Australian and Children's Screen Content Review

September 2017

The Media, Entertainment & Arts Alliance (MEAA) is the largest and most established union and industry advocate for Australia's creative professionals. Its membership includes journalists, artists, photographers, performers, producers, ballet dancers, symphony orchestra members and musicians, venue and event workers, sportspersons and officials, together with film, television and performing arts technicians. We have a diverse and vibrant membership across all spheres of creative endeavour in Australia.

This submission reflects the views of MEAA's Equity and Entertainment, Crew and Sport sections, in particular. It is largely based upon the union's April, 2017 submission to the Australian Film and Television Sustainability Inquiry.

Key Comments and Recommendations in this Submission

Content Rules

- ❖ Existing Australian television content rules must remain in force and be extended to new market SVOD entrants such as Netflix, Amazon and Stan.

- ❖ SVOD providers should be required to invest a fixed proportion of Australian revenues into local content production.

- ❖ Consideration should be given to the Convergence Review's (2012) recommendation to establish a *Content Fund*, to be funded by a percentage of total revenues from 'eligible content service enterprises invested in Australian dramas, documentaries and children's programs'.

- ❖ An Australian *Content Fund* would be managed by a statutory body and have a primary objective of increasing Australian live action drama productions.

- ❖ Children's Australian Live Action drama quota to be maintained for commercial broadcasters and similar quota hours enforced across linear and non-linear providers of scale.

- ❖ Consideration should be given to establishing separate caps for children's animation as a means of preserving live action children's drama as a total proportion of children's content obligations.

- ❖ Consider according Reality television less weight in terms of Australian content points and hours than other production formats.

Public Broadcasters

- ❖ Public television broadcasters must be properly funded and required to produce annual Australian content reports across all programs and genre areas.

Offsets / Rebates

- ❖ Permanently increase the Location Offset from 16.5% to 30%.

- ❖ Set the Producer Offset at a uniform 40% rate.

- ❖ Increase the PDV offset to 40% and permit those accessing other offsets to apply for the PDV offset.

Screen Australia

- ❖ Restore Screen Australia's funding to 2013-14 levels – at least $100 million per annum

The most recent analysis of the film and TV sector's economic footprint was commissioned by Screen Australia. Its *Screen Currency – Valuing our screen industry* report revealed that in 2014-15, film and TV content under Australian creative control totaled $2.6 billion and accounted for 20,000 jobs. Post production services accounted for a further $382 million and over 4000 full-time jobs.[1]

Although the Australian audience for content and the number of devices and platforms through which content can be viewed grow steadily, the industry as a whole ebbs and flows. The current trajectory lacks dynamism and regulation of the film and television sector has failed to keep up with change.

Traditional platforms like commercial broadcasters have now secured massive licence fee relief, new providers are effectively unregulated and our production, location and post-production rebate systems look poor when compared to assistance offered in other countries.

It is against the remaining patchwork of regulatory settings and missed opportunities that MEAA makes this submission.

The following factors represent a 'handbrake' on the Australian film and television sector's future capacity to deliver quality Australian content:

- Internationally uncompetitive location offset (at 16.5%) and uncertainty surrounding 'top-ups'
- Uneven producer offsets (40% for film and 20% for television vs 30% for PDV)
- Inability to access post-production offsets if other rebates claimed, forcing work offshore
- Inefficiency and delay in producers receiving production rebates
- Hostility from broadcasters (and others) towards existing Australian content regulations
- Damaging government policy decisions with respect to arts and broadcaster funding
- A relatively strong Australian dollar
- Outdated media regulations that impose no content requirements on streaming services

Australian Content

Commercial television broadcasters are obliged to observe Australian content rules. These rules have underpinned television production and the development of new drama for decades.

