

Australian and Children's Screen Content Review

Consultation Paper / August 2017



Australian Government

Department of Communications and the Arts



Australian Government



Australian Government



1. Introduction

The production and distribution of diverse Australian content delivers both a cultural and economic dividend. It helps define our national identity, strengthens social cohesion and values and develops cultural and creative industries. Australian content developed for our children is especially important in reflecting the world around them.

Australian content projects Australia to the world. It showcases Australian talent, attracts tourism and returns revenue to the economy through our cultural exports^{1,2}.

Australia needs a strong domestic screen production sector to produce high quality, culturally valuable content. Given the small size of the Australian market for screen content and the volume of content produced in larger English-language markets such as the United States (US), Canada and the United Kingdom (UK) it has been argued that it would be unlikely that Australia would produce the quality, quantity or variety of Australian content to deliver cultural benefits without government intervention. Like many other countries, Australia has put in place various regulations and incentives to nurture the Australian screen industry and ensure that Australian stories continue to be told.

Our production sector is at the cutting edge and has built a strong reputation for producing high quality work. Australian expertise has attracted international productions that bring substantial levels of investment with them. The sector also needs an ongoing stream of work to ensure it maintains the skills base needed to attract large scale productions, continue to create high-quality Australian content for domestic and international markets and provide a development pathway for new content creators.

In July 2017, 65 Australian YouTube channels had more than one million subscribers.

Source: <https://socialblade.com>, 25 July 2017

In the last five years, we have seen a rapid transformation in the media and entertainment sector. Digital media has opened new worlds of opportunity for creators and consumers of Australian content. New players and distribution platforms have emerged including streaming services like Stan and Netflix, while user generated content is flourishing in both volume and variety on YouTube.

The evolving media landscape is changing the viewing behaviour of Australian audiences, including children. Audiences are fragmenting, with people wanting more content and choice around how and when to watch it. This offers significant opportunities, while also raising new challenges.

¹ Screen Australia, *Screen Currency: Valuing Our Screen Industry*, November 2016

² Deloitte Access Economics, *Economic contribution of the film and television industry to Australia* (Australian Screen Association February 2015)

The current system of Government support for the screen sector includes both regulation and incentives. In recognition that free-to-air television spectrum is a public good, the commercial broadcasters have quota obligations. Distribution channels such as the internet and streaming services that have developed since regulations were created do not have similar conditions. Producers may access different levels of taxation offsets, depending on the content and distribution arrangement proposed. Given the rise in availability and popularity of online and subscription content it is timely to review the suite of current policy to ensure that it is fit for purpose.

The objective of this review is to ensure that policy supports the ongoing creation, delivery and export of quality Australian content and that interventions are integrated and flexible enough to cope with future changes. The review will also consider transitional issues and support for industry to adjust and plan for the years ahead. The Terms of Reference for the Review are at [Attachment A](#).

2. The changing content environment

The Government supports Australian and children's content through a range of regulatory measures and incentives for the screen production industry. These are detailed in [Attachment B](#) and include:

- > quotas for Australian content and sub-quotas for Australian drama, children's content and documentaries on commercial free-to-air television
- > minimum expenditure requirements for new drama on subscription television
- > tax incentives for Australian screen productions and PDV (post-production, digital and visual effects) work carried out in Australia
- > direct investments, grants and other support
- > funding for the national broadcasters (ABC and SBS).

In 2016–17, the Government provided over \$313 million to the Australian screen industry through the Australian Screen Production Incentive.

Source: Department of Communications and the Arts and Screen Australia data

In 2014–15, total Australian Government funding and support, including tax incentives, direct funding and expenditure by the national broadcasters³, was estimated to be worth over \$1.6 billion⁴.

Australia's integrated package of regulatory measures and incentives has worked well to stimulate the production of Australian content. The sector is contributing significantly to the economy and delivers substantial benefits such as generating employment and attracting tourism, as well as delivering entertainment, leisure and cultural value for Australians⁵.

Australia's system for supporting the production of screen content has underpinned the growth of the overall Australian screen sector to \$3.4 billion in 2015–16, an increase of 15.5 per cent compared to 2011–12⁶.

