed to result in a significant change to the number of productions each year, but is assumed to increase the claim amount for existing activity.
- Options that involve changes to both the eligibility thresholds and offset rates are assumed to result in a greater behavioural response compared to individual rate or threshold options.

Methodology

Producer offset and location offset rate changes

QAPE amounts claimed under the producer and location offsets were estimated for each option based on historical amounts, with an increase for any assumed behavioural responses. The impact of a rate change was then calculated by taking the difference between the amount of the offset at the current rate and the proposed rate.

Producer offset, location offset and PDV offset threshold, and 65-hour cap changes

The amount of additional production activity that would be eligible for the offsets due to the lower eligibility threshold or cap changes was estimated based on historical amounts. This was increased to allow for any assumed behavioural responses and multiplied by the relevant rate.

PDV offset - eligibility for subscription on-demand services

The number of subscription on-demand productions that would become eligible for the offset was estimated based on known subscription productions expected to be released. The PDV expenditure component for these productions was estimated based on industry average PDV to total expenditure percentages.

Estimates have been rounded to the nearest $5 million.

Data sources

Department of Communications and the Arts, 2015. *Guidelines to the Australian Screen Production Incentive: Location and PDV Offsets*. Canberra: Department of Communications and the Arts.

Screen Australia, 2016. *Production Trends*. [Online] Available at https://www.screenaustralia.gov.au/fact-finders/production-trends [Accessed 31 August 2017].

Screen Australia, 2017. *Producer Offset Guidelines*. Sydney: Screen Australia.

Standing Committee on Communications and the Arts, 2017. Australian film and television industry. *Official Committee Hansard*. Sydney: Standing Committee on Communications and the Arts.

Standing Committee on Communications and the Arts, 2017. *Inquiry into the Australian Film and Television Industry: Submissions*. [Online] Available at http://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/AustralianfilmandTV/Submissions [Accessed 30 August 2017].

The Department of Communications and the Arts provided the 2017-18 Budget forward estimates of the offsets and other related information.

Attachment A – Tax offsets for film and television production—financial implications

Table A1: Tax offsets for film and television production: Producer offset options—Fiscal balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	**Total to 2020–21**	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	**Total to 2027–28**
Option 1(a): Increase producer offset rate to 40 per cent	-	-65.0	-65.0	-65.0	**-200.0**	-65.0	-65.0	-65.0	-65.0	-65.0	-65.0	-65.0	**-670.0**
Option 1(b)(i): Reduce producer offset QAPE threshold to $0.25 million	-	..	..	..	**..**	..	..	..	..	..	..	..	**-5.0**
Option 1(b)(ii): Increase producer offset rate to 40 per cent and reduce the producer offset QAPE eligibility threshold to $0.25 million	-	-70.0	-70.0	-70.0	**-205.0**	-70.0	-70.0	-70.0	-70.0	-70.0	-70.0	-70.0	**-680.0**
Option 1(c)(i): Remove producer offset 65-hour cap for series dramas	-	..	..	..	**-5.0**	..	..	..	..	..	..	..	**-25.0**
Option 1(c)(ii): Increase producer offset rate to 40 per cent and remove producer offset 65-hour cap for series dramas	-	-75.0	-75.0	-75.0	**-220.0**	-75.0	-75.0	-75.0	-75.0	-75.0	-75.0	-75.0	**-730.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A2: Tax offsets for film and television production: Producer offset options—Underlying cash balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	**Total to 2020–21**	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	**Total to 2027–28**
Option 1(a): Increase producer offset rate to 40 per cent	-	-	-65.0	-65.0	**-135.0**	-65.0	-65.0	-65.0	-65.0	-65.0	-65.0	-65.0	**-605.0**
Option 1(b)(i): Reduce producer offset QAPE threshold to $0.25 million	-	-	..	..	**..**	..	..	..	..	..	..	..	**-5.0**
Option 1(b)(ii): Increase producer offset rate to 40 per cent and reduce producer offset QAPE threshold to $0.25 million	-	-	-70.0	-70.0	**-135.0**	-70.0	-70.0	-70.0	-70.0	-70.0	-70.0	-70.0	**-610.0**
Option 1(c)(i): Remove producer offset 65-hour cap for series dramas	-	-	..	..	**-5.0**	..	..	..	..	..	..	..	**-20.0**
Option 1(c)(ii): Increase producer offset rate to 40 per cent and remove producer offset 65-hour cap for series dramas	-	-	-75.0	-75.0	**-145.0**	-75.0	-75.0	-75.0	-75.0	-75.0	-75.0	-75.0	**-655.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A3: Tax offsets for film and television production: Location offset and PDV offset options—Fiscal balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Option 2(a): Increase location offset rate to 30 per cent	-	-30.0	-35.0	-35.0	**-95.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-335.0**
Option 2(b)(i): Reduce location offset QAPE threshold to $5 million	-	..	..	..	**-5.0**	..	..	..	..	..	..	..	**-10.0**
Option 2(b)(ii): Increase location offset rate to 30 per cent and reduce location offset QAPE threshold to $5 million	-	-35.0	-35.0	-35.0	**-105.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-360.0**
Option 2(c): Reduce PDV offset QAPE threshold to $0.1 million	-	..	..	..	**..**	..	..	..	..	..	..	..	**..**
Option 2(d): Allow subscription on-demand services to access the PDV offset	-	..	..	..	**..**	..	..	..	..	..	..	..	**-5.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A4: Tax offsets for film and television production: Location offset and PDV offset options—Underlying cash balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Option 2(a): Increase location offset rate to 30 per cent	-	-	-30.0	-35.0	**-65.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-300.0**
Option 2(b)(i): Reduce location offset QAPE threshold to $5 million	-	-	..	..	**..**	..	..	..	..	..	..	..	**-10.0**
Option 2(b)(ii): Increase location offset rate to 30 per cent and reduce location offset QAPE threshold to $5 million	-	-	-35.0	-35.0	**-70.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-320.0**
Option 2(c): Reduce PDV offset QAPE threshold to $0.1 million	-	-	..	..	**..**	..	..	..	..	..	..	..	**..**
Option 2(d): Allow subscription on-demand services to access the PDV offset	-	-	..	..	**..**	..	..	..	..	..	..	..	**-5.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

