

1 November 2011

Mr. Glen Boreham
Chair
The Convergence Review Panel
Department of Communications, Broadband & the Digital Economy
GPO Box 2154
Canberra ACT 2601
Email: convergence@dbcde.gov.au

Dear Glen

RE: SPAA SUBMISSION TO CONVERGENCE REVIEW

Please find enclosed the Screen Producers Association of Australia (SPAA) submission to the Convergence Review.

SPAA accepts the challenge that the review poses for the Australian independent screen production sector. The review offers a unique opportunity for all stakeholders to think beyond 2013 and imagine a future 20 years out from now. By adopting a technology neutral approach to its proposals and modelling, SPAA has attempted to adapt current forms of screen delivery to the new environment.

SPAA notes that the Panel has released all the major data necessary to formulate positions on the key issues. This information is not contested and we accept without further argument that the Panel is well informed of the history and importance of Australian Content Regulation. For the purposes of the SPAA submission we have assumed that it is not so much a question of whether local content rules will be retained, but how they might they be differently expressed and potentially broadened and increased in the new media landscape.

Our two major recommendations adopt a platform neutral approach to the future media landscape. The first major proposal is a mechanism designed to classify the level of local Australian content obligation based on audience rather than the nature of the digital platform. The second proposal argues the case for a market driven, tax based stimulus to drive production across all platforms i.e. the 40% Digital Platforms Producer Offset. We commend these ideas to you.

A number of questions have been posed of SPAA through the development of its submission. We respond as follows:

1. Any recommendation to consider a 40% producer offset for TV and new media that excludes or discriminates against broadcaster access could be problematic from a legal perspective (i.e. government cannot discriminate on tax).

2. Should there be specific quotas for independent production, similar to the UK?

SPAA Response: SPAA is seeking legal advice on the threshold issue of differing treatment under the Income Tax Assessment Act 1997 and remains confident that this advice will confirm that it is possible to discriminate in the manner SPAA has suggested.

However, should this advice be in the negative or government decides for whatever reason to extend the same benefit i.e. the 40% Digital Platform Producer Offset, across the board SPAA would then insist on the introduction of Independent Production Quotas (see submission).

3. Has SPAA considered whether existing broadcasters should be allowed to trade their additional channels in the future when compression technology will provide for more multichannels and should there be a limit on the number of multichannels instead of spectrum bandwidth?

SPAA Response: The FTA broadcasters were granted 7 MHz of digital spectrum for free, so any sale of that spectrum must now deliver a public dividend through a rebate to the Commonwealth on sale price. As argued in our submission, multiple media ownership leads to diversity so we support the notion of tradable channels. Effective and efficient use of the spectrum is an issue. SPAA is disappointed with the FTA's lack of commitment to the HD format. Any extra bandwidth should be taken up with dedicated HD Channels before any sell off of spectrum.

4. Does SPAA have a definition of "Australian Content" that goes beyond the definitions currently contained in the Broadcasting Services Act 1992? I.e. does Australian content relate to the production entity/ownership or the local cultural relevance/or both?

SPAA Response: In the broad, "Australian Content" captures all forms of local production be it Australian feature films, offshore film and TV production, TV sub-quota under the Australian Content Standard or news, current affairs and sport, which is mostly produced in-house by broadcasters and Pay TV. The total of this output represents the industrial or manufacturing scale of "Australian Content" and is produced by multiple businesses both foreign and local. The cultural aspect comes from the application of the specific sub-quotas under the Australian Content Standard and government investment, through direct subsidy in this production and local feature films. SPAA believes there is scope to extend government support into new forms of local programming with less emphasis on the cultural merit. See SPAA proposal for a new 40% Producer Offset to cover new genres and formats.

5. Does SPAA have a view on the size of industry that is feasible and sustainable (in terms of quantity and quality)?

SPAA Response: The SPAA proposal for a new Producer Offset is estimated to grow the industry by \$76 million a year in extra production activity. This is based on current levels of content regulation with scope for some forms of light entertainment to be included. The generally recognized current gross worth of local production is assessed at \$650 million a year. SPAA has always maintained that the

critical mass for a sustainable Australian independent production sector is \$1 billion worth of annual production so unless we have support for the extension of both content regulation and a new Producer Offset this may not be achieved.

SPAA looks forward to further engagement with the Panel over the next 12 months and will provide additional modeling and costings of its proposals as they are further developed.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Geoff Brown". The signature is fluid and cursive, with the first name "Geoff" and the last name "Brown" clearly distinguishable.

Geoff Brown
Executive Director



CONVERGENCE REVIEW
SCREEN PRODUCERS ASSOCIATION OF AUSTRALIA SUBMISSION
October 2011

SCREEN PRODUCERS ASSOCIATION OF AUSTRALIA (SPAA)

SPAA is the national industry body that represents Australian independent film and television producers on all issues affecting the business and creative aspects of screen production.

SPAA members include television, feature film, animation, documentary, TV commercial and interactive media production companies as well as services and facilities providers such as post-production, finance, distribution and legal companies.

CONTENTS

Page

1. SPAA POSITIONS

1.1 Australian Content Standard – Current And Future Minimums	2
1.2 New Platform Neutral Approach To Local Content Delivery	3
1.3 New Market Driven Mechanism To Encourage Production Across All Digital Platforms	3
1.4 A New And Strengthened Communications Regulator	4
1.5 Other Matters	5

2. CHANGES TO THE AUSTRALIAN SCREEN PRODUCTION INCENTIVE FOR TELEVISION DRAMA AND OTHER DOCUMENTARY PROGRAMS

2.1 Summary	6
2.2 Briefly	6
2.3 Background	7
2.4 The proposal in detail	8
2.5 The case for policy change	9
2.6 What the modelling shows	10
2.7 Conclusion	12

3. SHILLING SWIFT REPORT

Modeling the Impact of Changed Producer Offset Parameters for TV Production	13
---	----

CONVERGENCE REVIEW – SPAA POSITIONS

SPAA supports all the framing principles of the Review but with particular interest and support for these:

- PRINCIPLE 1: Australians should have access to a diversity of voices, views and information.
- PRINCIPLE 2: The communication and media market should be innovative and competitive, while ensuring outcomes in the interest of the Australian public.
- PRINCIPLE 3: Australians should have access to Australian content that reflects and contributes to the development of national and cultural identity.
- PRINCIPLE 5: Local and Australian content should be sourced from a dynamic domestic content production industry.
- PRINCIPLE 6: Australians should have access to the broadest range of content across platforms and services as possible.
- PRINCIPLE 8: The government should seek to maximise the overall public benefit derived from the use of the spectrum for the delivery of media content and communication services.

SPAA POSITIONS:

1.1. AUSTRALIAN CONTENT STANDARD – CURRENT AND FUTURE MINIMUMS *PRINCIPLES 1, 3 AND 6*

If there is to be more content in total as a result of convergence, then there should be more Australian content. Quotas for multi-channels, quotas for public broadcasters in line with FTA commercial broadcasters, and quotas for new media platforms should be required to meet the Australian content obligations in the Broadcast Services Act or in new legislation. More specifically:

1. The Australian Content Standard must be maintained for all commercial free to air broadcast services and subscription television. The lack of take-up of Australian content on existing FTA multichannels requires immediate policy intervention in terms of quotas. Therefore, SPAA recommends that one of the digital FTA multichannels per network be designated to carry the full transmission and sub-quota obligations from 2013, with no aggregation across channels. The other two digital multichannels be mandated to carry new sub-quotas or local spend obligation for adult drama and documentary with the core channel obligation for children's drama being allowed to be carried on either one of the two channels.
2. Alternatively the networks be allowed to aggregate the Australian Content Standard across the current three digital channel configuration but sub-quotas for adult drama, childrens' drama and documentary be doubled and doubled again for each subsequent addition of three digital channels to the network.
3. For subscription television, an increase in the local programming spend requirement for each drama channel to 20%, and an introduction of a 10% spend requirement for documentary.

4. ABC be mandated to carry same levels of Australian content as commercial free to airs under the Broadcast Services Act. The SBS must carry 50% of this obligation.

1.2 NEW PLATFORM NEUTRAL APPROACH TO LOCAL CONTENT DELIVERY *PRINCIPLES 1, 3 AND 6*

Notwithstanding the above minimum conditions, SPAA supports the design, development and implementation of a new local content regime that is platform neutral and based on audience numbers. We note the complexities of defining broadcasters and other platforms including telcos, ISPs and IPTV services for the purposes of local content regulation in the new digital landscape. The SPAA recommended approach is to ignore the differences and focus on audience capture e.g. Australian eyeballs, regardless of the screen or the business model behind the screen and delivery methodology. We suggest a three-tier system, which categorises local content obligations on the basis of average Australian audiences per hour 24/7/365. We are preparing a separate detailed submission on this proposal. This is how the three tiers may look:

Tier One – Average audiences >X an hour.

Full Australian Content Standard expressed as hours, points or spend obligation.

Media companies potentially captured: Telstra Big Pond, Optus Net, commercial FTA networks Nine, Seven, Ten, ABC core channels (channel identified by each network as primary carrier of Australian content obligation). If alternative aggregation as proposed under SPAA Proposal No. 1 then each FTA network carries full obligation across suite of channels.

Tier Two – Average audiences >Y an hour but <X an hour.

Spend obligation of upwards of 20% of overseas program costs or a percentage of advertising or subscription revenues.

Media companies potentially captured: FOXTEL and Pay TV channel operators e.g. Showtime, FTA non-core multichannels, SBS, You Tube (Australia) TV and other IPTV.

Tier Three – Average audiences >Z an hour but <Y an hour.

No local content obligation but Australian programs commissioned are eligible for modified Producer Offset set out in SPAA Proposal No. 3.

1.3 NEW MARKET DRIVEN MECHANISM TO ENCOURAGE PRODUCTION ACROSS ALL DIGITAL PLATFORMS *PRINCIPLE 8*

A new market driven tax based incentive be introduced to promote the commissioning of Australian content on all new digital platforms, including television. The mechanism only to be made available to entities that can currently access Screen Australia investment funding i.e. independent production companies. A detailed proposal is attached in the Shilling Swift Executive Summary and Report (enclosed), the main points of which are:

1. Choice between current system of support that exists for television, i.e. 20% Producer Offset + Screen Australia funding providing digital platform attached OR 40% Producer Offset + no Screen Australia funding with digital platform attached.
2. Decrease of thresholds to \$200K for drama and children's and \$100K for documentaries for all non-sub quota production i.e. over and above minimum obligation, and Tier Three productions.
3. Three tiers of eligibility based on Local Content model outlined under SPAA Proposal No.2:

- a) Tier 1 - 40% Offset but do not qualify for lower thresholds, must meet full current quota obligation and must pay minimum licence fees meeting Screen Australia minimums and terms of trade.
- b) Tier 2 - 40% Offset must meet an upwards of 20% expenditure test depending on genre
- c) Tier 3 - 40% Offset and lower thresholds with no quota or expenditure obligations.

4. Inclusion of light entertainment into the funding base at a rate of 20% Producer Offset with a \$100,000 per hour eligibility level and new media at 40% Producer Offset with a \$100,000 per project eligibility level.
5. Capture as wide a production spectrum as possible including new formats and genres i.e. infotainment where the format is conceived and developed by Australian independent production companies e.g. *The Gruen Transfer* and *Rockwiz*.
6. If eligibility for the new PO is to be extended to broadcasters and digital platforms at 40% then Independent Production Quotas be introduced requiring that 75% of all programming excluding news, current affairs, talk, game shows and sport be outsourced to the independent production sector.

Costs associated with these changes to the PO covered by the Digital Dividend, sale of analogue spectrum. The Canadian Bell Fund is a model to consider.

1.4 A NEW AND STRENGTHENED COMMUNICATIONS REGULATOR

SPAA supports the ACMA being given wider powers to negotiate minimum terms of trade in consultation with industry with broadcasters, telcos and other emerging players and conglomerates in the digital space, in the same manner that OFCOM in the UK operates. The ACMA has proven itself to be ineffective in dealing with the new digital landscape and this has allowed broadcasters to use their dominant market power to acquire the producers' digital rights for little or no consideration. Commercial free to air broadcasters should make higher contributions to adult and children's drama and documentaries through increased licence fees for premium prime time Australian content and concede the bulk of digital rights to the producer. This is in recognition that commercial free to air networks have been given concessions on spectrum licence fees, which in the years 2010-11 amount to \$490 million, and if a further \$100 million is granted in 2012, \$590 million.

If the local independent production sector is to grow it will be through the exploitation of digital rights, which are ancillary to the broadcast right. Specifically the new authority should have the powers to focus on the growth and sustainability of the independent production sector consistent and complimentary with the government's intent under Section 376 of the Income Tax Assessment Act 1997.

1.5 OTHER MATTERS

- *(PRINCIPLE 1) Diversity* - SPAA fully supports the adequate funding of public broadcasters ABC and SBS, but would strongly oppose the public broadcasters carrying all Australian cultural obligations and responsibility for funding all Australian content. It is imperative that all new services offer audiences access to Australian stories and voices on whatever platform. (PRINCIPLES 1, 2,3,6). Diversity is also connected to cross media ownership rules. More concentrated ownership means fewer voices. The prospect of foreign owned conglomerates entering the Australian media market either through mergers and acquisitions or by establishing branch offices after analogue switch off is very likely. ACMA should be given wider powers, once again looking to the UK's OFCOM as a model, and work together with the ACCC on anti-competition regulation for the future in the digital world. Moreover the new ACMA should be ceded anti-competition powers from the ACCC to deal specifically with media ownership.
- *(PRINCIPLE 1)* SPAA supports the retention of cross media rules and the introduction of an objective public interest test to capture subscription television, online media including IPTV and telecommunications companies entering the digital environment. There is a model for this in the UK Enterprise Act 2002. SPAA would also support an independent panel under the aegis of ACMA that administers a public interest test for media mergers and acquisitions, provided the decision makers are clearly outside government influence. Relaxing limitations regarding concentration, for example, could be compensated for by concentrating on a group's programming and content, resulting in net public benefit.
- *(PRINCIPLES 2,6,8) IPTV* - The definition of broadcast should confirm the inclusion of IPTV. Services are already being provided that are currently exempted from the definitions of 'broadcast television', for example 'a service that makes programs available on demand on a point-to-point basis, including a dial-up service'.

2. CHANGES TO THE AUSTRALIAN SCREEN PRODUCTION INCENTIVE FOR TELEVISION DRAMA AND DOCUMENTARY PROGRAMS

2.1 SUMMARY

SPAA Proposes

- An increase in the rate of the Producer Offset for television production,
- A reduction in the threshold level of qualifying production expenditure for some projects, and
- Extension of eligibility to 'new media' and light entertainment. SPAA believes the changes are a sound policy response to the challenge of convergence. They build on the proven effectiveness of the Producer Offset scheme.

Cost

The estimated cost of the changes over a three-year period from start up is \$180 million, with production building progressively over that time. By year three, the annual cost of the changes is estimated at \$76 million, with a projected annual increase in Australian drama and documentary production of just under 100 hours.

2.2 BRIEFLY

The views SPAA wishes to present here relate to the Australian Screen Production Incentive scheme, in particular the application of the Producer Offset to television drama and documentary production.

SPAA proposes

- An increase in the rate of the Offset for television production.
- A reduction in the threshold level of qualifying production expenditure for some projects.
- Extension of eligibility to 'new media' and light entertainment. These changes would have a direct, positive impact on the level of Australian content on television – not just free-to-air television but digital, subscription and internet television too.

Increasing the rate of the Offset would promote a wider diffusion of Australian content across the broadcast media. Reducing the expenditure threshold and extending the Offset to 'new media' and light entertainment would encourage more innovation in program making. The three together would help keep Australian content in front of audiences as they diversify their viewing across the new media channels and platforms. If Australian content matters, it's important that it be widely diffused and that it keep pace with changes in audience viewing behaviour. It's essential that it not be left behind, an artifact of a pre-digital regulatory regime, thriving in the old media world but cut off from the new.

The changes SPAA proposes will help fit Australian content to the new converging media landscape. They are achievable changes that build on a proven, effective scheme. In modeling undertaken for SPAA by consultants Shilling Swift (see attached report), the annual cost of the changes is estimated at \$76 million, based on a modeled increase in output of Australian drama and documentary content of just under 100 hours. SPAA believes the changes are a sound policy response to the challenge of convergence.

The modeling assumes that the rules now governing Australian content on television continue to operate. These rules are summarized below. Changes to the rules could have consequences that are difficult to foresee. Our members believe that any watering down of the rules would have immediate adverse consequences for Australian television production.

2.3 BACKGROUND

The Producer Offset was introduced in 2007 as part of the Australian Screen Production Incentive scheme. It offers a refundable tax offset or rebate of 40 per cent of Qualifying Australian Production Expenditure incurred on a feature film, or 20 per cent for programs other than feature films. Television drama and documentary programs attract the 20 per cent Offset. In the first three years' operation, from July 2007 to June 2010, there were 88 eligible drama productions with a combined production value of \$627 million, along with 198 documentary productions with a combined value of \$188 million – implying an average annual output of 95 eligible drama and documentary productions worth \$272 million. Together these programs represented about 60 per cent of all television drama and documentary production in Australia in the three-year period to 2010.

Local television production is further supported by the investment programs of Screen Australia and the several state government film agencies. Together they contribute about 9 per cent of television drama funding and 23 per cent of documentary funding (not counting the cash-flowing they provide for the Producer Offset).

The Producer Offset and the funding agencies work in tandem with the Australian content requirements of the *Broadcasting Services Act 1992*. These require the commercial free-to-air networks 'to broadcast an annual minimum transmission quota of 55 per cent Australian programming between 6am and midnight', and to meet minimum annual targets for drama, children's, and documentary programs. For each of the three main commercial networks (Seven, Nine and Ten) the targets are a 'drama score' of at least 250 points (with points allocated according to a formula that is weighted towards high quality drama), plus 25 hours of children's drama and 20 hours of documentary programs.

There are, however, no content rules for the commercial networks' new digital multichannels (7Mate, 7Two, GO!, Gem, Eleven and One HD), nor for the two public broadcasters, the ABC and SBS (and their multichannels) and there are none proposed for internet television, now in its infancy but soon to be boosted with the rollout of the National Broadband Network. On all these channels the presence of Australian content, if it is present at all, depends on the programming strategies of the networks and the cost equation of imported versus local – which rarely works in favour of local.

For subscription television, the picture is a little different. Licensees and channel packagers that broadcast drama channels are required to invest at least 10 per cent of their total program expenditure on new Australian drama. In 2009/10 the 26 drama channels spent \$35 million on new Australian (and New Zealand) drama including *Cloudstreet*, *Packed To The Rafters*, *Rake*, *Sea Patrol*, *Spirited* and *Tangle* (season 2).