However, recent years have seen digital technologies disrupt traditional business models and value chains across all sectors of the economy including the screen sector. New players and intermediaries are generating intense competition for audiences and advertising revenue. They are also providing consumers with more viewing choices than ever before with an abundance of content from all over the world. These include Subscription Video on Demand (SVOD) services such as Stan, Netflix, Amazon Prime and Foxtel Now, user-generated content platforms like YouTube and Facebook, and online catch up television services for the commercial and national broadcasters.

Australians are eagerly adopting these new ways of consuming screen content. Catch up television services are popular, with nearly half of all Australian adults accessing a catch up service in the six months to June 2016⁷. In only two years since commencing commercial operations in Australia, SVOD services have amassed 3.7 million paid, free and trial subscriptions at June 2016⁸.

The total income of subscription broadcasters and channel providers including SVOD in 2015–16 was \$5.4 billion, exceeding the \$4 billion income of the commercial free-to-air broadcasters⁹. While Australians continue to watch commercial free-to-air television, audience sizes and the average amount of free-to-air television that audiences are watching are slowly declining¹⁰.

Reports by Google, OzTAM, RegionalTAM and Nielsen indicate that Australians are taking up new video options with enthusiasm—Australians are watching more screen content a month than they were in 2006¹¹. However, these hours are increasingly being spread across a wider range of platforms with the selection of platform based on its relative strengths. For example, commercial broadcasters are popular for live sport, news, reality television and

³ This figure also includes expenditure for the ABC and SBS's radio and internet services

⁴ Deloitte Access Economics, *What Are Our Stories Worth? Measuring The Economic and Cultural Value of Australia's Screen Sector*, 2016

⁵ Screen Australia, *Screen Currency: Valuing Our Screen Industry*, November 2016

⁶ Australian Bureau of Statistics, *Film, Television and Digital Games 2015–16*, [8679.0] (please note this figure also includes production of screen content such as news, advertising, sport, corporate videos)

⁷ ACMA, *Communications Report 2015–16*

⁸ Telsyte, *Streaming video on demand a hit in Australia: Subscribers up 30 per cent*, media release, 8 August 2017

⁹ Australian Bureau of Statistics, *Film, Television and Digital Games 2015–16*, [8679.0]

¹⁰ Oztam, *Australians Embrace New Content and Platform Options, Broadcast TV Viewing Remains Strong: Q1 2017 Australian Video Viewing Report*, 10 July 2017

¹¹ Google (Australia), *Bigger Picture: The New Age of Screen Content*, December 2016; Regional TAM, OzTAM, Nielsen, *Australian Video Viewing Report and Multi-Screen Reports*, <http://www.oztam.com.au/WhatsNew.aspx>

drama programs¹², YouTube for shorter content, and subscription services are a popular choice for drama programs¹³.

The viewing habits of Australian children are also undergoing particularly rapid change. Very young children are watching ABC 2 and ABC ME in preference to commercial free-to-air stations, with two out of three parents reporting their children aged under 15 prefer watching children's programs on ABC channels¹⁴. Overall, children are slowly migrating away from television and 2016 was the first year in which the total time Australian children spent online on computers, tablets or mobile devices exceeded the time they spent watching television¹⁵.

Access to cinema audiences has also become much more competitive as the market for independent films has become more crowded and, at the same time, blockbusters with ever-wider releases have increased their box office share. While cinema can still be seen as the apex of a feature film release, some audiences are drawing a diminishing distinction between a feature film viewed in cinemas and content viewed on other platforms. As audiences access high budget feature film-like content on demand online, there have been calls for the reduction of the standard 120 day window between a theatrical release and release on other formats¹⁶.

These changes in audience behaviour mean that the SVOD sector is becoming increasingly important to the Australian screen production industry. Stan has produced a number of exclusive productions including *Wolf Creek*, while Netflix is working with Brisbane-based Hoodlum Entertainment on the production of its first Australian original series *Tidelands*. The global demand for content created by SVOD channels also creates opportunities for the Australian production sector, with Netflix distributing Australian drama (*Janet King, Paper Giants, the Time of our Lives*), documentary (*Australia: The Time Traveller's Guide*) and children's content (*H2O Just Add Water, Mortified*) throughout the world. Amazon Prime is picking up Foxtel's upcoming *Picnic at Hanging Rock* for distribution in the US.

