

Australian content on broadcast, radio and streaming services

On 18 October 2017, the Senate referred the following matter to the Environment and Communications References Committee for inquiry and report by **9 May 2018**:

The economic and cultural value of Australian content on broadcast, radio and streaming services, with particular reference to:

- a. the current state and operation of the market for Australian television and music industry, including competition issues relating to the relative market power of producers and broadcasters for traditional, streaming and catch up viewing;
- b. the contribution the Australian television and music industries make to the economy;
- c. the value and importance of:
 - i. local content requirements for television, radio and streaming services in Australia, and
 - ii. Australian children's television and children's content;
- d. related inquiries including:
 - i. recent international reviews and reports, in particular, from the United Kingdom and Canada, and
 - ii. submissions made to:
 - A. the House of Representatives Standing Committee on Communications and the Arts inquiry into factors contributing to the growth and sustainability of the Australian film and television industry, and
 - B. the Australian and Children's Content Review, undertaken by the Department of Communications and the Arts, the Australian Communications and Media Authority and Screen Australia; and
- e. any other related matters.

The closing date for submissions is **31 January 2018**.

Overview

Fox Studios Australia and 20th Century Fox (Fox) appreciate the opportunity to submit comments to the Australian Senate and the Environment and Communications References Committee.

Whilst Film and TV production is a global business, 20th Century Fox is extremely proud to be a vital member of the Australian creative industries and arts community, and we are committed to make Sydney and Australia a true global center of excellence for the creative industries.

Creative content generates incredible cultural and economic benefits to Australia, and Fox consistently participates and offers training opportunities, skills development and ongoing employment for our creative and technical practitioners, allowing skills to be honed and creating the opportunity to attract producers and their productions to Australia. In doing so, creating the environment for momentum and continuity for the local industry to leverage and retain the skilled and talented workforce the international productions generate.

The Fox Studios Lot not only provides the critical infrastructure for major local and international productions, these productions are also attracted to the world class ecosystem on the Fox campus of cutting edge businesses across the creative, digital and knowledge sectors, which employs over 2,500 people directly. Animal Logic situated on the Fox campus is a great example of this.

The Studio has attracted over \$2B historically in production from the US and UK and increasingly from China and India since 1999 and helped establish Australia and NSW as the creative/digital industries innovation hub. Economically Deloitte' estimates the sector contributes \$3B in GDP contribution and over 22,000 jobs.

Again, we greatly appreciate the opportunity to respond to this inquiry and look forward to greater engagement and dialogue on this important issue.

The current state and operation of the market

Fox has been and will continue to be committed to promoting and supporting local Australian stories and Australian talent. This includes the production of "Australia" and hosting films such as George Miller's family favorite's, *Babe: Pig in The City* and *Happy Feet I and II* along with his multiple Academy Award winning *Mad Max: Fury Road* and Baz Luhrmann epics such as *Moulin Rouge* and *The Great Gatsby*. Many of Australia's leading film and television producers also have their production offices based at Fox Studios including Kennedy Miller.

Fox Studios Australia has recently hosted local drama's including *Top of the Lake: China Girl*, *Love Child*, *The Code*, *The Easybeats* and *The Secret Daughter* and local comedy drama series *Here Come the Habibs*.

Fox Studios Australia is home to over 85 screen production support businesses who actively create, deliver and export diverse and high quality Australian content. Companies and credits include:

Animal Logic: *Australia*, *Crocodile Dreaming*, *Garage Days*, *The Crocodile Hunter: Collision Course*, *Rabbit Proof Fence*, *Chopper* and *Blackrock*.

Sonar Sound: *In My Own Words, Australia Day, Love Child, The Wrong Girl, House Husbands, Redfern Now, Mabo, First Contact, First Footprints and Life at 7.*

Playmaker Media: *Love Child, The Wrong Girl and House Husbands.*

Blue Post: *The Wrong Girl, Love Child, Brock, Peter Allen: Not the Boy Next Door, House Husbands, Catching Milat, Carlotta, Power Games: The Packer-Murdoch Story, Never Tear Us Apart – The INXS Story, Puberty Blues, Beaconsfield and Hawke.*

