Skin in the Game

The Producer Offset 10 years on

November 2017

Australian Government | Screen Australia

Hacksaw Ridge

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Introduction

The Producer Offset (PO) changed the way the Australian Government supported the production of Australian screen stories.

Since the PO opened for business on July 1, 2007, support shifted from tax benefits for private investors to direct financial support for the people producing screen content: more producers now have greater equity in their own productions, which has had a dramatic effect on the industry. The PO also created a new "market door" for producers looking for finance, separate to and next to the option of direct funding from Screen Australia.

The PO was intended to:

- assist the industry to be more competitive and responsive to audiences, by backing producers to take their projects to market;
- provide a real opportunity for producers to retain substantial equity in their productions;
- encourage Australian talent to return home to work on Australian projects;
- attract foreign investment, encouraging diverse projects of scale and global ambition; and
- encourage private investor interest in the screen industry.

It's also important to remember that the PO is much more than an industry support. It has a key cultural purpose: through its requirement for Significant Australian Content, the PO supports projects that take Australian voices, themes and stories to audiences at home and abroad. While many of these stories show Australia on screen, others are international films creatively driven by Australians resulting in a uniquely Australian perspective.

To mark the PO's fifth birthday, Screen Australia released *Getting down to business: The Producer Offset five years on.* That report covered a period of substantial financial uncertainty including the 2008 global financial crisis. *Getting down to business* found that the PO had been a strong and sound support for the screen sector over this difficult period.

With the PO now 10 years old, this report collates the experiences of producers and broadcasters to analyse its effects in a time of continued change. While the GFC has passed, theatrical and broadcast television platforms have been joined by new digital platforms which continue to shape the industry. With the future of government support currently under review, the report is a timely examination of how the PO fulfils its cultural and industrial goals.

Graeme Mason
CEO of Screen Australia,
the Federal Government agency that administers the Producer Offset.

Top of the Lake: China Girl

Lion

"The Producer Offset has been the anchor around which our entire business has been built. It has given us a stake in our own productions, allowing us to recycle revenue back into developing further projects as well as growing our team. It has meant that we can face the international marketplace already at an advantage, and that lever has helped us package productions with director and cast as well as bring in the balance of the finance. The Producer Offset has given Australian stories like Lion *and* Top of the Lake *the opportunity to compete on a global scale of quality."*

– Emile Sherman, See-Saw Films

Key Findings

It is evident that after 10 years of experience, the screen production sector is well versed in accessing, utilising, and leveraging the PO. It continues to enable producers to finance productions while retaining substantial equity in their projects, thus strongly supporting producer and production company sustainability.

Production companies that most frequently use the PO operate across formats and report that they are able to amortise business expenses across projects and retain in-house staff to develop further projects. Output and expenditure has increased and those projects with scale and ambition are better able to cut through in the highly competitive battle for audience attention.

As an uncapped, Federal Government measure, the PO also provides security and confidence to potential investors when compared with other international incentives.

Other findings were as follows:

- 91% of surveyed production companies indicated that the PO was "critically important" to the operation of their businesses.
- 92% of respondents considered their equity stake in projects had increased since the introduction of the PO, with 61% indicating that it had "significantly increased."
- 98% of companies working in the TV/streaming sector retained all of their PO equity.
- While 37% of respondents working on features had traded some equity, the majority of these respondents retained at least half of their equity stake.
- Where equity in feature film projects was traded it was most commonly traded to Australian private investors (36%) followed by foreign private investors (15%) and local cast (15%).
- 87% of respondents said the PO contributed to their ability to consistently produce content.
- The Producer Offset has positively contributed to business revenue.
- Producers and broadcasters consistently called for the Offset to be lifted to 40% for all projects.
- Most respondents called for the abolition of the 65 hour cap on projects, as it was seen to work against the production of successful series.
- Respondents called for reform of the definition of formats including documentary, as certainty is needed.

Breath

METHODOLOGY BEHIND THIS REPORT

Screen Australia conducted:

- An online survey with representatives from 81 production companies working across feature films, TV drama, documentaries and content for streaming services;
- Interviews with 14 production companies; and
- Interviews with public and commercial broadcasters and subscription operators.[1]

The aim was to understand the effect of the PO over the past 10 years from different industry perspectives.

The survey measured business sentiment and also asked questions requiring specific and/or detailed responses. The production company sample was almost three times the size of the earlier 2012 survey.

To provide additional context to the survey results, this report also drew on internal data that Screen Australia collects as part of its production financing role and through its research functions, including the annual Drama Report and documentary production statistics.

RECAP: FIRST FIVE YEARS

In 2012 the *Getting down to business: The Producer Offset five years on* report was published. Despite substantial financial uncertainty during that period, which included the global financial crisis, the overall finding was that the PO had had a positive impact on projects, creative businesses and the industry. Total production expenditure on Australian feature films, TV drama and documentaries grew significantly and there was a move towards programs with higher production values.

Production company representatives said they could create more content, at higher budgets and of higher quality because of the PO. It was viewed as a central piece of financing that positively impacted their ability to attract investors and to mitigate risk.

One of the key factors behind the PO has been its ability to give producers an equity stake in their own productions, allowing them to have 'skin in the game' when negotiating finance in the marketplace, and to benefit more from the success of their projects.

The 2012 report noted that some production companies were choosing to use a part of their PO equity to attract investors by offering those investors additional equity or an accelerated position in the 'recoupment waterfall'. In particular, the report noted that a proportion of feature film producers 'traded' equity to attract investors, cast or crew.

Respondents also identified challenges in working with the PO, including the payment of the Offset being linked to the timing of company tax returns, and extra legal and administrative costs involved in working with the new Offset system.

[1] Public and commercial broadcasters as well as subscription operators were invited to participate. Interviews were then undertaken with the ABC, SBS, Seven Network and Foxtel.

The Water Diviner

PRODUCER OFFSET STATISTICS

Total Final Certificates
Issued 1 January 2008 – 30 June 2017

$991,799,684 rebate – 291 features

$399,870,138 rebate – 309 TV projects (incl. animation)

$139,058,250 rebate – 582 documentaries

More than $1.5 billion in total for rebates on 1,182 projects

Notes: The Producer Offset is a tax rebate. Before a rebate can be paid, a producer has to obtain a certificate that confirms that the project in question has met all the eligibility criteria. The figures above represent the aggregate amount from all the certificates issued during the nine-and-a-half years up to 30 June 2017.

Ten years on

OVERALL IMPORTANCE

The Producer Offset is critically important to the operation of production businesses

Ninety-one per cent of surveyed production companies indicated that the PO was "critically important" to the operation of their business. All respondents indicated that the Producer Offset "was important" to their business.

This sentiment demonstrates that the PO has become a fundamental component of business models within the screen industry.

The majority of respondents interviewed indicated that the equity retained in their productions as a result of the PO provided them with a revenue stream that allowed them to retain staff and keep developing projects in Australia. One said that the Producer Offset allowed them to develop their own intellectual property and grow their companies, rather than just operating as "fee for service" businesses.

Two respondents noted they would not be able to sustain their production offices in Australia, and would be based overseas, if it wasn't for the PO. One production company stated they would have gone bankrupt without the PO.

The Producer Offset has had a positive impact on the production company's equity share

The 2012 *Getting down to business report* compared the production company's equity share before and after the introduction of the PO. The difference to producer's equity share was fundamentally positive.

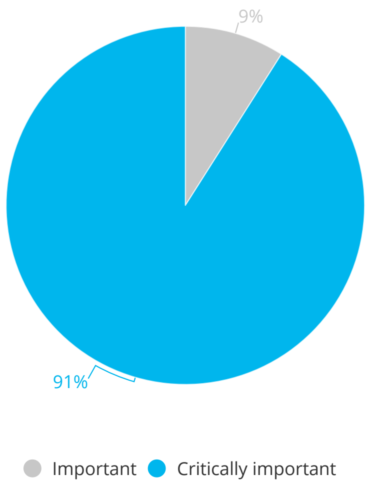
In 2017, over 90% of respondents still considered that their equity stake in projects had increased since the introduction of the PO, with 61% indicating that it had "significantly increased".

HOLDING ON TO EQUITY

Trading equity is still a thing (but only for some)

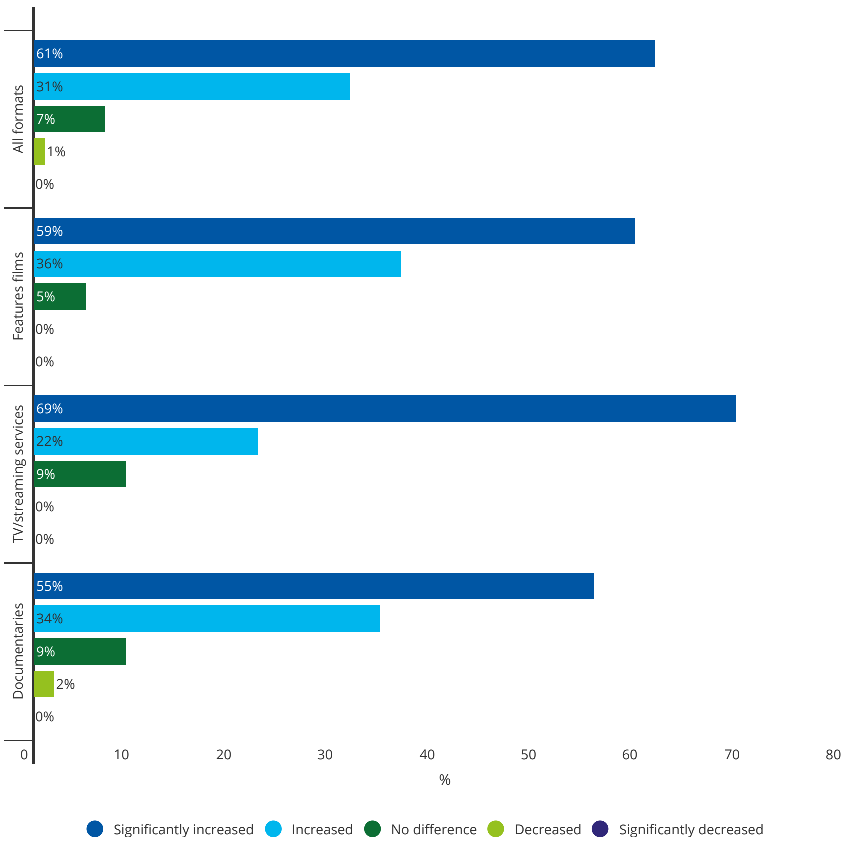
As previously noted, the 2012 report found that some respondents, typically feature film producers, would trade some of their PO equity to other parties to attract finance, key cast or creative talent to projects.

