

This submission focusses on the Cinema Feature Film Business

Personal Background

This submission comes from this experience owning and running a Post Production Company. We employed up to 50 people across two states, trained hundreds of people, invested many millions of dollars in bleeding edge high tech equipment and worked on countless films, documentaries, series, commercials both locally and international. We travelled extensively with our business and with Government, and worked with all the major US studios and were early into China.

More recently we formed a production company and developed projects which I wrote and developed. One in particular, an Animated Feature film, we invested millions dollars in development and R&D. I pitched the film to multiple Major (and minor) US studios in LA, and have had meetings with local and federal Government film bodies.

Apart from R&D grants, I worked 'outside' the normal development path of Government film organisations.

Preamble

The screen industry, made up of theatrical, TV, and increasingly companies such as Netflix, Amazon, Apple TV, et al. It is an industry which is growing and has a major impact on our lives and community. It is inherently high tech, creative, and diverse.

It has produced many innovative companies, driven by individuals and entrepreneurs producing world beating products and services. It can have significant international and local soft power, highlighting Australia, influencing export of goods, tourism, attracting the best talent in immigration and work force.

In Australia it is made up largely of small business and sole traders, it is however potentially highly attractive to a huge range of businesses and individuals.

It is simply too important an industry to ignore and not develop into a substantial business.

Feature Film Production.

Development

Developing world class content typically has a very long lead time, often not progressing to production.

Production

Conversely, producing content is very capital intensive, with no guarantee of financial success, with a long time between investment and return.

Distribution Marketing Recoupment

Specialized experience and skills. A range of expertise and knowledge not necessarily required during development and production, but essential to ensure commercial success and continuity of business.

The skills required to develop and produce the content take many years of training and experience. Writing, producing, directing, distributing, and all the supporting talent and structure are developed over decades.

The industry needs to operate at a very high level to develop those skills and structure.

Cottage to International Business.

This submission focuses on the concept of growing the current cottage industry, made up of individuals or small business of perhaps only a few people, into sustainable international businesses, and offering a pathway for the people entering the business.

It is a unique business, film making. The crew of a feature film have very diverse skills, which are largely non-interchangeable. Unlike most businesses where staff change roles, each skill base is developed over many years of experience, and uniquely contribute to the end product. There are many courses or on the job training opportunities, and the job satisfaction, or passion, is very high.

Business and Funding

The Australian industry remains a cottage industry, the inhibitor being the huge cost of film making. In contrast, the successful US and international studios have huge local and international impact and have access to funds in the many hundreds of millions of dollars.

There is a noticeable lack of business training or business opportunities in what could be a major Australian Industry.

10Ba

The 10Ba tax incentive encouraged investors with a direct tax benefit with the chance of substantial return. The classic example being the film 'Crocodile Dundee', funded with 10Ba and generating returns in excess of 1000%.

It also produced some films with little chance of commercial success, but supported an industry. It was replaced by the Producer Offset.

Producer Offset

The Producer offset is admirable in that it offered production funds, but perhaps more importantly equity to producers and production companies. These funds from commercial success were designed to support further film making

The problem is, 'private investment' effectively stopped. A long lead time and a poor record of any return on investment let alone profit was discouraging to the investment community

The attitude of 'films don't make money' is also prevalent throughout film the industry, including the Government funding bodies. This is perhaps due to past experience but it is certainly discouraging to prospective filmmakers and investors.

Commercial Films

It is said that Australia makes films that don't have an audience. However individual Australians are very successful internationally, Directors, Actors, Writers, DP's (cameramen) Production Design, Sound Design and Mixing, and many other crafts. Most of those people work overseas because that is where the work is and they can practice and develop their craft.

This proposal is about creating commercially successful films. Films that have an audience.

It is clear that Australia has the potential expertise to make locally and internationally successful content.

It would seem there is a 'tipping point' Australia has not reached which would create a viable commercial film industry.

At that point, experience will exponentially grow to expand the industry.

Concept

While the current structure is important, there are substantial barriers to independent production. Development support from Government requires previous experience in the various areas, a 'tick the box' approach which inhibits new players.

Government Feature film funding requires a distribution agreement. Perhaps for 'studio films' distribution can be in place before production, however internationally, many independent films are taken to market after production. This enables an appropriate distribution deal based on the merit of the actual product.

