Submission to the House Standing Committee on Communication and the Arts
Inquiry into the Australian film and television industry

April 2017

The Media, Entertainment & Arts Alliance (MEAA) is the largest and most established union and industry advocate for Australia's creative professionals. Its membership includes journalists, artists, photographers, performers, producers, ballet dancers, symphony orchestra members and musicians, venue and event workers, sportspersons and officials, together with film, television and performing arts technicians. We have a diverse and vibrant membership across all spheres of creative endeavour in Australia.

This submission reflects the views of MEAA's Equity and Entertainment, Crew and Sport sections, in particular.

Key Comments and Recommendations in this Submission

Government Leadership

- Government should anchor the film and television industries through offsets, direct funding assistance to bodies like Screen Australia and regulatory requirements, including Australian content requirements.

- MEAA's members look to the body politic to represent the interests of the film and TV sector, to challenge the misplaced belief that artistic endeavours lack 'value' when measured against other areas of government spending. Governments should create a tone that encourages artistic endeavour, including in ways that some consider outside mainstream tastes.

- MEAA's members don't seek a government that controls film and television. They view government as setting fair and equal policy settings that keep pace with technological and industrial changes.

Producer and Location Offsets

- Our members strongly support a standardised 40% Production Offset rebate across film and television productions.

- Production and Location Offset rebate payments should be acquitted after certification that a production has adhered to specific work safety and remuneration conditions.

- For the Location Offset, MEAA supports increasing the offset to 30%.

- Strong consideration must be given to allowing recipients of Producer or Location offsets to also have access to the PDV offset.

Screen Australia

- Restore Screen Australia's funding to 2013-14 levels – at least $100 million per annum

Protect Artistic Rights

- MEAA oppose further safe harbour protections for internet search engines and other content carriers, absent some commitment to protect and assist in Australian content production

Australian Content

- Existing Australian television content rules must remain in force and be extended to new market SVOD entrants such as Netflix, Amazon and Stan.

- SVOD providers should be required to invest a proportion of Australian revenues into local content production.

- An Australian Content Fund would be managed by a statutory body and have a primary objective of increasing Australian live action drama productions.

- ❖ Further spectrum licence fee reductions should be tied to increased investment in local television content – i.e. the greater the contribution to Australian content, the greater the licence fee relief.

- ❖ Children's Australian Live Action drama quota to be maintained for commercial broadcasters and similar quota hours enforced across linear and non-linear providers of scale.

- ❖ A study should be commissioned to determine whether separate caps are required for children's animation and conventional children's live action drama as a means of preserving live action children's drama as a total proportion of Australian content obligations.

- ❖ MEAA support amending the charters of the ABC and SBS to specify delivery of quality Australian drama, including children's drama, each year (at varying proportions due to the respective differences in charter obligations) and compel those organisations to report on investment and production outcomes each year through their annual reports.

- ❖ Consider according Reality television less weight in terms of Australian content points and hours than other production formats.

Platform Neutrality

- ❖ MEAA reject piece-meal reforms to media regulation such as those now being pursued by the federal government – abolishing the reach and two-out-of-three rules. Comprehensive system changes are required to ensure a level playing field for all media/technology organisations.

- ❖ Further consideration should be given to the Convergence Review's (2012) recommendation to establish a Converged Content Fund, to be funded by a percentage of total revenues from 'eligible content service enterprises invested in Australian dramas, documentaries and children's programs'.

MEAA's Submission

"The film and television industry matters because it projects our unique identity to both local and international audiences. It is through our stories and the debate promoted by them that we continue to redefine what it is to be Australian."

Sigrid Thornton, actor and producer

"If we don't build a strong cultural identity by telling Australian stories on Australian media we will lose all but a trace of our national identity. There is no line in a budget or value that can be put on 'identity' so no-one in power will be interested."

Paulo Reddin, grip and special effects

The Australian film and television industry is valued at more than $3 billion per annum. It is an innovative and hard-working sector that delivers quality domestic and international productions each year.

Our industry depends not only on dedication to craft, encouragement of story-tellers and willing investors; it also depends on governments and regulators that value the industry and are prepared to assume a guardianship role for its overall success.

Over recent decades, our industry has witnessed government activism and government neglect, often as a result of reluctance to be associated with a sector that is incorrectly viewed as having a marginal role in terms of economic and social capital.

MEAA's view is that our industry delivers untold tangible and intangible benefits. It not only employs tens of thousands of highly trained employees; it is also an industry that informs the Australian identity in a way that no other sector can.

Our members believe that Government needs to work with the film and TV industry because:

- 30,000 (plus) jobs depend on a viable film and TV sector
- the Australian community expects quality productions
- film and TV have a critical role in reflecting our society
- an evolving nation should have its stories told and renewed
- the way we view content is rapidly changing
- our regulatory structures are out of date and don't deal with new content providers
- the organisations historically responsible for funding story-telling face financial pressure

What Our Members Told Us
MEAA sought feedback from its members and others during February and March 2017 on what works in our film and TV industry and what needs improvement. We received over 100 considered survey responses – from household names to those struggling to break into the industry in a sustainable way.

The dominant feedback from our members was:

1. wages and conditions must be improved to retain our talent and stop the steady relocation of our film – especially our human capital - to overseas or leaving the industry entirely
2. the sheer unpredictability of work is economically and often psychologically harmful
3. Australian content rules must not only be continued but extended to new providers
4. our creative professionals and the industries they work in must be openly valued, including through renewed political leadership
5. our film and TV funding mechanisms must be internationally competitive
6. Australian stories must pay greater attention to our nation's diversity and differences[2]
7. Film and TV producers, whether based in Australia or overseas, must adhere to legal pay and workplace safety requirements

The Role of Government
Government should anchor the film and television industries through offsets, direct funding assistance to bodies like Screen Australia and regulatory requirements, including Australian content requirements. Without these, there would be no coherent structure and dependability for this multi-billion industry.

MEAA's members look to the body politic to represent the interests of the film and TV sector, to challenge the misplaced belief that artistic endeavours lack 'value' when measured against other areas of government spending and to work with undiscovered and established actors and production professionals to keep what works and develop what will.

> *"There are always hints that our political classes would prefer not to have any entertainment/arts culture that is not run by commercial interests for the lowest common denominator audience. How dull would that be? Just about every other Western country recognises that a vibrant film and TV culture keeps the general culture on its toes and all try to find effective ways to underwrite that culture which cannot otherwise survive without some form of patronage - and since the renaissance, never has!"*

Neil Robinson, production management for animation projects

[2] see Equity Diversity Committee's separate submission

Consequently it is the role of Government to manage and adapt the policy framework to suit emerging opportunities and risks. Among the major risks to the industry's health are:

- decentralised (and often unlawful) provision of content through the internet;
- managing Australian content laws through a 1990's 'analogue' regulatory system
- the patchwork of offsets and funding programs
- Piece-meal media reform and the absence of platform neutrality as a regulatory principle for all media companies;

MEAA's members don't seek a government that controls film and television. They view **government as setting fair and equal policy settings that keep pace with technological and industrial changes**. It is equally important to our members that governments create a tone that encourages artistic endeavor, including in ways that some consider outside mainstream tastes. We are presently far from certain that either is being achieved.

