

25th August 2021

RE: Treasury Laws Amendment (2021 Measures No. 5) Bill 2021
PUBLIC HEARING
Friday 20 August 2021

HEARING RESPONSE

I would like to sincerely thank you for the opportunity to present evidence at the enquiry on Friday. It was a great privilege to be able to represent not just my own company but to provide relevant insight into other Australian owned SME companies in the PDV sector.

I'd like to submit some additional information for your consideration during this process.

In response to some comments made in the final session:

With regard to the historical data mentioned by the Office for the Arts, Department of Infrastructure, Transport, Regional Development and Communications, that they suggest justifies the rebate has not been widely used at the 500K threshold, I'd like to point out two key things:

Firstly, fundamentally what we have right now is a new and greater opportunity to secure more export work than we've previously had. This is due to the environment created as a result of COVID in which clients are more open to remote workflows. Historical data is not valid here. Clients who would not have considered us in the past will now do so. The issue is that this work is rarely budgeted over \$1 million, so without an appropriate tax offset to support it, we will lose out on this work. It's that simple. Securing projects is about relationships, capability, reputation etc but ultimately, if you can't make the numbers work, someone else will.

Secondly, these historical figures will not represent the new and emerging breed of companies, like Blackbird, that are more recently in a position to attract export work. After three years of significant investment in our export strategy, we are at the moment where this investment can see us take flight – but if the threshold doubles, it's a dead end for us. Our export strategy has been based on our clients being able to access the PDV rebate at the \$500,000 threshold. We've done our research and we know the access point for this work; and it's not \$1 million. **There simply isn't enough work at that level to justify the overheads that come with sitting ready to work at that scale for SMEs.** This sector is cyclical. For sustainability, we need to position our companies at a scale that can ride the ebb and flow of these production cycles.

In response to the idea of smaller companies partnering up to provide appropriate scale to service larger budget projects, this is not a new idea. As individual businesses, we can't base our business growth plans or export strategy on collaboration with other firms in the sector. We're competitors who collaborate when it suits us, but to assume standing collaborations as a fix is unworkable.

In relation to the discussion around the Location Offset & Incentive and the flow on benefit this presents to the PDV sector, I'd like to make sure you are aware that the requirement for a production to utilise a local post or visual effects company does not have to be substantial. This is not a solid guarantee of support for the sector and does not balance out the loss of opportunities we'll face with the doubling of the PDV Offset as proposed in the Bill.

To illustrate the benefit a single project with a budget of around \$700,000 can offer a company like Blackbird in terms of employment and growth –

- Pre-COVID, we could handle a single project of roughly approx. \$600,000-\$800,000 worth of work alongside our existing slate of smaller projects.
- With the current tax and incentive settings, COVID has opened new opportunities.



- We now have some key credits associated with our brand and there has been an increase in work that clients were ready to consider us for.
- We went from one large-scale project at a time to two, driven by the current carefully balanced government incentives and tax settings. This additional single project at a budget of approx. \$700,000 has enabled us to double in scale in under twelve months.
- That's new employees, training opportunities, additional rent to an expanded premises, expenditure across furnishings, IT, cyber security infrastructure, cleaning services and so on.

In the past two months, while other industries have been hit hard with COVID restrictions, we have shifted to a remote environment that is flourishing, adding two new employees in just the last two weeks alone. We are a growing company in a vibrant industry with global relevance.

Again, I ask you, to please retain the PDV Offset threshold at \$500,000. Keep it accessible and viable for companies like ours. We are just one example of how the Offset can change lives and will grow the Australian economy.

Sincerely,

Nerissa Kavanagh
Managing Director