Select Committee on COVID-19 to inquire into the Australian Government's response to the COVID-19 pandemic

Submission of the Media Entertainment and Arts Alliance (MEAA)

28 May 2020

Terms of Reference

On 8 April 2020 the Senate established the Select Committee on COVID-19 and referred the following matters to it for inquiry and report on or before 30 June 2022:

a. the Australian Government's response to the COVID-19 pandemic; and
b. any related matters.

MEAA welcomes the opportunity to make a submission to this inquiry.

This submission canvasses:

- the impacts of COVID-19 on the arts, entertainment and media industries
- the impact of government measures to address the health risks associated with COVID-19
- government measures implemented to sustain incomes and employment through the health crisis
- steps MEAA considers critical to rescuing the arts, entertainment and media industries from the impacts of COVID-19

The arts and entertainment industry was, of necessity, one of the very first to cease normal operations once the threat of the pandemic was realised and social distancing measures put in place. The impact has been profound and debilitating. Live entertainment venues have closed; TV and film productions have shut-down. Allied workplaces, from ticket-sellers to post-production facilities have no work. A timeframe for relaxation of social distancing measures that have becalmed the industry is not known. Even when they are, levels of work will be severely curtailed.

To provide a snapshot of the impact of what has happened to the industry:

- 120 screen (film and television) productions have been suspended or cancelled, from *Elvis* to *Clickbait*[1]
- Well over one hundred newspapers, principally regional titles, have had operations suspended or ceased
- About 30 commercial theatre venues and professional theatre companies are closed

[1] Based on report from Screen Producers Australia

- Dedicated music venues, pubs, clubs and stadia are closed, with an estimated 300,000-plus gigs cancelled over several months[2]
- Orchestras, opera, theatre and ballet companies have postponed or cancelled entire seasons
- Cultural and music festivals across Australia postponed and cancelled, with several festival organisations now in administration
- Over 2000 cinema screens remain closed

Deloitte Access Economics estimates that between 50 per cent and 60 per cent of jobs have been lost in the accommodation, food, arts and recreation industries, and these will not recover before the end of 2025. Deloitte says that the recovery of arts and hospitality businesses would be slowed because the sectors faced a second wave of economic pain, primarily as a result of constrained spending.[3]

The Australian news media sector, already stricken by more than a decade of cuts, lay-offs and writedowns, has seen over one hundred regional and rural mastheads cease operations, with over one-thousand employees stood down over a two-month period. *The Australian Newsroom Mapping Project*, which tracks the health of Australia's news industry, has already counted 157 newsrooms (spanning newspapers and broadcast media) that have closed temporarily or for good since January 2019.[4]

At the date of finalising this submission, NewsCorp Australia announced[5] further severe job cuts across its titles. Although the number of employees affected is not clear, it is anticipated that several hundred employees will exit the organisation. The perverse coupling of increasing consumption of media and ongoing job cuts is now an entrenched feature of the Australian media sector.

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[2] Based on reports by Music Australia. This figure includes forward bookings. https://musicaustralia.org.au/2020/05/the-international-music-industry-first-in-last-out-filo/

[3] See Deloitte Access Economics *Weekly Economic Outlook*, May 20, 2020.

[4] See: https://piji.com.au/research/the-australian-newsroom-mapping-project/ Among this number was the internet publisher *buzzfeed*, which has now ceased Australian operations. Another established online publication, Crikey, has also shed critical journalistic resources.

[5] NewsCorp has advised that 'In total 76 mastheads will move to digital only editions with another 36 titles closing all together'. Leo Shanahan, News Corp restructures regional and community titles, The Australian, 28 May 2020. NewsCorp Executive Chairman Michael Miller has said: "Despite the audiences of News Corp's digital mastheads growing more than 60% as Australians turned to trusted media sources during the peak of the recent COVID-19 lockdowns, print advertising spending which contributes the majority of our revenues, has accelerated its decline." In: *News Corp announces job loss as it pivots to digital from print*, Chris Pash, *AdNews*, 28 May 2020.

The *Guardian* Australia's *Job Loss Tracker*[6], as at 23 April 2020, calculated job losses (not stand downs) in the Australian arts and media sectors, at 22,000.[7]

Although both the entertainment and media sectors have been battered by COVID-19, it is the arts and entertainment industry[8] that has experienced the most savage *direct* impacts of COVID-19 and will take longest to recover.

A recent survey of more than 1000 MEAA members the majority of whom worked in the arts and entertainment sector, conducted from late-April to the middle of May, found:

- 68.3 per cent currently had no work because of COVID-19 restrictions
- 60.9 per cent had no significant income
- 25 per cent still had paid work but had hours and work opportunities reduced
- 28 per cent who had sought *JobKeeper* had been successful
- 38 per cent of respondents had *JobKeeper* applications denied
- 33 per cent had *JobKeeper* applications pending
- Due to the *JobKeeper* restrictive eligibility rules, a significant proportion of respondents had instead secured Job Seeker payments

In the case of the entertainment sector, output in terms of hours worked has virtually frozen as contracts have been cancelled and new work opportunities have disappeared. For the news media, already alarming falls in advertising revenue since the 2008 Global Financial Crisis have accelerated as Australian businesses and others have not had the means to maintain advertising expenditure.

We urge the Committee to examine the **appendix** to this submission, which contains a sample of MEAA members' views of the impacts of the virus and the inequitable income support regime now in force.

