



Film Inquiry Submission No. ...88.....

**Submission by AusFILM 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

AusFILM is a unique collaboration between seventy corporate companies providing film, television and commercial production services, the seven state film agencies, the Department of Communications, IT and the Arts and DFAT through Austrade. Our mission is to position and market Australia as the world's best destination and environment for film, television, commercials and other screen production.

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The greatest actors in the world now are Australian. I love the fact I have great crews there, the locations are fantastic, the sound stages are great.... I would shoot everything here." - Joel Silver, Producer
The Matrix trilogy, two television pilots in 2003

"We had a great time at the studio. The sophistication of running the production was equal to anything that I have experienced anywhere in the world."
- George Lucas, Director, *Star Wars*

"I...really enjoy working with the Australian post production companies. [In 2002,] we dedicated the post production work of all our projects to Australian companies as we trust they could produce the best quality.
- Peggy Lee, Columbia Pictures Film Production, Asia

Introduction

AusFILM is a unique private-public collaboration between over seventy businesses providing film, television and commercial production services, the seven state film agencies, the Department of Communications, IT and the Arts and DFAT through Austrade. Our members have a turnover of over \$600 million per year, and employ over 2600 full-time employees (not including production crews).

Our mission is to position and market Australia as the world's best destination and environment for film, television, commercials and other screen production. AusFILM achieves this with a staff of seven and offices in LA and Sydney. The staff in LA source producers and projects and we work closely with the State film offices to pitch for suitable projects. We conduct marketing missions to the United States (Los Angeles for film and TV, Chicago and New York for television commercials), Tokyo, Korea, France and the UK. We provide a one stop shop for offshore producers through the AusFILM website and work toward a film friendly environment to attract film makers to Australia.

AusFILM strongly advocates for an industry policy for the audio-visual sector. Our primary focus is on trade and export earnings for Australian firms. Our submission will focus on issues of industry, trade and export, rather than the cultural aspects of the government's film policy.

Australia attracts foreign film, television and television commercial production for several reasons – the talent of our crew and key creatives, the quality of our infrastructure, our range of locations, and our financial competitiveness.

The main threats to our growing industry are:

- the need have a competitive industry policy in order to compete with international rivals;
- the need to compete technologically, especially with broadband connectivity;
- the need to maintain our level of expertise through training and R&D; and
- the need to be "film friendly" – encompassing immigration, labour practices, and location access.

The term "the film industry" is used in this submission, and in the media and government, to encompass a wide range of activities including production and distribution of content over a number of media. Both the content and the distribution of the many forms of this content are changing rapidly in a digital inter-connected world. For example, one digital frame of film from the *Matrix Reloaded* could appear in the film, the computer game, the television documentary about the film, the DVD, the video clip, as a SMS message, and in advertising – in theatres, on television, over the internet, and in print.

This rapid rate of change and growth demands that governments, including Australia, interested in sustaining and building technologically advanced industries, must move their thinking outside of the purely cultural mindset to embrace an industry policy.

Our competitors no longer are fighting with natural resources from the land, but with intellectual property, a well-educated labour force, innovative R&D, and targeted investment policies.

Executive Summary of Recommendations

The AusFILM submission examines in detail the many issues raised by the Committee, and includes recommendations on issues of interest to the entire sector. Our major recommendations are specifically targeted to the offshore film production sector and are below.

International Financial Competitiveness

Extension of the federal tax rebate to large budget television series

High budget television series provide long term continuity of work for individuals and businesses, especially for the post-production and special effects sector. Television allows enormous scope for training and skills transfer. Adding television to the federal offset package is cash-positive for the federal government, and any series which are drawn here will provide an economic boon for which ever town or region attracts them.

A solution to the cost of bandwidth for the post production industry

Australia can only compete internationally in the post production and special effects area with reliable and realistically priced bandwidth.

Dedicated measures aimed at the post production industry

Our global competitors offer a variety of incentives to grow their post-production industries, including straight economic incentives on post work, dedicated post facilities in Los Angeles which would allow US executives to work with Australia in real time, concessions for capital investment, concessions for R&D, and specialised training programs. Our post-production members advocate a close look at these areas.

The Federal Government to officially endorse a "Film-Friendly" Policy

The Government to officially encourage individual departments to endorse film friendly policies. These include enhancing policies in the following areas:

- Immigration – Cost of visas, sponsorship fees, the 423 visa, MEAA consultation process
- Locations – on all levels, streamlining bureaucracy, encouraging a film friendly populace, access to federal land and defence property and assistance, RTA policies
- Interdepartmental: public liability, safety guidelines, firearms regulations

Full funding of the Export Market Development Program

AusFILM fully supports the activities of the Export Market Development Grant program, and it has been of benefit to the film industry encouraging and facilitating export potential. AusFILM recommends that the Government commit the extra funds required to ensure that all Export Market Development Grant program applicants receive their full grant entitlements for 2001/02 and in future. We also recommend that the Austrade Market Development Grant eight year new market limitation be exempted for this industry.

