

**Productivity Commission**

**Geographic Labour Mobility**

**Ausfilm Submission**

## 1. Introduction

Ausfilm appreciates the opportunity to contribute to the Commission's investigation of Geographic Labour Mobility. The film and video production and post-production sector, the latter otherwise known as post-production and digital video effects (PDV), of the economy is one characterised by project based work with a high level of labour mobility, particularly in film and video production. Geographic labour mobility is a feature of this sector both within Australia and to and from Australia.

## 2. Ausfilm

Ausfilm is an Australian industry-government partnership whose members comprise Australia's Federal and State Governments, the major studios and the leading post and digital effects facilities and production service providers.

Ausfilm promotes Australia's screen production incentive schemes, locations and capabilities worldwide to assist international screen producers to make their productions in Australia. Ausfilm also provides informed advice to the Australian Government and its agencies on issues concerning the industry sector that services offshore production in Australia.

## 3. Executive Summary

Ausfilm supports the Productivity Commission's research study assessing geographic labour mobility within Australia and its role in a well-functioning labour market and welcomes the opportunity to provide input into same, particularly with reference to the film and television production and PDV. This is a sector of the economy that is an innovative, clean industry that has generated substantial inward investment to the Australian economy and has been a significant driver of economic growth. The project based nature of work in the sector and its connection to an increasingly globalised screen production industry are important factors that support geographic labour mobility

in Australia with positive benefits such as employment and skills development. This submission provides statistical information on the economic structure of the sector and the geographic distribution of labour, together with outlining how Commonwealth and State government policies are particularly targeted towards attracting geographically mobile or 'footloose' production to Australia.

#### **4. Film and Video Production and PDV**

According to a survey by the Australian Bureau of Statistics<sup>1</sup> at the end of June 2012 there were 2,773 businesses in Australia involved in film and video production and post-production. These businesses employed 15,760 people and generated income of \$2.523 billion. Not included in this is involvement in production undertaken in-house by television broadcasters.

The ABS did not report in this survey on the number and size of these businesses in terms of employment. However, in the survey conducted in 2006/07 the ABS reported that 85% of these businesses employed four people or less and that 3% of businesses accounted for 55% of all employment<sup>2</sup>. This situation is unlikely to have changed significantly in 2011/12 indicating that most businesses in the sector are small businesses with low annual turnover and relatively small number of permanent staff.

Table 1 Film and Video Production and PDV 2011/12

	Film and Video production	PDV
Businesses	2,412	361
Employment	13,414	2,346
Income	\$2,194m	\$329m
Expenditure	\$2,120m	\$331m
Operating Profit	\$180.9	-\$2.9

Source: ABS <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8679.0>

In terms of the nature of employment the 2006/07 survey reported that overall in film and television production and PDV 31.9 per cent of employees were permanent full-time,

<sup>1</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8679.0>

<sup>2</sup> Screen Australia <http://www.screenaustralia.gov.au/research/statistics/mpallcharacter.aspx>

whereas 46.6 per cent were part-time and casual. But, there are significant differences between production and PDV: permanent full-time employees comprise only 25.5 per cent of production services staff but 55.4 per cent of those in post-production services<sup>3</sup>. The reason for this is that PDV businesses are more likely to be tied to specific infrastructure, whereas film and video production is more mobile.

This highlights that in PDV, like a lot of other areas of cultural production, there is a high degree of freelance or casual labour undertaken. This has important implications for the way in which labour is organised and for the mobility of that labour. Hesmondhalgh<sup>4</sup> adapting Ryan<sup>5</sup> argues that the most common form of cultural labour organisation within a contemporary market economy is the project team. In a market economy cultural production requires both the relative autonomy of the creative labourer and the regularity of output that serves to underpin profitability in the circulation of cultural products, such as feature films and television programs. The organisation of labour into the creative team, such as producer, writer, director, camera, music and so on, gives not only a degree of freedom for creative invention, but also the practical constraints of an organised structure.

The high level of temporary and casual work is a factor of the project nature of work in the sector referred to above. This is particularly the case with film and video production. In organizational terms it means there are almost no permanent production units, instead there is a permanent network of skilled people (writers, actors, directors etc.) available to be used in the process of film and video production. The latter has been described by Starkey et al (2000) as a 'latent organization' which makes ... "it possible to maintain a constant configuration of the same members that can be used intermittently over time"<sup>6</sup>.

Consider the example of the cultural work involved in the making of a theatrical feature film. The project team will at first be small, consisting of the **creative manager**, the producer, who assembles the initial **primary creative personnel**, the writer/s and/or director, who develop the script either from an original idea or by adapting a story from another medium.