Scope of Industry - Screen Currency Findings 2016[4]

The most recent analysis of the film and TV sector's economic footprint was commissioned by Screen Australia. Its *Screen Currency – Valuing our screen industry* report revealed that:

- The GDP contribution of the sector in 2014-15 was $3.072 billion, which sustained just over 25,000 jobs;
- Film and TV content under Australian creative control totaled $2.6 billion and accounted for 20,000 jobs; and
- Exported content was valued at over $250 million.[5]

There is debate and competing analyses concerning whether the Australian screen sector is growing, stable or contracting. For example, a report by Deloitte in 2015 found that the contribution of the Australian film and television industry made to the Australian economy fell by $800 million between 2009 and 2013, from $6.6 billion to $5.8 billion in 2012-13, with a commensurate 12% decline in employment.[6]

MEAA's perception is that the industry is currently in a stable, but precarious condition, at best.

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[4] MEAA note that there are variations in calculating the value of the Australian screen industry. For example, the Motion Picture Association's report, Economic Contribution of the Film and Television Industry, prepared by Deloitte in 2014, stated that in 2012-13, it was estimated that the film and television production sector directly contributed $5.8 billion to Australian GDP and about 46,600 FTE jobs. This data was itself based on estimates provided by Access Economics.

[5] *Screen Currency* 2016 key findings

[6] Differing methodologies were used by Deloitte and in the Screen Currency Report, with Deloitte calculating indirect as well as direct financial contributions.

On the matter of audience support for local product, the Screen Currency survey found:

- 98 per cent said they watched Australian content;
- 64 per cent reported that Australian content accounts for up to half of their viewing;[7] and
- 76 per cent of survey respondents believed in Government support for the screen sector.

It should seem axiomatic that, as Screen Australia has observed, that '**well-told Australian stories are vital to our local cultural identity and our place in the world**.'[8]

What we now see however, especially in the television sector, is a growing chorus of deregulatory fervor by commercial broadcasters, who pay substantial spectrum licence fees and abide by Australian content rules, in an environment where their digital and non-linear competitors do not.

The federal government appears to have no appetite for comprehensively reforming our media laws to achieve regulatory equality between long-standing television broadcasters and companies like Netflix, Stan, much less ensuring that companies like Google and Facebook make transparent efforts to respect copyright and content that MEAA members and others rely for their income.

MEAA's grave concern is that **a legislative vacuum will see a reduction in critical regulations and rules for all media companies. If this occurs, content rules and operating fees will go asunder and with it, much of our vital film and television industry**.

This will further imperil thousands of actors and crew professionals and drive them out of an industry that they already see as being under-valued by the governing class.

Nature of work

When it comes to suffering for one's art, MEAA members are exemplars. Work on Australian television and film is usually precarious.

For performers, great success on screen and the likelihood of ongoing work is a rarity. While many film and TV practitioners aim for the heights of their profession in terms of remuneration and accolades, there is a ready wariness that only a small percentage will make it there. This does not quell their commitment to their profession of choice. The result however is that there is a surfeit of available actors to work on productions at any one time – **more than 85 percent of actors are not employed in their chosen profession at any given moment.**

By necessity, professional performers often hold some form of 'day job' to keep them afloat while making themselves available for acting work.

[7] *Screen Currency* 2016 key findings
[8] Screen Australia 2015-16 annual report, page 60

"Our unemployment rate for actors is over 90%. The challenge is to keep the best cast, crews and creatives here. When production is quiet here, we are more likely to up stumps. Protecting our industry is about more than jobs. It is a crucial part of our cultural identity. In an age of streaming, social media and international news content, it is more important than ever that our unique voices be heard and championed."

Kat Stewart, actor

When they do work, it is predominantly short-term, casual, or project based.

On an Australian feature film, it is rare for more than four actors (and often as few as two) to be engaged for the duration of the shooting schedule of between six and eight weeks. An actor with a substantial supporting role may have only five days' work, often spread throughout the shoot. Actors in minor roles may have as little as one day's work on a production. Actors must keep themselves available, night and day, for the particular days of engagement even if these days are spread over the shoot.

Similarly, work in television drama series and serial programs is short term in nature. Programs are commissioned for one season only - traditionally 13 episodes - although increasingly less. MEAA has observed a clear trend towards shorter seasons and greater levels of uncertainty about season and character renewals, especially over the last five years.

According to the latest Screen Australia Drama Report, there wasn't a single mini-series last year made up of 13 hours. The average broadcast hours per mini-series has been steadily falling – from 8.8 hours to 7 hours over the last 5 years. As mini-series become more popular, long-form drama is in permanent decline. Other than two long-running series (*Home and Away* and *Neighbours*), for the first time in history, there were no series running over 20 hours. Most series on television are now half-hour comedy formats.[9]

Performers therefore face a constant challenge to balance their artistic practice, day job, availability for acting work, family demands, and finances. As a result, employers have access to a large number of skilled, experienced performers to choose from for each production.

For crew, it is a similar story, except that the dearth of hours on a particular job can often be replaced with an excess. **The standard working week for crew is a minimum contracted 50 hour week. On top of this, crew work unscheduled overtime – in extreme cases days in excess of 20 hours have been recorded, and on some productions crew may work weeks of 60 or 70 hours or more, with long stretches of consecutive days in order to meet deadlines**.

However, once a production is over, crew go back to waiting for the next job to come in, hoping that it will not be too long, but often not knowing what downwards pressures may be put on rates or working conditions in future.

[9] Screen Australia Drama Report 2015-16, page 13

While these periods of unemployment are a necessity for employers, allowing them access to a pool of skilled freelance labour to work on upcoming productions, for workers it adds up to a life of precarious finances and unpredictable demands.

Two groundbreaking studies into the financial and psychological strain facing the acting community were released in 2015: our Equity Foundation/Sydney University study[10] and the Entertainment Assist/VUT research project[11]. The findings are consistent although the VUT study surveyed not just performers but also crew and support workers (almost 3,000 respondents, the majority having worked in the industry for six to ten years).