As the terms of reference for this inquiry note, 'Given the small size of the Australian market for screen content, … it is unlikely that Australia would produce the quantity, quality and variety of Australian content required to achieve cultural benefits without Government support'.[2]

Content standards are commonplace in economies of scale. Canada, France, Spain, Sweden and a range of Asian nations enforce content rules. The policy rationale is that content requirements are a quid pro quo for broadcasters enjoying the right to transmit their content to consumers.

Australia's content rules, and in particular, the drama, children's and documentary sub-quotas, are essential in providing the Australian community with what it wants: great and diverse Australian stories. Australian content enjoys massive consumer support. The survey conducted as part of Screen Australia's 2016 Screen Currency report saw 64% of respondents state that local content accounted for up to half their media diet, with 22%

[1] Screen Currency: Valuing our screen industry. Screen Australia, 2016
[2] See Terms of Reference, Australian and Children's Screen Content Review, 2017.

reporting that 'most' of their viewing was Australian. The survey respondents also recognised something special or distinctive in Australian content that made it attractive.

In the commercial broadcast sector, MEAA has seen a growing campaign to dilute or abolish content rules to take advantage of cheaper content, whether it is internationally-produced drama, or low-cost local programming. Having secured abundant licence fee relief since 2010, these companies' sights are now set on deregulation of content, starting with children's content.

MEAA's members are united in their view that Australian content rules must remain in force across all areas. Instead of abandoning content rules because new platform/providers aren't required to observe them, we say that all screen content providers should be compelled to play by a common set of rules.

The key Australian content standard requires commercial free to air television licensees to broadcast an annual minimum transmission quota of 55 per cent Australian programming between 6am and midnight on their main channel. Sub-quotas apply for first-run Australian drama (a score of 250 points per annum[3]), documentary (20 hours per annum) and children's programs – see below. Commercial free to air providers are also required to air 1460 hours of Australian content per annum on their multi-channels. The latest ACMA data reveal that Seven played 2959 hours of Australian content in 2015 on its non-primary channels, Nine broadcast 1,604 hours while TEN aired a staggering 4,077 hours.

Subscription television (ie Pay TV) drama channels are also regulated by a compulsory standard requiring expenditure on minimum amounts of Australian drama programs. Subscription television drama channels, and drama channel package providers, are required to invest at least 10 per cent of their total program expenditure into new Australian drama. This kind of measure should be considered for streaming services such as Netflix and Stan, which are making modest (but unreported) inroads into making Australian productions.

Public broadcasters such as the ABC and SBS are not subject to ACMA's Australian content requirements, but are bound by their respective charters. A direct consequence of this is that it is often difficult to identify how much Australian dramatic content is produced by these organisations each year.

Current Content Adherence

The ACMA statistics for content compliance reveal the following in the period 2006 to 2015:

- Commercial broadcasters easily satisfy the 55% Australian content quota, with Seven at 69.77%, Nine at 71.63% and Ten at 63.28% for 2015 (rarely do the figures fall below 60% over the nine year period)
- First-release Australian drama – with a minimum score of 250 points required – has been met each year, with Seven leading the way in 2015 with a score of 311.10 (165.88 hours)
- First release Australian documentary requirements appear to have been satisfied, but with the Nine Network recording bare compliance with the 20 hour requirement for the 2012 to 2015 period.[4]

Australian commercial broadcasters have also for some time been entitled to count New Zealand content towards Australian content requirements. In 2015, Seven aired 313 hours of NZ content; Nine aired 67 hours, while Ten aired 27 hours, much of it on non-primary channels. Although these figures are not necessarily alarming, further analysis reveals a trend towards more New Zealand productions counting towards the

[3] This is calculated by multiplying the program duration in hours by the program's format factor, which can be a number from 1 to 4.

