



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON COMMUNICATIONS,
INFORMATION TECHNOLOGY AND THE ARTS

**Reference: Future opportunities for Australia's film, animation, special effects and
electronic games industries**

FRIDAY, 25 JULY 2003

BUNDALL

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

Friday, 25 July 2003

Members: Mr Pyne (*Chair*), Mr Hatton (*Deputy Chair*), Mr Baldwin, Mr Ciobo, Ms Grierson, Mr Johnson, Mr Pearce, Mr Sercombe, Mr Tanner and Mr Ticehurst

Members in attendance: Mr Baldwin, Mr Ciobo, Mr Hatton, Mr Pyne and Mr Sercombe

Terms of reference for the inquiry:

To inquire into and report on:

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

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Committee met at 1.41 p.m.

GILES, Mr John Arthur, Consultant, Gold Coast City Council

GREW, Councillor Jan, Gold Coast City Council

PERRY, Mr Grayson, Manager, Economic Development, Gold Coast City Council

CHAIR—Ladies and gentlemen, I declare open this public hearing of 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. The inquiry arises from a request to the committee by the Minister for Communications, Information Technology and the Arts, Richard Alston. A public invitation was issued for written submissions, and so far more than 80 have been received. This is the second public hearing for this inquiry—the first was yesterday in Brisbane. I have pleasure in welcoming members of Queensland's film, animation, special effects and electronic games industries, members of the public and, of course, the witnesses who will appear before the committee today.

We do not require witnesses to give evidence under oath, but I advise you that these hearings are formal proceedings of the parliament. I remind all witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as contempt of parliament. I also remind you that the committee prefers to hear all of its evidence in public but, if you do wish to give any evidence in camera, you are welcome to request it and the committee will consider your request.

I call representatives of the Gold Coast City Council. It is a pleasure to have you here. Please take the opportunity now to amend or add to your submission and make any introductory remarks, then we will move to questions.

Councillor Grew—Gold Coast City currently hosts one of the largest film production centres in Australia and an emerging new media industry. Already film and its related industries form a core component of the economic strategy for the city. The further development of film and digital based image creation industries provides major opportunities for the future and Gold Coast City welcomes the opportunity to contribute to this important inquiry. As preparation for our submission, council's economic development branch sponsored a number of workshops with representatives from the industry, the education and training sector and government. It is worth noting that this collaborative, cooperative approach has been a feature of the industry on the Gold Coast and one of its strengths. This morning you had the opportunity to become acquainted with some of the innovative and successful firms that make up this industry—from Warner Roadshow Studios, Cutting Edge Post and BEEPS to the Academy Award-winning John Cox's Creature Workshop. These firms are just the tip of the iceberg when it comes to the full range of industry members and the diversity of the sector.

The Gold Coast submission is based on the city's history and experience as a location primarily for foreign funded productions. Over the past decade more than 90 productions have been made entirely or substantially in this city. With combined budgets of more than \$1.4 billion and expenditure of more than \$650 million, they have accounted for about 75 per cent of total

film production expenditure in Queensland. The last decade has been a time of significant growth both for this city and for the industry. The spin-offs from the rapid development of the film industry include but are not limited to the generation of exports, the establishment of businesses, job creation and the development of skilled labour through courses offered by our supportive and entrepreneurial education and training institutions. Clearly our community has reaped considerable benefits from this industry's presence—from economic, cultural and social perspectives. However, if the industry does not attract ongoing and sustainable production, it will be at risk.

Gold Coast City Council is a very keen supporter of the digital content creation industry and sees particular growth opportunities in these areas—some on their own account and some linked with the film industry. The city's response to these opportunities has been focused, deliberate and active. Key initiatives undertaken to date include the incorporation of film and related industries as core economic targets in the city's economic development strategy; the creation of a film industry working party to advise council on the coordination and facilitation of film production in the city; the creation of the Gold Coast Region Information Technology Forum to advise on all ICT matters; close liaison with state agencies and the promotion of the Gold Coast as a film production location, achieved in part through attending film location expos and preparing a locations database for the city in collaboration with the Pacific Film and Television Commission; council's driving role in the development of a South East Queensland film locations protocol, designed to streamline and facilitate uniform film location protocols across our region; the encouragement of increased cultural awareness of the industry by developing and sponsoring the Gold Coast Film Fantastic film festival, due to be held in August this year, which includes a competitive component for local tertiary film students; sponsorship of a study that addresses the education and training needs of the industry, in particular the film and television skills centre project in conjunction with Robina State High School and the Department of Employment and Training; the development of the Pacific Innovation Corridor project to encourage increased broadband infrastructure access to the city, which facilitates digital content creation and the convergence that is occurring between industry sectors; collaboration with the Queensland government's Information Industries Bureau to support a Queensland games development cluster through the creation of a local node to support local games developers in the city; and membership of the Global Digital Cities Network alliance, an international group of cities that work together to advance creative and knowledge industries in their regions, and for whom the Gold Coast will host an international event in September this year.

The objective of these and other initiatives has been to develop the Gold Coast as a film friendly location—one where proactive policies facilitate the growth of film and related industries. Less than 15 years ago, there was virtually no film production in this city. Today this industry is a significant contributor to the state and national economies, resulting in substantial increases in employment, business investment and education and training responses. However, our dependence on international film production means ongoing economic contribution relies on Australia remaining competitive as a centre for film production. Clear vision and an effective partnership between industry and the three tiers of government are fundamental to the achievement of this crucial objective. The end goal of this partnership must be increased production outcomes that lead to further jobs growth and the resultant increased contribution to local, state and national economies. The drivers that encourage production, such as infrastructure, skills, scripts and locations, must be encouraged, and the factors that limit production, particularly Australia's international competitive position, must be addressed.

The committee's information paper noted as a matter requiring particular attention the need to foster the development of Australian content and coproductions. These are important issues, but equally important is the need to attract internationally funded production. It is a matter of deep concern to us that that is not included. Internationally funded production is different from domestic production and has different impacts, but its importance to this industry cannot be overstated. On 11 July the Pacific Film and Television Commission held an industry forum to address the recent severe downturn in film production in Queensland. More than 150 representatives unanimously passed a resolution calling for the federal government to extend to television production and feature movies the 12½ per cent tax rebate currently available to major feature films.

Gold Coast City can provide excellent locations and a film-friendly environment, but for Australia to remain an internationally competitive market requires federal government action, particularly in ensuring an internationally competitive tax environment for film and related industries; ensuring that this competitive tax environment applies to all sectors of the industry, not only to large-budget feature films; providing broadband infrastructure with access and costs that are internationally competitive, which will encourage greater depth and spin-off activities from productions that are already attracted to the city; encouraging focused skills development, particularly the meshing of formal training with critically important on-the-job training; ensuring closer links between education and training bodies and the industry, including assistance for vital on-the-job training; and updating the industry and occupational classification of the Australian Bureau of Statistics to provide a clearer definition of the measurement of digital convergent industries, such as games, visual effects and other digital image creation industries.