Some of the key findings were:

- **35.3% of overall respondents earned less than $20,000 per year and 72.5% earned less than $60,000 per year;**
- The highest proportion of respondents earning less than $20,000 per annum was group 1, performing artists and music composers, at 51.1%;
- 27.4% worked on a freelance basis; 15.5% were self-employed; 13.5% were casual; 11.3% were contractors; while 12.8% of all respondents were employed on a full-time basis;
- **44% reported diagnosable levels of anxiety, compared to 3.7% amongst the general population;**
- 20.8% of crew report moderate to severe levels of depression (compared to 3% of the Australian population); and
- Over the preceding 12 months the number of respondents who had contemplated suicide was 6 times greater than the general population figures[12].

"A large amount of work as an actor, as is the case with a lot of other artists, is unpaid or paid in 'exposure'. A more steady industry in Australia with greater funding levels would allow more creatives to be paid for the work they do. I think it comes down to funding, and making sure that there's consistent local projects being produced by local people. A lot of us work for the love of it, but at the end of the day it's money that puts food on the table, and that's going to be essential to ensuring Australia maintains a strong industry."

Josh Bull, actor

[10] Ian Maxwell, Mark Seton, Marianna Szabo, *The Australian Actors' Wellbeing Study: A Preliminary Report,* Sydney University 2015

[11] Julie van den Eynde, Adrian Fisher, Christopher Sonn, *Working in the Australian Entertainment Industry*, Victoria University 2015.

[12] Entertainment Assist/VUT, *Working in the Entertainment Industry: Final Report June 2016 p.101.*

> *"Over a career which has been freelance with no job security – and gaps filled (where possible) with many different types of casual work to keep cash flow – we tend to end up with very little super and rely heavily on things like penalty rates to get us through till the next actual job. However most of the time we exist below the poverty line. It then becomes impossible to remain a contributing member of our economy when you spend a career chronically underpaid."*
>
> **Camilla Ah Kin, actor**

Irregular work patterns, coupled with evening, night and weekend work are commonplace. 41.3% of those surveyed work evenings and night and 30.2% work unpredictable hours - more than double the national average of shift workers.

This contributes to sleep disorders at up to seven times the community-wide rate. High rates of depression and anxiety were present for 30 to 40% of all respondents. The use of licit and illicit substances was also considerably higher than in other work sectors.

In addition, 57.3% of respondents across all survey groups strongly agreed that they had problems finding time for their families and two-thirds strongly agreed or agreed that they had trouble maintaining a social life.

It is hard to reconcile the notion of privileged cultural elite with these figures, yet still this is a favoured notion among some to denigrate our important industry.

Labour Costs in Film and Television

In our survey responses, **MEAA members expressed concern over the long-term suppression of wage increases**. Anecdotally, members tell of being offered work in the current environment at rates that are the same, or even sometimes lower, than they were paid a decade or more earlier.

The major reason for this is that production budgets that are allocated to payment of crew have been squeezed for various reasons, as demands of production have increased (by project, but not by hours), overall production budgets have stagnated. As noted above, workers in the industry often face unemployment as an alternative to working on a low rate. While individual negotiations occur, it cannot be denied that an individual worker is at a disadvantage in dealing with an potential employer who can draw from a large pool of available skilled workers and who may also be critical to obtaining future employment.

As a consequence, MEAA members are collectively campaigning for the industry to **'*Get Real on Rates*'**. We seek recognition of living wages and annual cost-of-living adjustments at an industry level. Crew professionals consider this issue among the most important in guaranteeing the sustainability of the industry.

The current pay and conditions that apply to performers and crew differ according to which of three tiers of arrangements apply. The minimum rates are set by the modern award; unregistered industry agreements that provide better than minimum rates (like quasi enterprise bargaining agreements), and market rates, which are higher rates again but which apply to well-known actors and crew working on properly funded productions.

There is a fourth type of arrangement which is unregulated and oppressive. These are the kind of underground arrangements where little or no pay is received (or is 'deferred') in return for 'experience' and/or 'exposure'. These arrangements have great benefits for the producers, who own the finished product, and for key creatives - who may use the production as a 'calling card' while pitching for future work. But given that the key challenges to sustainability for our members revolve around their own finances, we do not believe that these types of production are sustainable or desirable. **Relying on unpaid work to prop up production creates an illusion of a healthy industry, but can only lead to a collapse in the skills base and consequently in the capacity of the industry to create anything.**

> *"One of the biggest challenges is continuity of work. Quite often it is feast or famine which makes it hard to stay in the business with a family to support and with wages not having moved for many years. Awards need to be updated yearly not every decade. Wages need to tide people over for the lean times. There seems to be no bargaining position for most crew. Wages are usually offered on a take it or leave it basis with no recognition of the huge productivity gains made by crews over the last 15 years. Now we shoot more shots and more minutes per day than we ever have. Our crews are incredibly efficient but don't get the rewards they deserve . . . We can't have a race to the bottom as far as wages and conditions go that will drive people out of the industry. It's hard enough to make a decent living as it is."*

Chris Odgers, first assistant director on films, TV and TV commercials

Broadcasting and Recorded Entertainment Award (BREA)
For performers and for crew, the safety net minimum pay rates are set by the Broadcasting and Recorded Entertainment Award 2010.

The minimum rates of pay for crew in the BREA range from $17.70 per hour (which is the national minimum wage) to $29.82 per hour, which is for a Director of a feature film (Level 10 motion picture production employee).

Acting rates in the BREA range from about $27.00 per hour for bit players to between $30 - $40 per hour for actors in more prominent TV and feature film roles, noting however that actors are mainly engaged on daily or weekly contracts, not for longer terms.

Industry Agreements
Sitting above the modern award are several industry agreements, which provide for better hourly, weekly and episodic rates than the modern award. These industry agreements underpin the terms of common law contracts entered into by an employer and employee.

The comparative rates in the agreement covering TV and motion picture production crew range from $19.70 per hour to $36.00 per hour. There are no rivers of gold evident in these rates.

> *"Being in this industry is like being a gambler. You keep turning up and hoping you get a job. I have never had job security other than a contractually during specific jobs. If there are only so many shows being made it makes work very hard to come by."*
>
> **Damien Garvey, actor**

Other Entitlements

It is also important to note that enforcement of other employment entitlements, including superannuation, can be difficult for individual employees. Where conditions are disputed, the freelance nature of the industry acts as a brake on the desire to see that a deal is properly honoured. **Workers know that raising a dispute over unpaid superannuation, overtime, or allowances, may result in the employer refusing to hire them in future.**

> *"Over my time in the industry I have seen a steady decline in effective pay for crew (considering and compared to inflation/cost of living). This has made it much harder to survive the ups and downs of an at times volatile and mostly freelance industry. Production costs in most other areas have risen, but there has been continual pressure on crew pay to remain low. Simply staying afloat financially is at times a challenge, even for our most skilled and professional technicians and artisans. It is the people who work in the industry that are the most important asset . . . Too often the interests of the people who make up our industry seem to be made the lowest priority, to the detriment not only of those people, but of the whole industry."*
>
> **Gary Scott, camera department**

Film and TV funding

Film and TV funding is patch-work of private investment, commercial and public broadcasting co-productions and incentives to make Australian films or base productions in Australia.