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<sup>3</sup> Screen Australia <http://www.screenaustralia.gov.au/research/statistics/mpallemloyment.aspx>

<sup>4</sup> Hesmondhalgh D 2007, *The Cultural Industries*, Sage, London, p. 64-65

<sup>5</sup> Ryan B 1992, *Making Capital from Culture: The corporate form of capitalist cultural production*, Walter de Gruyter, Berlin

<sup>6</sup> Starkey K, Barnatt C and Tempest S 2000, 'Beyond networks and hierarchies: Latent organisations in the UK Television Industry', *Organization Science*, Vol 11:3, p 300

The producer or producers are responsible for obtaining the finance for the production of the film. If it is an Australian film the producer is entitled to access the Producer Tax Offset (see below Offsets) from the Commonwealth, which is a rebate equivalent to 40% of the Qualifying Australian Production Expenditure (QAPE). Australian and international distributors, sales agents or broadcasters are other potential sources of finance. Financing may also be contingent on the attachment of key cast and a director at this point.

When the feature is financed and green lit for production the project team is brought together to undertake the work of making the film. Preparing for production will involve final casting, identifying the locations where the film will be shot, scheduling the production days and arranging all appropriate insurances. When production is under way this includes the roles of performers, director, cinematographer, production designer, as well as roles such as assistant directors, camera crew, lighting crew, costume, makeup, hair, construction, safety co-ordinator, art department and so on. The film could be made in a sound stage or on location, or a mixture of both. It could employ extras with no speaking parts. The work of the project team also has spill over effects in other industries that provide services to the production, such as accommodation, vehicle hire and catering.

A separate project team works on the process of post-production, which has become much more complex since the widespread use of digital effects which allow not only the manipulation of images captured during principal photography, but also the creation of complex new images. Aside from this digital effects work post-production will also involve editing, sound effects, music tracks, sound mixing and possibly additional dialogue recording. Post-production is complete when the final version of the film is locked off and delivered to the distributor to commence commercial exploitation.

The digitisation of the whole process of post-production has also greatly facilitated the ability to work remotely on projects that may have been shot elsewhere. For Australian companies it means they can service clients on projects that are not located in Australia. For example, the principal photography on *Iron Man 3* was undertaken in North Carolina to take advantage of the 30% rebate offered by the state for location filming, but Australian based company Fuel VFX supplied some of the digital effects for the film from their offices in Sydney.

An indication of the volume of production being undertaken in Australia involving these project teams can be seen in Table 2, showing the number of drama productions made over the last two decades. Included in these figures are foreign productions. However, it excludes other forms of production for television, including commercials, so that the volume of production would be much greater.

Table 2 Individual titles produced in Australia 90/91 – 11/12

	<b>90/91-99/00</b>	<b>00/01-09/00</b>	<b>10/11-11/12</b>
<b>Feature films</b>	295	364	54
<b>Television drama</b>	505	471	92
<b>Total</b>	800	835	146

Source: Screen Australia <http://www.screenaustralia.gov.au/research/statistics/drama.aspx>

## 5. Geographic distribution of screen labour

The Census of Population and Housing gathers information on the nature of employment of the persons in each household when the survey is conducted. In most industries this can give an indication of the geographic location of labour, bearing in mind that what is being measured is the occupation undertaken in the week preceding the census. In addition the census does not measure the extent that the person worked in various other locations during the five years between each Census.

Table 3 sets out data derived from the Census of Population and Housing on the geographic location of labour in film and video production and PDV by state. As with the wider audio-visual sector (see Appendix 1) the majority of employment appears to be located in NSW, Victoria and Queensland. The data indicates that on a national basis between 1991 and 2011 the number of people working in the sector has increased by 73%, with largest increase in numbers being for Queensland at 92%; most of that growth occurring in the early nineties. This increase for Queensland can be explained not just by the growth of the state population in that time but also by the development of southwest Queensland as a production centre since the construction of the film studio on the Gold Coast in the late eighties.

Table 3 Employment in film and video production and PDV by state

Year	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
1991	3,022	1,529	605	220	233	59	39	33	5,740
1996	3,637	2,112	1,021	542	319	35	40	54	7,760
2001	3,863	1,942	957	358	396	66	44	76	7,702
2006	4,109	2,256	1,092	405	333	63	27	66	8,261
2011	5,308	2,460	1,161	391	432	62	36	58	9,908

Source: Screen Australia <http://www.screenaustralia.gov.au/research/statistics/oepatternsxstate.aspx>

However, this does not present a complete picture of the geographic spread of labour involved in film and television production and PDV in Australia. The geographic location of a business does not necessarily map the location of all the labour being undertaken in the sector. In particular, this is because film and television production is by its nature 'footloose'. That is, it is not necessarily tied to a specific place.