E

Appendix E – Parliamentary Budget Office costings for variations in the screen production tax offsets (Part 2)

Parliament of Australia
Parliamentary Budget Office

Policy costing—outside the caretaker period

Name of proposal:	**Further request for modelling in relation to tax offsets for film and television production**
Summary of proposal:	This proposal has three options to change the *Australian screen production incentive* tax offsets for film and television production. Option 1: Set the producer offset at 30 per cent for all film and television production. Option 2: Set the producer offset at 30 per cent for all film and television production and reduce the producer offset minimum Qualifying Australian Production Expenditure (QAPE) eligibility threshold from $0.5 million to $0.25 million for feature films and single episode dramas. Option 3: Increase the producer offset from 20 per cent to 30 per cent for all television and non-theatrical feature productions and remove the producer offset eligibility cap that requires series dramas to have less than 65 hours of commercial screen time. All options would have effect from 1 July 2018.
Person/party requesting the costing:	Mr Luke Howarth MP, Liberal Party of Australia
Did the applicant request the costing be confidential:	☒ Yes ☐ No
Date costing request received:	15 September 2017
Date costing completed:	21 September 2017
Expiry date of the costing:	Release of the next economic and fiscal outlook report.

Costing overview

This proposal has three options that are all expected to have ongoing impacts that extend beyond the 2017-18 Budget forward estimates period. Detailed financial implications for each option over the period to 2027-28 are provided at Attachment A.

The costing does not include any departmental expense implications as the options would not be expected to significantly change the administrative complexity of the tax system.

The fiscal balance impacts differ from the underlying cash balance impacts because of a timing difference between when productions become eligible to receive the offset and when the offset is paid following lodgement of an income tax return to the Australian Taxation Office.

This costing is very sensitive to the projected amount of expenditure on film and television production in Australia. The base level and timing of production expenditure (and related offset claims) tend to be highly volatile over time, which means that there is a high level of uncertainty in the costing estimates for this proposal. The largest component of each option is that which alters the producer tax offset rate, which largely affects productions that are already included in the projected base level of activity for the costing. Options 1 and 2 have components with offsetting financial implications because the non-feature film rate would be reduced from 40 per cent and the feature film rate would be increased from 20 per cent, if the producer offset rate were set at 30 per cent.

The costing is also sensitive to assumed behavioural responses by film and television producers as there is limited information available that indicates the degree to which companies may increase production in response to the proposals. The costing assumes the overall behavioural responses would be small due to the operation of demand and supply constraints.

Key assumptions

General assumptions

- The Parliamentary Budget Office (PBO) has estimated the baseline for this costing from 2017-18 based on the average historical offset claim amount over the previous five years.
  - It is assumed that there would be no growth in the QAPE of film and television productions from 2017-18 to 2027-28.
- Offset amounts are assumed to be claimed by companies in the year following certification of an offset.
- There is assumed to be an industry supply constraint on the total amount of production that can occur at any one time in Australia in the short and medium term across all production categories, partly due to the relatively small size of the Australian industry. This constraint limits the extent to which behavioural responses are expected to occur in response to this proposal.

Behavioural response assumptions

- It is assumed that there would not be a change in spending on eligible television production as a result of changing the producer offset rates. This is because television producers tend to only provide sufficient content to meet the local content rules for particular production categories. Changing the rate of the producer offset is assumed to result in a negligible change in these productions.

- Reducing the minimum QAPE eligibility threshold for the producer offset is assumed to result in additional production activity for productions that would become eligible for the offset due to the reduced threshold.
- Removing the 65-hour cap for series dramas for the producer offset is assumed to result in a small number of additional series dramas.