Digital technologies are transforming the way Australian content is watched, experienced and discovered. This review provides an opportunity to evaluate the existing tools the government uses to support the creation and delivery of Australian content to ensure they are sufficiently flexible to keep up with audience consumption habits and technological change.

3. What we are trying to achieve

Government support has, to date, been largely designed around traditional platforms and industry structures. Existing policies for Australian and children's content were developed before the evolution of the internet from a passive technology to an interactive and fundamental aspect of our lives and were designed to grow and strengthen the domestic market for Australian content in cinemas and on television.

¹² Arvind Hickman, 'AdNews analysis: The top 50 TV programs of 2016', *AdNews*, 29 November 2016

¹³ Google (Australia), *Bigger Picture: The New Age of Screen Content*, December 2016

¹⁴ ACMA, *Children's Television Viewing*, March 2015

¹⁵ Roy Morgan Research, *Kids now spend more time online than watching TV*, 14 February 2017

¹⁶ Screen Australia, *Issues in Feature Film Distribution*, July 2015

The rapid pace of change driven by the digital delivery of new services requires a review of the suite of interventions to ensure that domestic and international audiences continue to enjoy access to quality Australian screen content, developed by a sustainable domestic industry. Digital technologies are ubiquitous and the internet is becoming a preferred vehicle through which creative works of all kinds are distributed.

These changes warrant an analysis of Australia's content ecosystem to determine whether the current types and levels of support are fit for purpose for the future. Any response will aim to be sufficiently flexible so that it can remain appropriate when the next shift in viewing patterns occurs.

Overall, it is important to be clear about the core policy objectives. The following three policy objectives have been identified to guide the review:

- > **Securing quality content that promotes Australian identity and culture**—implement measures that encourage the creation, delivery and export of diverse and high quality Australian content
- > **Securing quality Australian content for children**—ensure content is developed for Australian children to help them understand the world around them and Australian values and culture
- > **Driving more sustainable Australian content industries**—develop the right policy settings to enable Australia's creative sector and talent to thrive, locally and internationally

It is proposed that, as far as possible, market solutions and competition should be harnessed to deliver these policy outcomes. If market failures exist that necessitate government intervention, then appropriate interventions should achieve the following policy principles:

- > **Service clearly identified public policy goals**—Government intervention should serve transparent objectives
- > **Be clear, simple and transparent**—regulations and support measures should be easy, efficient and practical for industry to access and comply with
- > **Be platform agnostic**—Content regulation should be driven by policy objectives rather than platform type
- > **Produce benefits that outweigh the costs**—funding and regulatory imposts come at a cost to both government and regulated entities – the public benefits generated should exceed those costs
- > **Be flexible enough to cope with changing environments**—a future system should be forward-looking and nimble enough to adapt to future changes in technology and audience trends.

4. Promote Australian identity and culture

The Australian Government supports the production of Australian and children's content because of the social, cultural and economic benefits it delivers. Screen production provides uniquely Australian perspectives in storytelling to both local and international audiences.

Australian dramas including **Molly, Love Child, Paper Giants** and **Offspring** have been ratings winners in Australia, while Australian-made films like **Mad Max: Fury Road** and **Lion** have captured audiences and acclaim around the world.

Australian content helps define national identity and strengthens social cohesion, as well as providing work that develops Australia's cultural and creative industries. Australian productions are valued both domestically and internationally, with the cultural value of Australian content manifesting in ways that are not easily measured by dollars and numbers.

Government measures that support the creation and delivery of Australian content include quotas for Australian content and sub-quotas for Australian drama, children's content and documentaries on commercial television. Subscription television has minimum expenditure requirements for new Australian drama.

Commercial television broadcasters comfortably met the overall Australian content transmission quotas on both their primary and non-primary channels in the five years to 2016¹⁷. Over the same period, while commercial broadcasters' expenditure on Australian programs increased for formats such as news, sport and light entertainment, it remained stagnant or decreased for drama, documentaries and children's programs¹⁸. For subscription television, expenditure on new Australian drama programs increased year on year since 2012–13¹⁹.

