

Film Inquiry  
Submission No. 47

**HOUSE OF REPRESENTATIVES**

**STANDING COMMITTEE ON COMMUNICATIONS,  
INFORMATION TECHNOLOGY AND THE ARTS**

**INQUIRY INTO OPPORTUNITIES FOR AUSTRALIA'S  
FILM, ANIMATION, SPECIAL EFFECTS AND  
ELECTRONIC GAMES INDUSTRIES**

**SUBMISSION BY**

**PACIFIC FILM AND TELEVISION COMMISSION**

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## CONTENTS

<b>PART A.....</b>	<b>1</b>
<b>1 CHANGES TO EXISTING PROGRAMS.....</b>	<b>1</b>
<b>2 MAXIMISE INVESTMENT AND EXPORTS.....</b>	<b>6</b>
INVESTMENT.....	6
EXPORTS.....	7
<b>PART B.....</b>	<b>8</b>
<b>3 CURRENT SIZE AND SCALE OF INDUSTRIES.....</b>	<b>8</b>
DEVELOPMENT.....	8
SIZE AND SCALE.....	9
<b>4 ECONOMIC, SOCIAL AND CULTURAL BENEFITS.....</b>	<b>10</b>
ECONOMIC.....	10
CULTURAL.....	10
<b>5 FUTURE OPPORTUNITIES.....</b>	<b>11</b>
VISION.....	11
CONVERGENCE.....	12
<b>6 INFRASTRUCTURE NEEDS OF INDUSTRIES.....</b>	<b>12</b>
<b>7 SKILLS REQUIRED.....</b>	<b>13</b>

## PART A

### 1 CHANGES TO EXISTING PROGRAMS

#### Reference

**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**

The issue that is identified as requiring the Committee's particular attention is how to preserve and extend Australia's position and distinctive voice in global production. Other key issues are:

- Ensuring that new technologies and infrastructure are at world's 'best practice'
- Fostering the development of Australian content
- Fostering co productions
- Marketing Australian films
- Ensuring education and training services are adequate.

If these are taken as a guide to the *defacto* objectives for the industry, then there is considerable scope for improvement as Australian production faces strong competition, experiences rapid technological change and needs to attract audiences who have wide discretion as to their time and money.

To have a distinctive voice means that the voice must be willingly heard both at home and overseas. The thrust of the PFTC's submission responds to how this and the other requirements might be achieved, and the changes that are needed to meet the implied objectives of the Inquiry and the best long-term interests of the industry.

The PFTC considers that current Federal arrangements are based on processes, programs and priorities that reflect a past that had less global interaction, slower and less integrated technological change and markets with fewer choices.

For a sustainable Australian film industry, future Federal arrangements need to be based on the likely future environment for the film industry, not on a longing for the past.

The issue of efficient and forward looking Federal arrangements underpins the PFTC's submission to ensure Commonwealth agencies and programs are better aligned to meet future opportunities and trends and thus produce better production outcomes, that will in turn be appreciated by audiences at home and abroad.

This is not a debate about the relative importance of cultural or commercial factors. A balance is required for all film production, and the balance will vary between productions. The issue is, wherever the appropriate balance is struck, about doing our job better in an increasingly global and competitive market.

While Australia has much to be proud of in terms of its film and related industries, the following indicators show that the Australian industry is under some stress, and that these stresses are more likely to increase rather than diminish in the future unless remedial action is taken.

- Very low product penetration of Australian feature films shown to Australian audiences, (generally less than 5% in most years)
- Ongoing low rates of return on public investment in film production
- Declining overseas penetration by Australian produced television drama
- Very low industry progression rates of first time Directors going on to direct a second film, and broadly similar results for other key creative talent, most especially screenwriters
- Declining flow of productions from development by the AFC to securing market attachments and financing by the FFC
- An industry structure that tends to increase, rather than mitigate, underlying risks.

To face the challenges of the future, a better business model is needed, one that focuses more on integrating and aligning processes that lead to production outcomes that will be seen and appreciated by Australian and overseas audiences.

When the industry speaks well and distinctively, Australian audiences respond well as do those overseas. Examples include *Muriel's Wedding*, *Strictly Ballroom*, *Crocodile Dundee*, *Pricilla Queen of the Desert*, *Lantana*, *Wog Boy*, *The Dish*, *The Castle* and *Shine*. It is a misconception to assume that when films reflect Australia's cultural values, they cannot be successful and profitable, as the above examples show, and as do the high ratings for good Australian drama and documentaries shown on television.

Merely having a distinctive Australian voice is not enough. It must be Australian, distinctive but it must also meet an audience need both at home and abroad.

Australia needs to ensure that every step in the supply chain, in government, in industry and in education and training is operating accountably at world's best practice standards.