On behalf of Gold Coast City Council, the Film Industry Working Party and the creative industry stakeholders of the city, I thank you for the opportunity to address the committee. We look forward to the outcomes of this hearing—outcomes we trust will underpin the future success, sustainability and global competitiveness of an industry with unlimited potential. Thank you.

CHAIR—Thank you very much. Did Gold Coast City Council decide 15 years ago to seek to create an industry in film, special effects, animation and electronic games or did the industry organically grow in the Gold Coast and the city council decide it was worth getting involved with and encouraging?

Councillor Grew—The catalyst was probably the building of the studios.

CHAIR—Why did the studios build here in the first place?

Mr Perry—There was a state government arrangement with industry, with Dino De Laurentiis studios.

CHAIR—How long ago was that?

Mr Perry—That would have been in 1988.

Mr Giles—The decision was made in the late eighties. They opened in 1988 or 1989. Initially they were not very successful. Then Village Roadshow and Warner Bros. became involved. They

developed a strategy. Given the fact that Queensland did not have a strong base in domestic production, they by and large went out and created the industry to attract foreign productions to shoot in Australia. At that stage, Queensland had the only major facility. That was really the start of it. That character has continued, but the growth in the early days was very slow. It was a bit stop-start. Since about the mid-1990s it has really picked up and grown quite strongly. At that stage the Gold Coast City Council started to develop sophisticated economic development strategies, and film and related industries were perceived as having significant potential. This area was perceived to have a competitive advantage. That was the basis for that situation.

CHAIR—When you say that they were sophisticated economic development strategies, are you talking about financial support or things like infrastructure support? Do you provide direct financial incentives?

Mr Giles—Perhaps Grayson can speak to that.

Mr Perry—We do provide some financial assistance to the film industry, but the economic development strategy that the council is implementing is industry wide; it is not a strategy focused on individual firms. It is putting in place all those mechanisms that allow the industry to grow as a whole.

CHAIR—Could you give us some examples?

Mr Perry—We have assisted the film industry get to international events. We have taken stand space at international events and assisted those local firms get into those export markets.

Councillor Grew—We have provided funding for feasibility studies for things like film festivals and the current skills centre. That is very important because it often enables these things to get off the ground when perhaps they would not have been able to do that without support from council.

Mr Perry—It is also about putting a mechanism in place to allow people, if they do want to film in the region, to do that as easily as possible. In fact, we have led the way in terms of streamlining our film approval permits, processes, policies et cetera. Leading the charge, we have tried to encourage South-East Queensland to also take that up as a whole regional approach to filming in the region.

CHAIR—So you are trying to make it film friendly through licensing and things like that?

Councillor Grew—Indeed. The basis of the film protocol that has been prepared by PFTC in consultation with other councils was probably the work that Gold Coast City had already done to try to create a film-friendly city. We, along with PFTC, felt that it was important to encourage that film-friendly attitude across the whole of South-East Queensland.

Mr SERCOMBE—What is that protocol?

Councillor Grew—Every time a film is produced in a city, there are requirements by the city council relative to where you are going to film, the times you can film—all the things that relate to traffic issues and what you are able to do, depending on whether it is private or public land. It

is a substantial job for a locations manager to come to a city and get all those approvals sorted out. We have tried to streamline that for them.

Mr SERCOMBE—Thank you; I understand.

Mr Perry—We have also now included temporary structures for filming as part of our new planning scheme, which were not reflected in the old scheme, so that will make filming a lot easier in the city.

Mr HATTON—I will do a bit of local advertising—filming in paradise!

Councillor Grew—Thank you.

Mr HATTON—This is very clever: producing a cap with something that summarises the approach of the Gold Coast City Council and the kind of support they give to the film industry is pretty smart, because we will wear this all over Australia. Does that encapsulate your fundamental approach: that you are supporting what was a nascent but is a fundamental set of industries within this area and you are doing your best to push it forward?

Councillor Grew—Very much so. Some years ago when the two councils amalgamated neither council had an economic development branch. When we amalgamated we saw the need for our council to take that leap and look at economic development in the city. The film industry was identified very early on as one of those industries that would become very important to the city. That really does say it all: we do everything we can to make film production as easy as possible in the city. I believe that I am correct in saying that locations managers know that when they come to us we will do everything we can to assist them, and they can have it all when they come here.

Mr HATTON—Can you tell me of a bit more about the data aggregation work that you do on locations and the sets of information that you put together in order to try to bring that work into the area?

Mr Perry—We work very closely with the City Film and Television Commission. We also work very closely with state government organisations to be able to develop effective information for people who want to film in the region. As part of our broad strategy, we are very globally focused on attracting business, investment, production et cetera to the city. We have developed investment attraction information and filming information, such as how to film in the city, the best places to film and who to contact if they do want to film in the region. We cannot do it alone; it is really about working together with state and federal government organisations to do that properly. Does that answer your question?

Mr HATTON—A bit. One of the keys to the work that has been done in the mining area is that information that used to be buried in databases, which people basically were not given much access to, is now placed through Geoscience Australia on the world table. The work that has been done going back 100 years is on the table and available. People can then use that to work out whether or not to invest in particular mining projects or regions in Australia. Did you take that kind of approach of aggregating information to do the same type of thing? Did you, when trying to bring people from overseas, say that compared with Sydney or Melbourne as a filming

location this will give you a competitive advantage? There is a cost to it to the council, so you would need to work that out.

Mr Perry—We certainly have done that, and we have done that very closely with the PFTC to ensure that the information is uniform. We are sending the same message to people. Once again, it is coming back to the fact that local government cannot do it all and we certainly do need assistance from other organisations. So we have gleaned that information, and I suppose they are the competitive pieces of information that allow us to sell our city versus every other region across the world. We are not kidding ourselves here. It is an extremely competitive environment that we are operating in.

Mr HATTON—I will hazard a guess that part of the reason you have done what you have in the way that you have is the size of the council itself as an economic entity. You have been able to take initiatives that a city like Sydney, where we have much smaller council units, cannot. We do not see things of the behemoth size of the Brisbane or Gold Coast councils. Do you have the economic weight and depth to support this kind of intervention where others do not?

Councillor Grew—Yes, we do.

Mr Perry—We certainly do. We probably have the biggest economic development program in Australia. In fact, we allocate considerable resources to the business of economic development. Council has given us that imprimatur through an economic development strategy. In terms of film, in the whole creative industry or the IT/film area for the 2003-04 financial year we will probably allocate in excess of \$130,000 to industry development initiatives and, as part of our model, we would seek to ramp that up by effectively making one of our dollars \$3 or \$4 by including other industry and government partners.

Mr HATTON—In answer to the chair's questions in terms of the genesis of the film industry here, given that Melbourne and Sydney took the steps they did to establish film industries there in cooperation with certain elements of the industry, have the industries in the three major areas suffered from what we have suffered from in Australia for far too long—the problem of one state competing against another or others for business? It seems to have moderated recently, but I think the effect of that has been about \$5 billion worth of incentives being offered overseas to either countries or companies to go to one part of Australia rather than another. Has that emerged or been a problem for the council and industry here? If it was a problem, is it still? Or have you been relatively free of that?

