

Film Inquiry
Submission No. 74.....

**AUSTRALIAN SCREEN DIRECTORS ASSOCIATION
&
AUSTRALIAN WRITERS' GUILD**

**SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS**

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

JULY 2003

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INTRODUCTION

The Australian Screen Directors Association (ASDA) and the Australian Writers Guild (AWG) are making a joint submission to this review, on the basis that in terms of this review our views and concerns about the state of the Australian film and television production industry are identical.

ASDA is the professional association that represents screen directors in Australia. It represents over 600 film and television directors, documentary filmmakers, animation directors, and independent producers. It was established in 1980.

The AWG is the professional association for all performance writers, that is, writers for film, television, radio, theatre, video and new media. The AWG was established in 1962 and is recognised internationally as the voice of Australia's performance writers. It has more than 2200 members nationally.

ASDA/AWG note that all of these areas mentioned in the title of the review would come under a broad heading, the "screen industries". Both organisations represents people who work in all areas mentioned, although they do not always work in one exclusively. It is important to recognise the extent to which people move from different genre and production type to another, and that the industry resembles an eco-system within which impacts on one sector or area can have implications throughout the rest of the industry and across related arts and communications industries.

ASDA/AWG are concerned to ensure that the Australian screen production industry is able to develop and build on the strengths that it has developed over the past thirty years.

In that time, Australia's production industries have matured and Australia has been able to establish itself as a leading industry in terms of content production - both for Australian and international audiences. The success that the industry has been able to maintain over this time - and the skills and creative capital that has developed - has been in large part due to the strategic intervention of successive Federal and state governments. The provision of adequate funding and the development of appropriate policies have been integral components of the success of the industry.

ASDA/AWG believe that there are great opportunities that a strong and vital industry will be able to capitalise on in the new content-hungry media environment. As one commentator has noted "rights will be the capital of the new century" and Australia is well placed to take a place at this table. However, there are also threats to this position, and it is imperative that the Government continue to develop (and be free to develop) appropriate

mechanisms that are able to react to the new digitally converged content landscape.

PART 1 - GENERAL ISSUES

The screen production industry is part of a new creative economy that many have recognised will be a significant driver for growth into the new century. Creation of intellectual property has been recognised as one of the central elements in a country's economic development, and it will be one of the most important terrains to have a stake in during the next few decades.

Australia has positioned itself well to take advantage of this new creative sector, by developing a talented, skilled, and outward-looking screen production industry, as well as a local infrastructure and regulatory framework that will assist in the realisation of that potential.

A crucial part of the development of this industry has been through Government involvement, most recently through:

- direct investment (through the FFC and AFC)
- production of programs in the national interest and for the national record (Film Australia)
- indirect investment (tax concession for investment in qualifying Australian films)
- investment in film and project development (AFC)
- content regulation (eg Australian Content Standard for commercial TV, Television Commercial content regulations, pay TV expenditure requirement for drama channels)
- support of public broadcasters to further assist a range of Australian programs reach Australian audiences (ABC, SBS)
- support of training and professional development (AFTRS, AFC, NIDA, WAAPA etc.)

These measures have been developed because successive Governments have been aware of the ability of the screen industries to contribute to Australia's cultural and social framework. Governments have recognised the role that they can play in the development of the diverse and robust society that we have today, and help in the creation of ideas, thoughts, identities and dreams that our society projects to itself and to the world.

As David Gonski noted, in his review of the film industry in 1997:

A vibrant Australian film and television industry can play a key role in:

- defining and exploring what it is to be Australian
- encouraging national maturity and independence through a developed awareness of self and the capacity to honestly appraise that self-image
- recognising and exploring our own diversity

- promoting a more inquisitive, imaginative and thoughtful society
- projecting diverse images of Australia both nationally and internationally, and
- providing for current and future generations an historical record of contemporary issues and events that illustrate life in Australia. (David Gonski, 1997, Review of Commonwealth Assistance to the film industry)

1. Potential impact on Government intervention in the context of current free trade negotiations

ASDA/AWG are concerned about the extent to which Australia's involvement in the development of free-trade protocols could potentially limit the Australian government's capacity to alter its regulatory and industry assistance frameworks in the future – both in terms of the overall levels of assistance, or their specific structure.

