

Introduction

Australian screen exports generate significant economic and cultural returns to Australia and enhance Australia's 'soft power' capabilities around the world. For example, Australian productions are shown in at least 225 territories and

Australian screen content is estimated to attract around 230,000 international tourists to Australia. And yet, there is a \$1.5 billion trade deficit in the Australian screen industry today, with fewer exports today than there were 10 years ago. More clearly needs to be done to realise the sector's potential. We therefore welcome the Committee's inquiry. We address the issues raised by the terms of reference below.

Understanding Australian businesses' ambitions to grow via export and attracting investment

Last year, Screen Producers Australia commissioned Deloitte Access Economics to do a survey of *Screen Production in Australia*.¹ The survey showed that relative to other Australian businesses, screen producers are much more likely to be exporting. For example, more than two in every five production businesses (43%) received at least some revenue from overseas. This compares to only 7.6% of Australian businesses that generate export revenue.²

The survey also revealed that around 79% (or \$119 million) of export revenue was generated by businesses earning more than \$25 million. While businesses earning less than \$1 million exported much less in value terms (\$183,000), exports still represented a significant proportion of total earnings for these businesses.

It also evidenced that most export income is derived from the United Kingdom and the United States. For example, of producers that did report exports by country, more than half (59%) of revenue came from the United Kingdom and another 32% from the United States. An additional 7% of export revenue was derived from Europe.

These results confirm that:

1. Export is vital for the Australian screen industry;
2. The Australian screen industry faces significant challenges in staying globally competitive, with more than 80% of screen businesses being small to medium sized enterprises with less than 20 FTEs;³ and

¹ Deloitte Access Economics, *Screen Production in Australia: Independent screen production industry census, 2018* available at : <https://www.screenproducers.org.au/assets/Media-Release/20180625-Screen-Producers-Australia-Report.pdf>

² Pages 12-13 of the survey deal with export.

³ See Senate Standing Committee on Environment and Communications, *Inquiry into Australian content on broadcast, radio and streaming services*, 26 March 2019, available at

3. The Australian screen industry needs to expand its export markets.⁴

It is for this reason that this year Screen Producers Australia has established a Screen Export Advisory Council (SEAC). SEAC's mission is to be the leading advocate for developing international trade performance of the Australian screen sector as a key part of Australia's creative industries. It is co-chaired by **Bruce Baird AM**, former Minister for Tourism in New South Wales and former Trade Commissioner in Germany and New York and **Simon Crean**, former Arts and Trade Minister. Other members include:

- Barbara Stephen, CEO, Flying Bark and Vice-President of SPA;
- Bryan Brown, Australian actor and Founder, New Town Films;
- Emile Sherman, Founder, See Saw Films;
- Fiona de Jong, Head of Australia's Nation Brand, Austrade;
- Jason Collins, CEO European Australian Business Council;
- Professor Larissa Behrendt, Filmmaker and Indigenous business leader, Lavarch Productions;
- Marta Dusseldorp, Australian actor;
- General the Hon Peter Cosgrove AK AC (Mil) CVO MC (retired);
- Russel Howcroft, Chair of AFTRS and Chief Creative Officer, PwC; and
- Zoe McKenzie, Principal, Trade and Investment Advisory.

The SEAC is charged with helping to develop a bipartisan, whole-of-government, evidence-based and long-term strategy to allow Australia's local screen industry to compete on the world stage.⁵

Identifying local regulatory barriers to businesses being able to realise their ambition

There is a complex set of local regulations that affect the ability of screen businesses to realise their ambitions. These include tax offsets for producers, location and post-production and local content regulations. Elsewhere we have advocated (and continue to advocate) for a harmonised 40% tax offset for independent producers and the extension of local content regulations to new digital platforms such as subscription video on demand services.⁶ In our submission, these changes would boost local content production, thereby increasing export opportunities. The Export Market Development Grant Scheme also plays a vital role in supporting our members export their work. However, for the purposes of this submission, we would

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/AustralianContent/Report

⁴ See further, Screen Exports Fact sheet at Appendix A.

⁵ See further information about the SEAC membership at Appendix B.

⁶ See, for example, the *Make it Australian* campaign
<https://makeitaustralian.com/news/fletcher-letter>

like to focus on the vital role that co-productions play in the export of Australian screen content.

As the Deloitte survey shows, the screen industry is increasingly a global business and requires access to global finance and global partners. Screen businesses require significant and often prohibitive sunk costs of time, re-sources and capital to build the skills, capabilities and overseas networks needed for export sales and co-productions. Co-production treaties allow Australian producers to partner with producers from treaty-countries to access the benefits of each country's regulatory and taxation environments.

Australia currently has 12 co-production treaties and MOUs with other nations. In total, there have been 186 official co-production titles made with total budgets of \$1.9 billion exported to over 250 territories. Australia produces less than 7 official co-productions per year over the last 10- year period. Twenty three of the 27 co-productions reported in 2017 were unofficial co-productions that did not proceed under a formal treaty.⁷ This is small in comparison with other countries. For example, China (16 treaties), France (over 30 treaties) and Canada (over 60 treaties) each produce approximately 60 co-productions per year. This is a clear regulatory impediment on Australian screen businesses being able to realise their ambitions.

For our part, we have submitted to the Department of Foreign Affairs and Trade, this provides perfect opportunity to pursue a co-production agreement with the EU and advocated in favour of a review of Screen Australia's International Co-Production Guidelines.⁸ We have also participated in a number of trade delegations with a view to encouraging co-production discussions. For example, in 2017 we offered production masterclasses at the Copenhagen TV Festival, which was opened by her Royal Highness, Mary the Crown Princess of Denmark. And our annual SCREEN FOREVER conference is an important vehicle to bring together members of the local and international screen industry to talk business. But more needs to be done to facilitate Australian co-productions.

Identifying best practice regulation that evidence shows supports export and investment growth, whilst protecting the national interest.

⁷ Data is drawn from the Screen Australia website:

<https://www.screenaustralia.gov.au/funding-and-support/co-production-program>

⁸ See Submission on the Proposed FTA between Australia and the European Union

<https://assets-us-01.kc-usercontent.com/89c218af-4a5a-00a2-9d83-3913048b3bc7/70c15a28-0c30-45f9-8a7c-d5aa732c2d59/Screen%20Producers%20Australia%20-%20EUFTA%20Submission%20-%20December%202018.pdf>

Trading partners such as the UK, Canada, and the EU all have screen export strategies.⁹ Australia needs to do likewise. The SEAC has developed a strategic plan to take forward its work.¹⁰ Its 5 Year Plan sets out the following targets:

1. Growth of export revenue for screen sector (measurable through Deloitte's annual census of sector).
2. Expansion of number of markets providing export revenue (measurable through Deloitte's annual census of sector).
3. Increased number of co-production treaties and MOUs.
4. Increased number of co-productions (both official and unofficial).
5. Improved and increased facilitation of market access across sector both in outbound and inbound programs.
6. Development of skills and knowledge within sector about trade and export opportunities.

We would be pleased to discuss the strategic plan with the Committee.

⁹ See, for example, Film Export UK <https://www.filmexportuk.com/export-support.html>; Creative Export Canada <https://www.canada.ca/en/canadian-heritage/services/funding/creative-export-canada.html> ; *Creative Europe* <https://www.bfi.org.uk/about-bfi/partnerships/creative-europe-funding>.

¹⁰ See Appendix C.