

25 July 2023

The Chair,
Senate Environment and Communications References Committee

By email: ec@sen.gov.au

Dear Chair

I am writing to provide you with information requested from SPA members Ms Rebecca Summerton of Closer Productions and Mr Dale Roberts of KOJO, as a Question on Notice at a public hearing of the Senate Environment and Communications References Committee Inquiry into the National Cultural Policy held in Port Adelaide on 3 July 2023.

QUESTION:

CHAIR: I wonder whether on notice, Mr Roberts and Ms Summerton, you could give us a rough breakdown of production costs in that sense of how much you're seeing things go up and where the gaps are. That would be really helpful for us to marry up this concern around Screen Australia and also where the quotas for streaming services come in. That would be really helpful.

ANSWER:

Production costs have been trending upwards for some years now, in line with inflation and post-COVID, consistent with cost increases being experienced in other industry sectors.

In June 2023, the Australian Bureau of Statistics (ABS) released the results of its eighth [Film, Television and Digital Games Survey](#) covering the financial year 2021/22. These surveys are usually done every five years but due to delays caused by COVID-19, this was the first survey conducted since 2015-16. As a result, many of the indicators show significant change. While expenses for film and television have increased markedly, so too has total income for the growing number of film and production businesses.

Film, Television and Digital Games, June 2023					
		2015-16	2021-22		
Film and video production businesses			increase #	increase %	
Businesses at end June	no.	2,819	4,506	1,687	60% increase
Employment at end June	no.	14,638	26,808	12,170	83% increase
Total income	\$m	2,302.5	4,575.3	2,272.80	98% increase
Total expenses	\$m	2,120.8	4,902.0	2,781.20	131% increase

***Extract from ABS Statistics – shaded area represents SPA calculations*

SPA draws the Committee's attention to the rapidly shifting dynamics of the screen industry which is subject to both international and domestic influences including government policy, economic indicators and business conditions. Most recently, the Committee should note that the strikes by both writers and actors in the USA will directly affect market conditions in Australia where government incentives at both federal and State level, are key influences on decisions for offshore productions to film in Australia. These strikes have already led to the [cancellation of a number of productions scheduled to film here](#), leaving studio space vacant and some local crew in temporary limbo.

For a number of years, SPA have noted that offshore productions have had significant responsible for increased costs for Australian productions, particularly around labour costs. This was a key finding of the 2022 SPA Production Survey which noted the following relevant conclusions:

- The significant increase in international work has meant an abundance of work for crew. Productions have historically had limited flexibility to the shoot end-date because of the commitments of key creatives. In the last 3 years, experienced crew are now working back-to-back productions.
- In addition to more production, the total number of hours worked on some productions (namely international and COVID disrupted productions), is significantly greater than others. International productions work more than double the overtime hours than domestic productions, and for a third longer shoot. COVID has directly disrupted many shooting schedules, and disrupted productions add an average 5 unplanned shoot days to a book-ended shooting schedule.
- Many productions reported difficulty finding experienced personnel for key positions, predominately these are local productions unable to offer international rates.

SPA has previously noted the issue of capacity issues in a number of consultative forums with government, including in the 2022 National Cultural Policy submission.

It is important to understand that the Australian screen industry has a proven capacity to expand and contract according to business conditions. Furthermore, long-awaited regulation of streaming will provide much needed stability to the industry and help smooth out peaks and troughs. This will be of enormous benefit to screen workers who will have the assurance of a strong and ongoing pipeline of work that less at the mercy of global decisions.

SPA notes that the cost and capacity pressures that have been experienced in recent years, particularly as a result of the near-doubling of funding allocated to the Location Incentive in 2021, which had the express objective of attracting international productions to Australia, and the resulting pressures on costs and capacity were in part connected to a lack of proper planning of this initiative which needed to go hand in hand with an increase in investment in skills and training.

SPA notes the [successful advocacy](#) by a number of different bodies including SPA and the Australia New Zealand Screen Association (ANZSA) (representing some offshore studios and streaming platforms) for further funding and an expansion of Government location incentives to continue to bring a large number of international productions to Australia because of the overall benefit to the Australian economy that increased screen industry activity entails.

Capacity issues that affect production costs in Australia are frequently raised as an issue to constrain investment in Australian stories, but never for offshore productions incentivised to film here. (This is certainly the case with the submission to the current inquiry by Free TV Australia.) Cost pressures that apply to produce Australian content also apply to international productions.

The Australian Government recently announced an increase to a more generous 30% for the Location Offset, to continue to offer incentives to attract offshore productions to Australia. An important condition of receipt of this increased support is a regulated contribution back to skills and training by these productions.

With the proposed regulation of the streaming sector, Australia will be well placed to grow our capacity to meet the needs of a growing industry sector. Further investment in Australian skills and training needs is already actively being addressed through the creation of Jobs and Skills Australia and the establishment of 10 new Jobs and Skills Councils, including SkillsEquipped for the Arts sector. These new measures – to coordinate between state and territory governments, employers, unions, universities and the VET sector – will help Australia tackle skills and workforce needs that are being experienced across all industries.

In conclusion, SPA acknowledges that production costs have increased in recent years and that this has in many cases been problematic – but also great opportunity. It is important that this issue is seen in a broader context, and not in isolation from the multitude of often global factors that influence this.

I trust this information is of assistance to the Committee.

Sincerely,

Matthew Deaner
CEO
Screen Producers Australia