Spectrum Films: *Brock, Lion, Holding the Man, Storm Surfers, Newcastle, Crocodile Dreaming, Footy Legends, Rabbit Proof Fence, Reckless Kelly, The Year My Voice Broke, A Bush Christmas, Puberty Blues, Dawn, Brock, Peter Allen: Not the Boy Next Door, Deadline Gallipoli, Love Child, Sea Patrol, House Husbands, Packed to the Rafters, All Saints and First Australian.*

GNWTV: *Good News Week and Melbourne International Comedy Festival.*

ITV Studios: *The Voice Australia, Keeping Australia Alive, Please Marry My Boy, Australian Princess, The Trophy Room, Battle of the Choirs, Dancing with the Stars Australia, Talkin' 'bout Your Generation, Big Girls Blouse, Seachange, Royal Flying Doctor Service of Australia, Kangaroo Palace,*

Shadow Productions: *Spirit of Rugby League, Spirit of Australian Horse Racing, That's Rugby League, That's Boxing, That's Racing, That's Surfing, The Train – Granville Rail Disaster and Tulloch.*

Shark Island Productions: *Paul Kelly: Stories of Me, The Oasis, The Soldier, Alone Across Australia and Stories from the Inside.*

Trackdown: *Opera Australia, Sydney Symphony Orchestra, Lion, Life on the Reef, Peter Allen: Not the Boy Next Door, Holding the Man, The Voice Australia, The X Factor Australia, Carlotta, Life at 9, Australia's Got Talent, River Cottage Australia, Kath & Cinderella, Alex Lloyd Music Max Session, Making of Modern Australia, James Morrison Christmas Album, Australia, Newcastle, The Whitlams & ACO Music Max Session, Garage Days, The Magic Pudding, Blinky Bill, The Adventures of Priscilla Queen of the Desert, The Adventures of Blinky Bill and Blinky Bill: The Mischievous Koala*

Definition Sound: *Ruben Guthrie, Black Comedy, Spear, The Brett Whitely Documentary, Blue, Life on the Reef, Backyard Ashes, Art & Soul, David Stratton: A Cinematic Life, Kakadu, First Footprints, Drift and Mountain.*

Australian Film and TV production is locally facing issues.

More and more countries are establishing production incentives as a way to bolster local creative industries, promote their tourism sector, and as smart economic policy.

Frankly, if production incentive schemes were a bad idea, fewer countries and jurisdictions would implement them. However, as we continue to see, the opposite is true.

Countries/Jurisdictions that have recently introduced production incentives

Country/Jurisdiction	Year Incentive Announced	Tax credit/offset rate
UAE / Abu Dhabi ¹	2012	30%
Spain	2015	15%-35%
Morocco	2016	20%
Georgia	2016	25%
Romania	2016	25%
Serbia	2016	20%
Thailand	2016	15%-20%
Qingdao (China)	2016	40%
Ukraine	2016	25%
Finland	2016	25%
Poland	2017	25%

Additionally, countries and jurisdictions that have had productive incentives, continue to see the value and economic benefits have increased the rate.

Countries/Jurisdictions that have increased their tax credit/location offset rates²

Country/Jurisdiction	Tax credit/offset rate		Delta (Δ)
	2006	2016	
Australia	12.5%	16.5%	Increase 4%
New Zealand	12.5%	20%-25%	Increase 7.5%-12.5%
United Kingdom	16%	25%	Increase 9%
Ireland	20%	32%	Increase 12%
France ³	20%	30%	Increase 10%
Italy ⁴	25%	25%	Increase availability ⁵
Ontario (CA)	18%	21.5% (37% labour)	Increase 3.5% Plus labour
British Columbia (CA)	18%	43% (labour)	Increase labour 25%
Quebec (CA)	20%	20% (37% labour)	Increase labour %
Louisiana (USA)	10%-20%	30%	Increase 10%-20%
Georgia (USA)	9%-12%	30%	Increase 18%-21%

A prominent country that has seen the value of promoting film and TV production and is offering tax credits to continue the growth of the industry is the U.K. In July 2017, the U.K. Office of National Statistics (ONS) reported that economic growth was driven by services and that film and TV production and distribution was the second largest contributor to this growth⁶.