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[6] The tracker uses ASX announcements and credible media reports

[7] See: *Australian job loss tracker: the industries and places most affected by the coronavirus crisis*, Anne Davies, Ben Butler, Nick Evershed, Trent Nixon and Claire Capel-Stanley, Guardian Australia, 23 April 2020. See: https://www.theguardian.com/business/datablog/ng-interactive/2020/apr/23/australian-job-loss-tracker-employment-unemployment-numbers-industries-places-most-affected-coronavirus-crisis

[8] In this submission, we use the term 'entertainment industry' to encompass film, television and theatre production, musical performances and venue operations.

The Australian Bureau of Statistics (ABS) reported on 5 May 2020 that between 14 March and 18 April: "The industries which lost the most jobs continued to be Accommodation and food services (-33.4 per cent) and Arts and recreation services (-27.0 per cent). This was against an overall loss of 7.5 per cent of jobs across all sectors. Wages for employees in arts and recreation decreased by 17.43 per cent over the same five-week period.

The most recent data from the ABS covered the period 14 March to 2 May 2020. It reflected an improvement in jobs lost in arts and recreation services – from 27 per cent to 19 per cent, but a worsening situation in the information media and telecommunications (IMT) sector, with payroll job losses increasing to 9.2 per cent, compared to 6.5 per cent at 18 April.

The ABS's 2 May 2020 data revealed that 27.9 per cent of all payroll jobs in motion picture and sound recording (part of the IMT cohort) had been lost, while losses in creative and performing arts and sport and recreation activities fell 29.5 per cent and 29.9 per cent respectively.

We note the ABS's use of the term 'payroll jobs' in compiling its data. Payroll job information is drawn from companies and organisations that perform routine payroll transactions for their employees. Although MEAA is seeking clarification from the ABS about which workers are classed as 'payroll employees', we believe that our freelance members are not counted in payroll jobs. We therefore expect the true figures concerning job losses and falls in wages to be higher.

The ABS's May data is consistent with the desperate picture presented by the Bureau in April 2020, when it reported that the Information Media and Telecommunications sector (including screen, sound and news media companies), had only 65 per cent of businesses still trading, while Arts and Recreation sector had only 47 per cent of businesses still trading – the two worst-affected sectors in terms of business collapse.

An Industry at Stake

The entertainment industry has two value streams: economic and cultural. It is difficult to quantify the unique and immense value that attaches to the cultural dividends workers in the Australian entertainment sector deliver every year, but they cannot be discounted.

On the broadest economic analysis, between 2008-09 and 2016-17, cultural and creative activity in Australia grew to $111.7 billion, an increase of $25.8 billion or 30.0 per cent. As a share of national GDP, cultural and creative activity stood at 6.4 per cent in 2016-17.[9]

The above figures include sectors, such as fashion and design, that are outside the scope of MEAA's coverage; it is nonetheless an important statistical bulwark against the disturbing notion that the efforts of cultural and creative workers are less deserving than workers in other industries – those who occupy 'real' jobs.

A more concise estimate of the value of Australia's creative sector[10] was provided in the Australia Institute's report, *Art vs Dismal Science - The economics of Australia's creative arts sector*. This April 2020 report observed that:

> *The creative arts make a significant contribution to the Australian economy. They directly employed 193,600 Australians in 2019, and contributed $14.7 billion to Gross Domestic Product in 2017–18.*[11]

In the context of the discrete sectors where MEAA is active and has members, we draw attention to:

- *Music Australia's* estimate that the music industry contributes $4 to $6 billion to the Australian economy each year[12] and supports about 50,000 employees
- *Live Performance Australia* reported more than five years ago that the live performance industry is worth $2.5 billion[13], with the industry employing over 30,000 people
- Screen Australia reported in 2016 that the Australian screen production industry contributed over $3 billion in value to the economy and over 25,000 full-time jobs at 2015[14] while Deloitte Access Economics estimated in 2015 that film and television production <u>and distribution</u>

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[9] Source: ABS cat. 5204, 5209; BCAR calculations

[10] As distinct from the much broader cultural and creative industries, which includes fashion and design sectors

[11] The Institute's methodology is based on extracting relevant labour force data from February 2020.

[12] *Estimating the Value of the Music Sector - Music in Australia Knowledge Base* (2005-2014), Hans Hoegh-Guldberg, Music Australia, April 2014

[13] See: Live Performance Australia (LPA)'s second study of the economic size and scope of the sector. The study was based on data from 2012. Note that there is likely some overlap between the definitions of live entertainment and music

[14] The GDP contribution of the sector in 2014-15 was $3.072 billion, which sustained just over 25,000 jobs. Film and TV content under Australian creative control totaled $2.6 billion and accounted for 20,000 jobs. Exported content was valued at over $250 million

industries directly contributed $5.8 billion to Australian GDP and about supported about 46,000 full-time equivalent employees.[15]

- Newspapers: this industry is now valued at $2.73 billion and sustains approximately 20,000 workers, with roughly half this number in editorial positions.[16]

Nature of Work – Arts and Entertainment Sector

Employment in the entertainment industry is overwhelmingly short-term. It involves skilled performers and technicians moving from job to job, plying their wares and then moving onto the next. Actors, musicians and support crew are, in the main, self-reliant for their employment. For front of house staff at sporting and entertainment venues, work is almost entirely casual.