Do Australian audiences want all this Australian content? The evidence is yes – overwhelmingly. Australian drama has long dominated television ratings with such productions as *All Saints*, *Angry Boys*, *Bananas In Pyjamas*, *Changi*, *Home And Away*, *Kath & Kim*, *Mary Bryant*, *McLeod's Daughters*, *My Brother Jack*, *Neighbours*, *Packed To The Rafters*, *Rake*, *Rush*, *Sea Patrol*, *The Slap*, and *Underbelly*. The seeming paradox of such successful productions requiring government assistance to get on air is resolved when the pricing structure of television markets is understood, with major US series such as

CSI, *Law And Order* and *Glee* selling in Australia at a small fraction of their actual production costs. Thus an hour of US sitcom *Two And A Half Men* costs about \$US2 million to produce but with nearly all of this cost met by the US broadcaster, the license for Australia is just \$100,000 an hour. Australian producers cannot possibly compete at these low rates, even though their production costs are substantially lower than US imports. Without support there would be little or no quality Australian drama or documentary production.

In summary, Australian television content is an outcome of strong local audience demand underpinned by a mix of fiscal and regulatory measures. These measures have evolved over time as new technologies have opened up new media. We note that changes in the mix of measures could have unforeseen consequences. In particular, producers fear any reduction in the drama score for free-to-air television would have immediate adverse consequences for Australian drama, given the financial incentive for networks to switch to lower cost imports.

2.4 THE PROPOSAL IN DETAIL

Below we present a package of measures designed to promote Australian content across the emerging media spectrum. The package dovetails with a separate proposal SPAA has advanced for an Australian Content Standard based on three channel categories, being *major channels* (Seven, Nine, Ten, and ABC – Category 1), *specialised channels* (SBS, digital multichannels, subscription TV drama channels – Category 2), and *niche channels* (subscription TV non-drama channels, new media channels – Category 3).

1. SPAA proposes firstly, that the Producer Offset for television drama and documentary programs be brought into line with the feature film Offset, at 40 per cent of Qualifying Australian Production Expenditure.
2. Secondly, in the alternative, those producers who so choose would retain the option of access to Screen Australia production funding joined to a 20 per cent Producer Offset (the status quo).
3. Thirdly, SPAA proposes that current Screen Australia terms of trade continue to apply to broadcasters, in particular, the exclusion of broadcasters from funding support, and the maintenance of minimum license fees as specified by Screen Australia from time to time.
4. Fourth, SPAA proposes that for programs broadcast on niche channels (and new programs on subscription TV in excess of current Australian content requirements) the threshold level of qualifying expenditure be reduced to \$200,000 per hour for drama productions and \$100,000 for documentary productions.
5. Fifth, SPAA proposes a new category of eligible production to bring 'new media' within the ambit of 'Australian content', at the 40 per cent Offset rate and with a minimum expenditure threshold of \$100,000; these would be productions that carries a fictional or factual story across multiple platforms, and that may introduce elements of interactivity and therefore may be of indeterminate length, but excluding production that is of a like nature to the Offset-excluded categories of 'an advertising program or commercial, a discussion, quiz, panel or variety program, a film of a public event, a training film, a news or current affair program, a reality program, a computer game'.
6. Finally, SPAA proposes that light entertainment be made eligible for a 20 per cent Producer Offset, with a minimum threshold of \$100,000.

Our reasoning is set out below.

2.5. THE CASE FOR POLICY CHANGE

The case for policy change derives from the fact of change itself – ‘the unprecedented change... in the way that people get information, enjoy entertainment, stay in touch...’ described in the terms of reference for the Convergence Review. In a world of fast-multiplying, increasingly borderless services, the old ways of making sure Australians have access to Australian content may simply cease to work. They are under challenge, technically, politically, conceptually. This is the context of our proposals and supplies their logic too.

SPAA’s approach is simultaneously adaptive and cautious. On the side of adaptation, we propose a model that will be responsive to innovations in programming, encourage diversity, and tend to promote the diffusion of Australian content across the media spectrum, rather than confining it to just a few channels. On the side of caution, we propose a transitional path that recognizes the enduring strength of the major television channels, and avoids making policy guesses about the direction and speed of change.

Responsive to innovation: While we can’t really know what ‘television’ will look like in the converged world, clearly there will be innovations in formats, lengths, production methods, and programming strategies, not to mention screen technologies and business models. Enabling this innovation, and not privileging the old formats, lengths, production methods and programming strategies, should be a fundamental design principle for policy makers responding to convergence.

Encourage diversity: Lower thresholds and broader definitions are a gateway to diversity. They will encourage new entrants and spur competitiveness among producers and programmers. A changed financial equation will underwrite a greater tolerance for risk and experimentation. Diversity will flourish.

Promoting diffusion: If Australian content mattered when there were three channels, or five, it matters no less when there are 100, or 1,000. In an n-sized media universe, it’s still important that audiences can easily find content that is local, current and culturally resonant. It follows that local content policy for a converged world should diffuse, not concentrate, its effects, so that local content can be found across the media spectrum. No matter the size of the media universe, it should be possible to stumble across local content, not have to go searching for it.

SPAA’s proposals directly serve these three aims. Increasing the TV Offset and extending it to new media and light entertainment – two proven vectors for program innovation – will encourage investment in production and reduce the risks of innovation. Lowering the expenditure threshold will extend the Offset to lower-cost programs, away from the major channels, on the channels and sites where much of the innovation in programming can be expected to occur. These three measures together will empower producers to experiment and innovate, and encourage broadcasters and service providers to support their innovations.

A transitional path: Promoters of new media have regularly foretold the demise of traditional television but viewers haven’t heeded them – in fact, television viewing has actually increased in recent years. What such miscalls underscore is the difficulty of forecasting. It is by no means clear that the major broadcasters, Seven, Nine, Ten and the ABC, will give up their market dominance within say, the next 10 years. They might lose ground but still remain the major players, as the US networks did throughout the proliferation of cable and new independent channels in the 1980s. In that case the networks’ capacity

to pay for high quality drama and documentary production will be undiminished, and they will remain the sector's flagships and markets leaders. Hence our proposal to leave the Offset threshold unchanged for the major networks at this time. There shouldn't be an opening or incentive to reduce their commitment to quality programming while they remain the dominant players.

Similarly, we have followed Screen Australia's example in excluding broadcasters from eligibility for the 40 per cent Offset, mirroring their exclusion from Screen Australia's investment funding (which the 40 per cent TV Offset replaces, or to which it is alternative). We submit, as an empirical observation, that the twin policy goals of diversity and innovation are better served by independent producers.

2.6. WHAT THE MODELING SHOWS

To test these proposals SPAA commissioned research by media research and advisory firm Shilling Swift. The research involved construction of a model of the television financing system. In the model a number of prospective TV productions is posited for each eligible category of production: series, mini-series, telemovies, children's programs, documentary, new media, and light entertainment. The financing prospects of each production are calculated using a probability distribution with parameters selected for their fit to actual historical production data. The model is then 'shocked' with the introduction of the proposed new Offset policy settings, resulting in new projections of production activity in each eligible category. (A detailed description of the model is provided in the Shilling Swift report attached to this submission.)

The three tables below present the key findings from the modeling. They show 1. the current level of activity for each production category, in production dollars and hours, 2. the projected level of activity for each category, and 3. the difference between the projected level and the current level.

Table 1: Production activity under current policy

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	11.0	9.0	3.0	15.0	145.0	10.0	70.0	38.0	183.0	263.0
Number of Production Hours	140.9	90.0	5.1	163.5	312.0	50.0	na	399.5	711.5	761.5
Total Production Value	74.9	86.3	8.5	106.1	101.5	15.3	10.5	275.8	377.3	403.2
Average Budget per hour (\$'000)	539.5	951.6	1,637.9	657.7	316.9	304.0	na	690.4	530.4	529.5
Financing (propn by source)										
Screen Australia	2%	4%	4%	5%	18%	0%	33%	4%	7%	8%
Other Govt	3%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	13%	16%	16%	11%	12%	0%	0%	13%	13%	12%
TV and Film	62%	55%	56%	57%	52%	75%	45%	58%	57%	57%
Other	21%	20%	20%	22%	14%	25%	20%	21%	19%	19%
Financing (Amount by source)										
Screen Australia	1.6	3.5	0.3	5.7	17.0	0.0	3.6	11.1	28.1	31.7
Other Govt	1.9	3.7	0.4	5.7	4.7	0.0	0.2	11.7	16.4	16.5
Producer Offset	9.4	13.5	1.4	11.0	12.5	0.0	0.0	35.3	47.8	47.8
TV and Film	46.4	48.1	4.7	61.4	53.7	11.5	4.7	160.6	214.3	230.4
Other	15.6	17.4	1.7	22.4	13.7	3.9	2.1	57.1	70.8	76.8

Table 1 shows the modeled outcomes of the current policy settings. They closely fit the average annual outcomes reported by Screen Australia for 2009/10. The figures for new media and light entertainment are estimates based on anecdotal reports. In total the model projects about 260 projects with a combined value of just over \$400 million go into production under the current policy settings.

Table 2: Production activity under proposed policy

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	11.9	10.5	3.6	16.4	169.0	10.6	80.4	42.5	211.4	302.4
Number of Production Hours	152.1	105.2	6.2	179.0	363.6	53.0	na	442.5	806.1	859.1
Total Production Value (\$m)	91.3	108.4	11.0	124.3	121.9	18.0	13.3	334.9	456.9	488.2
Average Budget per hour (\$'000)	600.1	1,030.7	1,779.7	694.2	335.3	339.6	na	757.0	566.8	568.3
Financing (propn by source)										
Screen Australia	1%	1%	1%	3%	12%	0%	0%	2%	4%	5%
Other Govt	2%	4%	4%	5%	5%	0%	0%	4%	4%	4%
Producer Offset	26%	32%	32%	23%	23%	0%	0%	27%	26%	25%
TV/Screen Content Ind Investo	52%	45%	45%	50%	47%	75%	0%	49%	49%	49%
Other	18%	18%	18%	20%	13%	25%	0%	18%	17%	17%
Financing (Amount (\$m) by source)										
Screen Australia	0.6	1.3	0.1	3.7	13.9	0.0	2.9	5.8	19.7	22.6
Other Govt	2.1	4.2	0.4	6.2	5.6	0.0	0.2	12.9	18.5	18.7
Producer Offset	25.2	33.9	3.5	27.8	29.5	2.2	2.1	90.4	119.9	124.2
TV/Screen Content Ind Investo	46.9	49.7	5.0	62.4	57.7	11.8	5.5	163.9	221.6	238.9
Other	16.5	19.3	2.0	24.2	15.3	4.1	2.6	61.9	77.1	83.8

Table 2 shows the projected level of production with the policy settings proposed in this paper. In total about 300 projects are forecast, with a combined value of just under \$500 million.

Table 3: Change in production activity

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total - inc New Media
Number of Projects Undertaken	0.9	1.5	0.6	1.4	24.0	0.6	10.4	4.5	28.4	39.4
Propn of Possible Projects Unde	29%	33%	37%	24%	30%	15%	25%	123%	153%	193%
Number of Production Hours	11.2	15.2	1.1	15.5	51.6	3.0	na	43.0	94.6	97.6
Total Production Value (\$m)	16.4	22.1	2.5	18.1	20.4	2.7	2.8	59.2	79.5	85.0
Average Budget per hour (\$'000)	60.6	79.0	141.7	36.4	18.4	35.6	na	66.6	36.4	38.8
Financing (propn by source)										
Screen Australia	-2%	-3%	-2%	-2%	-5%	0%	-33%	-2%	-3%	-3%
Other Govt	0%	0%	0%	0%	0%	0%	-1%	0%	0%	0%
Producer Offset	14%	16%	16%	12%	11%	0%	0%	14%	14%	14%
TV/Screen Content Ind Investo	-10%	-10%	-10%	-8%	-5%	0%	-45%	-9%	-8%	-8%
Other	-2%	-3%	-3%	-2%	-1%	0%	-20%	-2%	-2%	-2%
Financing (Amount (\$m) by source)										
Screen Australia	-1.0	-2.1	-0.2	-2.0	-3.1	0.0	-0.6	-5.4	-8.4	-9.1
Other Govt	0.2	0.5	0.1	0.5	0.9	0.0	0.0	1.3	2.1	2.2
Producer Offset	15.8	20.4	2.1	16.8	17.0	2.2	2.1	55.1	72.2	76.4
TV/Screen Content Ind Investo	0.5	1.6	0.3	0.9	4.0	0.3	0.8	3.4	7.3	8.5
Other	0.9	1.8	0.2	1.8	1.6	0.2	0.5	4.7	6.3	7.0

Table 3 summarises the change in production activity, going from the current policy settings to the proposed settings. 39 new projects go into production, adding \$85 million to the value of the industry's output. There is a slight deflationary effect in average production budgets. Dependence on Screen Australia funding is reduced, resulting in a projected \$9 million saving; these funds could be redirected to work of outstanding cultural value. There is also some displacement of TV sector investment as producers, backed by the Offset, take on more of the financing of their productions. Although it's not modeled here, this investment by producers ultimately will strengthen their balance sheets and therefore their capacity to develop projects, initiate production, and generate profits.

The model reflects a supply-side perspective. It weighs the capacity of producers to supply the market,

the range of possible projects they might produce, and the elements of financing that trigger production. It doesn't weigh the possibility of future changes in market demand flowing, for example, from the launch of new television services or changes in the programming strategies of existing service providers. Nor does it weigh the possibility of future changes to the system of Australian content. Change in either of these directions could have effects not modeled here. Another factor is the rate of adoption of the changes among producers and broadcasters. Some level of delay is likely as they consider the possibilities and begin developing projects to meet the new opportunities. To reflect this delay, the model projects a three-year scenario where the industry's response to the changes is muted in the first year (30 per cent of the full take-up reached in year three) and still slow in the second year (80 per cent of full take-up). On these assumptions the three-year cost of the changes is \$180 million, reflecting an additional 79 projects and 195 hours of production in that period.

2.7 CONCLUSION

The Producer Offset scheme has proved a successful policy innovation, widely supported by the industry for its recognition of the producer as entrepreneur and its emphasis on sustainability. The proposals presented here build on that success. They are an answer to one of big questions posed by convergence: how to sustain Australian content in a much bigger media universe. We commend them to your consideration.

Modelling the Impact of Changed Producer Offset Parameters for TV Production

Final Report 12 October 2011

Prepared by Shilling Swift

Modelling the Impact of Changed Producer Offset Parameters for TV Production

Final Report 12 October 2011 Prepared by Shilling Swift*

Contents

Executive Summary.....	1
Paper Context and Objectives.....	6
Description of Current Policy	6
Modelling Framework.....	8
Broad Description	8
Detailed Description of the Model and Assumptions.....	10
Model Parameters and Assumptions.....	11
Summary of Revised Policy Framework.....	17
Results of Modelling for Category 3	18
Modelling of TV Series	18
Modelling of Miniseries	20
Modelling of Telemovies.....	21
Modelling of Children’s Drama	23
Modelling of Documentaries	24
Modelling of Light Entertainment.....	26
Modelling of New Media	27
Summary for Category 3 Productions.....	29
Modelling for All Categories	31
Arguments of Benefit.....	33
Analysis of Drivers of Change.....	34
Sensitivity Analysis	35
Sensitivity 1: Standard Deviation of production expenditure	35
Sensitivity 2: Compliance and Raising Finance Effort Cost	37
Sensitivity 3: Displacement effect between Offset and Private Investment	38
Sensitivity 4: Relaxing the assumption of unlimited demand at higher product end	39

* This study, while embodying the best efforts of the investigators, is but an expression of the issues considered most relevant, and neither the individuals nor the associated organisations can be held responsible for any consequences that ensue from the use of the information herein.

Modelling Limitations 40

Modelling the Impact of Changed Producer Offset Parameters for TV Production

Final Report 10 October 2011, Prepared by Shilling Swift

Executive Summary

This project represents an approach to modelling the impact of changing the access parameters for the use of the Producer Offset for the screen content industry, to assist policy makers in understanding the source and likely magnitude of the outcomes of policy shifts.

The model is based on an underlying presumption that in each of the considered categories of traditional production types (namely, TV series, Miniseries, Telemovies, children's drama and documentaries), there are in any one year a number of potential projects of varying production budget being considered/proposed, and the ability to undertake the project is based on whether funding can be raised for the production process. The sources of funding are categorised as:

- Screen Australia
- Other Govt (eg state government)
- Producer Offset
- TV industry
- Other

In addition, the development of new distribution models is spawning a diverse range of new media outcomes, which is also included in the model.

Each of these funding sources is assumed to provide a level of funds towards a given project based on the funding objective set in providing financing, and according to the rules in place. Each of the funders therefore will have different perspectives as to how much (if any) funding they would provide. The perspective is constructed/modelled as a probability distribution of the proportion of the budget of a project a given funding source would consider funding.

The model predicts where a given proposal will receive funding that will allow it to proceed (ie provides a sufficient production budget), and presumes that this project will be produced.

The modelling presumes that because industry sources remain a major source of the necessary funding, production of the project will be linked to broadcasting or distribution opportunities.

The parameters in the model are set so as to produce outcomes (annual production level, average spends per hour of production etc) as currently observable for the traditional media types, with indicative estimates for light entertainment new media.

The model is then shocked with parameters under a revised Producer Offset – and the outcomes are used to predict the potential impact of the changes on underlying production and broadcast levels.

The policy shift being modelled is:

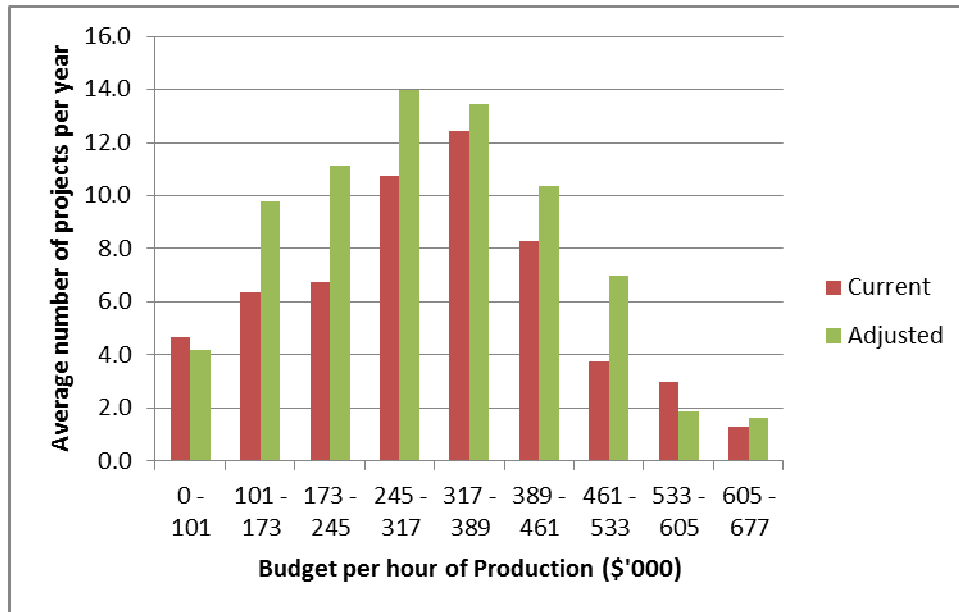
- A decrease in the minimum budget (per hour of production) at which a project is eligible for Offset funding (which has been modelled as \$500,000 per hour for TV series, Miniseries, Telemovies, and children’s drama and \$250,000 for documentaries¹) to a little less than half this amount at \$200,000 for drama and \$100,000 for documentaries
- the choice of content producers to choose either the current system of government financing support (Screen Australia and a 20% Producer Offset) or an alternative of a 40% Producer Offset
- These changes would impact on all independent production, but differently depending on the channels that exhibit them as follows:
 - Category 1 channels (7, 9, 10 and ABC) get the 40% Producer Offset but do not qualify for the lower thresholds, and must meet the full current quota obligation, and to qualify for quota must pay license fees that meet Screen Australia minimums
 - Category 2 channels (multi-channels, SBS, pay TV channels) qualify for the 40% Producer Offset and must meet a 15% expenditure test, of which the last 5% (ie one third) qualifies for the lower thresholds.
 - Category 3 channels (everything else) qualify for the 40% PO and the lower thresholds with no quota or expenditure obligations
- Including light entertainment and new media as eligible for the Offset (at a rate of 40% and with a \$100,000 per project eligibility level.

