

## **Review of Film Industry Incentives**

*Sunshine Coast Regional Council*

### **Final Report**

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**AECgroup**  
Outcome Driven

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## Executive Summary

### Background

AEC Group Pty Ltd (AEC) was engaged by the Sunshine Coast Council to conduct a review of film industry development and incentives used to secure film, TV and associated production.

The film industry (including major motion picture, made for TV movies, TV series and commercials) can provide a significant boost to a local economy. These productions are similar to many tourism events, in the fact that they require an influx of people and businesses that spend money locally and then leave and similarly the film industry can support a local supply chain (i.e. local businesses). The larger the production, the larger the local expenditure, with some major productions generating considerable local expenditure.

### Case Study Analysis

Analysis was conducted on a variety of existing film locations, including:

- Queensland (Screen Queensland)
- NSW (Screen NSW)
- Gold Coast
- Ipswich
- Western Sydney

This review provides a number of insights and keys to success, including:

- Provision of a variety of different locations (i.e. beach, rainforest, urban and suburban) in great proximity of each other
- Provision of infrastructure (such as studios) and existing supply chains and skills
- Strong local support programs including financial incentives and permanent staff to provide a single point of contact for the industry
- Provision of a streamlined permitting process providing 24 hour turnaround
- Marketing initiatives including maintaining a database of locations, crew and facilities as well as hosting film makers and producers and engaging proactively with industry contacts

### Recommended Film Development Program

There are other locations that are recognised film destinations and have invested heavily over a significant period of time to establish the industry.

In order to encourage the film industry, the Sunshine Coast Council could consider the following incentives and programs:

- A **cash grant program** (similar to the Gold Coast) that could extend to a maximum of \$200,000 per film (in order to be competitive). Funding should be on a graduated scale based on anticipated local expenditure and be capped at a maximum of \$200,000 per film. This program would require a formalised process to apply for funding and to evaluate applications. As the Sunshine Coast Council already has an investment incentive scheme, a film incentive program could potentially follow similar processes and be incorporated under the existing scheme with additional funding provided specifically for the film industry
- A **streamlined permitting process** to ensure quick (24 hour) turnaround for film companies and a proactive regulatory process to close roads and/or gain access to areas for filming

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- A **marketing program** to promote the location and provide funding for the film industry development officer to engage with Screen Queensland and Ausfilm as well as host producers and film makers on location scouting trips
- A **Sunshine Coast film directory** of locations, crew and facilities that would be updated on an annual basis
- A **dedicated film industry development officer**, whose role is to promote the Sunshine Coast as a film location. This position would be the single point of contact for the industry, including film makers and producers. This position would be in charge of administering the incentive program, marketing the program and the region (including attending industry specific conferences) as well as being the central point of contact for all film related enquiries inside Council and to external clients, and coordinate the annual development of a the film directory.

The combination of all of these initiatives would provide the basis for Council to support the establishment of a film industry on the Sunshine Coast. Time and persistence will be required to gain traction in the market place and see the results of many of these initiatives. It is likely that after five years, the program could provide strong annual results.

At the same time, it should be noted that delivering only one or two of the recommended programs above is not likely to yield desired results.

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## 1. Introduction

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AEC Group Pty Ltd (AEC) was engaged by the Sunshine Coast Council to conduct a review of film industry development and incentives used to secure film, TV and associated production.

The film industry (including major motion picture, made for TV movies, TV series and commercials) can provide a significant boost to a local economy. These productions are similar to many tourism events, in the fact that they require an influx of people and businesses that spend money locally and then leave. The larger the production, the larger the local expenditure, with some major productions generating considerable local expenditure.

The Sunshine Coast Council is currently considering how to support the development of the film industry on the Sunshine Coast, given the many benefits that the industry can provide to the economy. As such, Council requires an initial review of film incentives in Australia to better understand how it can encourage the growth of this industry on the Coast.

## 2. Review of Film Industry Incentives

AEC conducted case study analysis into a variety of programs in Australia to identify what is currently being done to support the film industry and to provide insights and options to the Sunshine Coast Council in regards to how they may decide to support the film industry.

