

17 July 2015

Screen Producers Australia's submission on the impact of the 2014 and 2015 Commonwealth Budget decisions on the Arts

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.

As the peak industry and trade body, we consult with a membership of more than 350 production businesses in the preparation of our submissions. This consultation is augmented by ongoing discussions with our elected Council and appointed Policy Working Group representatives. 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.

Screen Producers Australia welcomes this opportunity to make this submission to the Legal and Constitutional Affairs References Committee.

In the context of this review, we note concerns raised by a number of industry bodies about structural changes in funding that may broadly impact talent development across the arts community. However, our response is limited to paragraph a. of the terms of reference with regards to the ABC, SBS and Screen Australia.

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The independent production sector in Australia is highly competitive. These businesses are characterised by their professionalism, entrepreneurial spirit and quality of output. They operate in a global media landscape that is equally characterised by its dynamism, in which technological changes are giving rise to changes in production, distribution, consumption and business models.

Despite the many changes affecting the sector one thing remains unchanged: the value Australian audiences place on Australian content. Notably, 91 per cent of people believe it is important that Australia has a film and television industry producing local content. This sentiment is similar across all age groups. Even among people classified as 'low' consumers of Australian content, 87 per cent felt it was important.¹

The single most important benefit of having a film and television industry is to make sure that Australian culture isn't overwhelmed by American culture on account of the amount of movies and television series that Hollywood produces. This is reinforced by the vast majority of people agreeing that Australian screen stories are vital for contributing to our sense of Australian national identity.

Driving this cultural value is a delicate system of government interventions and support for Australian screen producers through tax incentives, content obligations and direct subsidy. Together, they help the film and television sector to directly contribute \$5.8 billion to Australian gross domestic product and about 46,600 full time equivalent employees. Of this, the independent production sector contributes \$1 billion to gross domestic product and more than 13,000 jobs.²

In particular, production of feature films, television drama and documentaries generated \$709 million worth of investment annually, including \$124 million in overseas finance. This level of investment in narrative production positively contributes \$331 million to gross domestic product, taking into account the direct and indirect impacts of production activity on the overall economy.

Outcomes from the 2014 and 2015 budgets

The ABC, SBS and Screen Australia are essential partners to the independent production sector, with their investments triggering millions of dollars of local and international financing that both employs thousands and entertains millions of people each day.

There were concerns in the screen industry ahead of the 2014 budget about the likely impact of the National Commission of Audit's report. The report's far reaching and aggressive recommendations could have caused significant damage to the independent production sector, most notably through the halving of

¹ http://www.screenaustralia.gov.au/research/austories_research.aspx

² http://www.screenassociation.com.au/uploads/reports/ASA_Economic_Contribution_Report.pdf

Screen Australia's allocation and refocus of priorities.³ Furthermore, the ABC and SBS Efficiency Study's simultaneous timing and overlapping terms of reference also unsettled business confidence in the sector.⁴

Industry expects all arms of Government to routinely identify and implement efficiency savings. However, there must be a workable timetable to enact any such efficiencies. If budget cuts are too deep they run the risk of compromising the ability of the ABC, SBS and Screen Australia to develop, fund and commission local production. This has a large impact then on employment, economic contribution and ultimately audience confidence in Australia content.

Although cuts occurred in 2014, Screen Producers Australia welcomed the restraint showed by Government in light of the National Commission of Audit's recommendations.

It will take time, and increased transparency, to assess the ongoing impact of the cuts to the ABC and SBS that occurred in both the 2014 budget and the outcomes from the efficiency study that were adopted later that year. The public broadcasters are central to Australia's national identity with an unparalleled service that informs, educates and entertains. This great accomplishment is one achieved through a strong partnership with the independent sector, a partnership that we believe will rise to the challenges ahead as we deliver efficiencies, leveraging the private sector's diversity and capital to create great screen stories for the millions of Australians who enjoy the ABC and SBS every day.

Screen Producers Australia was reassured by ABC's public comments that they are committed to ensuring that efficiencies do not erode programming so that Australians continue to have access to their own unique screen stories from a diverse range of producers. These are producers and production businesses that are based in every state and territory around the country, from capital cities to regional centers and towns.

Despite this, we understand that there have been cuts to the commissioning budgets at ABC of between \$4-5 million with fears of further reductions and movements of money between different genre budgets. Our first recommendation below seeks to address the impact on business uncertainty that occurs in the production sector when the amount of expenditure is unclear.

There are also significant challenges ahead for Screen Australia after the compounding cuts of \$38 million in 2014 and a further \$3.6 million in 2015. Screen Australia has indicated that a large proportion of this will need to come out of project investment following the existing operational efficiencies that have been implemented to date. To date, there has been program funding cuts to documentaries. Screen Producers Australia is committed to working closely with Screen Australia to navigate changes to their support programs and guidelines. Our second and third recommendations that follow seek to address policy alternatives for Government to avoid impacting industry, its jobs and economic contribution.

