

Opening Statement Senate Committee on the Future of Work and Workers

By Matthew Deaner

It's a great opportunity to meet with you and discuss the impact of technology and other changes on work, and of the future of work and workers in Australia. I particularly wanted to talk today to you about the role and value of the creative industries, and the opportunity that they have through that prism—particularly the screen industry, which is, of course, who we represent.

Screen Producers Australia is the peak business and trade body for our screen sector. It was formed over 60 years ago and it represents the interests of independent producers. There are about 450 members in our organisation—small- to medium-sized businesses that together generate over \$3 billion worth of economic activity and employ a workforce of about 25,000 people. As an organisation we do three things. We are a registered employer organisation and negotiate agreements covering pay and conditions with various registered employee organisations, representing casts, crew, writers and directors. Each November, we host an international conference, based in Melbourne this year, called Screen Forever, to which you're all invited. We hope that you might be able to attend. And we advocate on behalf of our members for greater opportunities to grow their businesses and our industry more broadly to create great Australian stories and take them to the world.

Film and television production is where human creativity and technology combine to tell stories; producers are at the centre of this process. With AI and automation potentially taking over many routine tasks and occupations, there are immense opportunities for work in the creative industries into the future. Work in the screen industry requires people who can combine creative, technical and interpersonal skills, and this requires creativity across cast, crew, writers and directors, and producers bringing them all together. It requires creativity in writing, interpreting a script, directing actors, costume design, and shot and location selection. It also requires—critically, I think, in terms of the long-term sustainability of our broader economy—creativity in sourcing finances and in sales and marketing. Every individual screen product is its own business. There are a whole heap of shareholders in that product, and opportunities as a consequence of that product. In order to do that, you require great relationships—to achieve any of these things.

Stepping back from our industry, I think the difference between industrial processes and creative processes is emotional engagement and the understanding of how to solve problems by doing things differently, as opposed to repeating patterns. In terms of the future of work, I think that's really critical, hence the role of the creative industries as part of this.

I was also reflecting on the fact that video content is the new literacy. It is a new form of communication, or the new form of communication. We're no longer a text based society in the way that we once were. Video content, if you look at a website, is more dominant or critical in terms of how we inform people and tell stories—the same with social media. No-one wants to read a 10-page document about how to understand a phone, like a Samsung phone. You want to go to a video explaining how to use the phone. So our world is changing significantly as a consequence of all these things. As a consequence, we also need a workforce that can cope with that changing world, using screen literacy. So there's a double game about this.

Our screen industry is very worker intensive. As I've mentioned, 25,000 Australians are employed in the industry. But we are also currently experiencing a brain drain. Australia develops world-class casts and crew through institutions like the Australian Film, Television and Radio School, NIDA and other educational institutions, as well as on-the-job training and skill development. On productions, there is a lot of on-set training that is managed through a number of programs. Unfortunately, the

domestic industry does not have the volume of productions currently to keep our world-class actors, directors, writers, technicians and crew in Australia—and this may be the case with a number of other industries. We therefore are exporting them, to the benefit of other people or other countries. Often, as much as we want to tell Australian stories holding our intellectual property, as budgets tighten and schedules shorten, many people are pursuing commercially lucrative and career-advancing opportunities overseas. Australia's loss is Hollywood's and other territories' gain.

As part of our future-proofing of our workforce, SPA would like to see the screen industry grow, as a starting point, and certainly pivot more aggressively into a more export driven market and content driven area. This will provide jobs and skill development and career progression and opportunities in Australia, and help turn back the tide of the brain drain, as well as creating more and better Australian film and television productions here. As physical workplaces become less central to work, project based work, freelancing and the gig economy will become more prevalent. Indeed, the project based nature of the screen industry, I think, provides a template for the future of work, where people congregate around a particular product and then disperse. There are a whole set of learnings around how creative industries do that that I think are really interesting to explore; relationships are a critical part of that.

What is key to the sustainability of the screen industry is the creation and protection of IP that is owned and exploited by Australian businesses, and I think that's common perhaps across our economy as well. Today the government announced a commitment of \$140 million over four years to attract international productions to Australia. This will employ 3,000 workers and maintain employment and skill development for part of our workforce. We estimate about 10 per cent of our workforce works as part of the international projects that come to our country. That is the service side of our industry that many businesses gain from. There is also a balance. We also love and perhaps emphasise in our organisation the need for development of the entrepreneurial end of the spectrum, which is about building and owning intellectual property ourselves and driving that content so that businesses are not so much service businesses always but also create and develop their own products and sell that content globally. The difference is amplified by delivering strategies of coding for something like Uber versus creating Uber itself, if that makes sense. We think that many countries can code but we need to develop strategies in which we can be the business that creates the intellectual property. That's the difference in our industry, which we can explore a little further.

You also can't be jobless if you're not looking for a job and are in fact creating your own job and work for others. That's a pivot that we think is really critical in our sector. The key areas of support for this new economy and the workforce for government we think are built around a number of different strategies. Tax breaks for research and development for new businesses and ideas are really important. I might explain how that happens for us. Managing some relationships and competition issues through regulation are a continuing need by government. Managing copyright is the third area. The fourth area is that I think there's a role for government in international relationships and bringing international businesses into the market as net contributors to our employment not net extractors or diminishes of employment.