Councillor Grew—I guess that we will always have the difficulty that we do not have a capital city CBD, so there are always going to be films like *Matrix* that cannot be made here and will need to be made in capital cities because we simply do not have the types of buildings required. Film is always going to be competitive. We will not only compete against Sydney and Melbourne; we will compete against Canada, Mexico and everywhere else in the world. That is why it is so very important for us to be able to offer tax incentives that will encourage people to come here. Quite frankly, with the effects that are available nowadays they can make something look like anything. It does not matter where they go. So they are going to go where it is attractive for them to be, where it is safe, where the environment is pleasant for them to work in, where the industry is up to the standard that they are going to require, where staff are going to be available and where post-production facilities are going to be available. We have all of those. We

are equal to anywhere in the world regarding the facilities we have for the film industry. Our message is that you can come here and do just about anything. We would like people in the film industry to have the incentives and to have the opportunity to come here.

Mr HATTON—But incentives are a really significant problem. Whatever sector of industry you look at, there is worldwide competition. We have seen it in the silicon industries, in commodities and in just about everything you can come across. If there is a bidding war in terms of incentives, that of itself creates a growing problem that can run out of control. I indicated that I thought that we had had across a range of industries a problem with interstate rivalry and costs. I think we have seen a recent example of that argument in what has happened with Australian tourism, and I do not think that has been to the benefit of the country. Is there interstate rivalry in this and are costs being borne? Or are people leaving the relative interstate sectors to themselves, and are you just concentrating on your own niche?

Mr Giles—At the end of the day, I think what we all want to do is attract production to Australia. In the Gold Coast context, a very significant part of our industry is internationally based. That production will be attracted based on where the facilities, the locations and the skill are available and so on. All of those factors and many more, together with incentives, will result in a decision being made. I suspect the issues of infrastructure, which is both studios, broadband, skill levels and so on, are much more important in the total decision making process. If you look at budgets of films, incentives are an important but actually a small element of the total budget. I think the answer is that it is an element. The more important element is that Australia has to be internationally competitive. That is much more important than the issue of any bidding wars between the states. In my experience, they do not tend to be all that important.

Mr HATTON—I take it from the answer so far—and we got closer to it at the end—that there has not been much in the past; that industry has been running its own race and that there has not been much cross-border dispute. It is where the bigger problem has emerged of a series of other locations and centres of opportunity for the film industry at large where the competitive pressures come into it.

Mr Giles—That is the much more significant issue. It is making sure Australia is competitive in terms of every stage of the pipeline and decision making. The issues of rivalry, if you like, between the states are very insignificant compared to that bigger picture issue.

Mr HATTON—In evidence presented to us and from discussion we have had so far, Australia has a 25 to 30 per cent window of opportunity in terms of its cost of production when compared to American cost of production. The argument that has been put is that that is why we are getting the work. We have got a problem with rates of exchange: as the rates of exchange go up, we become less competitive. But there is also the question of getting material out. I am very interested in the initiatives taken here by the industry and the council in relation to the FIBRE initiative. In your submission about broadband, you argued that the federal government should do more about making broadband more competitive and so on. You have taken an initiative here to make it cheaper. Can you tell me whether or not—I know there have been discussions with Telstra and Optus, and a deal has been struck for the industry—any attempt has been made to get the biggest company in Australia, Telstra, to become a more active player in providing support or undergirding infrastructure for the industries here on the Gold Coast rather than it pursuing

misadventures overseas and losing billions of dollars? How much has the industry tried to pull it in as a significant partner or player?

Mr Perry—Council's specific innovation corridor project is all about underpinning business and industry in the city with access to this type of infrastructure. We certainly have been talking to Telstra for many years about things such as last mile access. We have got a number of players in the industries—the PowerTels, the UEComs. There are a whole range of providers to telco in the city. It still is a significant issue across many bits of the city. Our Pacific Innovation Corridor project is about 10 key centres that run effectively the corridor of the city from Beenleigh to Coolangatta. Within those 10 precincts we have been working very hard with people like Telstra to get business and industry in those centres access in a cost-effective way to high-speed, low-cost telco infrastructure. It has been difficult.

The infrastructure is all there in the ground. I do not think we are wanting for infrastructure in the city. It is about accessing that infrastructure. Our industry colleagues, who will probably talk to you today, can elaborate on that. An example we have of that working in a city at the moment is Yatala. It is our advanced manufacturing precinct and it had a significant inability to access broadband. In very recent times, we have undertaken an aggregation model there. In fact, we have bundled companies together to get that demand a lot higher so that it is actually attractive to telcos to want to connect them, and that has now happened with Telstra. So perhaps some things are happening there which are changing it.

Mr BALDWIN—You have spoken about the threats offshore. Have you had any affiliation or joint directional push with operators in Sydney and Melbourne to present a united front in pursuing overseas markets?

Mr Perry—No, we have not. We have left it to our state government partners, such as PFTC, to undertake those measures. We are very much looking after our region. We are very happy to collaborate. We initially joined an organisation called Ausfilm to try to promote ourselves internationally. I believe that the way Ausfilm has structured itself for this coming financial year we will be unable to join that organisation. So we have undertaken to work a lot more closely with state government, through PFTC, to try to promote our region.

Mr BALDWIN—The reason I am going down that track is that it is a bit hard to do marketing—making sure you are in the face of the people who have the dollars to spend and looking to see whether there should be a specific office set up in Los Angeles for promotion—if all the players are not working together as a single unit in attracting business here. Too often I see players in industries being fiercely competitive with people on their own turf instead of looking to the outside areas and seeing those as the competition. They spend time knocking each other around on price points within Australia rather than looking at achieving access to offshore markets. What steps have you as a council taken with the industry that you have here to try, with other areas, to grow an assault on the offshore markets?

Mr Perry—We are very lucky in that we have the resources to be able to take our businesses into the international environment. For many years, for example, we did exhibit at locations in Los Angeles. In recent years we have taken the approach that we should work a lot more closely with PFTC to do that effectively so that we are not wasting our resources by separately doing these types of undertakings. Our program over the next 12 months is focused on getting

industries into international markets and assisting them. Rather than promoting the city and the industry as a whole by us, Gold Coast City Council, going and selling the message for the Gold Coast region, it is about actually sending local businesses into international markets and working with both state and federal government organisations to get those companies into international markets. Collaboration is, obviously, something that we would very willingly be a party to. We are not trying to do it alone.

Mr BALDWIN—The Commonwealth government is now pursuing free trade agreements with the US. Do you see these as having any effect on the film industry, gaming industry or special effects industry located in Australia?