Australia is currently negotiating free trade in the World Trade Organisation (WTO) negotiations on trade in services (GATS), and is also in negotiation with the United States for a bilateral Free Trade Agreement (US FTA).

The publicly stated objective of the government in both these arenas is to preserve Australia's freedom to act in regard to cultural policy. In the WTO negotiations, Australia has so far refrained from making any offers of market access on audiovisual or cultural services and has excluded measures related to content from its offers on computer and related services.

In terms of the US FTA, the Trade Minister, the Hon Mark Vaile MP, has reiterated the government's commitment to preserving its ability to regulate in relation to social and cultural objectives, while negotiating the FTA. However, this still leaves the door somewhat open for concessions in audiovisual to be made in these negotiations by the Australian negotiating team.

While the USA has not yet made clear its ultimate ambitions in this sector, the agendas they have pursued in their recently negotiated free trade agreements with Chile and Singapore as well as their agenda in the WTO, suggests that they will want some form of concession and liberalisation. While they indicated at the Canberra negotiations that such concessions could be broad, there is now a suggestion that they would be prepared to 'settle for' a standstill commitment by the Australian government – either of all measures, or of one or a specific set of measures.

ASDA/ AWG submit that a 'standstill' should not be seen as a concession by the Australian government, because:

- it is nearsighted to lock in policy settings in the audiovisual arena, particularly at a time when technology is changing rapidly
- it would be a negative precedent for 'culture' to be put on the table to be traded, given that the USA has an agenda of 'progressive liberalisation' which could see Australia's cultural policies stripped away over time

ASDA/ AWG also note that the 'standstill' approach is less about gaining access to the Australian market, which is already one of the most open audiovisual markets in the world (US films currently occupy about 70% of our cinema screens and take about 92% of our box office and US Television comprises 60% of all new television hours broadcast). Nor should they be seen as a way of making our production industry more efficient (Australia has one of the most competitive and productive industries in terms of production standards and costs). Achieving 'standstill' in the US FTA is about creating a precedent for the USA's negotiations in other bilateral, regional and multilateral agreements, with countries and regions (eg the EU) with which it has greater concerns.

ASDA/ AWG maintain that for a viable and vibrant audiovisual industry to continue, Australia must retain the right to determine its own cultural policy and agendas by whatever means the government sees fit to do so. And hence, Australia should insist on an exception - identical to that negotiated in the Singapore/ Australia FTA - in the area of cultural services within the US FTA.

ASDA/ AWG also note the US position on e-commerce which makes such an exception vital. The US maintains that a digital product should be treated differently from an analogue version of the same product, whereas the Australian position holds that digitisation is simply a means of delivery, and not a new product or service.

ASDA/ AWG share the concern of the Australian Film Commission that the definition of e-commerce should not encompass all digitised audio-visual products. If this were the case, it would serve to contradict the exemptions negotiated in the cultural services chapter.

To summarise, Australia needs to:

- refrain from making trade-liberalising commitments on culture in the context of the WTO negotiations
- negotiate an exception or exemption in the US FTA that covers cultural services (the same exemption that was negotiated in the Australia - Singapore Free Trade Agreement).

2. Recognising the difference between the 'local' and the 'offshore service' production industries

ASDA/ AWG wish to ensure that the Committee understand that there is a difference between the outcomes from the development of a local and an 'offshore' industry.

It has been recognised by Governments that it is only through the development of a local industry that it can pursue its social and cultural objectives.

Local production is about the creation of local stories, primarily for local audiences, and ensures that Australian audiences have access to Australian stories and characters on their screens. Australian audiences have consistently indicated their desire to see Australian programs and films, and there is a strong acceptance of the value that they have for Australia's cultural development.

Also, in terms of the 'creative capital' issues that were mentioned earlier, the importance of these 'local' films, is that they are where Australia's key creators – writers, directors and producers – operate. This is where they develop the intellectual property that gives Australia a place at the international rights table, and what will be the key for Australia's growth in the emerging information economy.

It is the talent generated by the Australian local film industry which has attracted "off-shore" / "service" production.

"Service production" is the term for production that has been generated outside of Australia but happens to shoot in Australia because a company has decided to do so for economic or location reasons. By comparison to local production, 'service' has a number of benefits that are more immediately 'economic', but without directly serving the cultural objectives that a government may have.