The government's role in stewarding the film and TV industries through good and indifferent times is critical. However, **when MEAA asks its members whether they believe the federal government values the arts and our screen industries, they usually look askance**.

They see funding cuts and funding re-purposed away from bodies like Screen Australia, the Australia Council and the ABC. They see these actions as hostile and resulting from an under-valuation of their collective cultural and economic footprint.

Screen Australia's Drama report outlined the sources of revenue for **feature film** productions in 2015-16:

- Foreign investment: $68.8 million (33%), well down on the $112 million five year average
- Producer Offsets: $65 million (31%), up on 2014-15 but down on 2011-12 - 2013-14
- Direct Government funding: $32.4 million (16%), down on 2011-13, but up from 2013-2015
- Film/TV industry funding: $29.8 million (14%), down on the five-year average of $39.9 million
- Private investment: $11.4 million (5%), well down on 2013-14 and 2014-15
- State film and TV organisations: $14 million[14]

[14] Screen Australia Drama Report 2015-16, page 10

In feature films, Screen Australia noted for 2015-16 that, ‘as usual, the majority of Australian films were made for under $6 million, with the greatest concentration of films between $1 to $3 million.[15]

TV Production Funding

In contrast to print media, Australian television has shown greater resilience in weathering the perfect storm of the global financial crisis combined with new and unregulated content platforms and market dynamics that make up the current operating environment. But there are growing concerns about the medium to long term viability of this sub-sector.

The fracturing of the way content is now delivered, the diversion of hundreds of millions of advertising dollars each year to internet based providers and hostility toward fully funding public broadcasters has however delivered steady job losses within both the commercial and public television broadcasting sectors.

The most recent television production figures show that the 2015-16 Australian TV drama slate comprised 58 titles generating 561 hours and spending a record $376 million. This figure was comprised of:

- Producer Offset payments totaling $45.7 million[16], up from the previous two years.[17]
- the PDV offset, at $11.5 million
- Public broadcasters (ABC and SBS) with undefined expenditure levels
- Screen Australia: at $27 million)
- Foreign investors: at $92 million
- State funding bodies contributed $13 million.[18]

However the largest single source of funding was the industry itself, which paid $219 million for production across the 57 titles.[19] Free to air broadcasters funded the largest proportion of the $219 million.[20]

Offsets

The most prominent screen and TV funding programs are offsets, which are administered by Screen Australia and the federal government.

[15] Screen Australia Drama Report 2015-16, page 9
[16] A 2016 report by Venture Consulting for Free TV stated that commercial free to air TV spends over $1.5 billion per annum on Australian content, or about $6 in every $10 of spending on domestic content
[17] Screen Australia Drama Report 2015-16, page 11
[18] Screen Australia Drama Report 2015-16, page 15
[19] Screen Australia Drama Report 2015-16, page 15
[20] Screen Australia Drama Report 2015-16, page 15

“A more competitive tax incentive will encourage more productions to film in Australia. This will allow the training, and retention of skilled crew. Not only are more people employed, more money is spent with associated businesses, suppliers and services. In conjunction with a more competitive offset is a standard offshore template agreement. Currently each offshore production negotiates a new agreement, with crew working conditions the usual target. A standard agreement, accepted by all the major studios, would enable a production to confidently budget, and make repetitive bargaining of working conditions unnecessary.”

Adam Grace, prop and model manufacture

Producer offset

The Producer offset is a 40% rebate of eligible Australian expenditure for production of Australian feature films. The rebate is 20% for television productions.[21] This offset is subject to Australian content and Australian expenditure thresholds being satisfied.

For any eligible project, the offset is paid by the government to the production company through the company’s tax return after the project is completed.[22]

Screen Australia issued Producer Offset final certificates to 147 feature films, television drama programs, documentaries and other content in 2015/16, worth a total of $242 million. This was more than $100 million higher than the previous financial year. Altogether, production budgets for the 147 projects totaled $931 million.

Our members strongly support reform to have a standardised 40% rebate across production types. To maintain the current rebate differential would ignore the new reality in terms of the renewed role of television in producing quality content.

MEAA also supports linking rebate payments to a production’s adherence to specific work safety and remuneration conditions.

Location Offset

The Location Offset is a 16.5% offset on qualifying Australian production expenditure (QAPE) for film and television projects filmed in Australia with a minimum spend of over $15 million or $1 million per hour on television. It does not depend on Australian content per se.

The location offset is vitally important to attract investment for productions that do not tell Australian stories. It is a key means of attracting international producers (from medium to large-scale) to base their projects in a country with a large talented workforce of acting and technical professionals.

The central problem with this offset is that it has moved incrementally over the years, increasing to 15% in 2007 and then by a further 1.5% in 2011. The Location Offset is now not internationally competitive. Its expenditure threshold also means that smaller competent productions cannot receive it. The Government has recognised this in practice. In fact, the government has provided an ad hoc increase to 30% for to all but very few qualifying Location Offset films since 2011.

16 Administered by Screen Australia.
[22] Screen Australia website, March 2017

The central problem with this offset is that it has moved incrementally over the years, increasing to 15% in 2007 and then by a further 1.5% in 2011. The Location Offset is now not internationally competitive. The Government appears to have recognised this in practice. In fact, the government has provided an ad hoc increase to 30% for to all but very few qualifying Location Offset films since 2011.

However, the ad-hoc nature of these increases means that producers are unable to plan an Australian-based production or series of productions with any certainty. The result is not only that Australia may 'miss out' on productions in the short-term, but that we are also a less attractive location for long-term investment.
MEAA therefore supports formalising the ad hoc arrangements to increase the offset to 30%. This will result in greater investment in our industry and increase its sustainability.

As with the Producer Offset, MEAA is attracted to offset recipients being bound to observe satisfactory industry employment standards as a condition of receiving rebates.

In promoting these reforms, MEAA is mindful that some additional public expenditure will be required, particularly for the Producer Offset.[23]

In this respect, we note that the Parliamentary Budget Office prepared costings for the Australian Greens in June 2016, which projected the fiscal costs (but not the economic benefits) of equalizing the 40% Producer offset for film and television and increasing the Location Offset from 16.5% to 30%. It seems that some further inquiry is necessary to determine not only the costs, but the economic and cultural benefits that would accrue from equalizing and raising the respective offset levels.

The budget office estimated additional annual outlays of $35 million per annum to $55 million per annum over the forward estimates for the Producer Offset.

“Like it or not, we are directly competing for film work on a global market. Incentives offered by the government for overseas productions to film here are directly affecting the amount of work available for thousands of Australians. All countries in the world that are actively supporting their Film and Arts industries are making sure they do the best they can to encourage, support and develop the screen industry and its flow on effects into the technical, cultural and creative realms. Australia must do its best in this arena too or risk falling behind and eventually missing out completely on this extremely culturally valuable industry.”