In the arts and entertainment sector, performers and crew have very high levels of work mobility. Actors and technical crew can be engaged in upwards of 10 different productions in a year, often for up to 50 hours per week. This means that enduring employment with a single employer is the exception, rather than the rule. It is not only employment that is limited in duration; the companies that engage performers and crew also frequently exist for the duration of a production, upon which their company registration is cancelled.

The nature of work in the industry is supported by the 2015 report, *Working in the Australian Entertainment Industry.*[17] It surveyed almost 2500 respondents, the majority of whom had worked in the entertainment industry for six to 10 years.

Some of the key findings were:

- 35.3 per cent of overall respondents earned less than $20,000 per year and 72.5 per cent earned less than $60,000 per year
- The highest proportion of respondents earning less than $20,000 per annum was performing artists and music composers, at 51.1 per cent

[15] Alternately, ABS data from 2018 valued film and video production and post-production businesses, commercial TV broadcasters, subscription broadcasters and channel providers directly contributed $5.34 billion in industry value add to the Australian economy in 2015-16. Cited in: *Supporting Australian Stories On Or Screens, Options Paper*, March 2020, page 16

[16] Source: ABS Labour Force statistics 2018

[17] Working in the Australian Entertainment Industry, Dr Julie van den Eynde, Professor Adrian Fisher and Associate Professor Christopher Son, Entertainment Assist, Victoria University, 2016

- 27.4 per cent worked on a freelance basis; 15.5 per cent were self-employed; 13.5 per cent were casual; 11.3 per cent were contractors; while 12.8 per cent of all respondents were employed on a full-time basis

Irregular work patterns, coupled with evening, night and weekend work are commonplace. Two in five of those surveyed worked evenings and night and 30.2 per cent worked unpredictable hours. The industry has more than double the national average of shift workers.

The enduring threats to our industry are manifold. Not only have many thousands of jobs evaporated, we are learning of the significant mental health impact on the workforce and the likely departure from the industry of many skilled individuals.

It is not simply the loss of work that drives these impacts; many of our members have an engrained view that their work is not valued within government and its key agencies, that their occupations are not ‘real jobs’ and that their contribution to our culture and economy is dispensable.

Government Support

Federal Government support for the arts and entertainment industry since the COVID-19 wave swept aside all levels of activity seems to be aligned with negative views about the worth of our creative industries. Although it is outside the scope of these terms of reference, Australia’s state and territory governments have made greater efforts than the federal government to sustain their cultural sectors.

The most recent information revealed a tally of $124 million being spent by states and territory governments to assist their constituent arts and entertainment sectors compared to $32 million allocated by the federal government.[18] [19]

Beyond a well-merited $27 million package directed at crisis counselling, Indigenous artists and regional arts organisations, the only national funding made available to the entertainment and cultural sectors was through the Australia Council, which repurposed existing allocations to establish a $5 million resilience fund. It is troubling that the Australia Council had to toil assiduously for weeks to find even that level of funding while the government looked on.

[18] See: Australia's cultural sector is haemorrhaging money, but the federal government isn't interested in stemming the flow, Ben Eltham, Guardian Australia, 26 May 2020.
[19] Not including JobSeeker and JobKeeper expenditure or State/territory business and employee support programs

The news media industry has fared marginally better in terms of government support, with $5 million from the *Regional and Small Publishers Innovation Fund* being fast-tracked to assist regional and metropolitan news publishers and the $50 million *Public Interest News Gathering* (PING) program development to support commercial television, radio and newspaper businesses in regional Australia during COVID-19. MEAA looks forward to this critical funding aiding the survival of local news in Australia's regions.[20]

More crucial to the overall news media industry will be the finalisation and implementation of the mandatory code between news organisations and major digital platforms such as Google and Facebook to make payment for carrying original news content created by Australian journalists.[21]

Direct government assistance to the Australian commercial news media sector[22] is a relatively new, but necessary policy approach. Until recently, Australia's commercial media sector did not require assistance as the relatively few companies that dominated the sector could depend on substantial advertising revenues to sustain their operations. This is no longer the case, largely due to the diversion of advertising expenditure to Google and Facebook.

In contrast to the news media sector, funding for the arts sector over time can be measured and assessed. Such assessments demonstrate that government cultural expenditure is not matching population growth, with per capita public expenditure dropping by 4.9 per cent over the decade 2007-08 to 2017-18.[23]

As a proportion of governmental cultural expenditure across the three tiers of government, the federal government now contributes 39 per cent, down from 45.7 per cent ten years ago, while state and territory governments contributed 34.8 per cent, up from 31.9 per cent and local government contributes 26.2 per cent, up from 22.4 per cent.

[20] Funding under PING can be used for a broad range of activities that relate to the production and distribution of public interest journalism, such as staff wages, training and technology or website upgrades. Eligible organisations must practice Australian public interest journalism and have a commitment to accuracy, accessibility and broad relevance.
[21] This concept arose from the ACCC's inquiry into digital platforms over 2018 and 2019.
[22] Not including spectrum licence fees, which have been significantly reduced or waived over the past ten years
[23] *The Big Picture: Public Expenditure on Artistic and Creative Activity in Australia 2019* - A New Approach (ANA Think Tank) – for Australian Academy of Humanities Council, page 5

Overall, the federal government is committing 18.9 per cent less expenditure per capita to culture than it did a decade ago.[24] Per capita expenditure declined across all historical federal funding categories. In film, TV and radio, spending fell from $79.46 per capita in 2007-08, to $61.19 in 2017-18.[25]

In the 21st century, OECD member states have on average reported expenditure on culture, recreation and religion at 1.11 per cent of GDP, exceeding the Australian figure of 0.77 per cent.[26]

JobKeeper

The bulk of the federal government's financial support for COVID-19 affected workers comes through the economy-wide *JobSeeker*, *JobKeeper* and small to medium business assistance packages.

