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4 August, 1999

Professor Richard Snape
Deputy Chairman, Presiding Commissioner
Broadcasting Inquiry
Productivity Commission
Locked Bag 2, Collins Street East Post Office
MELBOURNE VIC 8003

Dear Professor Snape,

Re : Balance Of Trade Figures - Audiovisual Sector

We wish to provide some further information in relation to the review into Broadcasting legislation.

In our original submission we referred to the forthcoming 1997/98 balance of trade figures for the film and television sectors (page 24) and said we would forward these to the Commission when available. The data is now attached along with a commentary prepared by AFC Research and Information. This is relevant to Section 7.1 where we discussed overseas sales of Australian television programs and referred to reports of difficulties encountered in overseas markets in recent times.

As you will see the figures bear this out and show that the value of exports of television programs fell by 16.2% from \$117 million in 1996/97 to \$98 million. At the same time the value of imports of television programs rose by 19% from \$267 million in 1996/97 to \$318 million in 1997/98.

We trust this information will be helpful.

Yours sincerely,

Kim Ireland
Policy Advisor

IMPORTS UP, EXPORTS DOWN

Australia's Audiovisual Royalties in 1997/98

Australia increased its consumption of foreign films, videos and television programs by \$91 million in 1997/98—the largest annual jump since the figures became available in 1987/88. At the same time, sales of Australian product overseas fell by \$21 million, according to the latest report from the Australian Bureau of Statistics, to give an overall deficit of \$440 million.

The ABS data only tracks *royalties*—amounts paid for the rights to distribute and screen films, television programs and videos. Additional (non-royalty) export income is earned from expenditure by foreign production companies in Australia. This reached \$108 million in 1997/98 from productions shot here, according to the AFC's National Survey of Production, with additional earnings coming from foreign films, which were shot overseas but post-produced in Australia.

The increase in royalty payments by Australian companies for imported programs is especially marked as the figures do not yet include pay TV services. The Australian Bureau of Statistics is currently investigating the inclusion of the pay TV sector in its 1998/99 survey.

The rise is largely driven by imports from the US and UK, up \$64 million and \$16 million respectively compared to 1996/97. For the US, theatrical films (up \$38 million) and TV programs (up \$20 million) were the main contributors to the rise. For the UK, TV imports rose by \$36 million; details of film and video trade are not available from the ABS for confidentiality reasons.

The record-breaking film *Titanic*—which grossed \$47 million in 1998, \$24 million more than the number one title in 1997, *Men In Black*—probably contributed significantly to the jump in US cinema imports: from \$41 million in 1996/97 to \$79 million in 1997/98.

The fall in Australian exports between 1996/97 and 1997/98 is mainly in TV sales to the UK, which dropped from \$30 million to \$20 million, and overall sales to New Zealand, which dropped from \$12 million to \$6 million — their lowest level for the last five years. The impact of the fall was lessened by an increase in sales of TV to the US (up \$5 million from \$26 million to \$31 million). Despite a slight drop from \$25 million to \$23 million, sales to Germany remained strong in 1997/98, with this country replacing the UK as the second-biggest buyer of Australian TV programs in the world.

The ABS data is consistent with reports from film and TV companies Becker, Beyond and Southern Star of a downturn in overseas sales. The drop has been attributed to the consolidation of broadcasters in Europe and the large output deals they have with the US studios. More local production around the world and the maturation of cable and satellite industries, which stockpiled programs in their start-up phase, have also been mentioned as contributing factors to the downturn.

For more historical data please see the Trade chapter in *Get The Picture* 5th edition, pages 188 to 198.

Value of EXPORTS **by media**

Exports \$m	Cinema Films	TV Programs	Video Tapes
1993/94	13	60	8
1994/95	20	73	6
1995/96	15	91	11
1996/97	19	117	10
1997/98	15	98	12

Figures for video tapes 1996/97, 1997/98 are estimates by Australian Film Commission – Research and Information.

