



# HOUSE OF REPRESENTATIVES

STANDING COMMITTEE  
ON  
COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

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## INQUIRY

INTO

THE FUTURE OPPORTUNITIES FOR AUSTRALIA'S FILM, ANIMATION,  
SPECIAL EFFECTS AND ELECTRONIC GAMES INDUSTRIES

### INFORMATION PAPER

#### BACKGROUND

The House of Representatives Standing Committee on Communications, Information Technology and the Arts is undertaking an inquiry into the future of the Australian film animation, special effects and electronic games industries. The inquiry is being conducted at the request of the Minister for Communications, Information Technology and the Arts, Senator the Hon Richard Alston.

The Committee invites submissions that address any or all aspects of the terms of reference. The terms of reference are printed on page 4.

#### THE AUSTRALIAN FILM, ANIMATION, AND SPECIAL EFFECTS INDUSTRIES – A SNAP SHOT

For the purposes of the inquiry, the film industry encompasses not only the production of feature films, intended initially for release in cinemas, but also film projects such as documentaries, and those intended for television broadcast, such as drama series, mini-series, television feature films and animated productions, as well as special effects.

*The National Survey of Feature Film and TV Drama Production 2001/02*<sup>1</sup>, reported that:

- In 2001-2002, 39 feature films and 49 TV drama programs were made in Australia.
- Feature film production involved expenditure of \$341 million in Australia, whilst TV drama involved expenditure of \$321 million.
- Foreign feature production involved expenditure of \$185 million while foreign drama production involved expenditure of 31 million.<sup>2</sup>

- Production of Australian feature films and TV drama involved expenditure of \$336 million in 2001–2002, representing an increase of a little more than 6% over the previous period 2000–2001.
- Production of foreign feature films and TV drama involved expenditure of \$216 million, which represented an increase of about 12% over 2000–2001 while co-productions accounted for \$111 million, some \$6 million more than 2000–2001 (or an increase of 6%).
- In 2001–2002, 30 Australian feature films were produced, with a production value of \$131 million. Of these, 12 were funded substantially from public funds, 10 by the Film Finance Corporation, which included five co-funded by the Macquarie Film Corporation. Two feature films received substantial amounts of public funds from the Australian Film Commission, state agencies and the Special Broadcasting Service. In all, 16 titles received \$29 million of public funding in 2001–2002. State agencies also made investments totalling \$4 million in 15 features.
- Private funding sources supported the production of 14 features and two features were fully funded by foreign sources. In all, the Australian film and television industry, along with other private sources, invested \$46 million in 27 titles in 2001–2002.
- Special effects are central elements in many productions and Australia has a highly regarded special effects industry. A number of well-known titles have used Australian expertise.
- Australia is also home to a number of animated feature and television productions. As well, foreign production companies have facilities in Australia. In 2000–2001 about \$68 million was spent on animation production in Australia, for 11 titles.
- Foreign film production and the sale of Australian films abroad addresses an ongoing trade deficit in feature films, television programs and videos. In 2000–2001, Australia exported products worth \$107 million, while some \$634 million was imported, leaving a deficit of \$527 million.<sup>3</sup>

#### INCOME AND PATRONAGE

According to the Australian Bureau of Statistics, in June 2000 almost 1975 businesses were involved in the film and video production industry. These businesses generated an overall income of about \$1.5 billion and produced an operating profit of approximately \$77 million.<sup>4</sup>

The Australian Bureau of Statistics (ABS) reports that in 1999–2000 the total income for businesses in the film and video distribution industry was \$1,142 million. This income was derived from rental or lease of pre-recorded video tapes, DVDs, films and video games and the sale of pre-recorded video tapes and DVDs. The ABS reports that in 1996–1997 this segment of the audio-visual entertainment industry generated income of \$974 million, indicating that the income increased by about 17% between the two surveys.<sup>5</sup>

In 1999–2000, the ABS reports that there were 79.4 million paid cinema admissions. Based on the Australian estimated residential population at June 2000, the number of paid admissions represented 4.1 visits per person. According to the Macquarie Bank, Australia's per capita cinema admissions place us in the top five nations in the world for cinema attendance.<sup>6</sup>

Businesses in the cinema exhibition industry generated income in 1999–2000 of \$1,046 million. Box office receipts accounted for \$679 million (or 65%) of this total, derived from 1,817 screens. The industry recorded an operating profit before tax of \$113 million for the 1999–2000 financial year. By 2002 this had risen to 93 million admissions, providing a gross box office of \$844.8 million over 1,872 screens. The share of this gross earned by Australian films was \$42 million.<sup>7</sup>