Following from the above general issues, there are principles and actions that need to be addressed to ensure that effort is focussed on ensuring that the distinctive Australian voice is, in fact, heard.

The priorities for the Federal government and its agencies should therefore include:

### **Leadership**

- There is a wide array of Federal agencies, programs and packages designed to assist the cultural and economic aspects of the film industry. It is not clear however what the overarching vision for the industry is, and how this vision is supported by measurable objectives, strategies for achieving the objectives and accountable outcomes. Without this structure being in place responsibility is blurred. As a first step, an industry development plan needs to be developed with the participation of key stakeholders.

### **Competitive positioning**

- As Australia has a relatively small population and market, and our share of world film production and consumption is very small, we have no choice other than to be internationally competitive.

We must ensure that every part of the supply chain (such as technological currency, infrastructure, broadband, education and training, marketing, taxation, incentives, etc) is internationally competitive. These means of ensuring international competitiveness should provide the basis for programs developed as a result of the leadership driven industry development plan outlined above.

### **A new business model**

- The consequence of the leadership role and the imperative of competitive positioning, means that the business model and organisational culture for delivery must change. World's best practice infrastructure, training, etc, needs to be matched by world's best practice delivery by agencies and programs as the means of achieving the vision and objectives.

The business culture of the delivery system underpinning the new business model would flow from the vision, objectives, competitive positioning, careful planning, strategic development and aggressive implementation.

A feature of the business culture is accountability driven by key performance indicators, which would be used to test and refine programs against agreed and quantifiable objectives.

- Outcomes from such a business model are likely to include:
  - The development process that is more clearly linked to production outcomes
  - Introduction of rigorous key performance indicator tests of success for production and audience outcomes with explicit accountability to perform
  - A more focussed and better-aligned Commonwealth funding, investment development and production pipeline
  - A clearer focus on meeting the needs of audiences, with less emphasis on the supply-based model that exists at present
  - More extensive and effective marketing of Australian products at home and overseas
  - Improved linkages between the Australian Film Commission and the Film Finance Corporation Australia to facilitate a greater proportion and more direct flow of projects from development to production.
  - The identification and filling of gaps and weaknesses in the supply chain (eg the lack of AFC programs for television drama series, a greater role for producers more along the US model, greater producer and investor accountability and better alignment between the Commonwealth and states).

### **Encourage more focussed education and training**

#### **Importance**

- An educated and skilled labour force is one of the most important elements of Australia's competitiveness. A mix of formal and on the job training is the best combination.

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### **Impacts of structural change**

- In the past, the ABC, Film Australia, state government film units, Crawfords, Grundy's and national television networks were major providers of on-the-job training. Structural change, outsourcing and increasing contract based freelance employment appears to have resulted in reduced on-the-job training opportunities.

### **On-the-job training**

- There is a need for better resourcing of on-the-job training such as Attachments, Internships, etc. Also the particular industry and business characteristics of much of the industry such as intermittent employment, high mobility, periods of high intensity followed by lulls and the contractual base for employment, needs to be recognised in the delivery of on-the-job training.

### **Improved linkages with industry**

- The vertical links between education and training bodies and industry should be more effective with more industry driven training, as should the horizontal links between education and training providers.

## **Encourage convergence**

### **Technical**

- Technical convergence will be significant, as digital image production and consumption are expected to be major generators of growth. Convergence should not however be construed only in technical terms.

### **Programs and packages**

- Convergence should apply to programs and packages that have to date tended to separate traditional film and digitally created images. Programs that apply to the film industry may, with appropriate modification, be broadly applicable to the electronic games and related new media industries, and vice versa.

### **Business cultures**

- A significant potential benefit is the convergence of business cultures where the electronic games industry has developed in a more commercially driven environment with a sharper focus on the needs of the market.

There may be lessons that this sector could provide to the more culturally based film industry. Similarly the story telling culture of filmmaking is likely to have lessons for digital production processes.

## 2 MAXIMISE INVESTMENT AND EXPORTS

### Reference

**How Australia's capabilities in these industries, including in education and training, can be best leveraged to maximise export and investment opportunities**

### INVESTMENT

The film industry must compete in the market place for investment based on a risk/return profile. The risks associated with film production are perceived as high, and the high rates of return demanded to compensate for risk have limited investment. In addition, the structure of the industry in Australia, with many small, often first time productions, means that the underlying risks inherent in the product are magnified by the industry structure and processes. The perception of risk affects investment in other stages of the production pipeline, in particular infrastructure, studios, equipment, GCI technology, etc. which affects Australia's competitiveness.

