

AUSSIEWOOD

GROW AUSTRALIAN JOBS FOR THE FUTURE



13.5% LOCATION INCENTIVE

\$140 MILLION OVER FOUR YEARS FROM 1 JULY 2019.

A MERIT-BASED GRANT PROGRAM EFFECTIVELY INCREASING THE LOCATION OFFSET RATE FROM 16.5% TO 30% FOR ELIGIBLE LARGE BUDGET INTERNATIONAL PRODUCTIONS THAT FILM IN AUSTRALIA.



INTERNATIONAL PRODUCTIONS ATTRACTED SINCE JULY 2018

8 = \$670M

MARVEL
THOR: LOVE &
THUNDER
FDI: \$178M

SONY TV
PREACHER
SEASON 4
FDI: \$50M

MARVEL
SHANG-CHI
FDI: \$177M

PARAMOUNT
PICTURES
MONSTER
PROBLEMS
FDI \$57M

LEGENDARY
ENT.
GODZILLA
VS KONG
FDI \$68M

PARAMOUNT
PICTURES
SHANTARAM
FDI \$55M

NETFLIX
CLICKBAIT
FDI \$36M

ABC STUDIOS
(AMERICA)
REEF BREAK
FDI \$50M



SINCE JULY 2018

JOBS: 12,110
BUSINESSES: 6,660

THE PIPELINE OF PRODUCTION GENERATED BY THE LOCATION INCENTIVE DEMONSTRATES A CLEAR NEED FOR A PERMANENT 30% LOCATION OFFSET.

AUSTRALIA COULD THEN TAKE ADVANTAGE OF THE GROWING DEMAND FOR CONTENT GLOBALLY AND AUSTRALIANS COULD BENEFIT FROM ACCESS TO NEW JOBS FOR THE FUTURE.

BASED ON APPROX SPEND

AUSTRALIA'S SCREEN INDUSTRY

Grow Australian Jobs for the Future

Eight projects announced since July 2018 from the Location Incentive representing **AU\$670 million** worth of production over two years.

THE DEMAND FOR SCREEN CONTENT IS GROWING

Increasing demand from consumers for screen content combined with significant investment from international producers, broadcasters and streaming services has resulted in dramatic rise in worldwide production of screen content. In 2018 there were 8,204 feature films produced world-wide. A 10% increase on 2014. In the USA in 2018 there were 496 scripted drama series commissioned, up from 266 in 2011. Ausfilm estimated that the value of feature film production leaving California was **US\$4.6 billion** in 2015. In 2018 Hollywood sent **US\$6.5 billion** worth of production to **Canada** and the **UK** alone.

FOREIGN PRODUCTION IN AUSTRALIA

In the last 20 years Ausfilm estimates about **US\$4 billion** worth of international footloose (international production) location and Post, Digital and Visual Effects (PDV) spending has occurred in Australia. That is inward investment that could have gone to other locations around the world, but was instead **spent in Australia, employing thousands of Australians** and providing work for production and post-production services companies; as well as flowing out into the wider economy to non-screen businesses that provide services and goods such as hospitality, timber for set construction, specialised ropes and cranes for rigging, freight, accommodation and transport to name a few.

For example, a large budget studio production based on the Gold Coast in 2017 employed 2,142 people and spent a total of AU\$127 million in Australia, with expenditure on cast, crew and vendors spread across the entire country. Just over 50% of that expenditure was on Australian businesses directly benefiting from this activity, with a quarter of that spent outside Queensland.

To attract this footloose production there are three basic conditions that need to be present:

1. **Physical infrastructure** in the form of studio complexes and film service companies. Soundstages can be either purpose built or can be existing industrial space converted into a soundstage. The advantages of purpose-built studios are that they meet all the needs of contemporary production, including companies providing production and post-production support services. Australia has four studios that attract international production – Fox Studios Australia (Sydney), Village Roadshow Studios (Gold Coast), Docklands (Melbourne) and Adelaide Studios (Adelaide).

