

SUBMISSION
BY
MEDIA, ENTERTAINMENT & ARTS ALLIANCE
TO
NEW SOUTH WALES PREMIER'S DEPARTMENT
REGARDING
NEW SOUTH WALES DRAFT STATE PLAN

AUGUST 2006



The Media, Entertainment & Arts Alliance

The Media, Entertainment & Arts Alliance (Alliance) is the industrial and professional organisation representing the people who work in Australia's media and entertainment industries. Its membership includes journalists, artists, photographers, performers, symphony orchestra musicians and film, television and performing arts technicians.

The Media, Entertainment & Arts Alliance welcomes the opportunity to comment on the New South Wales Draft State Plan.

The Alliance congratulates the State Government on adopting a holistic long term approach to policy development and planning in New South Wales.

The Alliance appreciates that the draft plan is necessarily broad in its scope and intends making no comment on most of the contents of the plan. Rather, the Alliance will, in this submission, confine its comments to the cultural sector – the arts and entertainment industries.

Whilst recognising the schematic nature of the plan, the Alliance was nonetheless disappointed that the cultural industries appear to have been mentioned only in passing. In particular, of the 29 identified priorities, the cultural sector is mentioned only once and then only to the extent to which people use cultural facilities, along with parks, reserves, sporting and recreational facilities.

Understandably, the focus has been on policing and crime prevention and minimisation, health, education, public transport and infrastructure. However, the central role that culture plays in the life of the community has, in our view, been underestimated.

VALUE OF THE ARTS

I remember when I first became Secretary of State for Culture, back in 1997, having immediately before that been the Shadow Secretary for Health, a friend characterised the move from subject to the other succinctly. Remember, he said: Health is a *sine qua non*; Culture is a *raison d'être*.

Rt Hon Chris Smith, Director of the Clore Programme for Cultural Leadership, formerly British Secretary of State for Culture¹

The debate about the role that arts and culture play in contributing to the achievement of broader government social and economic goals has been playing out in western democracies since the 1970s. So much so, that in countries like the United Kingdom, there is now concern that “the very strong emphasis in current policy on the actual and potential contribution of arts organisations to wider social and economic goals leaves under-articulated and, given an environment where there is a strong bias towards the quantifiable, undervalued the intrinsic worth of these organisations and their activities.”²

Without question the arts deserve support for arts sake. However, discussion about the extent to which arts and culture play a major role in contributing to the achievement of broader social and economic goals is both legitimate and necessary. The challenging issue is how such contributions are to be measured.

The past few years have seen some interesting theses emerge, such as that articulated in Richard Florida's *Rise of the Creative Class and How it's Transforming Work, Leisure, Community and Everyday Life*. Put simply, Florida's thesis was that where cultural workers congregate, commerce follows. Although compelling to many, that thesis has now been largely debunked. However, for a few years Richard Florida was courted by local governments around the globe, keen to see how they too might make their own cities more attractive to creative workers in the hope that the promised commerce would follow.

World-wide, little useful research into the value of the arts and the multiplier effects it has within the broader economy has been undertaken. Some of what does exist is little more than thinly disguised advocacy. However, as John Holden of the Demos Foundation noted in regard to the United Kingdom context, “Although the evidence about culture and its effects is far from perfect, we should not set the bar too high. It has to be acknowledged that in all areas of policymaking, decisions are based on poor evidence. How else to explain that project cost overruns in the Ministry of Defence are more than seven times the annual grant to the Arts Council?”³

Nonetheless, although much research on culture and its wider impact on society lacks the rigour on which evidence based policy can be developed, culture has been central to humanity throughout all time. Culture is what results from what Tennessee Williams called “the great, almost screaming need of a great world-wide human effort to know ourselves and each other a great deal better.” It is in evidence in the million or more petroglyphs on the Burrup Peninsula. It now seems that at least some of that vast site of rock art dates back twenty thousand years or so.⁴ It is in evidence in all societies around the world. Arts and culture are manifestly self-evidently central to the human condition.

Generally, governments support certain art forms where the market alone would fail to sustain either the volume, quality or diversity of output considered desirable, to ensure broad public access is not

¹ *Valuing Culture*, Rt Hon Chris Smith, Director of the Clore Programme for Cultural Leadership, at the National Theatre Studio London on 17th June 2003, available on <http://www.demos.co.uk/files/File/VACUCSmith.pdf>

² *Valuing Culture*, Adrian Ellis, AEA Consulting, June 2003, available on www.aeaconsulting.com

³ *Valuing Culture in the South East*, DEMOS Think Piece, John Holden, 10 August 2005, available at www.demos.co.uk.

⁴ See *Archeology and Rock Art in the Dampier Archipelago*, A report prepared for the National Trust of Australia (WA), Caroline Bird and Sylvia J. Hallam, August 2006, available at www.burup.org.au/report.

restricted by admission prices that would be prohibitive in the absence of government funding and to encourage appreciation and participation in the arts.

Whereas once the intrinsic value of the arts was sufficient grounds on which to argue for government support, since around the 1970s governments have increasingly looked to quantifying the outcomes of tightly contested funds.

Broadly, governments have looked at the economic case (the so-called multiplier effect), social investment, psychological effect and the civic outcome.

Whilst the multiplier effect has widely been claimed to be in the order of 2.5 it is notoriously difficult to prove. Adrian Ellis put the problem this way:

Perhaps the biggest disconnect between policy and broad academic consensus is in the area of economic impact studies. Economic impact studies generally seek to provide a rationale for investment in the arts, usually capital investment, on the grounds that the capital expenditure and subsequent operating expenditures will generate further expenditures that are higher than those for comparable forms of investment. They are, in Bruce Seaman's phrase, "A fashionable excess ... diverting attention from the kinds of research most appropriate for building a legitimate case for further public support of the arts."⁵

Similarly, studies on the social value of the arts – the extent to which it fosters social cohesiveness, improves education outcomes, improves social behaviour, encourages lifelong learning, helps make communities safer and thus impact on combating crime – are for the most part similarly flawed. And there is very little work that looks at projected benefits against demonstrable outcomes.

