

NBCUniversal

Content Review
Department of Communications and the Arts
GPO Box 2154
Canberra ACT 2601

September 21, 2017

Re: Australian and Children's Screen Content Review

Dear Review Committee Members,

For your consideration, I respectfully submit the following comments on behalf of NBCUniversal. NBCUniversal is grateful for the opportunity the Department of Communications and the Arts has provided for interested parties to participate in the Australian and Children's Screen Content Review.

Introduction

As background, NBCUniversal is a media and entertainment company headquartered in New York with operations around the world. The company's relationship with Australia includes ownership of the award winning Production Company, Matchbox Pictures. Australia is also the home of our film distribution unit, Universal Pictures International Australasia. In addition to the ownership of Matchbox, NBCUniversal has significant production experience in Australia, including George Miller's Academy Award winning film, Babe. As recently as 2014 and 2015 NBCUniversal spent more than \$100MM (US) in Australia producing two high end television series, Childhood's End and Hunters, as well as the Universal Pictures film, Unbroken. Collectively these three productions employed more than 1,700 Australian cast and crew and contracted with more than 1,500 Australian suppliers across NSW, QLD, ACT, VIC, SA and WA, including visual effects companies such as Animal Logic and Iloura. However, since 2015, the increasing cost of production and the Location Offset's more modest financial impact as compared to strong incentive programs in other jurisdictions have caused NBCUniversal to film entirely outside Australia.

Recommendation: Enhancing the Location Offset to 30%

The case by case Location Offset 'top up' approach has delivered to Australia several large budget feature films, including NBCUniversal's Unbroken. These films have provided extraordinary economic uplifts to the communities across Australia where production occurred and helped promote Australia to a global market. In addition to the direct investment mentioned above, the production of Unbroken, for example resulted in over 9,500 media articles in North America and Europe alone with more than 1,600 articles specifically referencing Australia or Australian vendors. The 'top up' approach, delivered strong economic results which shows a fraction of the potential Australia possesses to become a leading global production center delivering the year over year steady job creation, skills transfers and capital investment experienced in other jurisdictions.

In thriving production centers around the world that are enjoying increased direct investment in production and job creation, a common element to all is a stable, competitive production incentive. A predictable, competitive incentive is capable of delivering both the seismic impact of large budget feature films on a recurring basis as well as the steady, long term economic benefits of multiple high end television productions.

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· *Sustainable Growth Examples from Other Countries*

Experiences drawn from other jurisdictions may help inform the Australian government's approach to attracting foreign direct investment and workforce development in the creative industries. The United Kingdom is a useful example of how a competitive incentive, matched with a talented workforce on both sides of the camera, world class production infrastructure, best-in-class visual effects houses and cinematic landscapes can make film and television production a cornerstone of a national economy. It is widely acknowledged in the international production community that Australia possesses all of these base attributes possessed by the U.K. Film and television industry, save for the competitive incentive.

The UK incentive regime has helped make the creative industries the U.K.'s fastest growing sector, with U.S. Studio film production contributing €1.3bn (84% of total film production) to the national economy, an 18% increase since 2015. Moreover, since the U.K. included high end television as eligible content under the country's incentive, television production almost doubled between 2013 and 2016, growing to a record €500MM, with 65% coming from U.S. companies, including Amazon and Netflix. Preparing for continued growth, in July of this year the British Film Institute released a report estimating the need for filling 30,000 new job opportunities over the next five years to meet production demand.

Success in expanding production spending is not limited to the U.K., but can be found around the world where competitive incentives are implemented in desirable production locations. For example, Hungary has coupled a competitive 25% incentive with quality production facilities and skilled crews to create a growing film industry. Hungary has experienced a twenty fold increase in production since 2004, with 2015 and 2016 being record years, including the production of the feature film, Blade Runner and the network series, Emerald City. In 2016 there was approximately \$225MM (US) in foreign studio production in Hungary.

Another example of sustained growth in foreign production is British Columbia where U.S. studios spent approximately (CN)\$1.573bn over the 2015-2016 fiscal year, including (CN)\$790MM for high end television series. By comparison, U.S. Studios spent (CN)\$1.1bn over the 2011-2012 fiscal year, including (CN)\$466MM in high end television. Growth in production spending in BC is also driving capital investment in new infrastructure and repurposing facilities that have outlived their prior purpose. A British Columbia government review confirmed 14 new studios were set to open across the province this year bringing an additional 500,000 square feet of production space, adding to the region's current 3.5 million square feet.

· *Examples of Established Economic and Fiscal Returns*

One advantage of the review Australia is currently undertaking is the government has the benefit of learning from the economic impact reports issued by foreign governments that validate the pursuit of public policy centered on using a competitive incentive to develop the film and television production sector.

In April 2013, Deloitte Consulting prepared for the National Film and Video Foundation of South Africa a report entitled, 'South African Film Industry Economic Baseline Study' that concluded foreign direct investment as a result of the South African 20-25% film incentive generated more than 17,000 jobs for South Africans and yielded a 2 to 1 taxes collected to incentives paid ratio. In 2014, California city governments commissioned the Los Angeles Economic Development Corporation (LAEDC) to evaluate the economic and fiscal impacts of the California production tax credit. The LAEDC report found that for every \$1(US) of tax credits issued, total economic activity in California increased by \$19.12 and labor income grew by \$7.15. The LAEDC report also found a positive government ROI of \$1.11 in taxes

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collected for every \$1 in credits issued. Earlier this year, Camoin Associates issued a report on behalf of the New York State government that the government return on investment for the 30% NYS film production tax credit was \$1.15 in taxes collected for every \$1 of credits issued. The report also found the incentive was responsible for \$12.586bn in spending and more than 70,000 jobs in the New York economy over the calendar years 2015 and 2015.

The nexus between the location where a project is filmed and tourism has also been incorporated into several reports issued by governments, including the 2016 report prepared by MNP LLP for the New Mexico government. The report concluded that for 2014 film induced tourism (FIT) from New Mexico productions contributed at least 5% of total visitor spending to the New Mexico economy. Stated another way, FIT generated approximately \$423.8MM in economic impact and 4,412 in total New Mexico jobs. Governments have also evaluated the effect film has on visitation based on a production's marketing value. A notable example being the report Cloudberry and Oxford Research prepared for regional and municipal government authorities in Sweden establishing the impact of the Swedish produced films, 'Girl with a Dragon Tattoo'. The marketing value for these films to the Swedish economy was set at \$154MM(US).

Conclusion

The continued global expansion of feature film and scripted television production has allowed jurisdictions around the world to grow and diversify their economies, transition workforces to the creative industries from traditional manufacturing and mercantile businesses, drive film tourism and generate positive tax revenues. With an increase in the Location Offset to 30%, Australia will position itself to build on the successes arising from the discretionary top up across the country, through the year and with the attraction of high end television as well as feature films. Until such a change to the Location Offset is adopted, the top up at least continues to deliver several high impact feature films with a strong economic and social return for Australia. With every film approved for a top up, the enormous potential of collaboration between the film industry and Australia is once again reinforced.

Sincerely,

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