#### EMPLOYMENT

The ABS also reported that there were 15,195 people employed in the film and video production industry at the end of June 2000. The ABS noted however, that employment figures fluctuate depending on production activity.<sup>8</sup>

In addition, there were 9,282 people employed in the motion picture exhibition industry at the end of June 2000, which represented an increase of some 20% since June, 1997.<sup>9</sup>

#### ELECTRONIC GAMES INDUSTRY<sup>10</sup>

Australia is home to a world-recognised electronic games industry. In 2001, the market for computer games in Australia alone was \$318 million, and worth about \$30 billion globally. The Australian industry produces an estimated \$100 million per annum in export revenue and this is expected to rise to some \$500 million by 2005.

Half of Australia's electronic games development industry is located in Victoria, where over 300 people are employed. Games development companies are also located in Adelaide, Canberra, Sydney and Brisbane.

The electronic games industry is an expanding local and global market. Locally, the market for electronic games increased almost 23% between 2000 and 2001. In 2001, the electronic games industry surpassed Hollywood's box office, taking close to \$18 billion in global revenues for hardware and software.

#### ISSUES

Australia has a vibrant and internationally acclaimed film industry. As a nation, we have developed a distinctly Australian cinema, an identity that is being appreciated around the globe.

In addition, films produced in Australia (which may not reflect Australian themes), have enjoyed box office success and critical acclaim. Australian directors, writers, actors, cinematographers, animators, and designers, have won many prestigious awards and their films enjoy box-office popularity.

Australia is an attractive location for foreign film makers and television producers. After Canada, Australia is the next largest offshore infrastructure investment location for the major United States studios. Warner Roadshow Movieworld in Queensland, and Fox Studios in Sydney, are studio complexes built in Australia by major United States studios.

As well, Australia is home to an emerging and globally recognised electronic games industry.

Although the inquiry has a broad scope a central issue that will need to be examined is: what needs to be done to preserve and extend our position and distinctive voice in global film and electronic games production? This question raises a number of matters that invite particular attention:

- the introduction of new technologies and maintaining studios and facilities at current world 'best practice' standards
- the educational and training facilities and opportunities for aspiring directors, cinematographers, actors, technicians, and artisans
- national and international marketing of Australian films
- the likely effect of international agreements on the production, distribution and display of Australian films and the ongoing development of an Australian voice in film
- the effect of foreign film unions' requirements concerning fee scales for their members appearing in Australian productions
- fostering the development of Australian content, and
- fostering co-productions.

The Committee's focus is on creative and technological issues and it is not seeking submissions that raise issues relating to the Commonwealth's taxation treatment, or funding, of the film industry.

#### **TERMS OF REFERENCE**

The Committee invites submissions that address any or all the following terms of reference:

- a) the current size and scale of Australia's film, animation, special effects and electronic games industries
- b) the economic, social and cultural benefits of these industries
- c) future opportunities for further growth of these industries, including through the application of advanced digital technologies, online interactivity and broadband
- d) the current and likely future infrastructure needs of these industries, including access to bandwidth
- e) the skills required to facilitate future growth in these industries and the capacity of the education and training system to meet these demands
- f) the effectiveness of the existing linkages between these industries and the wider cultural and information technology sectors
- g) how Australia's capabilities in these industries, including in education and training, can be best leveraged to maximise export and investment opportunities; and
- h) whether any changes should be made to existing government support programs to ensure they are aligned with the future opportunities and trends in these industries.

#### **CONTRIBUTING TO THE INQUIRY**

The Committee invites any interested person or organisation to make a submission that addresses any or all the terms of reference.

## SUBMISSIONS

The inquiry is a public inquiry. This means that in the ordinary course of events the evidence received will be publicly available.

The Committee prefers submissions to be made on the basis that they will be published and available to the public. However, the Committee does recognise that a person or organisation may wish to contribute to an inquiry on a confidential basis. Potential contributors who wish their submission to be treated confidentially should consult the Committee secretary.

A request for confidentiality will be considered by the Committee.

## HOW TO MAKE A SUBMISSION

Submissions should be relevant to the terms of reference for the inquiry. Submissions can address all or some of the points in the terms of reference. Submissions may contain facts, opinions, arguments and recommendations for action.