[4] All statistics in *Comparison of Compliance Results – Metropolitan Commercial Television Networks, 2006-2015*, ACMA

networks' drama scores.[5] In 2014, NZ content accounted for 16.02% of Australian drama required under the content rules. In 2015, the figure grew to 18.16% and in 2016, to a remarkable 21.54%.[6]

Among subscription TV providers, Foxtel is known to have high levels of recurring expenditure on Australian content. Foxtel has committed to tripling its investment in Australian content in the three years to 2018 (excluding sport).[7]

PwC has remarked that that the subscription television sector broadcast 242,000 hours of Australian content in 2015-16, including 60,000 hours of premiere content,[8] although these figure include broadcast hours for sport and other programs across a significant number of channels.

The ABC's Australian content production is difficult to quantify. The corporation's 2015 *Australian Content Plan*, which aimed to increase first-run local content to 1300 hours per year appears to have been compromised by a mix of funding cuts and organisational restructuring. Notwithstanding the quality of ABC productions, MEAA believe that more detailed reporting of the ABC's efforts to produce and screen Australian content should occur through its annual reports.

SBS's Australian content output is also difficult to quantify. MEAA does however acknowledge that the development of Australia's Indigenous production sector remained a priority for NITV, with three-quarters of its annual budget invested in Indigenous-produced content.[9]

Given the lack of clarity in how much Australian content is produced by the public broadcasters each year, MEAA support requiring the ABC and SBS to produce annual Australian content reports across all programs and genre areas.

Content Rules Need Urgent Reform

In 2017, we have content rules applying to commercial broadcasters, but not to new non-linear content providers. It is therefore little wonder that commercial broadcasters talk of the unfairness of them shouldering Australian content requirements. These concerns are sound insofar as their share of advertising is in decline, with internet search and social media providers garnering an ever increasing share of the advertising pie.

PwC reported in its *2016-2020 Media and Entertainment Outlook* that social media advertising in Australia has been growing by approximately 24 percent per year and ad spend is will continue to grow. PwC estimated that internet advertising would grow from $6.8 billion in 2016 to over $10 billion in 2020 – growth of about 11% across wired and mobile.[10]

Notwithstanding the scale of the challenges faced by existing commercial broadcasters, Australian television executives are adept at creating the impression of a failing and over-regulated industry as a means of seeking more favourable operating conditions.

[5] In 2016, NZ content on primary channels was 0.21%. On non-primary channels, it was 4.29%.
[6] The Nine Network is the most reliant on productions from New Zealand.
[7] *PWC Outlook Media and Entertainment 2016-2020*
[8] *'Subscription TV boosts local production investment to $893 million'*, Arvind Hickman, *AdNews*, 5 September 2016.
[9] SBS annual report 2015-16, page 27
[10] *PWC Outlook Media and Entertainment 2016-2020*

We ought not to lose sight of the relatively privileged operating environment enjoyed by commercial TV broadcasters over decades. As Pwc reported in 2015, TV is still the predominant mode of watching video content, at 88 per cent by platform. [11] 13.6 million Australians watched free TV each day.[12] [13] Their advertising revenues are also predicted to remain relatively stable over the 2016-2020 period – at about $3.8 billion per annum.[14]

Children's Content

The most vulnerable area of the current Australian content regime is children's content. Commercial broadcasters are required to screen 96 or more hours of first-release Australian C drama over a three-year period and at least 25 hours per year (plus eight hours of Australian C drama repeats) each year.

For content generally, television broadcasters must broadcast 260 hours of children's programs.[15] The 260 hours of children's television includes 130 hours of newly commissioned material.[16] This quota can be satisfied across a network's channels.

Three statistics stand out from the most recent compliance data:

- First release Australian children's drama requirements are barely met, with Seven producing 26.5 hours, Nine producing 32 hours and Ten producing 26.5 hours against a 25-hour requirement in 2015
- First release Australian children's program requirements – at 130 hours per year – are met virtually to the minute, while repeats of these programs well exceed the 8 hour yearly requirement
- Current annual requirements are also managed very closely. In 2009, the Nine Network reported 265 hours of children's TV, with Seven and Ten reporting between 261 and 262 hours – against an annual requirement of 260 hours[17]

Now that commercial television broadcasters have succeeded in their campaign for spectrum licence fee reduction (or abolition)[18], they have moved onto other low hanging fruit: children's programs. These broadcasters label children's content rules 'anachronistic'[19] .