Mr Giles—That is a very tough question because at this stage it is still a moving target. I think there are two dimensions to it, one of which is the degree to which there is a risk of overseas penetration of the Australian domestic market. That seems to me to have been the focus of most attention to date. The other aspect, though, is the other side of that coin: the degree to which we can penetrate overseas markets. I think this may have been behind your comment about the need for marketing overseas. We need to put as much effort, if you like, into making sure Australian product travels well overseas and is promoted well and marketed well overseas. That is equally as important, in my belief, as looking at the possible impacts of overseas product coming into Australia and competing here. We have to have a balanced view, and the way to achieve that, in part, is to have much more effective marketing of our products in the world. At the end of the day, Australia represents one or two per cent of world production and consumption. If we can have a small impact on the other 98 per cent of the market, the pay-offs may be much more significant than they would be from a focus, or an entire focus, on the one or two per cent here. That is a roundabout way of answering your question, but we really need to balance both sides.

Mr BALDWIN—The reason I asked that is we have had the people involved in locally financed and produced productions being concerned about free trade agreements and the effect of more product coming in, yet when we speak to people here, as we have done over the last two days, we find that all of the money and all of the product for them to work on has come from offshore regions and the amount of Australian locally grown product is very, very small. So I was after your view on it because if we go in one direction and tighten it up we may restrict the amount of work coming into Australia from offshore markets.

Mr Giles—I think the lesson that I have learnt about the growth of the industry here is that all the businesses you saw this morning and yesterday are internationally competitive: they all sell a significant proportion of their product overseas. The Australian market is not big enough to sustain them alone. They would not be here if they relied only on the Australian market, so they have to be at that level of international competitiveness to survive. That is, in a way, how our film products, in order to be competitive internationally, have also got to be internationally competitive and have to be the films that people want to go and see. So I think that is the lesson I would see out of that: the international competitiveness of our processes and our products.

Mr BALDWIN—I notice that your submission focuses heavily on the film industry, obviously because of the infrastructure that you have here. For how much time do you promote and push the electronic games industry? Is there much of a platform established with operators on the Gold Coast?

Mr Perry—We certainly do have a games industry here. We are working very closely with Brisbane City Council, in fact, to develop a games cluster in South-East Queensland. We certainly do have companies in the city who are in the games space. We are working with the universities who actually produce graduates in that games area. In fact, we are drawing upon our international connections in areas such as Korea, where there is heavy gaming, to try to develop international linkages which will use our local games developers and their skill sets. We are also trying to attract increased international collaboration in games development. We are currently working with a city in Korea and with Griffith University to try to develop an international project in that games area to really promote and highlight our games skill sets. I certainly think that over coming years that games area will only increase its capabilities in our particular city.

Mr Giles—One of the reasons why there is more focus in this submission on the film industry than on games, digital effects and all those sorts of things is that the data sets for the film industry are relatively good: there is plenty of information around that describes the industry, its characteristics et cetera. The data sets for games and related electronic types of products are relatively poor. That goes back to the very base levels of the way in which the Bureau of Statistics prepares its occupational and industrial classifications. These industries have grown so rapidly that the data sets have not been able to keep up to adequately capture them. I think there is a risk that, if we do not have good data, we will not have good analysis and if we do not have good analysis we will not have good policy. So I think there is a strong argument, given that the Bureau of Statistics is a direct Commonwealth responsibility, to ask it to look a bit more closely at both the occupation and industrial classification systems that they have to cover this really rapidly emerging sector. I know it is difficult for it because the sector is changing so much, but unless we do have good data about those industries we will be in strife.

Mr BALDWIN—Perhaps you could inform us of what Gold Coast City Council has done to pursue data in the local area and environment to see whether that industry is worth more promotion and more investment as a local area initiative.

Mr Perry—We undertake an annual survey program across our eight key industries, of which games, film and creative industries is one. So there is an annual survey program in place at an industry level and also there is an annual survey process in place for our specific innovation corridor centres. Over the next couple of years we really will see some data coming out of our region to underpin everything that we are trying to do in the city. It will in fact help tailor our program.

Mr BALDWIN—You have raised the 12½ per cent tax rebate being spread to the television and film industry. If that were achieved that would expand that, but what would that do to attract further major feature film industry to Australia?

Mr Giles—I think that level of assistance already exists for major feature films and is one of the reasons there has been quite a number of industry players attracted to Australia over the last little while since that policy has been in place. What we are seeing, though, is that while that sector of the industry is going very well the television production sector—products made for television—has dried up considerably. Given that that was one of the major bread-and-butter industries for the Gold Coast it is one of the reasons, as Jan mentioned, that there was a meeting a week or so ago attended by many people concerned about that aspect. I guess we are saying

that, if it is appropriate to have a policy for large feature films, we think it might be appropriate to have it for other sectors of the industry as well.

Mr BALDWIN—In discussions we have had, players in the industry are now saying that is not enough to attract the major films and that the major films are now looking at going back offshore to different markets. Where do we stop the dutch auction?

Mr Giles—From the resolution that was passed at the meeting of over 150 people on the Gold Coast a week or so ago, their view was that that would be adequate.

Mr CIOBO—I think it is fair to say that the Gold Coast City Council is probably one of the most proactive in terms of encouraging the development of industry. From our perspective, part of the successful development of any industry requires cooperation between all three tiers. How crucial is the size advantage that the Gold Coast City Council has over other councils that was raised—in particular I am thinking of the economic development unit—in terms of actually attracting investment to and growing the film industry? Where you have Melbourne or Sydney with a number of disparate councils that perhaps do not have the ability to do that, is there a methodology that the Gold Coast City Council has used that could be rolled out across the board?

Councillor Grew—The film locations protocol has been one of the issues that we have addressed. We are not just concerned with creating film production on the Gold Coast; we do look at our neighbours in Tweed and Logan and in other areas and believe that everybody should be working together to create production in our region. So we do try to take a broader view of that. I think that is one of the issues that we have been able to address where the smaller councils perhaps have not had those protocols in place. Because of the size of our council and our ability to do it, we had already come up with a protocol that was working very well and which we were happy to share.

Mr CIOBO—Is that something you had to develop off your own bat?

Councillor Grew—Yes, initially. But then, when PFTC decided they believed that the protocols should apply to South-East Queensland, we were able to contribute the work we had done.

Mr Perry—It is about having the resources to be able to make those types of policy decisions and to streamline processes. If you are a large enough council, you are really a one-stop shop for a very big region and you have a lot of different types of filming areas in that region rather than having to film in one particular region and then go over the border toward another local authority and then another local authority et cetera.

Councillor Grew—With a different set of rules and regulations.

Mr CIOBO—Regarding the development of expertise in the area, I presume you would have leant on, for example, PFTC, the Australian Film Finance Corporation, the Australian Film Commission and those types of things. Is the degree of interaction between council and those agencies strong or relatively low? Is there a way that we can copy and roll that out into other cities?

Mr Perry—It is a collaborative model. It is very strong at least between council and PFTC. We have a close relationship with some federal agencies, but certainly the PFTC relationship has helped, I think. Having significant film infrastructure in the region also helps because you are leveraging off that as well.

Councillor Grew—I think it helps that you are working all the time on film production. It is not just a once a year thing. Obviously, if you are at it all the time, you tend to have more expertise about how you are doing it. It is a learning process, too.