Table 1 demonstrates the high quantity of Australian content provided to audiences under the transmission quota requirements. It also identifies the level of content provided for Australian drama, children's content and documentaries, which are the formats traditionally identified as culturally significant—minimum requirements are close to the maximum provided by broadcasters.

¹⁷ ACMA, Compliance with Australian Content Standard and Children's Television Standards, 17 March 2017

¹⁸ ACMA, Broadcasting Financial Results 2009–10 to 2014–15, <http://acma.gov.au/theACMA/Library/Industry-library/Broadcasting/broadcasting-financial-results-report>

¹⁹ ACMA, *New eligible drama expenditure scheme results*, 2015–16, <http://www.acma.gov.au/Industry/Broadcast/Television/Australian-content/new-eligible-drama-expenditure-scheme-results-i-acma>

PROMOTE AUSTRALIAN IDENTITY AND CULTURE

Quotas on commercial free-to air television	Australian programs on primary channel	Australian programs on non-primary channels	First release Australian documentary	First release Australian drama	First release Australian children's drama	First release Australian children's programs	All children's programs	All Australian preschool programs
	5-year average			(triennial score 2014–2016)	(triennial score 2012–2014)	5-year average		
Minimum requirement	55%	1460 hours¹⁸	20 hours	860 points	96 hours	130 hours	260 hours	130 hours
Seven	70	3,561	65	883	97	130	261	131
²⁰ Nine	70	1,984	24	870	92 ¹⁹	129	310	131
²¹ Ten	62	3,392	31	874	97	131	262	131

Table 1: 2012–2016 Australian content compliance results published by the ACMA

Discovery, marketing and promotion are increasingly important in the digital era. As technology and business models change it may become harder to ensure that Australian content is widely available and visible on new formats. For example, the emergence of SVOD means consumers have the choice of a much wider variety of content at a time that they wish to consume it. The large content libraries available through these services, and the promotion of customised content catalogues based on consumer viewing history, means that Australian content may not receive prominent exposure and is consequently difficult to find, or less 'discoverable'. On the other hand, digital technology can support discoverability by enabling greater aggregation or curation of related content, such as children's content and documentaries.

There is still significant room for the Australian screen industry to grow and fully exploit the global content market. Modern and contemporary policy settings can help ensure that unique and engaging Australian stories are not only shared at home but capture a greater share of global markets, delivering both cultural and economic dividends for Australia. They may also need to recognise that culture increasingly extends beyond traditional forms and now reaches into other areas, such as software, virtual reality and video games²².

²⁰ 1460 hour quota took effect 1 January 2015

²¹ In 2014, the ACMA found that Nine Network had broadcast two children's programs without the required C classification and therefore failed to meet the C quota requirement for 2013

²² Government of Canada, *Canadian Content in a Digital World, Focusing the Conversation*, September 2016, p10

5. Securing Australian children's content

The continued access to quality Australian children's content is vital in developing and reflecting a sense of Australian identity, character and cultural diversity for young audiences.

There is public value in screen content that speaks directly to Australian children through its depiction of Australian themes, language and social values that can enhance a child's understanding and experience of their culture.

Live action children's drama series like **Round the Twist** and **Ocean Girl** were loved at home, broadcast around the world and are now seen on digital platforms. More recently, the ABC and Netflix announced production with See-Saw Films on **The Legend of Monkey**.

Under sub-quota obligations, commercial broadcasters provide 390 hours of children's content each year, with various requirements within these hours for new Australian programs, Australian programs for pre-school children and new Australian children's drama programs. These quotas, together with direct and indirect government funding, including for the national broadcasters, have provided the main supports for the production and distribution of children's content in Australia.

However, children's content can be expensive to produce and is difficult to finance and monetise. In particular, the cost of producing live-action Australian children's drama is challenging in today's digital global environment.

Under children's drama broadcast quotas for commercial television in 2016, eight hours of live-action children's drama was broadcast, compared to 84 hours of animated children's drama²³. Similarly, Screen Australia's data shows that 10 out of the 14 domestic children's titles produced in 2015–16 were animated²⁴. There is also an emerging trend where the PDV Offset of 30 per cent is being utilised, rather than the Producer Offset of 20 per cent, by children's animated titles. In 2014–15, just seven children's animated titles accessed the PDV Offset while in 2016–17 this had increased to 11²⁵.