Value of Producer Offset



No companies indicated "Slightly important" or "Not important at all".

Effect on producer's equity share



Number of respondents: All formats - 151; Feature films - 59; TV/streaming services - 45; Documentaries - 47

There has been concern that producers are under increasing pressure to trade their PO equity to other parties to raise the finance they need for their productions. Particularly as distributors and broadcasters have seen their margins squeezed by diminishing ancillary returns and fragmenting audiences. However, the survey found the situation has not changed dramatically since 2012.

Producers working in TV and streaming content are retaining their equity stake

The 2012 report found that only a small number of respondents were trading their PO equity on TV projects. In 2017, and with a much bigger sample, only one company working in this space said that they had traded away any of their PO equity to another party.

Documentary producers are also holding onto their Producer Offset equity

Only three companies said that they had traded their PO equity to another party, indicating that the vast majority of producers either aren't asked to trade their equity, or won't entertain the request if asked.

While trading equity is more common for producers working on feature films, most are retaining the majority of their stake

More than a third (37% or 22 companies) of respondents working in feature film said that they had traded their PO stake to another party.

Encouragingly, 86% of these feature film producers indicated that they had retained at least half of their equity in these negotiations, with 45% indicating that they had only traded 'a small amount'.

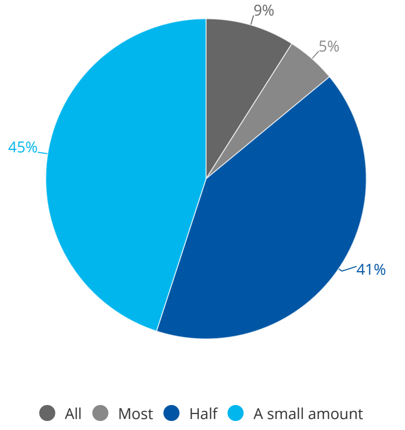
Given the larger equity stake feature filmmakers have in their projects by virtue of the 40% Offset, producers are possibly more willing to trade equity 'points' while still retaining a substantial share. Additionally, feature films typically have more complex financial plans than TV, with more financing partners, increasing the likelihood that producer equity has to be used to close deals.

The most common trading partner was Australian private investors (according to 36% of respondents), with the next most common trading partner being foreign private investors (15%) and local cast (15%).

These results indicate that producers are trading their equity to raise private finance and attract key talent.

Equity Share Trade Off - Features

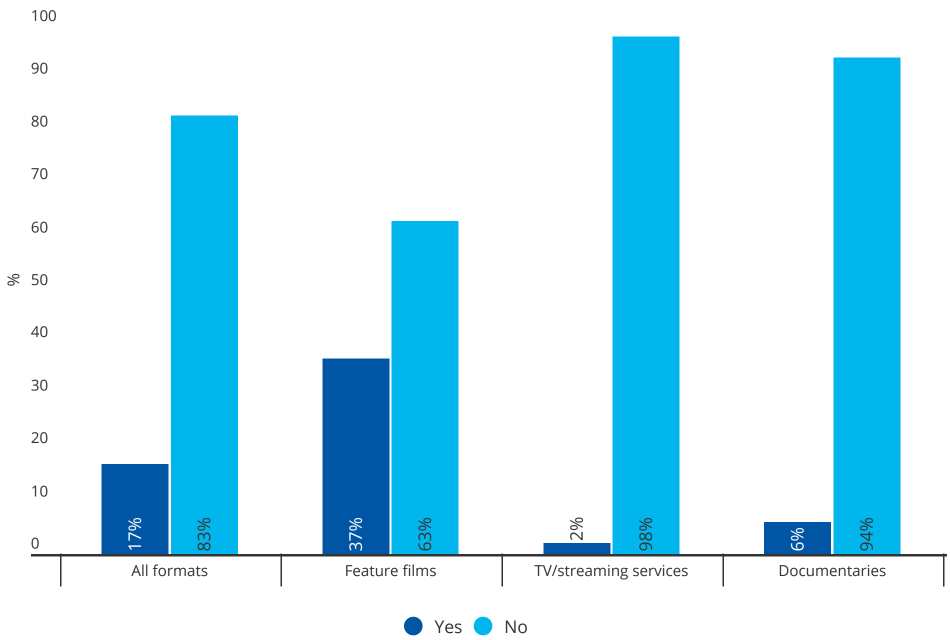
Please indicate on average what proportion of your company's equity share has been traded away to another party(s)?



Number of respondents: 22

Trading Producer Offset Equity

Has your company ever traded away its Producer Offset equity share to another party?



Number of respondents:
All formats - 150; Feature films - 59; TV/streaming services - 43; Documentaries - 48

Sweet Country

"For many of our feature films, we have used a portion of our equity share in projects to attract private investment. In my experience offering a small stake in the film with a position in the waterfall, as well as an Executive Producer credit to these high-net worth individuals, has meant that I am able to attract investment which forms a large part of the finance plan."

– David Jowsey,
Bunya Productions

MOST COMMON PARTIES WITH WHICH FEATURE FILM PRODUCERS WILL TRADE EQUITY:

Australian private investors (36%)
Australian cast (15%)
Foreign private investors (15%)
Producer Offset loan provider (11%)
Gap loan (11%)
Foreign cast (6%)
Australian theatrical distributor (4%)
Foreign sales agent (2%)

A number of interviewees said that five years ago, producers were still educating the marketplace about how the PO worked, but that financiers now better understand the Offset's mechanics.

Interviewees indicated that the PO, at 40% for feature films, is seen as very competitive in the global market and continues to be integral in raising finance for Australian films.

RETAINING THE MARGIN – OR NOT

A majority of producers are still managing to retain their 'producer's margin'

When the PO was established, Screen Australia and the state agencies took the view that producers did not need to include 100% of the anticipated Offset in the finance plan. Instead, at least 90% had to be included for features and TV projects, and 85% for documentary series.

The remainder is referred to as the 'producer's margin'. Upon payment of the PO, producers or production companies can retain the margin to help maintain their businesses and continue to develop new projects. The margin also operates as a buffer for PO lenders: by not being required to lend the full anticipated PO they cover themselves if the final Offset figure comes in slightly lower than originally estimated.

However, the difficulties of raising finance means that while producers can technically keep the margin, many are forced to use all or some of it on the production, either as a separate line item in the finance plan or to cover unexpected costs or overages.

In the *Getting down to business report*, producers said it was quite common to at least partially invest the margin back into the project's budget. TV drama and documentary producers were more likely to be able to retain the full PO margin for the benefit of their businesses compared with feature film producers.

More than 50% of respondents indicated that they had managed to retain a producer's margin all of the time or most of the time, 10% rarely retained it and 15% indicated that they were never able to retain it because the finance plan for their projects required the full amount of the PO.

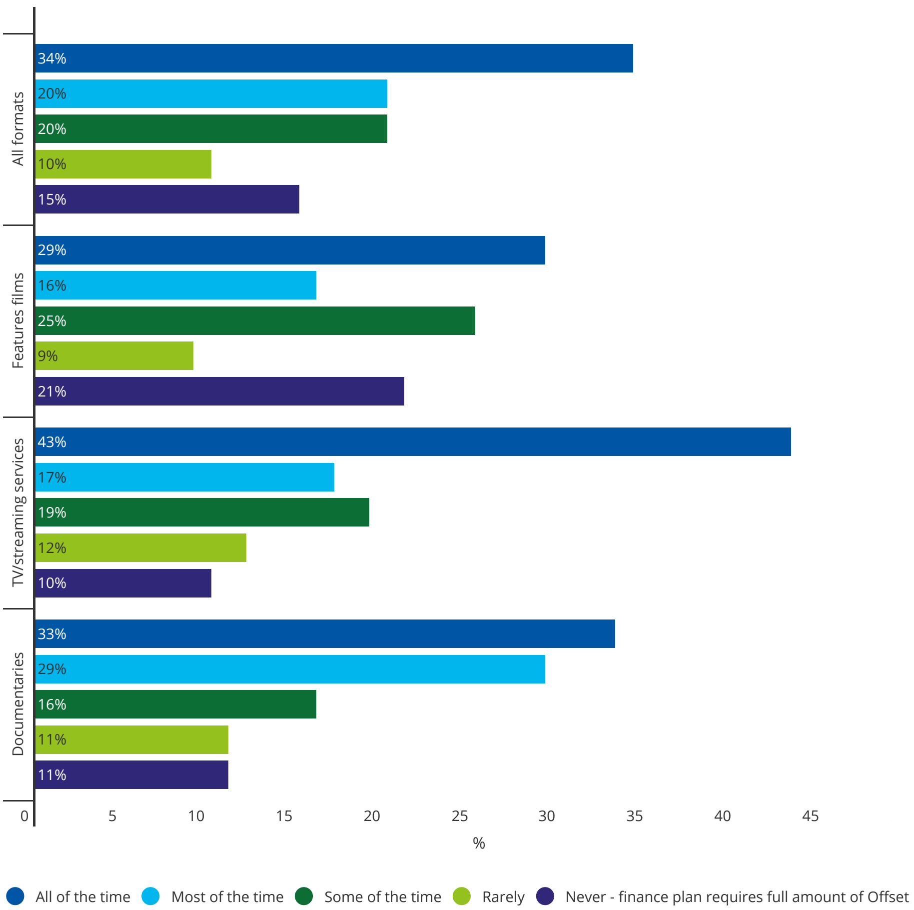
Holding on to a producer's margin is especially tough when financing feature films, with 30% of respondents indicating that they are never or rarely able to retain the producer's margin.

