



31 January 2018

Committee Secretary  
Senate Standing Committees on Environment and Communications  
PO Box 6100  
Parliament House  
Canberra ACT 2600

### Inquiry into Australian content on broadcast, radio and streaming services

Ausfilm welcomes the opportunity to submit to this inquiry.

Ausfilm markets all that Australia has to offer to filmmakers internationally, to find what they need in Australia to bring their stories to life. Ausfilm is a member organisation and a unique partnership between private industry and government. This partnership comprises Australia's federal and state governments, the major studio complexes, production service providers and leading post, visual effects, animation and sound/music studios.

Ausfilm markets Australia's Screen Production Incentive Scheme which comprises the 16.5% Location Offset, 30% PDV (post, digital and visual effects) Offset and 20-40% Producer Offset. The Location and PDV Offsets are administered by the Department of Communications and the Arts. The Producer Offset is administered by Screen Australia. Ausfilm is supported by the Australian Government through the Department of Communications and the Arts.

In 2017 two inquiries into Australian Content on broadcasting and streaming services were commenced:

- 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;

Ausfilm made submissions to both inquiries and appeared before the House of Representatives Standing Committee on Communications and the Arts. We attach copies of both submissions for the consideration of this Committee.

For Ausfilm and its members the main issues in both inquiries are:

Increase the Location Offset



The current base rate for the Location Offset of 16.5% is not competitive internationally. Modelling undertaken for Ausfilm by Price Waterhouse Coopers estimated that footloose feature production from Hollywood was estimated at \$US 4.1 billion in 2012. Australia competes for a small part of that with Canada, the UK, NZ, South Africa and US states of Louisiana and Georgia, all of which offer more competitive incentives. Australia now has the lowest rate of location incentive in the world.

The Government accepts that the rate of 16.5% is not competitive and has acted to provide one off grants that raise the rate on the projects receiving them to an effective 30%. But, Australia has also lost projects that were unable to get such grants in time to make a decision about where to locate production.

While Ausfilm members are extremely grateful for the support we submit that this policy does not provide the certainty that our competitors can provide.

Ausfilm notes that the report of the House of Representatives Standing Committee on Communications and the Arts inquiry recommends that the Location Offset be increased. The Government has yet to respond to the report and Ausfilm continues to discuss this with the Government.

The matter is urgent since the industry faces the prospect of a sharp decline in the value of large budget production in this country in 2018. In the current global marketplace, incentives are an essential aspect of international production attraction. Australia cannot compete internationally or expect to bring large scale international production, essential for the viability of the whole industry, without providing an incentive that enhances our competitive advantages in talent, locations and facilities.

#### The effect of the Location and PDV Offsets being at different rates

The Location and PDV Offsets are at different rates. The present Offset rules mean that if a production accesses one offset it is precluded from accessing another one. The intention was that the Location Offset would attract projects that could do both physical production and PDV work at the same rate (both originally at 15%). The PDV Offset was also intended for projects that undertook physical production elsewhere, but brought PDV work to Australia. The PDV Offset is working well in that regard.

However, the current rate differential between the Location Offset and the PDV Offset creates problems when projects access the Location Offset at 16.5%. Most of these are projects that have received a top up grant to an effective rate of 30%. The issue is that, any PDV work is only eligible at 16.5% (the Location Offset level) and not the PDV level of 30%.



## Clarifying the eligibility of productions for streaming services

Subscription Video On Demand (SVOD), also known as streaming over the internet has grown substantially over the last half decade as delivery platforms for television. However, Ausfilm has been advised by the Department of Communications and the Arts that the wording of the Income Tax Assessment Act makes content intended only to be shown on a streaming service ineligible for the Location and PDV Offsets.

Ausfilm welcomes the opportunity to discuss these issues further.

Yours sincerely

Debra Richards  
CEO