²³ ACMA, *Compliance with Australian Content Standard and Children's Television Standards*, 17 March 2017

²⁴ Screen Australia, *Drama Report 2015/16*, November 2016

²⁵ Department of Communications and the Arts figures

More animated titles are created because the format is cheaper to produce than live action drama and can be re-voiced for global markets. The content of these programs may contain no culturally specific context but qualify as Australian content if they are produced under the creative control of Australians or made as official co-productions. Five out of 13 programs broadcast in 2016 to meet the Australian children's drama quota were made under official co-production arrangements with France (one), Germany (one) and Canada (three)²⁶. One further program was made in New Zealand. Under the Closer Economic Relations agreement between Australia and New Zealand, content produced in New Zealand counts as Australian content.

Young people's engagement with the ways in which digital content can be created and consumed has seen video on demand platforms (such as YouTube) become significant for delivering content to children. Future policy settings will need to more closely align with the changing consumption habits of children and move away from settings that are primarily focussed on broadcast-based linear content. This could include greater recognition of the role of digital media and having regard to the levels of engagement that children have with different content genres online (including games and apps).

6. Greater commercial sustainability

Australia's iconic screen industry showcases the talents and creativity of our actors, writers, producers, directors, visual effects and post-production workers. It is a thriving screen sector that produces a diverse array of work and provides social, cultural and economic benefits to our nation.

A viable and diverse screen production sector is essential if domestic and international audiences are to have access to high-quality Australian content. Australia has a strong record of developing world class talent, but this talent is difficult to retain without sufficient volume and quality of work. Australian content creators can thrive if local policy settings promote and support Australian content to also capture a greater share of global markets.

Given the small size of the Australian market for screen content, and the sheer quantity of screen content production in larger English-language markets such as the US, UK and Canada, it has been argued that it would be unlikely that Australia would produce the quantity, quality and variety of Australian content to compete without funding incentives and regulation by Government.

One of the Government's primary mechanisms for providing support to the screen production industry, alongside the system of quotas and sub-quotas, is the Australian Screen Production Incentive (ASPI) which was introduced in 2007. The elements of the ASPI are the Producer Offset, the Post, Digital and Visual Effects (PDV) Offset and the Location Offset. Since the introduction of the ASPI, applicants have spent over \$8 billion in qualifying Australian production expenditure and received over \$1.9 billion in support²⁷.

The Producer Offset was created to increase the amount of Australian content by empowering Australian producers, incentivising them to raise money from domestic and

²⁶ Cross-reference with 2016 *Australian content compliance results* and Screen Australia's *The Screen Guide*

²⁷ Screen Australia and Department of Communications and the Arts figures

foreign sources, stimulating larger-scale productions and encouraging key creatives to return to Australia. Research conducted by Screen Australia shows that following the introduction of the Producer Offset in 2007, overall production of feature films, television drama and documentaries increased, with foreign investment into Australian feature films increasing by more than 50 per cent in the five years of the Offset's operation²⁸.

The PDV Offset is aimed at enabling the Australian visual effects, post production and animation sector to continue to develop its reputation as the best and most cost-effective in the world. In recent years Australian companies have been involved in creating some of the most innovative and exciting visual effects as well as working on some of the biggest blockbusters in screen history. Through this work, the Australian PDV sector, including world-leading visual effects firms like Animal Logic, Iloura and Rising Sun Pictures, has built a strong reputation for producing cutting-edge work.

International production activity in Australia is also important. It provides employment opportunities for local cast, crew and film production service providers, skills transfer and development opportunities from working on productions with larger budgets, and provides for service suppliers to invest in filmmaking infrastructure and equipment. The expertise, talent and resources built by these projects strengthen Australia's competitiveness abroad and lead to local and independent projects, benefitting the industry as a whole. The Location Offset is designed to ensure Australia remains competitive in attracting shoots for large-budget film and television productions, and is aimed at providing increased opportunities for Australian casts, crew, post-production companies and other screen production service providers to participate in these productions.

The combined foreign expenditure injected into the Australian economy as a result of **The Wolverine, Unbroken, San Andreas, The King's Daughter, Pirates of the Caribbean: Dead Men Tell No Tales** and **Alien: Covenant** filming in Australia was over \$595 million.