Not all producers who maintained a producer's margin managed to retain the full 10% (or 15% for documentaries). However, almost half of respondents said that they retained at least half of the margin.

The results show that while not all producers are retaining the producer's margin, it is still significantly supporting the continued operation of Australian production businesses.

Retaining the producer's margin

How often has your company been able to retain a producer's margin?



Number of respondents: All formats - 143; Feature films - 56; TV/streaming services - 42; Documentaries - 45

BUSINESS SUSTAINABILITY

In order to consider the impact of the PO on business sustainability, company representatives were asked to comment on:

- diversity of slate;
- consistency of production activity; and
- business revenue

Production companies that most frequently use the Producer Offset operate across genres

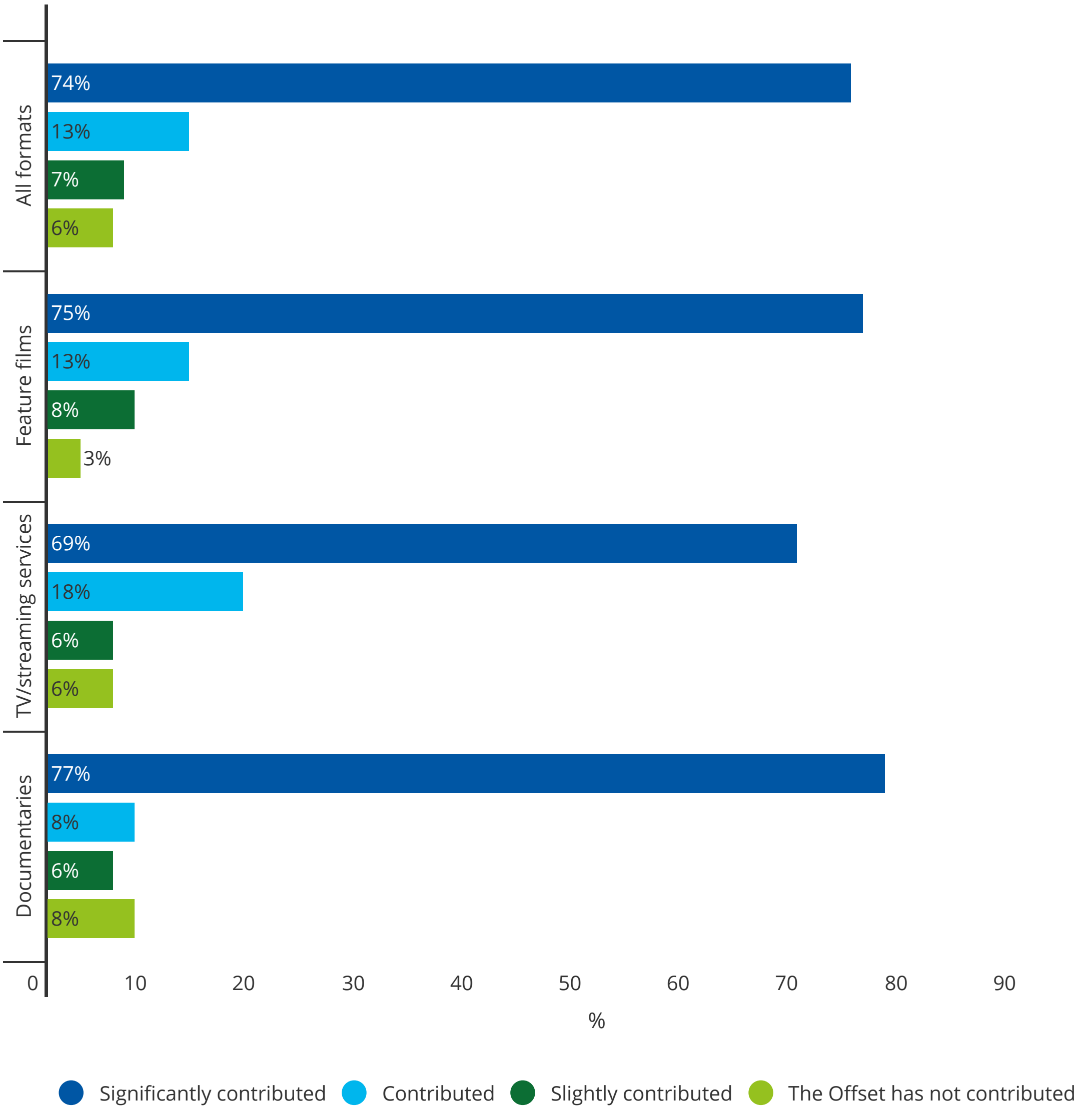
Diversification of content by production businesses is often thought to boost sustainability. Over two thirds of survey respondents indicated they worked across formats, while the rest indicated they still considered themselves as a format specialist, i.e. working exclusively in feature film, documentaries or TV/streaming series.

The Producer Offset has positively contributed to consistency of production

Eighty-seven per cent of respondents indicated the PO had contributed to their business' ability to consistently produce content. This sentiment was the same across all format types. This steady volume of productions has enabled companies to amortise business expenses across projects and retain in-house staff to develop further projects.

Consistency of Production

Please indicate the degree to which the Producer Offset has contributed to your company's ability to consistently produce content?



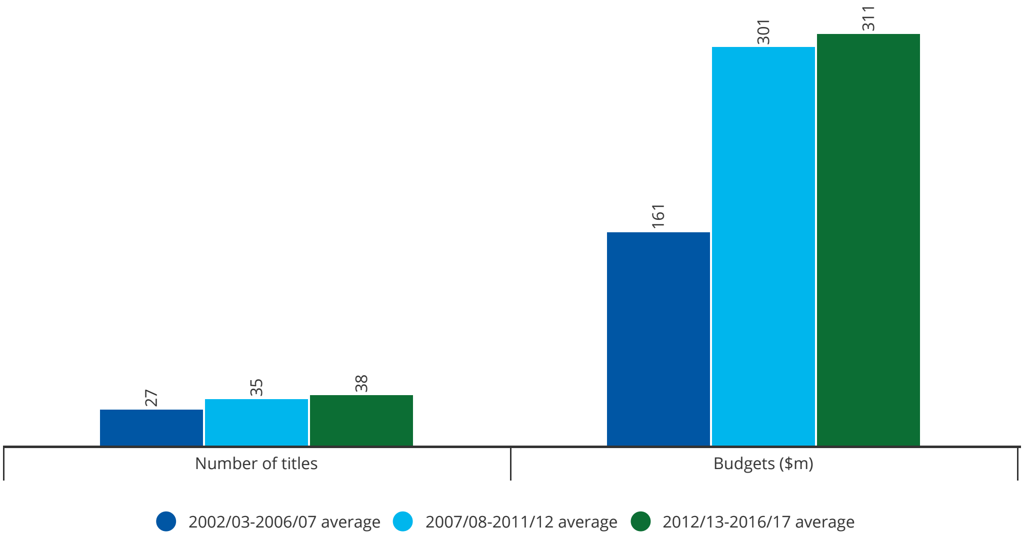
Number of respondents: All formats - 157; Feature films - 60; TV/streaming services - 49; Documentaries - 48

Total production budgets, as an indicator of production activity, have increased across all formats since the introduction of the PO.

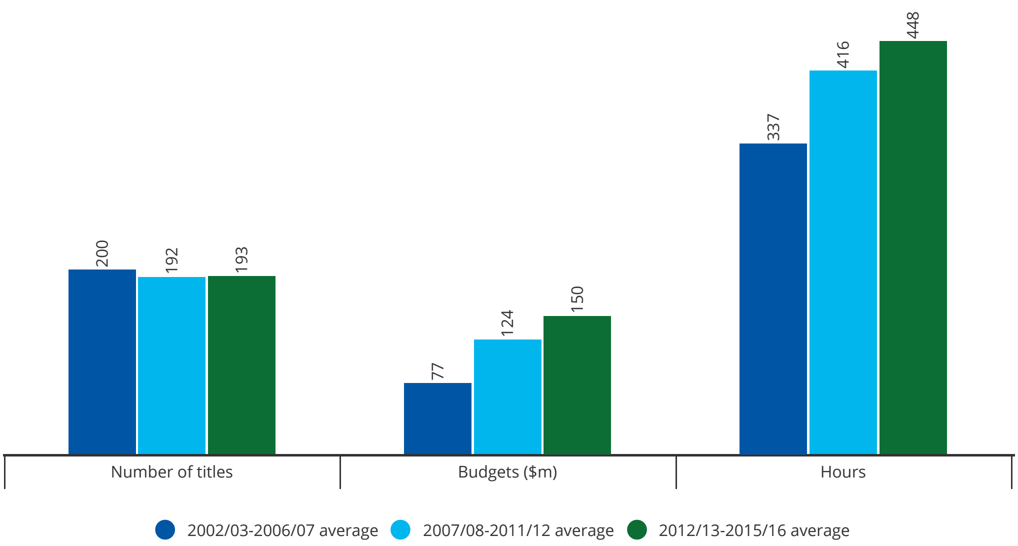
The most significant increase has been in the area of documentaries (94% increase). Feature drama films have increased by 93%, drama for TV/streaming services by 89% and children's drama for TV/streaming services by 23%.