2. **Skilled labour** in the form of cast and, particularly, crew. Those jurisdictions that have a depth of crew talent are more cost effective because the footloose productions need only to bring key cast and some heads of department. Underpinning skilled labour is an **investment in training** and **talent development**. Australia has some of the best talent in the world in front of and behind the camera.
3. **Incentives** in the form of tax credits or rebates are a key element in leveraging the competitive advantage a jurisdiction has in labour and infrastructure. The presence of incentives is important, as is the level at which they are set to attract production. [At present Australia's Location Offset at 16.5% is not globally competitive.](#)

RESTORING AUSTRALIA'S COMPETITIVENESS

The advent of the Location Incentive (that can be combined with the existing Location Offset) has restored Australia's international competitiveness in what we excel at and ensured Australia is "open for business" to attract off-shore productions and Foreign Direct Investment (FDI) into the economy. It maintains **Australia's image as a creative and innovative nation**, and the portrayal of our country as an attractive destination for **foreign investment** and **tourism**.

The benefits that large international film and television productions bring to screen practitioners and small businesses are significant, enabling skills retention and growth along with investment in new technology, equipment and other infrastructure. This is stimulated by FDI and is activity that would not otherwise have happened. **It is a plus to the economy.**

International production has become an essential element of the ecology of the Australian screen sector. Without it the value of the screen sector to the Australian economy would shrink and many of our talented crew and VFX artists would leave the country to go where the work is located. Indeed, when international production is sparse we lose key crew to other territories as the US studios value the expertise of Australian crew shooting in foreign locations.

The scale of footloose production has also contributed to innovation and the development of world-class skills that have flow on effects to Australia's production industry. This is capacity building that helps **stimulate investment** in physical production, such as increasing the number of sound stages and facilities, **new digital technologies** and **software and advancements in drone camera technology** (Australia is a world leader in this area and has created the lightest drone camera platform in the world, thanks to international investment). Critically, it also provides **continuity of employment and services utilisation**, as well as stronger linkages with the global audio-visual economy.

Incentives provided to secure footloose production help to build Australia's screen industry and benefit Australian employees and businesses.

IMPACTS

According to Screen Australia's annual survey of drama production in Australia released in November 2017 the total economic contribution of foreign production in Australia in 2016/17 amounted to AU\$610 million of 29 foreign productions undertaking physical production and/or post-production and visual effects.

In November 2016 Screen Australia commissioned Deloitte Access Economics to undertake a study of the value of the industry. According to this report the total economic contribution of foreign production in Australia in 2014/15 amounted to AU\$382 million and 4,093 in FTE jobs. A significant component of this is the indirect contribution made by labour and value-add flowing into the economy. The main contributor to this was *Pirates of the Caribbean: Dead Men Tell No Tales*. (Deloitte, 2016, p18).

In 2018 the British Film Institute published a study undertaken for it by Olsberg SPI looking at the impact of the UK screen sector tax reliefs on economic growth across the UK.¹ The study found that in 2016 there was total film and television production spending of **GBP £2.6 billion**, which generated **119, 460 full time equivalent jobs** and a **Gross Value Add (GVA)** to the UK economy of **GBP £6.9 billion**. For every GBP spent on film production there was a return of GBP £7.69 in GVA and for high end television production a return of GBP £6.10.

Introducing this report Philip Hammond, Chancellor of the Exchequer explained the support provided by the UK Government was because *...our creative industries are intrinsic to the rich cultural fabric of the UK. But they're also an important part of a dynamic and diversified economy, and a key component of our great, global trading nation.*²

CONCLUSION

Foreign film production makes an essential contribution to the health and development of the Australian screen sector. This has been recognised by the Australian Government through the implementation of the Location Offset, the Location Incentive and the PDV Offset.

These are important initiatives that underpin jobs growth in the Australian economy.

However, Ausfilm submits that the most effective, efficient and certain outcome would be to increase the Location Offset from 16.5% to a rebate of 30% on expenditure in Australia on location filming.



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¹ <https://www.o-spi.co.uk/wp-content/uploads/2018/10/Screen-Business-Full-Report.pdf>

² Ibid, p.8