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Submission to Screen Australia's review of the Enterprise Program (Producer Survey)

Screen Producers Australia was formed by the screen industry to represent small-to-medium enterprises across a diverse production slate of feature film, television, games and interactive content. Our members are the most active businesses in Australia and are dedicated to increasing productivity. Together they produce in excess of \$700 million worth of screen content annually, attracting significant inward investment with a growing export potential.

On behalf of these businesses we are focused on delivering a healthy commercial environment through ongoing engagement with elements of the labour force, including directors, writers, actors and crew, as well as with broadcasters, distributors and government in all its various forms.

The coordinated dialogue that Screen Producers Australia leads has ensured, that despite challenging market forces our industry is successful, employment levels are strong and the Australian community's expectations regarding their access to high quality Australian content have been met.

Screen Producers Australia welcomes the opportunity to contribute to Screen Australia's review of the Enterprise Program.¹ This submission draws on a number of surveys over the last 12 months, including a survey specifically conducted in response to the Enterprise Funding: Program Review and Future Options discussion paper.²

- 1. Recommendations**
- 2. Findings from Enterprise Review Survey, January 2014**
- 3. Supplementary information from the Skills Survey, October 2013 and Annual Benchmarking Survey, February 2013**

Contact details

For further information please contact Matthew Hancock, Manager, Strategy and Insights, 02 9360 8988 or matthew.hancock@screenproducers.org.au.

¹ More information about the Enterprise Funding Review can be found here:
http://www.screenaustralia.gov.au/about_us/new_directions/Enterprise-review/default.aspx

² The comments in this submission provide a summary of a presentation of survey findings by Screen Producers Australia to Screen Australia on 29 January 2014.

1. Recommendations

- **Maintaining an incentive for growth**

Almost two-thirds of businesses surveyed indicated that the Enterprise Program was an initiative that was successfully encouraging commercial sustainability in the industry. Furthermore, those businesses that had received funding said that it had been very important to their growth, and likewise, many of those who have not yet been successful see it as a future business goal.

While Screen Australia may be considering different iterations of the Enterprise Program, it is clear that many are forward planning with the fund in mind. Any significant changes to its design must consider the extent to which the program has now become a motivator for growth, not just a subsidy for existing enterprises but perhaps more importantly its role in stimulating new business.

- **Increasing transparency to limit cost to business**

Most businesses surveyed that had made unsuccessful applications have indicated that the feedback received was insufficient in helping them target future applications. While there are obvious limitations on the nature of Screen Australia's feedback, it is an aspect that warrants further consideration given the motivating force that the Enterprise Program has become.

In response, Screen Australia should consider a two-phase application process: an expressions of interest round followed by an invitation to full application. This will not only limit cost to business for some applicants, it will also provide an additional layer of transparency regarding the current focus areas of the program.

- **Growing capacity through shared resources**

The Enterprise Program is well positioned to grow capacity and efficiencies across a broad range of screen businesses by allocating a portion of funds to support the development of shared production resources and targeted skills development initiatives. This would grow capacity specifically among the smaller businesses and sole traders who make up such a large proportion of our industry.

These resources and initiatives should remain commercially focused and responsive to changes in the marketplace. Seed funding would provide an opportunity to overhaul and modernise existing services on the basis that they would ultimately transition to services paid for and operated by industry on an as needs basis.

Wherever government can seed sustainability and devolve development and resource provision to industry, it will succeed in encouraging industry to lead itself and promote growth. This is consistent with Screen Australia's Charter of Operations and can be illustrated similar measures in the UK and Canada where support of industry led initiatives has helped to construct a robust and competitive independent screen sector.

2. Findings from the Enterprise Review Survey, January 2014

In framing our response to Screen Australia's review of the Enterprise Program, members of Screen Producers Australia's Policy Working Groups were asked to participate in a short online survey.

These groups comprise of more than 50 companies, from sole traders who earn less than \$100,000 in turnover per year to larger businesses employing many staff across multiple international offices and an annual turnover in excess of \$100 million. These groups are not just representative in business structure, size and geographic location, they are also representative of the most active businesses across feature film, drama, children's, documentary, light entertainment and interactive production areas as well as broader legal and commercial affairs services.³

The working groups, along with other interested members who express interest in particular policy campaigns and reviews, assist the Council and Secretariat to identify and explore issues across the different areas of production.