Methodology

Producer offset rate changes

QAPE amounts claimed under the producer offset were estimated for each option based on historical amounts. The impact of a rate change was then calculated by taking the difference between the amount of the offset at the current rate and the proposed rate.

Producer offset and 65-hour cap changes

The amount of additional production activity that would be eligible for the offsets due to the lower eligibility threshold or cap changes was estimated based on historical amounts. This was increased to allow for any assumed behavioural responses and multiplied by the relevant rate.

Data sources

Screen Australia, 2016. *Production Trends*. [Online] Available at https://www.screenaustralia.gov.au/fact-finders/production-trends [Accessed 31 August 2017].

Screen Australia, 2017. *Producer Offset Guidelines*. Sydney: Screen Australia.

Standing Committee on Communications and the Arts, 2017. Australian film and television industry. *Official Committee Hansard*. Sydney: Standing Committee on Communications and the Arts.

Standing Committee on Communications and the Arts, 2017. *Inquiry into the Australian Film and Television Industry: Submissions*. [Online] Available at http://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/AustralianfilmandTV/Submissions [Accessed 30 August 2017].

The Department of Communications and the Arts provided the 2017-18 Budget forward estimates of the offsets and other related information.

Attachment A – Further request for modelling in relation to tax offsets for film and television production—financial implications

Table A1: Further request for modelling in relation to tax offsets for film and television production – Option 1: Producer offset set at 30 per cent—Fiscal balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	**Total to 2020–21**	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	**Total to 2027–28**
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-35.0	-35.0	-35.0	**-105.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-350.0**
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	35.0	35.0	35.0	**105.0**	35.0	35.0	35.0	35.0	35.0	35.0	35.0	**350.0**
Total	-	..	..	..	**..**	..	..	..	..	..	..	..	**..**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A2: Further request for modelling in relation to tax offsets for film and television production – Option 1: Producer offset set at 30 per cent—Underlying cash balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	**Total to 2020–21**	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	**Total to 2027–28**
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-	-35.0	-35.0	**-70.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-315.0**
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	-	35.0	35.0	**70.0**	35.0	35.0	35.0	35.0	35.0	35.0	35.0	**315.0**
Total	-	-	..	..	**..**	..	..	..	..	..	..	..	**..**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A3: Further request for modelling in relation to tax offsets for film and television production – Option 2: Producer offset set at 30 per cent and QAPE threshold reduced to $250,000—Fiscal balance[a][b]

($m)	2017–18	2018–19	2019–20	2020–21	**Total to 2020–21**	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	**Total to 2027–28**
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-35.0	-35.0	-35.0	**-105.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-350.0**
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	35.0	35.0	35.0	**105.0**	35.0	35.0	35.0	35.0	35.0	35.0	35.0	**350.0**
Producer offset – QAPE reduced to $0.25 million from $0.5 million		..	..	..	**..**	..	..	..	..	..	..	..	**..**
Total	-	..	..	..	**..**	..	..	..	..	..	..	..	**..**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A4: Further request for modelling in relation to tax offsets for film and television production – Option 2: Producer offset set at 30 per cent and QAPE threshold reduced to $250,000—Underlying cash balance[a][b]

($m)	2017–18	2018–19	2019–20	2020–21	**Total to 2020–21**	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	**Total to 2027–28**
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-	-35.0	-35.0	**-70.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-315.0**
Producer offset – Feature rate set at 30 per cent from 40 per cent	-	-	35.0	35.0	**70.0**	35.0	35.0	35.0	35.0	35.0	35.0	35.0	**315.0**
Producer offset – QAPE reduced to $0.25 million from $0.5 million			..	..	**..**	..	..	..	..	..	..	..	**..**
Total	-	-	..	..	**..**	..	..	..	..	..	..	..	**..**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A5: Further request for modelling in relation to tax offsets for film and television production – Option 3: Producer offset set at 30 per cent and 65 hour cap removed for series dramas—Fiscal balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-35.0	-35.0	-35.0	**-105.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-350.0**
Producer offset – 65 hour cap removed	-	-5.0	-5.0	-5.0	**-15.0**	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	**-50.0**
Total	-	-40.0	-40.0	-40.0	**-120.0**	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	**-400.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A6: Further request for modelling in relation to tax offsets for film and television production – Option 3: Producer offset set at 30 per cent and 65 hour cap removed—Underlying cash balance[(a)(b)]

($m)	2017–18	2018–19	2019–20	2020–21	Total to 2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	Total to 2027–28
Producer offset – Non-feature rate set at 30 per cent from 20 per cent	-	-	-35.0	-35.0	**-70.0**	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	**-315.0**
Producer offset – 65 hour cap removed	-	-	-5.0	-5.0	**-10.0**	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	**-45.0**
Total	-	-	-40.0	-40.0	**-80.0**	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	-40.0	**-360.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.