Australian Government
Department of Infrastructure, Transport, Regional Development and Communications

Screen Production Incentive Reforms—Regulatory Impact Statement

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The problem

The industry has evolved so government support needs to as well

The Australian Government supports the production of Australian screen content because it is considered culturally beneficial to the nation. With the introduction of online streaming services, the screen industry has gone global. Audiences now have access to more content from all over the world than ever before. With Australian audiences consuming views, products, ideas and other aspects of culture from around the world every day it is important that quality film and television content shaped by Australian life experiences that contributes to and strengthens Australian culture and identity is available.

In order to effectively compete in this new digital global environment for audiences, Australian content must be of high quality. However, for Australian producers, the call for record levels of content creation brings with it increased competition for financing. Further, broadcasters, online services and film studios are all competing for fracturing audience share and revenue. The financing available from traditional sources is reducing just when the demand from audiences for higher quality content is increasing.

The Australian Screen Production Incentive (ASPI), as the Australian Government's primary mechanism for providing support to the screen industry, provides tax incentives for film, television and other screen production in Australia and is available in three streams:

- The Producer Offset, administered by Screen Australia, entitles a production company to a 40 per cent rebate on qualifying Australian production expenditure on eligible feature films and 20 per cent on other formats (TV, online, DVD) for productions with significant Australian content.
- The Location Offset, administered by the Department of Communications and the Arts (the Department), provides a 16.5 per cent rebate on qualifying Australian production expenditure for eligible productions with a minimum Australian spend of $15 million.
- The Post, Digital and Visual Effects (PDV) Offset, administered by the Department, provides a 30 per cent rebate on qualifying expenditure for productions undertaking PDV production in Australia. The expenditure threshold for eligibility is $500,000 expenditure on activities reasonably required to perform the PDV production in Australia.

In 2018–19, 257 certificates were issued under the ASPI.

The ASPI was designed to suit pre-2007 industry settings. Various reviews and inquiries that have taken place since 2017 have all found that the current policy settings for supporting the production of Australian screen content were fit for purpose when they were designed and have generally served domestic audiences and the Australian screen production sector well. However these processes also found that with a need for Australian producers to consistently create Australian stories that resonate with local and international audiences, the policy settings need to be modernised to support the creation of quality Australian content and for it to be made available across all platforms from traditional television to online services.

The Australian screen production industry is a significant contributor in terms of economic benefit and jobs. The screen industry employs approximately 25,000 FTE and contributes $3 billion in value add to the economy annually. Since its introduction in 2007 the ASPI has had significant positive impacts in supporting Australian film, television and documentary content and attracting footloose productions.

As at 30 June 2020, the ASPI has provided over $2.9 billion in support to the Australian screen industry since its introduction.

Government policies need to be set so that our industry focuses on the creation of content that can compete for audiences in this market by producing quality, engaging stories with high production values this is available to audiences on the right distribution platform. This presents the strongest opportunity for commercial return for each production. With effective, modernised, targeted mechanisms our industry can capitalise on the opportunities now presenting themselves and be a significant contributor to the economy and provider of jobs.

In 2018–19 drama expenditure in Australia was over $1.1. billion; 65% of this related to Australian titles, including $95 million on Australian children's television, $334 million on Australian TV drama and $299 million on Australian feature films. Screen Australia estimates that $144 million of documentary programs are produced annually. Noting the significant cultural and economic dividend that the screen sector provides, the Australian Government has a prominent role to play in ensuring that quality content is available for Australian and international audiences.

Inquiries and reviews

There have been a number of reviews and inquiries have taken place that examine the support settings for the industry.

The House of Representatives Standing Committee on Communications and the Arts has conducted an inquiry (the Inquiry) into factors contributing to the growth and sustainability of the Australian film and television industry. A report table on 7 December 2017 contained 13 recommendations proposing changes to the current tax incentives for screen production; content regulation; direct funding arrangements; international screen engagement; and for Government and industry to discuss ways to address health and safety concerns.

Concurrent to the Inquiry, the Department of Communications and the Arts, the Australian Communications and Media Authority (ACMA) and Screen Australia jointly undertook a review of Australian and children's screen content (the Review). The Review was undertaken to develop policy options on the most effective policy settings for the Australian screen production sector. Findings from the Review were delivered to the former Minister for Communications and the Arts in December 2017.