¹ Attracted large productions such as *Fast and Furious 7*, *Star Wars: Force Awakens*, and *War Machine*

² This chart is simplified to illustrate that countries continue to increase their schemes, and is not intended to comprehensively demonstrate the different characteristics of each program.

³ France introduced its program in 2009

⁴ Italy introduced its program in 2008

⁵ Italy's scheme has been expanded to include foreign productions, a greater QAPE, and TV productions.

⁶ <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/grossdomesticproductpreliminaryestimate/aprtojune2017>

The introduction of tax credits for film and TV productions, making UK more attractive for production companies, was cited as a major factor for this growth⁷. Also the government announced that employment in the creative industries is growing nearly four times the rate of the UK workforce and that representation of minorities has increased by 40% in the sector. The sector internationally is healthy, vibrant and growing strongly, as evidenced by the positive statistics and outcomes being experienced and enjoyed by many other jurisdictions that have a competitive incentive policy in place.

The risk is our infrastructure is being undermined with the potential loss of talent and jobs, of companies and losing our global leadership position to other territories and the huge export driver that it has been for Australia. If we lose it, it will be difficult to rebuild and get back. It will move on and anchor in the jurisdictions listed given the certainty they provide with regards to government policy and the competitiveness of their policies.

Jobs that are highly skilled, highly valuable and highly mobile and fueling the services economy reflect the nature of what the future employment landscape is evolving into given the technology and the jobs of the future. It's also a critical constituency for Government; entrepreneurs, small businesses, high skill high value individuals.

Whilst International productions can be considered as project work and perceived as transient, it's the pipeline of production that delivers the continuum of employment and industry activity that gives the sector vibrancy and fuels and nourishes our world leading ecosystem of industry we have in Australia.

The consequences we are seeing of Australia's uncompetitive policies are that industry is overlooking and bypassing Australia and our perception internationally is becoming negative. It's becoming a competitive problem. The productions will still go ahead and the talent and the companies will follow the work offshore.

To develop high quality content and support visionary storytellers and content creators, Australia needs to continue to develop and maintain an infrastructure that is truly world-class. In doing so, jobs and skills both creative and technical are maintained at the leading edge and at highest standards demanded by the industry. The industry leads the way creating jobs that are highly skilled, high value and highly mobile, fueling the services economy.

We believe that one of the best government measures to further facilitate and support this vibrant and growth sector is by establishing a consistent production incentive scheme that competes globally and encourages investment, both domestic and international, in Australian production capabilities.

The need for a consistent, production incentive scheme

Government support, specifically in the form of production incentives, will make Australia more likely to be used as the location for production and post-production work. High profile international productions invest heavily in the Australian creative industries, so by not supporting these productions, it is less likely that high quality local Australian content can be produced. Also, as previously stated, if the industry is not growing, it becomes much less attractive for talented Australian creators to either produce their unique stories, or to stay in Australia to tell these stories.

⁷ <https://www.screendaily.com/news/film-industry-plays-key-role-in-uk-economic-growth-says-ons/5120315.article>

We strongly believe online streaming content should be eligible for Government incentives. By failing to make this change, Australia risks falling behind countries such as New Zealand, Canada, the UK, and the US, who have already made production incentives available to online platforms. Also, streaming services are heavily investing in production.

When Government support is not consistent, international productions will be less likely to produce in Australia. An example of this is the recent Fox film, *The Martian*, which was slated to film in Australia. Unfortunately, the film was not able to utilise the rebates and instead, the movie was shot in Budapest, Hungary.

It has been widely reported that the film's star, Matt Damon, commented on this fact, "we were going to shoot *The Martian* here (Australia) but we couldn't get the rebate. We were too late to get the deal so we shot in Budapest" and was even looking at houses at Bondi Beach⁸. This was no minor film, with a production budget well exceeding US\$100 million⁹. This serves as a stark example of an opportunity lost for Australia, its creative industries and its economy.

As a further example, two films injected nearly \$600 million into Australia were Fox productions: *The Wolverine* and *Alien: Covenant*. We are extremely proud of these films and the fact that we were able to utilise the Australian production incentives and most importantly, Australian talent. These big budget films had production budgets of about US\$120 million and US\$100 million respectively¹⁰ and without Government support it is less likely that they would have been filmed in Australia.