Research and Development

There is a particular need for high level and mid-career training which must be approached through integrated industry policy, with a focus on continuity of R&D and internal education policies and support. Opportunities for attachments and exchanges should also be explored at a mid-high career level.

Expanded Co-Production Program

AusFILM would like to see an expanded co-production program, with fine-tuning of guidelines, and the addition of new treaty partners. Co-productions provide the opportunity for larger budget, more ambitious films and expand the overall size of the industry. They give additional production opportunities for Australian producers. Potential new treaty partners include South Africa, China, Korea, Japan, and Hong Kong. In Europe, existing treaties with EU countries (the United Kingdom, France, Italy and Germany) expand the potential for European productions. Additional European countries to potentially approach with existing active film co-production programs include Spain, Hungary, and Denmark.

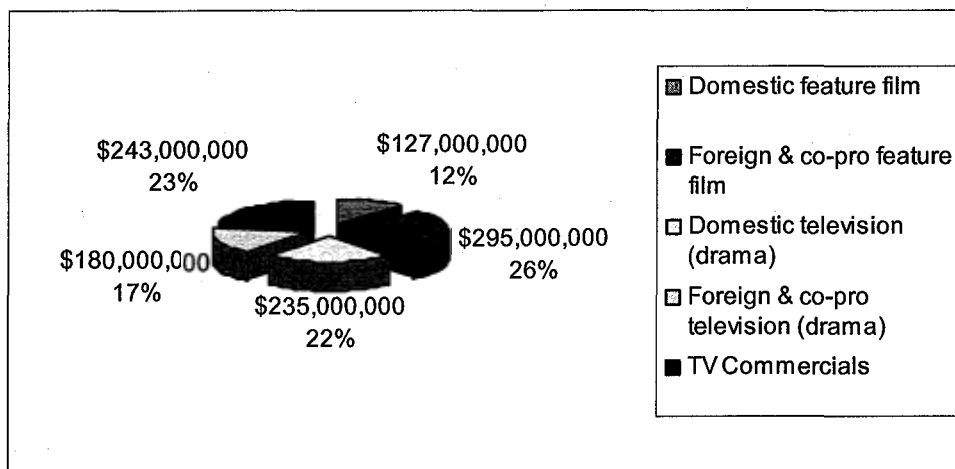
Submission

We welcome the opportunity to make a submission to the Inquiry, and would like to offer the Committee any assistance needed during the Inquiry. For our submission, AusFILM would like to address the majority of the questions. We realise the Committee will receive numerous submissions, so we will restrict ourselves to primarily responding to issues in the context of relevance to the offshore film industry. We work in collaboration with the federal and state film agencies, the unions and the guilds on issues across the film industry, and refer to their submissions where appropriate.

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

The film industry in Australia encompasses numerous strands of production, which all weave together to form a complex, finely-balanced mechanism. However, each strand has different limitations and opportunities for growth. A coherent industry policy is needed to balance these strands both federally and at a state level.

Screen Production in Australia 1999-2000



Drama production figures from the Australian Film Commission National Survey of Feature Film and TV Drama Production 2001/02, Television Commercial data from the Australian Bureau of Statistics, Film and Video Production and Distribution 1999 (cat.no, 8679.0)

Film – Australian Domestic

Approximately 20 feature films are made per year with budgets over \$1 million, and another 10 under \$1 million ('credit card films'). The number of films is limited by the amount of government FFC funding available and private funds raised. Numbers have not changed significantly in the last decade. There have been several new developments in film funding, aimed at raising more private funds. The long-term ramifications are not yet predictable. The government has not replaced the FLIC scheme, which also served to raise private funds. Without significant government funding increases, changes to tax-based film investment policies or a buoyant international market, it is not envisaged that domestic numbers will rise dramatically in the next few years.

Television – Australian Domestic Drama

An average of 581 hours of adult drama has been produced over the past four years. These numbers have not varied significantly over the last decade, and are due to the Australian Content Standard for commercial television which requires certain levels of drama and of Australian content. The form (series, serials, telemovies, mini-series) and budget levels change to reflect commercial and audience demands. The commercial networks are very unlikely to significantly change their level of drama hours. ABC and SBS, the national broadcasters, are also unlikely to change drama production levels, unless there is significant new government funding which is unlikely outside of their triennial funding.