Arthur Spink, special effects workshop supervisor

“As we are a relatively small population we need to have assistance to make sure our local content is at least on par with imported content. We need a federal government (and state governments) interested and engaged on all levels and not just financially, working with funding bodies and private investors. We need to have the ability to fund our writers properly so that their work can be brought its fulfillment. I've felt that when people usually don't get paid until filming starts scripts tend to be rushed and quite often never reach their full potential.”

Mark Lee, actor, director, writer

[23] Noting the government’s regular practice of supporting 30% Location Offsets

MEAA's final comment concerning offset arrangements- Producer, Location and Post, Digital, Visual Effects (PDV) - is that **strong consideration must be given to allowing recipients of Producer or Location offsets to also have access to the PDV offset**. Our concern is that work is lost to Australian employees when projects seek to have their post-production work done outside Australia after they have completed filming here. The ability to access two forms of offset/rebate would aid project continuity – i.e. a complete 'one-stop shop - and local employment.

Screen Australia

An additional pressure faced by our film and television community has been the removal of $50 million in funding from Screen Australia since 2014. This organisation now has fewer than 100 employees, compared to about 190 in 2008.

Funding has been cut from production investment, programs have been consolidated and the number of funding rounds for individual programs reduced.

Screen Australia chose its words carefully in its 2015-16 annual report when it commented that:

> *"While audiences now demand ubiquity of access [to content], many of the new platforms play a very small role in commissioning Australian content.* ***In this context, Government funding becomes even more vital, particularly to support more vulnerable, higher risk content, including some of our most culturally important film and television****."*[24] *Our emphasis*

Although Screen Australia's annual report stated that a valuable $71.5 million in project funding was provided across features, TV, online and documentary productions in 2015-16, the fact that the funding envelope has been reduced does not tell the whole story.

The other aspect is the message such cuts send to the sector and to the Australian community about what government values and what it does not. Over three years, MEAA has borne witness to indifference, incompetence and cowardice when it comes to administering some of our most valuable cultural assets.

This kind of devaluation suffered by Screen Australia erodes the capacity for such an organisation to innovate and support our industries.

MEAA calls for funding to Screen Australia to be restored to 2013-14 levels.

Small Grants

Beyond the so-called 'major' funding sources, MEAA's members strongly believe that consideration should be given to improving the quantum of funds available to smaller scale productions.

[24] Screen Australia 2015-16 annual report, page 60

We note that Screen Australia distributed $2 million in Producer Equity payments for 35 projects in the 2015-16 financial year. We further acknowledge the Hotshots program,[25] *Wildcard pitch*[26] and the indigenous funding programs ($6 million in 2015-16) run by Screen Australia.

MEAA strongly supports greater provision being made for funding to be provided to talented story-tellers who are not aligned with a significant production company or who are able to satisfy spending thresholds.

None of these beneficial programs can improve their scope without additional government assistance.

Google/Facebook
MEAA's members also have significant reservations about how content distribution platforms – as opposed to content creators - provide content to their audiences.

There are two aspects to our members' concerns. The first is the facilitation of pirated (or unauthorized) content to consumers through internet sites. The second is the monetization of content for performers and crew who upload their work onto the internet.

With immense revenues of about AUD $5bn per annum (and growing), Google and Facebook are dominant conduits for transmitting content to Australian consumers. Their revenues and consumer reach are however well-ahead of their efforts to ensure that content they willingly monetise through ad placements is aired in a manner that respects copyright and the investment that went into its development and production.

On dealing with unauthorized access and use of copyrighted work, the technology commentator David Casellas noted that this issue is not Google's problem alone; he says, in fact many search engines are under pressure to prevent results which link to third party sites such as those fostering illegal TV and movie streaming. 'But with more than 3.5 billion searches made each day on Google Search, it is the most widely used search engine in the world so many feel it should be leading the way and doing more to prevent piracy.'[27]

Casellas noted that **in 2014 Google received 345 million takedown requests, yet in 2015 this figure increased to 558 million takedown requests against allegedly unauthorized use of content**.[28] Whether Google and its search engine rivals are sufficiently grasping the piracy issue is debatable, but the figures are staggering.

[25] The *Hot Shots Plus* short fiction film program provides up to $70,000 for live action productions, $40,000 for post-production and up to $50,000 for long-form development costs. Eligibility requirements include holding rights to the script and all other underlying rights.
[26] The Wildcard pitch invites 3 minute 'pitches' for fiction feature projects or online and interactive drama series in any genre.
[27] *Does Google do enough to fight piracy?*, David Casellas, 29 November 2016
[28] Ibid.

We do understand that there is a value exchange between creator and web engine provider in terms of audience exposure, but there is an evident and severe inequality between content creator and the content carrier/provider.

In addition to an absence of Australian content regulation, these (and like) companies are presently seeking additional 'safe harbour' protections in the event they enable pirated product.

The rapid growth of these companies has enabled the upload and distribution of new viewing content on a low-cost basis in terms of outlays, but the returns for content creators are slim compared to the ad revenues gained by entities like YouTube. There are also abundant risks that copyright will be effectively surrendered or lost once content is uploaded.

Further delay in requiring fair conduct by search engines and internet service providers will simply mean that long-standing regulated content providers and rights holders have one or both hands tied behind their back.

Ultimately, our members believe that community and government views that companies like Google are essentially benign, if not altruistic, are misleading. Unless addressed, a billion further damaging algorithms will bloom and with it, an escalation of what Professor Julieann Schultz has labelled 'a massive redistribution of wealth from the cultural sector to the technology sector'.[29]

Australian Content

Commercial television broadcasters are obliged to observe Australian content rules. These rules have underpinned television production and the development of new live drama.

Content standards are commonplace in economies of scale. Canada, France, Spain, Sweden and a range of Asian nations enforce content rules. The policy rationale is that content requirements are a quid pro quo for broadcasters enjoying the right to transmit their content to consumers.

Australia's content rules have also been essential in providing the Australian community with what it wants: quality Australian stories. But as the financial pressure on spectrum broadcasters escalates, MEAA fear there will be increasing calls not only for (spectrum) licence fee relief, but for a watering down of all content rules. This would be disastrous for the local industry and the audiences they serve.

MEAA's members are united in their view that Australian content rules must remain in force to ensure our industry stays afloat. They are also keenly aware that as the regulated television broadcasting sector faces increasing competition from SVOD and other (largely) unregulated content providers, these new players should be compelled to play by the same set of rules.

