

Screen Forever  
Graeme Mason  
Tuesday 17 - Thursday 19 November 2015  
Melbourne

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## Drama Report

- Overall expenditure on drama was \$837m, down just 1% on last year's record high. TV drama is coming off the high watermark of the previous few years, and drama spend and hours are down as broadcasters deal with straightened times and new competitors.
- With much more competition in the SVOD environment further fragmenting audiences, government incentives to produce local content will be more important than ever. Support for Australian stories is crucial to maintaining the great cultural dividends we're seeing for audiences across all platforms.
- With ABC drama production still strong and three new SBS titles, the industry is yet to see the impact of the Federal Government's budget cuts to the public broadcasters
- The number of hours of adult TV drama produced annually has been declining over the past few years.
- The number of titles being produced hasn't declined but there are more mini-series being produced and they tend to be under 10 hours.
- Similarly, the number of series being produced hasn't dropped, but we are not seeing the 20+ hour series we used to, such as *Packed to the Rafters*.
- Direct government investment continued to underpin a large proportion of the slate, with Screen Australia alone contributing \$21m to supporting 47% of all TV drama titles.

## The economics of screen production

- For broadcasters, the economics of commissioning first release Australian drama and documentary production compared to acquiring foreign content continue to favour foreign acquisitions.
- With much more competition in the SVOD environment further fragmenting audiences, government incentives to produce local content will be more important than ever. Support for Australian stories is crucial to maintaining the great cultural dividends we're seeing for audiences across all platforms.

- It's still expensive to make content in Australia in any way, shape or form - It's much cheaper to acquire something overseas than it is to make it here locally.
- For example - The cost to a broadcaster to commission a one-hour Australian drama such as *Love Child* or *House Husbands* ranges from around \$450,000 to \$1.2 million per broadcast hour.
- While popular international dramas can be more expensive to produce than Australian programs, their production costs are covered in their home market. Even high-end programs such as *Downton Abbey* - with proven audience appeal overseas and competition amongst Australian broadcasters to acquire - are typically licensed by Australian broadcasters for around \$350,000 per hour, well under the base costs to commission an Australian drama. And repeats of a popular program with highly-paid cast, such as *The Big Bang Theory*, can be licensed by Australian broadcasters for as little as \$200,000 per hour.
- So even with the strong audience appeal of local drama, foreign programs offer a far more attractive return on investment. As a result, more than 70 per cent of the commercial free-to-air broadcasters' drama expenditure relates to foreign drama.
- What's important to take away - and what we need to keep advocating to government,, is how keen Australians are to see local productions. To hear our accents, see our stories, understand our culture - that's something you can't put a price on. And it's something we will continue trying to create.

### Australian content

- The Australian Content Standard, the main regulatory instrument governing the local content requirements for broadcast licence holders, is due for review in April 2016, as part of its 10 year sunset clause.
- The free to air commercial networks have been lobbying government for media reform around issues including the reach rule, in light of the changing landscape (especially the streaming of channels), and there is an indication from Government that change may happen before Christmas. The FTA broadcasters are also requesting a full rebate on licence fees, given current challenges to their business models including new competitors - including SVOD services such as Netflix, and free platforms such as Google/ YouTube. The future of content quotas in the Australian regulatory model is also the subject of current debate.
- The networks, and their representative body, Free TV, complain that their new competitors are not subject to any regulation. They also claim that their license fee obligations make them the most heavily regulated model internationally. More comprehensive comparisons between international models make clear that this is latter point does not take account of other obligations, such as expenditure requirements in Canada and the UK. (expanded below under licence fees)

- Changes to broadcasting legislation in 2013 enabling the free to airs to meet their sub quota obligations on the multi-channels has had some serious implications for drama and children's' content.
- In 2014 all three commercial free to air networks met 100% of their children's content quota on the multi-channels, that is, no Australia children's content is broadcast on the network's primary channels. While this allows the networks to schedule longer and more consistent blocks of children's programming it has had a dire effect on audience numbers.
- For example, when Mako Mermaids was moved from Ten's primary channel to Eleven, ratings dropped to ten per cent of the audience it had on the primary channel. Screen Australia's investment in Mako Mermaids series 1 (a quality show that sells well internationally) was \$3 million. 'Multi-channelling' this program did not provide a great audience dividend.
- There has been an increase in the amount of New Zealand drama claimed against the local drama sub quota, by Network Nine in particular.

