

Film Inquiry  
Submission No. 75

## **SUBMISSION**

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

**JULY 2003**

**Fox Studios Australia** makes the following submission into the future opportunities for Australia's film, animation, special effects and electronic games industries.

Fox Studios Australia runs the largest film and television studio in Australia. The studio features eight stages, production offices and workshops alongside a creative community of over 60 independent businesses. These businesses provide everything to fully service productions from casting, travel and freight, equipment rental, postproduction and special effects. We have post production specialists in film editing, sound and mixing, including a purpose built orchestral recording stage and computer graphics and special effects.

Fox Studios Australia also provides production services to international film and television productions, as well as developing and producing local television programs and international television co - productions through its subsidiary, Fox World Australia.

Fox Studios Australia is part of the Fox Entertainment Group Inc, which owns Twentieth Century Fox Film Corporation, one of the major Hollywood studios, Twentieth Century Fox Television, Fox Broadcasting Corporation and is a distributor film and television internationally.

We believe that the success of sector is critical to the continued growth of the Australian film and television industry as a whole, as well as the growth of these industries in their own right. We have numerous tenants on our site operating in these industries and, as such, their success is also critical to the commercial success of Fox Studios Australia.

***Our comments are not of a technical nature, and relate primarily to the film and television production and post production industry. Our comments do not encompass all of the terms of reference of the inquiry, rather relate to areas where we believe that the industry as a whole can benefit.***

## 1. Size and Scale of Industry

The size and scale of the industry has been well documented by the Australian Film Commission and we are sure, this will be addressed in detail by other contributors.

However, we do note that since the inception of Fox Studios Australia in 1995, total film and television production has grown from \$196m to \$662m in 2002. Foreign investment in production in Australia over this time has increased from \$95m in 1995, to \$216m last year. This investment, coupled with the growth of Australian and co – production investment, has significantly increased the size of the industry since the mid 1990's.

***Whilst this growth is impressive, it is critical to realise that competition for international investment is fierce and that countries all around the world recognise the economic benefits of attracting international production. Australia must stay competitive across all aspects of the industry to maintain this level of production, let alone continue to increase it at this rate. It is important to nurture and expand the domestic industry, to provide the necessary skilled labour and service providers so that Australia has a depth in the local, as well as the international production industry.***

## 2. Economic, Social and Cultural Benefits

All forms of production add to the economic, social and cultural fabric of our nation.

Culturally, the maintenance, and growth, of domestic production levels is critical to the continuing production of uniquely Australian film and television, which dates back to one of the earliest surviving pieces of footage, anywhere in the world, the 1896 Melbourne Cup. The first five reeler film, The Story of the Kelly Gang was produced in Australia in 1906. We have told uniquely and original Australian stories throughout the 1900's leading up to the 70's, 80's and early 1990's successes like Picnic at Hanging Rock, Gallipoli, Breaker Morant, the Mad Max series of pictures, Crocodile Dundee, Strictly Ballroom, Muriel's Wedding, Babe and Priscilla, Queen of the Desert.

Domestic production, both in film and television, provides important social benefits in the way of employment and training for our young crews and talent. The stories noted above were the result of some exceptional talent that Australia had

developed - Peter Weir, Fred Schepisi, Gillian Armstrong, George Miller, Bruce Beresford and Baz Luhrmann to name a few. In addition, this directorial talent has been matched by equally talented writers, cinematographers, production designers, costume designers, editors and actors.

***We believe that the maintenance of domestic television content regulation is critical to assist in the continuance of the cultural, economic and social benefits that domestic production brings.***

International production also enhances the social benefits of domestic production by providing additional opportunities for employment by Australians. It also exposes them to new and sometimes world class production methods brought by foreign investment.

The economic benefits of attracting international production to Australia are well documented - competition for international investment is fierce and countries all around the world recognise these economic benefits.

***We believe the extension of the 12.5% tax credit rebate scheme to high budget television series and bundled tele - movies is critical to maintaining a consistent flow of work for the industry, and to the continued provision of economic and social benefits that international production brings.***

### **3. Future Opportunities for Growth**

We will not comment on the opportunities for growth through the application of advanced digital technologies, online interactivity and broadband, as we consider there to be many more qualified professionals able to make comment on these areas than we.

In regard to the attraction of international production and post production to Australia, we have significant opportunity. It is estimated that currently, Australia attracts some 6% of the offshore production out of the United States. Canada captures some 80%. The market is large, and we will soon have additional infrastructure in place to attract more production here with additional studios being built in Sydney and Melbourne.

In regards to post production, we see even greater opportunities. Much of the current work in this area is done in the USA. Whilst physical production may be done in Australia, or another offshore location, many US producers will do their post, including effects work in the USA.

As with arguments for incentives for attracting film and television physical production to Australia from overseas, similar impediments exist to attracting special / visual effects projects to Australia, whether or not they are part of a physical production. The fact is that Australia is a long way away from the rest of the world. Projects sourced out of the USA (or other parts of the world) can feel it is harder to control from a distance. Whilst we have done well as an industry to overcome many of these concerns, we are still finding that the control factor and the pressure of release dates in the United States, are harming our chances of retaining work here. What is needed are incentives for international executives to work in Australia and overcome these subjective issues.

