

30 June 2015

## Screen Producers Australia's submission to the draft Industry Assistance in Queensland report, May 2015

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.

Our members include many very successful Queensland businesses, including Hoodlum (*Secrets and Lies*, *The Strange Calls*), Carbon Media (*Sesame Street*, *Handball Heroes*), Pictures in Paradise (*The Railway Man*, *The Proposition*), Defiant Development (*Ski Safari*, *Hand of Fate*) and Ludo Studio (#7DaysLater) among others.

**Screen Producers Australia welcomes this opportunity to make a submission to the Queensland Competition Authority's draft Industry Assistance in Queensland report released in May 2015. Our response addresses the following recommendations:**

- **Cease providing attraction incentives targeted toward major productions that deliver benefits largely appropriated by international production companies**
- **Focus assistance for film and television production toward activities that deliver net cultural benefits to the state**
- **Ensure that any incentives, where government chooses to provide them, are provided transparently**

### Contact details

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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.<sup>1</sup>

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. Whilst there remains an emphasis on local production, it is important to recognise that these interventions and support include the attraction of offshore production as this ensures a critical mass of production activity in Australia, providing consistency of vital infrastructure and career pathways to develop and retain our talented workforce.

The film and television sector directly contributed \$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.<sup>2</sup>

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.

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<sup>1</sup> [http://www.screenaustralia.gov.au/research/austories\\_research.aspx](http://www.screenaustralia.gov.au/research/austories_research.aspx)

<sup>2</sup> [http://www.screenassociation.com.au/uploads/reports/ASA\\_Economic\\_Contribution\\_Report.pdf](http://www.screenassociation.com.au/uploads/reports/ASA_Economic_Contribution_Report.pdf)

## **1. Cease providing attraction incentives targeted toward major productions that deliver benefits largely appropriated by international production companies**

Screen Producers Australia does not support the assertion that offshore attraction incentives deliver benefits largely appropriated by international production companies.

We cite the breadth of international comparisons set out by Ausfilm.<sup>3</sup> These comparisons provide a wide range of research to support incentivising screen industries in Europe, United Kingdom, Canada and perhaps of most relevance, Louisiana in the United States. Ausfilm also highlight local research commissioned from PwC. Whilst PwC primarily consider the impact of adjustments to federal incentives it does highlight the economic impact broadly from offshore production attraction.

In 2012, PwC estimated that if both the Location and PDV offsets were adjusted to 30 per cent they would, over the next 10 years, attract foreign investment with a Present Value of \$160 million per year and deliver additional gross domestic product of up to \$610 million.

It is Screen Producers Australia view that attracting offshore production, by utilising a combination of federal incentives and state-based support, is critical if Australia is to maintain its position as an investment destination of choice in the global screen industry. Approximately 20 per cent of all expenditure on feature films and television drama in Australia has come from foreign productions since 2010.<sup>4</sup> This percentage increases significantly when factoring in the level of foreign investment in our local productions and local production businesses.

There is likely to be a wide range of negative consequences if Queensland was to cease offering incentives targeted towards major offshore productions. This would include a brain drain of internationally transferable skills, damaging many innovative businesses that depend on this talent to develop of intellectual property.

The move would be out of step with other territories that are looking at this type of innovation to transition away from a resource-based economy to a services and skills-based economy, a point addressed in the Federal Government's Intergenerational Report.<sup>5</sup>

## **2. Focus assistance for film and television production toward activities that deliver net cultural benefits to the state**

Screen Producers Australia supports activities that will deliver net cultural benefits to the state. However, these activities should acknowledge that investment by offshore production in the state is inextricably linked to our industry's ability to create high quality local production.

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<sup>3</sup> Ausfilm, *Queensland Competition Authority: Comment on draft report Industry Assistance in Queensland*, July 2015

<sup>4</sup> <http://www.screenaustralia.gov.au/research/statistics/dramaallactivitysummary.aspx>

<sup>5</sup> <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report>

Offshore production helps to deliver a critical mass of activity each year, underwriting world-class facilities, infrastructure and career pathways that ensure more consistent employment opportunities to develop and retain our skilled writers, directors, producers, cast and technicians.

To put this into context, the production of culturally relevant and commercially successful screen content in an environment of static tax incentives and declining subsidies is increasingly reliant on the international market. For example, foreign sources of finance contribute on average 10 per cent of the finance plan for television programs commissioned by ABC with Screen Australia,<sup>6</sup> and in our survey of producers last year 76 per cent of businesses indicated that they are actively developing international co-productions.<sup>7</sup>

We assert that if Queensland diminishes its international reputation in the screen industry by stepping away from offshore production attraction, this will diminish the reputation of Queensland-based producers looking to the same international market for investment in our local productions.

In Screen Producers Australia's view is that the clear weight of support should remain with local production businesses and their content, but a balance must be maintained.

### **3. Ensure that any incentives, where government chooses to provide them, are provided transparently**

Screen Producers Australia supports the transparent reporting of all incentives paid to the screen industry.

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<sup>6</sup> <http://screenproducersaustralia.org.au/assets/Uploads/SPA-ABCRegionalprod-SUBMISSION.pdf>

<sup>7</sup> <http://screenproducersaustralia.org.au/assets/Uploads/2014-Roadshow-Pres-PUBLIC2.pdf>