The key Australian content standard requires commercial free to air television licensees to broadcast an annual minimum transmission quota of 55 per cent Australian programming between 6am and midnight on their main channel. There are other sub-quotas that apply for first-run Australian drama (a

[29] '*Australia should follow Europe against US digital giants*', Michael Bodey, *The Australian*, 3 May 2016

score of 250 points per annum), documentary (20 hours per annum) and children's programs – see below. Free to air providers are also required to air 1460 hours of Australian content per annum on their multi-channels.

Subscription television (ie Pay TV) drama channels are also regulated by a compulsory standard requiring expenditure on minimum amounts of Australian drama programs. Subscription television drama channels, and drama channel package providers, are required to invest at least 10 per cent of their total program expenditure on new Australian drama.

Public broadcasters such as the ABC and SBS are not subject to ACMA's Australian content requirements, but are bound by their respective charters. A direct consequence of this is that it is very difficult to identify how much Australian dramatic content is produced by these organisations each year.

Current Content Adherence

Free TV says that "Despite the difficult market conditions that the industry faces, our commitment to producing Australian content has remained steadfast - spend on Australian content accounts for a massive 78% of Free TV broadcasters' total expenditure."[31] It should be noted that this content includes news and current affairs, reality television and broadcast of Australian sport. There are considerable cost differentials across these such categories.

The ACMA statistics for content compliance reveal the following in the period 2006 to 2015:

- Commercial broadcasters are easily satisfying the 55% Australian content quota, with Seven at 69.77%, Nine at 71.63% and Ten at 63.28% for 2015 (rarely do the figures fall below 60% over the nine year period)
- First-release Australian drama – with a minimum score of 250 points required – has been met each year, with Seven leading the way in 2015 with a score of 311.10 (165.88 hours)
- First release Australian children's drama requirements are barely met, with Seven producing 26.5 hours, Nine producing 32 hours and Ten producing 26.5 hours during 2015
- First release Australian children's program requirements – at 130 hours per year – are met virtually to the minute, while repeats of these programs exceed the 8 hour requirement by a factor of 6 (Nine Network) and by a factor of 9 (at Seven).

[31] Free TV Media statement, *FREE TV THE LARGEST INVESTOR IN AUSTRALIAN MADE CONTENT … AGAIN*, 3 November 2016

– First release Australian documentary requirements appear to have been satisfied, but with the Nine Network recording bare compliance with the 20 hour requirement for the 2012 to 2015 period.[32]

Australian commercial broadcasters are also entitled to count New Zealand content towards Australian content requirements. In 2015, Seven aired 313 hours of NZ content; Nine aired 67 hours, while Ten aired 27 hours. Over time, Seven and Nine appear to have the highest levels of NZ content usage.

ACMA reported in 2013 that 51% of the Nine Network's Australian content was from New Zealand, while Ten and Nine screened 4% and 7% respectively.[33]

Among subscription TV providers, Foxtel is known to have high levels of recurring expenditure on Australian content. Foxtel has committed to tripling its investment in Australian content in the three years to 2018 (excluding sport).[34]

PwC has remarked that that the subscription television sector broadcast 242,000 hours of Australian content in 2015-16, including 60,000 hours of premiere content,[35] although these figure include broadcast hours for sport and other programs across a significant number of channels.

The ABC's Australian content production performance is difficult to quantify. Notwithstanding the quality of ABC productions, MEAA believe that more detailed reporting of the ABC's efforts to produce and screen Australian content should occur through its annual reports.

We note however the corporation's development of an ABC *Australian Content Plan* in 2015, which aimed to increase first-run local content to 1300 hours per year and the ongoing political and funding challenges faced by the ABC.

SBS's website currently advises that in 2008/09 SBS broadcast 434 hours of SBS-commissioned Australian comedy, drama, documentary and entertainment programs, of which 143 hours were first run programs. In the same period SBS commissioned 209 hours of Australian comedy, drama, documentary and entertainment programs for production and development.[37] (More recent data was not available on the SBS website.)

More recent representations of SBS's Australian content are general in content, with hours of local content replaced by program titles, including an array of reality television offerings. MEAA does however acknowledge the most recent SBS annual report's observation that the development of

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[32] All statistics in *Comparison of Compliance Results – Metropolitan Commercial Television Networks, 2006-2015*, ACMA
[33] *Commercial TV licensees met Australian content quotas in 2013*, ACMA, 2013.
[34] *PWC Outlook Media and Entertainment 2016-2020*
[35] *'Subscription TV boosts local production investment to $893 million'*, Arvind Hickman, *AdNews*, 5 September 2016.
[37] SBS website, FAQs Production, as at March 2017

Australia's Indigenous production sector remained a priority for NITV, with three-quarters of the annual budget invested into Indigenous-produced content.[38]

Given the lack of clarity in how much Australian content is produced by the public broadcasters each year and how much is invested, MEAA support amending the charters of the ABC and SBS to specify delivery of quality Australian drama each year (at varying proportions due to the respective differences in charter obligations) and compel those organisations to report on investment and production outcomes each year through their annual reports.

Content Rules Need Urgent Reform

MEAA strongly support these standards but have growing reservations about how they are satisfied.

An ABS report from 2013 revealed news and current affairs production rise from $412 million to $509 million over the five years to 2013, together with a 'huge jump in light entertainment, quiz and panel programs' from $381 million to $555 million.[39]

The ABS study also found that news programs account for almost half of all locally-made television content in Australia (36,000 out of 80,000 hours).[40] Reality television is now rising by share of production and television hours and domestic children's television production is a marginal industry at best. (Children's content is discussed in more detail below.)

> *"The biggest challenges working in this sector have to do with opportunity. Little content means there are less roles and less opportunities for work. This becomes a bigger challenge as you age. By Australian content I mean drama and comedy, I do not mean Australian Reality Television which of course is cheaper to make. This presents its own challenges as reality TV requires less skilled actors and therefore further shrinks the pool of jobs for actors in Australian film and television."*

John Wood, actor

MEAA offers no judgment on reality television in terms of audience tastes. We simply point out, however, that the shift towards this format generally incurs lower production costs.[41] Reality TV also displaces acting opportunities in what are likely to be significant numbers.

In this respect, we note comments that reality television has 'all but wiped from the broadcast entertainment platform, one of the oldest occupations in history, the working actor.'[42]

> *"Right now we don't have a strong film and TV industry. Reality TV has decimated the industry, and is killing off the opportunities for creatives across the board, which will result in a talent drain further down the track. Local content legislation needs to be adjusted to include caps on reality TV programming by free to air stations. Online streaming services also need to be included in local content legislation."*

Danielle Butlin, actor

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[38] SBS annual report 2015-16, page 27

[39] *Australian film and TV production growth defies economic climate*, ABC PM program, 18 June 2013.