¹ The 2011-12 Commonwealth Budget included a number of changes to the Producer Offset regime. The analysis in this paper compares the regime under the new parameters to that which has existed for the last three years. The budget changes are summarised by Screen Australia as:

- Leaving unchanged a minimum of series of \$1 million per series, and \$500,000 per hour
- Introduction of an the eligibility threshold and \$500,000 per documentary or documentary series leaving in a \$250,000 per hour cap
- For telemovies or single episode drama, the \$1 million minimum (assuming an average length of over two hours this is consistent with \$500000 per hour) has been reduced to \$500,000 and there was no minimum per hour (now \$800,000)
- Exempting documentaries from the 20% above-the-line cap
- Providing for a broader range of expenses to be eligible for Qualifying Australian Production Expenditure (QAPE)

Using the example of documentaries funded for category 3 productions– the model predicts that the change in production outcomes under the revised policy framework would be as depicted below:

Figure A: Documentary Production Predicted under the Current and Adjusted Policy Environments for Category 3 Exhibited Productions



In the case of documentaries exhibited (and funded) on Category 3 distribution, the modelling predicts that the number of projects undertaken per year would increase from around 60 to 75. This would result in almost a 24% increase in production value, from the order of \$41 million per year, to approximately \$51 million per year.

As the graph illustrates, a proportion of the increase occurs because of the lowering of the minimum budget requirement. There is a significant increase in the number of projects at less than \$250,000 that can now raise capital and therefore be undertaken. It is consistent with a view that this policy shift will be a very important contributor to providing content in the converged media world, with the increase in digital channels, in subscription options, and in internet broadcasting. There are also increases in the volume of production at budget levels which already have access to the Offset, because of the increased rate of the Offset in conjunction with constrained availability of Screen Australia funds.

These distributions have been modelled for the five categories of production, as discussed above and also for new media projects. The results of the modelling are summarised below in terms of the change in outcomes that are predicted because of the changes in parameters. Table A.1 shows the current level of production (mainly drawn from Screen Australia data averages over the last three years) and Table A.2 shows the modelled increase with the changes to Offset policy as proposed. In summary the results in the long run are for:

- 50 more productions annually, of which 36 are in drama and documentary and the balance light entertainment and new media
- 139 hours more of production

- A \$95 million increase in production value
- Additional Producer Offset funding required of \$85 million annually

These long run outcomes will take a number of years to build to, as it will take time for the creative projects to react to the policy change. Therefore it is indicatively modelled that the budget cost of this policy shift (in terms of increased demand on Producer Offset funding) would be \$190 million over a three year period.

The core driver of the increased outcomes is the increased rate of the Producer Offset with the lowering of the Offset budget requirement, also explaining some of the increase. The modelled outcomes represent a significant increase in activity. The modelling indicates that there would be approximately a 20% increase in the number of independent projects over existing levels with a similar increase in the number of hours, and underlying production value.

Table A.1: Summary of Current Production levels

	Series	Mini-Series	Tele-movies	Child-ren's Drama	Docum-entaries	Light Entertainment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	5.0	4.1	1.4	6.8	43.5	3.0	0.0	17.1	60.6	63.6
Number of Production Hours	63.4	40.5	2.3	73.6	93.6	15.0	na	179.8	273.4	288.4
Total Production Value (\$m)	34.1	39.2	3.8	47.7	31.1	4.6	0.0	124.8	155.9	160.4
Category 2										
Number of Projects Undertaken	5.0	4.1	1.4	6.8	43.5	3.0	0.0	17.1	60.6	63.6
Number of Production Hours	63.4	40.5	2.3	73.6	93.6	15.0	na	179.8	273.4	288.4
Total Production Value (\$m)	33.9	38.6	3.7	48.0	30.1	4.5	0.0	124.3	154.4	158.9
Category 3										
Number of Projects Undertaken	1.1	0.9	0.3	1.5	58.0	4.0	70.0	3.8	61.8	135.8
Number of Production Hours	14.1	9.0	0.5	16.4	124.8	20.0	na	39.9	164.7	184.7
Total Production Value (\$m)	7.6	8.7	0.9	10.8	40.0	5.9	10.5	27.9	67.9	84.3
Total										
Number of Projects Undertaken	11.0	9.0	3.0	15.0	145.0	10.0	70.0	38.0	183.0	263.0
Number of Production Hours	140.9	89.7	5.0	164.0	312.0	50.0	na	399.5	711.5	761.5
Total Production Value (\$m)	76.5	84.7	8.2	109.0	100.0	15.0	10.5	278.4	378.4	403.9

Table A.2: Modelled Increase in TV Production Activity Linked to Changed Policy Parameters

	Series	Mini-Series	Tele-movies	Children's Drama	Documentaries	Light Entertainment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.2	0.6	0.2	0.4	4.2	0.1	0.0	1.3	5.5	5.7
Number of Production Hours	2.7	5.8	0.3	3.8	9.0	0.7	na	12.6	21.7	22.4
Total Production Value (\$m)	6.1	9.6	0.9	6.2	4.5	1.2	0.0	22.9	27.4	28.5
Category 2										
Number of Projects Undertaken	0.8	0.7	0.3	0.7	7.4	0.2	0.0	2.6	10.0	10.1
Number of Production Hours	10.8	7.5	0.6	7.5	15.9	0.8	na	26.4	42.2	43.0
Total Production Value (\$m)	9.9	10.3	1.2	7.3	5.0	1.2	0.0	28.8	33.8	35.0
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.3	19.6	4.1	11.4	1.0	20.7	36.2
Number of Production Hours	5.0	2.7	0.2	3.3	42.3	20.6	na	11.1	53.4	74.0
Total Production Value (\$m)	2.2	3.9	0.4	0.0	14.4	7.7	2.6	6.6	21.1	31.3
Total										
Number of Projects Undertaken	1.4	1.6	0.6	1.4	31.2	4.4	11.4	5.0	36.2	52.0
Number of Production Hours	18.5	15.9	1.1	14.6	67.2	22.1	na	50.1	117.3	139.4
Total Production Value (\$m)	18.3	23.8	2.6	13.6	24.0	10.1	2.6	58.3	82.2	94.9

With its current assumptions, the model predicts that a large proportion of the activity increase will be directly linked to increases in the use of the Producer Offset, with this matched to a degree by industry and other investors. The model predicts a decrease in Screen Australia funding – due to the unconstrained access to the Offset funding, while Screen Australia funding remains constrained. These funds that are released could be diverted to fund projects with less likelihood of industry investment.

The model reflects a supply-side perspective. It weighs the capacity of producers to supply the market, the range of possible projects they might produce, and the elements of financing that trigger production. It doesn't weigh the possibility of future changes in market demand flowing, for example, from the launch of new television services or changes in the programming strategies of existing service provider other than those specifically identified herein. Nor does it weigh the possibility of future changes to the system of Australian content. Change in either of these directions could have effects not modelled here.

The modelling outcomes produced are dependent on a range of assumptions, some for which there is little evidence, but on sensitivity testing have little impact – others of which are more critical. An indicative sensitivity testing around the question of demand side positioning with respect to Australian content suggests this is a core issue, and as such the policy recommendations that are tested here need to occur within an environment that supports intervention on the demand side of the market. Therefore implicit in the modelling is a maintenance of Australian content rules.

Paper Context and Objectives

This project represents an approach to modelling the impact of an industry proposal to change the access parameters for the use of the Producer Offset as it applies to TV production (series, Miniseries, children's, documentaries). In order to assess the impact we have developed a funding accessibility based model where production occurs based around the ability to raise finance to produce screen content.

The industry proposal is to modify the Producer Offset scheme to provide greater flexibility for television drama producers in the way they finance productions. Producers would have the choice of accessing funding in the current form – the 20% Producer Offset augmented by Screen Australia funding; or an alternative approach based on a higher level of Producer Offset (40%) with no Screen Australia funding.

Description of Current Policy

TV drama and documentaries are currently supported by two forms of financial support from the Commonwealth Government:

- Investment from Screen Australia – eligibility is general , but constrained by the Screen Australia budget
- Access to the Producer Offset

The key parameters surrounding the Producer Offset for the five major categories of production in the policy environment as it has existed since the inception of the Offset are as indicated in the table below.

Assume new media does not access Producer Offset in current.

Table 1: Core Parameters in Policy Environment over the period 2007-2010²

	Series	Miniseries	Telemovies	Childrens Drama	Documentaries	Light Entertainment	New Media
Current Policy							
Minimum Budget Eligible (per hour)	500,000	500,000	500,000	500,000	250,000	na	na
Offset Rate	20%	20%	20%	20%	20%	na	na

The existence of general demand for content produced at the current range of costs (ie including the existing set of subsidies through the policy supports) is observable. While the content sector is a highly competitive market (with the major competition to newly produced content being overseas produced content, and content produced in the past), current production output generally achieves broadcast. This is to be expected as the broadcasters are major investors in the production process, and therefore broadcast the productions in which they invest. Into the future, the dynamic environment includes the following factors:

- The move from analogue to digital television, with the benefits of more free to air choice as more channels are offered,
- The development of subscription TV, including PVR development
- The development of internet TV as a more serious viewing option, a trend made possible by increased quality of internet access (in terms of speed and download capacity), and a trend that is likely to continue with the national investment in the NBN

With these changes, it is expected that there will continue to be an increase in demand for content, but given that revenue sources are constrained, the prices for extra content the

² The 2011-12 Commonwealth Budget included a number of changes to the Producer Offset regime. The analysis herein compares the regime under the new parameters to that which has existed for the last three years. The budget changes go a little way towards the framework modelled in this paper, and includes as summarised by Screen Australia the following changes:

- The Producer Offset eligibility threshold (per hour) has been reduced to \$500,000 for features (from \$1m) and a threshold of \$800,000 introduced for single-episode dramas with QAPE now to be calculated on a GST-exclusive basis:
- Reduction in the eligibility threshold to \$250,000 per hour of documentary and \$500,000 per series for the Producer Offset, including Replacement of the Producer Offset for low-budget documentaries with a Producer Equity payment administered by Screen Australia
- Converting the 65 episode cap to 65 commercial hours for television, which is of particular benefit to children's programming
- Exempting documentaries from the 20% above-the-line cap
- Providing for a broader range of expenses to be eligible for Qualifying Australian Production Expenditure (QAPE) including production insurances, completion guarantees, legal, audit and company fees, and additional publicity and marketing costs, some distribution costs and carbon Offsets.

market will pay are likely to be lower rather than higher (especially for content broadcast on the new channels).

Modelling Framework

Broad Description

The model is based on an underlying presumption that in each category of production, there are across any one year a number of potential projects of varying production budget being considered/proposed and the ability to undertake the project is based on whether funding can be raised for the production process. The sources of funding are categorised as:

- Screen Australia
- Other Govt (eg state and regional government)
- Producer Offset
- TV and Film
- Other

Each of these funding sources are assumed to provide a level of funds based on the objective set in the entities interest in providing financing, and according to the rules by which such funding is provided. Therefore there will be different perspectives as how much (if any) funding they would provide. Their perspective is constructed as a probability distribution in terms of the proportion of the budget they would consider funding.

The model predicts that where a given proposal will receive funding that will allow it to proceed (ie matches the production budget), and presumes that this project will be produced.

The modelling presumes that because industry sources remain a major source of the necessary funding, production of the project will be linked to broadcasting or distribution opportunities, and a project that is financed will be picked up by one of the broadcast avenues.

The parameters in the model are set so as to produce outcomes (annual production level, average spend per hour of production etc) as currently observable (ie the average over the past three years).

The model is then shocked with parameters under a revised Producer Offset – and the outcomes are used to predict the potential impact of the changes on underlying production and broadcast levels.

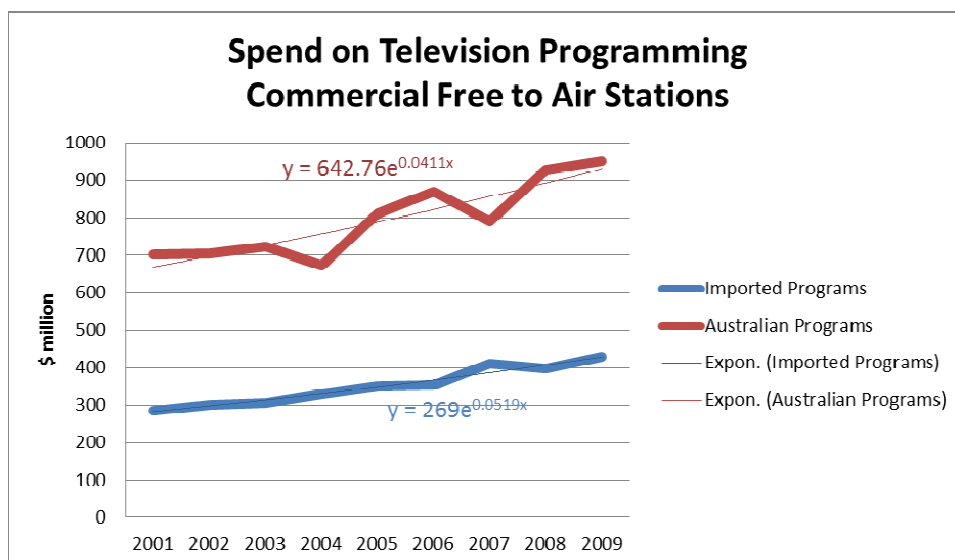
The model reflects a supply-side perspective. It weighs the capacity of producers to supply the market, the range of possible projects they might produce, and the elements of financing that trigger production. It doesn't weigh the possibility of future changes in market demand

flowing, for example, from the launch of new television services or changes in the programming strategies of existing service providers. Nor does it weigh the possibility of future changes to the system of Australian content. Change in either of these directions could have effects not modelled here, and this is tested as a modelling sensitivity. Another difficult-to-model factor is the rate of adoption of the changes among producers and broadcasters. Some level of delay is likely as they consider the possibilities and begin developing projects to meet the new opportunities. In that case, the projected full year cost of the changes, may not be reached until the second or third year.

There is general acceptance that demand for programs will continue to grow over time – fuelled by the expansion of distribution network options and one would expect consumer taste factors.

- An article in the Australian (Oct 09, 2011) entitled TV back as total viewing surges confirms a perspective that multi-channels is attracting audiences to FTA TV rather than losing ground to competing distribution options. ‘Disney Media Networks co-chairwoman and Disney/ABC Television Group president, Anne Sweeney, expects global TV audiences to grow by 40 million by the end of 2011, to 3.7 billion people’. She believes TV is the most powerful medium in the world”
- Figure 1 illustrates that over the last ten years there has been above inflation growth rates in the expenditure on programming by commercial FTA stations. That growth has been slightly slower for domestic content, but still above inflation. Should this trend continue, and add in the additional distribution options that around digital programming and internet distribution, it would be expected this growth would continue.

Figure 1:



Source: Screen Australia

While history and expectation supports a perspective that demand for content will continue to increase there are significant risks in this regard. The biggest risk is that the marginal cost of imported programs still remains about one quarter the direct cost of producing Australian content at the same production quality. The market will become more competitive – with more supply options drawing from a constrained selection of final consumers. As such the policy recommendations that are tested here need to occur within an environment that supports intervention on the demand side of the market. Therefore implicit in the modelling is a maintenance of Australian content rules. Further to ward of behavioural implications, the modelling assumes that content on the prime stations (perhaps including the ABC) must stay above the \$500,000 threshold.

Detailed Description of the Model and Assumptions

Based on this broad description, the model is structured for each category of production as follows:

- A probability distribution of productions by cost per hour is constructed³. This probability distribution is based around the observed average over the last three years, with a truncated normal distribution being applied (ie minimums are set for the lower tail).
- The five major sources of financing (Screen Australia, Other State Agencies, Producer Offset, Other Film and TV Industry and Other) have probability distributions assigned that are centred around the observed overall share of financing to the sector. Note that there is limited publically available information on the share of financing by category of production, and so in the current version of the model, the shares are similar across all categories except for series, where the budget cutoff for access to the Producer Offset is above the average spend.
- It is assumed that if the financing that can be raised across these sources exceeds 80% of the expected budget, then the project will proceed. If the financing is 80%-100% of expected budget it is expected that the project will be scaled back a little to reduce costs, while if the finances exceed the budget it is expected that the budget will be increased.
- Finally it is assumed that the number of creative projects available in any one year are consistent in the above context to produce the level of projects currently being experienced (average of last three years) under the current policy parameters.

Therefore inputting revised policy parameters within the same context will enable us to predict the changed level of activity associated with the revision of policy.

It is noted that the major restrictions currently perceived as inhibiting production levels are:

³ The probability distribution is applied using a monte carlo simulation process, with 2000 iterations in the model

- A limited budget available to Screen Australia
- The low level of the Producer Offset (20%)
- The high production cost eligibility requirement for the Producer Offset (precluding many projects from eligibility)
- The time and effort required in accessing Screen Australia funding

Therefore the parameters are set to reflect this perspective. The modelling is a method to consider the impact of policy change, based on these observations.

Model Parameters and Assumptions

The following are the detailed assumptions with respect to the structure of the model for traditional media products.

	Series	Miniseries	Telemovies	Childrens Drama	Documentaries	Light Entertainment	New Media
Total Productions	11	9	3	15	145	10	70
Proportion of Projects Funded/Exhibited in Category 1	45%	45%	45%	45%	30%	30%	0%
Proportion of Projects Funded/Exhibited in Category 2	45%	45%	45%	45%	30%	30%	0%
Proportion of Projects Funded/Exhibited in Category 3	10%	10%	10%	10%	40%	40%	100%

The total value of production for Series, Miniseries, Telemovies, Children's Drama, and Documentaries is based on AFC reports, as is the information on average spend, average hours and financing (see below). The information on New Media is based on information provided SPAA by industry experts. At this point the information on Light Entertainment is untested and is therefore purely indicative. The total volume of such domestic programs (games shows, reality TV, comedy) would be significantly greater than that assumed, but it is presumed that there would be constraints on what is eligible (and where it has a supporting cultural argument etc).