The 32 hours of Australian first release children's drama required of free to air broadcasters represents 0.37% of total broadcast hours, or 0.73% of broadcast hours between 7am and 7pm.[20]

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[11] We note that TV viewing figures may include video on demand and catch-up services, together with public broadcasting.
[12] See *PWC Outlook Media and Entertainment 2015-2019*, Free to air television chapter
[13] The use of tablets, PC's and smartphones (which make up the other 12% of viewing platforms) is growing, but note should be taken that traditional broadcasters are embracing these platforms in parallel with their newer competitors See *PWC Outlook Media and Entertainment 2015-2019*, Free to air television chapter, 2015
[14] *PWC Outlook Media and Entertainment 2015-2019* Free to Air TV chapter, 2015
[15] Broadcasters are also required to broadcast 130 hours for preschool children.
[16] Licensees can nominate to broadcast C programs within the following periods: 7.00am–8.30 am, Monday to Friday; 4.00 pm–8.30 pm, Monday to Friday; and 7.00 am–8.30 pm, Saturday, Sunday and school holidays. Licensees can nominate to broadcast P programs between 7.00 am and 4.30 pm, Monday to Friday.
[17] See Angus Kidman, *How TV Networks Bend to the Local Content Rules*, 27 July 2010.
[18] MEAA has witnessed the steady erosion of spectrum licence fees from 2010. We estimate that commercial broadcasters (in television and in radio) have been relieved of approximately $800 million in licence fees between 2010-11 and 2017[18]. We note that Australia's spectrum fees were very high by international standards and that new competitors, including streaming services, were not captured.

[19] *Children's television quotas facing the chop*, Michael Lallo, Sydney Morning Herald, 4 March 2012.

As the Australian Children's Television Foundation (ACTF) has observed, the C Drama quota means that commercial free to air broadcasters are continually commissioning high budget local children's drama programs and providing significant finance for the production of those series.[21] Overall, 115 hours of Australian children's drama were produced in 2015-16 at a total cost of $101 million, beneath the five-year average of 120 hours of production.[22]

As noted in the 2013 *Child's Play* report, 'while broadcasters provided about 67% of total finance for the adult drama slate over the last five years, they provided only 29% of finance for the children's drama slate."[23]

Domestic children's television production is not only subject to commercial broadcaster resentment, but a confluence of factors that make it a more marginal financial proposition. These include:

- Changing children's viewing habits; children are no longer viewing drama and other productions through television networks in the same numbers; when they do, it is for less time[24]
- The emergence of more dedicated children's channels on pay TV and ABC3
- Advertising restrictions faced by commercial broadcasters' during screening times;
- relegation and aggregation of children's television content to subordinate multi-channels;
- Inconsistent scheduling by broadcasters; and broadcasting content during unpopular children's viewing hours[25].

There is also the growth of animated content compared to live action drama. As the ACTF has noted, over the past two decades, the total hours of live action drama have fallen by 37%, but animation has increased by 122%.[26] MEAA submits that live action drama should be safeguarded as a total proportion of content obligations. This is an area that would clearly benefit from a uniform 40% producer offset and post production rebates.

These are immense challenges to overcome, lest children's TV continue to be devalued as either 'filler' or as a legacy obligation held only by traditional commercial TV broadcasters.

Without enforceable quotas, it seems very clear that the media marketplace would jettison plans to produce quality children's drama in a heartbeat. This would see an even greater influx of non-Australian content, with damaging loss of Australian stories and the employment opportunities that are attached to current content rules.