Case studies were conducted on the following areas:

- Queensland State Government
- NSW State Government
- Gold Coast City Council
- Ipswich City Council
- Townsville City Council
- Western Sydney

Ausfilm is the Australian Government's body that supports the development of the film industry nationally. There are federal government programs available to producers and filmmakers to encourage local production. These programs provide relatively significant funding for films but as this report is focused on local and state Government programs, the federal initiatives have not been featured here, but include:

- **Producer Offset (for feature films):** provides a rebate of 40% of Qualifying Australian Production Expenditure (QAPE). Significant Australian content and a minimum QAPE of \$500,000 is required
- **Post, Digital & Visual Effects Offset:** provides a rebate of 30% of qualifying post, digital and visual effects production (PDV) expenditure. This incentive can be applied to feature films, made for TV movies or television mini-series or series. The production must have a QAPE of at least \$500,000
- **Producer Offset (for TV):** provides a 20% of QAPE and significant Australian content is required. The incentive can be applied to TV drama, documentary and short form animation
- **Location Offset:** provides a 16.5% rebate of QAPE, which can be applied to feature films, telemovies or television mini-series or series. Feature films must have a minimum spend of \$15 million (QAPE) and TV series require an average QAPE of \$1 million per hour

Also, film makers and producers wishing to film on the Sunshine Coast would be eligible to the Queensland State Government and Federal Government programs. These assistance programs would provide greater value (in dollar terms) than any funding from a local government.

### 2.1 Queensland State Government

The Queensland State Government, through Screen Queensland, supports the growth and development of the film industry in Queensland in a number of ways, including:

- Supporting production and development
- Supporting screen culture across the state

In order to support production and development, Screen Queensland provides funding for a variety of activities include:

- Local development activities
- Local production activities
- Recruitment of international films to be produced in Queensland

Screen Queensland has a number of different funding activities that range from providing finance to tax offsets as well as cash grants, which include:

- **Development Investment Funding:** provides a range of funding for the development of innovative content, including film, games as well as travel grants
- **Production Investment Funding:** supports Queensland and Australian producers to create high quality products that will delight local audiences and potentially win acclaim for the local industry
- **Queensland Payroll Tax Rebate:** provides a rebate of State payroll tax for projects that have a minimum of \$3.5 million in local (Queensland) production expenditure
- **Revolving Film Finance Fund (RFFF):** is a revolving debt facility of \$20 million to provide loan funds as cashflow for the Producer Offset, distribution guarantee, pre-sales, or any other collateral security that is acceptable to Screen Queensland
- **Screen Culture Program:** supports the development of screen-based content to be created and celebrated across the State as well as events such as film festivals and workshops
- **Screen Queensland Production Attraction Program:** the Program is open to 'footloose' film and television projects with a minimum \$3.5 million spend locally. These incentives can include Production Attraction Incentives, State Payroll Tax Rebates, Regional State wide Incentive Grants as well as Post, digital and Visual Effects Attraction Grants

Beyond simply providing funding, Screen Queensland provides a variety of assistance to producers and filmmakers through the maintenance of a variety of directories for filming locations, crew and facilities. Additionally, there are staff available to assist film makers to identify suitable filming locations within the state and to tap into existing supply chains to support production.

As the Gold Coasts is the major film location within Queensland, Screen Queensland maintains an office in Brisbane and the Gold Coast.

## 2.2 NSW State Government

The New South Wales Government supports the film industry through Screen NSW, whose purpose is to assist, promote and strengthen the screen industry in NSW. Every year, the NSW State Government provides recurrent funding to Screen NSW to support its activities and operations.

Screen NSW's programs are broken down into:

- Production Support
- Development support
- Industry Support

Through this funding Screen NSW:

- Supports the screen production sector to make quality projects that create jobs and grow stable businesses in the State
- Provides advice and information to improve capability in the sector and enable industry practitioners to participate in the global industry
- Funds and promotes new forms of screen content and use of technology
- Collaborates with industry to create opportunities
- Facilitates all aspects of filming in NSW to make it the most attractive State for screen production.

These programs show strong alignment to the programs provided by the Queensland Government.



