

**22 August 2023**

## **Screen Producers Australia's submission to the EMDG Refocus**

### About Screen Producers Australia

Screen Producers Australia (SPA) was formed by the screen industry businesses representing large and small enterprises across a diverse production all forms and formats of screen content.

As the peak industry and trade body, we consult with a membership of more than 600 production businesses in the preparation of our submissions. This consultation is augmented by ongoing discussions with our elected Council and members. Our members employ hundreds of producers, thousands of related industry practitioners and drive between \$1 billion and \$2 billion worth of annual production activity from the independent sector.

SPA's members are drawn from all elements of the Australian production ecosystem, including emerging and established producers, production businesses, services and facilities. Our members vary in size from large internationally owned entities, to partnerships, to sole traders and other corporate entities, and are found in every region, state and territory of Australia.

On behalf of these businesses, we are focused on delivering a healthy commercial environment for the entire screen industry through ongoing engagement with elements of the labour force, including directors, writers, actors and crew, as well as with broadcasters, distributors and government in all its various forms. This coordinated dialogue ensures that our industry is successful, employment levels are strong and the community's expectations of access to high quality Australian content have been met.

Screen Producers Australia welcomes the opportunity to make a submission to the EMDG Refocus.

For further information about this submission please contact Jane Mulligan, Director of Policy ([jane.mulligan@screenproducers.org.au](mailto:jane.mulligan@screenproducers.org.au) )

## INTRODUCTION

SPA welcomes the opportunity to provide a response to the Export Market Development Grants program – Strategic Refocus.

The recent release of the ABS [Film, Television and Digital Games Survey](#) covering the financial year 2021/22 provides important economic data about the increasing value of the Australian screen industry with large gains in employment and number of production businesses.

This report showed that the Australian screen industry employed approximately 55,000 people and contributed over \$6 billion in valued-added to the Australian economy in 2021/22.

The EMDG scheme is of significant ongoing value to export support for SPA members. There are some aspects of the proposed refocus that are of concern to SPA because of the potential negative impact on our industry:

- A refocus to specific markets (as opposed to ensuring that businesses can continue to trade globally) will be detrimental to the screen industry and many SPA members who are currently primarily developing export strategies in North America and the UK given the historical dominant global position of these territories.
- In addition, some of the proposed eligibility requirement would have a detrimental effect on screen production businesses. Many of the proposals in this section are oriented towards traditional manufacturing-type businesses and not businesses working in the creative industry sector for which the product created is intellectual property and also project to project which in their own right need export development strategies in each and every situation.

It is also worth noting the dynamics of many of our members which scale up when different opportunities align and from that product creation can do incredibly well in export terms. For example, some of our best loved global successes in film and television have been developed by micro businesses that haven't had significant previous years of business turnover or large numbers of employment but have found themselves able to deliver a product of great return as investment and creative alignment occurs on projects which in turn delivers incredibly for the business. It is these sorts of projects and businesses that form around individual films or television series that we are keen to ensure are able to be supported through this program.

The following comments provide further detail on these key points.

## STRATEGIC REFOCUS TO BETTER SUPPORT AUSTRALIAN EXPORTERS DEVELOP NEW MARKETS

The EMDG scheme is of critical value to SPA members. The ability to access export markets for SPA members from the film and television production industry is of significant importance both to the stability of screen businesses and therefore this industry sector, but also of critical importance to the capacity the industry has to fund the development of new ideas and projects.

According to a report commissioned by SPA in 2018 from Deloitte<sup>1</sup>, more than two in every five screen production businesses (43%) exported, compared to 7.6% of Australian businesses overall (ABS, 2017a).