#### **Broadcaster licence fees / international models**

- Commercial free to air networks enjoy significant privileges including use of valuable spectrum and a strong anti-siphoning regime. The networks are calling for a reduction in their licence fee - Screen Australia's position is that any reduction in the licence fee should be offset by an increased contribution to local production.
- The networks assert that their licence fees are higher than the fees paid by broadcasters in international markets. What this argument does not acknowledge is that they also receive greater protection from competition than free to air broadcasters in other markets. As a result, Australia has a very strong free to air sector and comparably low levels of subscription TV penetration.
- In addition, free to air broadcasters in countries such as Canada and the UK have substantial local content obligations in the form of quotas and expenditure requirements and spend huge amounts on local production.
- Free to air and subscription channels in Canada have content quotas and expenditure requirements based on a percentage of revenue. For example, the three major English language broadcasting groups are required to spend 30% of their revenues on local content, excluding sports broadcasting revenues and expenditure. In addition, there is a 50% local content quota during evening primetime for free to air channels and a 35% local content quota overall for subscription channels. The level of obligation for independent channels is set on a case by case basis but all free to air channels and subscription channels with over 200,000 subscribers have requirements to contribute to local content.
- As a result, Canadian commercial FTA and subscription channels contribute over 30% of their aggregate revenue to Canadian content. Last year, this equated to

over \$2.1 billion, from revenues of approximately \$6 billion. This includes \$400 million on local drama and documentary content.

- Also, significantly, subscription platforms (a sector worth \$9 billion) are required to contribute 5% (\$450 million) of broadcasting revenues to Canadian programming. Approximately 50% (\$225 million) of this amount has to be directed to the Canada Media Fund, the remainder is required to be spent on independent production funds and/or community channels.
- In comparison the Australian free to air market has a revenue base of approximately \$4.4 billion (metro and regional). Something in the order of \$1.5 billion is spent on all Australian programming (including sports rights which have historically accounted for close to \$500 million a year and are increasing exponentially). Only approximately \$130 million is spent on the drama slate, the most vulnerable of all (representing less than 30% of total drama expenditure - 70% of expenditure related to foreign drama).
- The combined revenue based for Australian subscription channels and platforms was \$4.7 billion in 2011/12, according to the ABS (the most recent survey that we commissioned). Australian subscription channels spend approximately \$40 million on local drama programs per year as required by the 10% expenditure requirement (expenditure limited to drama channels only).

#### Offset - 40%:

- Leading into an election year there should be a concerted push to advocate for a 40% offset across film, television and online. This is a measure that will ensure Australian content remains relevant to our diet of screen content.
- Without greater incentives to produce quality Australian content, foreign content will simply overwhelm our screens.
- The one argument the industry can make in total uniformity is the need to move to a 40% flat rate offset. Ultimately such a stimulus would provide a welcome foreign cash injection with significant gains for the production sector and downstream related industries.
- Increased producer equity will give you a greater say in your own destiny, will allow you to attract more meaningful private investment and will allow you to do deals relative to distribution platforms - it is not a one size fits all environment.

## Box Office:

- Until this year, the record take for Australian films at the local box office was \$63.4 million in 2001.
- With *The Dressmaker* proving to be a huge hit with local audiences, our local box office is now expected to top \$80 million this year.
- While we are enjoying what is our biggest box office year on record - we mustn't forget that the success of these films is largely down to playing to the genres that we know work in Australia. Good-feel family films; culturally relevant dramas, and Hollywood blockbuster-style films.
- We've had children's titles such as *Paper Planes* raking and *Oddball*- proving that family friendly films continue to be a hit with local audiences; we've also seen engaging dramas like *Last Cab to Darwin*; theatrical documentaries like *That Sugar Film*; and blockbusters like *Mad Max: Fury Road*, which had huge success in the domestic market taking \$21.6m with a whopping \$462.4m internationally.
- While we're unlikely to see a repeat of this year's box office record- 2016 still looks exciting with RED DOG: *True Blue, Lion, Berlin Syndrome, Jasper Jones* and *Breath* all set for release next year.

## Distribution

- Feature film distribution - enabling audiences to find, access, consume, share, and pay (or not) for movies - is the major preoccupation for contemporary international screen industries.
- Digital disruption has challenged existing models of distribution - as has been the case in many sectors - and has brought with it new audience expectations.
- What we expect to see on the big screen, and on small screens, has changed radically in the last 10 years.
- We are looking at new approaches and the new policy ideas outlined in the presentation you just saw, including the position on the producer offset, which take us some steps towards addressing ways to adapt to this new landscape for features distribution.