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[20] ACTF Convergence Review submission, 2011, page 23
[21] These series are often also heavily subsidised by State and Commonwealth funding programs.
[22] Screen Australia 2015-16 Drama Report, page 14
[23] *Child's Play*, page 11
[24] OzTam data states that children are watching 33 minutes less TV each day in 2013 compared to 2001
[25] The ACTF's Convergence Review submission pointed out that broadcasters tend to screen children's content on weekend mornings and 4 to 4.30pm on weekdays, while ACMA has advised that the most popular children's viewing times is, by far, the 6pm to 9pm timeslot.
[26] ACTF Submission to House of Representatives Standing Committee on Communications and the Arts, 2016, page 7. Screen Australia also states that 'animation production has been growing since the early 2000s and has been higher than live action for five of the six years to 2013, in terms of both total budgets and hours produced', in: *Child's Play* 2013

There is an unequivocally significant cultural dividend to mandating Australian children's content requirements across all delivery platforms. Adhering to children's content rules should be the cost of doing business for all broadcasters *and* for online-only content providers.

Platform Neutrality

MEAA strongly believes that we need to move towards regulatory equality between long-standing television broadcasters and companies like Netflix, Stan and Amazon. Unless we take these steps, the working lives of thousands of actors and crew professionals will be reduced.

To give a sense of how the subscription television (pay TV and SVOD) sector is growing, Roy Morgan recently noted that in the six months to August 2016, 9.8 million Australians over 14 years of age had access to one or more paid TV services in their home: Subscription Video on demand (SVOD), Pay TV (linear and broadcast Foxtel channels, and Internet Protocol Television (IPTV), such as Fetch TV.[27]

And for the first time, more Australians have SVOD than linear pay TV: 5.6 million to 5.3 million.[28]

The total subscription TV market is estimated to grow from $3.69 billion in 2016 to $4.6 billion in 2020, with advertising share estimated to grow from $688m in 2016 to $902 m in 2020. The SVOD sector is forecast to grow from $267m in 2016 to $785m in 2020.[29]

Right now, Australia regulates for the 1970s, not the Twenty First Century.

We note that applying conventional Australian content quotas would not work as SVOD providers, unlike commercial TV broadcasters, do not determine what is broadcast. They have libraries from which subscribers select programs. Instead, we believe that companies like Netflix and Stan should contribute a percentage of their total Australian revenues into a statutory content fund. This, in turn will build their Australian libraries that consumers are now turning to in greater numbers.

Converged Content Fund

MEAA support the Convergence Review's (2012) recommendation that media regulation be enforced (and spread) on a *platform-neutral* basis and that local content quotas apply to companies that achieve certain revenue thresholds.

The Convergence Review envisaged a converged content fund where hour quotas would be replaced by a percentage of total revenues being paid by 'eligible content service enterprises invested in Australian dramas, documentaries and children's programs'. This fund would invest in productions on a competitive basis.

It is notable that Netflix, now with over 1 million Australian subscribers, was reported to have spent $US4.91 billion on new programming in 2015-16, more than double the entire amount spent on Australian TV productions, yet Netflix is making only small inroads into Australian production.[30] Amazon, which is on the verge of entering the Australian market, was reported to have increased its international production spending from $US1.22 to $US2.67 billion in 2015-16.

[27] '*More Australians now have SVOD than Foxtel*', Roy Morgan media release, 8 September 2016
[28] Ibid.
[29] *PWC Outlook Media and Entertainment 2016-2020*
[30] '*Netflix programming spend twice as high as entire Australian production market, claims report*', Alex Hayes, *Mumbrella*, 18 October 2016.

There is no sound reason why Australia's film and television industry should not share in these production budgets.

Screen funding
Screen funding is patch-work of private investment, commercial and public broadcasting co-productions and incentives to make Australian films or base productions in Australia.

The task of ensuring ongoing development and production of screen content has been made harder by the removal of $50 million in funding from Screen Australia since 2014. This organisation now has roughly half the number of employees it had in 2008, at less than one hundred.