³ http://www.ncoa.gov.au/report/docs/phase_one_report.pdf

⁴ http://www.minister.communications.gov.au/__data/assets/pdf_file/0003/63570/ABC_and_SBS_efficiency_report_Redacted.pdf

Recommendations in response to the 2014 and 2015 budgets

Screen Producers Australia believes the effects of reduced allocations across the ABC, SBS and Screen Australia can be balanced by a number of adjustments to tax incentives and regulation.

More effective benchmarking of public broadcasters through greater transparency

In order to create business stability and allow for better planning there needs to be greater transparency around the way in which the ABC and SBS report their program expenditure.

Screen Producers Australia cites the Broadcasting Financial Results published by Australian Media and Communications Authority as a good example of reporting obligations for the commercial sector that should be replicated for public broadcasters.

The report provides a snapshot of the aggregated expenditure, revenue, profitability, assets, liability and net assets of the commercial radio and television broadcasting sectors. This type of reporting, in particular the breakdown of programming expenditure, is a vital tool for industry and government in guiding policy development. It crucially provides a layer of commercial transparency that underpins business confidence in the independent sector.

Screen Producers Australia would like the data to be enhanced across a range of content delivery services, including the ABC and SBS, and published more regularly. This would also include more detail in the reports, including the kind of funding (by in-house and external production including licence fees and equity), placement (by channel) and origin (by Australian, New Zealand and international) of programming expenditure and hours.

This recommendation was endorsed by the Senate's Environment and Communications Legislation Committee in their report on the Australian Broadcasting Corporation Amendment (Local Content) Bill 2014. The Committee recommended that Government 'establish a mechanism to enable the transparent and comprehensive reporting'.⁵

Offset reforms to drive productivity in local and offshore production

Screen Producers Australia believes the effects of reduced allocations across the screen agency and public broadcasters can be balanced by increasing the rate of the Producer Offset for television and broaden the base to include interactive screen content and games. These adjustments should come with safeguards that ensure the benefit of this increase remains with the small businesses that need this leverage the most. Increases in the Producer Offset will ensure Australian production support is competitive in an increasingly globalised production landscape when compared to territories such as Canada, New Zealand and the United Kingdom.

Furthermore, the interpretation of theatrical intent for feature films as required by the Producer Offset legislation, has been an increasingly vexed issue over the last couple of years. Amid a cluttered marketplace and the evolving distribution environment, the role of cinema as a primary platform is

⁵ http://www.aph.gov.au/~media/Committees/Senate/committee/ec_ctte/Broadcasting_Deregulation/report.pdf?la=en

changing. Whilst it remains central it is equally important for exhibitors and distributors to best position our local productions for a screen-agnostic audience. The high-cost, one-size fits all approach of cinema release does not always serve the commercial or public access interests.

By embracing the competition of the burgeoning distribution market our feature films will be released more efficiently by enabling certain films to incorporate more targeted event-style release augmented by other opportunities including a growing video on demand market.

The Location and PDV Offsets are also critical incentives that maintain Australia's position as an investment destination of choice for the global screen industry. They deliver a consistency of work that develops and retains our skilled writers, directors, producers, cast and technicians.

Whilst the exchange rate has eased some of the pressure, there are an increasing number of incentives now offered worldwide that make it difficult to attract major international production. The increased PDV Offset, to 30 per cent in 2011, has stimulated a significant amount of work. Screen Producers Australia believes that if the Location Offset was increased to this level as well there would be an exponential growth in jobs, across the freelance workforce as well as other service and facility providers.

Protecting the integrity and diversity of Australian content on commercial free-to-air television

In 2014, Screen Producers Australia was both disappointed and alarmed at the annual compliance results for metropolitan commercial free-to-air television licensees released by the Australian Media and Communications Authority. The figures revealed, that in relation to its first release Australian drama, the Nine Network met an astounding 51 per cent of its obligation with the use of New Zealand programming, compared to just 7 per cent for Seven Network and 4 per cent for Network Ten.

The industry was reassured during the 2013 media reforms that the licence fee reductions to the commercial free-to-air television would better protect Australia content. However, with cheap imported New Zealand drama shelved on multi-channels accounting for 51 per cent of the Nine Network's drama points and 60 per cent of their drama broadcast hours, it is clear that the increased flexibility has become a cynical exercise that is short-changing Australian viewers.

Screen Producers Australia is calling on government to redefine the term 'first release' in the Australian Content Standard, by broadening the definition to reflect the concept of a worldwide premiere and not just a program's initial screening in the licence area. In addition, if there are further reductions to commercial free-to-air broadcaster's spectrum licence fees we look to Government to provide safeguards to stop these savings being directed into cheap foreign imports or to fuel a sports rights arms race at the expense of other local content genres.