	Series	Miniseries	Telemovies	Childrens Drama	Documentaries	Comment
Average Hours per production	14.9	10	1.7	10.9	2.2	This represents the assumed average length of production by category, based on observed averages over the past three years
Average Hourly Prodn Cost (\$'000)	542.9 ⁴	945	1633	669	320	Again, this production cost is the observed average by category over the past three years. Screen Australia provided information that the average costs of production for series was \$540,000 per hour, and this has been used to balance the assumptions – see the footnote below
Underlying Ratio	90%	95%	99%	92%	90%	Because there is a minimum budget spend required to access the Producer Offset (meaning that lower budget options less likely to be funded) – there is an inherent bias towards productions of a higher value (ie smaller budget projects are less likely to raise funding, and there will be a behavioural response to ensure budgets are high enough to access the Offset. Therefore the distribution of the underlying creative projects will be slightly lower than the observed outcomes
<i>Standard Deviation in Costs per hour (% of budget)</i>	50%	50%	50%	50%	50%	The standard deviation determines the range within the probability distribution. The distribution is assumed to be normal, but with a minimum spend at one fifth of the average (ie truncated tail) ⁵
Eligible Expenditure for Offset-proportion of production cost ⁶	95%	95%	95%	72%	85%	The total budget includes expenditures that are not eligible for Offset funding. The assumption here is the average “QAPEable” expenditure per production, with a dispersion assumed to be normal, and std dev of 2%

⁴ Information provided by Screen Australia

⁵ Modelling with alternative probability distributions can be considered, but we would not expect this to significantly affect the results. The truncated normal distribution assumed implies a distribution that is right skewed (ie has a long tail) as is consistent with expectations about the sector.

⁶ The Drama report provides information on budget and spends. For all adult drama these are closely aligned, and so the majority of budget is assumed to be Qapable. For Children’s drama

	Series	Miniseries	Telemovies	Childrens Drama	Documentaries	Comment
Financing – Current (average proportion of budget)						
Screen Australia	3%	4%	4%	5%	18%	The proportion of project funding from the alternative sources is taken from Screen Australia data – which is available in the Drama report for all drama, and in the Documentaries report. The breakdown of funding type is not available in the public documentation for the various types of drama, and as such it is assumed that series are more likely to get TV industry support. The amounts are assumed
State Agencies	2%	4%	4%	5%	5%	
Producer Offset ⁷	14%	15%	15%	10%	11%	
TV Industry (exc Offset)	60%	57%	56%	57%	54%	

– the spend is indicated in the Drama Report at 72% of the budget. This is assumed to be Qapable. The information is not available in the documentaries report, and it is indicatively assumed that there is a proportion of spend that occurs above the line and as such is not Qapable.

⁷ Modelled result

	Series	Miniseries	Telemovies	Childrens Drama	Documentaries	Comment
Other Investors	20%	20%	20%	21%	12%	<p>(indicated by the figures being in italics) such that the weighted figure is the same as for drama as a whole. A probability distribution is assumed with a mean and standard deviation to give these results – with the following assumptions. These assumptions are not observable, but chosen to give predicted outcomes close to actual. The difference between current policy and revised policy results are not sensitive to these assumptions:</p> <ul style="list-style-type: none"> • 25% of drama projects and 40% of documentaries are considered for funding by Screen Australia – the rest are limited by budget availability. • It is assumed that 30% of projects would not seek Producer Offset funding under the current policy, but this would reduce by 60% given the impact of promotion around the Offset, and the incentive created by the greater amount • The probability distribution is normal, but truncated at zero (except for Screen Australia, where the contribution is set as a minimum of 10% of Qapable budget). The standard deviation of projects funded is assumed to be 50% of the mean for direct government funding, close to zero for the Offset and 30% of the mean for industry funding

	Series	Miniseries	Telemovies	Childrens Drama	Documentaries	Comment
Compliance and Finance-Raising Effort Costs (% of source)						
<i>Screen Australia support</i>	10.4%	10.4%	11.2%	10.5%	14.9%	Assumptions of the proportion of funds that are used in direct and indirect costs when applying for funds and in acquittals and controls. This includes the time and effort required in filling out application and investment documentation, meetings etc. It is assumed that any application includes a fixed cost of 120 hours at \$50 per hour in producer commitment, plus fees to accountants, etc in document preparation of \$10,000. In addition it is assumed that there is a variable cost effort at 10% of the funds raised.
<i>Offset Administration</i>	5.3%	5.2%	5.8%	5.3%	8.2%	Assumption of the proportion of funds that are used in direct and indirect costs when applying for funds and in acquittals and controls. This assumes 60 hours of producer time, plus \$10,000 of fixed costs and 5% variable cost of funds raised.
<i>Offset Financing</i>	5.2%	5.1%	5.4%	5.2%	6.7%	Producer Offset financing is provided in arrears, and this represents the assumed actual or opportunity cost of financing this. In the base case this level is set so that administration and financing costs are equal between support from Screen Australia and the Offset. Because there is no reliable information on which to base costs with respect to compliance and finance raising costs this is tested in the sensitivity analysis.

* Sourced from Screen Australia. TV DRAMA PRODUCTION IN AUSTRALIA and THE DOCUMENTARY REPORT 09/10

The following are indicative assumptions for Light Entertainment projects. There would be expected to be fairly significant variety in the nature of project (hours and budget), and as such a wide standard deviation is assumed. Again see the comments above, that this information is untested – with no public sources

	Light Entertainment	Comment
Number of Productions	10	This is purely indicative, and is expected to be well below the actual volume of such programming, but it is presumed this will be constrained
Average Production Cost (\$'000)	\$300	
<i>Std Dev in Costs per production (% of budget)</i>	80%	A high standard deviation covers the wide range of projects as described above
Eligible Expenditure for Offset-proportion of production cost	85%	This is assumed to be the same as documentaries. There is presumed to be some proportion of expenditure that occurs above the line, and therefore is not eligible for the Offset
Financing – Current (average proportion of budget)		
Screen Australia	0%	It is assumed that Screen Australia does not fund this type of project, and there is limited state agency funding as well. At present it not eligible for the Offset, and therefore it is funded by private investors (see discussion above)
State Agencies	0%	
Producer Offset	0%	
TV Industry (exc Offset)	75%	
Other Investors	25%	
<i>Compliance and Finance-Raising Effort Costs (% of source) for Offset under new policy</i>	10.5%	Assumed to average the same as documentaries

The following are the detailed assumptions with respect to the structure of the model for new media products. Unlike the assumptions with respect to traditional media there is limited information available on this aspect of screen content production.

The type of content that is being worked on at present and might be developed into the future would include factual content, drama (for example transmedia storytelling, 3D immersions) and children’s content (for example touchscreen interactive services for very young children).

The type of project can be considered in three levels: small, medium and large projects

- Small projects: \$20-120k – this would usually use video and other content created for a different form of distribution (eg TV)
- Medium: \$120 – 300k. Examples would include an extension of a TV show, or a separate (native) development.
- Large: 500k+ including rich narrative (transmedia) extensions of a series or bigger transmedia (multi-platform) native digital stories

Therefore the distribution of new media projects would be a fairly wide expenditure spread. The following are indicative assumptions for new media projects.

	New Media	Comment
Number of Productions	70	This is purely indicative
Average Production Cost (\$'000)	\$150	
<i>Std Dev in Costs per production (% of budget)</i>	80%	A high standard deviation covers the wide range of projects as described above
Eligible Expenditure for Offset-proportion of production cost	85%	This is assumed to be the same as documentaries. There is presumed to be some proportion of expenditure that occurs above the line, and therefore is not eligible for the Offset
Financing – Current (average proportion of budget)		
Screen Australia	37%	It is assumed that Screen Australia funds this type of project from special funds, and there is limited state agency funding as well. At present it not eligible for the Offset, and therefore it is funded by private investors (see discussion above)
State Agencies	2%	
Producer Offset	0%	
TV Industry (exc Offset)	40%	
Other Investors	20%	
<i>Compliance and Finance-Raising Effort Costs (% of source) for Offset under new policy</i>	10.5%	Assumed to average the same as documentaries

Summary of Revised Policy Framework

The policy shift being modelled is:

- a decrease in the minimum budget (per hour of production) at which a project is eligible for Offset funding (currently \$500,000 for TV series, Miniseries, Telemovies, and children's drama and \$250,000 for documentaries) to a little less than half this amount at \$200,000 for drama and \$100,000 for documentaries
- the choice of content producers to choose either the current system of government financing support (Screen Australia and a 20% Producer Offset) or an alternative of a 40% Producer Offset
- These changes would impact on all independent production, but differently depending on the channels that exhibit them as follows:
 - Category 1 channels (7, 9, 10 and ABC) get the 40% Producer Offset but do not qualify for the lower thresholds, and must meet the full current quota obligation, and to qualify for quota must pay license fees that meet Screen Australia minimums
 - Category 2 channels (multi-channels, SBS, pay TV channels) qualify for the 40% Producer Offset and must meet a 15% expenditure test, of which the last 5% (ie one third) qualifies for the lower thresholds.
 - Category 3 channels (everything else) qualify for the 40% PO and the lower thresholds with no quota or expenditure obligations

- Including light entertainment and new media as eligible for the Offset (at a rate of 40% and with a \$100,000 per project eligibility level).

Results of Modelling for Category 3

The modelling firstly requires the prediction of production outcomes under the existing policy parameters – ie the number of projects, and hours of production that will occur – and how that will be financed. The second step is to model for the underlying distribution of projects how the revised policy parameters will impact on the access to financing for a project, and therefore its likelihood of proceeding.

Table 2 provides the parameters that will be modelled for the revised policy, in line with the stated position of the industry, as represented by SPAA.

Table 2: Core Parameters in Revised Policy for Category Projects

	Series	Miniseries	Telemovies	Childrens Drama	Documentaries	Light Entertainment	New Media
Minimum Budget Eligible (per hour)	200,000	200,000	200,000	200,000	100,000	100,000	100,000
Rebate Amount -with access to SA support	20%	20%	20%	20%	20%	0%	0%
Rebate Amount -without access to SA support	40%	40%	40%	40%	40%	40%	40%

It is also in the base case assumed that there will be some displacement between access to Producer Offset funds and industry funding – and it is indicatively assume that for the increase in the Offset amount from 20% to 40% the industry funding will go down by 5%age points.

Further, as discussed above, while this is a supply based model, it depends on the continued existence of demand for product across all cost levels. Therefore the application of the policy needs to be conducted with demand side constraints in place, including:

- Keying the Aust content quotas to network license fees for drama/doco/children’s content
- Ensuring that the Australian content rules continue to apply and influence network decisions

Modelling of TV Series

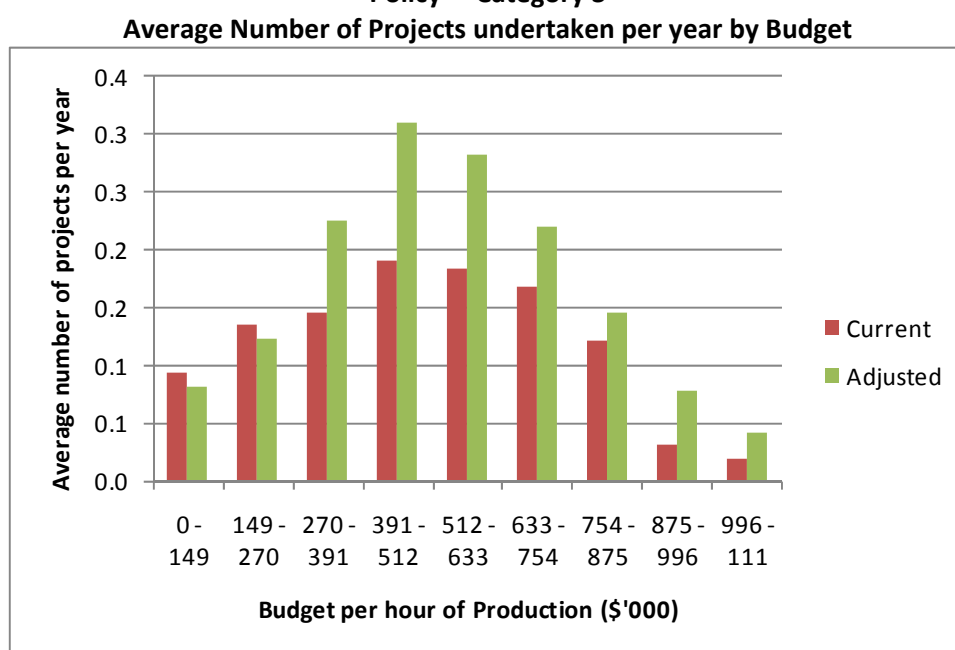
Under the assumptions as described above, Table 3a and Figure 2a shows the production outcomes that would be expected under the model for the current policy framework for TV Series, and under the revised framework. The core assumptions and parameters that are used result in the outcomes under the current policy close to observed outcomes. However for the

underlying set of creative projects, the introduction of the new policy parameters is, as would expected, modelled as producing a significant increase in production.

Table 3a: Modelled Average Annual Outcomes for TV Series Under Current and Revised Policy – Category 3

	Current Policy	Revised Policy	Change	%age change
Number of Projects	1.1	1.5	0.4	35%
Number of Production Hours	14.1	19.0	4.9	35%
Total Production Value (\$m)	7.6	10.7	3.2	42%
Average Budget per hour (\$'000)	536.4	564.1		
Financing (propn by source)				
Screen Australia	3%	0%	-2%	
Other Govt	3%	2%	0%	
Producer Offset	12%	31%	19%	
TV/Screen Content Ind Investors	62%	49%	-13%	
Other	21%	17%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.2	0.0	-0.2	-79%
Other Govt	0.2	0.2	0.0	25%
Producer Offset	0.9	3.4	2.4	256%
TV/Screen Content Ind Investors	4.7	5.2	0.6	12%
Other	1.6	1.9	0.3	19%

Figure 2a: Modelled Average Annual Outcomes for TV Series Under Current and Revised Policy – Category 3



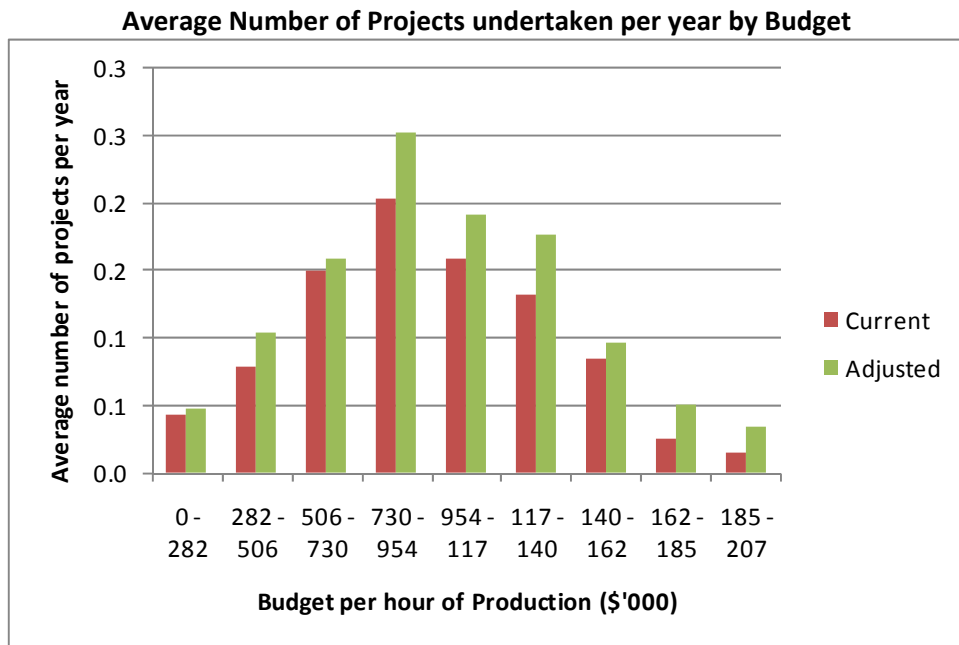
Modelling of Miniseries

Table 3b and Figure 2b shows the production outcomes that would be expected under the model for the current policy framework for Miniseries, and under the revised framework. Again the chart demonstrates, that – as expected – there is a proportionally greater increase in the production range \$200,000 to \$500,000, who now have access to a funding source (at a higher level) that was largely denied to them previously. Overall, the modelling predicts a 30% increase in activity in this category of production.

Table 3b: Modelled Average Annual Outcomes for Miniseries under Current and Revised Policy – Category 3

	Current Policy	Revised Policy	Change	%age change
Number of Projects	0.9	1.1	0.2	27%
Number of Production Hours	9.0	11.4	2.4	27%
Total Production Value (\$m)	8.7	11.4	2.7	31%
Average Budget per hour (\$'000)	962.3	996.5		
Financing (proprn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	16%	32%	17%	
TV/Screen Content Ind Investors	56%	45%	-11%	
Other	20%	17%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.3	0.1	-0.2	-59%
Other Govt	0.4	0.4	0.1	20%
Producer Offset	1.4	3.7	2.3	172%
TV/Screen Content Ind Investors	4.9	5.1	0.3	6%
Other	1.7	2.0	0.2	13%

Figure 2b: Modelled Average Annual Outcomes for Miniseries under Current and Revised Policy – Category 3



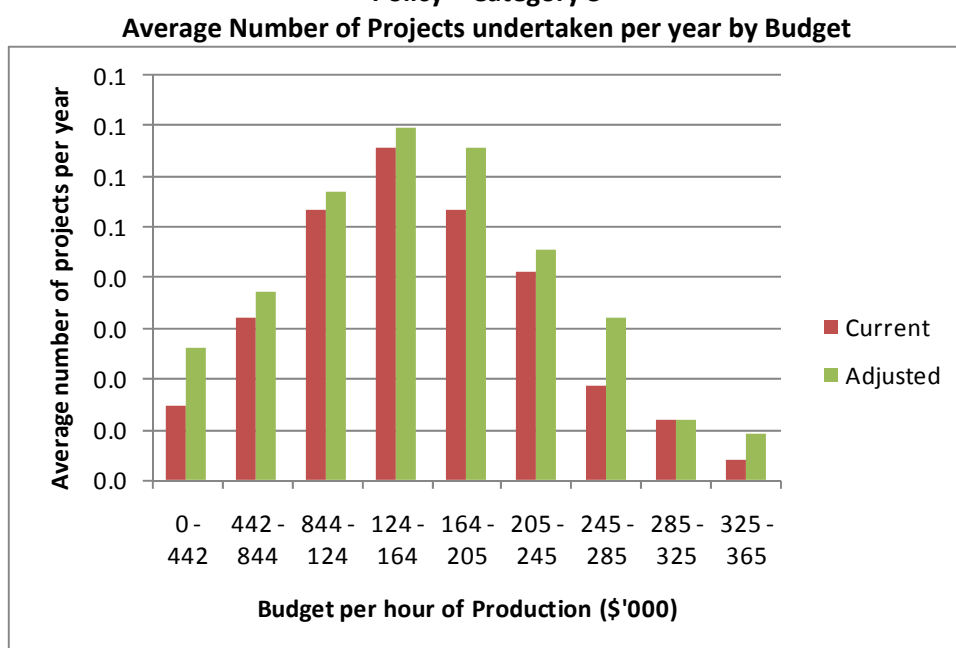
Modelling of Telemovies

Table 3c and Figure 2c shows the production outcomes that would be expected under the model for the current policy framework for Telemovies, and under the revised framework. Overall, the modelling predicts a 30% increase in activity in this category of production.