## International production and distribution

- The international market for independent film is challenging, with declining box office revenues and intense competition for audience attention in the home entertainment market

- Independent Australian films have had some commercial success with premium VOD releases in the US e.g. *The Hunter*, *The Babadook*, *Felony* although this market is still growing.
- Despite the challenging market, Australian films sell well internationally especially films with strong festival and awards buzz e.g. *The Little Death*, *Life*, *Paper Planes*
- Global box office is expanding, driven by significant growth in Asia Pacific and Latin America.
- The number of international coproduction films is growing, in part due to government incentives in numerous territories and increased US investment in Asian screen industries.
- While Hollywood still dominates, local films are making an impact at the box office everywhere from China to Western Europe.

### Australian production and distribution

- Australia produces an average of 29 domestic features and 3 co-productions a year (2011-2015).
- Australian films are being made with lower budgets - 85 per cent of Australian films in 2014/15 were produced for under \$6m.
- Financial contributions from industry sources such as distributors has decreased as a proportion of film budgets
- Crowdfunding and cinema-on-demand are increasingly significant for low budget features.
- DVD revenue continues to decline but DVD and Blu-ray still represent the lion's share of the \$1 billion home entertainment market
- Screen Australia's *Online and On Demand* research revealed that free services (mainly YouTube and Catch Up TV - primarily iView) were most popular with Australian audiences.
- EST/VOD revenue is growing but from a low base - worth \$164 million in 2014
- Rapid uptake of SVOD -1 million households subscribe to Netflix and over 300,000 subscribe to Stan, as at September 2015.
- Smaller independent films face intense competition in cinemas, with many struggling to recoup the cost of a traditional theatrical release.

## Under-representation of women in the screen industry

- As you'll know, there has been a lot of recent public discussion about how to address the gender imbalance in our industry, including calls on us to introduce a 50% quota for female directors in all funded films.
- We are actively working on this issue, seeking an approach that addresses the real barriers women face moving from 'emerging' training and short films (where women are well represented) into more sustained and successful careers (where they aren't) and we will be putting some options forward at the next Board meeting.
- Analysis to date has shown that Screen Australia's support for projects with women in key creative roles has been allocated in very close correlation to the number of projects coming in with women in these positions. We see strong female representation at the early career stages of feature films, with a drop off in higher end, signalling the challenge of moving from shorts to features, or from first features into a more sustained career. This trend is seen across writers and producers as well as directors. Any interventions are likely to require a range of initiatives to address a complex issue, and one which is not confined to the screen industries.
- Although Australian feature films are currently experiencing a resurgence of box office and festival success, and we have seen some standout successes of female led projects like *The Dressmaker*, the majority of films still fail to reflect Australia's contemporary diversity. TV tends to do somewhat better in its representation of women on screen, where many long-running series feature strong female protagonists. However, this gender diversity is less marked behind the camera. Multiplatform content tends to show tremendous diversity of content and content creators, as do short films and 'entry level' opportunities. However, many women fail to make the leap from emerging practitioner to sustained careers and positions of influence, which leads to under-representation.
- Screen Australia has also been researching with great interest existing international models, including the BFI's diversity initiative and the Swedish 'quota' system for female directors - although differences in systems need to be noted. For example Sweden film funding operates under a 'two doors' approach whereby bigger budget projects with distributors attached are separated out from the discretionary 'production fund' (which is where the target, not actually a firm quota, applies).

## Cultural diversity

- We have had significant success in building talent, skills and careers and supporting great work in the Indigenous area. We are currently exploring, with the support of our Indigenous department, how to apply this model more broadly to other forms of cultural diversity.

- We are currently working with broadcasting partners to address issues of representation, both on screen and behind the scenes, in a yet-to be announced new diversity project.
- While there have been some exceptional examples of Australian TV dramas that reflect cultural diversity - *East West 101*, *Redfern Now*, *Better Man* and even some of the characters on *Offspring* - there has been a call in the industry to develop a better understanding of representations of diversity on screen.
- We cannot underestimate the value of showcasing diversity on screens - be it through storylines, cultural background, or encouraging the development and support of talented people with a wide range of backgrounds and experiences. We know that this is an essential ingredient in making the best creative content that is relevant to the increasingly diverse make-up of our audiences. With TV our most popular medium, it's really important that as an industry we provide high quality, local content for our local audiences.

### Foreign Ownership

- Screen Australia only provides funding to support projects which have significant Australian content. For its direct funding, Screen Australia operates an eligibility criterion that requires central management and control of the applicant organisation to be in Australia, a test that is based on Australian taxation law. Restricting funding only to those companies with majority Australian ownership would have a negative impact on the quality and quantity of screen production.
- Screen Australia believes that the current eligibility requirements strike the right balance between investing in quality Australian screen production and allowing companies the freedom to build sustainable businesses.