These economic benefits can include:

- production industry benefits
- regional benefits (if a shoot is taking place outside the main capitals)
- employment benefits
- infrastructure benefits

This production does have some flow-on to the local industry, and can assist in creating a more professional and viable local production sector. It can inject important funds into facilities that find it difficult to survive on local product alone – given the relatively small size of the sector. However, it is also important to note that the strength of the local sector is an important factor in attracting the offshore production to Australia in the first place.

The key elements in attracting this kind of production include:

- an internationally regarded workforce,
- a lower cost base for production,
- the use of English as the main language,
- good infrastructure,
- a wide range of locations and
- a favourable exchange rate against the US dollar.
- Government incentives, such as the 12.5% refundable tax offset for eligible film and television productions

However, it is worth noting that offshore production is very mobile, and is very much dependent on a number of things (including international stability, which has been an issue post-September 11). This means that an industry based purely on attracting offshore production is one doomed to failure. The UK and Italian experiences are good examples of this. There has been recent anecdotal evidence to suggest that a number of productions have pulled out of Australia in the past six months purely because of the 10c rise in the Australian against the US dollar.

The AFC notes that the growth rate of foreign production spend in Australia far outstrips that of local production and that hence the local industry is in danger of losing the competitive advantages that attracted and held foreign productions in the first place. The AFC advises that careful management is needed to reap the economic benefits of foreign productions without jeopardising the cultural and professional benefits that arise from a strong Australian industry.

ASDA/AWG agree with the AFC that governments must maintain and strengthen those programs that support and develop creativity, through investment in the origination and production of screen content for traditional and new media and the maintenance of a regulatory environment that encourages private investment. It is the domestic industry that takes risks, discovers and develops new talent, and provides the environment in which creativity is nurtured. Foreign production activity, together with strategic

intervention by government can help provide Australia with the continuing capacity to grow and innovate. It can not however create Australian stories. That is something that only the Australian production industry - its writers, directors and producers - can do.

3. Australian content in the new digital, multi-channel environment

There is little doubt that the changes in technology and the development of new delivery systems are fundamentally altering the way in which media is configured. This will have significant impact on the creation and consumption of Australian content, as contemporary approaches to the support and assistance of Australian content production has been based on traditional media structures.

With the development of new services and technologies, new Government regulatory mixes and mechanisms will need to be developed in order to respond to the new digital environment. Government will need to react quickly and flexibly in order to ensure that Australian content will continue to be created and delivered.

ASDA/AWG agree with the AFC which suggests that a greater degree of policy convergence is needed to match technological and economic convergence. Cultural policy, broadcasting policy, telecommunications policy and information technology policy should no longer remain separate and discrete as the industries and issues which they seek to address are no longer separate and discrete.

ASDA/AWG believe that in such an approach there is a need to privilege the issues of 'content creation', rather than relegate them behind issues of technology and delivery as has often happened in the past.

ASDA/AWG submit that in order for Australia to not be marginalised in the rapidly developing content market worldwide, the Government must continue to support content development and production, and to do so in such a way that ensures that Australia is fully able to respond to and take part in the newly emerging information economy.

PART 2 - THE TERMS OF REFERENCE

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

ASDA/AWG refers the Committee to the submission by the Australian Film Commission, which provides accurate detailed information about the size and scale of the industries, and their social and cultural benefits.

b) The economic, social and cultural benefits of these industries.

c) Future opportunities for growth of these industries, including through the application of advanced digital technologies, online interactivity and broadband.

Growth in production activity

ASDA/AWG note that the total value of production activity as measured by the ABS increased by 35% from \$1.325 billion in 1993/94, when the ABS first started collecting statistical information about the value of production, to \$1.791 billion in 1999/00. This figure covers production occurring in cinema, video and television.

Much of this has been attributed to pay television's introduction, as well as the cost of news, sport and current affairs production during that time. The increase has not come in the areas that ASDA/AWG primarily represent - ie drama and documentary production.

However, foreign drama production in Australia has also increased, although there has been some reduction of this in recent times, largely due to international developments and the increasing value of the Australian dollar. Foreign production is that which is not under the creative control of Australians, but which occurs in Australia, such as 'The Matrix', 'Star Wars', and 'Red Planet'.

The AFC conducts an annual survey of the value of drama production in Australia. In 1999/2000 the value of foreign productions was \$311 million, of which \$104 million was spent in Australia. In 2001/2002 the value of foreign productions had increased to \$413 million, with \$216 million spent in Australia.