Table 3c: Modelled Average Annual Outcomes for Telemovies under Current and Revised Policy – Category 3

	Current Policy	Revised Policy	Change	%age change
Number of Projects	0.3	0.4	0.1	20%
Number of Production Hours	0.5	0.6	0.1	20%
Total Production Value (\$m)	0.9	1.1	0.2	24%
Average Budget per hour (\$'000)	1,687.0	1,736.4		
Financing (propn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	16%	32%	16%	
TV/Screen Content Ind Investors	55%	45%	-11%	
Other	20%	18%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.03	0.01	-0.02	-57%
Other Govt	0.04	0.04	0.00	12%
Producer Offset	0.14	0.35	0.21	148%
TV/Screen Content Ind Investors	0.48	0.48	0.00	0%
Other	0.17	0.19	0.01	8%

Figure 2c: Modelled Average Annual Outcomes for Telemovies under Current and Revised Policy – Category 3



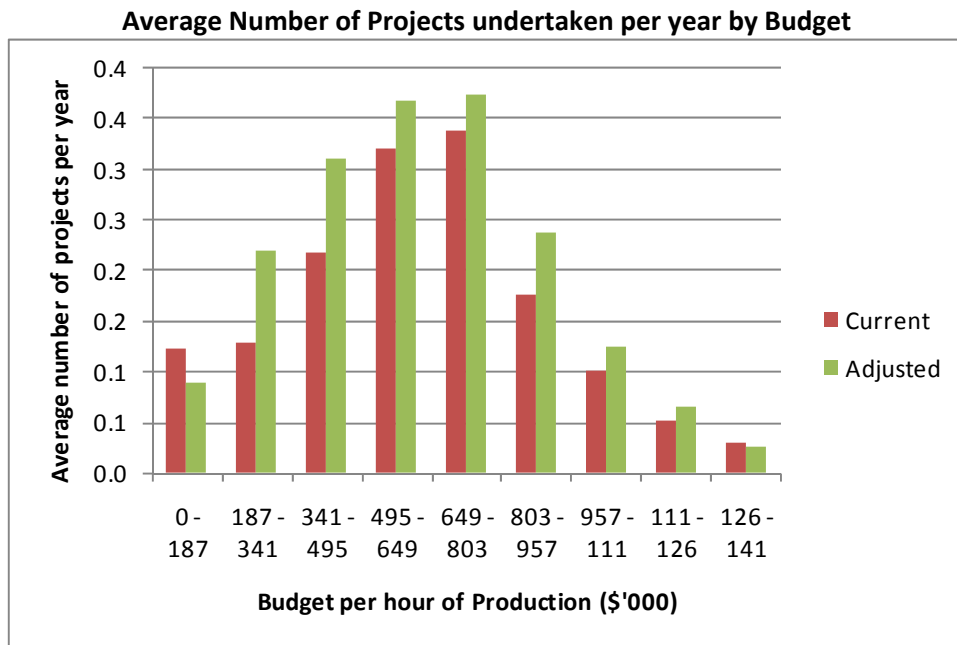
Modelling of Children's Drama

Table 3b and Figure 2b shows the production outcomes that would be expected under the model for the current policy framework for Children's Drama, and under the revised framework. As the average budget for children's drama is less than for Miniseries or Telemovies, the increase is primarily in lower budget productions who now have access to funding previously denied. Overall, the modelling predicts around a 20% increase in activity in this category of production.

Table 3d: Modelled Average Annual Outcomes for Children's Drama under Current and Revised Policy – Category 3

	Current Policy	Revised Policy	Change	%age change
Number of Projects	1.5	1.9	0.4	25%
Number of Production Hours	16.4	20.4	4.1	25%
Total Production Value (\$m)	10.8	13.6	2.8	25%
Average Budget per hour (\$'000)	663.3	665.6		
Financing (proprn by source)				
Screen Australia	5%	2%	-3%	
Other Govt	5%	5%	0%	
Producer Offset	11%	24%	14%	
TV/Screen Content Ind Investors	58%	49%	-9%	
Other	21%	19%	-2%	
Financing (Amount (\$m) by source)				
Screen Australia	0.5	0.3	-0.2	-39%
Other Govt	0.6	0.7	0.1	21%
Producer Offset	1.2	3.3	2.1	185%
TV/Screen Content Ind Investors	6.3	6.7	0.4	6%
Other	2.3	2.6	0.3	13%

Figure 2d: Modelled Average Annual Outcomes for Children’s Drama under Current and Revised Policy – Category 3

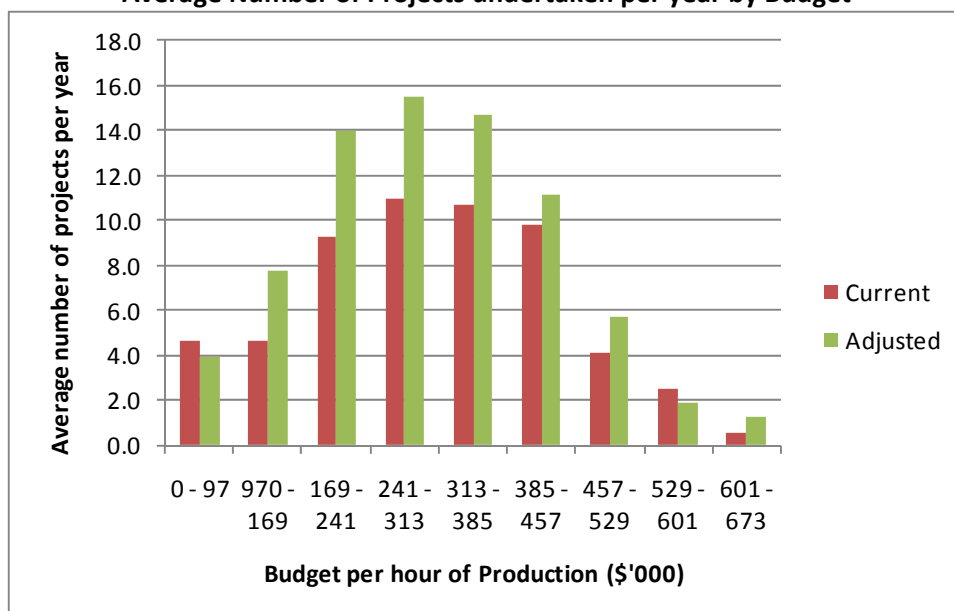


Modelling of Documentaries

Table 3e and Figure 2e shows the production outcomes that would be expected under the model for the current policy framework for Documentaries, and under the revised framework. Overall, the modelling predicts a 30% increase in activity in this category of production.

Table 3e: Modelled Average Annual Outcomes for Documentaries under Current and Revised Policy – Category 3

	Current Policy	Revised Policy	Change	%age change
Number of Projects	58.0	78.8	20.8	36%
Number of Production Hours	124.8	169.5	44.7	36%
Total Production Value (\$m)	40.0	52.5	12.5	31%
Average Budget per hour (\$'000)	320.5	309.7		
Financing (proprn by source)				
Screen Australia	18%	10%	-8%	
Other Govt	5%	5%	0%	
Producer Offset	12%	26%	14%	
TV/Screen Content Ind Investors	53%	47%	-6%	
Other	13%	12%	-1%	
Financing (Amount (\$m) by source)				
Screen Australia	7.1	5.3	-1.7	-25%
Other Govt	1.8	2.4	0.6	34%
Producer Offset	4.8	13.8	9.0	189%
TV/Screen Content Ind Investors	21.1	24.5	3.4	16%
Other	5.2	6.4	1.2	22%

Figure 2e: Modelled Average Annual Outcomes for Documentaries under Current and Revised Policy – Category 3**Average Number of Projects undertaken per year by Budget**

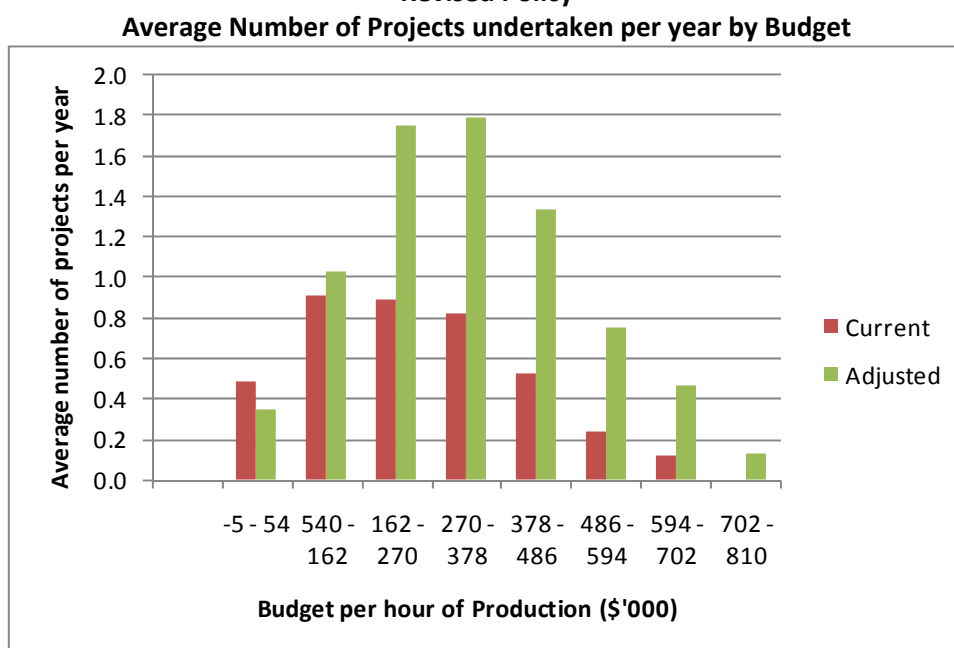
Modelling of Light Entertainment

Table 3e and Figure 2e shows the production outcomes that would be expected under the model for the current policy framework for Documentaries, and under the revised framework. Overall, the modelling predicts a 30% increase in activity in this category of production.

Table 3f: Modelled Average Annual Outcomes for Light Entertainment under Current and Revised Policy – Category 3

	Current Policy	Revised Policy	Change	%age change
Number of Projects	4.0	4.2	0.2	5%
Total Production Value	5.9	7.5	1.6	26%
Financing (proprn by source)				
Screen Australia	0%	0%	0%	
Other Govt	0%	0%	0%	
Producer Offset	0%	20%	20%	
TV/Screen Content Ind Investors	75%	59%	-15%	
Other	25%	21%	-4%	
Financing (Amount (\$m) by source)				
Screen Australia	0.0	0.0	0.0	-71%
Other Govt	0.0	0.0	0.0	8%
Producer Offset	0.0	1.5	1.5	na
TV/Screen Content Ind Investors	4.4	4.4	0.0	0%
Other	1.5	1.6	0.1	4%

Figure 2f: Modelled Average Annual Outcomes for Light Entertainment under Current and Revised Policy



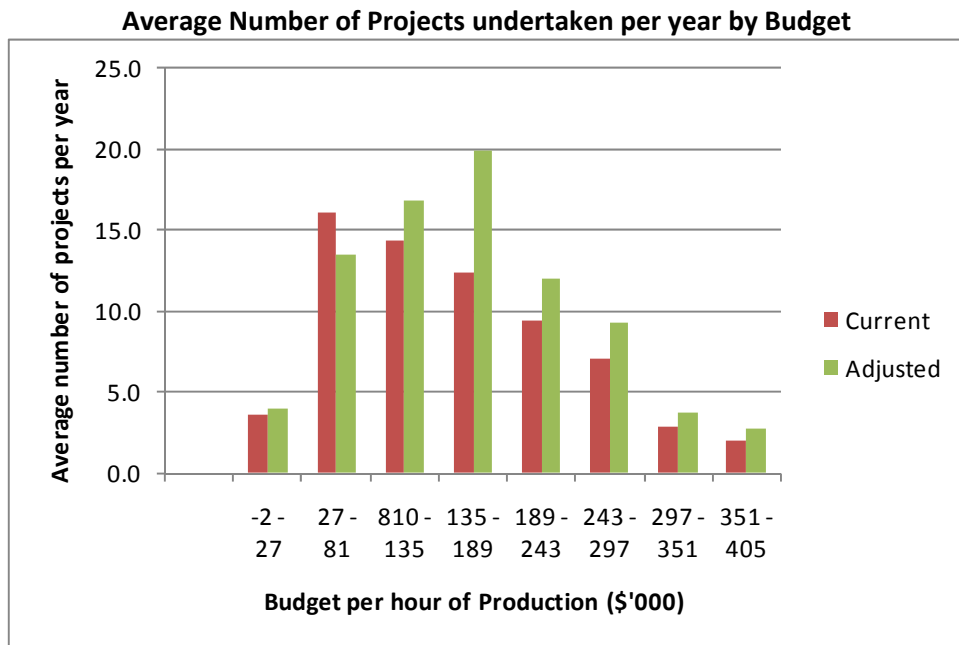
Modelling of New Media

Table 3f and Figure 2f shows the production outcomes that would be expected under the model for the current policy framework for New Media, and under the revised framework. Overall, the modelling predicts a 35% increase in activity in this category of production.

Table 3f: Modelled Average Annual Outcomes for New Media under Current and Revised Policy – Category 3

	Current Policy	Revised Policy	Change	%age change
Number of Projects	70.0	75.9	5.9	8%
Total Production Value	10.5	11.8	1.3	12%
Financing (proprn by source)				
Screen Australia	32%	22%	-11%	
Other Govt	1%	1%	0%	
Producer Offset	0%	15%	15%	
TV/Screen Content Ind Investors	45%	41%	-4%	
Other	21%	21%	0%	
Financing (Amount (\$m) by source)				
Screen Australia	3.4	2.6	-0.8	-25%
Other Govt	0.1	0.2	0.0	14%
Producer Offset	0.0	1.7	1.7	na
TV/Screen Content Ind Investors	4.7	4.8	0.1	2%
Other	2.3	2.5	0.3	12%

Figure 2e: Modelled Average Annual Outcomes for New Media under Current and Revised Policy – Category 3



Summary for Category 3 Productions

The following table shows the modelled results under the current policy parameters. The observed results are relatively consistent with averages over the last three years. It indicates of the order of 700 hours of screen content produced, with a production value of \$390 million. The modelling produces results very closely aligned to these results, and further indicates that around 62% of drama projects are funded with Offset funding, while 65% of documentaries have Offset funding (very similar to the ratios reported in the Drama Report, and Documentaries report). The proportions and amounting by source in the sub-categories of drama are in italics as they are an assumption, and the drama report only provides proportions for drama in total.

Table 4a: Average Annual Outcomes under 2010-11 Policy – Category 3

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	1.1	0.9	0.3	1.5	58.0	4.0	70.0	3.8	61.8	135.8
Number of Production Hours	14.1	9.0	0.5	16.4	124.8	20.0	na	39.9	164.7	184.7
Total Production Value	7.6	8.7	0.9	10.8	40.0	5.9	10.5	27.9	67.9	84.3
Average Budget per hour (\$'000)	536.4	962.3	1,687.0	663.3	320.5	295.1	na	699.0	412.3	456.4
Financing (proprn by source)										
Screen Australia	3%	4%	4%	5%	18%	0%	32%	4%	12%	14%
Other Govt	3%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	12%	16%	16%	11%	12%	0%	0%	13%	12%	10%
TV and Film	62%	56%	55%	58%	53%	75%	45%	58%	55%	55%
Other	21%	20%	20%	21%	13%	25%	21%	21%	16%	18%
Financing (Amount by source)										
Screen Australia	0.2	0.3	0.0	0.5	7.1	0.0	3.4	1.1	8.2	11.6
Other Govt	0.2	0.4	0.0	0.6	1.8	0.0	0.1	1.2	3.0	3.2
Producer Offset	0.9	1.4	0.1	1.2	4.8	0.0	0.0	3.6	8.4	8.4
TV and Film	4.7	4.9	0.5	6.3	21.1	4.4	4.7	16.3	37.3	46.4
Other	1.6	1.7	0.2	2.3	5.2	1.5	2.3	5.8	11.0	14.8

The following table indicates the modelled outcomes under the revised policy parameters. It indicates a 30% increase in production hours and value

Table 4b: Modelled Average Annual Outcomes under Revised Policy – Category 3

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	1.5	1.1	0.4	1.9	78.8	4.2	75.9	4.9	83.7	163.8
Number of Production Hours	19.0	11.4	0.6	20.4	169.5	21.1	na	51.5	221.0	242.1
Total Production Value (\$m)	10.7	11.4	1.1	13.6	52.5	7.5	11.8	36.8	89.3	108.5
Average Budget per hour (\$'000)	564.1	996.5	1,736.4	665.6	309.7	354.1	na	714.2	403.9	448.2
Financing (propn by source)										
Screen Australia	0%	1%	1%	2%	10%	0%	22%	1%	7%	8%
Other Govt	2%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	31%	32%	32%	24%	26%	20%	15%	29%	27%	26%
TV/Screen Content Ind Investors	49%	45%	45%	49%	47%	59%	41%	48%	47%	47%
Other	17%	17%	18%	19%	12%	21%	21%	18%	15%	16%
Financing (Amount (\$m) by source)										
Screen Australia	0.0	0.1	0.0	0.3	5.3	0.0	2.6	0.5	5.9	8.4
Other Govt	0.2	0.4	0.0	0.7	2.4	0.0	0.2	1.4	3.9	4.1
Producer Offset	3.4	3.7	0.3	3.3	13.8	1.5	1.7	10.7	24.5	27.7
TV/Screen Content Ind Investors	5.2	5.1	0.5	6.7	24.5	4.4	4.8	17.5	42.0	51.2
Other	1.9	2.0	0.2	2.6	6.4	1.6	2.5	6.6	13.0	17.1

Table 4c in this section shows the change in outcomes:

Table 4c: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – Category 3

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total - inc New Media
Number of Projects Undertaken	0.4	0.2	0.1	0.4	20.8	0.2	5.9	1.1	21.9	28.0
Number of Production Hours	4.9	2.4	0.1	4.1	44.7	1.1	na	11.6	56.3	57.4
Total Production Value (\$m)	3.2	2.7	0.2	2.8	12.5	1.6	1.3	8.9	21.4	24.2
Average Budget per hour (\$'000)	27.6	34.2	49.4	2.3	-10.9	58.9	na	113.6	102.8	161.7
Financing (propn by source)										
Screen Australia	-2%	-3%	-3%	-3%	-8%	0%	-11%	-10%	-17%	-28%
Other Govt	0%	0%	0%	0%	0%	0%	0%	-1%	-1%	-1%
Producer Offset	19%	17%	16%	14%	14%	20%	15%	65%	80%	114%
TV/Screen Content Ind Investors	-13%	-11%	-11%	-9%	-6%	-15%	-4%	-43%	-49%	-69%
Other	-3%	-3%	-3%	-2%	-1%	-4%	0%	-11%	-12%	-16%
Financing (Amount (\$m) by source)										
Screen Australia	-0.2	-0.2	0.0	-0.2	-1.7	0.0	-0.8	-0.6	-2.3	-3.2
Other Govt	0.0	0.1	0.0	0.1	0.6	0.0	0.0	0.2	0.9	0.9
Producer Offset	2.4	2.3	0.2	2.1	9.0	1.5	1.7	7.1	16.1	19.3
TV/Screen Content Ind Investors	0.6	0.3	0.0	0.4	3.4	0.0	0.1	1.3	4.7	4.8
Other	0.3	0.2	0.0	0.3	1.2	0.1	0.3	0.8	2.0	2.4

Table 4c indicates that the long run outcomes are estimated as:

- 28 more productions annually (27% increase)
- 57 hours more of production (40% increase) – not counting new media production
- A \$24 million increase in production value (38% increase)

Modelling for All Categories

The following table shows the modelled results under the current policy parameters. The observed results are relatively consistent with averages over the last three years. It indicates of the order of 700 hours of screen content produced, with a production value of \$390 million. The modelling produces results very closely aligned to these results, and further indicates that around 62% of drama projects are funded with Offset funding, while 65% of documentaries have Offset funding (very similar to the ratios reported in the Drama Report, and Documentaries report). The proportions and amounting by source in the sub-categories of drama are in italics as they are an assumption, and the drama report only provides proportions for drama in total.