As a result, few professional staff are administering smaller pots of funding to invest in productions, programs have been consolidated and the number of funding rounds for individual programs reduced.

Although Screen Australia's annual report stated that a valuable $71.5 million in project funding was provided across features, TV, online and documentary productions in 2015-16, the fact that the funding envelope has been reduced means that the total volume of Australian stories able to be assisted by the organisation is reduced. Budgets are now smaller and with it, the kinds of production made are curbed. Fewer offerings and shorter timeframes negatively impacts the range of opportunities available to Australian film professionals, and reduces the number and quality of the Australian stories we tell.

MEAA therefore strongly supports the restoration of Screen Australia's funding to 2013-14 levels in real terms.

Feature Film Funding
Since 1994-95, the overall trend for expenditure in Australia on both Australian and foreign features has been upwards. Annual expenditure in the second half of the 1990s averaged $171 million and by the end of the 2000s had reached $315 million. The first six years of the current decade reports annual expenditure of $326 million. 2013-14 recorded annual expenditure of $457 million, the highest on record.[31]

Over the 22 years from 1994 to 2016, Australian features spent 87 per cent of their total production budgets in Australia, while the proportion of foreign features is just 51 per cent.

Although total production budget figures may be superficially impressive, the scale of Australia's feature film output is dwarfed by many countries. The number of Australian feature films released in the last seven years (2010 to 2016) is 223, at an average of 32 films each year. North American feature films numbered 883 and UK productions totaled 200 in 2016 alone. The 2016 rankings for feature film productions below rank Australia 14th out of 16 countries:

[31] Feature Film Production Spend, Screen Australia 2017

2016

Country	Number produced[1]	Box office (US$m)	Average ticket price (US$)	Admissions (m)
Australia	30	911.9	10.00	91.3
China	944	6,600.0	5.1	1,370.0
France	283	1,540.0	7.20	213.1
Germany	256	1,130.0	9.30	121.1
India	1,903	1,500.0	0.8	2,020.0
Italy	224	762.0	6.80	112.5
Japan	610	2,170.0	12.0	180.2
New Zealand	20	140.7	8.8	16.0
North America	883	11,400.0	8.6	1,320.0
Poland	54	245.5	4.7	52.1
Russian Federation	130	712.0	3.7	194.7
South Africa	28	77.1	n.a.	n.a.
South Korea	339	1,450.0	6.7	217.0
Spain	254	666.5	6.5	102.0
Turkey	138	229.5	3.9	58.3
UK	200 (p)	1,660.0	9.9	168.3

Source: *Marche du Film: Focus – World Film Market Trends* 2009–2017

Screen Australia's Drama Report outlined the sources of revenue for feature film productions in 2015-16. Producer Offset expenditure totaling $65 million (or 31% of all investment), was up on 2014-15 but down on 2011-12 - 2013-14. Direct Government funding was $32.4 million (or 16%); and private investment was $11.4 million (or 5%), well down on previous years.

Of the above, Screen Australia noted that, 'as usual, the majority of Australian films were made for under $6 million, with the greatest concentration of films between $1 to $3 million.[32]

[32] Screen Australia Drama Report 2015-16, page 9

TV Production Funding
The fracturing of the way content is now delivered, the diversion of hundreds of millions of advertising dollars each year to internet based companies, together with hostility toward fully funding public broadcasters has delivered steady job losses within both the commercial and public television broadcasting sectors.

The most recent television production figures show that the 2015-16 Australian TV drama slate comprised 58 titles generating 561 hours and spending a record $376 million. This figure was comprised of Producer Offset payments totaling $45.7 million[33], up from the previous two years[34]; the PDV offset, at $11.5 million; Screen Australia at $27 million); and foreign investors: at $92 million

However the largest single source of funding was the industry itself, which paid $219 million for production across the 57 titles produced.[35]

FreeTV Australia states that 'commercial free-to-air broadcasters invest around $1.5 billion in Australian content every year and have invested over $7.24 billion over the last five years' (2012 to 2016).[36] It should be noted that this figure includes expenditure on news, sport (and sports rights) and reality television offerings.