For our end in our sector this looks as follows. For us our ask of government in different ways to ensure our industry's successes is to look at creating competitive tax offsets for production, which is the equivalent of what we were talking about—tax breaks. We want to evolve content regulation to include new market entrants for SVOD services, subscription video on demand services, which I can go into in a little detail. We want to ensure fair contracting in the market for companies, such as the ones we represent, and we want to maintain strong copyright protection.

If we have a minute I'll break them down a little more because it's useful I think. In terms of creating competitive tax offsets and where you're looking at a range of offsets, Australia is probably underbaked in terms of what is happening in other territories. As a consequence, it's very attractive to set up a business currently for screen production in New Zealand because it has a higher tax offset for television. We're finding that a lot of commissioning can come out of New Zealand perhaps more aggressively than Australia. The UK, for example, has also got better offsets, as has Canada.

Content regulation is the key to the Australian film and television industry. It was a way of managing the demand part of our sector. In 1961, before local content was enforced, only one per cent of drama on Australian television was Australian. We now have content quotas on commercial broadcasters that deliver drama, documentaries and children's programming. At the moment we are in a tussle because those broadcasters are seeking to have those drama obligations watered down and the children's obligations removed. This would mean no Australian children's programming on commercial television and significantly less drama. We are arguing of course that these changes or arguments must be resisted.

We must also in turn though bring the regulatory model into the new age and look at the new players that are operating in our market. I think this is true of other industries in terms of disruptors. There are no obligations on SVOD services to invest in local content in Australia. Netflix's library contains between two and 2.5 per cent Australian content. There is more Australian content in the US Netflix library than there is on the Australian Netflix library. That's a bit of an anomaly in our view. Stan's library contains approximately 9.5 per cent Australian content.

So to increase levels of Australian content in SVOD libraries and to support local industry we're recommending a percentage of revenue—ideally more than 10 per cent of revenue on these services—that's earned in Australia to be invested in certain genres of local content and a promotion obligation so that in big services, like Netflix, it doesn't get sort of lost. This is consistent with the recommendation in the House of Representatives committee report that was tabled in December, and we estimate that a 10 per cent revenue obligation on Netflix, Stan and, say, Telstra TV would deliver close to \$100 million to the industry and 3,300 jobs.

The European Union has SVOD regulations. Thirty per cent of the library must be European content, and a percentage of revenue expenditure obligation must exist. It's set at 26 per cent in France, for example. There's also a promotion obligation.

The third area is fair contracting. The market for TV in Australia is an oligopsony, which is a form of market that provides buyers—broadcasters—with significant market power to the detriment of our producers, the sellers. As broadcasters come under pressure from Google and Facebook for advertising and audience eyeballs, this pressure is being amplified down the supply chain, and producers are suffering as a consequence. The deals are getting worse. The solution to an oligopsony is setting conditions for the exchange between buyers and sellers in terms of trade or codes of conduct.

Similar market failure exists in the grocery market, where two buyers—Coles and Woolworths—dictate terms to suppliers. I think that's probably a pattern in market structure that's amplifying across other sectors in terms of the power dynamics and collapsing of certain businesses together. For our case, looking internationally, the UK has terms of trade which benefit both producers and broadcasters. It's been the backbone of the creative industries, actually, because it's built businesses and allowed them to hold their IP, which has then built opportunities for jobs around those businesses. We seek similar regulation.

Finally, the strong and balanced copyright is a key to protecting creativity. It's going to become a big, important exercise going forward given what we're talking about in terms of where skills in Australia

sit. Copyright is afforded to creative work by humans, not AI. Attempts to water down copyright so that creators lose control of their work and their ability to earn an income from their work should be resisted. The UK government understands the value of creative industries to the UK economy. Building on the back of Cool Britannia in the nineties, the UK creative industries are growing twice as fast as the rest of the economy. In a time of austerity and political uncertainty with Brexit, it is doubling down on its investment in the creative industries. The UK government has partnered with industry to invest 150 million pounds into the industry and has dedicated 20 million pounds to a screen academy in London. They're just the latest of a series of investments that have ranged from animation to children's content and goes on.

At the heart of the film and television industry is storytelling, a necessary human experience. It is something that will survive through technological disruption, but we will need to get the policy settings right now so that our storytellers keep telling stories for future generations. Thank you.

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About Screen Producers Australia

Screen Producers Australia was formed by the screen industry to represent large and small enterprises across a diverse production slate of feature film, television and interactive content. Our members employ hundreds of producers, thousands of related practitioners and drive more than \$1.7 billion worth of annual production activity from the independent sector. On behalf of these businesses we are focused on delivering a healthy commercial environment through ongoing engagement with elements of the labour force, including directors, writers, actors and crew, as well as with broadcasters, distributors and government in all its various forms. This coordinated dialogue ensures that our industry is successful, employment levels are strong and the community's expectations of access to high quality Australian content have been met.