On 18 October 2017 the Senate tasked the Environment and Communications References Committee to undertake an inquiry into the economic and cultural value of Australian content on broadcast, radio and streaming services. The Committee released its report on 26 March 2019. The Committee concluded that it is imperative that the correct policy settings are in place to support the growth and future of the Australian screen industry but was unable to agree on any specific recommendations.

On 26 July 2019 the Australian Competition and Consumer Commission (ACCC) published its final Digital Platforms Inquiry report. Among its 23 recommendations the ACCC recommends a new platform-neutral regulatory framework be developed and implemented to ensure effective and consistent regulatory oversight of all entities involved in content production or delivery in Australia, including media businesses, publishers, broadcasters and digital platforms.

On 12 December 2019 the Government released its response and implementation roadmap to the Australian Competition and Consumer Commission's (ACCC) Digital Platforms Inquiry.

As part of the response, ACMA and Screen Australia prepared an options paper looking at how to best support Australian stories on our screens in a modern, multi-platform environment. The paper has formed the basis for industry consultation on policy settings that will best support the Australian screen industry into the future. The consultation phase closed on 3 July 2020 with over 300 submissions received.

Findings from these processes

A key finding of the review and inquiry processes was that there is an ongoing and vital role for Government to foster and support quality Australian and children's content. Without support Australia would not produce the quantity, quality and variety of screen content expected by Australian audiences.

These processes found that the marketplace for content is now truly global. Audiences are consuming content through a range of platforms, with online content accessed through multiple devices becoming more prevalent. Subscription video on demand services are proving increasingly popular with audiences. To remain relevant, producers, broadcasters and distributors must now think globally as well as domestically. Quality, discoverability and promotion of Australian content has become more important than ever as productions from all over the world are seeking the attention of audiences.

The most recent process of the options paper proposed four options for reform and sought views from the sector. The majority of stakeholders supported changes to the screen production incentives to enable them to create quality content, make this content available across a range of platforms and compete in a global environment.

The need for government action

Australian Government support

The Australian Government supports the production of Australian screen content because it is considered culturally beneficial to the nation. Support provided by the Australian Government to the screen industry is essential to ensure Australian stories are available at our cinemas, on television and now online. The strong cultural imperative for the Australian Government to invest in the screen industry also extends to attracting international productions to Australia. The foreign investment, skills development opportunities and infrastructure that international productions bring are invaluable for strengthening the local industry.

A viable domestic screen production sector is essential if audiences are to have access to quality Australian content. Given the small size of the Australian market for screen content, and the sheer quantities of screen content production in larger English-language markets such as the United States, United Kingdom and Canada, Australia would not produce the quantity, quality and variety of Australian content required to achieve cultural benefits without significant funding incentives and regulation by government.

Support from the Australian Government for the production of Australian screen content enables a diverse range of quality Australian film and television productions that reflect a sense of Australian identity, character and cultural diversity and promote the development of a sustainable independent production sector.

Screen Australia's *Screen Currency: valuing our screen industry* report found that cultural value is not easily measured in numbers or dollars but screen content can regularly contribute to national pride, social cohesion and points of connection. For example, lines from classic films and television series like *The Castle*, *Muriel's Wedding* and *Kath & Kim* have become part of our national dialogue.

The Olsberg•SPI *Measuring the cultural value of Australia's screen sector* report found there is a minor bias towards favouring Australian content when making viewing decisions helping to maximise the cultural value of such productions, and highlights the importance of self-recognition on screen. The report also found that screen production has helped Aboriginal and Torres Strait Islander communities influence audiences here and abroad. The availability of productions like Redfern Now, which showed strong ratings in both Indigenous and non-Indigenous communities, provides anecdotal evidence that this and other productions are helping to build a greater understanding of Indigenous Australia.

Further, *What are our stories worth? Measuring the economic and cultural value of Australia's screen sector*, found that 44 per cent of respondents to a Deloitte Access Economics survey about the cultural value of Australian content said Australian film and television are a key part of Australian cultural identity.