***We believe the extension of the 12.5% tax credit rebate scheme to high budget television series and bundled tele - movies is critical to maintaining a consistent flow of work for the industry.***

The visual and special effects industries are unique and can be treated as a stand alone industry. Quite often people consider it to be a generic part of the post production business of film or television. It can, however stand alone, as particular projects for animation or electronic games, or indeed special effects for productions, can have little other attachment to Australia. It can be that physical production is done elsewhere in the world, whilst the visual and special effects are done in Australia.

In addition, with film production moving more and more to the addition of digital and special effects to the physical production, the ability for Australia to compete in this area can be a critical attribute which will lead a studio or production to do all production in Australia. The notion that the digital and visual effects expertise is here, can seriously make them think about moving all their production here.

***Consideration needs to be given to direct incentives, consistent with the Government's 12.5% rebate for international film production, which apply specifically to the effects, games and film post production industries.***

A final note on opportunities for growth. The Austrade Export Market Development Grant is a good incentive for marketing initiatives. It is, however, limited to the first eight years of entering new markets. It needs to be recognised that new markets for this industry relate to relationships with producers and film studios, each of which have new markets every day with every new production that comes on board. Due to our geographical location, it is expensive and time consuming marketing to producers offshore.

***It is recommended that the Austrade Export Market Development Grant eight year, new market limitation, be exempted for this industry.***

#### **4. The Current and Future Infrastructure Needs**

Clearly, this industry requires technologically advanced communications infrastructure. It requires high bandwidth requirements, which at times have quite low utilisation. The issue is that, whilst there is a relatively sophisticated network in place, at the moment there is the problem of taking that infrastructure to the door of the various providers. To date, only one service provider has been able to do that at a relatively low cost. In addition, pricing models for transfer of data can be impediments to efficient and competitive pricing internationally.

***We believe the Government needs to work closely with this industry, and the telecommunications industry to find a long term, financially viable, model for the provision of infrastructure to participants, and the variable use of high bandwidth.***

#### **5. Skills Required to Facilitate Future Growth**

The industry for special effects, electronic games and animation is a creative one, requiring specific craft skills. It is a creative process, which requires a continuing flow of work, training and new development in order for technicians to improve and create new and exciting products. It is not a craft that creators can start and stop at intervals, and still maintain the same level of creative technical expertise.

The majority of talent working in this area of the industry is a relatively young age. Due to the limited supply of talent, it is high cost. In an industry where labour can make up 70% of your costs, young people get paid highly (\$90-\$100k per year). This is due to a classic low supply and high demand scenario. At times there is a requirement to bring in specific talent from overseas due to the lack of appropriate skilled professionals in Australia.

Often incentives have come from state government via payroll tax based incentives for specific project developments. These are, however, ad hoc, and variable.

***There needs to be greater assistance in the training of new participants and technicians in the industry. This training needs to encompass public and private training initiatives. In addition, we believe Governments need to consider a coordinated, national approach to "On-The-Job training", which may include direct incentives.***

The skills required to compete successfully in these industries are constantly changing. As a consequence, Research and Development plays a crucial role in maintaining competitiveness. Currently, Research and Development incentives are tax based. In a climate where some parts of the industry are not performing well, a tax-based incentive can mean little.

***It is recommended that consideration be given to direct incentives for Research and Development, for initiatives which are recognisable as world first improvements.***

## **6. Effectiveness of Existing Linkages**

We believe these are better assessed by direct participants in these industries.

## **7. How Australia's capabilities, including education and training, can be best leveraged to maximise export and investment opportunities**

We believe the answer to this question lies in the comments made in the other sections of this report.

## **8. Changes to Government Support programs**

We have noted above a number of areas we believe the Government needs to consider to assist these industries to mature into long term viable industries. We note these briefly again in summary:

- ***We believe that the maintenance of domestic television content regulation is critical to assist in the continuance of the cultural, economic and social benefits that domestic production brings.***
- ***We believe the extension of the 12.5% tax credit rebate scheme to bundled tele-movies and television series is critical to maintaining a consistent flow of work for the industry, and to the continued provision of economic and social benefits that international production brings.***
- ***We believe the Government needs to work closely with these industries, and the telecommunications industry to find a long***

*term, financially viable, model for the provision of infrastructure to participants, and the variable use of high bandwidth.*

- *There needs to be greater assistance in the training of new participants and technicians in the industry. This training needs to encompass public and private training initiatives.*
- *Governments need to consider a coordinated, national approach to "On-The-Job training", which may include direct incentives.*
- *Consideration needs to be given to direct incentives, consistent with the Government's 12.5% rebate for international film production, which apply specifically to the effects, games and film post production industries.*
- *It is recommended that consideration be given to direct incentives for Research and Development, which are recognisable as world first improvements.*
- *It is recommended that the Austrade Export Market Development grant eight-year, new market limitation, be exempted for this industry.*

*In addition, as general comments;*

- *Working holiday visa holders should be limited in their ability to work in the audiovisual industry, as this deprives entry level participation in the industry by residents; and*
- *Federal and State Governments need to continue to support organisations such as the State Film offices, the Australian Film Commission and Ausfilm to ensure that all areas of film and television continue to mature and grow.*

**Fox Studios Australia**

**11 July 2003**

*after . 16 July 2002 .*

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