

Introduction

This paper is in addition to our support of Screen Producers Australia (SPA) submission in response to the consultation paper and the following outlines additional comments and considerations specific to our business.

Background

Ambience Entertainment is one of the last remaining solely Australian production companies that directly employs and contracts between 150-500 Australians each year depending on production slate and cycle.

We produce Australian and International content in, Feature Film, TV Drama, Factual, Lifestyle, Light Entertainment, Game Shows and Children's Entertainment.

Our executive team survived the decimation of our industry in the 90's when the Howard government abolished content quotas on advertising, and since then have worked hard to develop an innovative skills business that nurtures emerging talent, off and on screen in our industry, and supports experienced practitioners.

To fully appreciate why the retention of Australian content quotas across all genres of film and TV production. In particular, Children's content is critically important, you need to first understand who our practitioners are, and what their social and economic contribution to this country is. You see, this is in part a cultural argument, but primarily, and certainly for our business and our focus on building a sustainable business and industry, this is primarily a conversation about jobs and growth.

It is an opportunity for the government to choose to NOT decimate a skills based and culturally significant industry just to appease the self-serving arguments of commercial broadcasters who spend less than 6% of their budget on the production of quota qualifying Australian content. (refer to ACMA'S BROADCASTING FINANCIAL RESULTS FOR 2014 – 2015. [ACMA's Broadcasting Financial Results for 2014-15.](#))

Who Are We

Ostensibly we are creators, innovators, story tellers and skilled technicians. We share the values, skills, attributes and tenacity that this country's government are aiming for. Economic growth; in order to be competitive in a globalised economy.

We are a mix of leaders, thinkers and questioners. We are storytellers, observers and challengers. We are the custodians of images and Australian values that we reflect to the rest of the world today, but how we will be remembered and reflected on in years to come. We are the people that provide platforms that allow our unique community to be entertained, inspired and challenged.

We are all people who understand the value of teamwork. Not one single piece of content is created without a team. We are a collective of people, who on a daily basis, build something from nothing and deliver it to the world.

We are the spark that ignites the next generation and walk alongside the education industry to inspire the minds of our children the future guardians of our country and planet.

On mass, we represent values of teamwork, innovation, self-worth and compassion, values that should be respected in our culturally diverse country.

The programmes we produce enrich and expose our children to our culture and not the cultures of other nations. We must retain our identity and continue to embrace our own ideas, customs and social behaviour. We are an industry of great value to this country, and our contribution will remain long after we are gone.

Our Content

Our content provides knowledge, perspective, hope, reflection and most importantly, in this frantic and challenging world, an escape, an opportunity for respite, and a place to imagine one's own potential. That is entertainment and it is a core component of what all humans require to survive since the beginning of time. To be stimulated, engaged and entertained.

Australian content quotas are critical to our sustainability and employment. Without them the glut of American content will wash over our platforms and leave no space or incentive for broadcasters to seek out our stories. As commercial broadcasters are increasingly reliant on international output deals to provide volume content at low price point, the slots for Australian content are rapidly diminishing, which if not protected, will result in a loss of Australian jobs. Already the total spent on Australian drama, factual and children's content is less than 6% of the commercial broadcasters' budgets, compared with 20% spent on Overseas drama alone.

Changes to Australian content quotas would directly threaten 17,000 Australian jobs, and more than 50,000 jobs that rely on the ecosystem of a healthy production sector. These jobs are mostly sole traders and contractors, people who have invested in and relied on providing services to our industry. It would also directly impact on the new generation of employment for our industry of young Australian story tellers, who learn their skill on working on Australian independent productions. Significant innovative economic activity will be stopped in its tracks should content quotas be abolished.

There is no convincing argument raised to abolish content quota's that succinctly indicates how the benefits to the broadcasters could outweigh the social and economic cost to Australian tax payers, should Australian content quotas be abolished or reduced.

Direct response to the Australian and Children's Screen Content Review – Consultation Paper questions.

Overall we applaud the committee who contributed to the Australian and Children's Content Review consultation paper. We feel as a whole it has been prepared with a keen understanding of our industries value, challenges and objectives.