Submissions may be in the form of a letter, an e-mail, a short document or a larger paper. They can include appendices and other supporting documentation. Publication of submissions is assisted if submissions can be provided in electronic form, in a common words processing format (for example, Word) or in Pdf format.

It is not a requirement that submissions be typewritten. Care should be taken to ensure that handwritten submissions are legible and suitable for photocopying.

All submissions must include the submitter's name, address, contact details and organisation (if any) being represented.

For further information on making a submission to a parliamentary committee please refer to the brochure *Preparing a submission to a Parliamentary Committee Inquiry* which is available from the secretariat or online at [www.aph.gov.au/house/committee/documnts/howsub.htm](http://www.aph.gov.au/house/committee/documnts/howsub.htm).

The Committee has extended the deadline for submissions to 30 June 2003. Potential contributors to the inquiry who are unable to make a submission by that date should contact the secretariat.

Submissions (or questions concerning the inquiry) should be addressed to:

The Secretary  
House of Representatives  
Standing Committee on Communications, Information Technology and the Arts  
Parliament House  
Canberra ACT 2600

Telephone: 02 6277 4601

Facsimile: 02 6277 4827

E-mail: [cita.Reps@aph.gov.au](mailto:cita.Reps@aph.gov.au)

WWW: <http://www.aph.gov.au/house/committee/cita/index.htm>

## THE COMMITTEE

The House of Representatives Standing Committee on Communications, Information Technology and the Arts comprises 10 Members of the House of Representatives. Six Members are nominated by parties that support executive Government while four are nominated by the non-Government parties.

## MEMBERS OF THE COMMITTEE

Chair	Mr Christopher Pyne MP (Sturt SA)
Deputy Chair	Mr M Hatton MP (Blaxland NSW)
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	Ms S Grierson MP (Newcastle NSW)
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	Mr C Pearce MP (Aston VIC)
	Mr R Sercombe MP (Maribyrnong VIC)
	Mr L Tanner MP (Melbourne VIC)
	Mr K Ticehurst MP (Dobell NSW)

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- <sup>1</sup> Australian Film Commission, National Survey of Feature Film and TV Drama Production, 2001/02, November, 2002.
  - <sup>2</sup> An Australian film is a film under Australian creative control, even if 100% foreign financed; a co-production is one where creative control is shared between Australian interests and foreign interests; a foreign production is one where creative control is in the hands of foreigners. See Australian Film Commission, National survey of Feature Film and TV Drama Production, 2001/02.
  - <sup>3</sup> Australian Film Commission, "Levels of financing of 10BA projects ...", <http://www.afc.gov.au/GTP/mptax10bastats.html>
  - <sup>4</sup> Australian Film Commission, "The Production Industry in Australia", <http://www.afc.gov.au/GTP/mpprofile.html>
  - <sup>5</sup> Australian Bureau of Statistics, *Film and video production and distribution*, Canberra, 2001; catalogue no. 8679.0.
  - <sup>6</sup> Macquarie Bank, *Film Finance in Australia: A general overview*, November, 2002.
  - <sup>7</sup> Australian Film Commission, "Fast facts - All industries", <http://www.afc.gov.au/GTP/fastoverview.html#Raa67744>
  - <sup>8</sup> Australian Film Commission, "The Production Industry in Australia", <http://www.afc.gov.au/GTP/mpprofile.html>
  - <sup>9</sup> Australian Film Commission, "Overview of the exhibition industry", <http://www.afc.gov.au/GTP/wcovsummary.html>; and "Number and proportion of cinema screens by exhibitor, 1998-2001", <http://www.afc.gov.au/GTP/wcstxexhibit.html>
  - <sup>10</sup> This information is taken from the following sources: Australian Film Commission, "Value of retail sales of games hardware and software, 2000-2001", [www.afc.gov.au/GTP/wnmgamesretail.html](http://www.afc.gov.au/GTP/wnmgamesretail.html); Multimedia Victoria, "Computer Games", [www.mmv.vic.gov.au/CA256985002E8DB7/printDocs/116A486DEDA8FD13CA25699700074205?OpenDocument](http://www.mmv.vic.gov.au/CA256985002E8DB7/printDocs/116A486DEDA8FD13CA25699700074205?OpenDocument); Nathan Cochrane, "Playing for keeps and a dinkum Lara Croft", *The Age*, 21 May, 2002.