It is important that quality Australian content is available for our audiences as it remains popular. Screen Australia's *Screen Currency: valuing our screen industry* report found that there is a general preference for local content over imported content, even amongst the YouTube and Netflix generations. Despite the vast amounts of imported programs on Australian screens (large and small), and their large production and marketing budgets, Australians expressed a preference for local content. Only 2 per cent said that they do not watch Australian content, 64 per cent said that local content accounted for up to half of their media diet, and 22 per cent reported that most or all of their viewing was Australian. And while the majority of people said that it makes no difference to them where content comes from, there was an inherent preference for domestic content with less than 14 per cent saying that they were less likely to watch a program if it's Australian, compared to 35 per cent who said they were more likely to watch a program if it's Australian.

The general preference for local over imported was evident even amongst the most avid online viewers who have the greatest choice of content from around the world. Their views on the distinctiveness of Australian content and their likelihood of engaging with it were comparable with the wider group.

COVID-19

COVID-19 has exacerbated many of the commercial pressures and trends already underway in Australia and overseas. Lockdowns have paused the production of new content and a reduction in consumer spending has driven a substantial drop-off in advertising expenditure.

As part of announcing the release of the options paper on 15 April 2020, the Minister also announced a package of measures to help sustain Australian media businesses as they do their vital work of keeping the community informed during the COVID-19 pandemic. The measures included an emergency suspension of quotas in relation to Australian drama, children's and documentary content obligations on free-to-air and subscription television for 2020.

The challenges of COVID-19 have amplified the importance of having stable effective support for our screen production sector.

Policy options considered

To address the issues identified with ensuring that the ASPI policy settings are effectively supporting our industry to produce quality Australian content that can compete in a global environment and recover from the impact of COVID-19, the below options are explored.

Option one

This option seeks to make amendments to Division 376 of the *Income Tax Assessment Act 1997* that underpins the ASPI to standardise the Producer Offset rebate rate at 30 per cent for eligible film and television content, and to make complementary threshold and integrity amendments across the three film tax offsets. The proposed changes are:

Option one—proposed changes

Current setting	Proposed change
Producer Offset rate for television content is 20 per cent	Increase the Producer Offset rate to 30 per cent
Producer Offset rate for feature film (released in the cinema) is 40 per cent	Decrease the Producer Offset rate to 30 per cent
Producer Offset minimum qualifying Australian production expenditure (QAPE) threshold for feature length content is $500,000	Increase the minimum QAPE threshold for feature length to $1 million
PDV Offset minimum PDV-QAPE threshold is $500,000	Increase the minimum PDV-QAPE threshold to $1 million
Producer Offset 'Gallipoli Clause', permits some costs incurred outside of Australia to be claimed	Remove the Gallipoli Clause from the Producer Offset
A series is only able to claim the Producer Offset for QAPE incurred up to 65 commercial hours	Remove the 65 commercial hour cap for drama productions
Under all three tax offsets productions are permitted to claim a certain percentage of their production spend as overheads not directly related to the making of the film to cover company expenses	Remove overheads as eligible expenditure for all three tax offsets
Producer Offset caps Above the line (ATL) QAPE at 20% of total film expenditure for all content except non-feature documentary	Apply the ATL cap non-feature documentary
Under all three tax offsets productions are able to claim expenditure incurred on Australian held copyright	Cap the level of copyright expenditure that can be claimed at 30 per cent of total production expenditure under all three offsets

It is also proposed to implement a number of integrity amendments that will clarify for applicants distribution, re-versioning and related party expenditure requirements.

Option two

This option would see the status quo retained and no changes made to the content production support settings.

Option three

This option seeks to make minimal amendments to Division 376 of the Income Tax Assessment Act 1997 that underpins the ASPI. Changes will be made to the Producer Offset to recognise audience viewing of feature films across new platforms, increase support for children's drama and support long-running, successful titles. The proposed changes are:

Option three—proposed changes

Current setting	Proposed change
Producer Offset rate for films not shown at a cinema is 20 per cent	Increase the Producer Offset rate to 40 per cent
Producer Offset rate for children's drama productions is 20 per cent	Increase the Producer Offset rate to 40 per cent
A series is no longer eligible to claim the Producer Offset beyond 65 commercial hours	Remove the 65 commercial hour cap for drama productions

The current 20 per cent Producer Offset for other content would continue for all other eligible productions. There would be no changes to the PDV and Location Offsets.