However, examples can be found.

Children's Voices, the findings of a three-year study by the University of South Australia's de Lissa Institute of Early Childhood and Family Studies, the South Australian Department of Education and Children's Services and Windmill Performing Arts, were announced last month. Between 2003 and 2005, 140 five to 12 year olds attended theatre performances presented by the children's theatre company Windmill Performing Arts at Adelaide's Festival Centre. According to the report, "The most noticeable impact was the children's marked gain in literacy." School principals also reported that the children showed more empathy and kindness as a result of their performance experiences. "The social justice issues tackled in the performances gave all children understanding and, according to another principal, 'a greater appreciation of the background and difficulties faced by other students who came from another country and could not speak English on arrival.'"⁶

The findings of *Children's Voices* support a large body of anecdotal evidence that arts programs and access to the arts foster creativity and development. It is unfortunate that more longitudinal research of this kind has not been undertaken.

In too many cases, however, the evidence is anecdotal only. The role of the arts in combating inappropriate behaviour is a case in point.

It is not for no reason that so-called "street performers" are often used for crowd control at events as they present an entertaining diversion for people in queues either to enter a venue or waiting for public transport to or from a venue. Street performers have been used at a number of festivals and were utilised significantly during the Sydney Olympics including within the central business district at key transport hubs.

⁵ *Valuing Culture – A background note*, Adrian Ellis, AEA Consulting, June 2003, page 9, available at www.aeaconsulting.com

⁶ *Children's Voices: Children's responses to live performance: A longitudinal study (2003 – 2005)*, Government of South Australia, Department of Education and Children's Services, Windmill Performing Arts, University of South Australia, August 2006, Executive Summary (the full report is not yet available) and *Children benefit by learning through the arts*, Media Release, 11 August 2006, see online at <http://www.unisa.edu.au/news/2006/110806.asp>

It almost goes without saying that vibrant communities where there is a diverse range of entertainment available to a diverse range of tastes and age groups are less likely to become crime spots.

The role that performers play in cultural celebration, social cohesion and community healing has long been understood by the community. From the Opening Ceremony of the Sydney Olympic Games to almost weekly stories of small events, the examples are endless.

Opera singer Amelia Farrugia was at the Broad Arrow Café on the tragic day in 1996 when Martin Bryant arrived and when the events of that day were remembered this year, it was to Amelia people turned for music.

In the never-ending thirst to hear and see our own stories reflected back to us, *Embers* currently playing in Sydney is but the latest in many examples of a story shaped by events in Australia. A Sydney Theatre Company Hot House co-production it recounts the events of the fires that devastated north eastern Victoria in 2003, developed from conversations with and first performed for those who survived the fires.

It is therefore regrettable that solid research supporting anecdotal evidence of the role that the arts play in social cohesion is not available.

What data is available, however, demonstrates that cultural participation has been steadily rising in New South Wales.

New South Wales' residents attending at least one cultural venue or event a year rose from 80.1% in 1995, to 82.6% in 1999 and to 86.2% in 2002 – 2002 being the most recent year for which Australian Bureau of Statistics data is available.⁷

Those attending the cinema at least once a year rose from 47.7% in 1991 to 63.8% in 1999, and to 68.3% in 2002.

Cultural events are even more widely attended than sporting events. Where 48.7% of Australians aged 18 or over attended at least one sporting event in 2002, in New South Wales attendances were well below the national average at 43.7%. By comparison, as noted above, 86.2% of New South Wales' residents attended at least one cultural event.

The Alliance considers that the increasing attachment New South Wales' residents place on attending cultural events should be more strongly reflected in the Draft Plan.

The arts – cultural activity and endeavour and engagement – require no justification other than their innate ability to move us, to excite us, and to enhance our lives. And Governmental support for cultural should acknowledge that truth.

Rt Hon Chris Smith, Director of the Clore Programme for Cultural Leadership, formerly British Secretary of State for Culture⁸

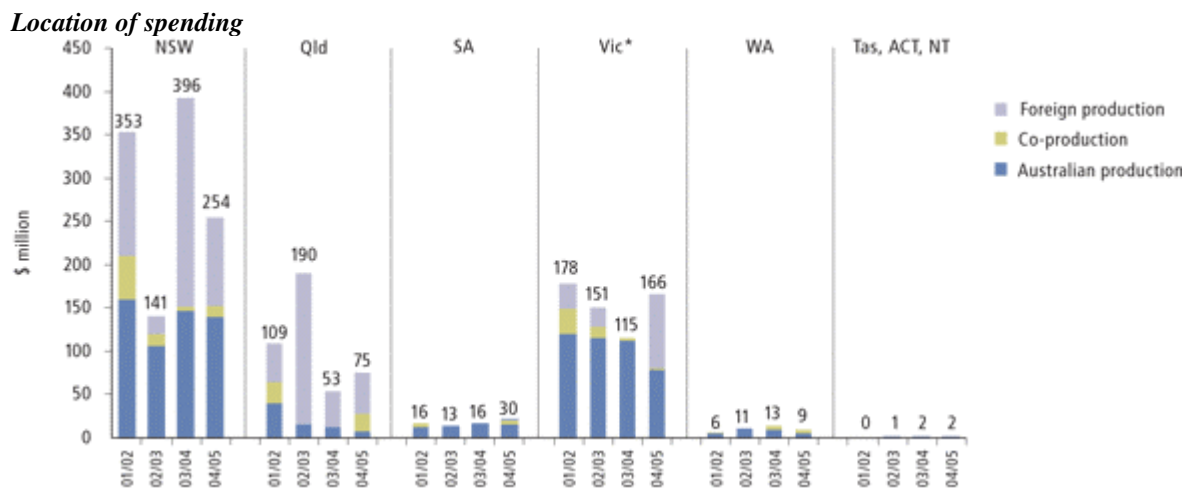
⁷ Australian Bureau of Statistics, 4114.0

⁸ *Valuing Culture*, Speech delivered by Rt Hon Chris Smith, Director of the Clore Programme for Cultural Leadership, at the National Theatre Studio London on 17th June 2003, available on <http://www.demos.co.uk/files/File/VACUCSmith.pdf>

FILM AND TELEVISION INDUSTRY

Since the advent of television in 1956 and the resurgence of the film industry in the early 1970s, Sydney has been home to the majority of audiovisual production. However, that picture is beginning to change.