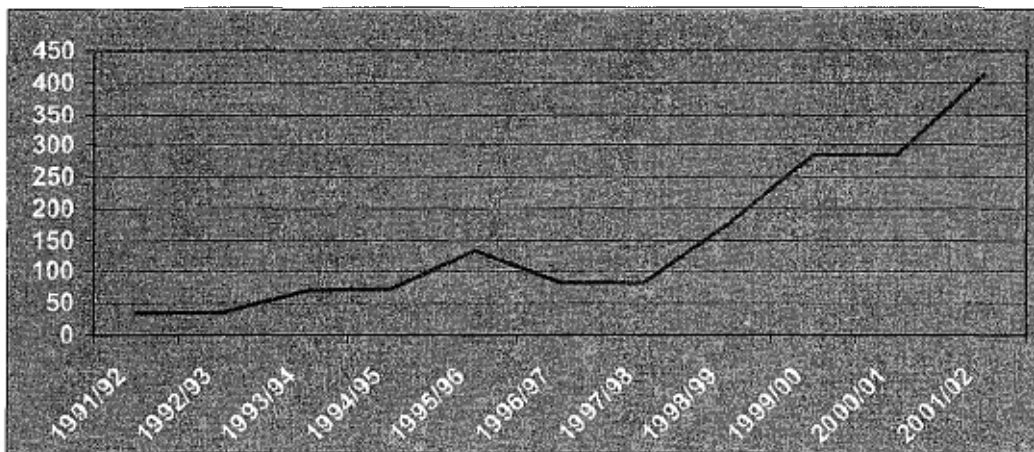
Film and Television – Co-productions and Foreign Productions

This is the area of greatest growth over the last decade, and the area for the most potential growth.

The most dramatic fact arising from the analysis of the annual Australian Film Commission production survey data is the strength of the growth of the foreign and co-production sectors compared to the domestic sector. Between 1999/2000 and 2001/02, foreign production expenditure rose by 108%, while Australian drama production decreased by 7%.

In the early 1990s, there were a handful of foreign films shot in Australia. But as Australia became more well-known, and the quality of our locations, crew and cast understood, the number and the budgets of foreign films increased dramatically. These big budget films, primarily from the USA, have included *Star Wars II*, *Peter Pan*, *Mission Impossible II*, *Red Planet*, and the three *Matrix* films.

Offshore and Co-Production Feature Film Production 1991/92 – 2001/02



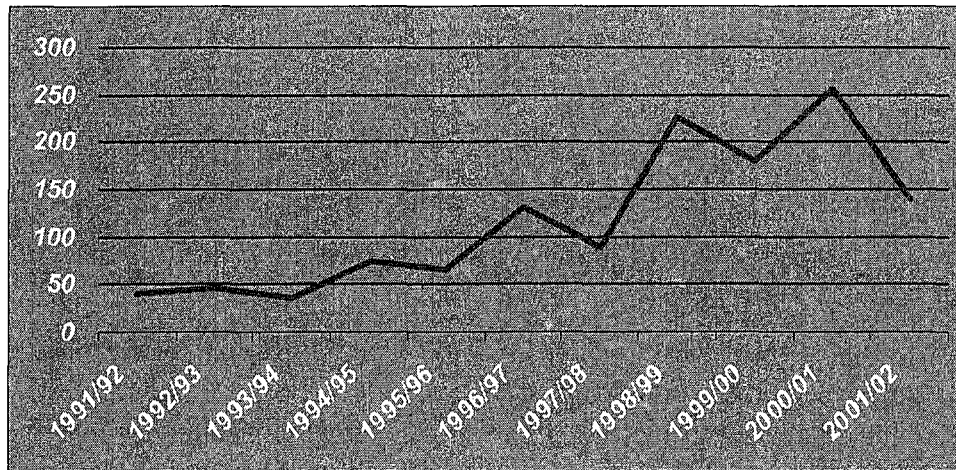
Source: Australian Film Commission, Get the Picture, 6th edition, p.35, Feature film total production values

Television

In 1990/91, there were only six foreign and co-production television programs shot in Australia, for a value of \$40million. In 2000/01, just 10 years later, there were 21 programs, with a value of \$255million. The major productions have been large budget series, often with a fantasy background, such as *Farscape*, *The Lost World* and *Beastmaster*. These long-term productions have effectively built the industry, particularly in Queensland. Companies as diverse as special effects to set construction have been able to build successful businesses and train hundreds of

young people to senior levels in the industry. For example, the entire "creature workshop" from *Farscape* is currently working on *Star Wars III* for George Lucas.

Offshore and Co-Production Television Production 1991/92 – 2001/02



Source: Australian Film Commission, Get the Picture, 6th edition, p.42, Television total production values

Current Decline in Television Production

Unfortunately, the offshore television industry is in dramatic decline. Our foreign competitors have realised the value of television production and actively compete with incentives which Australia does not offer. Coupled with our rising dollar, and higher labour costs, Australia is no longer competitive. The AFC's preliminary production survey data for 2002-03 shows a dramatic decline in offshore and co-production television drama production, with half-year levels at half those of 2001-02, and the lowest in five years. Total offshore and co-production television has dropped from \$158million in 2000/01 to \$114million in 01/02 to an estimated \$68million in 02/03.

Most of the production that did occur was pilots and telemovies – there was not one high budget series shot in Australia in 2002-03. This follows the negative figures for 2001-02, when the number of telemovies dropped to zero from the 14 the year before.

During the equivalent time period, offshore television production in Canada totalled over AUD \$1 billion compared to Australia's AUD \$31 million. [For co-productions (film and TV), Canada's totals were over \$875million with Australia at \$105million. For feature film, Canadian foreign production was over \$800million, with Australia attracting \$185million.]