Table 2.1. Screen NSW Funding, 2015-16

Program	Budget
<b>Production Support</b>	
Production Finance	\$4,184,000
Regional Filming Fund	\$375,000
Emerging Filmmakers Fund	\$145,000
Location Scouts and Inbounds	\$45,000
<b>Development Support</b>	
Early and Advanced Development Funding	\$797,000
Aurora	\$95,000
<b>Industry Support</b>	
Screen Audience Development	\$140,000
Industry Development	\$460,000
Strategic Operations	\$15,000
Sydney Film Festival	\$980,000
<b>Total</b>	<b>\$7,236,000</b>

Source: Screen NSW (2015)

### 2.3 Gold Coast City Council

The Gold Coast City is a recognised film location and it is interesting and important to note that the Gold Coast is the only local government area to be listed on the Ausfilm website ([www.ausfilm.com.au](http://www.ausfilm.com.au)). Given the existence of major studios and significant existing supply chain to support the industry, this is not surprising.

Film Gold Coast is the City Council's initiative to support the film industry on the Gold Coast. The Gold Coast has a strong tradition in the film industry, with major films providing a combined total of \$1.7 billion. Recent productions include *Pirates of the Caribbean*, *Unbroken* and *San Andreas*.

The City provides a range of advantages for film makers, including:

- Diverse range of locations within grate proximity to each other (i.e. rain forests, coastal/beach, modern city, etc.);
- A major production studio and a strong base of a workforce and supply chains;
- Proactive local government for scouting, permitting and incentives;
- Financial support (i.e. incentives that above and beyond the State and Federal Government); and
- Good infrastructure and convenient movement between locations.

There is a dedicated team to make the filming process as smooth and seamless as possible. The Gold Coast City Council provides production companies considering filming in the city with advice on potential locations and local services. Eligible productions can also access financial incentives.

Eligibility is based on the approximate value of local production (minimum \$3 million), duration of the production and approximate percentage conducted on the Gold Coast, approximate number of jobs and economic impact and demonstrated competition from other cities.

The City of Gold Coast has a specific application form and evaluation process to evaluate projects before they can received any funding (A copy of this application form has been separately attached to this report). Funding is provided as a cash grant and the amount is determined by the level of local expenditure (Table 2.2).

**Table 2.2. Gold Coast Financial Incentives for the Film Industry**

Value of production undertaken on the Gold Coast (AU\$)	Assistance cap (AU\$)
\$1.5 – 3 million	\$30,000
\$3 – 5 million	\$40,000
\$5 – 10 million	\$50,000
\$10 – 15 million	\$60,000
\$15 – 25 million	\$80,000
Over \$25 million	\$100,000

Source: Screen QLD (2015)

## 2.4 Ipswich City Council

The City of Ipswich has committed to developing the local film industry. The City promotes Ipswich as a location for the film industry. The City Council has dedicated one full time position and proactively promotes the city as a destination for film production.

Ipswich City Council sees their role in encouraging the film industry to include:

- Assisting with location advice, accommodation, contact for 'extra' actors, catering companies and retail/commercial space for casting calls
- Advise on terms and conditions of permits
- Manage applications and politics
- Loading photos to database
- Recordkeeping of previous productions and footage
- Record management
- Providing one point of contact to other branches of council.

Ipswich City Council dedicated \$5,000 in the first year for marketing this program. Subsequent years witnessed reduced, but recurrent funding of \$3,000 per year. Five years ago, Council only received 3 calls per year, but since the program was implemented (5 years ago), they receive 4 inquiries per week.

Film companies expect a fast turnaround on permits (i.e. 24 hours), so having established processes and a specific application form specifically for the film industry is important.

## 2.5 Western Sydney

Various cities in Western Sydney, such as Parramatta, Bankstown and Penrith have recently been successful in recruiting major motion pictures, made for TV movies and TV shows, such as:

- Wolverine
- Mad Max: Fury Road
- Unbroken
- TV movie Peter Brock
- House of Hancock
- Hacksaw Ridge
- TV series Love Child.

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Western Sydney benefits from all of the support of Screen NSW (Section 2.2), but many of the local governments have benefited from not only a convenient location but from proactive local government policy. Many of these locations have enacted policies and initiatives to assist production companies and movie makers. Providing permits, street closures and other allowances assist film companies to produce film projects. Many of these cities have free parking that allows production companies to leave necessary and important vehicles standing. Combined these attributes provide considerable cost savings to film production companies, particularly over an area like the City of Sydney, where there are numerous costs, time delays and restrictions.

### 3. Role of Education Providers and Local Industry

Education providers have a relatively minor, yet important role to play in encouraging film industry development through training and development of the workforce. Given the transient nature of the film industry workforce (i.e. many workers become contractors for a certain project and as such, the nature of their engagement is temporary and often tied to the specific film shooting location), educational providers play a minor role in the overall supply chain.