Table 5a: Average Annual Outcomes under 2010-11 Policy

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docu- mentaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	5.0	4.1	1.4	6.8	43.5	3.0	0.0	17.1	60.6	63.6
Number of Production Hours	63.4	40.5	2.3	73.6	93.6	15.0	na	179.8	273.4	288.4
Total Production Value (\$m)	34.1	39.2	3.8	47.7	31.1	4.6	0.0	124.8	155.9	160.4
Category 2										
Number of Projects Undertaken	5.0	4.1	1.4	6.8	43.5	3.0	0.0	17.1	60.6	63.6
Number of Production Hours	63.4	40.5	2.3	73.6	93.6	15.0	na	179.8	273.4	288.4
Total Production Value (\$m)	33.9	38.6	3.7	48.0	30.1	4.5	0.0	124.3	154.4	158.9
Category 3										
Number of Projects Undertaken	1.1	0.9	0.3	1.5	58.0	4.0	70.0	3.8	61.8	135.8
Number of Production Hours	14.1	9.0	0.5	16.4	124.8	20.0	na	39.9	164.7	184.7
Total Production Value (\$m)	7.6	8.7	0.9	10.8	40.0	5.9	10.5	27.9	67.9	84.3
Total										
Number of Projects Undertaken	11.0	9.0	3.0	15.0	145.0	10.0	70.0	38.0	183.0	263.0
Number of Production Hours	140.9	89.7	5.0	164.0	312.0	50.0	na	399.5	711.5	761.5
Total Production Value (\$m)	76.5	84.7	8.2	109.0	100.0	15.0	10.5	278.4	378.4	403.9

The following table indicates the modelled outcomes under the revised policy parameters. It indicates a 20% increase in production hours and value.

Table 5b: Modelled Average Annual Outcomes under Revised Policy

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	5.2	4.6	1.5	7.1	47.7	3.1	0.0	18.4	66.1	69.3
Number of Production Hours	66.1	46.3	2.6	77.4	102.6	15.7	na	192.4	295.0	310.7
Total Production Value (\$m)	40.3	48.8	4.7	53.9	35.5	5.7	0.0	147.7	183.2	189.0
Category 2										
Number of Projects Undertaken	5.8	4.8	1.7	7.4	50.9	3.2	0.0	19.7	70.6	73.7
Number of Production Hours	74.2	48.0	2.9	81.1	109.5	15.8	na	206.1	315.6	331.4
Total Production Value (\$m)	43.8	48.9	4.9	55.4	35.2	5.7	0.0	153.0	188.2	193.9
Category 3										
Number of Projects Undertaken	1.5	1.1	0.4	1.8	77.6	8.1	81.4	4.8	82.5	172.0
Number of Production Hours	19.1	11.4	0.6	20.1	167.1	40.6	na	51.2	218.2	258.8
Total Production Value (\$m)	10.7	10.9	1.1	13.3	53.2	13.6	13.1	35.9	89.2	115.9
Total										
Number of Projects Undertaken	12.4	10.6	3.6	16.4	176.2	14.4	81.4	43.0	219.2	315.0
Number of Production Hours	159.4	105.6	6.1	178.6	379.2	72.1	na	449.7	828.8	900.9
Total Production Value (\$m)	94.8	108.6	10.7	122.6	124.0	25.1	13.1	336.6	460.6	498.7

Table 5c in this section shows the change in outcomes:

Table 5c: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.2	0.6	0.2	0.4	4.2	0.1	0.0	1.3	5.5	5.7
Number of Production Hours	2.7	5.8	0.3	3.8	9.0	0.7	na	12.6	21.7	22.4
Total Production Value (\$m)	6.1	9.6	0.9	6.2	4.5	1.2	0.0	22.9	27.4	28.5
Category 2										
Number of Projects Undertaken	0.8	0.7	0.3	0.7	7.4	0.2	0.0	2.6	10.0	10.1
Number of Production Hours	10.8	7.5	0.6	7.5	15.9	0.8	na	26.4	42.2	43.0
Total Production Value (\$m)	9.9	10.3	1.2	7.3	5.0	1.2	0.0	28.8	33.8	35.0
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.3	19.6	4.1	11.4	1.0	20.7	36.2
Number of Production Hours	5.0	2.7	0.2	3.3	42.3	20.6	na	11.1	53.4	74.0
Total Production Value (\$m)	2.2	3.9	0.4	0.0	14.4	7.7	2.6	6.6	21.1	31.3
Total										
Number of Projects Undertaken	1.4	1.6	0.6	1.4	31.2	4.4	11.4	5.0	36.2	52.0
Number of Production Hours	18.5	15.9	1.1	14.6	67.2	22.1	na	50.1	117.3	139.4
Total Production Value (\$m)	18.3	23.8	2.6	13.6	24.0	10.1	2.6	58.3	82.2	94.9

Table 5c indicates that the long run outcomes are estimated as:

- 52 more productions annually (20% increase)
- 140 hours more of production (18% increase)
- A \$95 million increase in production value (24% increase)

However these outcomes will not occur immediately, they will take a number of years to build to. It will take time for the creative projects to react to the policy change, and for financial markets to understand the opportunity and provide financing. Therefore it is indicatively modelled that the first year will see 30% of the increase achieved the second year 80% and the by year 3 it will make the 100%. The budget cost of this policy shift (in terms of increased demand on Producer Offset funding) therefore would be \$200 million over a three year period.

Table 5d: Time Pattern of Activity Build Up – New or Created Activity by Year

	Year 1	Year 2	Year 3	Total
Number of Projects	17.3	34.7	52.0	104.0
Increase in Production Hours	46.5	92.9	139.4	278.7
Total Production Value (\$m)	31.6	63.2	94.9	189.7
Producer Offset Funding (\$m)	28.3	75.4	84.7	188.42

Arguments of Benefit

The modelling and discussion as above interpret an increase in local production value as a positive, a benefit from a community perspective. An active and vibrant screen content sector is generally accepted as being important to the community based on the achieved cultural outcomes, as well as the economic contribution. The increases in activity estimated in the modelling above are further indicatively estimated to support directly of the order of 680 jobs (FTE's)⁸ by the third year, and 1,430 jobs (FTEs) within the film sector over the three year period, and underpin various creative and cultural inputs into the broader economy.

Table 5e: Time Pattern of Activity Build Up – New or Created Activity by Year

	Year 1	Year 2	Year 3	Total
Increase in Production Hours	46.5	92.9	139.4	278.7
Total Production Value (\$m)	31.6	63.2	94.9	189.7
Film Industry Employment (FTE's)	170	454	510	1135

⁸ Calculated from the investment value relative to employment ratios in the film production sector as reflected in the ABS national input-output tables.

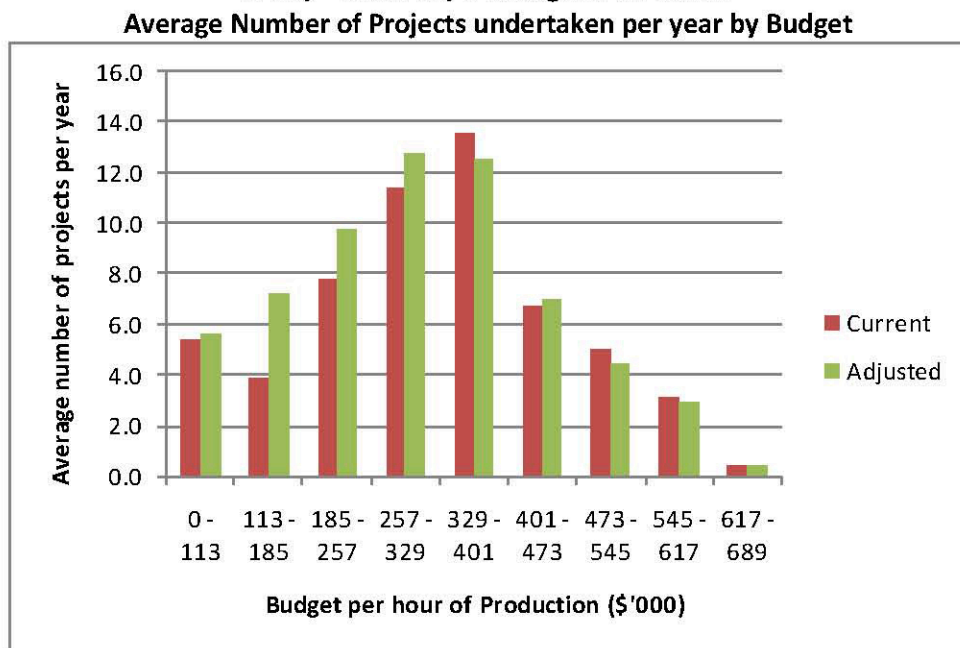
Analysis of Drivers of Change

The policy shift as analysed involves two changes – a lowering of the threshold, and an increase in the Offset rate. The above analysis is the compound effect of both of these changes. Table 5f shows the outcome if the only policy shift was for a reduction in the threshold (and the Offset rate was not increased). The table shows that the impact is significantly reduced – is less than one third of the impact of the two changes together. The increased output (relative to Table 5a) represents an increase in activity by approximately 10%. The table also shows that just changing the threshold has limited impact on the activity levels in Miniseries and Telemovies (as the average budget is already well in excess of the threshold), and to a certain extent documentaries. Figure 2 shows that for documentaries, the only significant change in activity is in the cost groupings between the old and new thresholds. The other changes are a result of random variation (use of the random number generator in EXCEL to run the iterations) and are not significant.

Table 5f: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – with only the threshold change

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docu- mentaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.2	0.2
Number of Production Hours	0.9	0.0	0.1	0.7	0.0	0.0	na	1.6	1.6	1.6
Total Production Value (\$m)	0.7	0.0	0.1	0.4	0.0	0.0	0.0	1.3	1.3	1.3
Category 2										
Number of Projects Undertaken	0.5	0.1	0.0	0.2	2.0	0.0	0.0	0.9	2.9	2.9
Number of Production Hours	6.9	1.3	0.1	2.0	4.4	0.0	na	10.2	14.6	14.6
Total Production Value (\$m)	3.4	1.4	0.1	0.4	1.0	0.0	0.0	5.2	6.2	6.2
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.4	20.8	0.2	5.9	1.1	21.9	28.0
Number of Production Hours	4.9	2.4	0.1	4.1	44.7	1.1	na	11.6	56.3	57.4
Total Production Value (\$m)	3.2	2.7	0.2	2.8	12.5	1.6	1.3	8.9	21.4	24.2
Total										
Number of Projects Undertaken	1.0	0.4	0.1	0.6	22.8	0.2	5.9	2.1	25.0	31.1
Number of Production Hours	12.8	3.7	0.2	6.7	49.1	1.1	na	23.4	72.6	73.7
Total Production Value (\$m)	7.4	4.1	0.4	3.5	13.5	1.6	1.3	15.4	28.9	31.7

Figure 3: Modelled Average Annual Outcomes for Documentaries under Current and Revised Policy – with only a Change in Threshold



Sensitivity Analysis

The model as defined here is calibrated against actual data in predicting outcomes achieved over the last three years, and matches very closely to that data. However there are some parameters in the model that have limited to no formal basis for the setting applied. To test the importance of these parameters to the results of the modelling and conclusions reached – sensitivities for these variables are conducted below.

Sensitivity 1: Standard Deviation of production expenditure

The base case assumes a standard deviation in production expenditure of the core drama categories of production of 50% of the mean, with a minimum possible spend at 20% of the budget (this means the distribution is substantially right tailed, with a mean above the cited or assumed mean). This is tested against a smaller and a greater distribution as below. With a smaller distribution (half that in the base case), the benefit would be slightly less (a 19% increase in the value of production compared to a 24% increase in the base case). With a larger standard deviation (50% greater than the base case), the benefit is about the same as the base case

Table 5g: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – assuming a standard deviation in production values half that of the base case

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.0	0.7	0.3	0.6	4.1	0.2	0.0	1.6	5.7	6.0
Number of Production Hours	0.6	6.8	0.5	6.6	8.9	1.1	na	14.4	23.3	24.4
Total Production Value (\$m)	3.3	8.9	1.0	6.4	3.3	1.1	0.0	19.5	22.8	23.9
Category 2										
Number of Projects Undertaken	1.2	0.6	0.3	1.2	10.7	0.3	0.0	3.3	14.1	14.3
Number of Production Hours	15.8	6.4	0.5	12.9	23.1	1.3	na	35.6	58.7	60.0
Total Production Value (\$m)	11.7	8.2	1.0	9.4	6.4	1.2	0.0	30.2	36.6	37.7
Category 3										
Number of Projects Undertaken	0.5	0.2	0.1	0.4	22.9	0.2	5.4	1.1	24.0	29.6
Number of Production Hours	6.3	1.8	0.1	4.3	49.2	1.0	na	12.5	61.7	62.6
Total Production Value (\$m)	3.6	2.2	0.2	2.8	13.0	1.5	1.4	8.8	21.8	24.7
Total										
Number of Projects Undertaken	1.8	1.5	0.6	2.2	37.7	0.7	5.4	6.1	43.8	49.9
Number of Production Hours	22.6	15.0	1.0	23.8	81.1	3.4	na	62.5	143.6	147.0
Total Production Value (\$m)	18.6	19.2	2.2	18.5	22.7	3.8	1.4	58.5	81.2	86.4

Table 5h: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – assuming a standard deviation in production values 50% greater than that of the base case

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.0	0.5	0.2	0.0	2.8	0.1	0.0	0.7	3.5	3.6
Number of Production Hours	0.5	4.6	0.4	0.0	6.0	0.5	na	5.4	11.4	11.9
Total Production Value (\$m)	6.0	10.0	1.1	4.5	4.8	1.2	0.0	21.7	26.4	27.7
Category 2										
Number of Projects Undertaken	0.4	0.5	0.2	0.4	6.6	0.1	0.0	1.6	8.2	8.3
Number of Production Hours	5.2	5.2	0.4	4.7	14.2	0.6	na	15.6	29.8	30.3
Total Production Value (\$m)	8.2	9.4	1.1	6.3	6.7	1.2	0.0	25.0	31.6	32.9
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.4	20.8	0.2	5.9	1.1	21.9	28.0
Number of Production Hours	4.9	2.4	0.1	4.1	44.7	1.1	na	11.6	56.3	57.4
Total Production Value (\$m)	3.2	2.7	0.2	2.8	12.5	1.6	1.3	8.9	21.4	24.2
Total										
Number of Projects Undertaken	0.8	1.2	0.5	0.8	30.2	0.4	5.9	3.4	33.6	39.9
Number of Production Hours	10.7	12.2	0.9	8.8	64.9	2.1	na	32.5	97.5	99.6
Total Production Value (\$m)	17.4	22.1	2.4	13.5	23.9	4.0	1.3	55.5	79.4	84.7

Sensitivity 2: Compliance and Raising Finance Effort Cost

As noted in the assumptions section above – the base model assumes that compliance and raising finance effort costs are equal between raising funds from Screen Australia funds and the Producer Offset. Assumptions are outlined for compliance costs for administrative effort required, and the financing of the Producer Offset is set so the two supports are equal. Both the compliance costs aspects and the financing costs are not validated (as out of scope of this project) and therefore again we test the sensitivity of this assumption. Table 4h shows the outcomes if it is assumed that the Offset financing can be raised at 10% per annum (56% is funded by the industry for dramas, and 52% of documentaries, but this ratio is increasing) and the average length of time financed is 6 months (ie the project goes over a year, and full cost financing is required for a half of that). This means that finance and compliance costs are slightly less for produce Offset financing than for Screen Australia funding). Table 5i indicates that there would be a very slight increase in outcomes over the base case, though it is very slight, but that the impact would largely be in low budget projects (where the compliance costs represent a greater proportion of funds raised). Table 5j indicates the results where it is assumed that Offset financing costs are 14% for an average of a year – and therefore these costs are well in excess of compliance costs for Screen Australia funding. As expected this decreases the impact of the policy changes, but again it is a marginal impact on overall outcomes – with the biggest impact on documentaries (because of smaller budgets overall, the financing costs are more significant).

