AUSTRALIAN CONTENT

February 2016

POLICY BRIEF

KEY ISSUES

- In 2015, the subscription television industry invested a record $796 million in Australian screen content. $6.5 billion has been invested over 10 years.

- Our industry stands ready to invest even further and a key part of that will be ensuring funding support rules encourage investment, creative risk-taking and innovation.

- Existing regulation and Screen Australia funding guidelines limit the extent to which subscription TV can access Screen Australia's support. ASTRA supports full contestability of Government funding for screen production and an increase in the Producer Offset for television to 40%.

- While the focus of this paper is tax incentives and direct funding support, we encourage the Government to also consider whether Australian content regulation set out in the *Broadcasting Services Act 1992* remains fit for purpose.

BACKGROUND

Rate of Producer Offset for television

- More than $103 million in economic activity would be created if the tax offset for Australian television production was equalised with the film industry offset.

- The data, contained in a report produced by PwC, also shows that 360 new television production jobs would be created if the tax offset available to qualifying television productions was doubled from 20% to 40%, the same value enjoyed by film.

- The disparity between the tax offsets available for film and television no longer makes sense in a market where content is produced for distribution on multiple screens and in a production environment of increasingly complex financing structures.

- The cultural objectives of having Australian stories produced and viewed are equally realised via television as they are through feature film. In addition, the local television production industry is just as valuable a creator of jobs and expertise as the local film production sector and is as deserving of stimulus.

- *The tax offset for television should be raised to create new jobs and economic activity in the coming year.*

Funding outcomes are skewed

- Government funding support for television is heavily weighted toward high end drama and documentary genres. It is only drama and documentaries which are eligible for the Producer Offset tax incentive, to the exclusion of popular categories such as reality, lifestyle and broader factual and entertainment programs.

- *The range of eligible formats should be expanded to foster increased diversity and innovation.*

Funding is not fully contestable

- The playing field for documentary funding is fundamentally biased with the two national broadcasters promised 85% of federal documentary funding, with all other operators forced to compete for the remaining 15%.

- National broadcasters that already receive substantial Government support should not receive preferential treatment in what should be an open contest for content funding based on the merits of the proposed program.

- Government funding should be supporting and promoting the development of high quality documentaries that audiences want.

- By stating a preference for a subset of FTA television as the best way to distribute documentary content Screen Australia is reducing its ability to support new platforms that are likely to grow and bring in new sources of funding for documentary and other content.

- *Funding pools should be fully contestable based on the quality and diversity of the productions seeking funding.*

Funding is limited to certain types of documentary

- The Producer Offset specifically excludes infotainment, lifestyle and magazine programs from eligibility.

- This artificially boxes in creativity and innovation in the documentary production sector. In an environment in which increased global competition is already placing significant pressure on the viability of documentary production, a decision to restrict government support so narrowly risks being extremely counter-productive.

- This restriction does not take into account issues relating to the production of factual programming for platforms other than commercial television, such as subscription TV.

- The restriction does not reflect the current nature of documentary production and the types of factual programming that are of value to viewers.

- *Government review and reform of this outdated and restrictive approach is warranted.*

Minimum spend requirements

- In order to obtain the benefit of the Producer Offset, a production must include a minimum level of 'Qualifying Australian Production Expenditure' (QAPE). For example, a drama must reach a minimum QAPE of $500,000 per hour (and a total of at least $1 million) in order to be eligible.

- These levels apply on a 'one size fits-all' basis and do not account for the differences in the types of platform (including free-to-air, subscription TV, subscription video-on-demand (SVOD)). It is unclear why such levels are necessary and they clearly hinder the ability for content makers to innovate and create programming on lower cost bases.

- *These obvious barriers to investment, innovation and job creation should be removed.*

Minimum licence fees

- To qualify for Screen Australia funding, there is a ‘one size fits all’ licence fee of $440,000 per broadcast hour for drama – this is the amount a broadcaster must agree to pay a producer for the right to broadcast the program.

- The current $440,000 per hour requirement is another instance in which funding eligibility reflects the mass-audience, advertiser-funded commercial free-to-air productions, but does not reflect the differing business models across different platforms.

- A high licence fee does not make sense for subscription platforms where individual channels and services generally attract lower audiences than commercial broadcasting services.

- *Greater flexibility is needed in this area to incentivise ongoing investment in new productions and to encourage innovation and the development of lower cost, more agile production models.*

Rights gained

- Counter-intuitively, Screen Australia takes the view that the $440,000 per hour should only entitle a broadcaster to rights for the broadcast platform, and that broadcasters should pay an additional licence fee for digital platforms.

- Screen Australia expects projects it funds to be made available on at least one digital media platform other than broadcast television, and this is something ASTRA members want to do – because subscribers expect to get programs on air and digitally.

- The exclusion of digital rights from the broadcaster licence fee does not reflect the modern media environment in which content providers (such as subscription TV) reach their viewers by a number of means. The ability to reach audiences on a variety of platforms is becoming an important part of the content delivery business.

- *The mandated licence fee should include sufficient rights to allow broadcasters to distribute the program across numerous platforms.*