The TV drama slate – Australian and foreign telemovies, mini-series and serials – grew significantly in the 1990s, with total production budgets peaking at $495 million in 2000-01. In the four years that followed, total budgets fell, reaching a low of $2224 million in 2004-05. Since then, total production budgets for the TV drama slate have risen again and since 2010-11, have been above the previous decade's average of $342 million.

Between 1990-91 and 1999-2000, an average of 51 programs were produced annually with total budgets if $274 million each year. From 2000-01 to 2009-10, the average total budgets were $342 million per year for an average of 47 titles per year. In the period 2010 to 2016, the available data suggest a modest increase on the 2000 to 2010 figures.

Producer offset
The Producer offset is perhaps the single largest mechanism for funding Australian content. This offset is a 40% rebate of eligible Australian expenditure (QAPE) for production of Australian feature films. The rebate is 20% for television productions. This offset is subject to Australian content and Australian expenditure thresholds being satisfied.[37]

For any eligible project, the offset is paid by the government to the production company through the company's tax return after the project is completed. It is often the case that funds are paid long after costs have accrued, which can be very frustrating for producers. MEAA would support any measures aimed at improving the timeliness of these payments.

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[33] A 2016 report by Venture Consulting for Free TV stated that commercial free to air TV spends over $1.5 billion per annum on Australian content, or about $6 in every $10 of spending on domestic content
[34] Screen Australia Drama Report 2015-16, page 11
[35] Screen Australia Drama Report 2015-16, page 15. Free to air broadcasters funded the largest proportion of the $219 million.
[36] Free TV Content Inquiry Submission 135, April 2017
[37] Determining 'significant Australian content' turns on the film's subject matter, where it was made, nationalities of key creative personnel and other matters as determined by Screen Australia.

Screen Australia issued Producer Offset final certificates to 147 feature films, television drama programs, documentaries and other content in 2015/16, worth a total of $242 million. This was more than $100 million higher than the previous financial year. Altogether, production budgets for the 147 projects totaled $931 million.

To maintain the current rebate differential would ignore the new reality in terms of the renewed role of television in producing quality content. Our members strongly support a standardised 40% rebate across screen productions regardless of platform. A uniform 40% rebate would undoubtedly boost production, leading to benefits for actors, crew, artists and Australian audiences.

Location Offset

The Location Offset is a 16.5% offset on qualifying Australian production expenditure (QAPE) for film and television projects filmed in Australia with a minimum spend of over $15 million or $1 million per hour on television. It is plainly directed at Australian 'content' in terms of personnel, equipment and production locations. It also boosts the overall productivity within the screen sector.

Our members are witness to the direct industry benefits listed in the discussion paper, given their direct participation in international and local productions. There are also significant reputational benefits associated with an Australian production scene that is both vibrant and effective. The international community know that Australia is a desirable location with great actors, crew and locations, but in an increasingly competitive marketplace, screen producers need to weigh up the costs of doing business. Productions commit to locations that offer the greatest commercial benefit. This often leaves Australia out in the cold.

The location offset is a key means of attracting international producers (from medium to large-scale) to base their projects in a country with a large talented workforce of acting and technical professionals.

The main problem with this offset is that it is no longer internationally competitive. The Government has recognised this in practice. In fact, the government has provided an ad hoc increase to 30% for to all but very few qualifying films since 2011.

However, the ad-hoc nature of these increases means that producers are unable to plan an Australian-based production or series of productions with any certainty. Producers have a long and uncertain process in front of them to secure a top-up. It is no wonder that many choose to go elsewhere whether there is greater certainty, particularly for productions with shorter lead-times. The result is not only that Australia may 'miss out' on productions in the short-term, but that we are also a less attractive location for long-term investment from the major international players.