Mr CIOBO—You mentioned the games development cluster. We heard testimony yesterday about the Brisbane City Council purchasing Sony development packs, which are about \$50,000 each, to try to encourage games development. Is that something that the Gold Coast City Council is looking at? Is there an opportunity to weave that into the games development cluster?

Mr Perry—There certainly is. In terms of providing access to infrastructure for these games developers, it is something we have been working with Griffith University on to try and develop a games work space so that the young developers who perhaps do not have access to high-end equipment could come and use it for periods of time. Obviously it is a very costly exercise, and it is something we are still trying to work through at the moment. But, yes, definitely—I think that is a big opportunity.

Mr CIOBO—Is that an actual goal of the cluster? What is the cluster's actual focus; what are its objectives?

Mr Perry—It is about access to equipment and infrastructure; it is about access to contacts and networks that allow them to get their products that they may be working on into companies and markets et cetera. So it is about providing a whole range of facilitation services for these young guys. And we do that with Brisbane City Council, obviously.

Mr CIOBO—That is terrific. Councillor Grew, you mentioned the limiting factors and the promotional factors for Australia. You said Australia's international competitive position was a limit on production. I want to explore that further. Why is that? What in particular are you making reference to there? Is it the taxation arrangements or what?

Councillor Grew—We are under threat all the time from other locations around the world and in order for us to attract production here we need to be able to be competitive with everyone else. If we are not, as I said earlier, locations can be anywhere. When you look at a movie you could be in Mexico and believe you are somewhere else—it is that easy for them. In order for us to keep international production coming here we need to be competitive. When we talk about increasing the tax incentive to television, we are talking about television series, television movies, the movies of the week, bundled movies of the week. There are a lot of other things where people would come here and do these productions if they could get the incentive to do so. Otherwise they will simply go somewhere else; it is very easy for them to go somewhere else.

Mr CIOBO—We have effectively had a golden age of cinema though, haven't we? The past several years have been terrifically busy—

Councillor Grew—They have, but at the moment we are in a lull and encouraging more television production encourages a longer time period of shooting which gives our people here jobs. As John said when he talked about the 150 people at the meeting, those people were very worried. They were worried that they have not got a job at the moment and they saw that if we could increase the tax incentive that that may pick up the slack. They saw that, when we have a gap between these international movies, if we have an ongoing television production happening then they will still have jobs, they will be able to stay here. If we cannot train our people here, give them jobs to keep them here, then they will be forced to go somewhere else, and that is one of the critical things that this city cannot afford: we cannot lose the highly trained staff that we have here now, because we need to be able to offer crews to production companies when they come here and they are looking for staff. If we do not have them, they will go elsewhere.

Mr SERCOMBE—Councillor Grew, you and Mr Perry spoke about the Gold Coast Council supporting an exhibition—I presume it was in LA—of the advantages of the Gold Coast as a location. Are you able to quantify any outcomes for those allocations or are they just generic promotions that you believe are likely to have produced an improvement in the climate for location on the Gold Coast without a specific tangible outcome? Are you able to give us some tangible outcomes of that sort of activity?

Mr Perry—It has been hard to quantify that because we are not abreast of every activity that took place as a result of that. Certainly we viewed it as a repositioning exercise for the Gold Coast to promote our market and our capabilities et cetera. I suppose you would call it a broad marketing program. It has been very hard to bring about identifying tangible elements yet.

Mr SERCOMBE—When we talk about international film companies looking at a place like the Gold Coast, we are almost exclusively talking about US based companies with maybe a few British operators. Has there been an attempt to interest Bollywood for example in the Gold Coast or other film producers that perhaps are not quite flavour of the month?

Mr Giles—Yes, there has been. I guess the limiting factor is the US accounts for about 80 per cent of world production in terms of its dollar value.

Mr SERCOMBE—I would have thought India was a very substantial—

Mr Giles—Not in dollars; perhaps in numbers of production. India produces a lot of productions but their average value is not very high, so in terms of dollar value it is the US. There is an attempt, at every opportunity, to broaden the market. There have been productions undertaken in the Gold Coast and South-East Queensland from Germany, England and other parts of Europe, and there have certainly been visits from India. The other area that has received some attention is north Asia—Japan in particular.

CHAIR—Thank you very much for appearing this afternoon. We got a lot out of that. If we need to get in touch with you again, we will do so.

[2.31 p.m.]

LEE, Mr John, CEO, Cutting Edge Post

CHAIR—Welcome. Do you have any opening comments?

Mr Lee—Cutting Edge Post is, I believe, Australia's largest privately owned post-production facility. We employ close to 100 people full time and, last financial year, just over 200 people in a part-time capacity—which equates to close to 50 people full time. I would like to start by thanking the federal government for taking the time to make this inquiry into the industry. I commend the people who initiated it. I would also like to thank the committee for taking the time to come up here today to talk to the industry and to spend the extra time to look through the facilities. I think it is the first time I have had a federal MP through any of my facilities. Thank you very much for that.

I presented my submission about a month ago and it largely stands, but there are a couple of things that I would like to add as a result of a recent trip to the US. From my perspective, the inquiry is all about where the industry is and how it goes forward from here. I think that largely, as we have just heard, it really needs the support of the federal government to be able to do that. We have seen the level of success of Australians internationally, with Australian actors, cameramen and make-up artists winning various Logie and Oscar awards. We have also seen the results of the work of some of the support facilities—the post-production facilities and the various industries that support production—which have helped to make those people successful overseas. I think we have proven that we are an industry that is full of innovative people who think outside the square and are very passionate about what they want to produce and deliver. We are very proud of what we have delivered in an international arena.

I started as very much a one-man band. After I left a career of nearly 10 years in television, I started by myself and struggled initially. I thought that I would get a lot more work than I did, and I ended up doing weddings for a number of years, hiring my gear, filming anything that anyone wanted to pay me for: I got \$100 to film a funeral once, and I filmed fashion parades—you name it. I have been lucky enough to be successful in growing the business from there. By and large, I have grown it on the strength I think of my own hard work, my initiative and, coupled with that, the people who have worked for me. I have been supported with various grants in the past but they were fairly minimal in the overall extent of how we have been able to grow the business. I have been very proactive. I have had numerous trips to Asia. At one point, we had a division in Jakarta for about a year when we did two television series in conjunction with a company there. We did a lot of work out of KL in Malaysia before the downturn in the economy there and the riots in Asia. We have looked at Europe. We have done two feature films out of India. We spent a lot of energy, time and effort trying to attract work out of India at one stage.

By and large in recent times, we have found that our growth and the international potential for work have been out of the US. I have made 31 trips over there in the last seven years getting in amongst it—amongst all the studios and the various producers. I have gone looking at my opposition to see what they are providing and how they are doing things to try and go one step

better here. I have looked for every potential opportunity to promote my company but, not only that, largely when I am there, the hat I wear is Australian first, followed by Queensland second. Ultimately, if the work comes here, that promotion has given me a bit of a head start on the opportunity to get the work. I have been involved in Ausfilm since its inception and spent three years on the board of Ausfilm as well attending many functions and promotional activities—again, promoting Australia and to a lesser extent Queensland.