Therefore, in March 2003 AusFILM commissioned the Allen Consulting Group to undertake an economic analysis of the benefits of extending the federal 12.5% tax rebate program to high budget television series. The complete AusFILM proposal is Attachment A.

AusFILM believes that without the tax incentive we will not be competitive. The decade of growth in infrastructure, technology and skill levels throughout the 1990s will only result in underused capacity. Furthermore, the three new studios opening in 2004 (Melbourne: Central City Studios; Sydney: Serenity Cove Studios and Sunrise Studios) will struggle to find business.

Television Commercial Production (foreign and domestic)

Television commercial production (TVC) is not specifically mentioned in the terms of the reference of the Inquiry. However, it plays a vital role in the screen production industry and must be considered when examining the future for the overall industry. The TVC industry is larger than either the domestic feature film or the domestic television market. This fact is often ignored or unknown when considering industry policy and recommendations.

The most recent ABS statistics for TVC production are for 1999/00, which show earnings of \$243million, of which \$35 million was earned on foreign productions. AusFILM anticipates that the next ABS survey (due out in 12 months), will show a much greater proportion of foreign production. AusFILM's dozen TVC members produce the majority of their work for offshore clients, as the domestic industry is not large enough to sustain them.

In the United States, TV advertising expenditure in 2002 was in excess of US \$28 billion (over A\$43 billion). The Japanese market for TVC production is another of AusFILM's target market. This industry is conservatively believed to be worth a minimum of \$2.4billion. Dentsu, Japan's largest ad agency, and host of an AusFILM presentation in April 2003, produces over 2700 television commercials each year.

The television commercial production industry is also reliant on the Australian Content Standard, which regulates that 80% of TVCs broadcast between 6am-midnight must be Australian made. This regulation is currently under threat from the proposed US-Australia Free Trade Agreement.

Television commercial production provides a very strong base for cast, crew, post-production, special effects and animation in Australia. Despite economic fluctuations, which have seen a marked downturn of TVC production in Australia since the September 2000 Olympics, it is a vital part of all post-production businesses in Australia. For special effects and animation, television commercials present creative opportunities to produce ground-breaking work. But more importantly, they are the "bread and butter" work which gives a relatively stable work and cash flow.

Commercials are the backbone of the industry. Money to pay for the services they use, challenging creative work, demanding the latest technology, and hopefully consistency of work.

- Chris Schwarze, Complete Post

For cast and crews, there is great cross-over among TVC, television and feature film work. For example, cinematographer Andrew Lesnie won an Oscar for the *Lord of the Rings* the week after he finished shooting a TVC in Australia. Australian directors such as Gillian Armstrong, Ray Lawrence and Shirley Barrett all make TVCs,

Summary

It is a mistake to attempt to segment the Australian film industry, especially the post production and special effects industry.

Australian producers and directors need Australia content rules and government and private funding to enable the making of Australian stories for Australian audiences. This Australian slate of work remains fairly constant from year to year. For cast,

crews and post production, the work is more diverse – film, television, TVCs - for both domestic and international productions.

It is international productions which offer the greatest scope for growth in the industry in the current financial climate. However, around the world governments recognise the worth of the screen production industry to their local economies, and the competition is fierce for projects.

B) The Economic, Social and Cultural Benefits of the Industries

The social and cultural benefit of the film industry is self-evident. Since Australia produced the world's first full-length feature film, *The Story of the Kelly Gang* in 1906, film has captured audiences on creative, social, educational and cultural levels. Film and television remain the dominant cultural industries in the world today.

Economic Benefits

AusFILM has focused on the economic benefit of the offshore film industry for Australia.

Size of the International Industry

In the United States in 2001, the US copyright industries accounted for US \$535 billion of the gross domestic product, and grew more than twice as fast as the remainder of the economy. Foreign sales and exports led all major industry sectors, including chemicals and allied products, motor vehicles and parts, aircraft and aircraft parts, and agriculture (Copyright Industries in the US Economy: the 2002 Report, by Stephen E. Siwek of Economists Incorporated). Industry policy is based on the overwhelming size, strength and growth potential of the industry.

In 2002, worldwide revenues for the major film studios reached an all-time high of \$US 37.3 billion dollars (appr. A\$ 56 billion). This was a rise of 18% from the year before, and included revenue rises in the USA, Europe and Asia Pacific. The growth of cable and satellite television, and more importantly, DVD, continues to drive the audio-visual market. These figures are only from the majors, which consist of MPAA members, the seven major US studios, but not the entire worldwide production industry.

The US movie industry alone has a surplus balance of trade with every single country in the world. No other American enterprise can make that statement.

- Jack Valenti, MPAA, testimony before the US Senate, February 28, 2002

New media platforms are also providing new outlets for growth for film and television production. A major study done for the European Community forecast that digital online multimedia will account for 15% of the total audiovisual content produced in the European market by 2005. (EU Audiovisual Industries Report, 1998)

Size of the Footloose Industry

In 2001, US gross production expenditure on feature film alone was US \$3.24 billion (A\$4.9 billion). [This compares to Australia's domestic film spend of A\$79 million for 00/01.] The overall production industry is estimated to be larger than US \$20 billion. But each year a growing number of films and television projects leave the US to

shoot internationally. Called "footloose" production, some films leave the United States for obvious location and/or plot reasons; for example World War II drama *The Great Raid* shot in Guadalcanal and Queensland, while *Out of Africa* was shot in Kenya. Other films and television travel solely due to economic reasons.