Over the same time, the value of wholly domestic drama production *declined* from \$363 million to \$343 million. Co-production activity, where creative control is shared between Australian and foreign partners increased marginally from \$109 million spent in Australia in 1999/2000 to \$111 million in 2001/2002.

The decline in growth in the sensitive area of 'drama' production is attributable to a number of key factors:

- the static or declining contribution of broadcasters
- the decline in international finance available for film production
- decline in the Government funding envelope with the cessation of the Commercial Television Production Fund (\$20m per annum)

The Government invests significant amounts in the production of feature films, mini-series, telemovies and children's television drama through the Film Finance Corporation as well as through the provision of tax concessions for investment. The contribution of local broadcasters to the financing of television drama is also essential, but as we have mentioned is variable (and in relative terms has been decreasing over the past decade).

In 2001 the Government announced increased funding for film agencies of \$93 million over five years. This increased funding partly addresses the decline in production and development investment by Commonwealth government agencies in the nineties. During that decade funding for production declined by 13% and funding for development by 48%.

Broadband and Online

The development of broadband internet remains in its infancy in Australia and has been slower to excite consumer demand than other new technologies.

Nonetheless, ASDA/AWG are of the opinion that it will have a significant impact on the way that film and television programs are consumed, and also on the way that film and television programs are produced.

While it is still too early to determine the precise impact broadband internet will have, ASDA/AWG wish to stress the importance of remaining cognisant of the need to create content for any medium. Often, debates about media technology overlook content issues and focus on the delivery mechanisms. ASDA/AWG urge the Committee to be aware of the need for Australia to develop policies and instruments that will ensure that these new technologies do not merely become the services to broadcast the content of multinational conglomerates, but that they too are a place of quality Australian content.

To stimulate broadband content production, the Government in August 2001 provided the AFC with \$2.1m over three years to establish the Broadband Production Initiative. The fund finances the production of innovative broadband projects which will be accessible to Australian and international

audiences via ABC Online. In addition to this the AFC also provides other funding to the development of digital interactive media.

The AFC's Broadband initiative is a small and necessary step but there is much left to do if Australia is to keep pace with other nations such as the UK and Canada, where developments in the production of interactive content are more advanced and where the marriage of traditional and new media has achieved more focus.

What needs to occur is the development of a clear formulated policy on broadband, which integrates issues of delivery and content production.

d) The current and likely future infrastructure needs of these industries, including access to bandwidth.

Studio facilities

A number of studios have been developed in Australia over the past ten years, including Warner Bros in Queensland and Fox Studios in Sydney, as well as more recent developments such as Serenity Cove in Sydney and the soon-to-be-completed Docklands facility in Melbourne.

Most Australian productions do not use studio space - which has been targeted more at offshore production - however, the more recent studios have been more focused on attracting local production.

Bandwidth

Digitisation of the post-production process introduces the ability to use the telecommunications system to transfer data electronically. The ability of Australian companies to service the international market for production services through digital transfer of data depends upon the levels of connectivity that can be achieved and the cost of access to bandwidth.

A recurring problem for the industry is the discrepancy between the demand characteristics for bandwidth of the post-production sector and the ability of the telecommunications sector to supply this at an affordable price. Characteristically the industry needs access to reasonably high levels of bandwidth for short periods of time, but the telecommunications providers base their pricing structures on continuous usage.

This problem may be solved as technological advances exponentially increase the capacity of the public internet, and broadband connectivity delivers the speed and capacity of data transfer needed. In the meantime, the Government has funded an industry initiative, the Film Industry Broadband Resource Enterprise (FIBRE), which is working on strategies for demand aggregation

and negotiating with telecommunications providers with a view to solving these issues. ASDA/AWG has sighted and endorse FIBRE's submission to the Committee's Inquiry.

e) The skills required to facilitate future growth in these industries and the capacity of the education and training system to meet these demands.

and

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

The skills required to undertake production of screen content are gained both from formal training and from hands-on experience. The AFTRS provides elite training for film, radio and television production and tertiary institutions such as the University of Technology in Sydney and the Victorian College of the Arts also provide training opportunities.