[40] *Majority of locally made Australian television content is news: ABS*, ABC News Online, 13 June 2013

[41] Steve Allen, media analyst, remarked 'cheap to make and almost always guaranteed to be a crowd-pleaser, it was little-wonder programmers wanted to make reality series. In: *Rip-off reality shows killing Australian TV ratings*, S. Duck and C. Vickery, Sunday Herald Sun, 8 August 2015

[42] *How Reality TV killed creativity in television*, Carla Rocavert, The Conversation, 11 March 2015

We further note with alarm that the Writers Guild of America estimated US$40 million a year (in 2014-15) in worker exploitation and unpaid wages. MEAA has anecdotal information supporting such exploitation in the Australian reality TV industry, but we cannot quantify it in dollar terms.

In 2015, reality TV was said to account for about 1500 broadcast hours, leading to comments that:

> *'All three commercial networks are set to swamp us with wall to wall reality TV shows [in 2015] whether we like it or not.' Due to prime time broadcasting, 'anyone hankering for a good meaty drama or decent comedy on Seven, Nine or Ten will have to wait until at least 8.30pm and more probably 9pm, each night.'*
>
> *'Aussie networks love reality shows because they can integrate so much product placement, on top of advertisements in each episode.*[43]

The adherence to Australian content quotas has also been compromised by the ability to comply with content requirements through multi (non-primary) channels.

Screen Australia's 2011 *Convergence State of Play* report stated that the introduction of multi-channels 'has diluted the proportion of Australian content in overall broadcast hours. MEAA believe that reform is necessary to ensure that multi-channels do not become dumping grounds for quality product and that per channel content rules be established.

In 2017, we have content rules applying to commercial broadcasters, but not to new non-linear content providers. This is equivalent to imposing speed limits on horses but ignoring motor vehicles in times past.

It is therefore little wonder that commercial broadcasters talk of uneven regulatory requirements and the unfairness of them shouldering Australian content requirements. These concerns are legitimized to an extent by the fact that their share of advertising is in decline, with internet search engines and social media providers garnering an ever increasing share of the advertising pie.

PwC reported in its 2016-2020 Media and Entertainment Outlook that social media advertising in Australia has been growing by approximately 24 percent per year and ad spend is will continue to grow. **PwC estimated that internet advertising would grow from $6.8 billion in 2016 to over $10 billion in 2020** – growth of about 11% across wired and mobile.[44]

Children's Content

Commercial broadcasters are required to screen 96 or more hours of first-release Australian C drama over a three-year period and at least 25 hours per year. (plus eight hours of Australian C drama repeats) each year.

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[43] *Aussie viewers will be swamped with more than 1500 hours of reality TV shows in 2015*, Colin Vickery, National TV Writer, News.com, 26 January 2015

[44] *PWC Outlook Media and Entertainment 2016-2020*

For content generally, television broadcasters must broadcast 260 hours of children's programs.[45] The 260 hours of children's television includes 130 hours of newly commissioned material.[46] This quota can be satisfied across a network's channels.

The 32 hours of Australian first release drama required of free to air broadcasters represents 0.37% of total broadcast hours, or 0.73% of broadcast hours between 7am and 7pm.[47]

As the Australian Children's Television Foundation (ACTF) has observed, the C Drama quota means that commercial free to air broadcasters are continually commissioning high budget local children's drama programs and providing significant finance for the production of those series. [48]Overall, 115 hours of Australian children's drama were produced in 2015-16 at a total cost of $101 million, beneath the five-year average of 120 hours of production.[49]

But there appears little enthusiasm for Australian children's television from broadcasters bound by the content quotas. Over several years, MEAA has seen conduct bordering on resentment by commercial organisations compelled to produce live action Australian children's drama. Some broadcasters label the rules 'anachronistic'[50] . Current annual requirements are met almost to the minute. In 2009, the Nine Network reported 265 hours of children's TV, with Seven and Ten reporting between 261 and 262 hours – against an annual requirement of 260 hours[51]

More recent data by Screen Australia noted that adherence with the children's content quota requirement of 25 hours of first release Australian drama, the Seven and Ten Networks produced 26 hours (both with two titles), while Nine produced 28 hours (three titles).[52] This infers very close management of what several TV executives consider a burden rather than community service.

As noted in the 2013 *Child's Play* report, 'while broadcasters provided about 67% of total finance for the adult drama slate over the last five years, they provided only 29% of finance for the children's drama slate."[55]

In fairness, domestic children's television production is not only subject to commercial broadcaster resentment, but a confluence of factors that make it (almost uniquely) a more marginal financial proposition. These include:

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[45] Broadcasters are also required to broadcast 130 hours for preschool children.

[46] Licensees can nominate to broadcast C programs within the following periods: 7.00am–8.30 am, Monday to Friday; 4.00 pm–8.30 pm, Monday to Friday; and 7.00 am–8.30 pm, Saturday, Sunday and school holidays. Licensees can nominate to broadcast P programs between 7.00 am and 4.30 pm, Monday to Friday.

[47] ACTF Convergence Review submission, 2011, page 23

[48] These series are often also heavily subsidised by State and Commonwealth funding programs.

[49] Screen Australia 2015-16 Drama Report, page 14

[50] *Children's television quotas facing the chop*, Michael Lallo, Sydney Morning Herald, 4 March 2012.

[51] See Angus Kidman, *How TV Networks Bend to the Local Content Rules*, 27 July 2010.

[52] Screen Australia 2015-16 Drama Report, page 14

[55] *Child's Play*, page 11

- Changing children's viewing habits; children are no longer viewing drama and other productions through television networks in the same numbers; when they do, it is for less time[56]
- The emergence of more dedicated children's channels on pay TV and ABC3
- Advertising restrictions faced by commercial broadcasters' during screening times;
- relegation and aggregation of children's television content to subordinate multi-channels;
- inconsistent scheduling by broadcasters; and broadcasting content during unpopular children's viewing hours[57].

There is also the growth of animated content compared to live action drama. **As the ACTF has noted, over the past two decades, the total hours of live action drama have fallen by 37%, but animation has increased by 122%**.[58] MEAA submits that there should be scope for safeguarding live action drama as a total proportion of content obligations.

These are immense challenges to overcome, lest children's TV continue to be devalued as either 'filler' or as a legacy obligation held only by traditional commercial TV broadcasters.

MEAA submits that there is an unequivocal cultural dividend to mandating Australian children's content requirements. This, together with the fact that Australian kids considerably prefer content that is made for them[59]

As the ACTF noted in 2011:

> *"In a global media environment, it is imperative that Australian children continue to have access to content that reflects the Australian community, character and the world in which children live.*
>
> *"Australian content provides a sense of wider community and cultural identity for children, particularly given the vast amount of [available] foreign content".*[60]

Without enforceable quotas, it seems very clear that the media marketplace would jettison plans to produce quality children's drama in a heartbeat.