There are two aspects to this. The first is that in the domestic industry, as indicated by the employment statistics above, small flexible companies with relatively low overheads and no fixed production infrastructure can move to where it is most appropriate to shoot the film for reasons of cost and script. For example, Goalpost Pictures, a small film and television production company based in Sydney, made the feature film *The Sapphires* (2012), which was shot partly in a small studio in Sydney, at various locations in greater Sydney, in Albury, NSW and in Vietnam. The labour involved in doing this has to be geographically mobile, as it is it would be aesthetically disastrous and economically unfeasible not to move the key cast and crew to each location. Shooting on location like this not only requires skilled production workers to temporarily relocate, but also employs local unskilled labour and engages local services.

It is particularly well understood by cast and crew working in the domestic film and television production sector that employment is likely to be freelance and involve periods where they will be living and working away from their homes and their families. Sometimes this will be in other parts of Australia and sometimes this may be in other parts of the world.

The other aspect is that film and television production has increasingly become internationalised. For example, Hollywood once described a place in southern California that was the primary location for the production of US film and television, now it largely describes the headquarters of the large corporations that supervise the production of US

film and television across the USA, into Canada, the UK, Ireland, Australia, New Zealand and other locations across the world. A major part of the role of Ausfilm is to market Australia as a location for that footloose production, attracting large budget productions to Australia that utilises Australian labour and facilities.

The larger and more expensive is the project, the more complex the shooting and location requirements and the greater the impact it has on employment, as indicated by this case study.

#### Case study: *The Pacific*

*The Pacific* was a large budget US ten part television mini-series produced in Australia for Dreamworks and HBO. The project was financed from outside Australia. It was shot over 40 weeks in various locations on the east coast of Australia with a six month period of pre-production. Also a significant amount of the PDV work was undertaken in Australia. A total of 1,517 Australian crew were employed with total of 210 Australian cast employed to supplement the imported cast. Extras employed amounted to the equivalent of approximately 24,400 person days. Around 100 foreign employees entered Australia for the project. The production utilised the services of 2,622 Australian companies in the making of the series. Over \$10M was spent on accommodation, \$4.5M on catering, over \$4M on construction materials and almost \$5M on Warehouses and stage rental.

More recently, *The Wolverine* was made in Australia in 2012 generating \$80 million of investment in Australia, creating 1,750 jobs directly on production and contracting with more than 1,000 businesses in Australia. Principally based in Sydney, the film did draw a significant amount of its cast and crew from elsewhere in Australia.

## **6. Policies affecting geographic labour mobility**

### **6.1 Incentives**

Historically Sydney and Melbourne have been the main centres of production employment. When television started in Australia these cities became the centre of growing television networks and the advertising agency business that serviced commercial television. More recently first state governments and then the Commonwealth introduced policies and programs designed to attract production.

State Australia's seven State and Territory screen agencies offer a range of incentives, tax rebates and grants to attract production and post-production to their regions. As well as



offering incentives to shoot in the state, NSW and Victoria also offer incentives to shoot outside metropolitan areas, thereby encouraging labour mobility into regional areas.

## 6.2 Commonwealth Incentives

The Commonwealth provides incentives by way of the tax system to encourage the development of larger budget Australian projects (the Producer Offset) and to attract location shooting and PDV work to Australia (the Location and PDV Offset) set out in Table 4.

Table 4: Australian Screen Production Incentive Scheme

OFFSET		FORMAT	MINIMUM QAPE
<b>LOCATION OFFSET</b>	Rebate of 16.5% Qualifying Australian Production Expenditure (QAPE)	Feature films, telemovie or television mini-series or series	Productions must have a minimum spend of A\$15m of QAPE.
<b>POST, DIGITAL, VISUAL EFFECTS PRODUCTION (PDV) OFFSET</b>	Rebate of 30% qualifying post, digital and visual effects production (PDV) expenditure	Feature films, telemovie or television mini-series or series	The production must have a total PDV related QAPE of at least A\$500,000. The production does not need to be filmed in Australia.
<b>40% PRODUCER OFFSET</b>	A tax-based incentive that provides a rebate at 40% of QAPE. Significant Australian Content test (SAC) applies.	Feature films	Productions must have a minimum spend of A\$500,000.
<b>20% PRODUCER OFFSET</b>	A tax-based incentive that provides a rebate at 20% of QAPE. Significant Australian Content (SAC) applies.	Television, documentary, other	Dependent on production format.

## 6.3 Production Infrastructure

Studios with sound stage complexes for the production of film and television are geographically fixed places for the undertaking of screen labour. Four sound stage complexes can be found in Australia:

- Fox Studios Australia. Sydney, New South Wales
- Docklands Studios. Melbourne, Victoria
- Village Roadshow Studios. Gold Coast, Queensland
- Adelaide Studios. Adelaide, South Australia

Each of these studios was established or supported as the result of State or Commonwealth policies to support the development of this production infrastructure. Village Roadshow Studios was the first to be established in the late eighties, receiving financial support from the Queensland government to become established. Fox Studios came next and is located on land rented from the NSW government at a discounted rate. Docklands Studios in Melbourne started as a public private partnership in 2004, but is now a state owned business enterprise. Adelaide studios are an offshoot of the South Australian Film Corporation.