Canada is Australia's major rival for footloose production. For the last two years they attracted approximately \$2 billion of footloose production – 39 films in 2001, 37 in 2000. In addition, dozens of television series film each year, primarily in Toronto and Vancouver (84 foreign productions in 2002).

The United Kingdom is another competitor, attracting US \$837million in 2000, US\$357 in 2001, and an estimated US \$447m in 2002.

Newer competitors are the Czech Republic, South Africa and New Zealand. South Africa has become a very popular destination for filmmakers, including TVC makers, with over 1000 foreign TVCs shot in 2002.

New Zealand's industry has been highlighted worldwide with the astounding success of *The Lord of the Rings*. This has now been followed by *The Last Samurai*, with a budget of \$160million. Filmmakers now know of New Zealand's capabilities and locations. More importantly they have discovered their exchange rate (lower than Australia's), and their work practices (very low fringes – 0-6% vs Australia's 25-26%).

To capitalise on this publicity, and to consolidate the increasing amount of work coming to New Zealand, the New Zealand government has announced its own set of incentives for offshore filmmakers. Modelled on Australia's admired 12.5% tax rebate, the New Zealand scheme offers the same percentage rebate – but for both feature film and for television.

This incentive for television is a major threat to Australian business. Already, the number of television projects has been increasing in New Zealand. Australian company Village Roadshow set up offices there 12 months ago to facilitate its levels of production.

Economic Benefits of Footloose Production

The economic benefits of film and television production are widely known and sought after globally. Screen production creates highly paid jobs, with a highly trained and technologically advanced workforce.

For example, the shooting in 2002 of the two Matrix sequels, *Matrix Reloaded* and *Matrix Revolution* in Sydney:

- took 18 months
- generated over \$200million for the NSW economy
- 800 full-time jobs
- 2500 part time jobs
- 10,000 days of work for extras, and
- the employment of 60 actors.

A long-running high-quality television series is the equivalent of having a creative factory in your city. *Farscape*, which shot for four years in Sydney, had a yearly payroll of \$24million, paid payroll tax of \$2million, and had an annual turnover of over \$50million. An extended study of the financial impact of *Farscape* is included in the

AusFILM Television Report, Appendix A. Other series, such as *Ponderosa*, which shot in the Ballarat district of regional Victoria, and *I'm a Celebrity, Get Me Out of Here* with a budget of over \$20 million per series, which shot one production in far north Queensland and two outside Murwillumbah in NSW, demonstrate the impact a "creative factory" can have on regional economies.

The Australian Bureau of Statistics uses a multiplier of 2.6 to evaluate film and video production. Therefore, one \$100million film has a \$260million effect on the local economy. There are also the immeasurable factors such as the flow-on effect for tourism and the raising of Australian profiles overseas.

It is industry policy based on sound economic analysis which AusFILM has presented to the government over the past few years. The growth of the offshore industry, the size of the potential industry and the growth of Australian businesses and capacity has proven a compelling case for supporting industry policy and incentives.

However, as detailed in the section on Offshore Television, our international rivals are fiercely competitive. AusFILM advocates expanding the existing federal incentives in order to remain competitive. We are not interested in a "bidding war" of industry incentives. However, to remain competitive we must provide an equivalent economic package as our major rivals, Canada and New Zealand.

AusFILM recently commissioned the respected economic analysts, The Allen's Consulting Group to evaluate the worth of extending the existing federal feature film tax offset to television. The feature film offset gives a tax rebate of 12.5% for feature films (Australian or international) with budgets over \$15million with 70% of their expenditure in Australia. All films with budgets over \$50million which shoot here are eligible.

The analysis of the economic impact of extending the offset shows that the extension of the offset in this way would create annual Australian expenditure on the production of large budget television series and bundled non-theatrical films of approximately AUD\$180million as a low end estimate and AUD\$295 million as a higher estimate.

The offset would add between AUD\$139 million and AUD\$228 million to annual Australian GDP. Importantly, the extension of the offset would be revenue positive for the Australian Government contributing between AUD\$25 million and AUD\$41million in net terms to the annual budget "bottom line". In other words, the extension of the offset would be at no cost to Australian taxpayers and would have substantial additional benefits for the Australian economy.

AusFILM believes this economic impact, coupled with the long term aspects of television (series provide long-term employment for cast, crew and post production houses), make a compelling argument for the extension of the rebate. A complete copy of the economic analysis of the tax rebate is attached as Appendix A.

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 infrastructure needs of these industries, including access to bandwidth.

Opportunities for Growth

As demonstrated in section B, the size of the potential market for the offshore industry is enormous - \$4.9 billion of production is shot in the US each year. This does not include European or Asian production, which also comes to Australia. On top of this figure, our rivals have over \$2 billion of production.