JobKeeper has had greater take-up in the news media sector than in arts and entertainment. In the news media, although overall employment numbers continue to fall by year, employment is more likely to be stable and ongoing, and falls in company revenue year on year more easily established.

MEAA estimates that *JobKeeper* has enabled many hundreds – and possibly thousands - of positions to be maintained in the news media sector.

Although the *JobKeeper* scheme is better matched to the news media sector, media freelancers without an Australian Business Number have been locked out. It is the very nature of freelance work that continuity of employment cannot be established to fit within *JobKeeper's* eligibility criteria.

Overall, freelance employees in the entertainment and media industries have generally failed to satisfy *JobKeeper employee* eligibility tests because they may have been between jobs on March 1, 2020 and/or did not have an employer that could establish a 30 per cent fall in revenues, year on year.

The crude consequence of the current arrangements is that those deemed ineligible for *JobKeeper* are $400 behind those fortunate enough to receive *JobKeeper* each fortnight.

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[24] *The Big Picture: Public Expenditure on Artistic and Creative Activity in Australia 2019* - A New Approach (ANA Think Tank) – for Australian Academy of Humanities Council, pages 5 and 12

[25] There were also declines in the other two areas: museums, archives, libraries etc fell from $29.69 to $24.46 per capita, and arts from $22.79 to $21.38. Ibid, page 29

[26] In 2019, the figures were 1.09 per cent and 0.72 per cent respectively. Ibid, page 15

In the arts and entertainment industry, performers and crew conventionally work 50 hour weeks when work is available. That they cannot demonstrate allegiance to a single employer is a function of the industry and is false barrier to effective income support.

When it comes to an employer fitting the *JobKeeper* eligibility criteria, arbitrary barriers to entry are especially evident in the arts and entertainment industry. Many employers in the industry – particularly those in screen and theatre productions - frequently use special purpose company structures that last as long as a production. When the production comes to an end (e.g. a film shoot or a theatre season) the company's registration is cancelled. Where a company follows this practice, they cannot say that they have lost 30% of revenue compared to 2019 because they cannot compare the earnings between two different companies. The corollary of this is that employees cannot establish an ongoing employment relationship with a single company in a way that fits the *JobKeeper* eligibility criteria.

These practices and feedback from members have informed MEAA's view that the majority of entertainment sector companies could not access *JobKeeper* due to the short duration of many companies' operation – i.e. they could not demonstrate a 30 per cent downturn in business on a year on year basis.

It is also the case the case that year to year comparisons for the industry's participants are problematic in the entertainment sector because one year may be wholly unrepresentative to the last or the next. For example, a technician or stunt performer engaged on multiple large-scale film productions in 2016-17 and 2017-18 may have had a very lean 2018-19 and be unable to immediately establish the necessary income drop.

For casual employees in the arts and entertainment sector, satisfying the very high bar of regular and systematic employment for at least 12 months is generally impossible. In MEAA's assessment, a minority of our casual members directly employed by major venues have been eligible for *JobKeeper* payments.

In the main, casual workers in the entertainment industry (not including cinema employment) move where work is available; they often have multiple employers in a given year. Where they are engaged by a company set up for the duration of a production, such as a music festival, they can be engaged for a few hours or for several days. There is simply no means for these casuals to demonstrate that they are committed workers under the current *JobKeeper* arrangements.

Superannuation Access

MEAA is gravely concerned by the federal government's facilitation of access to superannuation savings of up to $10,000 prior to 30 June and a further $10,000 after that date. The arts and entertainment sector is especially vulnerable to this policy's negative side-effects.

According to recent data, the typical superannuation withdrawal applicant is about 40 years old, employed in hospitality, arts or recreation and wants about $8000 from a balance of $50,000 or less, according to AMP.[27] As discussed above, these are the two sectors worst hit by COVID-19. These sectors also have a very high proportion of low-income earners.

The seminal work by David Throsby and Katya Petetskaya, *Making Art Work*, revealed the mean income for artists[28] across multiple categories in 2014-15 was $32,700 for arts-related income and $15,700 in other income, for total gross income of $48,400 per annum.[29] This report also found that average total annual incomes for professional artists in Australia are 21% below the Australian workforce average, and income from creative work had decreased by 19% since the 2009 survey.

In the arts and entertainment sector, depletion of superannuation accounts is also directly linked to the lack of access to JobKeeper.[30]

It needs to be understood that compliance with superannuation laws is a persistent problem for performers and crew. The nature of short-term work, multiple accounts, limited worker bargaining strength and weak enforcement often converge in the arts and entertainment sector to produce lower superannuation balances than employees in other sectors would receive.

The law now permits early withdrawal from these limited amounts, which were/are meant to assist post-work living costs, aid quality of life and defray the cost to government of supporting retirees. It

[27] Just who is accessing their super early?, Duncan Hughes, Australian Financial Review, 14 May 2020. (based on APRA data)
[28] Crew not included
[29] *Making Art Work, An Economic Study of Professional Artists in Australia*, David Throsby and Katya Petetskaya, Department of Economics, Macquarie University, 2017, page 74. Published for the Australia Council.
[30] See page 6 of this submission for earnings information

seems clear that as the second round of withdrawals occurs after 30 June, the position these workers find themselves in will decline further.