Drama production expenditure by location of spending



- 2004/05 spend in Victoria may increase as audited figures become available.

Source: *National Survey of Feature Film and TV Drama Production 2004-2005*, Australian Film Commission, available online at <http://www.afc.gov.au/nps/npslocspend.html>

The latest year for which figures are available is 2004-2005. In that year, New South Wales was again the location for the largest production expenditure for feature films and television drama of all the states with \$254 million, representing 47 per cent of total production expenditure in Australia. However, spending in New South Wales fell by \$142 million compared with the previous year, mainly due to a downturn in offshore productions choosing to locate in New South Wales.

During 2004-2005, New South Wales attracted only one offshore production – *Superman Returns*. By contrast, during 2003-2004, *Son of the Mask*, *Star Wars: Episode III – Revenge of the Sith*, *Stealth* and the television mini-series *Farscape: Peacekeeper War* were filmed in New South Wales.

Although figures are yet to be released for production expenditure for the year 2005-2006, indications are that expenditure in New South Wales for the period is likely to be a mere \$115 million of a national estimate of expenditure of \$355 million, a further \$139 million decline on the previous year.

On the other hand, after three years of falling levels of production, there was a turnaround in Victoria where expenditure on film and television production increased to \$166 million – solely the result of the large budget offshore feature films, *Ghost Rider* and *Charlotte's Web*, filming in the state.

Production expenditure in Queensland also rose – from \$53 million to \$75 million.

At the time of writing, there are no large offshore productions being filmed in New South Wales whereas *Where the Wild Things Are* is in production in Victoria and in Queensland the large budget

feature film *Fool's Gold* is commencing production, the television series *Bianca* is in production and the television mini-series *Starter Wife* commences production shortly.

At this point in time, it is likely that no large offshore productions will utilise Fox Studios at all during 2006.

The reasons why one location is favoured over another are many and complex.

Changes in the international market

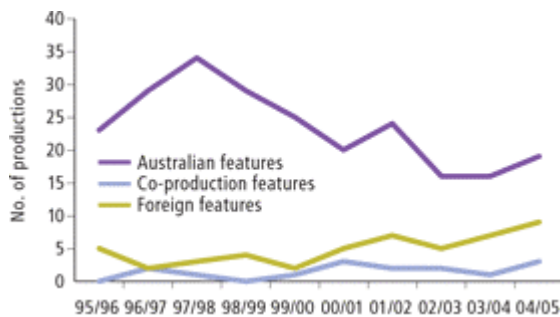
Since the early 1990s Australia has developed an international reputation as a destination for so-called "runaway" productions. During the 1990s, the principal competition was from the United Kingdom and Canada, the latter consistently capturing the lion's share.

As can be seen from data compiled by the Australian Film Commission, the number of foreign feature films has trended upwards for a decade but since the Federal Government announced the Film Tax Offset Rebate Scheme, effective from 1 September 2001, to specifically attract large offshore productions, the amount spent in Australia by foreign films has risen rapidly. Clearly, the Offset Scheme has delivered results in respect of feature films.

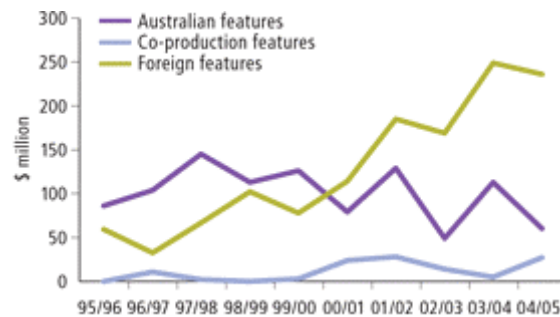
However, the same is not true for television drama production where the trendline is down for both the number of hours produced in Australia and the amount spent in Australia.

Canada continues to capture the majority of American runaway television production. However, as other countries looked at Canada's success, and looked at the Tax Offset Scheme introduced in Australia, incentive schemes have been progressively introduced around the world. That trend has been followed by the introduction of incentives in a number of American states.

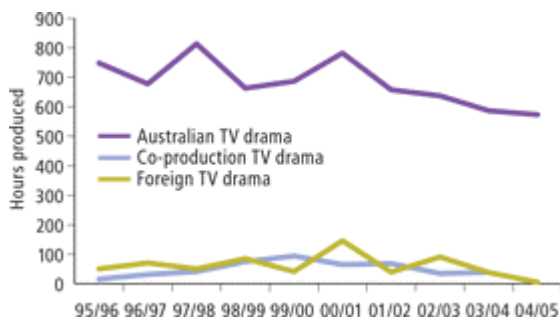
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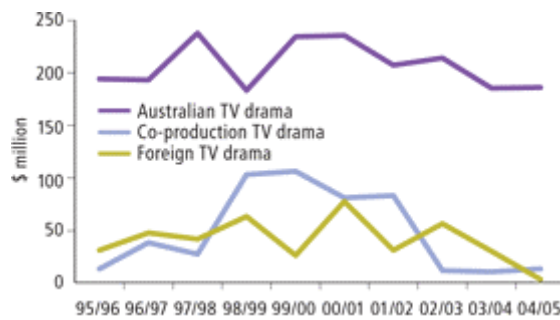
Spend in Australia by features



Hours of TV drama



Spend in Australia by TV drama



Source: *National Survey of Feature Film and TV Drama Production 2004/2005*, Australian Film Commission, available online at <http://www.afc.gov.au/nps/npsver.html>.

Whilst the trendline for features looks promising enough, the results are not as good as had been anticipated – the principal reason being the proliferation of incentives in other territories, notably in Eastern Europe which has captured a number of large budget American feature films in recent years.