These are geographically fixed locations, which in some cases have also attracted businesses supplying production or PDV services to co-locate, but each project that rents the studio space has to hire labour from the 'latent organisation' of labour referred to above.

## **7. Conclusion**

In this submission Ausfilm has provided information about the film and television and PDV sector of the economy to show how through the project based nature of the work in the sector encourages a high degree of geographic labour mobility. This mobility occurs within Australia and internationally in three ways:

- Australian originated production moving to shoot on location;
- Attracting foreign production to shoot in Australia; and
- PDV companies servicing international clients digitally from Australia

This mobility of a highly skilled and productive labour force generates economic activity within Australia and attracts foreign direct investment to the overall benefit of the Australian economy.



## Appendix 1 Cultural labour in the audio-visual sector

Film and video production and post-production are forms of cultural production that involve the application of cultural labour. They exist within what has been termed the creative industries being "...those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property"<sup>7</sup>. This definition was part of an exercise to map the creative industries in the UK which identified 13 creative industries for analysis: Advertising; Architecture; Art & Antiques Market; Crafts; Design; Designer Fashion; Film & Video; Interactive Leisure Software; Music; Performing Arts; Publishing; Software & Computer Services; and Television & Radio.

Subsequent to this work there have been other studies that have attempted to map and to define what is meant by the creative industries, the literature on which is now substantial. For a review see O'Connor (2010)<sup>8</sup>. Also for a review of the literature on the concept of cultural labour see Oakley (2009)<sup>9</sup>.

At the international level UNESCO has developed a Framework for Cultural Statistics, which identifies that cultural labour occurs in the following areas or domains of the economy:

- A. Cultural and Natural Heritage
  - B. Performance and Celebration
  - C. Visual Arts and Crafts
  - D. Books and Press
  - E. Audio-visual and Interactive Media
  - F. Design and Creative Services
- and Intangible Cultural Heritage (transversal domain)<sup>10</sup>

(Note: the ABS is currently considering the development of satellite accounts for cultural and creative activity based on these domains<sup>11</sup>)

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<sup>7</sup> DCMS (2001), [Creative Industries Mapping Document 2001](#) (2 ed.), London, UK: Department of Culture, Media and Sport

<sup>8</sup> O'Connor J, 2010, *The Cultural and Creative industries: A literature review* (2<sup>nd</sup> Edition), Creativity, Culture and education, London [http://eprints.gut.edu.au/43835/1/Literature\\_review\\_second\\_edition.pdf](http://eprints.gut.edu.au/43835/1/Literature_review_second_edition.pdf)

<sup>9</sup> Oakley K, 2009, *Art Works- Cultural Labour Markets: A literature review*, Creativity, Culture and Education, London <http://www.creativitycultureeducation.org/wp-content/uploads/CCE-lit-review-8-a5-web-130.pdf>

<sup>10</sup> UNESCO 2009: *Framework for Cultural Statistics*, UIS Montreal, p. 24

<sup>11</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5271.0.55.001>

Film and video production and post-production are located within domain E, audio-visual and interactive media, which also includes television and radio, cinema distribution and exhibition, recorded music, games and internet. Table 1 provides data derived from the Census of Population and Housing on people employed in Australia in selected audio-visual industries and showing their geographic distribution by state. This data indicates that the majority of this work force was located in NSW, Victoria and Queensland.

Table 1 Employment in selected audio-visual industries

	<b>NSW</b>	<b>Vic</b>	<b>Qld</b>	<b>SA</b>	<b>WA</b>	<b>Tas</b>	<b>NT</b>	<b>ACT</b>	<b>Australia</b>
<b>1996</b>	16,860	9,587	6,633	2,766	3,003	726	442	698	40,688
<b>2001</b>	20,782	11,511	7,436	2,690	3,725	809	421	923	48,297
<b>2006</b>	18,925	10,736	7,311	2,691	3,303	758	414	950	45,088
<b>2011</b>	20,537	10,757	7,146	2,354	3,177	722	394	759	45,846

Source: Screen Australia <http://www.screenaustralia.gov.au/research/statistics/oepatternsxstate.aspx>

Of the 45,846 people identified as working in audio-visual industries in 2011 some 38% (17,298) worked in television broadcasting and 22% (9,908) in film and video production and PDV. Between 1996 and 2011 the number of people working in film and video production and PDV grew by 28%.<sup>12</sup>

<sup>12</sup> <http://www.screenaustralia.gov.au/research/statistics/oesummary.aspx>