
The Parliament of the Commonwealth of Australia

Report on the inquiry into the Australian film and television industry

House of Representatives
Standing Committee on Communications and the Arts

December 2017
Canberra

© Commonwealth of Australia 2017

ISBN 978-1-74366-715-6 (Printed version)

ISBN 978-1-74366-716-3 (HTML version)

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website: <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.



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 This distinction is really no longer valid as television and film now have comparable production costs and television is a far larger employer.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



Contents

Chair's foreword	iii
Membership of the Committee	xi
Terms of reference	xii
List of abbreviations	xiii
List of recommendations	xv

REPORT

1 Introduction	1
Referral of the inquiry	1
Objectives and scope	1
Overview of Australia's screen industry	2
Economic contribution	2
Cultural contribution	3
Cost of the industry incentives to government	5
Viewing trends	5
Past and current reviews	8
Conduct of the inquiry	10
Report structure	10
2 Tax incentives for screen production	13
Introduction	13
Qualifying Australian production expenditure	14
Producer offset	15
Background	15

Harmonising the offset for cinematic and non-cinematic features	17
Other changes to producer offset eligibility	21
Conclusions	23
Location and PDV offsets.....	25
Background.....	25
The location offset is not competitive	27
The location and PDV offsets should apply to all platforms.....	31
The PDV offset should be decoupled from the location offset.....	33
Conclusions	34
3 Australian content quotas	37
Introduction	37
The current quota system	38
Background.....	38
ABC and SBS.....	41
Compliance	42
Reforming the quotas	44
Moving to an expenditure-based system.....	44
Children’s quotas	46
The move to animation.....	48
Inclusion of on-demand platforms	50
Conclusions	52
New Zealand content	55
Analysis.....	55
Conclusions	56
Quotas for the ABC and SBS	57
Analysis.....	57
Conclusions	59
4 Other issues in Australia’s screen industry	61
Introduction	61
Direct government funding	61
Background.....	61
Analysis.....	62

Conclusions	65
Digital games	66
Background.....	66
Analysis.....	67
Conclusions	70
International co-productions	71
Background.....	71
Analysis.....	72
Conclusions	75
Foreign actor visas	76
Background.....	76
Analysis.....	77
Conclusions	78
Mental health	79
Analysis.....	79
Conclusions	80

DISSENTING REPORT

Dissenting report – Labor members of the committee.....	81
---	----

APPENDICES


Appendix A – List of Submissions.....	87
Appendix B – List of Exhibits	93
Appendix C – Hearings and Witnesses	95
Appendix D – Parliamentary Budget Office costings for variations in the screen production tax offsets (Part 1).....	103
Appendix E – Parliamentary Budget Office costings for variations in the screen production tax offsets (Part 2).....	111

TABLES

Table 2.1	QAPE and duration thresholds for the producer offset	16
Table 2.2	Producer offset certificates issued in 2015-2016	17
Table 2.3	Number and value of the location and PDV offsets granted from 2010 to 2015	27
Table 2.4	Incentives for location shooting in 2006 and in 2016 among different jurisdictions.....	28
Table 3.1	Content requirements for commercial free-to-air broadcasters.....	39
Table 3.2	Points system for Australian drama, documentary and children's programs	39
Table 3.3	2012–2016 Australian content compliance results published by the ACMA	42
Table 3.4	2012–2016 Australian content compliance results – children's content.....	43
Table 3.5	New eligible drama expenditure results 2011–2012 to 2015–2016	44
Table 4.1	Number of co-production agreements in Australia's partner countries	74

FIGURES

Figure 1.1	Share of time spent viewing by content type – Live TV accounts for the largest share of viewing	6
------------	---	---



Membership of the Committee

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.