While the direct influence of education providers may be limited, their indirect influence and the presence of higher education classes across the creative arts (including film, TV, etc.) contributes significantly to creating a culture of creativity. This culture of creativity can contribute very meaningfully to encouraging not only the film industry but all creative industries.

#### **Sunshine Coast Educational Providers**

The **TAFE Qld East Coast** offers programs in Film and TV production, including Diploma and Advance Diploma of Screen and Media. These programs have a focus around production (pre and post), managing locations, shooting TV content in a multi-camera environment, direct television programs and segments. The advance diploma also has a focus around animation and has strong links with Pixar and BBC documentaries.

There are currently about 30 students enrolling in these programs with approximately 95% of these students graduating. The instructors have a strong links with the TV industry and several of the students have gained employment with WINTV, Channel 7 and ABC.

While the **University of the Sunshine Coast** does not offer any Film or TV production courses or programs, the Bachelor of Creative Industries provides an eight course major in Screen and Media Studies. However, the course is not focused on production. One of the courses that is a part of this study has some introductory 'hands on' study. The University is currently considering the development of a Bachelor Degree in Screen Production, which might be linked to the New York Film Academy. The earliest that this course could be available would be the 2017/18 year.

The Sunshine Coast is already home to some creative industries, so the University of the Sunshine Coast will likely continue to evolve and provider further courses in creative industries, including screen and film.

#### **Sunshine Coast Film and TV Production Industry**

According to the 2011 Census, employment in the Film and TV Production Industry on the Sunshine Coast was much lower than the Gold Coast and made up a relatively small portion of the overall employment in the State (i.e. 7%). In comparison, the Gold Coast captures 23% of total employment in the State.

**Table 3.1. Film Related Employment, 2011**

	Sunshine Coast	Gold Coast	Queensland
Motion Picture and Sound Recording Activities	165	692	3,132
Broadcasting (except Internet)	296	842	3,498
<b>Total</b>	<b>461</b>	<b>1,534</b>	<b>6,630</b>

Source: ABS (2012)

The low level of local employment (and corresponding businesses) would likely impact on the ability of film and television productions to come to the region and employ local film workers. It is likely the first few years of any Film Incentive Program the major benefit to the region will occur from local spending of productions (i.e. accommodation, meals and entertainment and certain equipment hire). The region would need to attract a substantial number of productions to stimulate growth in the local supply chain.

## 4. Recommended Film Development

If the Sunshine Coast Council wishes to encourage the film industry to develop locally, Council must understand that other locations, namely the Gold Coast and Sydney have considerable advantages in terms of the level of infrastructure (i.e. studios) and considerable existing supply chains (i.e. contractors, equipment suppliers, etc.). At the same time, these locations have existing marketing programs that have been in existence for some time and have gained traction in the market place.

While these disadvantages are not insurmountable, Council must recognise that other competing locations have an existing foothold in the industry and the Sunshine Coast would be required to invest in marketing and other programs over time in order to be successful.

In order to encourage the film industry, the Sunshine Coast Council could consider the following incentives and programs:

- A **cash grant program** (similar to the Gold Coast) that could extend to a maximum of \$200,000 per film (in order to be competitive). Funding should be on a graduated scale based on anticipated local expenditure and be capped at a maximum of \$200,000 per film. This program would require a formalised process to apply for funding and to evaluate applications. As the Sunshine Coast Council already has an investment incentive scheme, a film incentive program could potentially follow similar processes and be incorporated under the existing scheme with additional funding provided specifically for the film industry
- A **streamlined permitting process** to ensure quick (24 hour) turnaround for film companies and a proactive regulatory process to close roads and/or gain access to areas for filming
- A **marketing program** to promote the location and provide funding for the film industry development officer to engage with Screen Queensland and Ausfilm as well as host producers and film makers on location scouting trips
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- A **dedicated film industry development officer**, whose role is to promote the Sunshine Coast as a film location. This position would be the single point of contact for the industry, including film makers and producers. This position would be in charge of administering the incentive program, marketing the program and the region (including attending industry specific conferences) as well as being the central point of contact for all film related enquiries inside Council and to external clients, and coordinate the annual development of a the film directory.

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