Table 5i: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – assuming lower financing and compliance costs in the Producer Offset

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docu- mentaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.0	0.5	0.2	0.2	5.0	0.2	0.0	0.9	5.9	6.1
Number of Production Hours	0.0	5.3	0.3	2.2	10.8	0.9	na	7.9	18.6	19.6
Total Production Value (\$m)	4.5	8.6	0.8	5.9	5.4	1.2	0.0	19.9	25.3	26.5
Category 2										
Number of Projects Undertaken	0.7	0.7	0.2	0.7	6.0	0.2	0.0	2.3	8.3	8.4
Number of Production Hours	9.1	6.7	0.4	7.5	12.8	1.0	na	23.6	36.4	37.4
Total Production Value (\$m)	9.2	9.8	0.9	7.6	5.3	1.2	0.0	27.5	32.8	34.0
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.4	20.8	0.2	5.9	1.1	21.9	28.0
Number of Production Hours	4.9	2.4	0.1	4.1	44.7	1.1	na	11.6	56.3	57.4
Total Production Value (\$m)	3.2	2.7	0.2	2.8	12.5	1.6	1.3	8.9	21.4	24.2
Total										
Number of Projects Undertaken	1.1	1.4	0.5	1.3	31.8	0.6	5.9	4.3	36.0	42.6
Number of Production Hours	14.0	14.4	0.8	13.8	68.3	3.0	na	43.1	111.4	114.4
Total Production Value (\$m)	16.8	21.1	2.0	16.3	23.2	4.0	1.3	56.2	79.4	84.6

Table 5j: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – assuming higher financing and compliance costs in the Producer Offset

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.0	0.5	0.2	0.2	2.5	0.1	0.0	1.0	3.5	3.6
Number of Production Hours	0.0	4.9	0.4	2.7	5.4	0.7	na	8.0	13.4	14.1
Total Production Value (\$m)	4.0	8.4	0.9	5.1	3.4	1.2	0.0	18.5	21.8	23.0
Category 2										
Number of Projects Undertaken	0.8	0.8	0.2	0.8	7.3	0.1	0.0	2.6	9.9	10.0
Number of Production Hours	9.7	8.2	0.3	9.1	15.7	0.7	na	27.3	43.0	43.7
Total Production Value (\$m)	9.7	11.1	0.8	8.2	6.0	1.2	0.0	29.8	35.8	37.0
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.4	18.7	0.2	8.5	1.1	19.8	28.5
Number of Production Hours	4.9	2.3	0.1	4.4	40.3	1.1	na	11.7	52.0	53.1
Total Production Value (\$m)	3.2	2.4	0.2	2.8	12.0	1.6	2.1	8.6	20.6	24.2
Total										
Number of Projects Undertaken	1.1	1.5	0.5	1.5	28.5	0.5	8.5	4.6	33.2	42.1
Number of Production Hours	14.7	15.4	0.8	16.1	61.4	2.5	na	47.0	108.4	110.9
Total Production Value (\$m)	16.9	21.9	1.9	16.1	21.4	3.9	2.1	56.9	78.2	84.3

Sensitivity 3: Displacement effect between Offset and Private Investment

The base model assumes that easier access to the Producer Offset will displace some industry based financing. This is an assumed behavioural impact. This has been tested by a sensitivity without any displacement with the modelled increase in outcomes as in Table 4k. This suggests a much more significant increase in outcomes, with the overall increase in activity being closer to 50%.

Table 5k: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – No displacement of Industry Financing

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.8	1.0	0.4	1.3	11.3	0.3	0.0	3.5	14.7	15.0
Number of Production Hours	10.0	10.2	0.6	14.1	24.2	1.5	na	35.0	59.2	60.7
Total Production Value (\$m)	10.3	15.0	1.5	13.6	9.7	1.5	0.0	40.5	50.2	51.7
Category 2										
Number of Projects Undertaken	1.3	1.1	0.4	2.0	14.9	0.3	0.0	4.7	19.5	19.8
Number of Production Hours	16.2	10.6	0.6	21.8	32.0	1.3	na	49.2	81.2	82.5
Total Production Value (\$m)	13.7	14.7	1.5	17.4	11.8	1.5	0.0	47.3	59.1	60.6
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.4	20.8	0.2	5.9	1.1	21.9	28.0
Number of Production Hours	4.9	2.4	0.1	4.1	44.7	1.1	na	11.6	56.3	57.4
Total Production Value (\$m)	3.2	2.7	0.2	2.8	12.5	1.6	1.3	8.9	21.4	24.2
Total										
Number of Projects Undertaken	2.4	2.3	0.8	3.7	46.9	0.8	5.9	9.2	56.1	62.8
Number of Production Hours	31.2	23.2	1.3	40.0	100.9	3.9	na	95.8	196.7	200.5
Total Production Value (\$m)	27.2	32.4	3.2	33.8	34.0	4.6	1.3	96.6	130.6	136.5

Sensitivity 4: Relaxing the assumption of unlimited demand at higher product end

As noted throughout, the model focuses on supply side changes, with the link to demand side based around an assumption that the industry continues to be a major funder of activity. Further as noted the product market is very competitive and the price of imported product substantially below average production costs. An alternative perspective is that the legislative framework with respect to local content is a relative ceiling in terms of broadcaster demand for product. Therefore this demand constraint is simulated by assuming that projects above the eligible budget level of \$500,000 will not be produced even if the financing options are improved by the change in conditions.

As can be seen by the results in Table 5l, the relaxing of this assumption has a substantial impact on the outcomes. While there remains a significant increase in production levels and hours of production (15%), the increase in total expenditure or production level is much less significant (11%). This is because all the increase in activity is at the lower budget end, and the result is a fall in the average budget of product.

Table 5I: Modelled Average Annual Outcomes –Change (Increase) in activity between Revised and Current Policy Regimes – Constrained demand for higher quality product

	Series	Mini-Series	Tele-movies	Child-ren's Drama	Docum-entaries	Light Entertainment	New Media	Total for Drama	Total - Drama and Docos	Total
Category 1										
Number of Projects Undertaken	0.0	0.0	0.0	0.0	2.4	0.1	0.0	0.0	2.4	2.5
Number of Production Hours	0.0	0.0	0.0	0.0	5.2	0.6	na	0.0	5.2	5.8
Total Production Value (\$m)	0.0	0.0	0.0	0.5	3.7	0.9	0.0	0.5	4.2	5.2
Category 2										
Number of Projects Undertaken	0.3	0.0	0.0	0.4	6.4	0.1	0.0	0.7	7.1	7.3
Number of Production Hours	3.8	0.5	0.0	4.2	13.8	0.6	na	8.5	22.3	22.9
Total Production Value (\$m)	3.5	0.5	0.0	3.0	5.4	0.9	0.0	7.0	12.4	13.3
Category 3										
Number of Projects Undertaken	0.4	0.2	0.1	0.4	20.8	0.2	5.9	1.1	21.9	28.0
Number of Production Hours	4.9	2.4	0.1	4.1	44.7	1.1	na	11.6	56.3	57.4
Total Production Value (\$m)	3.2	2.7	0.2	2.8	12.5	1.6	1.3	8.9	21.4	24.2
Total										
Number of Projects Undertaken	0.7	0.3	0.1	0.8	29.6	0.5	5.9	1.8	31.4	37.8
Number of Production Hours	8.7	2.9	0.1	8.3	63.7	2.3	na	20.0	83.7	86.1
Total Production Value (\$m)	6.7	3.2	0.2	6.3	21.6	3.4	1.3	16.3	38.0	42.7

Modelling Limitations

The model should be considered to be indicative and predictive, or orders of magnitude. The results of the model seem realistic, in that Screen Australia funding is limited and as such funds a relatively small proportion of projects. The increase in the Offset to 40% - which has no constraint – would therefore be expected to have a large impact on outcomes – assuming as the modelling does that there is no limit to demand for product (at the levels of industry financing required). The model results could be considered limited in that:

- There is limited data about the distributions with respect to the profile of production sizes, or of the range of financings
- Improved assessment of the probability distributions in play, rather than the simple normal distribution , truncated at a minimum would improve the theoretical context of the model
- The modelling does not allow for incentive effects and behavioural outcomes – and so for example having thresholds for access to Producer Offset funding in itself will cause producers to push to points beyond the threshold, simply for the opportunity to access the funds

Base Policy Environment

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	5.0	4.1	1.4	6.8	43.5	3.0	0.0	17.1	60.6	63.6
Number of Production Hours	63.4	40.5	2.3	73.6	93.6	15.0	na	179.8	273.4	288.4
Total Production Value	34.1	39.2	3.8	47.7	31.1	4.6	0.0	124.8	155.9	160.4
Average Budget per hour (\$'000)	538.5	967.4	1,652.7	648.2	331.7	304.2	na	694.3	570.1	556.3
Financing (propn by source)										
Screen Australia	2%	4%	4%	6%	17%	0%	32%	4%	7%	7%
Other Govt	3%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	13%	15%	16%	11%	12%	0%	0%	13%	13%	12%
TV and Film	62%	56%	56%	57%	53%	75%	44%	58%	57%	57%
Other	21%	21%	20%	22%	13%	25%	22%	21%	20%	20%
Financing (Amount by source)										
Screen Australia	0.8	1.6	0.1	2.7	5.4	0.0	0.0	5.2	10.6	10.6
Other Govt	0.9	1.7	0.2	2.5	1.4	0.0	0.0	5.3	6.7	6.7
Producer Offset	4.4	6.0	0.6	5.0	3.6	0.0	0.0	16.1	19.7	19.7
TV and Film	21.0	21.8	2.1	27.1	16.5	3.4	0.0	72.0	88.4	91.8
Other	7.1	8.1	0.8	10.4	4.2	1.1	0.0	26.3	30.5	31.6

Modelled Policy Environment

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	5.2	4.6	1.5	7.1	47.7	3.1	0.0	18.4	66.1	69.3
Number of Production Hours	66.1	46.3	2.6	77.4	102.6	15.7	na	192.4	295.0	310.7
Total Production Value (\$m)	40.3	48.8	4.7	53.9	35.5	5.7	0.0	147.7	183.2	189.0
Average Budget per hour (\$'000)	609.4	1,053.6	1,802.9	696.6	346.4	365.1	na	767.5	621.0	608.1
Financing (propn by source)										
Screen Australia	1%	1%	1%	3%	12%	0%	22%	2%	4%	4%
Other Govt	2%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	28%	32%	32%	22%	23%	20%	14%	27%	26%	26%
TV/Screen Content Ind Investors	51%	45%	45%	49%	47%	59%	41%	48%	48%	48%
Other	18%	18%	18%	20%	13%	21%	22%	19%	18%	18%
Financing (Amount (\$m) by source)										
Screen Australia	0.3	0.6	0.1	1.8	4.4	0.0	0.0	2.8	7.2	7.2
Other Govt	1.0	2.0	0.2	2.7	1.6	0.0	0.0	5.8	7.5	7.5
Producer Offset	11.2	15.4	1.5	11.9	8.3	1.1	0.0	40.1	48.3	49.5
TV/Screen Content Ind Investors	20.4	22.0	2.1	26.7	16.7	3.4	0.0	71.2	87.9	91.3
Other	7.4	8.8	0.9	10.8	4.6	1.2	0.0	27.8	32.4	33.6

Change in Outcomes

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total - inc New Media
Number of Projects Undertaken	0.2	0.6	0.2	0.4	4.2	0.1	0.0	1.3	5.5	5.7
Number of Production Hours	2.7	5.8	0.3	3.8	9.0	0.7	na	12.6	21.7	22.4
Total Production Value (\$m)	6.1	9.6	0.9	6.2	4.5	1.2	0.0	22.9	27.4	28.5
Average Budget per hour (\$'000)	70.9	86.2	150.2	48.4	14.6	60.9	na	355.8	370.4	431.3
Financing (propn by source)										
Screen Australia	-1%	-3%	-3%	-2%	-5%	0%	-10%	-9%	-14%	-24%
Other Govt	0%	0%	0%	0%	0%	0%	0%	-1%	-1%	-1%
Producer Offset	15%	16%	16%	12%	12%	20%	14%	59%	70%	104%
TV/Screen Content Ind Investors	-11%	-10%	-11%	-7%	-6%	-16%	-4%	-39%	-45%	-65%
Other	-3%	-3%	-2%	-2%	-1%	-4%	0%	-9%	-9%	-14%
Financing (Amount (\$m) by source)										
Screen Australia	-0.4	-1.0	-0.1	-0.9	-1.0	0.0	0.0	-2.4	-3.4	-3.4
Other Govt	0.1	0.2	0.0	0.2	0.2	0.0	0.0	0.6	0.8	0.8
Producer Offset	6.8	9.4	0.9	6.9	4.6	1.1	0.0	24.0	28.6	29.8
TV/Screen Content Ind Investors	-0.6	0.2	0.0	-0.4	0.3	0.0	0.0	-0.8	-0.5	-0.5
Other	0.3	0.7	0.1	0.4	0.4	0.0	0.0	1.5	1.9	1.9

Series

	Current Policy	Revised Policy	Change	%age change
--	----------------	----------------	--------	-------------

Number of Projects	5.0	5.2	0.2	4%
Number of Production Hours	63.4	66.1	2.7	4%
Total Production Value (\$m)	34.1	40.3	6.1	18%
Average Budget per hour (\$'000)	538.5	609.4		
Financing (propn by source)				
Screen Australia	2%	1%	-1%	
Other Govt	3%	2%	0%	
Producer Offset	13%	28%	15%	
TV/Screen Content Ind Investors	62%	51%	-11%	
Other	21%	18%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.8	0.3	-0.4	-55%
Other Govt	0.9	1.0	0.1	9%
Producer Offset	4.4	11.2	6.8	155%
TV/Screen Content Ind Investors	21.0	20.4	-0.6	-3%
Other	7.1	7.4	0.3	4%

Mini-Series

	Current Policy	Revised Policy	Change	%age change
Number of Projects	4.1	4.6	0.6	14%
Number of Production Hours	40.5	46.3	5.8	14%
Total Production Value (\$m)	39.2	48.8	9.6	24%
Average Budget per hour (\$'000)	967.4	1,053.6		
Financing (propn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	15%	32%	16%	
TV/Screen Content Ind Investors	56%	45%	-10%	
Other	21%	18%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	1.6	0.6	-1.0	-64%
Other Govt	1.7	2.0	0.2	14%
Producer Offset	6.0	15.4	9.4	156%
TV/Screen Content Ind Investors	21.8	22.0	0.2	1%
Other	8.1	8.8	0.7	9%

Tele-movies

	Current Policy	Revised Policy	Change	%age change
Number of Projects	1.4	1.5	0.2	14%
Number of Production Hours	2.3	2.6	0.3	14%
Total Production Value (\$m)	3.8	4.7	0.9	24%
Average Budget per hour (\$'000)	1,652.7	1,802.9		
Financing (propn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	16%	32%	16%	
TV/Screen Content Ind Investors	56%	45%	-11%	
Other	20%	18%	-2%	
Financing (Amount (\$m) by source)				
Screen Australia	0.1	0.1	-0.1	-65%
Other Govt	0.2	0.2	0.0	16%
Producer Offset	0.6	1.5	0.9	148%
TV/Screen Content Ind Investors	2.1	2.1	0.0	0%
Other	0.8	0.9	0.1	11%

Child-ren's Drama

	Current Policy	Revised Policy	Change	%age change
Number of Projects	6.8	7.1	0.4	5%
Number of Production Hours	73.6	77.4	3.8	5%
Total Production Value (\$m)	47.7	53.9	6.2	13%
Average Budget per hour (\$'000)	648.2	696.6		
Financing (propn by source)				
Screen Australia	6%	3%	-2%	
Other Govt	5%	5%	0%	
Producer Offset	11%	22%	12%	
TV/Screen Content Ind Investors	57%	49%	-7%	

Other	22%	20%	-2%	
Financing (Amount (\$m) by source)				
Screen Australia	2.7	1.8	-0.9	-33%
Other Govt	2.5	2.7	0.2	8%
Producer Offset	5.0	11.9	6.9	136%
TV/Screen Content Ind Investors	27.1	26.7	-0.4	-1%
Other	10.4	10.8	0.4	4%

Documentaries

	Current Policy	Revised Policy	Change	%age change
Number of Projects	43.5	47.7	4.2	10%
Number of Production Hours	93.6	102.6	9.0	10%
Total Production Value (\$m)	31.1	35.5	4.5	14%
Average Budget per hour (\$'000)	331.7	346.4		
Financing (proprn by source)				
Screen Australia	17%	12%	-5%	
Other Govt	5%	5%	0%	
Producer Offset	12%	23%	12%	
TV/Screen Content Ind Investors	53%	47%	-6%	
Other	13%	13%	-1%	
Financing (Amount (\$m) by source)				
Screen Australia	5.4	4.4	-1.0	-19%
Other Govt	1.4	1.6	0.2	14%
Producer Offset	3.6	8.3	4.6	127%
TV/Screen Content Ind Investors	16.5	16.7	0.3	2%
Other	4.2	4.6	0.4	10%

Light Entertainment

	Current Policy	Revised Policy	Change	%age change
Number of Projects	3.0	3.1	0.1	5%
Total Production Value	4.6	5.7	1.2	26%
Financing (proprn by source)				
Screen Australia	0%	0%	0%	
Other Govt	0%	0%	0%	
Producer Offset	0%	20%	20%	
TV/Screen Content Ind Investors	75%	59%	-16%	
Other	25%	21%	-4%	
Financing (Amount (\$m) by source)				
Screen Australia	0.0	0.0	0.0	-69%
Other Govt	0.0	0.0	0.0	10%
Producer Offset	0.0	1.1	1.1	na
TV/Screen Content Ind Investors	3.4	3.4	0.0	0%
Other	1.1	1.2	0.0	4%

New Media

	Current Policy	Revised Policy	Change	%age change
Number of Projects	0.0	0.0	0.0	#DIV/0!
Total Production Value	0.0	0.0	0.0	#DIV/0!
Financing (proprn by source)				
Screen Australia	32%	22%	-10%	
Other Govt	1%	1%	0%	
Producer Offset	0%	14%	14%	
TV/Screen Content Ind Investors	44%	41%	-4%	
Other	22%	22%	0%	
Financing (Amount (\$m) by source)				
Screen Australia	0.0	0.0	0.0	na
Other Govt	0.0	0.0	0.0	na
Producer Offset	0.0	0.0	0.0	na
TV/Screen Content Ind Investors	0.0	0.0	0.0	na
Other	0.0	0.0	0.0	na

Base Policy Environment

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	5.0	4.1	1.4	6.8	43.5	3.0	0.0	17.1	60.6	63.6
Number of Production Hours	63.4	40.5	2.3	73.6	93.6	15.0	na	179.8	273.4	288.4
Total Production Value	33.9	38.6	3.7	48.0	30.1	4.5	0.0	124.3	154.4	158.9
Average Budget per hour (\$'000)	535.2	952.6	1,615.7	652.9	322.0	302.0	na	691.2	564.8	551.1
Financing (propn by source)										
Screen Australia	3%	4%	4%	6%	18%	0%	33%	4%	7%	7%
Other Govt	3%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	12%	15%	16%	11%	12%	0%	0%	13%	13%	12%
TV and Film	62%	56%	55%	58%	51%	75%	44%	58%	57%	57%
Other	21%	20%	21%	21%	13%	25%	21%	21%	19%	19%
Financing (Amount by source)										
Screen Australia	0.9	1.6	0.2	2.7	5.6	0.0	0.0	5.3	10.9	10.9
Other Govt	0.9	1.7	0.2	2.6	1.4	0.0	0.0	5.3	6.7	6.7
Producer Offset	4.2	5.8	0.6	5.1	3.7	0.0	0.0	15.7	19.4	19.4
TV and Film	20.9	21.6	2.0	27.7	15.5	3.4	0.0	72.3	87.8	91.2
Other	7.0	7.9	0.8	9.9	4.0	1.1	0.0	25.6	29.6	30.7