Regulatory impacts

Option one

These measures are expected to result in minimal regulatory impact. Many of the amendments proposed will result in no or very limited regulatory impact on businesses as the changes will increase support for productions already applying to the Offsets and will clarify ambiguities for applicants assist in internal administration and target qualifying expenditure. A summary of the impacts is below:

Option one—summary impacts

Proposed change	Purpose of change and impact
Increase the Producer Offset rate from 20 to 30 per cent for television and other eligible content	To encourage the creation of high quality television content and attract audiences. As the production of drama and documentary content aligns closely with the regulatory settings applied to the commercial free to air broadcasters the levels of content are not expected to change and potentially will reduce if content regulation is eased. However, this change will enable productions that are made to be of a higher quality and will also assist producers to create content for online streaming services—ie enable them to create the quality required to be picked up by these services which is where audiences are migrating. This will help to maintain jobs within the sector and retain skills needed to create quality productions.

Proposed change	Purpose of change and impact
Decrease the Producer Offset rate from 40 to 30 per cent for films with a cinematic release	To remove the theatrical release requirement for feature film. This will open up more opportunities for our sector to work with alternative distribution platforms. Flexible release strategies for feature film content will see a reduction in the number of Australian films released in cinemas each year. However, enabling flexible release (non-cinematic) meaning more audiences will find these productions via alternative platforms and resulting in a better commercial return for producers. In a world where streaming video platforms offer new sales opportunities for Australian production, enabling productions to be released via platforms other than cinema will provide new opportunities for our sector.
Increase the minimum QAPE threshold for feature length under the Producer Offset to $1 million	To encourage the production of high quality content. This new threshold will result in some productions no longer being eligible to claim the Offset, but it is expected they will seek financing via other avenues as they are low budget, existing investment or additional direct investment from other sources such as Screen Australia, will be enough to see them continue to be made if there is an audience for this content.
Increase the minimum PDV-QAPE threshold to $1 million	To attract work to Australia that is of scale. This change will see some productions no longer eligible to claim the Offset. This does not mean they will no longer be produced as these productions are predominately being made for overseas markets and support through the Offset is not a requirement of the financing to get the production made. The work that is attracted from this change will be more complex in nature and will provide development opportunities for our sector, skilling it to create higher quality Australian productions.
Remove the 'Gallipoli Clause' from the Producer Offset	To encourage production work to be undertaken in Australia. This will provide more work for our industry if productions shoot here, helping to maintain jobs in the industry and retaining skills needed to create quality productions.
Remove the 65 commercial hour cap for drama productions	This will encourage the continued production of successful long running series, which increases the likelihood that investors and equity partners, will achieve a return. This assists in building confidence in our sector as a creator of quality productions that deliver a return.
Remove overheads as eligible expenditure for all three tax offsets	To encourage expenditure to be directed towards quality onscreen. Some applicants will see a small reduction in the total amount they may claim under the offsets but this can be mitigated through directing expenditure towards onscreen production costs.
Apply the ATL cap to non-feature documentary	To standardise the provision for all content formats under the Producer Offset and encourage expenditure to be directed towards quality onscreen.

Proposed change	Purpose of change and impact
Cap the level of copyright expenditure that can be claimed at 30 per cent of total production expenditure under all three offsets	To encourage the creation of new content and stories.

Overall the outcome from these proposed reforms will rebalance support to ensure that the Australian screen production industry can produce higher quality and higher budget productions, which have a more resonating cultural value and greater audience appeal, and maintain the industry's important economic contribution. It is therefore expected that the economic and employment contribution of the sector will be maintained as larger budget, higher quality productions will also require bigger crews. Proposed changes will incentivise international producers and platforms to engage with the Australian screen production sector, offering the opportunity to grow foreign investment in our industry, which represented over $138 million in 2018–19.

Option two

This option would see no amendments made to the support mechanisms; levels of support and eligibility criteria would all remain the same. Regulatory impacts on businesses applying to the offsets would remain unchanged.

Retaining the status quo was one of the models explored during the options paper process. Stakeholders overwhelmingly dismissed this option stating it would effectively see our industry go backwards over the longer term as it struggles to keep pace with the evolving nature of the industry and demand for high quality content.