In recent times, I have seen that most of the people in this industry are innovative, they work very hard, they work long hours and they produce results that are truly of an international standard. I think where we are at now though is that the industry has grown globally. The world has seen the amount of runaway production work that comes out of the US—over \$3 billion year. It has seen the flow-on benefits of that work when it comes to countries, not only financially in the film and television industry itself but also the spin-off from that in industries such as tourism by big movies, like *Lord of the Rings*, promoting the country and the countryside. It is also an industry that is a glamour industry. Local people love to hear of stars that turn up to film their movies or to be part of a movie. They just love the buzz that surrounds a movie being shot in their area of the country, if it is big enough. It gives them a lot of satisfaction and a lot of personal pride. It is regarded as a clean industry and it has a lot of flow-on benefits.

In my trips to the US four or five years ago, there were really only three countries that I saw that were largely trying to compete for the runaway productions—they were Canada, the UK and Australia—whereas in recent times, we have seen a host of others come online. We saw Eastern Europe, particularly with Prague and to a lesser extent Turkey, and even Russia has tried to get in on the game. Ireland has also become competitive. Mexico is trying pretty hard and, in more recent times in this area of the world, New Zealand has become very competitive now with its release of incentive schemes—similar to Australia's, I am sure you are aware, with the addition of television bundled in there as well. South Africa has become very aggressive and has started to win a lot of work. In fact, four jobs in recent times were lost to Johannesburg that I think two years ago we would have been assured of winning in Australia. In more recent times, Fiji with its recent rebate incentives has attracted one large feature—*Anaconda 2*—which is to start shooting next week. I know from a recent trip to LA, only a few weeks ago, that there are a lot of producers watching, knowing the returns they will get off those incentives, to see if that is going to become another option for them to start filming.

So, while we are seeing the international work increase out of LA, we are also seeing the number of countries that want to get involved in doing that work increase exponentially, which is making it harder and harder for companies in Australia—as innovative as they are, as clever as they are and as capable as they are of delivering the product. Unfortunately, more and more it comes down to the dollar and how cheaply these people can get their films made. From their point of view, they are being driven harder and harder by the studios because there is less and less of a return or there is less money available, so they are having to find more and more innovative ways to make those productions.

One of the things, though, that I have heard is people talking about incentives as money being given back to the producers. I see that as a very wrong way of looking at it. Just about all if not all producers I have spoken to who have considered incentives given to them when they produce work automatically include them in the value of that production. Basically, they are putting that money straight back into the production and ultimately into the country where it is being made,

so it is not as though they are taking it as a bonus to put in their back pocket. They are putting it back into the production and in some cases enabling that production to happen and to be filmed in that country.

That is purely my way of seeing it—as well as what I have heard, having spoken to most of these producers. In summary, I am saying that companies in this country are at the point where their hands are tied. I do not believe we can be that much more clever or smart and deliver a higher standard or quality to attract the work. I think that, as a country, it is coming down to being as competitive as other countries and being able to offer incentives and ultimately earning the work as a result of a combination of those incentives and what we currently offer.

One other point, which earlier I mentioned I would talk about and which I was made aware of recently when I was last in LA, is that the incentives that this country and most countries offer by and large are actually production based—they tend to attract production work. My company is involved in post-production, and the promotions I have done, largely overseas, have been for the production to come here and, hopefully, for us to ultimately pick up the post-production work. In a recent discussion with a very senior executive at one of the studios in LA, he told me that for five large features they were doing the post-production in the UK. On further discussion, he said it was because the incentives package insisted that they did the post-production in the UK. Currently our incentive package does not insist on that. In fact, since feature film incentives have been offered, we have seen a lot of large feature films come here but do all their post-production work back in LA, which is great for production and great for the country—and I again commend the government for initially providing those incentives for feature productions; I think it was a great initiative. But in some ways it has been detrimental for my industry, because some of the spaces have been taken up by the features and there has not been a lot of post-production work out of it.

If we had incentives that not only included post-production but insisted on the post-production being done in this country, I think that that would be of huge benefit to our industry. I asked this particular US executive whether he thought that, in the case of a movie of the calibre of *Peter Pan* or *Scooby Doo*, had it been insisted that the post-production be done in Australia, it would have changed their opinion about coming here to shoot those films, and he said no. He felt that it would have been more difficult for them for individuals to be involved but that, at the end of the day, those productions would still have come—it would not have detracted from coming here. If the incentives were to insist on post-production as well as production being done here, that would obviously be of benefit to the post-production industry.

Mr CIOBO—Mr Lee, we spoke earlier today about what is happening in the industry in terms of the actual development of the industry and the fact that there are ebbs and flows. I think you mentioned that you are looking at relocating one of your main pieces of infrastructure. What has driven that?

Mr Lee—The downturn in work in Queensland. We have, as I said, a large infrastructure of people and equipment. We have now reached a point where we can no longer maintain the infrastructure and people that we currently have here. We made a decision today and made the announcement to our staff that we about to pull out a large piece of equipment—a telecine chain—and the associated equipment. We are going to relocate it in Sydney to try to expand our

footprint on the industry in Australia and to try to get a higher return on that equipment and the people who are working with it.

Mr CIOBO—Is that a case of relocation of focus, with a shift from Queensland to an increased focus on Sydney—as has perhaps been seen with *The Matrix*, *Star Wars* and those types of things—or is it a case of broadening your reach?

Mr Lee—It is really a business decision, as opposed to an industry decision. We need to get a certain amount of income on an annual basis, and I do not believe that the current workload up here will give us that over the next six to 12 months. I think we need to broaden our footprint to get that. It is not necessarily based on the fact that I think Sydney is likely to increase its workload any more than Queensland is. In fact, I think the industry down there is struggling as well. We know we are up against a bit of a battle down there, but any work that we get down there is work that we will not get up here and so will be an addition to our current income.

Mr CIOBO—Let me hark back to a previous life I had before I got into politics, when I was involved in consultancy. We always used to focus on what we would do at the end of a project and the fact that, for the nine or 12 months we were on contract, we knew that the day would come when that would finish and we would have a lull. Is there, perhaps, a need for increased focus on smoothing out the ebbs and the flows so that there are not those periods when all eight sound stages at Warner Bros are being used by the one movie and, as a consequence, everything else is turned away? Then, at the end of that project—and I am using this as a broad example—the industry finds itself suddenly looking to try to attract some kind of feature back in there. Is there a way in which the industry or some agency can better allocate the start and finish of movies so that there is more constancy or is it just a case of leaving it to the market?

Mr Lee—I think there is. That is a very good question. The industry is one which can, as you say, go in ebbs and flows and waves. But I think we saw a large smoothing out of it and almost continuous employment of most people when we had consistent television. I know my company grew largely on the television side of the industry. That, predominantly, gives a great starting and training ground for people. We have delivered over 700 episodes of television to the US over the last six or seven years through series like *Pacific Drive*, *Tales of the South Seas*, *Flipper*, *Beastmaster* and *Lost World*. That gave us fairly consistent work flow. When you do a television series, particularly if it goes into a second and third series, you can get two and three years of consistent work out of it. The ebbs and flows can normally be fitted in around that. You can bring in freelance people—people from down south or other local people in the industry—or grow people more quickly through your own organisations to facilitate that work.