A proposition for an alternate path for film making.

A Government agency set up on a **commercial basis** for supplying Investment to producers for commercial films. **(GovFnd?)**

GovFnd needs to have the capacity to select films that have commercial potential.

The purpose of the fund is to establish a 'model' for film investment from non Government sources.

As such it should focus only on projects which have the potential for substantial success commercially.

Currently Government investment includes a range of projects which are not necessarily aimed at purely commercial success. This dilutes the investment record and is a disincentive for investment from the private sector.

People making the funding decision should come from a range of backgrounds. Most importantly, but not exclusively from the distribution sector.

In addition and related to the selection process, expertise is required for commercialisation of the product.

Picking winners is always problematic, but if the decision makers are experienced and commercially savvy, then this will achieve the desired outcome.

It is a business decision. Other factors such as gender equality, cultural significance, genre, should not be a factor in deciding which project to fund.

The GovFnd structure.

Currently AUSFILM is perhaps the closest model which could be adapted to create this division. A mix of Government and private commercial operators, it already has the international networks which are required to create expertise in distribution sales and marketing. This would need to be expanded and accessed for evaluation of projects.

It could create a template for the States to implement as GovFnd would ideally be integrated into States to create create jobs and profile for each State. Some States already have the basis of the

structure, which would be supported by the national body. It would also avoid the race to the bottom between states.

Because of the multiplier effect, the Government has the most to gain and the least to lose on film investment.

An oversimplified example using round figures.

\$10m film Budget.

\$4m tax offset

\$1m Screen Aust/state gov investment/grant.

\$5m GovFnd

This GovFnd investment goes predominately into the economy, jobs, services. Not plant, equipment, infrastructure. Investment in Australia, with a substantial multiplier effect. Not for products supplied from overseas.

With GovFnd in first position and a low return of \$3m, taking into account the multiplier effect, would be a more than satisfactory return on the \$5m investment.

A return of 30% is very low and should be achievable for a commercial feature film production. A successful film would return far in excess of the overall film budget.

There will inevitably be failures, but the successes will outweigh and exceed the failures.

The intention for this fund is to be at least cost neutral and if the desired outcome is produced then it will self fund and be profitable.

This will attract private investment into this fund and transform into a commercially viable investment.

A distribution agreement would not be mandatory.

Selection based on potential for commercial success.

The requirement for a distribution agreement should be removed or reduced. The Govfnd should develop expertise and contacts locally and internationally with distributors and sales agents. This would provide the opportunity to market the film after production.

GovFnd should also develop expertise and connections for the promotion and ancillary opportunities for content.

Two common problems in filmmaking, is producing content which doesn't have an audience for commercial success, or producing commercial content which for a variety of reasons does not reach the audience or enable returns.

The larger Australian studios could have this expertise to mitigate this, but the skills, contacts and business acumen for commercial success are not necessarily required to create and develop content. At the moment the significant Australian studios are necessarily locked into the current government structure, with the barriers to entry outlined above.

Existing Government Structure

The current barriers to entry should be reduced or removed. The absolute requirement to have produced x hours of content, or have y amount of experience should be relaxed. The idea is to expand the opportunities from the current practitioners.

There is no intention to remove or reduce the current structure of Governments, they play a vital role in enabling innovative, daring, culturally significant content which may also be commercially successful.

The problem is that those important films dilute the commercial success which is required to grow the industry.

The objective is to add another essential path to enable viable businesses to emerge. This will enhance the current businesses and create opportunities.

Summary

This is necessarily a bare bones outline of a structure.

Gov investment in feature film Production. GovFnd

A cost neutral investment with the multiplier factor for 'unsuccessful' films.

A positive return from the moderately successful to wildly successful films to attract private investment and grow the industry.

A mechanism would be required to filter submissions and to ensure small independents have access.

The 40% tax rebate / equity is the key for ongoing production business to thrive.

Develop and promote business expertise in an industry where there is currently little financial reward or incentive for prospective business people and entrepreneurs to engage.

Develop an international network of expertise and contacts into the marketable aspects of content creation.

Develop a viable commercial Feature film business to promote and highlight Australia internationally.

Avoid the 'race to the bottom' between states,