There were 26 businesses that responded to the Enterprise Review Survey. Of these, there were six successful applicants, 12 unsuccessful applicants and eight businesses that have not yet applied.

Key messages

- Businesses who have successfully secured Enterprise funding believe that it has been vital to their growth strategies, and are happy with the reporting requirements.
- Businesses who have been unsuccessful are concerned that they are being left behind, with Enterprise recipients perceived as gaining preferential treatment from screen agencies, broadcasters and distributors.
- Businesses who have unsuccessfully applied and are intending to make further applications would like more extensive feedback to help inform their future applications.
- Businesses who have not applied, or are not going to apply again, either do not believe the program fits their business model or believe that Screen Australia is not prioritising their type of business activity, either by volume or genre of production.

Insights from successful applicants

- Of the six successful businesses, just one was unsuccessful on their first application. This respondent indicated that the program was an important incentive in their growth.
- In a ranking of importance, with five being very important, all six successful companies indicated either four or five as the level of importance that the Enterprise Program has been in addressing their long-term strategic priorities.
- When asked about any aspects of the current reporting requirements that they believe could be tweaked, there was broad consensus that the requirements were acceptable.
- These businesses highlighted some specific benefits as being:

³ A list of companies and individuals involved in these Policy Working Groups can be found here: <http://screenproducersaustralia.org.au/advocacy/>

- *The ability to invest in resource and infrastructure to build the business, establish corporate and strategic plans and key hires to help expand the business.*
- *Increased financial resources to expand business.*
- *Making us able to really get a development slate moving and to take calculated risks on the right projects. Also the application process alone focused us.*
- *The ability to develop original IP, structure a company in a more professional and purposeful manner.*
- *Allowed for control over our feature film draft by draft development, resulting in shortening development to finance timeframe.*

Insights from unsuccessful applicants

- Of the 12 unsuccessful businesses, nine have indicated that they intend to make future applications to the Enterprise Program. The majority of those unsuccessful businesses who are looking to make future applications consider the Enterprise Program as an important incentive as a business goal.
- There was an overwhelming response from these unsuccessful applicants that they have not had received significant feedback on their applications to be of any real value in future applications, with seven of the nine ranking the usefulness as just one or two on a scale five, with five being most useful.
- These businesses highlighted some specific benefits as being:
 - *Progress up the evolutionary chain.*
 - *Enterprise companies appear to have a huge competitive advantage over non-Enterprise companies in terms of development, preferential treatment for funding and presales.*
 - *\$500K in off-balance sheet finance is a huge injection for any company for the riskiest aspect of producing - development.*
 - *Ability to pursue a measured, timely and reactive development slate without the time and speed bumps of Screen Australia development rounds especially given the pull back of state bodies from the development sector.*
 - *Providing secured cash flow to achieve business outcomes without needing to continually make application for funding to do each stage piecemeal.*
 - *To enable the employment of fulltime staff.*

Insights from businesses who have not applied

- Eight businesses surveyed have not applied. However, four have indicated that they do intend to apply in the future. These businesses stated that their interest was to either grow new divisions within a bigger company structure or to overcome development bottlenecks (a common theme).
- Despite their interest either way, two businesses indicated that they might not be eligible under the current program guidelines.

General comments from survey respondents

- When asked about other complementary strategies that may encourage greater commercial sustainability, individual responses included:

- *Grants rather than a partially recoupable Enterprise Program.*
- *More business support through shared resources.*
- *A merit-based program that rewards genuine success with support based on agreed KPIs.*
- *Incentives for more partnerships between production businesses, rather than more acquisitions.*
- In response to the suggestions that the program might be significantly changed or removed, individual responses included:
 - *The Enterprise Program is a great initiative and should be retained in one form or another.*
 - *Removing it now would be unfair to non-Enterprise companies and to new entrants.*
 - *The amount needs to remain at a sufficient level in order to provide a kickstart for producers wanting to make it internationally.*
 - *Funding should remain targeted to the current number (or less) companies and not spread wider.*
 - *It's still a good program as long as they stop giving the money to distributors.*
 - *SMEs that haven't received Enterprise funding run the risk of declining without any assistance so you end up with successful companies on one level and the rest of the industry struggling to survive.*
- When asked about how the money may be spent in if it was not spent on the Enterprise program, responses included:
 - *An increased offset for television and other formats.*
 - *Television development programs.*
 - *Slate development.*
 - *Increased assistance to markets.*
 - *I think it's probably the right amount. It needs to be competitive and I think the right number of companies get the funding each year - if it was increased, I'd wonder if they could find enough quality companies. But if there were more quality companies then it should be increased as it's such a great program.*
- Other general comments included:
 - *The application is a long process so policy changes need to be communicated to producers with sufficient lead up time in order to respond appropriately.*
 - *It seems evident that the Enterprise Program has been successful for the Enterprise companies. How successful has it been for the industry as a whole? We need a diversity of business models and government should explore ways to support both small and large enterprises.*
 - *I think the process should be two tiered. An expression of interest that is inexpensive to prepare and then the fund invites companies to go to full application. The process cost us around \$12k. I think the staged approach would assist companies not spending \$\$\$ on an application they are unlikely to be successful in.*
 - *You need some other more objective means of evaluating the program than the survey.*

3. Supplementary information from the Skills Survey, October 2013 and the Annual Benchmarking Survey, February 2013

The provision of production and training resources is an important input to the screen industry's economy. In particular, the industrial work undertaken by Screen Producers Australia has provided the framework for employment for over 40 years and continues to do so.

For example, the industrial agreements negotiated by Screen Producers Australia determines in large measure the cost of production and informs much of the detail in the Production Budgeting and Film Management Satchel developed by Screen Australia's predecessor agency, the Australian Film Commission.

Regular and wide consultation is conducted by Screen Producers Australia to ensure that this work remains relevant and responsive. In 2013, it included two surveys, one addressing skills gaps and the other looking at the appetite within industry for shared resources to increase productivity while limiting cost to business.

Building capacity through identifying and addressing skills shortages

In October 2013, Screen Producers Australia, in association with Screen NSW and Metro Screen, collaborated in a NSW skills summit. The discussion aimed to identify areas of skills shortages, agree on strategies to address those skills shortages and to exchange information on skills and training.

As part of the skills summit, Screen Producers Australia conducted an online Skills Survey in October 2013 to identify skills gaps and to better understand perceptions of different approaches to industry training.

Respondents from more than 50 companies participated in the survey. Of this, 66 per cent of individual respondents had worked in the industry for more than 20 years. The majority of the companies surveyed were diversified across different genres of production, with documentary and factual programming the most commonly cited followed by feature film and television drama.

Of those producers who participated in the survey, 57 per cent said that they had experienced a skills shortage when looking for crew. Production accountancy was identified as the area in which it was most difficult to find people with the required skills. The script department, interactive media, production management and post-production and visual effects rounded out the top five areas. When asked to specifically nominate roles within these areas, editors, accountants and production managers were the single most cited gaps.

All producers indicated that on the job training was the most important attribute when employing crew and 85 per cent said that they had a commitment to ongoing training. Furthermore, 80 per cent said they would like to learn more about government and industry support options to assist professional development.

Encouraging industrial efficiencies through shared production resources

In February 2013, Screen Producers Australia launched its inaugural benchmarking survey. The survey had over 250 respondents and was used to inform our strategic priorities by highlighting opportunities and barriers to growth in the production community.

Around a third of those businesses surveyed were defined the 'most active producers'. The definition of consistent is broadly the same as that used by Screen Australia in their producer survey that was conducted as part of their submission to the *2010 Review of the Independent Screen Production Sector*. Producers that had either produced, or provided production services, on two telemovies/feature films/electronic games/interactive projects and/or one television series commercially released in the last three years.

These 'most active producers' indicated professional development as one of their top three strategic priorities, behind building international alliances and exploring new distribution models. Furthermore, when asked about the different types of services they saw as important with their strategic priorities and operational barriers in mind, there was strong support for a range of shared resources. It found that 86 per cent of respondents would be in favour of using shared legal resources, 65 per cent see shared meeting spaces and hot desking as useful and 60 per cent supported shared publicity services.

In addition, there have been calls from industry for rights clearing services and an update of template contracts, online budgeting and production scheduling tools as part of the broader skills development of production management and accountancy skills.