Source: Department of Communications and the Arts data

The economic benefits of attracting foreign production are significant. In addition to the employment generated directly within the screen industry, international productions also generate economic activity indirectly through a range of support services including accommodation, catering, transport, security, professional services including legal, financial and accounting, and trades services including electricians, carpenters and hairdressers. The production of *Pirates of the Caribbean: Dead Men Tell No Tales* directly employed over 2,500 Australians and used the services of approximately 6,300 Australian businesses across the country²⁹.

²⁸ Screen Australia, *Getting down to business: The Producer Offset five years on*, 2012

²⁹ Department of Communications and the Arts data

More generous incentive and regulatory settings internationally means significant competition for attracting major projects to Australia. Countries that are regularly considered by international productions include the UK (25–30 per cent), New Zealand (20–25 per cent), Hungary (25–30 per cent), South Africa (20–25 per cent), Italy (25 per cent) and some US states (30–40 per cent). Support from the Australian Government remains essential to luring international screen productions and preventing the ‘brain drain’ of local talent and expertise overseas.

Co-production partnerships provide a mechanism for creative exchange and the development of screen projects of cultural significance to the partner countries. Co-productions provide access to a wider pool of talent and make use of expertise and infrastructure available in each participating country. They also ensure foreign investment in Australian projects.

While the investments provided by major international productions are necessary for the sustainability of the Australian sector, the industry is substantially made up of local productions of content for broadcast primarily in Australia. Local and independent productions are therefore critical to a successful and sustainable screen production industry. Smaller budget films and television programs, including drama, children’s content and documentaries, help provide ongoing employment, vital training and creative outlets for thousands of producers, actors, directors, screenwriters, crew and other workers in the Australian screen industry.

7. Invitation to respond

In responding to this paper, it would be helpful for you to address the specific questions below, providing reasons and specific examples and data as evidence where possible. You can respond to as few, or as many of the questions as you like.

1. Are the policy objectives and design principles articulated in the discussion paper appropriate? Why do you say that?

This question invites submitters to comment on the objectives that the government should be pursuing in relation to Australian content and the way in which it should go about pursuing those objectives.

2. What Australian content types or formats is the market likely to deliver and/or fail to deliver in the absence of Government support?

3. What types of Australian screen content should be supported by Australian Government incentives and/or regulation?

The review has proposed a ‘market oriented’ design principle. Questions 2 and 3 invite submitters to identify those content types or formats which the market, alone, may not deliver. Are these formats valuable? If demand for these formats is weak, what is the case for supporting them? Should different content or formats be supported in different ways? How should we think about the role of the national broadcasters?

4. **The current system of support for screen content involves quotas, minimum expenditure requirements, tax incentives and funding (see [Attachment B](#)).**
What are the strengths and weaknesses of the current system? What reforms would you suggest?
5. **What types and level of Australian Government support or regulation are appropriate for the different types of content and why?**
Questions 4 and 5 invite submitters to provide their views on whether, having regard to the policy objectives adopted by the Government, some or all of these measures should be reconsidered and if so, over what timeframe? What different effects do quota, expenditure and tax system interventions have? Are some interventions more efficient and effective at delivering certain types of content than others? What new or different approaches should be considered and why?
6. **What factors constrain or encourage access by Australians and international audiences to Australian content? What evidence supports your answer?**
What strategies are available to better promote and support Australian content in Australia and abroad? Are there ways in which the diversity, availability and accessibility of Australian content can be enhanced? What should the role of government be in making diverse content accessible to audiences? How can the discoverability of Australian content, by Australians but also around the world, be enhanced?
7. **What would the Government need to consider in transitioning to new policy settings?**
8. **Is there anything else that you would like the Government to consider that has not been addressed in your responses already?**
The review welcomes comments from submitters on all matters relevant to the review's work. In particular, submitters should provide their views on how the Government should manage any transition towards new policy and regulatory settings.

Submitting your comments

Written comments on the matters raised in the paper can be provided:

- > by email to contentreview@communications.gov.au
- > by visiting www.communications.gov.au/have-your-say

Submissions will be accepted over a six-week period, ending **21 September 2017**.