When the Taxation Laws Amendment (Film Incentives) Bill 2002 was introduced in Parliament, the Explanatory Memorandum set out the Government's expectations as follows:

The expected growth of foreign production in Australia is up to \$850 million in 2005-2006. This represents around 5 large scale films a year (with total average budget of \$120 million and average expenditure in Australia of around \$60 million), and a similar number of medium scale films (with a total average budget of \$50 million and average expenditure in Australia of around \$37.5 million). Beyond this time frame, this figure is likely to continue to grow, due to growth in average film production costs and some capacity increase in the Australian industry.
...

In determining the cost and benefits of this measure an assumption in relation to the expected uptake of this measure has been made as follows. Over the first 5 years of the offset's operation, it is expected to apply to 6 big budget films in Australia each year, and 4 medium budget level productions.⁹

It was anticipated that cost to revenue over the five years 2001-02 to 2005-06 would be \$168.1 million.¹⁰ It turned out to be in the order of \$111 million.

It appears that what was not anticipated was the manner in which other territories might implement similar schemes. Additionally, other factors such as movements in the exchange rate have had a bearing on the extent to which Australia has been a more or less attractive destination than other countries.

Attachment A presents a snapshot of some of the incentives available internationally.

Following the introduction of the Film Tax Offset Scheme in Australia, New Zealand followed suit, mirroring the legislation in Australia but making their incentive a grant rather than a tax offset. Fiji followed with a scheme the same as Australia's but with a dramatically lower eligibility threshold. Other incentives followed in other territories, including state based incentives in many of the American states.

Australia's Film Tax Offset Scheme is generally considered to be an effective mechanism. It is simple and certain. The Federal Government is now undertaking a legislative review of the Scheme and it is hoped that in the light of five years' experience of the manner in which the Scheme has worked and having regard to changes in the international environment, the Scheme will be modified to make it even more attractive than is the case at present.

It also needs to be recognised that there will always be factors that will influence where a production chooses to locate that cannot be influenced by incentives. Health scares such as an outbreak of SARS, terrorism – the Film Tax Offset Scheme was announced by the then Minister for Communications Senator Richard Alston, ten days before the attack on the World Trade Centre – and currency fluctuations all affect the behaviour of "runaway" production. In the wake of the terrorist attack on New York and Washington, a significant number of American actors and directors refused to fly, causing production that may otherwise have used Australia as a location to remain in North America.

Whilst the Offset Scheme attracts productions to Australia, companies make further determinations regarding the siting of production. Factors such as access to particular locations have an impact – *Fool's Gold* is set in the Caribbean and consequently Queensland is an obvious choice for that production. For productions where the specificity of location is less determinative, access to studio facilities and state based incentives are key determinants. Currently in production in Victoria is *Where*

⁹ *Taxation Laws Amendment (Film Incentives) Bill 2002: Explanatory Memorandum*, page 30.

¹⁰ *Ibid*, page 3.

the Wild Things Are. Originally headed for New Zealand, the lack of adequate studio facilities prompted the producers to look at Australia.

Queensland was dismissed because of its lack of European like woods locations. New South Wales and Victoria were thus considered as studio facilities were also essential. Following location surveys in Victoria, New South Wales was overlooked as the incentives offered by Victoria were more than double what New South Wales could offer.

With studio facilities now on the Gold Coast in Queensland, in Melbourne and in Sydney, the role that state based incentives play in determining where a production will locate are becoming increasingly important.

That the incentives available in both Queensland and Victoria are superior to those available for productions that locate in New South Wales is making New South Wales less competitive.

Despite the fact that the facilities at Fox Studios are arguably superior to those in Queensland or Victoria, it has not been sufficient to overcome the enhanced incentives on offer elsewhere. Anchorage infrastructure is a drawcard only to the extent that it is matched by what is on offer in the other states.

Recent analysis of the impact of incentives has been undertaken by the New South Wales Film and Television Office. It demonstrates that on a offshore US\$7.5 million movie of the week, the benefit available to the producer from locating in New South Wales was \$99,697 by comparison with \$252,031 in Victoria, \$363,197 in South Australia and \$475,697 in Queensland. See Attachment B.

If New South Wales is to remain the dominant state for offshore audiovisual production it is essential that enhanced incentives are available to make the state as competitive as Victoria and Queensland.

Any incentives that might be introduced to make New South Wales more attractive to offshore production should not be seen as a cost to the state government but rather a necessary intervention to regain and foster investment in the state.

If New South Wales is to regain its position as the dominant state for the Australian audiovisual production industry it is essential that investment capacity of the New South Wales Film and Television Office is enhanced.

During the 2005-2006 year, production investment capacity in New South fell from \$4.1 million to \$3.6 million.

On the other hand, in Victoria production investment capacity is rising to \$5.9 million a year following a new two year funding package, announced in June this year, of \$8.6 million over two years. This increased funding includes a \$4.6 million Victorian Television Production Initiative over two years with a further \$2 million for experimental drama and television pilots and a \$2.6 million fund to invest in children's and adult drama television. A further \$4.05 million over two years is being made available to the Digital Media Fund for investment in game prototypes, digital innovation and content for new platforms such as broadband, mobile and wireless.

Where the allocation to the New South Wales Film and Television Office was \$9.5 million in 2004-2005, it has now fallen to \$9 million. On the other hand, where the total allocation to Film Victoria was \$13.6 million in 2004-2005, it has now risen to \$17.9 million. Indeed, New South Wales is now funded at a level lower than both Queensland and Victoria. See Attachment C for a breakdown of the state agencies' funding arrangements.

Other than Tasmania, the state film agencies also operate revolving loans which producers are able to utilise to cash flow production costs that will not be recouped from investors or distributors until after completion of production. Film Victoria has a revolving production loan fund of \$15 million, the fund in Queensland is \$12.4 million and in Western Australia it is \$8 million. By contrast the fund for the state that is the centre of the industry, the New South Wales Film and Television Office revolving loan fund, is a mere \$4 million.