After the two withdrawal rounds are completed, many of our members will finish work with vastly reduced superannuation balances and the discomfort that this will present to them and their families.

Business Assistance

Employer cashflow assistance has been valuable for entertainment companies that have an ongoing commercial presence, which had derived business income in 2018-19 and which did not close in the immediate aftermath of the first detections of COVID-19.

This assistance is well-intended and valuable, but the eligibility requirements are ill-suited (i.e. based on prior year turnover) to an industry that frequently establishes separate company structures (special purpose vehicles) for individual productions.

Urgent Measures to Support the Arts and Entertainment Industry

Government inaction in supporting the arts and entertainment industry has aggravated the harm caused by COVID-19. Severely limited eligibility for income support payments and the absence of policy reforms and funding to sustain the industry have threatened its ability to regroup and recover.

Amend JobKeeper for Multi-Employer Employees and Casuals

For MEAA, the most urgent change arising from COVID-19 is boosting income support for employees that have regularly performed work over years, but cannot qualify for *JobKeeper*. If necessary, these changes could have a start date later than the original start date, such is the gravity of the situation.

JobKeeper is directed at a workforce that is increasingly disappearing: one where an employee has fidelity to a handful of employers in their working lifetime.

The ABS reported in July 2019 that 8.5 per cent or 1.1 million workers changed employers in the 12 months leading to February 2019.[31]

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[31] ABS – Participation, Job Search and Mobility, Australia, February 2019 (6226.0)

The research company McCrindle has elsewhere reported that the average Australian will have 17 employers between 18 years of age and retirement. The Department of Employment's Household, Income and Labour Dynamics 2018 report also stated that the average tenure of an employee below 25 is only 1.7 years, while a 45 year-old's tenure was calculated at 6.7 years.

JobKeeper Changes

It is critical that *JobKeeper* eligibility tests be reformed to permit access by employees who have high levels of work mobility (i.e. multiple employers) and who can establish a history of regular employment.

MEAA submit that the requirement for casual employee eligibility also be changed to permit employees with regular and systematic casual employment across employing entities over a four-month period prior to March 1 2020.

Industry Funding

For the arts, entertainment and media industries, the reforms to *JobKeeper* are only a partial answer to reviving and sustaining these industries' operations. More substantial change is warranted through improved direct and indirect funding assistance.

For the news media sector, MEAA seek:

- Urgent implementation of an enforceable code of conduct between media companies and large digital platforms that facilitates the payment for news content
- Extension of the Public Interest News Gathering (PING) Program
- Funding guarantees and supplementation funding for the ABC and SBS over the forward estimates

It has become clear through the COVID-19 crisis that although all commercial news outlets are facing challenges and shedding jobs, regional, rural and remote news outlets face the most pernicious set of challenges. These outlets will benefit far less than major metropolitan publishers from any arrangement struck with Google and Facebook and will lag behind their city counterparts in terms of regaining lost advertising revenues.[32]

[32] We note that commercial television broadcasters have been granted further substantial relief through licence fee relief and the suspension of Australian content quotas.

MEAA therefore requests that Public Interest News Gathering program be made permanent and that strong consideration be given to increasing the current $50 million allocated to the program. MEAA proposes that any increase in funding be directed to news media outlets in non-metropolitan areas.

In the context of the small and regionally-based publishers, MEAA would also welcome the extension of the Regional and Small Publishers Innovation Fund, although we understand that this program's functions may be subsumed by the PING program.

Arts and Entertainment Industry

MEAA is aware that industry associations[33] and others within the arts and entertainment industry will advance sub-sector specific rescue packages to this inquiry. We support their calls. For the record, however, we call for the following forms of special assistance for the entertainment industry, some of limited duration and some enduring structural reforms:

- Grants to resume screen and theatre productions underway prior to COVID-19 via a compensation fund for foregone production expenditure
- Development funding for new small to medium productions in the theatre and screen industries
- Dedicated new funding for the production of Australian content as supported by the Screen Producers Association (SPA)[34]
- Reform of offset/rebate schemes to attract international and local investment
- Extension of Australian content rules to streaming platforms such as Netflix[35]
- Additional funding to Screen Australia to steward the allocation of new or increased funding
- Special funding for the Australia Council to maintain funding to entities whose 4 year funding expires in 2021
- Enhanced funding for major performing arts groups to provide certainty to currently funded groups and permit new entrants into the MPA program
- Ongoing funding over the forward estimates for the ABC's *Fresh Start Fund*[36] *(a COVID-19 initiative)*

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[33] Notably: Live Performance Australia, Screen Producers Australia and Music Australia

[34] See: *Call for $1 billion content fund to ensure nations cultural and economic recovery*, 15 April 2020 https://www.screenproducers.org.au/news/call-for-1-billion-content-fund-to-ensure-nations-cultural-and-economic-recovery

[35] The Australian content regime is separately under review via an Options Paper distributed by the federal government in April 2020.

- $10 million to boost the ABC's Music Fund[37]
- $10 million to bolster grants available under *JJJ's* 'unearthed' program to enable development of new artists[38]

Australia Council

Additional funding for the Australia Council, which supports around 10 per cent of artists and provides core operational funding to creative companies, is essential.