The problem can be partially addressed by having industry risk reduction strategies in place at every stage of the pipeline to progressively reduce the risk profile of the industry. Risk management practices common in other industries would need to be adapted to the circumstances of the film industry. Some useful avenues are likely to include:

- Spreading the risk by increasing the pool or slate of productions rather than having many "one-off" productions
- Reducing the drop out rate of directors, writers, etc. after one production to increase the industry progression rate, so that more people with greater experience remain active and continue to contribute
- Adopting a portfolio concept to industry production to spread risks
- Increasing production stability and certainty to build confidence
- Providing increased knowledge to investors and to the market place



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- Hedging against currency fluctuations
  - Encouraging structural change towards greater clustering

The better these, and other measures adapted to the needs of the film industry work, the lower the risk profile and the more the private sector is likely to invest in the industry.

The PFTC considers that the above risk management strategies should be a critical component of the vision driven strategic planning and accountable outcomes based business model recommended earlier.

## **EXPORTS**

Greater international competitiveness leads to higher exports. At its simplest, exports or export equivalents are obtained when film production is attracted to Australia, and when we export what is produced in Australia. The strategies to achieve the increased exports should pay equal attention to both means.

The PFTC believes that the business model approach, combined with using best practice experience from within Australia and abroad, would provide the best prospects for increased exports.

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## **PART B**

### **3 CURRENT SIZE AND SCALE OF INDUSTRIES**

#### **Reference**

**The current size and scale of Australia's film, animation, special effects and electronic games industries**

#### **DEVELOPMENT**

The feature of the industry in Queensland is that it started large scale production significantly later than in New South Wales, Victoria and South Australia and missed the largely federally funded public investment in the ABC, SBS, Film Australia, AFTRS, ACTF, NIDA and the private investment in television production facilities.

The following are some of the more important elements of infrastructure that the Federal government provided in Sydney and Melbourne but are missing in Queensland:

- ABC facilities and studio
- SBS/SBSI facilities and studio
- Australian Film Finance Corporation
- Film Australia facilities and studio
- Australian Children Television Foundation
- Australian Film, Television and Radio School
- NIDA

In addition, the following private sector facilities are concentrated in Sydney and Melbourne:

- Crawford's film and television production company and studio complex
- Grundy's production company and studio complex

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- Television networks
  - Cable networks
  - Distribution companies
  - Production companies
  - Independent studios for local production.

Accordingly, the nature of the industry in Queensland is different. Notwithstanding the late start and competitive disadvantage, rapid growth has occurred based mainly on international funded production.

Recently there has been a more sustainable base of domestic funded and creatively controlled production. Because of the challenges in growing both these sectors, the PFTC was driven to adopt rigorous strategic and business planning measures including methods for competing in tough and competitive markets.

## **SIZE AND SCALE**

Production expenditure in Queensland has increased from some \$10-\$15m a year in the late 1980s to reach \$220m in 2002/03. Over recent years, Queensland has accounted for some 15%-20% of feature film and television drama production in Australia.

Employment in the film industry has grown rapidly as a direct consequence of production levels.

Production takes place in many areas in Queensland, but is concentrated where infrastructure and facilities are available or locations most suitable, primarily on the Gold Coast, Brisbane and to a lesser extent in Far North Queensland. Gold Coast accounts for about 75% of production, most of which is foreign funded. Production undertaken elsewhere, tends to be mainly domestically funded.

Development of a domestic industry has been more difficult as Queensland lacks the historic and largely federally funded investment in training and infrastructure that occurred over the past 40 years in Sydney and Melbourne. Despite this, local production expenditure increased from almost zero in 1993 to \$36m in 2002/03 as a direct result of the PFTC putting in place a series of initiatives for local writers, producers and directors to create ideas that generate production.

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## 4 ECONOMIC, SOCIAL AND CULTURAL BENEFITS

### Reference

**The economic, social and cultural benefits of these industries**

### ECONOMIC

As a rough indicator of size and diversity of businesses serving in the film production industry, the *Queensland Production Directory* in 1990 included some 400 film industry business listings in 43 industry categories, which by 2002 had increased to over 1000 listings in 105 categories.

Employment in the film industry has grown rapidly as a direct consequence of production activity and support services. ABS data shows an increase of 91% from 1996/97 to 1999/00 for Queensland film industry employment compared with an increase of 58% for the Australian industry in the same period.

### CULTURAL

The PFTC runs the Brisbane International Film Festival (BIFF), and sponsors the Queensland New Filmmakers Awards (QNFA), both of which have been operating for many years. The PFTC also offers an Industry Sponsorship Scheme to support screen culture activities.

The PFTC seeks to deliberately link screen culture activities to production outcomes. The enrichment gained through participation in BIFF, QNFA and other specialist screenings and retrospectives is intended to provide an experience that will “light the spark” in a prospective filmmaker or to demonstrate particular techniques and methods used by experienced filmmakers.