Other policy drawbacks of this option is significant criticism from industry about a lack of Government action following a series of reviews and inquiries and an option paper process that clearly identified changes were being sought by the industry and even which changes were preferred. Producers will be particularly critical that attention is not being put towards strengthening and stabilising our production sector as it looks to undertake reforms in the content regulation space.

If current arrangements are maintained without adjustment, it seems likely that the ecosystem that supports Australian content will contract. Production levels may fall to a new 'floor', cheaper productions may be used to fill broadcast quotas and international distributors may leave the Australian market with a downward impact on sector jobs. Support will continue to not target to the 'new normal' of production or recognise viewing of content on online platforms. At worst, this could ultimately result in less, and lower quality, Australian content for Australian audiences. Meanwhile, the newer and growing content services may continue to make no or comparatively minimal investment in Australian content. Australian users of these services may not have new Australian content to view, while Australian content creators may miss pivotal opportunities for international finance and audiences.

Option three

These measures are expected to result in minimal regulatory impact. The proposed amendments will result in no or very limited regulatory impact on as they impact a small number businesses. The impact on those business will see increase support for productions already applying to the Offsets. A summary of the changes and the impacts is below:

Option three—summary impacts

Proposed change	Purpose of change and impact
Increase the Producer Offset rate to 40 per cent for films regardless of release platform.	To encourage the production of high quality content and enable producers to seek out the most appropriate release strategy. This change recognises that audiences are viewing feature-length films, including critically acclaimed and high-budget content, via online platforms such as Netflix and Amazon Prime. It is expected this change would open up opportunities for producers to create work for these services increasing jobs for our industry.
Increase the Producer Offset rate from 20 to 40 per cent for children's content	This change will support the production of children's drama and may result in a small increase in new productions over time. It recognises that Australian children's content has become harder to finance due to rising global competition for both funding and audiences, and lower contributions from domestic commercial broadcasters assisting to maintain quality and access for audiences.
Remove the 65 commercial hour cap for drama productions	This will encourage the continued production of successful long running series, which increases the likelihood that investors and equity partners, will get a return. This assists in building confidence in our sector as a creator of quality productions that deliver a return.

The reform to increase the Producer Offset rate to 40 per cent for feature length content regardless of release platform also addresses the growing unintended effects of the current requirement for a theatrical release. Box office revenue is increasingly flowing to U.S. studio blockbuster films. Independent films often struggle to reach cinema audiences, and local distribution opportunities are very limited. In this environment, some producers are signing unfavourable distribution agreements to secure a release and trigger the higher Offset. While a theatrical release will still be the most appropriate pathway to audiences for many projects, the requirement is out of step with modern financing and viewing, and is discouraging producers from pursuing financing and audience opportunities on online platforms. This change will result in enabling flexible release options for productions via alternative platforms, better targeting audiences and resulting in a better commercial return. This change will also incentivise international producers and platforms to engage with the Australian screen production sector increasing opportunities and foreign investment in our industry. This has the potential to drive increased production of Australian content on these platforms over time as the international market begins to show more confidence in our sector.

As part of the Options Paper process, this minimalistic change model was explored. Consultation and analysis of this model evidenced that it would fail to effect the desired policy outcomes, and could result in industry criticism. Applying this minimalistic approach to the reform of the tax incentives would result in siloed changes that would fail to deliver satisfactory outcomes. Any amendment to the ASPI must be considered holistically and the various elements reformed simultaneously to ensure effective support for the industry going forward.

Regulatory costs/savings

Option one

Between 160 and 220 businesses access the three offsets each year.

In 2018–19, Screen Australia issued 164 final certificates and 138 provisional certificates for the Producer Offset and in 2019-20 the Minister for the Arts issued 128 final certificates and 42 provisional certificates for the Location Offset and PDV Offset. There are several businesses receiving more than one certificate in a year for different productions.

These measures will reset the levels of support for Australian screen content to drive the creation of productions that can compete with globally. It will also provide flexibility to the industry to work with other distribution platforms and provide stability as changes to content regulation are progressed. These changes are expected to sustain more than 25,000 jobs supported by the Australian screen production industry, and boost the quality and reach of Australian film and television production.