We do not wish to revisit the cuts and funding diversions that occurred from 2014, save only to say that we believe the Australia Council's operations were compromised and the artistic world it has supported for decades have seen its treatment as a metaphor for the federal government's views about the value of funding Australia's creative economy.

As the organisation has recovered some of the funding previously allocated to the NPEA and Catalyst programs, MEAA believes a renewal of government commitment to the Council's essential work is warranted.

The two major Australia Council funding programs are for major performing arts (MPA) companies and four-year funding for other cultural organisations.

The majority of the Council's funding (60 per cent or $114 million) goes to thirty MPA companies. These companies are major employers of Australian artists and creatives workers. In 2018 the MPA companies employed more than 9900 people, 58 per cent of whom were artists and creatives.[39] In addition, MPA companies had a combined turnover of $591.9 million in 2018; they leveraged a further $2.25 for each $1 of government funding invested.[40]

[36] Funding up to $25,000 is available for new content proposals seeking development funding for the development of treatments, pitch documents, series bibles, formats, scripts, animation tests and other materials required for pitching the concept and themes.

[37] This funding stream offers practical support to emerging, underrepresented and professional Australian musicians and composers, in conjunction with existing initiatives across ABC national music networks such as triple j and ABC Classic. Support, Commission fees of up to $6000 are paid and access is provided to ABC studios and sound professionals.

[38] These grants are generally up to $7000 per grantee and are dedicated to new regional, metropolitan and indigenous artists

[39] Australia Council 2018-19 annual report

[40] Australia Council 2018-19 annual report

Funding for organisations under the four-year funding program totals about $30 million per annum. The most recent allocation was $31.7 million for 144 arts organisations. This funding supports 95 new or ongoing companies and 49 companies whose funding was due to be discontinued. These 49 companies are now receiving 'transition' funding for 2021 due to the impact of COVID-19. Funding for all 144 organisations is at 70 per cent of the amounts the Australia Council determined.[41]

These funding programs are in many instances the bedrock that sustains artistic companies. Without it, they become destabilised and unable to invest in and present critical works.

MEAA proposes an immediate 20 per cent uplift (about $23 million) for MPA companies over the forward estimates; such funds to permit a modest boost to currently funded organisations and to permit several new entrants into the MPA framework.

The emergency measure taken by the Australia Council to maintain funding until 2021 to 49 organisations whose four-year funding was to be discontinued this year was laudable, but we cannot agree that this effort should have come at the cost of full funding for the 95 new or continuing companies or the 49 now receiving temporary relief.

MEAA believes that, at a minimum, funding for all 144 entities should be immediately increased from 70 per cent of their notional entitlement to the full amount. In addition, MEAA supports a 25 per cent increase (about $7.8 million) in funding available to the Australia Council to maintain funding support for the 49 companies in receipt of 12 months' further funding into (at least) 2022 and to allow for additional companies to secure funding under the four-year program.

Australian Content

MEAA also calls for the urgent renovation and extension of meaningful Australian content rules across all film, television and digital platforms. As the screen industry strives to regain its feet in the aftermath of COVID-19, it is effective content rules that will sustain and direct the production of valuable Australian content and the creative talent and skills that have made our industry world-renowned.

The existing Australian content regime – comprising quotas and production incentives – is not fit for purpose. With regard to content quotas, the regime is especially antiquated and unfair as responsibility

[41] Australia Council Media Release, 3 April 2020

falls upon commercial broadcasters only to meet yearly (and tri-yearly) content quotas for Australian content overall, adult and children's drama and documentary programs.

We note here that the question of how best to modernise the Australian content regime – spanning content quotas and production incentives – is now the subject of a separate, wide-ranging review. MEAA does however wish to inform the Committee of key policy changes that we see as critical to the post COVID-19 screen production sector.

Capture of Streaming Services in Content Rules

Over the past five years, MEAA's members have been concerned by increasing regulatory inequality between commercial broadcasters and overseas digital platforms such as Netflix and Amazon, which are not subject to minimum Australian content rules, despite exponential subscriber and user growth, having billions of dollars of international production funding at their disposal and having access to a range of screen production incentives, namely location and post-production offsets.

To provide an example of who contributes what to drama and related content on our screens, $334 million was spent across 37 titles by Australian television broadcasters in 2018-19 (commercial and public). Each year, the clear majority of expenditure for dramatic titles comes from commercial television broadcasters (collectively), while the ABC is the single biggest drama spender of any of the broadcasters.

Spending on online dramatic first release, spanning streaming services such as Netflix, Stan, Amazon, YouTube and Facebook totaled $40 million of spending in Australia (with overall budgets of $53 million[42]) in 2018-19. This figure was 25 per cent less than in 2017-18.

It is well past time that our content rules were modernised to reflect contemporary viewing habits and consumption.

The growth of streaming services and broadcast pay TV is not new.