All information (including name and address details) will be made available to the public on the Department of Communications and the Arts website unless you indicate that you would like these details or all or part of your submission to remain in confidence.

Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment. Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

This review will also take into consideration the various inquiries over recent years, including the House Standing Committee on Communications and the Arts inquiry into: *Factors contributing to the growth and sustainability of the Australian film and television industry*.

Attachment A: Terms of Reference

Context

In a globally connected, on-demand world, Australian stories need to be told and heard by Australians, in particular our children, and across the world. A viable domestic screen production sector is essential if audiences are to have access to quality Australian content. Given the small size of the Australian market for screen content, and the sheer quantities of screen content production in larger English-language markets such as the United States and the United Kingdom, it is unlikely that Australia would produce the quantity, quality and variety of Australian content required to achieve cultural benefits without Government support. Similarly the Australian Screen Production Incentive was designed to suit pre-2007 industry models.

Changes in audience consumption habits, the introduction of new distribution platforms and increasing competitive pressure on Australian content producers and distributors mean that the existing models of regulation and support for Australian and children's content need to be revisited.

Scope

The Review's objective is to provide policy options to Government on the most efficient and effective support mechanisms to ensure the ongoing availability of Australian screen content to domestic and international audiences regardless of platform. Specifically, mechanisms to foster and support Australian drama, documentary and children's content and the Australian Screen Production Incentive will be reviewed.

The Review will consider:

- > the economic and social value of Australian screen content to the Australian community;
- > the current and likely future market for Australian screen content production and distribution;
- > whether the Australian Government's current policy settings:
 - are relevant to current industry practice;
 - appropriately target content that requires intervention;
 - ensure an approach that works across a diversity of platforms;
 - promote a sustainable production and distribution sector; and
 - are able to support Australian content on any platform into the future.

The regulations on local content for regional television and regional radio are out of scope of the review.

Attachment B: Current regulations and incentives

The Australian Government supports Australian and children's content through a range of regulatory measures and incentives for the screen production industry.

Television content requirements

The *Broadcasting Services Act 1992* (BSA) sets out the Government's objective to promote the role of broadcasting services in developing and reflecting a sense of Australian identity, character and cultural diversity.³⁰

All commercial free-to-air television licensees must broadcast an annual minimum transmission quota of 55 per cent Australian programming between 6am and midnight on their primary channel. They are also required to provide at least 1,460 hours of Australian programming on their non-primary channels during the same time.³¹ Additional sub-quotas also exist for Australian drama and documentaries.

Commercial free-to-air television licensees must also broadcast the following amounts of children's television each year:

- > 260 hours of programs aimed at children under 14 years of age (these are programs with a "C" classification); and
- > 130 hours of programs for preschool children (programs with a "P" classification).³²

In the last five years, 100,000 hours of Australian programming has been broadcast on commercial free-to-air television, including 4,500 hours of first-release Australian drama, documentary and children's programming.

Subscription television operates under an expenditure obligation where at least 10 per cent of the total programme expenditure for each subscription drama channel must be spent on new Australian drama programs. In the last five years, subscription television invested \$111 million on new Australian drama programs, with \$51 million invested in 2015–16 over 46 programs.

Under the Protocol on Trade in Services to the Australia New Zealand Closer Economic Relations Trade Agreement of 1988, New Zealand television programs can be used towards Australian content obligations.

³⁰ *Broadcasting Services Act 1992* (cth) s 3(1)

³¹ *Broadcasting Services Act 1992* (cth) s 121G

³² The Australian Communications and Media Authority, Children's Television Standards (24 May 2016), <http://acma.gov.au/Citizen/TV-Radio/Television/Kids-and-TV/childrens-television-standards-kids-tv-and-advertising-i-acma>

Direct Funding

Screen Australia provides merit-based funding to projects. Funding is distributed to drama, documentary and children's content distributed theatrically, on broadcast television, and through online and emerging platforms. The funding is offered through grants and investments with favourable finance terms and assists with development, production, marketing and distribution. Some states also offer funding for games. The Australian Government provided Screen Australia with \$84.4 million in base funding for 2016–17.