Value of EXPORTS **by country**

Exports \$m	US	UK	Other
1993/94	13	25	44
1994/95	29	9	61
1995/96	37	37	47
1996/97	43	30	73
1997/98	49	20	56

Some figures for cinema, TV and video trade with these countries are available from Australian Film Commission – Research and Information.

Value of IMPORTS **by media**

Imports \$m	Cinema films	TV Programs	Video tapes
1993/94	87	263	94
1994/95	70	266	126
1995/96	70	302	117
1996/97	87	267	120
1997/98	114	318	133

Figures for video tapes 1996/97, 1997/98 are estimates by Australian Film Commission – Research and Information.

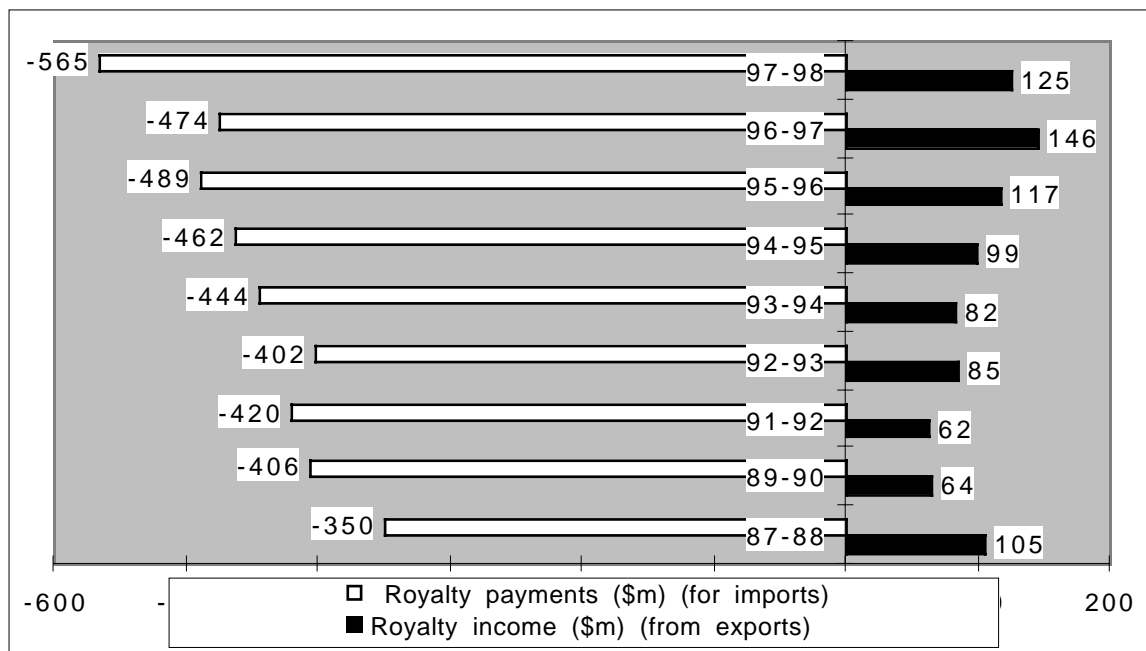
Value of IMPORTS **by country**

Imports \$m	US	UK	Other
1993/94	310	66	68
1994/95	274	78	110
1995/96	299	95	95
1996/97	285	92	97
1997/98	349	108	108

Some figures for cinema, TV and video trade with these countries are available from Australian Film Commission – Research and Information.

All Films/ Programs	Royalty income (\$m) (from exports)	Royalty payments (\$m) (for imports)	
1987/88	105	-350	-245
1989/90	64	-406	-342
1991/92	62	-420	-358
1992/93	85	-402	-317
1993/94	82	-444	-362
1994/95	99	-462	-363
1995/96	117	-489	-372
1996/97	146	-474	-328
1997/98	125	-565	-440

FILM, TV AND VIDEO ROYALTIES: TOTAL



Source: Australian Bureau of Statistics