[42] The additional $13 million was spent outside Australia

Since 2016, more Australians have had some form of pay TV than do not. At May 2019, 71 per cent of Australian adults with a television had at least one subscription. About 1 million more Australians gained access to a streaming service in 2019 alone.[43]

Roy Morgan released new data in March 2020, which stated that 12.2 million Australians have access to Netflix (6 million subscribers). Foxtel has 4.85 million – but about half the reach of Netflix, Stan has 3.7 million users (1.8 million subscribers), while Amazon Prime Video has a reach of 1.5 million Australians, based on 600,000 subscribers.[44]

Disney Plus, which only entered the Australian market in November 2019, now reaches 1.8 million viewers, placing it in fourth in the SVOD market, while YouTube Premium has 1.48 million.[45]

It is also notable that many Australian households subscribe to more than one SVOD company. Roy Morgan reported in December 2019 that 3.4 million Australians have access to both Netflix and Foxtel, while 3.1 million have access to both Netflix and Stan.[46]

Netflix's market capitalisation in April 2020 was USD $187.3 billion, putting it just ahead of Disney's USD $186.6 billion.[47]

While streaming subscriptions and usage continue to climb (and have, in fact, accelerated during COVID-19), Australia's commercial broadcasters have seen audience numbers and ad revenues steadily fall.

Meanwhile, international streaming services like Netflix and Amazon are spending massive amounts on productions. To give an example of streaming service production expenditure outside of the USA, Netflix revealed in last year that it will spend USD $500 million making more than 50 TV shows and films in the UK over 2019-20.[48]

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[43] ibid
[44] Disney Plus attracts over 1.8 million in first 3 months, Roy Morgan, Finding No 8348, 31 March 2020
[45] ibid
[46] 14.5 million Australians already have Pay TV / Subscription TV as Disney+ enters the market, Roy Morgan, Finding No 8218, 2 December 2019.
[47] *Netflix Worth More Than Disney After Streamer's Stock Hits All-Time High*, Todd Spangler**,** Variety, 15 April 2020
[48] Netflix to spend $500m on British-made TV shows and films, Mark Sweney and Tara Conlan, Guardian, 20 September 2019.

Netflix confirmed earlier this year that it will spend $15 billion on content during 2019, its largest annual budget to date.[49]

Amazon disclosed that for the first quarter of 2019, it spent $1.7 billion on video and music content, equating to about USD $7 billion for the year.[50]

As revenues and employment levels continue to fall across Australian broadcasters, it is unsustainable that the part of the screen industry with the greatest capacity to pay bears no responsibility to producing and carrying Australian content. Unless action is taken, a form of market failure will take hold, with commercial television defaulting on content quotas due to reduced capacity to pay.

Companies that derive significant benefits from Australian consumers and which have access to government screen rebates should be subject to Australian content requirements.

Australia would not be alone in moving to regulate streaming services. In 2018, the European Parliament voted in favour of a new quota for content on streaming services. Services, such as Netflix and Amazon Prime Video, will have to make sure that at least 30 percent of their catalogs in Europe come from European countries.[51] Each member country has until September 2020 to incorporate the new rules into their domestic laws.

Offsets

The most prominent screen funding incentives are offsets, which are administered by Screen Australia (Producer Offset) and the federal government (Location and Post Production Offsets). These measures are also subject to a separate specialised review, but it is important to inform the Committee of the main areas of reform our members believe are necessary to return our film and television production sector to stability.

Producer Offset

The Producer Offset is a refundable tax offset (rebate) for producers of Australian films with significant Australian content. It is worth:

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[49] Netflix Raising $2 billion in Debt Amid Original Content Push, Georg Szaili, Hollywood Reporter, 21 October 2019

[50] Amazon on pace to spend $7 billion on video and music content this year, according to new disclosure, Eugene Kim, CNBC, 26 April 2019.

[51] The E.U.'s audiovisual media services directive states that member states "shall ensure that media service providers of on-demand audiovisual media services under their jurisdiction secure at least a 30 per cent share of European works in their catalogues and ensure prominence of those works."

- 40 per cent of the QAPE[52] incurred by the applicant company in the making of a feature film, and
- 20 per cent of the QAPE incurred by the applicant company for other eligible formats such as television series, documentaries, animation series and online content.

Rebates totalling $208 million were paid to producers for 164 productions in 2018-19.[53] [54]

Screen Australia's November 2017 publication, *Skin in the game: The Producer Offset 10 years on*, found that:

- 91 per cent of surveyed production companies indicated that the PO was "critically important" to the operation of their businesses.
- 92 per cent of respondents considered their equity stake in projects had increased since the introduction of the PO, with 61 per cent indicating that it had "significantly increased."
- 98 per cent of companies working in the TV/ streaming sector retained all of their PO equity.
- 87 per cent of respondents said the PO contributed to their ability to consistently produce content.
- The Producer Offset has positively contributed to business revenue.

There is widespread industry support for the producer offset to become platform neutral and equalised at 40 per cent. The policy bases for this reform are twofold: (i) it is key to generating Australian content, the production of which must be facilitated to enable the screen sector's recovery from COVID-19; and (ii) distinctions between 'film' and other delivery formats, such as television series and online content generally, are antiquated and bely the fact that all platforms generate high quality output, especially in the field of drama.

We further note that as a result of the screen sector's shut-down and anticipated multi-year recovery, the level of government outlays for rebates over the next three years (at least) will be significantly down on prior years. This represents a notional saving of several hundred million dollars across all forms of offset.

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[52] qualifying Australian production expenditure
[53] Screen Australia Annual Report 2018-19
[54] 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.

Location Offset

The key means of attracting offshore film investment is the Location Offset. This is a 16.5 per cent offset on (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 does not depend on Australian content per se.

The Federal Government reshaped the Location Offset in May 2018 by increasing funding through its $140 million Location *Incentive*, worth $35 million per year over four years. The Location Incentive is a merit-assessed grant of up to 13.5 per cent of QAPE and complements, and is additional to, the Government's 16.5 per cent Location Offset tax rebate. (The effective total rebate for eligible companies is 30 per cent.)

