

**Environment And Communications**  
Environment and Communications Legislation Committee  
ANSWERS TO WRITTEN QUESTIONS ON NOTICE  
**Infrastructure, Transport, Regional Development and Communications**

IQ21-000067

**Division/Agency:** Office for the Arts / Branch Creative Industries

**Topic:** Rationale for changes to the Australian Screen Production Incentive

**Proof Hansard Page:** Written (24 August 2021)

**Senator Nita Green asked:**

1. Is a budget of over \$1 million for film a necessary indicator of the quality of that film?
2. What modelling was done on the impact on the local screen industry of each measure contained in Schedule 1 of the bill?
3. What is the rationale for proceeding with Schedule 1 of the bill at this time – when the local screen sector has only just managed to keep afloat through the pandemic, and the country is dealing with outbreaks of the delta variant?
4. The ABC has said in its submission that if this bill were to pass: “the corporation does not have the capacity to fill funding gaps of the kind that will arise and, as a result, anticipates making fewer documentary commissions”. What is the department’s response?
5. Please provide a breakdown of the proportion of companies in the post-production and visual effects sector which are small-to-medium businesses.
6. SBS has said in its submission that the amendments contained in this bill would make it “more difficult to finance the production of Australian stories.” What is the department’s response?
7. Will the department consider further amendments to this bill which address some of the concerns raised by stakeholders through this committee process?

**Answer:**

1. Budget is just one aspect that can determine the quality and/or production values of a production.

Budgets vary between platforms and genres. A budget of \$1 million per hour for live action television drama is at the lower budget end in Australia. A budget of \$1 million for scripted features is in the lowest range. Higher budgets generally indicate higher production values, an ability to attract experienced key creatives (for example, Director or Director of Photography) and to attract an A-list cast. Higher budgets also indicate that the marketplace has determined the project is worth investing in and is likely to reach an audience. In any genre there can, and often are, ‘quality’ stories told on low budgets (eg *The Castle*). Many documentaries that do well at film festivals will be for relatively small budgets but they will also have relatively small audiences. It would be true to say that the majority of all films are above this level and the vast majority which find a significant audience are above this level.

2. The Department or Screen Australia did not undertake modelling on the impact of the local screen industry sector. Consideration was given to historical data in respect of Producer Offset and PDV Offset claims to identify potential impacts and how industry is likely to respond to the adjusted settings was also considered based on our experience and the broader consultation. The media landscape for financing, production, distribution and crucially consumption has radically changed. The new settings to the Producer Offset and additional funding to Screen Australia and Australian Children’s Television Foundation will support Australian producers/production companies to create projects that will be attractive to commissioners of content as well as finding the most appropriate pathway to audiences. Increased funding of \$400 million to the Location Incentive and the

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requirement that projects supported by the Incentive must undertake post digital and visual effects (PDV) work in Australia will provide increased and ongoing work to Australian PDV companies. Each of the offsets are inter-related and therefore cannot really appropriately be considered as a discrete change in isolation from the broader incentives and other regulatory settings.

3. The Screen sector's operating environment is changing rapidly. The changes to the Australian Screen Production Incentive are being made to ensure the support provided is well matched to the sector and its requirements. The increase of the 20 per cent Producer Offset rebate to 30 per cent producer offset will be of significant ongoing benefit to the local production sector. Production for the small screen, including the emerging SVOD providers, represents a great opportunity for the local industry and is where the bulk of both production and audience are.

The industry has performed well throughout the challenges of COVID-19 and has in fact experienced a boom during this period. The industry has strong COVID-19 safety protocols which means many productions continued to film during lockdown periods.

The Australian Government delivered more than \$530 million to support the Australian screen sector in 2020-21, supporting thousands of local jobs for creatives and across the economy. The 2020-21 funding is an increase of 28 per cent from the previous year and includes:

- More than \$323 million to support the development and production of Australian local content through Screen Australia, Australian Children's Television Foundation (ACTF), Producer Offset and Post Digital and Visual Effects (PDV) Offset.
- The \$50 million Temporary Interruption Fund (TIF), providing the certainty that Australian productions needed to secure financing, with 67 productions supported for coverage so far, supporting on average 305 people and 158 businesses on each production.
- More than \$157 million invested in attracting large budget international productions to Australia to support our world-class production and VFX sector through the Location Incentive, Location Offset and PDV Offset.

4. ABC investment decision are a matter for the ABC.

The ABC in most cases pays a licence fee (which is standardised through Screen Australia's Terms of Trade). The increase in the Producer Offset to 30 per cent is a significant increase in support for ABC backed documentaries as well as drama series, including children's content. The ABC does not traditionally invest in feature length content.

Funding from Screen Australia provides additional support for documentaries and it is not anticipated that there will be any funding gaps that need to be filled.

5. The most recent data from the Australian Bureau of Statistics indicated there were 414 post, digital and visual effects (PDV) businesses operating in Australia.<sup>1</sup> The majority of PDV businesses in Australia would be classified as small to medium as they typically only employ a small number of fulltime employees and scale up with freelancers to meet project demands, then reduce its workforce once the project is finished. Up to 10 per cent of the businesses would be considered large in the context of the PDV sector. Businesses vary in terms of working in the film and television sector or the advertising and corporate video sector or across all.

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<sup>1</sup> <https://www.abs.gov.au/statistics/industry/technology-and-innovation/film-television-and-digital-games-australia/latest-release>, accessed 24 August 2021

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Independent reports have highlighted that the Australian PDV industry is growing in terms of the level of work it is able to attract. The impact of the PDV Offset within the post-production and VFX markets in Australia is seen in the scale of projects that Australian companies now work on; whereas Australian firms used to attract A\$1-2 million work packages, they can now access projects in the A\$5-10 million range. Australia has, as a result, become a major global provider of such services, with its companies now seen by the US studios as world class.<sup>2</sup>

As detailed in the Department's additional information to the Committee, it is estimated that around seven companies will predominately affected by the increased threshold to the PDV Offset. These companies are large production companies/broadcasters/film studios that undertake a range of production work across a large slate of content of various formats and do not solely provide PDV services. All of these companies will be major beneficiaries of the increase to the Producer Offset rebate from 20 to 30 per cent.

6. The amendments should be considered as a suite of measures that support the screen sector and provide a net increase in Government funding. It is difficult to understand on what basis the SBS makes this claim when an increase in the Producer Offset from 20 per cent to 30 per cent will be of significant benefit to SBS productions both in scripted and documentary. With this change it will be easier to finance Australian content that is shown by SBS.

7. The Department supports this Bill as proposed. The Department, working with Screen Australia, will continue to monitor and conduct a review of the impact of changes in this Bill within 18 months.

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<sup>2</sup> *Impact of Film and TV Incentives in Australia, A Report for the Australian Screen Association, Olsberg•SPI, March 2018, page 20*