State agency funding summary at June 2006

	NSW	Vic	Qld	W.A	S.A.
Government appropriation	9,000,000	17,900,000	9,600,000	3,000,000	5,700,000
Other revenue	1,200,000	2,700,000	3,100,000	1,000,000	1,100,000
Revolving loan fund	4,000,000	15,000,000	12,400,000	8,000,000	3,000,000
Lottery West				4,000,000	

Sydney has long been considered to be a difficult city in which to film. Location fees are generally higher than elsewhere in Australia. While it is not possible for the State Government to intervene in the private sector, in other states local government is considerably more favourably disposed to supporting the industry.

The New South Wales Film and Television Office developed the Filming Protocol for use by local government. Yet only 29 local governments and shires have thus far adopted the Code.

If New South Wales is to be seen as film friendly, then its authorities – including local councils – need to acknowledge the role that film and television production can play in the local economy. Equally, the state government has a role to play in oversighting the implementation of film friendly policies.

The film industry in New South Wales was a growth industry.

Employment, Income, Wages and Salaries – Film and Video Production – 1996-97 to 2002-03

	Employment at end of June	Income	Wages and salaries	Businesses
1996-97	5,350 (56.7%)	623.7m (55.3%)	184m (56.1%)	1,189 (59.4%)
1999-2000	10,513 (69%)	916.6m (62.2%)	241.3m (64.6%)	1,112 (56%)
2002-03	**8,232 (50.1%)	928.1m (58.1%)	221.8 (55.1%)	1,208 (55.5%)

Percentage figures in bracket indicate national share.

* 2002-03 is the date of the last Australian Bureau of Statistics (ABS) Survey of Film and Video Production (ABS 8679:0). The ABS has embarked on a new survey, the results of which will not be available until 2007.

** The ABS changed their survey method in 2002/03. Previously they included employees of NSW based companies, regardless of where the employment took place. The 2002-03 figure is therefore more accurate.

Between 1996-97 and 2002-03 employment in all industries employment grew 9.2 per cent. In the same period, film and television production in New South Wales grew 53.9 per cent. By any measure, the industry in New South Wales grew strongly.

For nine years, the state was home to 50.8% of all drama production nationally. However, this consistently strong position is now in reverse.

Drama production expenditure in AU\$million 1996-2006

	96-7	97-8	98-9	99-00	00-01	01-02	02-03	03-04	04-05	Estimate 05-06
NSW Production										
Australian	163	242	162	208	167	159	107	150	140	94
Coproduction	16	n.p	38	59	63	51	13	9	13	20
Foreign	5	67	90	84	74	143	21	237	102	1
Total	185	Np	290	351	304	353	141	396	254	115
National Production										
Australian	298	382	295	360	313	336	262	298	248	270
Coproduction	49	29	103	109	105	111	26	12	40	32
Foreign	80	108	165	104	191	216	225	279	248	53
TOTAL	427	519	563	573	610	662	513	588	536	355

Source: *Annual Drama Production Survey* and *Get the Picture*, Australian Film Commission

The average New South Wales share of national drama production over nine years was 50.8% or approximately half. Estimates currently available for the year 2005-06 indicate that national production will have fallen by more than 30 per cent and production in New South Wales will have more than halved.

The Federal Government is currently reviewing the Film Tax Offset Scheme. As indicated above, it is hoped that the Scheme will be modified in order to be more attractive. This may make Australia a more favourable destination but in the absence of enhanced incentives for footloose productions in New South Wales, it will be the other states, principally Victoria and Queensland, that will be the beneficiaries of any modifications the Federal Government might implement.

The Federal Government is also reviewing Commonwealth assistance to the film industry. It is possible that the Government will introduce a second offset scheme designed for eligible Australian productions. The manner in which such a scheme will work will make the role of revolving film funds more important than ever. With the offset not being available until completion and lodgement of tax returns, producers will be seeking cash flow finance. Such a model, if introduced, would currently favour Australian production being undertaken in those states with the largest revolving funds, namely Victoria, Queensland and Western Australia.

If New South Wales is to continue to be the home of the Australian film and television industry, the New South Wales Government needs to urgently address the manner in which it resources the New South Wales Film and Television Office and the incentives it makes available to industry.

THE PERFORMING ARTS

The Nugent Inquiry into the Major Performing Arts Companies in receipt of state and federal government assistance found that Australia's performing arts companies perform remarkably well judged against their international peers, relying for the most part to a far greater extent on box office takings for their income than their peers in the United States or the United Kingdom.

The Nugent Inquiry was a significant intervention leading to a realignment of the manner in which the two tiers of government support the sector. Although the initial recommendations of the Report were adopted, unfortunately the recommendation that support to the sector be indexed has not been implemented.

The Alliance supports the New South Wales Government continuing to work with the Federal Government to ensure that ongoing support to the sector is appropriate to their needs and indexed to ensure that the companies once again do not fall into the financial difficulties that beset them during the last decade.

However, the flagship companies are not all a community as diverse as that of New South Wales requires. There is a significant role for smaller companies of a range of types to meet the diverse cultural needs of the community. Many small companies continue to struggle and face a range of issues that impinge on their ability to survive. Many find themselves in the ironic position of only being able to pay full-time wages to their company members when they tour. Whilst funding that supports touring is welcome, not only is there a need to increase funding for regional and rural touring, but companies need the assistance to ensure their members are paid full-time when not on tour.

The Alliance is also concerned that many successful productions, government subsidised or otherwise self-funded, are often unable to capitalise on their own success. Productions can play to full houses and critical acclaim, only to find they are unable to extend the season – other bookings obviously taking precedence for the venue – or immediately move to capitalise on their success by gearing up (with the necessary financial assistance expeditiously granted) and touring. To this end, the Alliance supports any initiatives that might assist in the funding and support of success, including how it might best be able to augment the work of Playing Australia in a timely manner. The stop-start cycle that typifies the throughput for too many companies is a recipe for subsistence only.