Modelled Policy Environment

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	5.8	4.8	1.7	7.4	50.9	3.2	0.0	19.7	70.6	73.7
Number of Production Hours	74.2	48.0	2.9	81.1	109.5	15.8	na	206.1	315.6	331.4
Total Production Value (\$m)	43.8	48.9	4.9	55.4	35.2	5.7	0.0	153.0	188.2	193.9
Average Budget per hour (\$'000)	590.8	1,019.2	1,730.6	682.5	321.2	361.7	na	742.4	596.3	585.1
Financing (propn by source)										
Screen Australia	1%	1%	1%	3%	12%	0%	22%	2%	4%	4%
Other Govt	2%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	29%	32%	32%	23%	24%	20%	15%	28%	27%	27%
TV/Screen Content Ind Investors	50%	45%	44%	50%	46%	59%	40%	48%	48%	48%
Other	18%	18%	18%	19%	13%	21%	21%	18%	17%	17%
Financing (Amount (\$m) by source)										
Screen Australia	0.3	0.6	0.1	1.7	4.4	0.0	0.0	2.6	7.0	7.0
Other Govt	1.0	1.9	0.2	2.9	1.6	0.0	0.0	6.1	7.7	7.7
Producer Offset	12.9	15.5	1.6	12.7	8.5	1.1	0.0	42.7	51.2	52.4
TV/Screen Content Ind Investors	21.9	22.1	2.2	27.4	16.2	3.4	0.0	73.6	89.8	93.2
Other	7.7	8.8	0.9	10.6	4.5	1.2	0.0	28.0	32.4	33.6

Change in Outcomes

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total - inc New Media
Number of Projects Undertaken	0.8	0.7	0.3	0.7	7.4	0.2	0.0	2.6	10.0	10.1
Number of Production Hours	10.8	7.5	0.6	7.5	15.9	0.8	na	26.4	42.2	43.0
Total Production Value (\$m)	9.9	10.3	1.2	7.3	5.0	1.2	0.0	28.8	33.8	35.0
Average Budget per hour (\$'000)	55.6	66.5	114.9	29.7	-0.8	59.7	na	266.7	265.9	325.6
Financing (propn by source)										
Screen Australia	-2%	-3%	-3%	-2%	-6%	0%	-11%	-10%	-16%	-27%
Other Govt	0%	0%	0%	0%	0%	0%	0%	-1%	-1%	-1%
Producer Offset	17%	17%	16%	12%	12%	20%	15%	62%	74%	109%
TV/Screen Content Ind Investors	-12%	-11%	-10%	-8%	-5%	-16%	-4%	-41%	-46%	-66%
Other	-3%	-3%	-3%	-2%	-1%	-4%	0%	-10%	-10%	-14%
Financing (Amount (\$m) by source)										
Screen Australia	-0.6	-1.0	-0.1	-0.9	-1.2	0.0	0.0	-2.7	-3.8	-3.8
Other Govt	0.2	0.3	0.0	0.3	0.2	0.0	0.0	0.8	1.0	1.0
Producer Offset	8.7	9.7	1.0	7.6	4.8	1.1	0.0	27.0	31.8	32.9
TV/Screen Content Ind Investors	0.9	0.5	0.2	-0.3	0.7	0.0	0.0	1.3	2.0	2.0
Other	0.7	0.9	0.1	0.6	0.4	0.1	0.0	2.4	2.8	2.9

Series

	Current Policy	Revised Policy	Change	%age change
--	----------------	----------------	--------	-------------

Number of Projects	5.0	5.8	0.8	17%
Number of Production Hours	63.4	74.2	10.8	17%
Total Production Value (\$m)	33.9	43.8	9.9	29%
Average Budget per hour (\$'000)	535.2	590.8		
Financing (propn by source)				
Screen Australia	3%	1%	-2%	
Other Govt	3%	2%	0%	
Producer Offset	12%	29%	17%	
TV/Screen Content Ind Investors	62%	50%	-12%	
Other	21%	18%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.9	0.3	-0.6	-70%
Other Govt	0.9	1.0	0.2	21%
Producer Offset	4.2	12.9	8.7	206%
TV/Screen Content Ind Investors	20.9	21.9	0.9	4%
Other	7.0	7.7	0.7	10%

Mini-Series

	Current Policy	Revised Policy	Change	%age change
Number of Projects	4.1	4.8	0.7	18%
Number of Production Hours	40.5	48.0	7.5	18%
Total Production Value (\$m)	38.6	48.9	10.3	27%
Average Budget per hour (\$'000)	952.6	1,019.2		
Financing (propn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	15%	32%	17%	
TV/Screen Content Ind Investors	56%	45%	-11%	
Other	20%	18%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	1.6	0.6	-1.0	-65%
Other Govt	1.7	1.9	0.3	16%
Producer Offset	5.8	15.5	9.7	168%
TV/Screen Content Ind Investors	21.6	22.1	0.5	2%
Other	7.9	8.8	0.9	11%

Tele-movies

	Current Policy	Revised Policy	Change	%age change
Number of Projects	1.4	1.7	0.3	24%
Number of Production Hours	2.3	2.9	0.6	24%
Total Production Value (\$m)	3.7	4.9	1.2	33%
Average Budget per hour (\$'000)	1,615.7	1,730.6		
Financing (propn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	16%	32%	16%	
TV/Screen Content Ind Investors	55%	44%	-10%	
Other	21%	18%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.2	0.1	-0.1	-55%
Other Govt	0.2	0.2	0.0	20%
Producer Offset	0.6	1.6	1.0	165%
TV/Screen Content Ind Investors	2.0	2.2	0.2	8%
Other	0.8	0.9	0.1	17%

Child-ren's Drama

	Current Policy	Revised Policy	Change	%age change
Number of Projects	6.8	7.4	0.7	10%
Number of Production Hours	73.6	81.1	7.5	10%
Total Production Value (\$m)	48.0	55.4	7.3	15%
Average Budget per hour (\$'000)	652.9	682.5		
Financing (propn by source)				
Screen Australia	6%	3%	-2%	
Other Govt	5%	5%	0%	
Producer Offset	11%	23%	12%	
TV/Screen Content Ind Investors	58%	50%	-8%	

Other	21%	19%	-2%	
Financing (Amount (\$m) by source)				
Screen Australia	2.7	1.7	-0.9	-34%
Other Govt	2.6	2.9	0.3	11%
Producer Offset	5.1	12.7	7.6	149%
TV/Screen Content Ind Investors	27.7	27.4	-0.3	-1%
Other	9.9	10.6	0.6	6%

Documentaries

	Current Policy	Revised Policy	Change	%age change
Number of Projects	43.5	50.9	7.4	17%
Number of Production Hours	93.6	109.5	15.9	17%
Total Production Value (\$m)	30.1	35.2	5.0	17%
Average Budget per hour (\$'000)	322.0	321.2		
Financing (proprn by source)				
Screen Australia	18%	12%	-6%	
Other Govt	5%	5%	0%	
Producer Offset	12%	24%	12%	
TV/Screen Content Ind Investors	51%	46%	-5%	
Other	13%	13%	-1%	
Financing (Amount (\$m) by source)				
Screen Australia	5.6	4.4	-1.2	-21%
Other Govt	1.4	1.6	0.2	15%
Producer Offset	3.7	8.5	4.8	130%
TV/Screen Content Ind Investors	15.5	16.2	0.7	5%
Other	4.0	4.5	0.4	11%

Light Entertainment

	Current Policy	Revised Policy	Change	%age change
Number of Projects	3.0	3.2	0.2	5%
Total Production Value	4.5	5.7	1.2	26%
Financing (proprn by source)				
Screen Australia	0%	0%	0%	
Other Govt	0%	0%	0%	
Producer Offset	0%	20%	20%	
TV/Screen Content Ind Investors	75%	59%	-16%	
Other	25%	21%	-4%	
Financing (Amount (\$m) by source)				
Screen Australia	0.0	0.0	0.0	-65%
Other Govt	0.0	0.0	0.0	8%
Producer Offset	0.0	1.1	1.1	na
TV/Screen Content Ind Investors	3.4	3.4	0.0	0%
Other	1.1	1.2	0.1	5%

New Media

	Current Policy	Revised Policy	Change	%age change
Number of Projects	0.0	0.0	0.0	#DIV/0!
Total Production Value	0.0	0.0	0.0	#DIV/0!
Financing (proprn by source)				
Screen Australia	33%	22%	-11%	
Other Govt	1%	1%	0%	
Producer Offset	0%	15%	15%	
TV/Screen Content Ind Investors	44%	40%	-4%	
Other	21%	21%	0%	
Financing (Amount (\$m) by source)				
Screen Australia	0.0	0.0	0.0	na
Other Govt	0.0	0.0	0.0	na
Producer Offset	0.0	0.0	0.0	na
TV/Screen Content Ind Investors	0.0	0.0	0.0	na
Other	0.0	0.0	0.0	na

Base Policy Environment

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	1.1	0.9	0.3	1.5	58.0	4.0	70.0	3.8	61.8	135.8
Number of Production Hours	14.1	9.0	0.5	16.4	124.8	20.0	na	39.9	164.7	184.7
Total Production Value	7.6	8.7	0.9	10.8	40.0	5.9	10.5	27.9	67.9	84.3
Average Budget per hour (\$'000)	536.4	962.3	1,687.0	663.3	320.5	295.1	na	699.0	412.3	456.4
Financing (propn by source)										
Screen Australia	3%	4%	4%	5%	18%	0%	32%	4%	12%	14%
Other Govt	3%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	12%	16%	16%	11%	12%	0%	0%	13%	12%	10%
TV and Film	62%	56%	55%	58%	53%	75%	45%	58%	55%	55%
Other	21%	20%	20%	21%	13%	25%	21%	21%	16%	18%
Financing (Amount by source)										
Screen Australia	0.2	0.3	0.0	0.5	7.1	0.0	3.4	1.1	8.2	11.6
Other Govt	0.2	0.4	0.0	0.6	1.8	0.0	0.1	1.2	3.0	3.2
Producer Offset	0.9	1.4	0.1	1.2	4.8	0.0	0.0	3.6	8.4	8.4
TV and Film	4.7	4.9	0.5	6.3	21.1	4.4	4.7	16.3	37.3	46.4
Other	1.6	1.7	0.2	2.3	5.2	1.5	2.3	5.8	11.0	14.8

Modelled Policy Environment

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total
Number of Projects Undertaken	1.5	1.1	0.4	1.9	78.8	4.2	75.9	4.9	83.7	163.8
Number of Production Hours	19.0	11.4	0.6	20.4	169.5	21.1	na	51.5	221.0	242.1
Total Production Value (\$m)	10.7	11.4	1.1	13.6	52.5	7.5	11.8	36.8	89.3	108.5
Average Budget per hour (\$'000)	564.1	996.5	1,736.4	665.6	309.7	354.1	na	714.2	403.9	448.2
Financing (propn by source)										
Screen Australia	0%	1%	1%	2%	10%	0%	22%	1%	7%	8%
Other Govt	2%	4%	4%	5%	5%	0%	1%	4%	4%	4%
Producer Offset	31%	32%	32%	24%	26%	20%	15%	29%	27%	26%
TV/Screen Content Ind Investors	49%	45%	45%	49%	47%	59%	41%	48%	47%	47%
Other	17%	17%	18%	19%	12%	21%	21%	18%	15%	16%
Financing (Amount (\$m) by source)										
Screen Australia	0.0	0.1	0.0	0.3	5.3	0.0	2.6	0.5	5.9	8.4
Other Govt	0.2	0.4	0.0	0.7	2.4	0.0	0.2	1.4	3.9	4.1
Producer Offset	3.4	3.7	0.3	3.3	13.8	1.5	1.7	10.7	24.5	27.7
TV/Screen Content Ind Investors	5.2	5.1	0.5	6.7	24.5	4.4	4.8	17.5	42.0	51.2
Other	1.9	2.0	0.2	2.6	6.4	1.6	2.5	6.6	13.0	17.1

Change in Outcomes

	Series	Mini-Series	Tele-movies	Child- ren's Drama	Docum- entaries	Light Entertain- ment	New Media	Total for Drama	Total - Drama and Docos	Total - inc New Media
Number of Projects Undertaken	0.4	0.2	0.1	0.4	20.8	0.2	5.9	1.1	21.9	28.0
Number of Production Hours	4.9	2.4	0.1	4.1	44.7	1.1	na	11.6	56.3	57.4
Total Production Value (\$m)	3.2	2.7	0.2	2.8	12.5	1.6	1.3	8.9	21.4	24.2
Average Budget per hour (\$'000)	27.6	34.2	49.4	2.3	-10.9	58.9	na	113.6	102.8	161.7
Financing (propn by source)										
Screen Australia	-2%	-3%	-3%	-3%	-8%	0%	-11%	-10%	-17%	-28%
Other Govt	0%	0%	0%	0%	0%	0%	0%	-1%	-1%	-1%
Producer Offset	19%	17%	16%	14%	14%	20%	15%	65%	80%	114%
TV/Screen Content Ind Investors	-13%	-11%	-11%	-9%	-6%	-15%	-4%	-43%	-49%	-69%
Other	-3%	-3%	-3%	-2%	-1%	-4%	0%	-11%	-12%	-16%
Financing (Amount (\$m) by source)										
Screen Australia	-0.2	-0.2	0.0	-0.2	-1.7	0.0	-0.8	-0.6	-2.3	-3.2
Other Govt	0.0	0.1	0.0	0.1	0.6	0.0	0.0	0.2	0.9	0.9
Producer Offset	2.4	2.3	0.2	2.1	9.0	1.5	1.7	7.1	16.1	19.3
TV/Screen Content Ind Investors	0.6	0.3	0.0	0.4	3.4	0.0	0.1	1.3	4.7	4.8
Other	0.3	0.2	0.0	0.3	1.2	0.1	0.3	0.8	2.0	2.4

Series

	Current Policy	Revised Policy	Change	%age change
--	----------------	----------------	--------	-------------

Number of Projects	1.1	1.5	0.4	35%
Number of Production Hours	14.1	19.0	4.9	35%
Total Production Value (\$m)	7.6	10.7	3.2	42%
Average Budget per hour (\$'000)	536.4	564.1		
Financing (propn by source)				
Screen Australia	3%	0%	-2%	
Other Govt	3%	2%	0%	
Producer Offset	12%	31%	19%	
TV/Screen Content Ind Investors	62%	49%	-13%	
Other	21%	17%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.2	0.0	-0.2	-79%
Other Govt	0.2	0.2	0.0	25%
Producer Offset	0.9	3.4	2.4	256%
TV/Screen Content Ind Investors	4.7	5.2	0.6	12%
Other	1.6	1.9	0.3	19%

Mini-Series

	Current Policy	Revised Policy	Change	%age change
Number of Projects	0.9	1.1	0.2	27%
Number of Production Hours	9.0	11.4	2.4	27%
Total Production Value (\$m)	8.7	11.4	2.7	31%
Average Budget per hour (\$'000)	962.3	996.5		
Financing (propn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	16%	32%	17%	
TV/Screen Content Ind Investors	56%	45%	-11%	
Other	20%	17%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.3	0.1	-0.2	-59%
Other Govt	0.4	0.4	0.1	20%
Producer Offset	1.4	3.7	2.3	172%
TV/Screen Content Ind Investors	4.9	5.1	0.3	6%
Other	1.7	2.0	0.2	13%

Tele-movies

	Current Policy	Revised Policy	Change	%age change
Number of Projects	0.3	0.4	0.1	20%
Number of Production Hours	0.5	0.6	0.1	20%
Total Production Value (\$m)	0.9	1.1	0.2	24%
Average Budget per hour (\$'000)	1,687.0	1,736.4		
Financing (propn by source)				
Screen Australia	4%	1%	-3%	
Other Govt	4%	4%	0%	
Producer Offset	16%	32%	16%	
TV/Screen Content Ind Investors	55%	45%	-11%	
Other	20%	18%	-3%	
Financing (Amount (\$m) by source)				
Screen Australia	0.03	0.01	-0.02	-57%
Other Govt	0.04	0.04	0.00	12%
Producer Offset	0.14	0.35	0.21	148%
TV/Screen Content Ind Investors	0.48	0.48	0.00	0%
Other	0.17	0.19	0.01	8%

Child-ren's Drama

	Current Policy	Revised Policy	Change	%age change
Number of Projects	1.5	1.9	0.4	25%
Number of Production Hours	16.4	20.4	4.1	25%
Total Production Value (\$m)	10.8	13.6	2.8	25%
Average Budget per hour (\$'000)	663.3	665.6		
Financing (propn by source)				
Screen Australia	5%	2%	-3%	
Other Govt	5%	5%	0%	
Producer Offset	11%	24%	14%	
TV/Screen Content Ind Investors	58%	49%	-9%	

Other	21%	19%	-2%	
Financing (Amount (\$m) by source)				
Screen Australia	0.5	0.3	-0.2	-39%
Other Govt	0.6	0.7	0.1	21%
Producer Offset	1.2	3.3	2.1	185%
TV/Screen Content Ind Investors	6.3	6.7	0.4	6%
Other	2.3	2.6	0.3	13%

Documentaries

	Current Policy	Revised Policy	Change	%age change
Number of Projects	58.0	78.8	20.8	36%
Number of Production Hours	124.8	169.5	44.7	36%
Total Production Value (\$m)	40.0	52.5	12.5	31%
Average Budget per hour (\$'000)	320.5	309.7		
Financing (proprn by source)				
Screen Australia	18%	10%	-8%	
Other Govt	5%	5%	0%	
Producer Offset	12%	26%	14%	
TV/Screen Content Ind Investors	53%	47%	-6%	
Other	13%	12%	-1%	
Financing (Amount (\$m) by source)				
Screen Australia	7.1	5.3	-1.7	-25%
Other Govt	1.8	2.4	0.6	34%
Producer Offset	4.8	13.8	9.0	189%
TV/Screen Content Ind Investors	21.1	24.5	3.4	16%
Other	5.2	6.4	1.2	22%

Light Entertainment

	Current Policy	Revised Policy	Change	%age change
Number of Projects	4.0	4.2	0.2	5%
Total Production Value	5.9	7.5	1.6	26%
Financing (proprn by source)				
Screen Australia	0%	0%	0%	
Other Govt	0%	0%	0%	
Producer Offset	0%	20%	20%	
TV/Screen Content Ind Investors	75%	59%	-15%	
Other	25%	21%	-4%	
Financing (Amount (\$m) by source)				
Screen Australia	0.0	0.0	0.0	-71%
Other Govt	0.0	0.0	0.0	8%
Producer Offset	0.0	1.5	1.5	na
TV/Screen Content Ind Investors	4.4	4.4	0.0	0%
Other	1.5	1.6	0.1	4%

New Media

	Current Policy	Revised Policy	Change	%age change
Number of Projects	70.0	75.9	5.9	8%
Total Production Value	10.5	11.8	1.3	12%
Financing (proprn by source)				
Screen Australia	32%	22%	-11%	
Other Govt	1%	1%	0%	
Producer Offset	0%	15%	15%	
TV/Screen Content Ind Investors	45%	41%	-4%	
Other	21%	21%	0%	
Financing (Amount (\$m) by source)				
Screen Australia	3.4	2.6	-0.8	-25%
Other Govt	0.1	0.2	0.0	14%
Producer Offset	0.0	1.7	1.7	na
TV/Screen Content Ind Investors	4.7	4.8	0.1	2%
Other	2.3	2.5	0.3	12%