ASDA/AWG submit, however, that more important to the ongoing skill and creative development of our film creators and film artists – including actors and technicians – is the ability to make work. This has been the key in enabling our film practitioners to become so renowned – whether they are working on Australian or international productions.

Professional development is therefore vital, and it is important that the current professional development programs continue – particularly those developed and run by the AFC. It is important for the Committee to note that both ASDA and the AWG also run and deliver professional development activities for their members, which serve real benefit to the industry. state funding agencies.

Furthermore, ASDA/AWG note that there is great crossover in the various film arts as well as other arts, and that the ability of writers and directors to work often comes via a mixed background – both in film as well as in other arts. Baz Luhrmann (director *Strictly Ballroom*, *Moulin Rouge*) was originally an actor and then directed opera, Craig Pearce (writer, *Strictly Ballroom*) was originally an actor; Phil Noyce (*Rabbit Proof Fence*) has been a director and producer; Nick Giannopolis (*Wogboy*) was a stand-up comedian before becoming a writer/actor/producer and now a director. There is also a great crossover between different artforms – Kate Woods, for instance, (director, *Looking for Alibrandi*) was a highly successful TV director before moving into feature direction, while the script for *Alibrandi* was written by Melina Marchetta who was previously a novelist. David Williamson is best known as a playwright, and yet he is also a distinguished screen writer. Distinguished television writer Ian David (*Joh's Jury*, *Blue Murder*) is about to have a stage play produced.

f) The effectiveness of the existing linkages between these industries and the wider cultural and information technology sectors.

The Australian production industry is interlinked – both nationally and globally – which is essential in order for it to operate in a global communications/media environment.

On the global front, there are a number of firms that are increasingly integrated into the global environment, including companies such as Village Roadshow, Southern Star and Yoram Gross, which have significant international links, backing and operations. Other companies such as Pearsons have bought out Australian companies such as Grundys, which has hooked them into this multinational production network.

At the national level, these linkages are less of the vertical integration kind – although some of the broadcasters have in-house production for instance – but is more across the different parts of the screen production industry. For instance, there are companies with interests in different parts of the post-production industry, some companies involved in production & distribution, and others with activities in drama, factual product and interactive and online programming.

The TVC sector is an interesting example of this cross-media approach, with companies in the TVC sector becoming more active in developing other production opportunities. Film Graphics is an example of a company which has recently introduced a ‘film development’ arm into its operations.

TVC directors have regularly migrated across to feature film production – from Fred Schepisi to Ray Lawrence – and TVC production has remained an integral part of the professional development pathway for directors, as well as providing them to sustain a livelihood between feature film projects (Ray Lawrence had 15 years between his first AFI-Award winning feature *Bliss* and the critical and commercial success *Lantana*). Glendan Ivin who won the 2003 Palme D’or at Cannes for his short film *Crackerbag* has worked primarily as a TVC director. TVC writers have also made a name for themselves in the areas of television drama, and it is worth noting that writers such as Peter Carey and Bryce Courtenay whose works have been turned into feature film and telemovie projects, both began in commercial writing.

h) Whether any changes should be made to existing government support programs to ensure that they are aligned with the future opportunities and trends in these industries.

ASDA/AWG argue that there needs to be a coherent, integrated approach to the sectors mentioned in the review, in order to ensure that a whole-of-

industry approach is taken to the 'screen production industry'. This is vital, given the complex inter-connected nature of the industry.

It is vital that Government ensures that:

- the focus remains on "content creation" of Australian product
- that it is a whole-of-industry approach
- that this approach adequately takes into account the changing technological nature of the industry
- that there is a commitment to continue support into the future
- the overall policy of industry support and development is sufficiently resourced

Alfred .15 July, 2003.

**HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS**

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From: Committee, CITA (REPS)
Sent: Tuesday, 15 July 2003 3:15 PM
To: Brien, Andrew (REPS)
Subject: FW: ASDA/AWG Submission - Attn Andrew Brien



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Rvw Jul 03... (179 B)

-----Original Message-----

From: Richard Harris [mailto:asdarmh@asdafilm.org.au]
Sent: Tuesday, 15 July 2003 12:36 PM
To: Committee, CITA (REPS)
Cc: Megan Elliott
Subject: ASDA/AWG Submission - Attn Andrew Brien

Dear Andrew

Apologies for lateness

I hope it proves useful to the thinking of your committee

RH

www.asda.org.au?