The Theatre Board of the Australia Council recently released a Discussion Paper *Make it new? Some proposals for the future of theatre funding*. The Discussion Paper noted that levels of federal funding for live theatre have not even kept pace with inflation – “despite rising costs, the average triennial grant to theatre companies was the same in 2005 as it was in 1998 – effectively a cut of 24%”.¹¹ The Discussion Paper cited research commissioned by the Australia Council in 2002 that demonstrated the effect of the decline in real funding on the Theatre Board’s triennially funded companies and warned of a “possible ‘spiral of decline’ amongst these companies if no action was taken.”¹²

Four years on from the research undertaken in 2002, the effects are being felt. Clearly, the solutions will lie in collaboration between federal and state governments but there is a clear need for enhanced funding for the sector.

The art form will certainly suffer when those upon whom it relies – the artists – are unable to earn a sustainable income from their creative work, constantly needing to seek employment outside the arts to secure an income on which it is possible to live.

That the situation is urgent is well demonstrated by work commissioned by the Australia Council and undertaken by David Throsby and Virginia Hollister, *Don’t Give Up Your Day Job*. Published in 2003, it analysed income levels for artists for the financial year 2000–01.

Throsby and Hollister found that the mean total earned income for actors for the year 2000–01 was \$41,700. The mean income from their creative work was slightly more than half of their total annual income at \$22,500.

Given that some few actors are able to annually earn amounts in excess of \$100,000, and an even fewer number are able to earn in excess of \$200,000 annually, the reality for the majority of actors becomes evident. It is, therefore, useful to look at their median income to establish the impact of the higher earning artists. For the year 2000–01, actors’ total median income was a paltry \$31,000 with the median income earned from their creative work a mere \$10,500.

As Throsby and Hollister observe, “although some artists do quite well financially, the great majority are clustered in the low income categories”.¹³

Over the past ten years, sources of employment for performers have diversified. Since the mid 1990s Australia has attracted a range of large and medium budget film and television productions from overseas, providing an income stream not previously available. Additionally, pay television has been

¹¹ *Make it new? Some proposal for the future of theatre funding*, Theatre Board of the Australia Council for the Arts, April 2006, page 11

¹² *Ibid.*

¹³ *Don’t Give Up Your Day Job – An Economic Study of Professional Artists in Australia*, David Throsby and Virginia Hollister, Australia Council, 2003, page 47, available online at www.ozco.gov.au

established, work in new media – particularly in voice overs – and work in the corporate arena has provided opportunities for performers that include an increase in the use of training workshops where performance skills are essential. However, at the same time as new employment opportunities opened up, employment in the mainstream sectors of film, television and live theatre declined significantly.

What is certain is that actors would benefit from more and better paid creative employment opportunities.

Regrettably, comparable research on the incomes of live theatre technicians has not been undertaken. However, from designers who need to work across film, television, live theatre, opera and dance to lighting technicians who work across live events, live theatre and in live music, few are able to sustain a living from live theatre alone. Sadly, too many are lost to overseas where wage rates and employment opportunities are often superior to what is on offer here. Like performers, they would all benefit from a more robust live theatre environment in Australia.

The Alliance is also of the view that the community would benefit from access to more performing arts.

The benefit to communities of a vibrant cultural environment was recently articulated by the Parramatta Lord Mayor, David Borger:

“The three river cities – Penrith, Liverpool and Parramatta – need more people and more jobs, but to have those you need culture ... Talented young creatives leave the west for the bright lights of the eastern suburbs, but culture brings people back.”¹⁴

According to UDI Metro Metrics, “[o]ver the next decade, Parramatta City, with the State Government, plans to create an ‘urban vibe’ with a \$1.4 billion Civic Place development that includes five public squares, 35,000 square metres of lifestyle retail space, an art house cinema, library, museum and art gallery and the promise of more than 8,800 new jobs.”¹⁵

Whilst investment in infrastructure is important, more important is the content – the productions that will fill existing venues and the artists who will present them.

Initiatives such as Playing Australia and Mobile States, as Keith Gallasch has pointed out, alongside increasing development of local government arts programs and venues, indicate “an actual and potential shift in Australian attitudes to the arts.”

Theatre in education programs regularly criss-cross the state playing in venues rarely utilised for adult audiences, often playing in venues of a quality that make those working in some professional venues envious. The Alliance considers a useful state intervention would be to work with local governments to access and open up touring lines for smaller companies utilising existing infrastructure such as local government owned theatres and halls and educational institution owned theatres.

Over the past decade, many regional communities across Australia have faced a number of challenges that have included the closure of passenger rail services, hospitals, banks, post offices, the subsequent withdrawal of industry, the collapse of local industries and a concomitant decline in population as people moved in search of employment. As the New South Wales Film and Television Office has observed, “[t]his rural economic downturn has impacted on the social well being of small communities, witnessing high instances of unemployment, depression, and juvenile crime”¹⁶.

The New South Wales Ministry of the Arts, Regional Arts New South Wales, the Film and Television Office and the Local Government and Shires Association joined forces to develop strategies to address the fact that more than fifty percent of towns in New South Wales had limited or no access to cinema

¹⁴ *Essential Sydney: Benchmarking our city*, UDIA Metro Metrics, Sydney Morning Herald, July 2006, page 24.

¹⁵ *Ibid.*

¹⁶ *Cinema In Regional NSW – The Story So Far...* New South Wales Film and Television Office, see online at www.fto.gov.nsw.au

or film. Since 1998, initiatives such as Flicks in the Sticks have led to a revival of cinema across the state.

The Alliance strongly supports this New South Wales initiative and considers that it also serves as an interesting template for initiatives that might be considered to foster live theatre in communities across the state.

If the government were able to develop "touring tracks" and support small ensemble companies presenting a repertoire of new and existing work, employment opportunities for artists would be enhanced and it would contribute significantly to the social well-being of communities across the state – including communities within urban areas.

The Alliance believes that any funding strategies must be underpinned by the principle of funding for success.

In this regard, the story of Cirque du Soleil is illuminating. Formed by two stilt walking buskers, given a space by the city of Montreal and funding by the Quebec Government, public money was invested in talent and the potential evidenced, in particular, by a production the government commissioned to commemorate the 450th anniversary of the arrival of Jacques Cartier in Canada in 1984. Rather than submitting detailed business plans the new company was then funded in a manner that accepted it might encounter a bumpy road and suffer patchy box office performances in the early years.