The regulatory costs below include the cost of businesses applying to Screen Australia for the Producer Offset and to the Department of Infrastructure, Transport, Regional Development and Communications for the PDV Offset and Location Offset. These costs have been calculated based on one person taking an average time of eight hours for completion of an application for provisional certification and 10 days (75 hours) for completion of an application for final certification. Each cost has been calculated using the economy-wide value for employees of $73.05 per hour.

Minor regulatory impacts on the average compliance cost to businesses in the screen sector will result from measures that are designed to increase support for current content creation. While this is designed to provide increased support to assist in creating projects of scale, it will also see a minor decrease in applications to the offsets. This does not mean there will be a reduction in the level of productions as they will still be able to seek support for their creation from other sources, it just means they will no longer apply to the offsets.

The measures and associated regulatory impact will be:

- Standardise the level of support at 30 per cent under the Producer Offset (increase support for television content from 20 per cent to 30 per cent). It is estimated that this change will result in around 7 applications currently receiving the PDV Offset migrating over to the Producer Offset and approximately 3 additional productions commissioned by streaming services. This will see an increase of 10 provisional certificate applications and 10 final applications per year. The regulatory impact of this measure will be a compliance cost of $60,631.
- Standardise the level of support at 30 per cent under the Producer Offset (decrease support for feature film content from 40 per cent to 30 per cent). It is estimated that this will result in no regulatory impact. The levels of applications are not expected to change with this measure but rather this measure will see the distribution methods that producers pursue change.

Regulatory savings will be achieved as a result of changes to the eligibility criteria. These measures and their regulatory impact are:

- Increasing the PDV Offset threshold to $1 million. It is estimated that this will result in a decrease of 28 final certificates per year. The regulatory impact of this measure will be saving of $153,405.
- Increasing the Producer Offset threshold for feature length content to $1 million. It is estimated that this will result in a decrease of 18 final certificates per year. The regulatory impact of this measure will be saving of $98,617.50.

The below measures will have no regulatory impacts. These measures alter the total claim values for applicants but will not result in any changes to the number of applicants. These measures standardise settings across the three offsets, provide clarity and put in checks and balances to ensure claims are reasonable. These measures are:

- Removing the 65 commercial hour cap for drama.
- Removing the Gallipoli Clause under the Producer Offset.
- Removing overhead as eligible expenditure across all three tax offsets.
- Capping 'above the line' expenses for documentary productions under the Producer Offset.
- Capping claims relating to copyright across all three tax offsets.

Option one—average annual compliance costs (from business as usual)

Costs	Business—screen sector	Community Organisations	Individuals	Total Cost
Total by Sector	-$191,391	N/A	N/A	-$191,391

Option two

Nil costs associated with status quo.

Option two—average annual compliance costs (from business as usual)

Costs	Business—screen sector	Community Organisations	Individuals	Total Cost
Total by Sector	$0	N/A	N/A	$0

Option three

Overall, the measure to provide a 40 per cent rate to film content regardless of the platform it is released on may result in a small increase in film content being made, dependent on the interest of international streaming services. The measures to increase support to children's content will assist in maintaining existing levels of production helping to fill increasing finance gaps.

Minor regulatory impacts on the average compliance cost to businesses in the screen sector will result from the increase in applications as a result of the measure to provide a 40 per cent rate to film content regardless of the platform it is released on. As a result of increasing support for children's drama through the Producer Offset it is expected some productions will no longer apply to the PDV Offset and seek the Producer Offset. The associated regulatory impacts will be:

- Increasing the Producer Offset rate from 20 per cent to 40 per cent for feature films regardless of what platform they are released on. This will see an increase of 5 provisional certificate applications and three final applications per year. The regulatory impact of this measure will be a compliance cost of $19,358.25.

- Increasing the Producer Offset from 20 per cent to 40 per cent for children's drama. It is estimated that this change will result in around 7 applications currently receiving the PDV Offset migrating over to the Producer Offset. This will see an increase of 3 provisional certificate applications and 7 final applications per year. The regulatory impact of this measure will be a compliance cost of $40,104.45.

Removing the 65 commercial hour cap will have no regulatory impacts. This measure will enable productions if they reach this cap to continue to claim the Producer Offset, but will not result in any changes to the number of productions made or applications.