You really need both films and television, I have found, to be able to sustain a facility like, for example, the one I have, where I have a large, permanent base of employees. We have seen television go; that happened about 18 months ago. It seemed to coincide with the time when the 12½ per cent incentive was given to feature films and not to television—although I do not believe it was solely because of that; I think there were other factors that came into it. We had in this country at that stage four large US television series: *Beastmaster*, *Lost World*, *Farscape* and *Ponderosa* out of Melbourne.

We did have others in the pipeline. For instance, we did the pilot for a television series called *Spartacus*. That series is currently being shot in Prague. I actually know the people who are

doing the visual effects on that show out of the US. Disney Channel had previously done four television movies here in a row. They were very happy with Australia. About that same time, they took one television movie and then the series of *Power Rangers* to New Zealand. When I spoke to the executive in charge of that in LA, Di Guterud, she said, 'It came down to price, John. You guys were not competitive. I am sorry; I love Australia.'

Mr BALDWIN—By how much?

Mr Lee—She said about 20 per cent at the time. I think the dollars were different, and various other factors came into it. I can hit the nail straight on the head with those two, but there are several others, as I said earlier. There were four things in South Africa. We had done a lot of preliminary work for a television movie for Columbia TriStar through Denis Brown and Chris Fredgan. They had promised us that it was looking very promising to come to Australia, and then at the eleventh hour it went to South Africa. Fox Television had another one that went to South Africa. Initially they were looking at Australia as well. I have seen that when the 12½ per cent rebate for features came in coincidentally aligned with the time that a lot of other countries were getting competitive and were offering incentives. We have seen the work that I believe prior to that period would have definitely come to Australia go to all sorts of other countries. Even *Anaconda 2*, in its very early stages, was looking at Australia as one of the options as well. I suppose if I sat here long enough I could think of several more.

With regard to Coote/Hayes, on my last trip to LA I had lunch with Greg Coote. He told of a television pilot that was done in Canada. They were not solely involved with it; it was with Icon. They had done the budget initially to do it in Australia, and they could do it for \$100,000 less in Canada. I have had many discussions with people who are supporters of Australia and supporters of Queensland who would have loved to have brought projects here in the last couple of years and have just seen them fall away one after another, largely because we are just not competitive as a country anymore.

Mr BALDWIN—Firstly, thank you for your hospitality and for taking time out to show us your facilities in Brisbane and the Gold Coast. You have stated that you are moving one of your units to Sydney. Do you see the industry as being footloose? Is the next generation taking your equipment to Fiji or South Africa in pursuit of work?

Mr Lee—We have done that. One of the areas of our company is what we call Avid Rental. These are offline edit suites that are effectively computer based. We have located those all over the world in the past, and many times in Los Angeles. The industry can be a little bit like that. Starting from production, you can shoot a film in Mexico that is meant to look maybe not like Mexico; it looks like London. You could shoot a film in Australia that you can make look like anywhere in the world. Equipment to some degree can be like that as well. The particular equipment we are relocating to Sydney is not normally like that. In most cases, the people who buy it would leave it. There is a large support infrastructure around it. There is a very large amount of wiring that needs to go with it. The main unit is not that transportable. I would not want to be moving it around too much. So, no, it is not a transportable part of equipment or part of the industry normally.

Mr BALDWIN—I will simply put to you: what do you need to be internationally competitive? You can just say three dot points. What do you need to happen to get more work occurring in Australia?

Mr Lee—There is one big dot point, which is that the 12½ per cent rebate needs to include television. As I said, it is great that it was in features, and we have seen a lot more features, but it needs to be included in television. The second dot point is probably connectivity: six or seven years ago we were the first in the world to internationally telestream dailies from one country to another. That was for the television show *Beastmaster*. From feedback we have had, I believe we have been the largest user of data in this country for three or four years, with up to seven different productions having stuff on a daily basis streamed both to the US and to a number of other countries—even to a number of locations in the US. I think that because of the cost of connectivity we are still only seeing the bigger budget productions that can afford the level of connectivity that they need—when I say the level, I mean the quality. You can still do it cost effectively at a very low quality, but often that is not a quality acceptable for producers or executives to view.

Driven more by the Canadians, we are seeing a higher level again or connectivity being more interactive. You can have a situation where you have the post-production process happening in Canada and you have a duplicate room—this is the case now—in Los Angeles where the client is sitting and feeling involved because he is seeing the same material, he is talking to the people and on another screen he has a teleconferencing view of those people. I have sat in those rooms, and within two or three minutes you feel like you are sitting in the same room in Canada.

Mr BALDWIN—When we visited your facilities, you raised the cost of actually getting it out of your place—the pipe width and the fact that it is not affordable. There is also a cost in downloading when the people are based in the USA. How can we have an effect over their cost of receiving the information?

Mr Lee—As I understand it from the last survey I did—admittedly it was a couple of years ago—the whole process in LA was about a 10th of the cost of what we were paying here. When I compared data line rates in LA two years ago, they were about a 10th of what they were here. Their downloading costs were fairly insignificant in view of their total outgoings on a production, for instance. Even comparing it to, say, the price of couriers, it was more our costs at this end that were significant. Having said that, at times the Americans can be a bit slow to cotton on to doing things or to wanting to change. A lot of them still want to go through a third party company to have them deliver it on, say, a format like VHS. We data stream it into a facility and they put it on a VHS and send it to the executive. That then suddenly becomes very costly and, I think, has shadowed it in the past at the Los Angeles end.

We are now seeing the studios becoming much more equipped with various networking facilities and, in the case of *Peter Pan*, we set up a system known as Media.net, where on a daily basis we were streaming the material that we were transferring for them—say, an hour's worth of material. It was being piped onto a server in the US. Because of the speed of our line we are able to transfer into a server in the US an hour's worth of material in about 10 minutes at a very high quality. The three major studios—Universal, Disney and Revolution—all had high-speed lines into their facilities. They then transferred that from their central servers into executives'

PCs. So in the morning an executive could come in and hit play, and those dailies would play at a high-quality level directly out of that server located in Los Angeles.

That is quite an expensive service as opposed to the services that had previously been available, which have been a little more cumbersome. But that is the level it is coming to. Now I am feeling, in talking to executives over there, that being able to easily access material as quickly as that is lessening the burden of having to come to Australia. We have seen things like, for instance, someone having to be quickly recast during production. We have seen situations where there have been two or three people cast here in Australia, and within half an hour or 45 minutes an executive on the ground here and an executive in LA are looking at the same tape and talking about the people because they have seen them. We are able to get stuff over there that quickly and cost effectively that it just bridges that gap for people to be able to make pretty quick decisions. These are all the sorts of things that you need the data line for. It is not just your dailies. The list of things it can be used for just goes on and on.