While, all formats have increased in terms of budgets and titles, TV series have seen a reduction in the number of hours of content produced. The trend toward producing shorter-run series with higher episodic costs has been covered in Screen Australia's 2016/17 Drama Report.

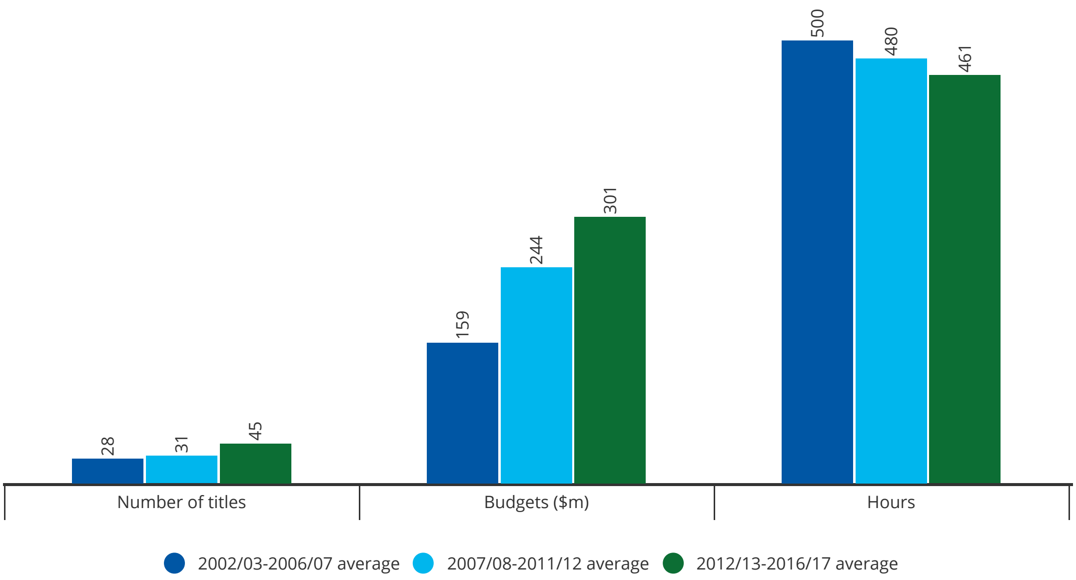
Feature Films (Excludes Documentaries)



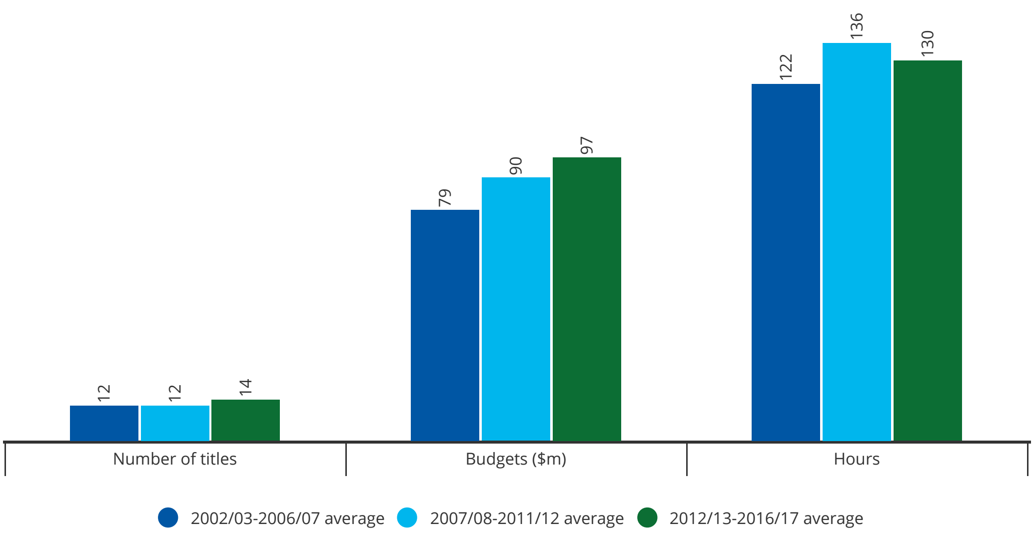
Documentaries



Drama for TV / streaming services



Children's Drama for TV / streaming services



Life on the Reef

"When considering the impact of the Producer Offset on our business sustainability - it is everything. The steadiness of work has ensured we don't lose team members, we can guarantee the quality of our products with high production value, we can keep our overheads down and most importantly, we can capture our own Intellectual Property (IP). IP for us, is viewed as Superannuation – something that will be critical for us in the long term."

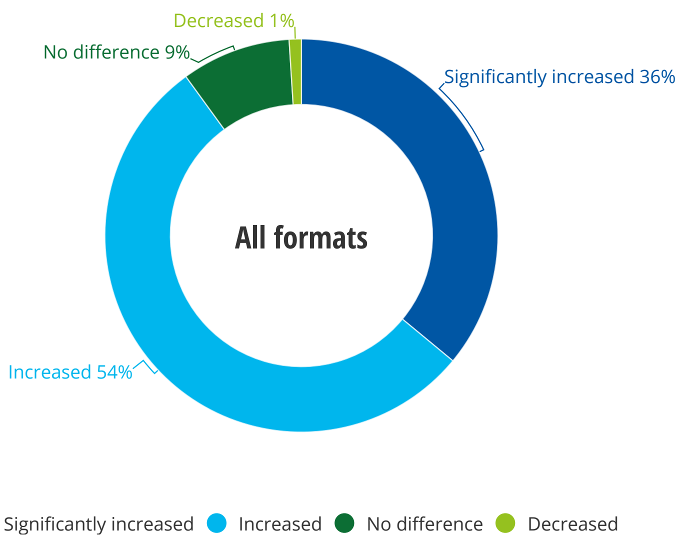
– Sue Clothier, Northern Pictures

The Producer Offset has positively contributed to revenue

Ninety per cent of production companies indicated the PO had increased their revenue, with more than a third of respondents (36%) indicating it had "significantly increased" revenue.

Revenue - Business

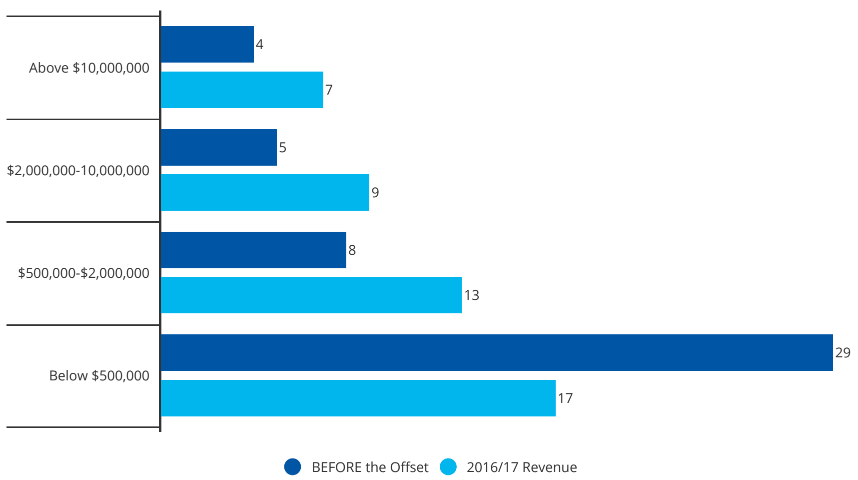
Please indicate the degree to which the Producer Offset has effected your company's revenue.



Note: Significantly decreased - 0%

Revenue Range -<$500,000-$10M+

Here are the revenue ranges of 46 companies that existed pre- and post- the Producer Offset.



RELATIONSHIP BETWEEN EQUITY AND REVENUE

Producers indicate that the PO contributes positively to both their equity share in projects and their revenue received. This should come as no surprise as the two are intrinsically linked: by providing a producer with an equity stake in a project, the PO gives the producer a meaningful position in the project's recoupment structure.

This position means production companies can receive a share of receipts from the exploitation of the content.

While there is often an industry focus on whether a film has reached 'profit' – the stage where the film has recouped the amount of its production budget – the equity/recoupment position afforded by the PO means a production company can receive significant revenue even if a project never recoups its budget.

For example, a $10 million television series may sell internationally and its distributor return $1 million to the series' equity investors. If the production company's equity through the PO is 20% of the total equity pool, the producers would receive $200,000 from the sales. On paper, the series is only one tenth of the way to profitability, but in this situation the producer nets $200,000 from the exploitation of the series.

To drill down further, production companies were asked to indicate their average annual revenue range before the introduction of the PO (if applicable) relative to 2016/17. The results show that more companies are earning more revenue since the introduction of the PO. There are fewer companies earning revenue below $500,000 now (17 companies) than they were 10 years ago (29 companies). Those earning revenue in the $2-10 million range have increased – nine companies in 2016/17 versus five companies before the PO.

RAISING FINANCE

The Producer Offset has made raising finance easier

When the PO was introduced the certainty of having a solid portion of the production budget already secure was intended to ensure that producers had a meaningful seat at the table when negotiating with the 'marketplace' – with theatrical distributors or broadcasters, for example. It was also intended to assist with attracting greater private sector investment.

The survey has shown producers believe the PO gives them assistance in raising finance. To delve into the mechanics and reality of how the PO positions the producer when financing a project, production company representatives were asked to describe their experiences in working with domestic and international marketplace sources.

For feature films, the main benefit of the PO when raising finance was attracting foreign and local private financiers, as well as attracting foreign sales agents.