Therefore, Australia, which currently attracts \$216million worth of offshore and co-production work, could easily capture more of the market. When the federal film tax offset was introduced, AusFILM expected to double the size of the offshore market. This has not eventuated due to the downturn in television production.

Capacity

No sector of the film industry is currently working at full capacity. Cast and crew are definitely in the midst of an employment slump, with technical booking agents reporting an exceedingly slow start to 2003.

Post production and special effects houses are working significantly below full capacity. Many have recently laid-off employees. The industry in general relies strongly on freelance employees, who are not working. On 11 July 2003, over 150 film industry workers gathered in Queensland to discuss the current state of the industry. The majority had been out of work for months.

In the event of a major escalation of production in the next six months, AusFILM believes we would still be working at far less than optimum capacity. We estimate the offshore industry could easily almost double in size before there would be any significant strains on supply of trained cast and crew. As of July 2003, a number of crew have been forced to travel overseas to work, to New Zealand (*The Last Samurai*, *Lord of the Rings*) and to Fiji (*Anaconda 2*).

The Australian Film, Television and Radio School has trained hundreds of talented filmmakers. Universities and TAFEs have educated thousands more. The on-the-job training provided by the robust and growing industry in the 90s coupled with the above, has resulted in a large pool of talented, experienced workers. But this capacity is currently underutilized.

Of particular concern to the Australian domestic industry is the disturbing lack of career longevity and continuity, especially for producers. The number of producers making second and third feature films has been tracked by the AFC, and it is not encouraging. Surveying the AFTRS website, the number of prominent producers is far overshadowed by the prominent directors, cinematographers, etc. The "business" of filmmaking, always difficult, is currently extremely so. The capacity for production levels – domestic and foreign – to increase is high.

Infrastructure

Australia's physical infrastructure for filmmaking is good, and is expanding. Two major studios, Fox Studios in Sydney, and Warner Roadshow Studios at the Gold Coast, provide internationally competitive large-scale studio operations.

A number of smaller operations throughout the country have catered for smaller productions and television commercial productions.

They will be joined by three new studio complexes in 2004: Central City Studios in Melbourne, Serenity Cove Studios in Kurnell, south of Sydney; and Sunrise Studios, in Lane Cove, Sydney. These new studios will provide much-sought after new space and production supplier facilities. They will nearly double Australia's studio capacity.

Australia's locations are another form of infrastructure. From deserts to jungle, to small towns and big cities, the capacity of their "infrastructure" is measured by the quality of transport and the smooth operation of government and private bureaucracy needed for location filming.

AusFILM recommends to the Committee that the Federal government declare a "film-friendly" directive to all federal Departments, which encourages clarity, certainty and efficiency in facilitating film production. Areas which could be examined are the use of federal land, the use of defence facilities and troops, national firearms legislation, national safety guidelines, RTA policies.

Advanced Digital Technologies and Bandwidth

The major structural impediment for growth of the film industry remains bandwidth.

The Australian Film Commission (AFC) and FIBRE (the Film Industry Broadband Resources Enterprise) will be making extensive submissions on the area of bandwidth and digital technology and content. Therefore AusFILM will simply summarise the strongly held position of our members.

Bandwidth is the major structural impediment to growth for the post production industry, and has the highest impact on our ability to compete internationally for post production work – including special effects and animation.

Our members send encrypted vision and data around the world. Depending on the size and budget of the specific project they are working on, they use variations of telestreaming.

Australia's distance from the major production centres of the US and Europe is a major disadvantage for the film industry. Theoretically, the wired world of data transfer was supposed to eliminate any disadvantage of physical distance. However, the cost and pricing structure of bandwidth in Australia for the film industry remains extremely problematic.

We urge the Committee to devote considerable attention to this area, and in particular, commend the FIBRE submission.

As Zareh Nalbanian, CEO of leading special effects house Animal Logic, recently stated at a Parliamentary screening of *The Matrix Reloaded*,

Looking at the rate of growth and increased dependence on digital production, I project that in ten years, as we depend less on actors being on actual locations, less on traditional sets and miniatures, less on physical stunts and special effects, that the decision as to where a film will be produced will be more and more driven by digital production capabilities.

As this occurs, we will be faced with greatly increased competition from an onslaught of new international players. The business is already tough. Continuity of projects is difficult to secure, though we work hard to secure continuity of talent, otherwise we face an outflow of our most important resource, people.

As an emerging industry digital production is yet to express its full potential for continuous employment.

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

AusFILM asks the committee to consider the submissions from numerous tertiary institutions, including the AFTRS, regarding the needs for enhanced tertiary training.

The major perceived weakness that AusFILM would like to address is the need for mid to high level professionals in the post-production industry.

At the entry level of the profession, the demand for positions is high. Jobs in the film and television industry are stimulating and well-paid, and offer creative careers with unlimited growth. Entry level positions are usually highly contested by applicants with a variety of training – self-taught, straight from high school, TAFE or university, and usually with a portfolio of work examples.