The location offset is vitally important to attract investment for productions that could be filmed in a score or more of countries. Large and medium sized production companies are not sentimental about where projects are filmed, but Australia does have an extremely strong reputation, not only for its values and peaceable nature, but the skills and talent of its screen creatives. We simply need to be competitive.

Unfortunately – and as the recent *Screen Options* paper observed - the 16.5 per cent (fixed) offset is not internationally competitive – see table below[55]; although the amount was boosted up to an effective level of 30 per cent, the $35 million in funding each year will run out in 2022 and is also based on discretionary considerations that can be inconsistent.

Table 2.4 Incentives for location shooting in 2006 and in 2016	**Tax Credit/Offset Rate 2006**	**Tax Credit/Offset Rate 2016**
Australia	12.5%	16.5%
New Zealand	12.5%	20-25%
United Kingdom	16%	25%
Ireland	20%	32%
Ontario	18%	21.5%+37% production labour
British Columbia	18%	43.72% production labour

[55] Source: *Ausfilm* Submission to the Inquiry into the Australian Film And Television Industry, 2015-16

Quebec	20%	20% 37% production labour
Louisiana	10-20%	30%
Georgia	9-12%	30%

We further note that there is a view among some in the Australian screen industry that the 30 per cent (overall) rebate for foreign productions is greater than the 20 per cent offset available to non-feature film Australian productions.[56]

The Australian screen industry needs certainty about the future of location offsets and incentives. MEAA's preference is that the incentive amount be folded into an overall location rebate totaling 30 per cent of qualifying expenditure. In addition, we submit that strong consideration ought also be given to lowering the minimum spending thresholds so as to make more productions eligible for the incentive.

PDV (Post Digital Visual Effects) Offset

The PDV Offset is a 30 per cent offset[57] on the QAPE that relates to post, digital and visual effects production for a film. Productions in Australia[58] and overseas can access this offset, so long as the minimum qualifying expenditure threshold of $500,000 is satisfied.

MEAA believes that this offset is sound and fit for purpose.

The Department of Communications 2018-19 Annual Report reported $176 million expenditure in Location and PDV offset rebates across 93 productions.[59] As with the Producer Offset, MEAA foresee a substantial reduction in government outlays as a result of COVID-19's impact on the industry.

Screen Australia

The Australian screen sector will need additional support and stewardship as it rebuilds momentum. MEAA believes that Screen Australia is best-placed to drive the rebuild of our film and television

[56] Screen Options Paper, page 35.
[57] It was 15 per cent prior to 2011
[58] Services to Australian productions accounted for 53 per cent of all PDV spend over the last 5 years. Source: Screen Australia Drama Report 2018-2019 - Production of feature films, TV and online drama in Australia in 2018/19
[59] although Screen Australia reported total PDV expenditure of $261 million over the same period

economy. To do this, we submit that the organisation's government funding levels require enhancement.

It is a matter of record that the organisation's current revenue from government stands at about $82 million – down from $100 million in 2013-14.[60] Staffing levels are now roughly half what they were 10 years ago. In the past five years, funding has been cut from production investment, programs have been consolidated and the number of funding rounds for individual programs reduced.

MEAA submits that the federal government commit to restoring Screen Australia's funding levels to the trajectory it enjoyed through 2012 to 2014 to enable the organisation to expand direct film funding – particularly for the small to medium sector, process better producer offset arrangements, particularly where streaming services become bound by Australian content rules, and to give the screen community confidence.

Conclusion

The collapse of the Australian arts and entertainment industry cannot go unaddressed. Too many jobs and the welfare of the people who occupy them are at stake. It is clear that our creative industry generates at least $20 billion of economic activity each year. Beyond dry, economic valuations, the arts and entertainment industry sustains and informs the Australian identity, whether through cinematic release, in a theatre or music venue, or through a television, computer, tablet or phone.

The Australia Council, the screen and live performance sectors, together with our public broadcasters, need additional support to ensure the Australian community has access to cultural and entertainment events. It will take new and dedicated government funding to the Australia Council, our national broadcasters and screen and live entertainment producers. It will also require action to update screen incentives and Australian content standards.

Australia's news media is now shedding jobs and closing titles at a rate similar or higher than in the aftermath of the global financial crisis. Changes in consumption and the practices of Google and

[60] *Screen Australia Funding (Total Federal Government Revenue ONLY)*

2012-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
$92m	**$100m**	**$88m**	**$84m**	**$84m**	**$82m**	**$82m**	**$82m**

Facebook in carrying costly original content for free, while harvesting advertising revenues, have combined to put this sector on life support.

We implore the Committee to act to support the intrinsic values of maintaining quality news media throughout the country. It has never been more urgent to act to give our press the confidence to look positively to the future and inform communities with certainty, instead of culling journalists.

Recovery from COVID-19 will be extremely difficult for both sectors.

It is clear that JobKeeper has been structured in a way that makes freelance professionals ineligible. It is unreasonable to sustain a structure that disqualifies workers putting in regular 40 to 50 hour weeks while a casual working a regular 8 hours a week receives $1500 per fortnight. This is not to argue that casuals do not require support through the pandemic; it is to demonstrate the sheer incongruity of the current JobKeeper scheme.

Maintaining business as usual policy settings will not cut it for the workers MEAA represents. The status quo will instead facilitate the decline of industries that are essential to the framework of Australian values that benefit us all.