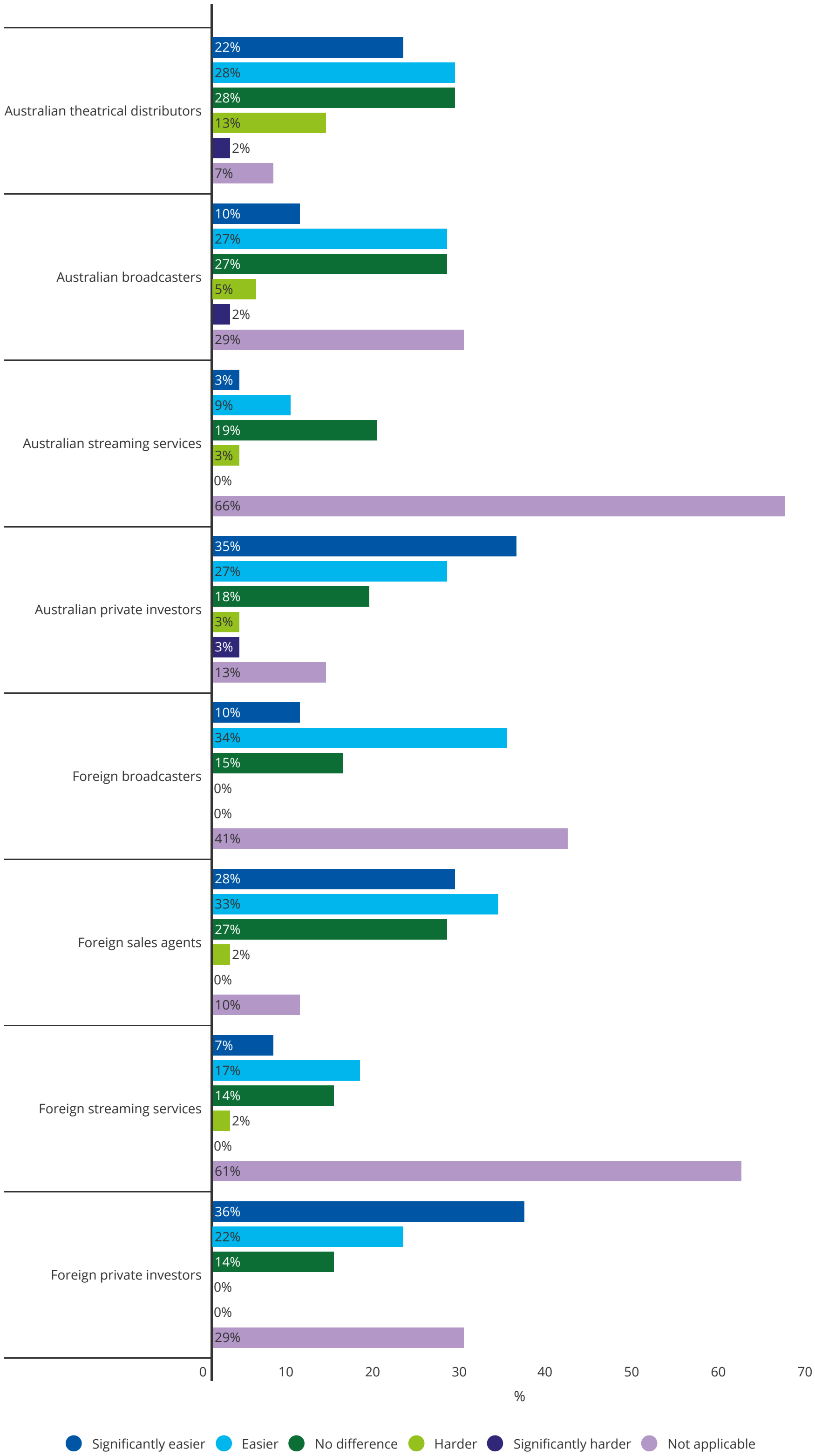
Feature film respondents provided different responses on their ability to raise finance from local theatrical distributors: 50% indicated the PO had made it easier to raise finance from a local theatrical distributor, whereas 13% indicated that it was harder. Given the PO appears to be stimulating the number of feature film titles produced (see pages 10-11), it is possible that feature film supply is exceeding distributor demand and this is what the 13% reflects.

For those specialising in TV/streaming services and documentary, the survey results revealed that more than three quarters of producers considered the PO made it "easier" to raise finance from Australian broadcasters. The incentive has made it less risky for broadcasters to commit to the financing of screen content as they know a significant portion of the budget can be sourced from government.

Producers did not feel ready to comment on the impact of the PO on raising finance from domestic and international streaming services as this content ecosystem is rapidly maturing.

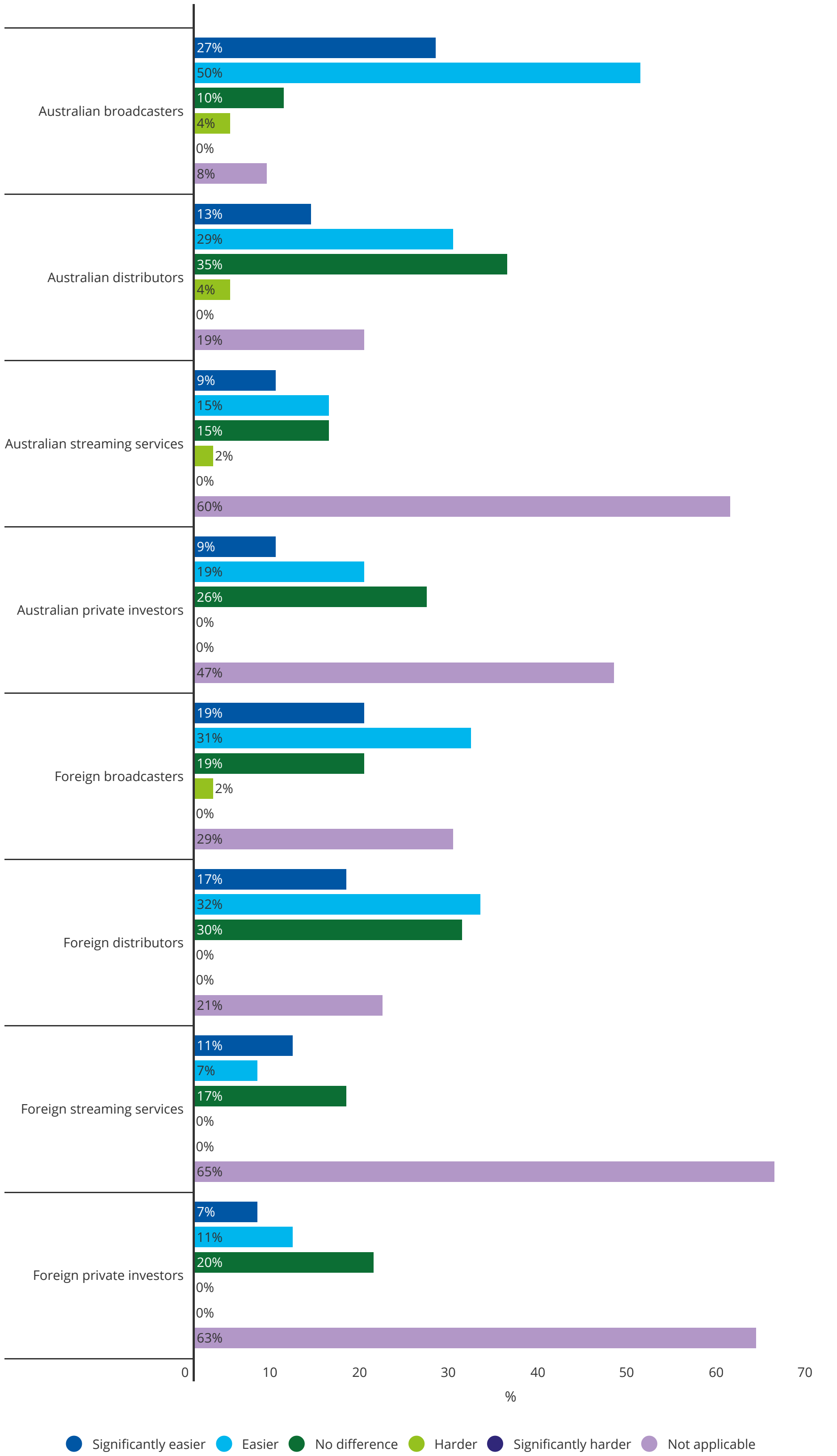
Raising finance - Features

How would you describe your experience in raising finance for your projects from the following sources since the introduction of the Producer Offset?