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[56] OzTam data states that children are watching 33 minutes less TV each day in 2013 compared to 2001

[57] The ACTF's Convergence Review submission pointed out that broadcasters tend to screen children's content on weekend mornings and 4 to 4.30pm on weekdays, while ACMA has advised that the most popular children's viewing times is, by far, the 6pm to 9pm timeslot.

[58] ACTF Submission to House of Representatives Standing Committee on Communications and the Arts, 2016, page 7. Screen Australia also states that 'animation production has been growing since the early 2000s and has been higher than live action for five of the six years to 2013, in terms of both total budgets and hours produced', in: *Child's Play* 2013

[59] See *Child's Play*, 2013, page 4. It refers to 54% of child respondents saying they liked Australian dramas 'the best'

[60] ACTF Convergence Review submission, 2011, page 7

The Media Landscape Has Changed

All Australian content quotas, whether applied to adult or children's television, live drama and other formats, must be maintained and extended to be fit for future purpose. To be fit for purpose, we must take stock of audience viewing habits, commercial realities, public broadcaster funding and most critically, the wave of new content viewing platforms and the diversion of advertising revenues from so-called legacy providers to non-linear/internet based content providers.

In this respect, content rules must be applied to the subscription video on demand (SVOD) sector and like companies. MEAA believe that for so long as content requirements are seen to be the domain of ailing television broadcasters, the eventual demise of the Australian TV sector will be ensured.

To give a sense of how the subscription television (pay TV such as Foxtel and SVOD) sector is growing, Roy Morgan recently noted that in the six months to August 2016, 9.8 million Australians over 14 years had access to one or more paid TV services in their home: Subscription Video on demand (SVOD), Pay TV (linear and broadcast Foxtel channels, and Internet Protocol Television (IPTV), such as Fetch TV.[61]

And for the first time, more Australians have SVOD than linear pay TV: 5.6 million to 5.3 million.[62]

The total subscription TV market is estimated to grown from $3.69 billion in 2016 to $4.6 billion in 2020, with advertising share estimated to grow from $688m in 2016 to $902 m in 2020. The digital subscription video on demand sector is forecast to grow from $267m in 2016 to $785m in 2020.[63]

> *"I feel that one of the biggest challenges in our sector is local content quotas for SVOD [streaming video on demand] providers. We see television free-to-air broadcasters and subscription television come under quota regulation, but so far streaming giant Netflix, and other SVOD providers such as Foxtel GO, STAN and Amazon Prime do not have to adhere to Australian content quotas. I support a % of territory revenue to be distributed back into local content production. We are missing a chance at increasing production in the sector by not bringing SVOD providers under regulation that other content providers are legally bound to."*
>
> **Dustin Clare, actor and independent producer and distributor**

Decisive action is needed to ensure we secure regulatory equality among all content providers.

Netflix, Stan and soon-to-land Amazon must be drawn into the Australian content regime, but in a different way to commercial TV broadcasters. We note that applying conventional Australian content quotas would not work as SVOD providers, unlike commercial TV broadcasters, do not determine what is broadcast. They have libraries from which subscribers select programs. Instead, we believe that **companies like Netflix and Stan should contribute a percentage of their Australian revenues into a statutory content fund**.

[61] '*More Australians now have SVOD than Foxtel*', Roy Morgan media release, 8 September 2016
[62] Ibid.
[63] *PWC Outlook Media and Entertainment 2016-2020*

MEAA therefore support the Convergence Review's (2012) recommendation that media regulation be enforced (and spread) on a *platform-neutral* basis and that local content quotas apply to companies that achieve certain revenue thresholds. Although MEAA has misgivings about the revenue thresholds proposed in the Review, we support the concept of revenue-based Australian content expenditure.

The Convergence Review envisaged a converged content fund where hour quotas would be replaced by a percentage of total revenues being paid by 'eligible content service enterprises invested in Australian dramas, documentaries and children's programs'. This fund would invest in productions on a competitive basis.

Although MEAA supports the maintenance of hourly quotas as a means of ensuring clarity and transparency within the industry, the major attraction to the Review's recommendation on content is that it equalize the regulatory impact on content providers broader group content enterprises to make proportional contributions to the industry.

It is notable that **Netflix, now with over 1 million Australian subscribers, was reported to have spent $US4.91 billion on new programming in 2015-16, more than double the entire amount spent on Australian TV productions, yet Netflix has yet to commission any Australian content.[64] Amazon, which is on the verge of entering the Australian market, is reported to have increased its production spending from $US1.22 to $US2.67 billion in 2015-16**.

There is no sound reason why Australia's film and television industry should not share in these production budgets.

Indeed, some jurisdictions are moving in this very direction. The European Commission, for example, proposed in 2016 that streaming services including Netflix and Amazon meet a quota of at least 20% European-produced works.[65]

Extending regulation to these relatively new providers does not mean that commercial broadcasters are owed additional regulatory and financial relief. We must not lose sight of the relatively privileged operating environment enjoyed by commercial TV broadcasters over decades. As Pwc reported in 2015, **TV is still the most predominant mode of watching video content, at 88 per cent by platform.** [66] **13.6 million Australians watched free TV each day**.[67] [68]

[64] '*Netflix programming spend twice as high as entire Australian production market, claims report'*, Alex Hayes, *Mumbrella*, 18 October 2016.
[65] '*Kids TV content under federal government review*', Michelle Bingemann, *The Australian*, 27 February 2017
[66] We note that TV viewing figures may include video on demand and catch-up services, together with public broadcasting.
[67] See *PWC Outlook Media and Entertainment 2015-2019*, Free to air television chapter
[68] The threat from tablets, PC's and smartphones (which make up the other 12% of viewing platforms) is growing, but note should be taken that traditional broadcasters are embracing these platforms in parallel with their newer competitors See *PWC Outlook Media and Entertainment 2015-2019*, Free to air television chapter, 2015

It’s also the case that commercial broadcasters have received hundreds of millions of dollars in fee relief has been provided to commercial broadcasters since 2010[69]. Their advertising revenues are also predicted to remain relatively stable over the 2016-2020 period – at about $3.8 billion per annum.[71]

MEAA believe that there is no basis to relax current quota rules. The main task is to update and extend their application.

In the event that further licence fee reductions are contemplated, one condition must apply: **licence fees may only be reduced in line with increased investment in local television content**.

The principle we support is: *greater the contribution to Australian content, the greater the licence fee relief*. This principle, together with the other measures canvassed in this submission, will bolster the film and television sector, those who work in it and the audiences they serve.

ENDS.

64 Following a rebate system that applied from 2010, Federal Labor reduced licence fees by 50% in 2013, from 9 to 4.5% of gross earnings. The Federal Coalition government further reduced licence fees by 25% from 4.5% to 3.375% in 2016.

[71] *PWC Outlook Media and Entertainment 2015-2019* Free to Air TV chapter, 2015