Historically, following entry to the industry, all training occurred on-the-job – "learn as you earn". Television commercial production, television series, and the ABC were the major training grounds.

Mid-Level

However, the main area of current need is in the middle to upper level of skill sets. Training for more responsible positions takes place almost entirely on the job. The combination of the effects of new technologies on workflow and the erratic nature of the work mean that the current level of workplace training is simply not sufficient. Added to the equation is the high reliance on freelance employees, which undermines a stable training and promotion environment.

In his submission to the Inquiry, Professor Ross Gibson, UTS, refers to the need for companies to reach the economy of scale to apply a significant portion of staff and time to venturesome R&D. This applies equally to staff training – the need to allow each level of staff, from new hires to the most sophisticated worker, the time and opportunity to learn new skills and hone existing ones.

Consulting with AusFILM members, the primary solution to this issue was overwhelmingly "continuity of work". It is only through a steady supply of production that companies will be able to balance the levels of work, freelance work and time for training and R&D.

Secondly, funding for education needs to target the specific needs of the industry. For example, AusFILM's submission to the Review of the New Apprenticeship Scheme pointed out that it is unrealistic to require apprentices in the film industry to work for over 12 months with one firm. The work is project-based, and rarely is there the continuity of a long-term annual contract. However producers would welcome the opportunity to have apprentices for the length of their shoots, whatever that may be.

For mid-high level training, programs such as the State Film Offices attachments and industry-specific training programs (such as NSW FTO's Digital Training program) are very successful. These competitive programs offer matched funds to post production houses to train creative staff on the newest programs and equipment. We would encourage increased federal and state funding for targeted programs of this calibre.

Research and Development

As with training, research and development in the film industry has mainly occurred 'on-the-job' and without Government support or programs. Yet Australian technology in both specific hardware and software for the film industry is renown internationally.

Prof Stuart Cunningham of QUT's Creative Industries Research and Applications Centre, in his paper, *Culture, Services, Knowledge or Is Content King, or Are We Just Drama Queens*, raises many compelling questions and challenges regarding the role of R&D in the creative industries.

In particular, he points out that most R&D priorities reflect a science and technology led agenda at the expense of new economy imperatives for the content industries. He states,

We can no longer afford to understand the social and creative disciplines as commercially irrelevant, merely 'civilising' activities. Instead they must be recognised as one of the vanguards of the new economy. R&D must work to catch the emerging wave of innovation needed to meet demand for content creation in entertainment, education and health information, and to build and exploit universal networked broadband architectures in strategic partnerships with industry.

We encourage the committee to examine the unique needs for both training and R&D in the film and post-production industries.

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

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.

Australia is admired internationally for the skill and talent of its film industry – actors, crew, post production and facilities. However, it has yet to reach a critical mass which would ensure the continued growth and consistent employment that is the hallmark of a fully mature industry. This has serious implications for the long term careers and business viability for those working in the industry.

As discussed earlier, a balance of work between domestic film and television, offshore film and television, and TVC production is needed. There are a number of areas that the provision of an integrated government industry policy could provide leadership and clarity.

AusFILM's Major Recommendations

AusFILM's major recommendations of specific concern to the offshore industry follow. We encourage the Committee to consider these recommendations in context – for example a strong and vibrant post production industry, well-employed creative personnel, and cost-competitive digital technology and bandwidth will benefit not only the offshore industry but the domestic industry as well.

Extension of the federal tax rebate to large budget television series

High budget television series provide long term continuity of work for individuals and companies, particularly for post-production and special effects businesses. Television allows enormous scope for training and skills transfer. Adding television to the federal offset package is cash-positive for the federal government, and any series which are drawn here will provide an economic boon for which ever town or region attracts them.

A solution to the cost of bandwidth for the post-production industry

Australia can only compete internationally in the post production and special effects area with reliable and realistically priced bandwidth.

Dedicated measures aimed at the post production industry

Australia's global competitors offer a variety of incentives to grow their post-production industries, including straight economic incentives on post work, dedicated facilities in Los Angeles, concessions for capital investment, concessions for R&D, and specialised training programs. Our post-production members advocate a close look at this area.

Full funding of the Export Market Development Program

Many AusFILM members were recently unhappy to find out the very low percentage to be given as a final payment for the previous financial year's expenditure for the 2001/02 Export Market Development Grant program. The balance payment has been paid at 32.84 cents in the dollar as a result of total grant entitlements exceeding the \$150 million budget cap on the Scheme. This was obviously less than members budgeted, and had a negative affect on their businesses.

It is interesting to note that all the data gathered by the Government and independent parties on the effectiveness of the Export Market Development Grant Scheme has shown that for every dollar spent on the grant, anything between \$6 and \$13 is generated in Export Revenue. It stands to reason that if the Scheme is reduced, then export dollars will decrease.