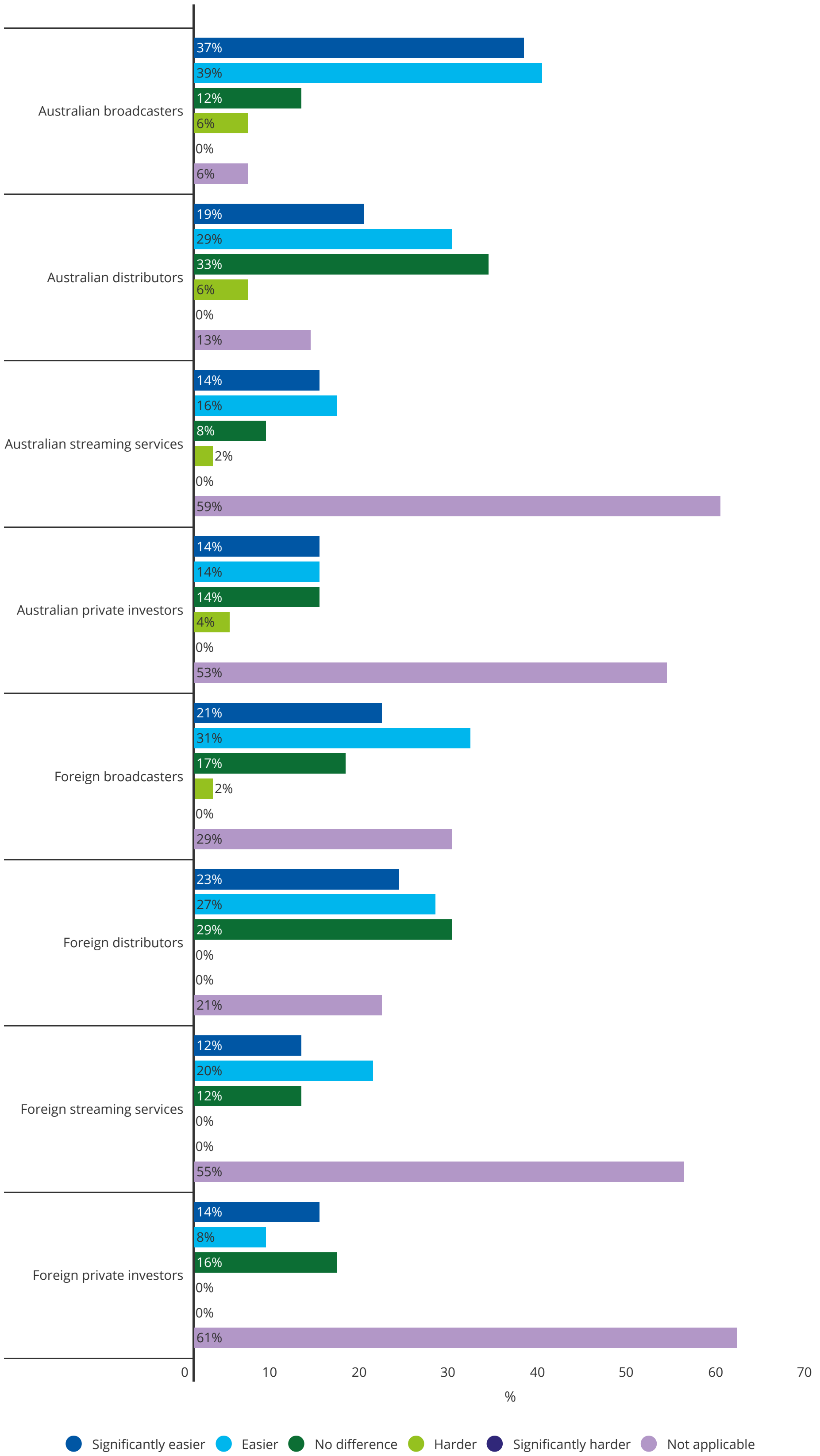
Raising finance - Documentaries

How would you describe your experience in raising finance for your projects from the following sources since the introduction of the Producer Offset?

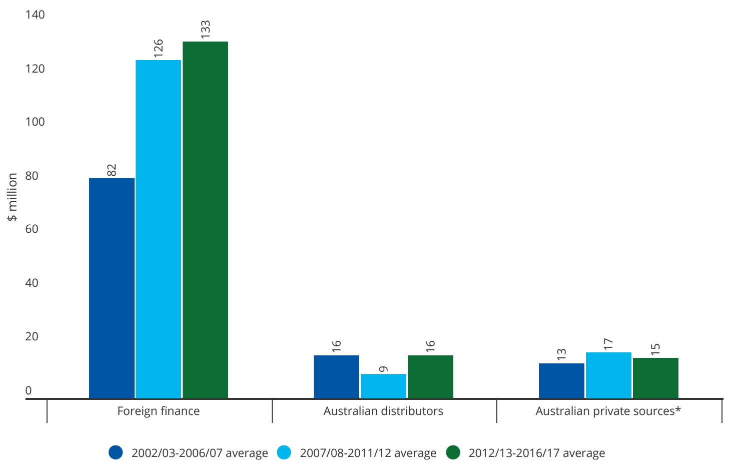


Raising finance - TV / streaming services

How would you describe your experience in raising finance for your projects from the following sources since the introduction of the Producer Offset?

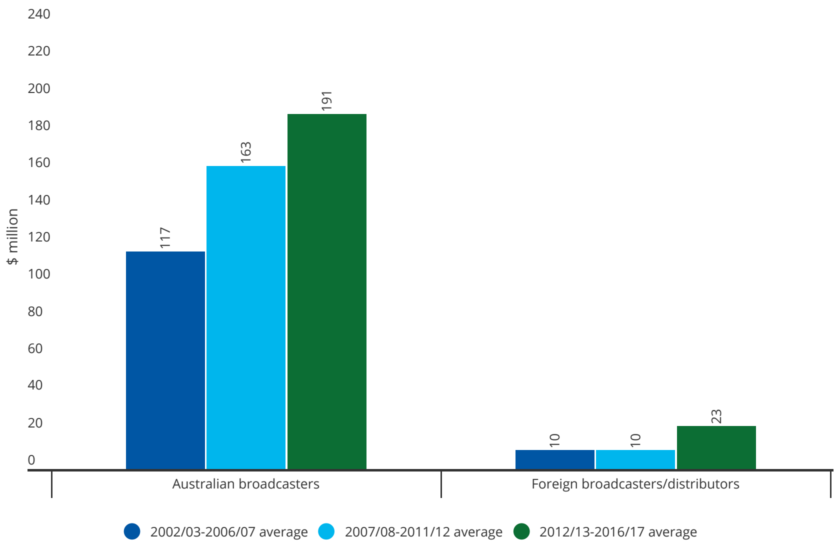


Finance sources - Feature (drama only)

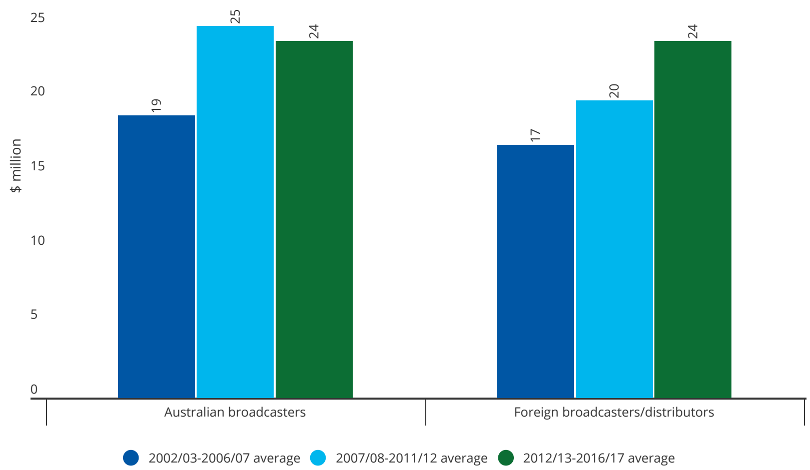


Notes: *excludes 10B/10BA/FLIC

Finance sources - Drama for TV/streaming services



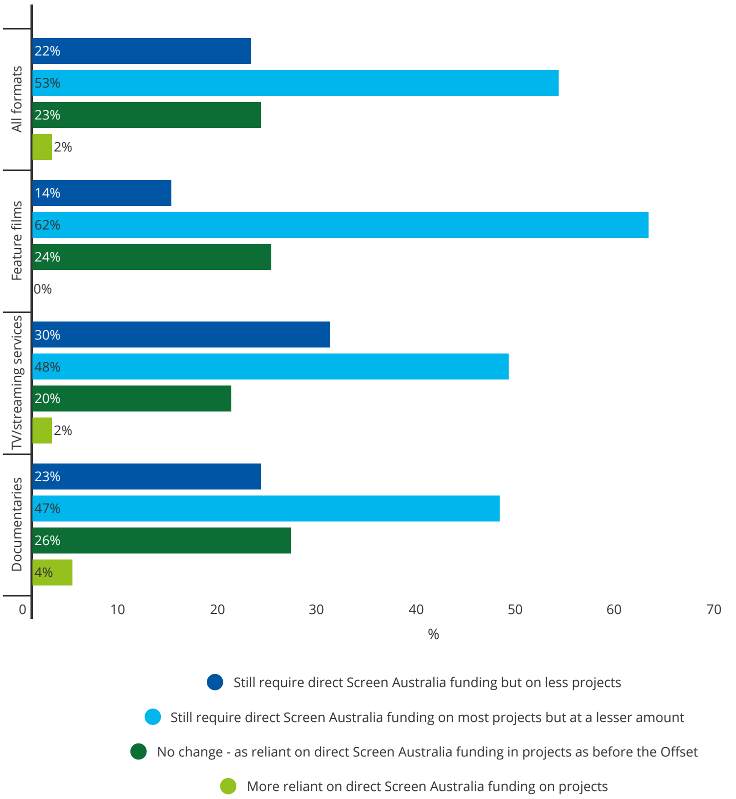
Finance sources - Children's drama for TV/streaming services



Through direct funding of projects and the administration of the PO, as well as other research, Screen Australia gains a comprehensive view of marketplace arrangements. The data shows that producers have been raising more money from marketplace sources since the introduction of the PO.

Reliance on Screen Australia Funds

Please select which statements best describes the impact the Producer Offset has had on your company's reliance on direct project funding from Screen Australia (i.e. grants or investments).



Number of respondents: All formats - 151; Feature films - 58; TV/streaming services - 46; Documentaries - 47

The Producer Offset has made producers less reliant on direct Screen Australia funding

Producers were asked to indicate whether the PO had impacted their reliance on Screen Australia direct funding for projects.

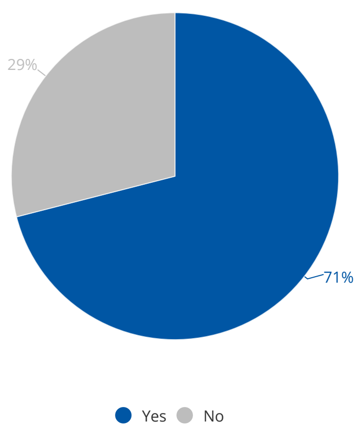
A clear majority of producers indicated their reliance on direct funding from Screen Australia had diminished because of the PO. They now have fewer projects that require direct funding or individual projects require less funding.