Tax incentives

The Australian Screen Production Incentive (ASPI) provides taxation rebates for expenditure on Australian feature films and television programs, as well as larger budget international productions shot in Australia. The three components of the ASPI are:

- > **The Producer Offset** entitles a production company to a 40 per cent rebate on qualifying Australian production expenditure on eligible feature films and 20 per cent on other formats (television, online, DVD) for productions with significant Australian content. Minimum thresholds for Australian production expenditure apply, such as \$500,000 for feature films.
- > **The Post, Digital and Visual Effects (PDV) Offset** provides a 30 per cent rebate on qualifying expenditure for productions undertaking post-production, digital and visual effects in Australia. The expenditure threshold for eligibility is \$500,000 expenditure on activities reasonably required to perform the PDV production in Australia.
- > **The Location Offset** provides a 16.5 per cent rebate on qualifying Australian production expenditure for eligible productions with a minimum Australian spend of \$15 million and a minimum spend of \$1 million per hour for series.

Top-up investments

The Government may 'top up' the Location Offset to increase the effective rate to attract foreign productions on an ad hoc basis. The Government committed \$47.25 million to bring the production of *Alien: Covenant* and *Thor: Ragnarok* to Australia and \$21.6 million to support the production of *Pirates of the Caribbean: Dead Men Tell No Stories*. Most recently, the Government committed \$22 million to secure *Aquaman*, which is currently filming in Australia.³³

Australian International Co-production Program

The International Co-production Program was established to encourage production and foster relationships with international screen content creators.

³³ Treasurer, the Hon. Scott Morrison and the Minister for Communications and the Arts, Senator the Hon. Mitch Fifield, 'Aquaman Blockbuster to be filmed in Australia', *Parliament House* (Canberra) 15 December 2016

Australia is party to 12 co-production arrangements (Canada, China, France, Germany, Ireland, Israel, Italy, New Zealand, Republic of Korea, Singapore, South Africa and the United Kingdom) under the International Co-production Program. These arrangements have resulted in 175 co-productions with total budgets of \$1.66 billion as at 30 April 2017³⁴.

Other support

A range of other support mechanisms, including financial, training and development assistance, is also provided by other Australian Government agencies, state and territory governments and the private and community sectors.

Screen Australia offers support for talent and business development, marketing and distribution, and other industry goals.

Further funding is provided to the Australian Film, Television and Radio School (AFTRS), the National Institute for Dramatic Arts (NIDA), the Australian Children's Television Foundation (ACTF), Ausfilm and the National Film and Sound Archive of Australia (NFSA). The Australian Government provided direct funding of \$62 million in 2016–17 to these organisations.

Various screen bodies, festivals, publications, awards, programs and guild activities are funded through Screen Australia. For example, Screen Australia provides funding for the Adelaide Film Festival, the Sydney Film Festival, the Canberra International Film Festival and the Perth International Film Festival, among others, to provide a platform for filmmakers to showcase their productions.

National broadcasters

The Government funds the national broadcasters, ABC and SBS, to provide broadcasting and digital media services. In the 2016–17 Budget, the Government provided base funding to the ABC of \$3.1 billion over the following three years. SBS received base funding of \$814.2 million over the next three years.

While neither broadcaster has an obligation to deliver specific quantities of Australian or children's programming, their Charter obligations under their respective enabling legislation give them relevant functions, including providing educational programs, and promote the production and broadcast of Australian programs.

The national broadcasters make a significant investment in Australian drama and documentary programs. Between 2011–12 to 2015–16, the ABC has provided an average of 60 per cent Australian programming between 6am and midnight on ABC1 over the last five years, with a rate of 70 per cent in 2015–16. The SBS has provided an average of 44 per cent of Australian programming between 6pm to midnight on SBS1 between 2011–12 to 2015–6, with a rate of 39.3 per cent in 2015–16.³⁵

³⁴ <https://www.screenaustralia.gov.au/funding-and-support/co-production-program/statistics>

³⁵ Data provided by SBS.

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We acknowledge that much work has already been undertaken by the sector, as well as other countries considering the same issues. Consequently, in addition to stakeholder submissions, the review will have regard to a wide body of Australian and international work. Submissions to the recent parliamentary inquiries will also be taken into account. While not exhaustive, material considered by the review includes:

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