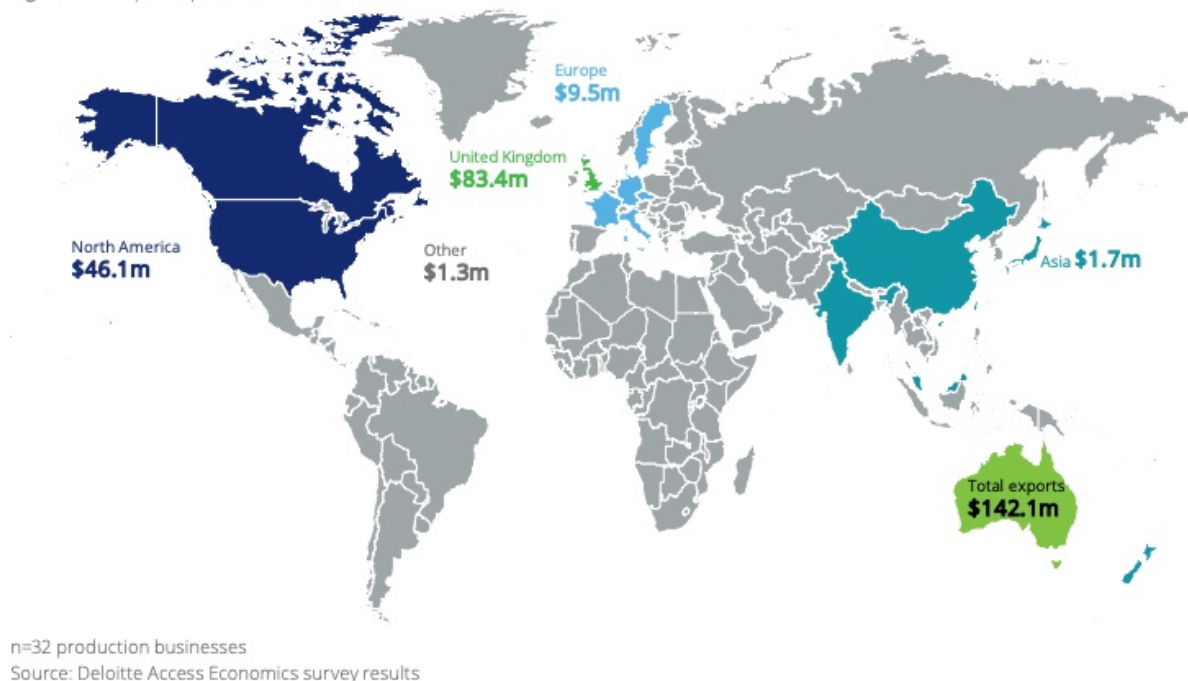
Given this, any “refocus” for the EMDG away from screen export countries in the Americas and Europe, would be to the detriment of Australian film and television production businesses because they primarily currently are developing strategies for their projects to export to Northern America and the UK.

SPA’s members are interested in developing export markets in all territories but need to ensure that their current markets are sustained in order that their businesses can develop into these additional territories. As our members produce a product that once made can be exported repeatedly by the production company (given that it doesn’t incur significant additional costs to trade the item into multiple territories), film and television products offer great opportunities for expanded income from further developed export territories. However for this to be successful it is important that the current markets for our – mostly English language – content are sustained.

Furthermore, it would be a significant change in practice for the EMDG program to be re-oriented to meet the goals of a particular Government, rather than the needs of an Australian business sector. This development could set a precedent for future government intervention into what is largely a market-driven export program.

As the map below shows, taken from the Deloitte report, for the Australian screen industry, the vast majority of screen industry exports are marketed to the UK and North America. These countries are the global leaders in the screen export industry.

Figure 2.2. Map of export destinations, 2017



<sup>1</sup> Deloitte Economics, [Screen production in Australia: Independent screen production industry census](#), Screen Producers Australia, 2018

A preferable approach to support the Government's bilateral and regional trade priorities would be through new program measures created and funded by the Government to achieve this objective, and not funded by in effect, a loss of export support to existing and priority markets for exporting Australian businesses.

SPA notes that Australia currently lacks an effective strategy to grow its screen export opportunities and this is a missed opportunity that should be addressed. In the meantime, through [AusFilm](#), the current Government emphasis is on bringing offshore productions to film in Australia, attracted by generous tax incentives at both a federal and State level.

While international productions have important economic and skills-development benefits, there is a strong perception shared amongst the Australian screen industry that this has come at the expense of a complementary focus on developing a strong export market for Australian cultural products.

With the prospect of a secured stable pipeline of investment by largely global streaming platforms in Australian content on the Government agenda, it is time for a new approach and a renewed effort to be put on developing screen export markets.

SPA believes that any re-focus of the EMDG must avoid measures that could jeopardise plans to revitalise Australia's screen export capacity and grow Australia's creative industries, a key future industry for the transitioning Australian economy.

It is vitally important that after years of inaction, during which the domestic and export growth potential inherent in the global demand for screen content has gone unrecognised and capitalised on, that this sector should be further harmed by any proposal to reduce access to the EMDG program and the key export markets for this sector.