With our businesses core objective being: *To build a sustainable and ultimately thriving business that produces quality Australian content for local and international audiences. Providing Australian creatives and technicians employment in an industry that has growth and longevity and contributes to the economic growth of this country.*

We support in full SPA's submission in response to the consultation paper and the following outlines additional comments and considerations specific to our business.

Questions

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

We feel that the policy objectives reflect an understanding of the challenges our business faces with one additional key consideration.

Quality content cannot be produced without a foundation of stability, and that stability must come from regulation and a belief that what we do is good for our audiences.

Quality content takes significant time and money to develop and refine, and this cost is mostly borne by the principle creators, being the writers and producers, until they are developed enough to attract market place interest thus securing third party development investment. This means that frequently this critical embryonic work is done unpaid, that is part of the risk verse gain aspect of our industry. We have to back ourselves, our ideas and our colleagues for some time, self funded. We can only do this if our businesses have healthy production cycles servicing a demand for content. A cut or reduction in quotas would make it near impossible to sustain the early embryonic stage of development.

Our recommendation is that the core policy objectives be amended to include the requirement for volume along side quality.

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

We unequivocally confirm that without government intervention the only content that will be produced in Australia will be news, sport and Australian versions of internationally created reality and entertainment programs. Very few Australian dramas will be produced, and no documentary or children's content will be produced. Without quotas and regulation, the commercial broadcasters would not produce children's content as they will acquire it for free from toy manufacturers, as is already present in the current model, or pay very low acquisition fees for international content.

The evidence of this is reflected in the current schedules and spend already present in the market place. The majority of commercial broadcast hours and expenditure is shared across News, Sport, International content and Australian versions of international formats. Less than 10% of total broadcast hours and budget is spent on first run Australian Drama, Documentaries and Children's content.

This will result in the decimation of our industry and threaten more than 17,000 direct jobs within our industry. It will disrupt the security and growth potential of more than 50,000 jobs and stifle the ability of our next generation of young Australian story tellers to emerge.

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

The types of content that are currently supported should continue to be supported: Australian feature films, Drama, Documentary and Children's content. This support should be structured to enhance the generation, retention and exploitation of intellectual property in Australian content here and abroad. Content quota regulations need to remain and be expanded to include the ABC, SBS and new digital platforms. The argument raised by commercial broadcasters that the National Broadcaster should provide the 'Australian Cultural Content' is unsustainable and unviable given the ABC continue to receive budget cuts. .

Our recommendation is that content quotas for commercial broadcasters remain at current levels and quotas are placed on the ABC, SBS and digital streamers in this territory.

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?

The combination of these incentives, support and regulations are no longer working harmoniously in the current marketplace. A version of all these support mechanisms needs to remain.

Content Quotas:

Content quotas are critical to the existence of the employment of 17,000 industry practitioners, therefore they are positive and need to remain. They would be more effective in generating a sustainable industry if there were suitable minimum licence fees attached to those quotas, matching those set by Screen Australia. The lack of a minimum licence fee to date, has ultimately led to the strain and erosion of our industry. Furthermore, there is no requirement for the broadcasters to promote or market Australian content, specifically children's content, so it is intentionally buried in their schedules and not promoted, with commercial broadcaster's stating when challenged on this point 'we treat children's content like a tax, thus avoid it and ignore it.'

Tax Incentives:

The tax incentives are critical and all in all the 40% offset on Feature Film is working well. The global expectation for 'feature film quality drama' means the 20% offset for TV is inadequate and should be increased.

Government Production Investment:

The minimum licence fee required to trigger Screen Australia production investment for children's drama, is completely unachievable unless you are one of the three series commissioned each year from the ABC that pay that minimum licence. The commercial broadcasters have not, and will not, increase their licence fees which has resulted in producers having to give away equity to finance their productions. Thus contributing to the unsustainable business model. The argument to not reduce the threshold because the licence fees will drop further, is valid, but clearly no one is accessing those funds now, so this needs to be reviewed. If the quotas had a matching minimum licence fee attached, this would rectify this weakness as it applies to children's drama. This would be a positive change to content regulation.

Our recommendations are to retain current quotas, expand them across all platforms operating in the territory and attach a minimum licence fee matching Screen Australia's requirements to the quotas. Retain the producer's offset of 40% for feature film. Increase the producers offset for TV to at least 30% but preferably 40%. Remove caps on number of episodes.