MEAA supports formalising the current ad hoc arrangements by permanently increasing the Location Offset to 30%. This will result in greater investment in our industry and increase its sustainability.

PDV Offset

MEAA also support changes to enable recipients of Producer or Location offsets to be eligible for the 30% Post, Digital, Visual Effects (PDV) offset.

Without this change, substantial amounts of work are lost to Australian employees when post-production work is performed outside Australia after they have completed filming here. The ability to access two forms of offset/rebate would aid project continuity – i.e. a complete 'one-stop shop' - and local employment.

Migration Regulations and Foreign Actor Certification Scheme

MEAA strongly supports the foreign actor guidelines. They help preserve the sustainability of the Australian screen industry by ensuring Australian actors are cast where possible.

The *Foreign Actor Certification Scheme* (FACS) guidelines prescribe content and funding criteria for film and television performers seeking visas. The current guidelines state:

> *These guidelines are intended to achieve key government cultural objectives by ensuring that Australian industry personnel are given a fair chance in securing employment in film and television productions shot in Australia, and that Australian voices are heard in Australian productions.*

Under the visa regime, when considering whether to issue a certificate, the Arts Minister, or a person authorised by the Arts Minister, must be satisfied that: (i) the casting of leading and major supporting roles accurately reflects the Australian characters portrayed; (ii) at least 50 per cent of performers in leading roles and 75 per cent of performers in major supporting roles are Australian; and (iii) where applicable, an Australian actor has been cast to play a 'traditional Australian character'.

Where these criteria are satisfied, the use of foreign actors may be considered appropriate.[38]

MEAA strongly believes Australia – like many other nations - requires effective checks and balances to ensure that those promoting the use of overseas personnel do not have carte blanche to avoid minimum employment and other standards and that where appropriate, opportunities are given to talented Australians.

Summary

MEAA has laid out a range of recommendations to foster and support Australian drama in all its formats.

Australia has the undoubted capacity to create a dynamic pathway for greater screen investment through building on – rather than diminishing – the current rules that have been part of the industry's landscape.

We cannot continue to embrace piece-meal 'reform' where allegedly bothersome regulatory rules are neutered or dispensed with. Each concession costs jobs and deflates a talented industry yearning to tell more stories, especially Australian stories – for kids and adults.

MEAA believe the current Australian content regime risks being broken by further deregulation.

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[38] Where a minimum of:

- -60 per cent of the budget of a feature film, telemovie or mini-series is *foreign investment*, the employment of one foreign actor may be appropriate
- -30 per cent of a production's budget is *foreign investment* and the budget exceeds in the case of feature films-$2.5 million; telemovies-$1.25 million; mini-series-$0.5 million per television hour, the employment of one lead and one support or cameo foreign actor may be appropriate
- - 30 per cent of a production's budget is *foreign investment* and the budget exceeds, in the case of features-$7.5 million; mini-series-$0.9 million per television hour, as well as the actors permitted through 2(1)b the employment of one additional foreign actor may be appropriate to play a cameo role

Or

When no Australian actor can be cast who satisfies the ethnic or other special requirements of a specific role, the employment of a foreign actor may be appropriate.

Uneven Australian content regulatory burden should be equalised either through hour quotas or revenue based levies. Live action drama should be encouraged and diversified to serve our growing population.

Screen offsets must be made internationally attractive and sustained over a long period so that the Australian screen sector enjoys an opportunity to flourish instead of endure the peaks and (many) troughs it has endured over the past twenty to thirty years.

We believe this inquiry is an opportunity to re-boot our screen sector, to boost its international appeal and to secure thousands of jobs in the pursuit of great cultural and economic dividends.

Australian stories matter and it is time to ensure they are properly supported to ensure they make it to our screens.