Another point to note is that the Scheme was capped at \$150 million in 1997. This cap includes \$7.5 million for administration costs. The funding for the grant has not increased since then except for an additional \$400,000 for the anticipated 'small' exporters that would be claiming a minimum grant of \$5,000. Analysis has shown that if the Scheme had increased in line with CPI increases, then there would have been sufficient funds to pay out the grant at the full rate. Given the very moderate CPI increases to date, we believe this would not have stretched the Budget.

AusFILM recommends that the Government to commit the extra funds required to ensure that all EMDG applicants receive their full grant entitlements.

Revision of the new market limitation in the Export Market Development Program

The Export Market Development program currently is limited to the first eight years of entering new markets. However the film industry is not one market; each project is a separate market. One film might represent a \$100million investment in Australia. Australians need to be able to market continuously to the range of studios and producers with new projects each month.

AusFILM recommends that the film industry be exempted from this limitation.

The Federal Government to officially endorse a "Film-Friendly" Policy

The Government to officially encourage individual departments to endorse film friendly policies. These include enhancing policies in the following areas:

- Immigration – Cost of visas, sponsorship fees, the 423 visa, MEAA consultation process
- Locations – on all levels, streamlining bureaucracy, encouraging a film friendly populace, access to federal land, RTA policies
- Interdepartmental: public liability, safety guidelines, firearms regulations

Immigration

Immigration policy is vital to ensuring free movement of creative personnel in a globalised industry. AusFILM is currently consulting with the Government on the following immigration issues:

Sponsorship fees for visas: AusFILM believes the current interpretation of regulations for sponsorship fees are illogical and unfair. Each production is a sponsor of multiple

actors and key crew, and therefore the sponsorship fee should be charged per production sponsor, not per individual.

423 Visa program: The 423 visa category for news media and television commercial production is being eliminated. TVC production staff will now enter on the 420 visa category. AusFILM is advocating that all TVC production personnel should be evaluated for entry under the 423 regulations, not the 420 regulations.

MEAA Consultation: The Media Entertainment and Arts Alliance currently is consulted in the immigration process of most 420 visas. We recommend that this consultation is not extended to the TVC sector, due to the negative impact this would have on the growth of the industry. Turnaround times for the TVC production process are extremely short.

Cost: Particularly in regard to the cost of Sponsorship applications, but across the entertainment industry visa sector, Australian immigration costs are higher than our Commonwealth competitors.

Locations

The State Film Offices and many regional government areas have developed extensive filming protocols for filmmakers. AusFILM strongly recommends that the federal government consider issuing a federal filming protocol for all departments based on these well-researched guidelines.

This would ensure that all branches of government are well-informed about the Government's commitment to the film and television industry. More importantly, it would provide consistent and clear advice for all inquiries and across all areas of government and the public service.

Interdepartmental

A Federal Government Filming Protocol could also provide a framework for developing issues which require interdepartmental cooperation, and federal, state and local co-ordination. Examples of difficult policy areas include public liability insurance, fire arms regulations, and safety guidelines. The Federal Government's leadership on these issues is vital.

Whole of Industry Recommendations

Maintenance of the Australian content standard for broadcast and pay television – including for TVCs, especially in the face of bilateral and international trade talks

There is not a "domestic" industry and an "offshore" industry. The screen production industry is delicately balanced, and needs steady production from all sectors to maintain employment patterns and business viability and growth. AusFILM endorses the position of the AFC and the government in opposing any changes or standstill measures for the domestic industry proposed by other countries in trade negotiations.

Measures to encourage local production

A strong domestic industry is vital to underpin the offshore industry. Measures to encourage private investment in the industry are needed. These could include renewing the FLIC schemes, encouraging FFC-private sector partnerships, increasing the tax concession levels for 10B/10BA investments (as per Gonski, 1996), and government funding for the proposed ABC Independent.

Expanded Co-Production Program

AusFILM would like to see an expanded co-production program, with fine-tuning of guidelines, and the addition of new treaty partners. Co-productions provide the opportunity for larger budget, more ambitious films and expand the overall size of the industry. They give additional production opportunities for Australian producers. Potential new treaty partners include South Africa, China, Korea, Japan, and Hong Kong. In Europe, existing treaties with EU countries (the United Kingdom, France, Italy and Germany) expand the potential for European productions. Additional European countries with active film co-production programs include Spain, Hungary, and Denmark.

Research and Development

There is a particular need for high level and mid-career training which must be approached through integrated industry policy, with a focus on continuity of R&D and internal education policies and support. Opportunities for attachments and sponsored on-the-job training should also be explored at a mid-high career level.

Conclusion

As part of a forward thinking country, film and television is not only vital for reflecting Australia's unique cultural identity, it is an industry which is creative, high tech and offers unlimited scope for growth. Far removed from a local cottage industry, it is a billion dollar business.

AusFILM advocates a comprehensive industry policy which enhances and encourages the financial and technological opportunities for Australian firms and individuals.

Attached

Appendix A: The Case for Extension of the 12.5% Refundable Tax Offset to Large Budget Television Series and Bundled Non-Theatrical Films

Appendix B: The 2003 AusFILM Guide to Feature Film, TV and TVC Production in Australia