In 1987, the Quebec government provided the company with C\$1.5 million to purchase equipment. In a breathtakingly bold decision, the company's founders, Guy Laliberté and Daniel Gauthier, risked it all on one make-or-break performance at a Californian arts festival for no fee and only the promise of top billing. As Laliberté explained, "When first we went in LA, you know, we had no money to put gasoline in our truck to come back if we failed down there ... We went through our last penny in order to go down there, and we risked everything."¹⁷

It paid off and the rest is history. Today, the company employs more than 2,500 people, has four touring companies, is a mainstay of the Las Vegas experience and by 1999, on any given weekend 50,000 people saw a Cirque du Soleil performance somewhere in the world and more than 23 million had seen one of its twelve productions.¹⁸

The Alliance would like to see a similar level of bold decision making in our own environment.

Given the importance of culture to the health of a nation, it is not reasonable to expect that its delivery continue to be undertaken by the working poor – a consequence of the funding envelope being unsustainably low, as noted in the Australia Council commissioned research of 2002 referred to above.

Finally, given that fully one-third of performers live below the poverty line, it is essential that when they do earn income, they are able to realise that income. Performers are heavily reliant on their relationship with their agent. Whilst many operate honourably, unfortunately there are those that have not. When an agent breaks the trust relationship with their performers and defaults on their obligation to remit earned income to performers, the results for the performers in question can be devastating.

Consequently, the Alliance supports enhanced regulation of agents in New South Wales to ensure that performers' incomes are more appropriately protected.

¹⁷ Interview with Guy Laliberté, for PBS, see online at http://www.pbs.org/newshour/bb/entertainment/jan-june01/cirque_03-19.html

¹⁸ *From Nascar to Cirque du Soleil: Lessons in Audience Development*, Western States Arts Federation available online at http://www.pbs.org/newshour/bb/entertainment/jan-june01/cirque_03-19.html

ATTACHMENT A

Territory	Maximum percentage net benefit on local spend	Percentage net benefit starts declining at:	Threshold for local spend to access incentive	Requirement for local spend as percentage of total to access incentive	Structure	Cap on payout on one project	Limit on aggregate payout for all projects	Time limitation on scheme	Other notes	Introduced / enhanced scheme since Offset introduction
Australia	12.5% net benefit on local spend	n/a	A\$15m	70%	Tax offset	No	No	No	Extended to TV in 2005	
New Zealand	12.5%	n/a	A\$12.2	70%	Similar to Australia, but grant scheme	No	No			Yes
UK	20% for low-budget productions; otherwise 16%	At A\$49.5 million, % benefit goes from 20% to 16%	No	25% qualifying local spend; cultural test	Tax relief or cash	No	No			Yes
Ireland	Up to 20% net benefit on local spend	A\$72 million	A\$1.7m in practice	n/a	Cash benefit	A\$13.7m	Yes	End 2008	Local producer required. Paid at beginning of filming	Yes
Canada (federal)	16% of labour costs	n/a	No	n/a	Labour-based tax credit					Yes
PLUS LABOUR-COST INCENTIVES:										
British Columbia	16% on labour costs; 15% on digital animation and visual effects	n/a	No	n/a	Labour-based tax credit			2008		Yes
Manitoba	45% on labour costs + 5% frequent filers' bonus	n/a	No	n/a	Labour-based tax credit				Frequent filers' bonus of 5%	Yes
New Brunswick	40% on labour costs	n/a	No	n/a	Labour-based tax credit					Yes
Newfoundland and Labrador	Lower of 40% of labour expenses, or 25% of total eligible budget	n/a	No	25%	Labour-based tax credit					Yes
Nova Scotia	Lower of 35% of labour expenses, or 17.5% of total eligible budget	n/a	No	n/a	Labour-based tax credit				5% regional bonus. 5% frequent-filming bonus	Yes
Ontario	18% on labour costs; 20% computer and special effects credit	n/a	A\$1.2 million	n/a	Labour-based tax credit				Reality TV excluded. Additional 20% interactive digital media credit encourages establishment in Ontario.	Yes
Québec	20% on labour costs	n/a	No	n/a	Labour-based tax credit					Yes
Saskatchewan	45% on labour costs; 5% regional bonus on labour costs; 5% key position bonus on labour costs	n/a	No	n/a	Labour-based tax credit					Yes

Source: AusFilm

Territory	Maximum percentage net benefit on local spend	Percentage net benefit starts declining at:	Threshold for local spend to access incentive	Requirement for local spend as percentage of total to access incentive	Structure	Cap on payout on one project	Limit on aggregate payout for all projects	Time limitation	Other notes	Introduced / amended scheme since 2001?
USA: selected states and territories below:										
Arizona	10% with local spend between A\$0.3m and A\$1.3m 15% with local spend between A\$1.3m A\$4m; 20% with local spend above A\$4m	A\$33.5 million	A\$0.3m; A\$1.3m and A\$4.0m	n/a	Tax credit	A\$6.7 million	A\$40.3 in 2006, increases thereafter.		Requirement for establishment in Arizona	Yes
California	None	n/a		n/a					Increasing pressure; stalled in legislature	n/a
Florida	15% on local spend	A\$17.9 million	A\$1.1 million	n/a	Cash reimbursement	A\$2.7 million	A\$27 million for all schemes		Rebate of up to 5% for digital media effects companies, capped at A\$134,500.	Yes
Georgia	9% on local spend + 3% on local labour + 2% if bundled spend in state more than A\$27 million	A\$27 million	A\$0.7 million	n/a	Tax credit				Regional bonus of 2%; bonus for bundling; bonus for regional production	Yes
Hawaii	15% in Oahu; 20% elsewhere	A\$72 million in Oahu; A\$54 million elsewhere	A\$0.3 million	n/a	Tax credit	A\$10.8 per production		2015	Insurance and bonding included	Yes
Louisiana	10% below A\$0.4million; 20% above A\$1.3 million	n/a	A\$0.4 million	n/a	Tax credit				Insurance and bonding included	Yes
New York	10% from state; 5% from city	n/a		n/a	Tax credit	see right	A\$33.7 million from state and A\$16.8 million from city per calendar year. Total: A\$50.5 million per year	2008	Limit on aggregate payout for all projects on first-come, first-served basis	Yes
New Jersey	20% on local spend	n/a		60%	Tax credit					Yes
New Mexico	25% on local spend	n/a		n/a	Refund				Insurance and bonding included	Yes
North Carolina	15% on local spend	n/a	A\$0.3 million	n/a	Tax credit					Yes
Pennsylvania	20% on local spend	n/a		60%	Production grant	see right	A\$13.5 million per year			Yes
Rhode Island	25% on local spend	n/a	A\$0.4 million	n/a	Tax credit				Not yet law	Yes
South Africa	15%	A\$12.7 million	A\$4.8m	n/a	Tax rebate	A\$1.9m	A\$47 million over three years		Local partner required. Bundling permitted excluding TV series	Yes
Germany	20%	TBA	TBA	TBA	TBA	See right	A\$103m each year	2009	Just announced: modelled on UK scheme	Yes
Hungary	20%	n/a	No	n/a	Tax rebate	No	No		Local partner required	Yes
Fiji	15% net benefit on local spend	A\$22.8 million	A\$0.2m	35%	Similar to Australia	A\$2.9m				Yes