That said, 23% of respondents said that the PO had made no change on their reliance on Screen Australia direct funding.

Almost two thirds of companies specialising in feature films felt they still required Screen Australia support, but to a lesser amount. Screen Australia's reduced overall budget, as well as the lower 'cap' on the amount an individual project can obtain, has affected financing.

Impact on Business Relationships

Has the Producer Offset assisted your company to form business relationships with international broadcasters, production companies and/or studios?



The Producer Offset has helped build business relationships in Australia and internationally

Seventy-one per cent of survey respondents indicated the PO had helped them form business relationships with international broadcasters, production companies and/or studios.

Producers stated that the PO is now very well-known and understood nationally and globally, and has opened doors to all kinds of potential financiers.

Producers also noted that in a competitive global market that is heavily incentivised, the fact that the PO is uncapped and funded by the Federal Government provides security and confidence to potential partners and this is seen as a great benefit and advantage.

The Producer Offset has helped Australian broadcasters commission quality Australian content

The commercial and public free-to-air broadcasters and the subscription operators that were interviewed all indicated the PO had increased their ability to consistently commission Australian content. Some noted that the relatively high cost of TV production in Australia made the Producer Offset crucial to the financing of certain types of content.

Several broadcasters directly linked the PO with the ability to create intrinsically Australian content that told Australian stories.

Broadcasters noted the PO assisted them to commission projects with larger production budgets and high profile talent that could compete on the global stage. Screen Australia's yearly production data confirms that higher budget TV series are increasingly common.

All broadcasters interviewed expressed the desire for the PO to be increased to 40% for non-theatrical formats. They contend that a higher Offset would allow the local industry to develop more Australian content capable of cutting through increasing volumes of foreign content.

The Secret Daughter S2

Challenges – past, present and future

Whilst our data revealed producers are well versed in accessing the PO and it has made a positive impact on the industry, there are challenges in working with a tax offset.

Screen Australia's 2012 report identified challenges around the timing of returns and therefore the associated costs. Whilst these same sentiments were echoed in the latest survey, they were not repeated by the majority of respondents, with TV drama producers least concerned by these issues.

A large proportion of surveyed producers said the costs associated with accessing and cashflowing the PO had either stayed the same or decreased. A number stated that given the track record of their companies, lenders were more comfortable with negotiating ongoing arrangements and terms for a slate of projects, as opposed to a project-by-project basis. As PO lenders need to offer competitive terms in an evolving market, it is hoped costs associated with accessing and cashflowing the PO decline over time.

Sentiments around inconsistencies between not only the different formats of the PO, but also across the PDV and Location Offsets, have been raised again in this year's survey.

Respondents in 2012 stated that the 20% PO for non-theatrical formats was insufficient. Once again, this issue was flagged by producers as well as broadcasters, who stated that audiences desire content outside of cinemas and taxpayer support should follow audience preferences.

Some industry stakeholders are concerned that broadcasters are attempting to access the producer's equity share. The survey showed that producers are retaining substantial equity in their projects and broadcasters stated in interviews that they understood the producer's position and were not seeking to undermine it. However, some broadcasters noted that, if the PO was increased, this practice could be re-considered.

A 40% rebate is currently only available to a 'feature film'. The definition of a feature film and its connection with a theatrical release was highlighted as a persistent issue. Respondents felt projects were being 'shoehorned' into theatrical releases to obtain a higher rebate, while time and money would be better spent finding and achieving the best pathway to the biggest audience.

In the TV drama landscape producers noted that it was more and more competitive to get commissions from local broadcasters and offers from international distributors. While more titles are being produced, fewer hours of drama in total are being made. Producers also advocated that the 65-hour cap be removed as they considered that it penalises success: projects were difficult to finance after they reached the cap.

Legislative definitions of formats – in particular, documentary – continued to be an issue for producers and broadcasters. As formats have evolved, and hybridity has become more common, it was indicated that the very certainty of the PO is now being undermined. One broadcaster commented that confusion around definitions was inhibiting their ability to innovate with format and content.

Screen Australia's Producer Offset and Co-production Unit has implemented a number of changes to reduce the burden on producers in terms of administration and paperwork. Other matters, including the level of the rebate and the definition of formats, are set out in legislation and would require change through Parliament.

Conclusion

Five years ago the PO was found to have made a positive impact, with producers increasing their expenditure, attracting more investment, and retaining a greater share in the success of their projects. This updated evaluation of the experience of those using the PO shows it has cemented its place at the centre of screen content financing. The PO is well understood, widely used and broadly supported, although there is desire for some change to the rules.

Content is continuing to evolve, with the industry looking to tell screen stories across platforms to meet audience demand. This research clearly indicates that the introduction of the PO has been a success. Undoubtedly it will continue to be an invaluable starting point for producers seeking to make projects with ambition and scale.

The Dressmaker

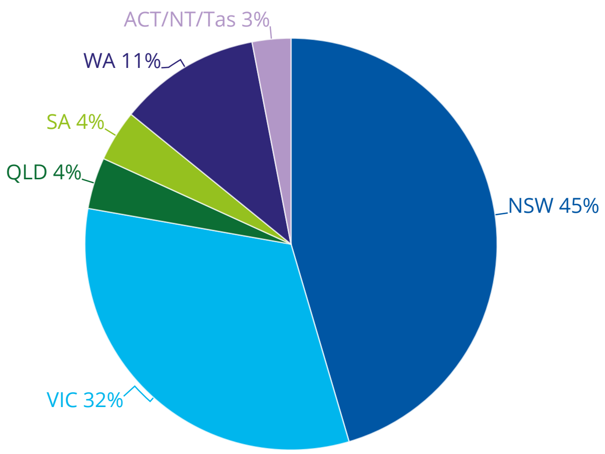
Appendix

PROFILE OF SURVEYED COMPANIES

81 companies registered as completed

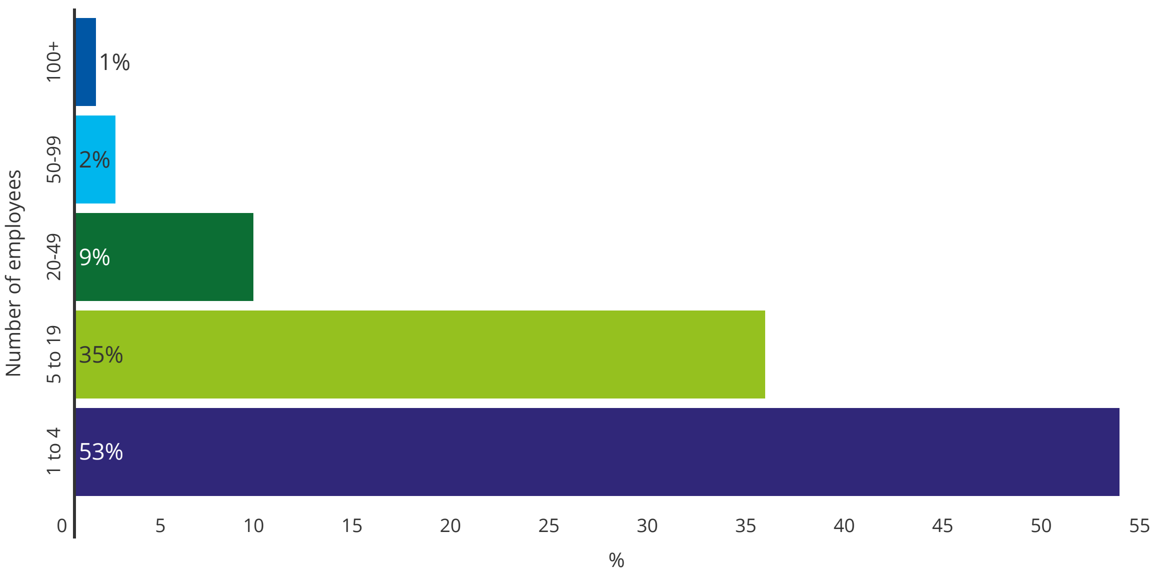
Company production mix

Location of companies surveyed



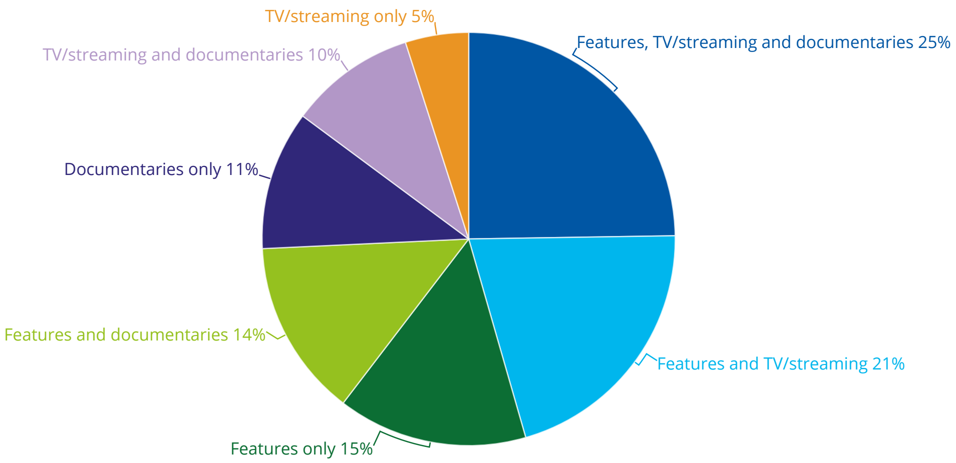
Notes: 81 companies surveyed.
Companies with offices in more than one location have been accounted for in each state.

Business size



Notes: 81 companies surveyed.

Slate mix of companies surveyed



Notes: 81 companies surveyed.