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## 5 FUTURE OPPORTUNITIES

### Reference

**Future Opportunities for further growth of these industries, including through the application of advanced digital technologies, online interactivity and broadband**

### VISION

In its 2002 discussion paper, *The Ideas Business*, the PFTC set out a clear vision for the industry in Queensland. The vision encompassed the key components including industry positioning, size, composition, infrastructure, skills development, convergence and competition, all of which are covered by this Inquiry. Key aspects of the vision were:

- The Queensland film industry will operate as an integrated industry and be a major global player in the ideas business, with a strong domestic industry that creates innovative ideas, owns the copyright and sells these ideas into the international marketplace
- A strong domestic industry will help retain and encourage more technical personnel and facilities to be based in Queensland, which in turn will provide the capability for the State to increase levels of international production
- By 2011, Queensland production levels will reach \$250m, with expenditure on domestic and co-productions at some \$100m per year and international funded production at some \$150m (By 2002/03 total production expenditure was \$220m.)
- The production activity will be supported by necessary infrastructure and skills development. The industry will be closely integrated with the other screen content creative industry sectors and will provide employment and career paths for the most skilled filmmakers in Australia
- Queensland will be recognised nationally and internationally as a place to make films and to do the business of filmmaking. It is about turning ideas into money, jobs, exports and intellectual capital.

A comparable vision and accompanying outcomes based key performance indicators is required for the Australian film industry.

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## CONVERGENCE

### Technical

The film and related screen content industries provide a unique combination of rapidly growing demand for content combined with the rapidly changing means by which to create and consume that content. Over the past decade there have been major technological changes based mainly on digital technology applied to production and consumption.

This convergence has opened new opportunities and Visual effects, Computer Generated Imaging (CGI) and Post-production are now more important in the final film product. An indication of the importance of developments is that Post-production (including Visual effects) accounted for 18% of total Australian production expenditure in 2000, an increase from 12% in 1997.

The film industry model of story telling and funding is applicable in many respects to the needs of digital image creation, but in the past the links have been weak.

To be relevant to the future of production, and to be competitive in creating synthetic images as well as conventional images, Australia will need to ensure that it has internationally competitive facilities and the creative talent to get the best out of the technology. There are likely to be spin off benefits for a wide range of related industries dependent on computer/television screen content.

### Program and business culture convergence

As outlined in Part A of the submission, benefits of convergence are also likely to flow from greater alignment of programs and business cultures between digitally based and traditional film production.

## 6 INFRASTRUCTURE NEEDS OF INDUSTRIES

### Reference

**The current and likely future infrastructure needs of these industries, including access to bandwidth**

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Film studios provide essential infrastructure for film production and without studios the industry will not develop. The development of most major studios in Australia has involved government funding and/or other support to some degree.

The Warner Roadshow Studios were developed in the mid to late 1980s, expanded in the mid 1990s and again last year making it one of the largest facilities in the southern hemisphere.

The success of Warner Roadshow Studios can be attributed to a major owner/operator providing the finance to build, run and maintain the facility, the cash flow from the associated Theme Park operations in the early years, a major anchor tenant ensuring a regular flow of production and the support of successive State governments in marketing and providing targeted incentives to attract production.

The sustained volume of production has provided a critical mass, attracting a permanent work force to the Gold Coast region and has enabled members of the local film community to develop and expand their own skills and invest in infrastructure such as visual effects, post-production facilities and transport.

The studio infrastructure has also facilitated skills development as a result of technology transfer in film production methods.

## **7 SKILLS REQUIRED**

### **Reference**

#### **The skills required to facilitate future growth in these industries and the capacity of the education and training system to meet these demands**

The film and television education and training sector is very well developed in Queensland with Queensland University of Technology, Griffith (including Queensland College of Art) and Bond universities offering courses.

TAFE and private providers offer certificate level vocational courses and QPIX and AFTRS offer a wide range of training. The PFTC sponsors internships and also offers a range of skills-based development initiatives.

An educated and skilled labour force is one of the most important elements of Australia's competitiveness. A mix of formal and on-the-job training is the best combination.

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**The main issue however is that the structural change in the industry, outsourcing and increasing contract based freelance employment appears to have resulted in reduced on-the-job training opportunities.**

There is a need for better resourcing and management of on-the-job training such as Attachments, Internships, etc. Delivery of on-the-job training needs to address industry and business characteristics such as intermittent employment, high mobility, periods of high intensity followed by lulls and the contractual base for employment.

Education and training services and delivery would benefit from more effective vertical links with industry, more industry driven training and more integrated horizontal links between education and training providers.

The key challenges in Queensland are that current education and training is not equipping graduates with production experience to easily enter the industry and there is not enough production to meet the number of graduates completing education and training.