Source: AusFilm

ATTACHMENT B

STATE FILM INCENTIVES AVAILABLE AS AT APRIL 2006

Victoria:

- The Production Attraction Incentive Fund (PIAF) is designed to attract interstate or offshore feature films, television series, mini-series, telemovies, animation series, “reality” programs and documentaries to Victoria. The grant is calculated on the total production spend in Victoria with the offer increasing in value for undertaking post-production, new media production and maximising the employment of Victorian cast and crew. Eligibility: a minimum of 70% of the total production budget or AU\$3.5 million must be spent in Victoria. This incentive can also apply to post-production only, in which case a minimum of three or more Victorian post-production service companies must be utilised.
- The Regional Victoria Assistance Fund (RLAF) is designed to encourage local and footloose film productions to use locations outside metropolitan Melbourne for five or more shooting days. Grants are calculated as a discretionary percentage of the total production spend in regional Victoria and are capped at AU\$100,000 per project.

New South Wales:

- The Film Industry Attraction Fund (FIAT) is available for genuine footloose production and is based on a rebate on payroll tax, but also takes into consideration the spend undertaken in NSW, as well as other investments made, such as new technology development. To be eligible for the fund there must be a minimum spend of AUD\$5 million in NSW or a post production minimum spend of AUD\$3 million.
- The Regional Filming Fund offers grants calculated at 35 percent of the budget expended in regional New South Wales capped at \$100,000.

Queensland:

- A Payroll Tax Rebate of 4.75% of all eligible payroll costs for productions with a minimum AU\$3.5 million spend in Queensland, or bundling two or more projects with a minimum expenditure of AU\$5 million in Queensland in a four year period. The Rebate operates on a sliding scale with a maximum rebate of AU\$850,000. For the maximum rebate, productions must spend a minimum of AU\$30 million in Queensland.
- A 12.5 per cent Local Labour Incentive is available for projects employing bona fide Queensland cast and crew with a minimum spend of AU\$2.5 million.
- A Head of Department Rebate provides cash rebates to productions that employ Queensland resident Heads of Department. The maximum available is AU\$25,000 per Head of Department for a maximum of two eligible Heads of Department per production. Maximum rebate available on projects with a minimum spend of AU\$5 million in Queensland or for a partial rebate there is a minimum spend requirement of AU\$3.5 million.
- A post production incentive providing a cash rebate on a sliding scale for post production work undertaken in Queensland. Eligibility: AU\$100,000 for spends between AU\$1-2 million, AU\$200,000 for spends between AU\$2-3 million, to a maximum of AU\$300,000 for spends over AU\$3 million.

South Australia:

- A rebate of 10 per cent of the value of cast and crew salaries paid to South Australian residents available for projects filming 50 per cent or more of their production in South Australia.
- Up-front payroll tax exemption (5.67%).

The comparison below assumes an offshore movie of the week with a total budget of US\$7.5 million, with all crew and below the line cast being recruited from the state in which production is undertaken. With a budget of US\$7.5 million the production is not eligible for the Federal Government Film Tax Offset Scheme.

VALUE OF INCENTIVES	QLD	S.A.	VIC	NSW
Production Subsidy			240,000	
Payroll Tax Rebate	76,934			99,697
Payroll Tax Exemption		95,066		
Salary Rebate	187,500	150,000		
Head of Department Rebate	50,000			
Post production	100,000	75,000		
Police & Fire Services	8,500	8,500		
Locations Assistance	30,000	30,000		
Facilities Discounts		Discretionary		
TOTAL OF INCENTIVES	452,934	358,566	240,000	99,697
APPLICABLE BUDGET	9,777,237	9,795,369	9,787,969	9,800,000
TOTAL CASH SPEND	9,324,303	9,436,803	9,547,969	9,700,303
TOTAL BENEFIT	475,697	363,197	252,031	99,697

ATTACHMENT C

State film agencies: government allocations and assistance 2004/05

	NSW	Vic	Qld*	W.A	S.A.
Production Investment	4,100,000	3,634,000	5,400,000	2,635,000	1,489,000
Script Development	902,000	2,060,313		549,000	502,403
YFF/Short films	360,000	479,000		201,998	478,743
Aurora	500,000			87,920	-
Educational Content Fund					448,000
Travel assistance and practitioner development **	80,000	321,000		846,500	218,518
Digital Media Fund		1,400,000	0.7m		838,000
Industry and Audience Development	817,500	1,700,000	1.4m	176,819	358,000
Total State Government Allocation	9,500,000	13,600,000	9,600,000	8,000,000	5,700,000

* The figure is for production investment and development combined.

** This category includes a range of professional and project assistance that varies from state to state. It includes market attendance, producer packages and mentorships.