A recent story by the Australian Broadcasting Corporation highlighted the role of Australian visual effects company Iloura, in the production of the hit global TV series, *Game of Thrones*. Iloura has transformed from a company of less than ten people to a staff of over 300 and has been responsible for some of the shows' most iconic visual effects¹¹. Although *Game of Thrones* is not a Fox production, without Government support, it is less likely that Iloura would have transformed into a world class visual effects company that would have been commissioned to produce visual effects for *Game of Thrones*.

Through Government support, Australia has become a global leader in visual effects, which will help local Australian content creators to utilise high quality visual effects and deploy innovative storytelling techniques.

Establishing a consistent production incentive scheme that competes globally and encourages investment, both domestic and international, in Australian production capabilities will drive more sustainable Australian content industries, specifically:

- Increasing the location offset to 30%
- Decoupling of PDV and location offsets
- Clarifying that streaming services qualify for the offsets will drive

This will result in a consistent pipeline of productions and continuity of employment for content industry practitioners.

⁸ <http://www.smh.com.au/entertainment/movies/jason-bournes-matt-damon-reveals-the-martian-was-almost-shot-in-australia-20160703-gpxpau.html>

⁹ <http://www.boxofficemojo.com/movies/?id=scott2016.htm>

¹⁰ Box Office Mojo

¹¹ <http://www.abc.net.au/news/2017-09-14/game-of-thrones-iloura-visual-effects-company/8942652>

The contribution of Australian content to the economy

Australia's content industries are a powerful economic engine. Unlocking the creativity of Australians is essential not only for growing the entertainment industry but also for Australians to thrive in the digital and services economy. In many ways, content creation is at the top of the value chain of the digital economy.

In 2016, content and creative industries created over \$120 billion in economic value, or about 7.4% of the nation's GDP, and employed over 1 million people, or more than 8.5% of the entire workforce¹².

Previous research conducted by the Australian Bureau of Statistics shows that the creative industries have a higher net benefit than many traditional industries. Every job created in the film and television industry supports 3.57 jobs in other industries and every \$1 of turnover creates turnover of \$3.52 in other industries.

The film and television production industry simultaneously employs practitioners across multiple creative disciplines such as: cinematography, writing, art department, painting, sculpture, model making, plastering, carpentry, steel works, costume, prosthetics, graphic design, animation, VFX, music composition, in turn significantly enhancing cultural output.

The production of Australian content can also serve as a vital economic catalyst in the associated industries it supports such as: construction, carpentry, hardware, lighting and electrical, hairdressing and make up, hospitality, travel, tourism, catering, and real estate.

Australian children's content

Fox Studios Australia is home to over 85 screen production support businesses who actively develop and create quality Australian content for children to help them understand the world around them and Australian values and culture. Companies and credits include:

Animal Logic: The Crocodile Hunter: Collision Course

Sonar Sound: Life at 7, Play School Art Maker App, Play School Play Time App, ABC Kids Play iPad APP
Ambience: Kitchen Whiz, Pyramid

Spectrum Films: Joey

Trackdown: Life at 9, The Magic Pudding, Blinky Bill, The Adventures of Blinky Bill, Blinky Bill: The Mischievous Koala.

Other related matters

¹² Australian Copyright Council, The Economic Contribution of Australia's Copyright Industries 2002 – 2016, http://www.copyright.org.au/acc_prod/ACC/Research_Papers/PwC_Report-_Value_of_Copyright_Industries.aspx

While online piracy continues to seriously damage creative industries and distort digital business opportunities in Australia, we applaud the Government for taking steps to address online piracy. For instance, by blocking access to flagrantly infringing sites, Australia has adopted global best practices, and a 2017 report by Incopro showed that the policy led to traffic going down by over 70% to the target sites¹³ - a significant reduction.

We also applaud the government for initiating the ACCC inquiry into the dominance of digital platforms, Google and Facebook, and how it is impacting content creators and consumers¹⁴.

¹³ <http://www.incoproip.com/wp-content/uploads/2017/08/Australian-Site-Blocking-Efficacy-Report-Final-v.2.pdf>

¹⁴ <https://www.accc.gov.au/about-us/inquiries/digital-platforms-inquiry>