Little Lunch

REFERENCES TO SURVEY DATA THROUGHOUT THE REPORT

Figures may not total exactly due to rounding

Page	Survey finding	Number of respondents
3	An online survey with 81 production companies working across feature films, documentaries and TV/streaming services.	The survey was distributed to 133 producer/applicant companies that had received more than two final certificates at the time of the survey – of which 81 companies completed.
3	91% of surveyed production companies indicated that the Producer Offset was "critically important" to the operation of their business.	74 of 81 surveyed companies.
3	92% of respondents considered their equity stake in projects had increased since the introduction of the Producer Offset, with 61% indicating that it had "significantly increased".	92%: 139 of 151 responses across all formats – feature films (including theatrical documentaries, animation and IMAX), TV/ streaming services – single episode/series (incl. drama, animation, comedy) and documentary – single episode/series. 61%: 92 of 151 responses across all formats.
3	98% of companies working in the TV/streaming sector retained (did not trade) any Producer Offset equity.	42 of 43 respondents making content for TV/streaming services.
3	While 37%of respondents working on feature film content had traded some Producer Offset equity, the majority of these respondents retained at least half of their equity stake.	22 of 59 of respondents making feature films.
3	Where equity in feature film projects was traded it was most commonly traded to Australian private investors (36%) followed by foreign private investors (15%) and local cast (15%).	36%: 17 of 47 respondents making feature films. 15%: seven of 47 respondents making feature films.
5	In 2017, over 90% of respondents still considered that their equity stake in projects had increased since the introduction of the Producer Offset, with 61% indicating that it had "significantly increased".	Over 90%: 139 of 151 responses across all formats. 61%: 92 of 151 responses making content across all formats.
6	The 2012 report found that only a small number of respondents were trading their Producer Offset equity on TV projects. In 2017, and with a much bigger sample, only one company working in this space said that they had traded away any of their Producer Offset equity to another party.	One of 43 respondents making content for TV/streaming services.
6	Only three companies said that they had traded their Producer Offset equity to another party, indicating that the vast majority of producers either aren't asked to trade their equity, or won't entertain the request if asked.	Three of 48 respondents making documentaries.
6	More than a third (37% - 22 companies) of respondents working in feature film said that they had traded their Producer Offset stake to another party.	22 of 59 respondents making feature films.
6	Encouragingly, 86% of these feature film producers indicated that they had retained at least half of their Producer Offset equity in these negotiations, with 45% had indicating that they had only traded 'a small amount" of their Producer Offset equity.	86%: 19 of 22 respondents making feature films. 45%: 10 of 22 respondents making feature films.
7	Most common parties with which feature film producers will trade equity: Australian private investors (36%) Australian cast (15%) Foreign private investors (15%) Producer Offset loan provider (11%) Gap loan (11%) Foreign cast (6%) Australian theatrical distributor (4%) Foreign sales agent (2%).	36%: 17 of 47 respondents 15%: seven of 47 respondents 15%: seven of 47 respondents 11%: five of 47 respondents 11%: five of 47 respondents 6%: three of 47 respondents 4%: two of 47 respondents 2%: one of 47 respondents.
8	More than 50% of respondents indicated that they had managed to retain a producer's margin all of the time or most of the time.	55%: *All of the time 34%: 49 of 143 respondents working across all formats *Most of the time 20%: 29 of 143 respondents working across all formats.
8	15% of respondents indicated that they were never able to retain it because the finance plan for their projects required the full amount of the Offset. Another 10% responded that they rarely retained it.	15%: 21 of 143 respondents working across all formats 10%: 15 of 143 respondents working across all formats.
8	Holding on to a producer's margin is continuing to prove especially tough when financing feature films, with 30% of respondents indicating that they are never or rarely able to retain the producer's margin.	30%: * Never 21%: 12 of 56 respondents making feature films * Rarely 9%: five of 56 respondents making feature films.

Page	Survey finding	Number of respondents
8	However, almost half of respondents said that they managed to retain at least half of the margin.	65 of 132 respondents working across all formats.
9	Over two thirds of survey respondents indicated they worked across formats, while the rest indicated they still considered themselves as a format specialist (i.e. working exclusively in feature film, documentaries or TV/streaming series).	56 of 81 companies work across formats 25 of 81 companies work exclusively in one format.
9	87% of respondents indicated the Producer Offset had contributed to their business's ability to consistently produce content. This sentiment was consistent across all format types.	87%: 137 of 157 respondents working across all formats: * Significantly contributed 74%: 116 of 157 respondents * Contributed 13%: 21 of 157 respondents.
10	The most significant increase has been in the area of documentaries (94% increase). Feature drama films have increased by 93%, drama for TV/streaming services by 89% and children's drama for TV/streaming services by 23%.	Screen Australia: time-series/annual drama and documentary production statistics.
13	90% of production companies indicated the Producer Offset had increased their revenue, with more than a third of respondents (36%) indicating it had "significantly increased" revenue.	90%: 72 of 80 respondents across all formats. * Significantly increased 36%: 29 of 80 respondents * Increased 54%: 43 of 80 respondents.
13	The results show that more companies are earning more revenue since the introduction of the Producer Offset. There are fewer companies earning revenue below $500,000 now (17 companies), then they were 10 years ago (29 companies). Those earning revenues in the $2-10 million range have increased – nine companies in 2016/17 v five companies before the Producer Offset.	Of the 46 companies working pre and post the Producer Offset: * 29 were earning revenue below $500,000 before the Producer Offset v 17 in 2016/17 (estimates projected to 30 June 2017). * five were earning revenue between $2-10 million before the Producer Offset v nine in 2016/17 (estimates projected to 30 June 2017).
14	Feature film respondents provided different responses on their ability to raise finance from local theatrical distributors: 50% indicated the PO had made it easier to raise finance from a local theatrical distributor, whereas 13% indicated that it was harder.	50%: 30 of 60 respondents making feature films. * Significantly easier 22%: 13 of 60 respondents * Easier 28%: 17 of 60 respondents * Harder 13%: eight of 60 respondents.
14	For those specialising in TV/streaming services and documentary, the survey results revealed that more than three quarters of producers considered the Producer Offset made it "easier" to raise finance from Australian broadcasters.	76%: 74 of 97 companies that made TV/streaming content or documentaries indicated that it was either significantly easier or easier to raise finance from Australian broadcasters.
17	Through direct funding of projects and the administration of the Producer Offset, as well other research, Screen Australia gains a comprehensive view of the marketplace arrangements. The data shows us that producers are raising more money from marketplace sources since the introduction of the Producer Offset.	Screen Australia: time-series/annual drama production statistics.
18	A clear majority of producers indicated their reliance on direct funding from Screen Australia had diminished because of the PO. They now have fewer projects that require direct funding or individual projects require less funding.	75% (113 of 151 respondents) respondents working across all formats indicated that they either: * Still require direct Screen Australia funding but on fewer projects 22%: 33 of 151 respondents * Still require direct Screen Australia funding on most projects but at a lesser amount (53%): 80 of 151 respondents.
18	That said, 23% of respondents said that the PO had made no change on their reliance on Screen Australia direct funding.	35 of 151 respondents working across all formats.
18	Almost two thirds of companies specialising in feature films felt they still required the Screen Australia support, but to a lesser amount.	62% (36 of 58) respondents making feature films.
18	71% of survey respondents indicated the Producer Offset had helped them form business relationships with international broadcasters, production companies and/or studios.	57 of 80 respondents working across all formats.
Appendix	Company profile data: Location of business Business size Slate composition	Represents all 81 surveyed companies working across all formats.

Timeline	
1978	Division 10B of the Tax Act introduced. Initial investors who acquire an interest in the copyright of new, qualifying productions receive a 100 per cent tax concession over two financial years once the film exists and is used to produce income.
1981	Division 10BA introduced and private sector becomes the primary financier of Australian film and television production. 10BA offers a 150 per cent deduction on investments in a qualifying project as well as a tax free haven on the first 50 per cent of revenue a film earns.
1983	Downscaling of Division 10BA to 133/22.
1985	Downscaling of Division 10BA to 120/20.
1988	Cost of Division 10BA to Commonwealth Government peaks at $131 million for financial year 1987/88.
1988	Downscaling of Division 10BA to 100/0.
1988	Government establishes the Film Finance Corporation in 1988 with a $70 million budget, to be the major government driver of film production. The FFC is empowered to invest in feature film, television drama and documentary with commercial potential and market participation.
1997	FLIC (Film Licensed Investment Company) pilot scheme introduced.
2001	Refundable Film Tax Offset introduced. This offset is directed at attracting large-budget, mostly foreign film and television productions. The Offset is applied at a fixed rate of 12.5 per cent of qualifying Australian production expenditure on a film project. Eligibility for the Offset is governed by a minimum level of qualifying Australian production expenditure (QAPE) of A$15 million on the production of the film.
2005	Review of Divisions 10B and 10BA.
2005	A second FLIC scheme is announced to follow the 1999 pilot scheme. Mullis Capital Film Licensed Investment Company is granted a licence in December 2005 to raise capital of up to $10 million in each of 2005/06 and 2006/07 for investment in Australian film and television productions. The FLIC scheme fails to reach its investment target.
2006	Review of Division 376 of the Income Tax Assessment Act 1997: Refundable Film Tax Offset Scheme.
2006	Review of Australian Government Film Funding Support.
2007	Australia Screen Production Incentive is announced. The four central components are the discontinuation of Division 10B and 10BA, the introduction of the Producer Offset, Location Offset and PDV Offset, and the amalgamation of the AFC, FFC and Film Australia into a single screen agency.
2008	Screen Australia established.
2010	Review of the Independent Screen Production Sector.
2011	Offset Reforms introduced.
2011	Convergence Review + National Cultural Policy Review.
2017	Australian and Children's Screen Content Review – undertaken by the Department of the Communications and the Arts, The Australian Communications and Media Authority and Screen Australia.