## COMMENTS ON ELIGIBILITY REQUIREMENTS

Some of the proposed eligibility requirement would have a detrimental effect on screen production businesses. The proposals in this section are oriented towards traditional manufacturing-type businesses and not businesses working in the creative industry sector for which the product created is intellectual property.

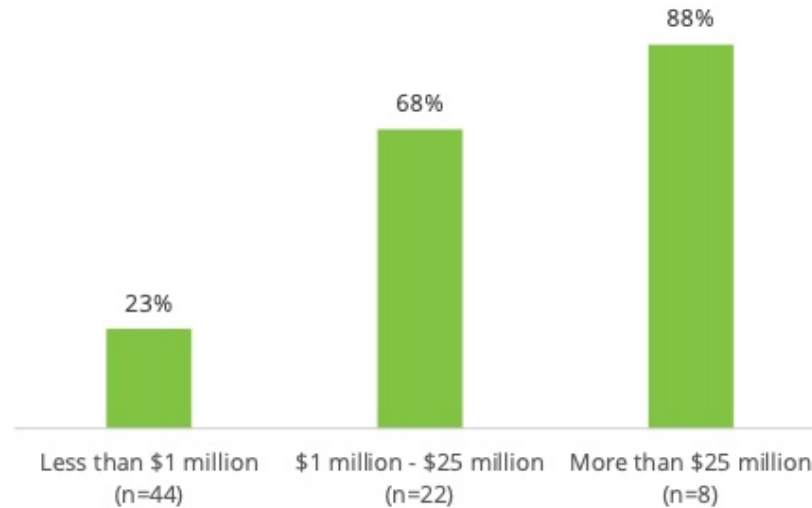
SPA makes the following comments on some of these:

- Adjusting the matching contribution from 50:50 to 70:30 would disadvantage screen businesses from seeking access to new markets by making the cost to businesses higher than at present.
- Introducing a minimum annual business turnover could disadvantage screen production businesses as their annual turnover can vary considerably from year to year, depending on their production cycle. For example, in the year following production a businesses turnover could drop but the marketing costs will be higher in that year. A better approach would be to enable businesses to meet a turnover threshold averaged over two or more years.

The Deloitte report shows that the proportion of businesses earning export revenue is high across all business sizes. While larger businesses with revenue more than \$25 million were more likely to be exporting than businesses with revenue of less than \$1 million, these smaller businesses are still more likely to be exporting compared to Australian businesses more generally.

This graph taken from the Deloitte report illustrates this:

Chart 2.2. Likelihood of exporting by business size



n=74 production businesses

Source: Deloitte Access Economics survey results

- The current number of financial years for which applicants can be eligible is currently two years and this works well for film and television production businesses.
- Introducing an Employment Growth requirement – this is a bad metric to apply to film and television production businesses whose product is largely intellectual property. This metric seeks to apply a measure that does not relate to how a creative industry measures success.

Screen production businesses and productions employ a small percentage of employees on an ongoing basis in production businesses' corporate headquarters, and significantly more in temporary roles associated with specific productions.

Production staff are often hired for a particular production, rather than on a permanent basis. Some production personnel work on more than one production in a given year. As such, employment in screen production is not equivalent to full-time equivalent positions, or individuals employed, but varies significantly from year to year. This is borne out in the ABS [Film, Television and Digital Games Survey](#) which shows that nearly 50% of employment in film and production businesses is on a casual basis.

- Introducing a 'minimum years in business' requirement – this would disadvantage screen production businesses which are often constructed as special purpose vehicles (SPVs) for the purposes of a production and would therefore not have the indicators of stability suggested by this requirement.

Many businesses that operate in the valuable, growing and future-oriented creative economy sector would be in the same situation. These businesses are dynamic, temporary and evolving, and often based around specific projects.

## COMMENTS ON PROGRAM SUSTAINABILITY

SPA understands the need for program sustainability for the EMDG. However, the nature of the screen production business means that any loss of current flexibility or funding amounts, could be detrimental to this sector.

Regarding program sustainability, for the screen production sector it is important that sustainability measures retain a degree of flexibility and equity to ensure that as many businesses as possible have access to EMDG support.

A proposal to establish a regular program timetable consistent with normal grant processes would not be agile enough for the Australian screen sector which currently depends on a high level of flexibility to deal with the fluctuating nature of needs by Australian screen businesses to access export support.

There is no advantage to screen production businesses from fixed program settings and timings, or from fixed timing for grant rounds, in fact, these changes could be detrimental to these businesses.