Option three—average annual compliance costs (from business as usual)

Costs	Business—screen sector	Community Organisations	Individuals	Total Cost
Total by Sector	$59,462.70	N/A	N/A	$59,462.70

Consultation

The options paper process that has just been undertaken received over 300 written submission. The Minister also held virtual roundtable discussions to talk more in-depth with stakeholders about various issues and models proposed in the options paper. The consultation process elicited interest from a wide range of groups, including the national broadcasters, streaming services, academics, member of the public, filmmakers, the commercial free-to-air broadcasters, and film studios.

As part of the Options Paper consultations it has been made very clear by all those that have contributed that changes are needed and that model three presented in the Options Paper was the preferred way forward, which posited the harmonisation of the Producer Offset at 30 per cent. All stakeholders advocated for increasing support for the production of Australian content, with some pushing for a higher rate of 40 per cent to be adopted. There was also backing for targeted support for genres that are culturally significant and most difficult to make such as drama, documentary and children's content. Many stakeholders indicated that this model of Government support would help the industry to be internationally competitive and open up more export opportunities and encourage greater international investment. In particular:

- SVODs support standardisation of the Producer, PDV and Location Offset rates at 30 per cent. They advocate for more support to be available at development stage.
  - Netflix supports standardisation of the Producer Offset for film and television production, as well as the Location and PDV offsets. It notes these settings are key to ensuring that quality Australian stories can be made in the widest possible range of formats, and for the delivery platforms that are best suited to telling that story.
  - Stan supports harmonising the Producer Offset for film and television. Stan maintains this reform would reflect the fact that television has evolved to become at least as valuable as film to Australian viewers, producers, as the well the broader economy and national cultural identity.
- Commercial broadcasters support the Producer Offset for television being increased and proposed 40 per cent as their preferred rate.
  - Seven West Media supports increasing the Producer Offset. It notes that the Producer Offset tax incentive has played a powerful role in incentivising Australian production of feature films, TV drama and documentaries since it was introduced in 2007 and increasing the rebate will encourage greater investment in content production. It also supports the removal of the 65 episode cap.

- Foxtel supports increasing the Producer Offset for television production but would also like to see the eligible formats expanded to include genres such as reality, lifestyle and infotainment.
- ABC and SBS advocate for the increase of the Producer Offset for television.
- The majority of the independent production sector support standardising the Producer Offset. Some advocate for the Producer Offset for television to be increased to 40 per cent and do not support a reduction to the offset rate for feature film. There are differing views across the board in relation to thresholds some advocating for increases and others for decreases. The sector also advocates for more support to be available at development stage.
- Screen Producers Australia advocates for the Producer Offset to be increased for television content and proposed 40 per cent as their preferred rate. SPA also support the removal of the 65 commercial hour cap under the Producer Offset. It supports maintaining the current thresholds, with some small modifications.
- Australian Children's Television Foundation supports Producer Offset to be increased for television content. They also support the removal of 65 commercial hour cap under the Producer Offset.

While some stakeholders were pushing for a higher Producer Offset rate of 40 per cent, consideration has been given to the level of incentive that will achieve Government objectives within budgetary constraints.

The House Standing Committee Inquiry, the Australian and Children's Screen Content Review, and the Senate Committee Inquiry undertaken across 2017 and 2018 undertook extensive consultation around options to support the production of quality Australian children's content. These processes also found overwhelming support for the modernisation of our support settings to better reflect the digital screen environment.

Preferred option

Option one is the preferred option for achieving the Government's objectives of supporting the production and distribution of quality Australian content.

This option will deliver changes called for by the sector. The measures proposed will also ensure that Australian Government production incentives are effective in supporting the Australian screen industry and achieves the highest quality cultural outcomes.

Implementation and evaluation

The impact of the changes will be monitored via Screen Australia's Drama Report which measures the levels of drama each year. It will identify if higher levels of private investment have been attracted and if more content for online distribution is being created.

Screen Australia also separately monitors levels of documentaries in the same way the drama report looks at drama production. This will also be used to measure the impact of the proposals.

Ongoing consultation and liaison with screen sector the by Screen Australia and the Department will continue through usual channels provided as part of the application process for the ASPI. Further work will take place as part of the Government's media reform agenda and ongoing monitoring will also occur through this work.