5) What types and level of Australian Government support or regulation are appropriate for the different types of content and why?

For children's content the quotas need to be retained or no children's content will be made.

Minimum licence fees should be regulated matching Screen Australia's requirement (especially if there is any kind of reduction to quotas).

It would be easier for producers to secure International finance on Children's series if there was more flexibility around the Australian content tests, and also ACMA's CTS criteria. In some cases this would help us produce children's content with less government investment/support.

The threshold that triggers a Drama or Factual series qualifying for the producers offset should be reduced or taken away entirely, for example, preschool content is a great export for Australian producers, but the per episode budgets are very low and would never qualify for producer offset. An adjustment to this would see more Australian preschool content sold internationally, that can result in a healthy production sector, with better opportunity to attract private equity, as strong international sales opportunities and Licensing & Merchandising revenue streams for all investors.

6. What factors constrain or encourage access by Australians and international audiences to Australian content? What evidence supports your answer?

We fully support SPA's extensive response to this question. We agree it is wrong to query the local or international audience response to Australian content in isolation to the constraints on the Australian production industry, which SPA has outlined clearly in their response.

Our addition to this is specific to the promotion or should I say burying of Australian Children's content. The audiences are unaware of where to access the content because it is not promoted. We have a Children's drama series, created and shot here in Australia that is co-produced with an international partner. In the overseas territory, they are running the series on the secondary channel in a primetime slot for children, and then a repeat broadcast on their main channel in a family weekend prime time slot. The broadcaster is funding TV, Radio and Press advertising, Promos and Marketing and Cross promotion on their prime time late shows. Our local broadcaster is unable to prioritise the series at this level.

During the 80's and early 90's, children's TV was scheduled in appropriate slots (when children are home from school to view it). Children's programs were given Marketing and PR budgets cross-promoted across the network and valued. As a result they were lucrative and profitable to the broadcasters and producers.

The collapse of this model that was working for the industry, was the restriction on junk food advertising. This is now irrelevant given the audience see junk food advertising unregulated on YouTube where they are frequently consuming their content.

The second impact was post 9/11 when broadcasters realised they could run news almost continuously and still sell advertising, so children's content got pushed aside. There is a balance

for broadcasters to return to scheduling Children's content adequately, also, investing in promotion of Children's content, which would be commercially successful for them in a continuing regulated environment.

7. What would the Government need to consider in transitioning to new policy settings?

It is critical that any changes have a window of rigorous industry consultation regarding the implementation time line.

Increases to tax credits and rebates should be made effective immediately as it will kick start production growth.

Any reductions or adjustments to quotas, funding, or incentives, should have a window of 3 years before implementation. We work on average 1.5 to 3 years ahead, and any sudden negative changes would cripple and devastate our businesses without enough lead-time for planning and redirection.

8. Is there anything else that you would like the Government to consider that has not been addressed in your responses already?

To save the commercial broadcasters a maximum of 6% of their budget, we are debating and reviewing the validity of regulations that guarantee the growth and sustainability of 17,000 direct jobs, and more than 50,000 supporting jobs that rely on the eco system of the Australian production industry to survive.

Multiple territories around the world that have regulation have profitable business models related to the production of local content. Ambience prides itself on being a solutions based business, where we consider the challenges of our partners along side the opportunities and desires of our audience. What we would like to see is a solutions focused discussion with the commercial broadcasters where our collective entrepreneurial minds look at ways that we can generate revenue streams and make profits from children's content.

Canada, France, and much of Asia, Europe and the USA have revenue models that we can learn from here. With positive adjustments to regulations, thresholds and advertising restrictions we can all ensure an ongoing viable local content industry in Australia.

There are committed executives within the commercial broadcasters who believe in Australian content and specifically Australian Children's content, and see the commercial opportunities, but they are small voices and their corporations are lobbying for a different outcome for their own commercial reasons, which if supported by the government and the industry becomes 100% deregulated, will see the sudden demise of the majority of Australian Screen Content and the closure of many independent Australian production companies.

This document prepared by Ambience Entertainment has the endorsement and support of more than 500 colleagues and employees who have worked with us over the passed 7 years. Their views, concerns and ideas are represented in our response.

They are talented and professional contributors to our industry, and our Australian economy and they're jobs should be protected.