### Piracy

- In June 2015 the Australian Government passed legislation enabling rights holders to apply to the Federal Court to have foreign piracy-related websites blocked in Australia.
- To date, no rights holders have sought an injunction against a piracy website.
- The Anti-Piracy code developed by ISP, rights holders and consumer representatives was submitted to ACMA in April.
- The code did not address how the cost of the scheme would be allocated and ACMA cannot register the code until this issue is resolved.
- In August 2015 the Federal Court ruled that the makers of Dallas Buyers Club would have to pay a \$600,000 bond before they could access the names and addresses of

the individuals alleged to have downloaded illegal copies of the film and that they could only ask people for the cost of buying the film.

- Screen Australia condemns copyright infringement. Piracy is theft, and mechanisms should be put in place to improve the protection of screen productions from copyright infringement. Screen Australia is also exploring alternative content delivery systems that allow Australian stories to be accessed across key platforms in a timely manner while providing content creators with a financial return.
- In November 2014, at the last Screen Forever conference, Screen Australia launched *Online and On Demand: Trends in Australian online video use*, which explored options for audience engagement (habits, motivations and behaviours) in screen content which is delivered primarily online. The research looks at existing VOD platforms, and presents original consumer insights based on qualitative and quantitative research commissioned from Nielsen, as well as some practical insights for industry about likely future trends. As the first major study on audience behaviour and content preferences online, Screen Australia believes this study will provide a vital evidence base for industry and Government as the entire screen sector grapples with distribution models that have not adapted as quickly as viewers' preferences.

### Screen Resource Organisations

- Screen Australia had to make some tough choices after our budget cuts were announced in 2014.
- We had to focus our funds on where they made the most difference - to on screen investment, rather than to areas of the industry where there were a range of other mechanisms of support.
- We have been able to provide funding to SROs Open Channel via our renewed enterprise program for new initiatives, and we continue to seek opportunities to partner with SROs in the professional development area.
- Screen Australia still invests in the regeneration of screen practitioners - Examples include:
  - Enterprise Industry - Some companies were funded last year to include paid opportunities for emerging writers to participate in Writers rooms as Note Takers giving them real industry experience and development
  - Enterprise People - we do say it is for early career (not emerging) but most placement candidates have credits of some kind.
  - SPA - we fund, along with ScreenNSW, their Ones to Watch initiative - a professional development program and networking platform for early career producers - \$10,000
  - Wildcard Pitch - For teams who do not meet the eligibility criteria, the Wildcard Pitch provides an alternative avenue for Story Development feature film funding.

- Hot Shots - funds the production and post-production of short fiction films (short films - live action, completion, animation).
- Story Fund caters to many early career creatives who are made eligible by an experienced producer or experienced executive producer.
- Creative Talent Suite: provides opportunities for less experienced as well as experienced creative industry practitioners such as producers, writers, directors, animators, development executives, script editors and script consultants across feature film, television and online and interactive drama to design a professional development plan that is responsive to their particular career and business needs. We offer placements, attachments, mentorships, business plans etc
- Talent Development Event Partnerships
- Multiplatform: The bar is low - The creative team must include a producer and a director with at least one credit in the same role on a comparable project
- Indigenous Producers Initiative 2015 - For people who are interested in making a career in the screen industry. This is not a full-time initiative but will involve commitment over a 12-month period to attend workshops as required, participate in internships, as well as any other proposed activities as per the individual's development plan.

Festival support :

*The below is from TIFF this year*

SA provided \$12,820 international marketing for "Beast", the first feature film from brothers Robert and Sam McKeith.

- SA has been assisting them since they graduated from film school in NSW when their first short "Pig" got into Berlinale and SA provided support at the festival, advice, networking function
- Their next short got into Busan and SA funded \$3k travel support
- They were part of SA's Springboard program in 2013 via Development
- They received \$3k travel support to attend Telluride in 2012 with short film "Rain".
- Malina Maria Mackiewicz and her graduate producer was funded \$5,190 to attend TIFF with her short "Deszcz" (Rain) her 2014 AFTRS graduate film.
  - Earlier this year SA funded \$5,180 for her and her different fellow graduate producer to attend Berlin for her other AFTRS graduating film, "Driftwood Dustmites".
- Jannine Barnes was funded \$18,584 for her and 1<sup>st</sup> time feature director, Grant Scicluna, to screen their new film "Downriver".
  - SA funded them \$6,500 in 2012 when their short film "The Wilding" was selected to Berlinale.
  - In 2015 SA funded Jannine \$1,500 to attend Berlin's Talent Escalator to help her develop her producing career.
- Upcoming indigenous producer John Harvey was funded \$19,502 for first feature "Spear" from director/choreographer Stephen Page. John has been receiving assistance via our Indigenous dept in his career development.