Mr BALDWIN—I picked up on your note about tying post-production in as a part of the 12½ per cent; that warrants, as far as I am concerned, further review as part of our policy. Thank you very much.

Mr HATTON—This is very interesting evidence. I might point out as a correction: luckily, we are a parliamentary committee. This is not government generated; this is generated by us as members of the House of Representatives. We came up with the idea and we wanted to pursue this inquiry because of our own interest. We could have had more boring inquiries that were suggested by other people, but this is one we put together ourselves.

CHAIR—Present company excepted, of course. Nobody has ever suggested a boring inquiry on this committee, have they?

Mr HATTON—No, not on our committee. But it is because of our interest that we realise the position of not only the film industry but also the electronic games industry and the animation industry. In my case, it is because I have a nephew who is a graphic artist and has become a storyboardist. I have seen his experiences over the last 10 or 15 years and have realised just how important these industries have become, the potential for us, and the problematic nature of a range of difficulties which need to be surmounted over time.

I am interested in some areas where there are probably gates closing off—Hong Kong, China and South America, for instance, because of language and cultural problems or India because of the nature of their language subsets and culture. There is an immense film industry in India, but I imagine that most of their stuff is done by them.

Mr Lee—I am happy to talk about India if you like; I have spent a lot of time there.

Mr HATTON—I see a series of potentials for Australia, across a range of areas, from a Southern Hemisphere point of view—cooperating with South Africa and through South America to get into the European market and all the Spanish-speaking market. So far, we have not done all that much. Are there a range of possibilities there? Have they been explored or are we essentially dealing with just an excess from American production areas?

Mr Lee—If I understand you correctly, you are asking if there is an opportunity for us to go into other markets as well as America. I believe Europe is starting to open up and we are starting to see the potential—particularly out of the UK—more and more with coproductions; although in some ways that has not been as beneficial to the post-production industry. What has happened, as I have seen on most coproductions, is that 30 per cent of the budget has to be spent in the UK. The biggest savings are in production, which are in this country, so production happens here and the only thing that is portable is post, and they go back to the UK and do it. So that has not been advantageous to us there, but we are continuing to explore that as a company. I have actually got some people over there in a couple of weeks.

I can think of one advantage. There was one period when we did a number of reality shows—nine big reality shows, including the three *Big Brother* shows—and we have done a number out of the UK. Initially they were looking at bringing a lot of their own equipment, infrastructure and people to Australia for one of those shows, and we were able to convince them that we were more than capable of delivering—which we actually did. So that was another opportunity.

We are probably on the cheaper end of what we would regard as a cultured or civilised country as opposed to a Third World country—I do not know what the right word is. When you start getting into Asia, you are competing against very cheap labour rates and a different system of operating which are very hard for us to compete with. Also, in recent times we have seen a global downturn in the industry. That has affected Asia, and this country to a lesser extent, and it has affected a lot of the manufacturers. There has been a huge slump in the price of equipment and, as a result, operators that once could not afford to buy the equipment have gone out and bought it. For instance, I mentioned we were in Jakarta five years ago. At that time there were no high-end post facilities with telecines et cetera. There are now two. They both cropped up in the last 18 months. KL is another area that has expanded. We are seeing China come online and we are seeing high-end post facilities start to go into there. It is being driven because they can now buy the equipment because the manufacturers are struggling to sell. We are seeing pretty big downturns in the outputs of these companies. Phillips is one of the biggest manufacturers of equipment for this industry. I heard recently that their work force is working a three-day week now. These are the sorts of things that are affecting them as well, so they are providing equipment.

So these countries are gearing up with the same level of equipment and, to some degree, are bringing in some fairly senior operators. I recently got a phone call from India from someone I met on one of my trips there asking me for a reference for a very senior operator who used to work for me. He told me the level of equipment that he was buying and putting in, and the guy that he was putting in was an extremely good guy who worked for us at one stage. You would not have seen that level four or five years ago. So it is becoming less of an option because of the infrastructures over there. There is always the potential to drag it out because of creativity or some other factor—maybe a relationship you have developed. Sometimes it can come down to a personal interest—the person wants to come here for a while. There is always potential to bring some work here, but not to the degree that you could develop an industry that is based on commercial reasons to continually want to come here.

One of my partners has made three trips to Japan in the last 12 months, and he believes he can bring some work out of there, but you would not base your regular income on it. It is ultimately something that would supplement your bread-and-butter work. I think places like New Zealand

and South Africa, which are now becoming our competitors, are as competitive as we are, obviously because the work is going there. I cannot see us really trying to attract work out of those places.

Mr HATTON—How much of a barrier is language? The Spanish-speaking market goes through South America, into Spain and then worldwide—even in terms of America itself. By 2050 more than 50 per cent of the population in America will be Hispanic speaking. Have we penetrated that market at all or is the language barrier significant enough to keep us out and keep that a European and South American show or is the volume of work just not there to interest us?

Mr Lee—It is just the volume of work. We have seen a global change in the industry. There is the 9-11 problem. Take it a step back. I have heard that for as much as 85 per cent of the money spent globally on the English-speaking film and television world the decisions are made out of LA. You talked about Bollywood making a thousand films a year. But their average budget is \$1 million. Hollywood makes 300 films a year, and their average budget is \$US50 million. Then you have television on top of that. The world has become more Americanised with the television that it is watching, and you are seeing bigger and bigger shows.

America is very much the source of income for a lot of the people who work in this industry globally. What happened was that a couple of years ago there was a pending SAG strike in the US. All the major studios and networks stockpiled a whole lot of material. The strike did not happen, but they kept it in reserve. You then had 9-11, the disaster after which I believe there were 26 days of live-to-air television by all the major free-to-air networks in the US, commercial free—26 days of no commercials. You are talking about billions of dollars of revenue, which pays for new television series to be made. On top of that, there was the huge injection of very low-cost reality television. On one of my trips about a year ago, I was told by someone senior that there were currently 56 reality shows either on air or in preproduction in the US at that time. That detracts again from the huge amounts of potential drama production—

Mr SERCOMBE—It is frightening at a number of levels!

Mr Lee—It is a bit of an indictment of society, isn't it? So there are a number of factors that have come into play. But, at the other end, there is still work being done. There is still a lot of work—both television work and feature film work—coming out of the US. The figures last year increased from the previous year, from the report I read, by about seven per cent—some \$3.2 billion of runaway production. So the amount of runaway production is continuing to increase, despite all that. We are still capable of doing a lot of that work, and we are all trying very hard. We are getting over there, we are doing more trips, we are all spending our own time and money to try to promote ourselves and we are coming up with clever ideas to try to attract it.

But three or four years ago when I would go into a meeting with a senior executive in LA the concerns were more about what studio space was available, what crews were available, who you were, what work you had done and what you could do. The first question they ask you when you walk in now is: what incentive packages have you got? The corner has been turned. Where there were decisions being creatively made or made for other reasons, it really seems to depend largely now on the dollar.

Mr HATTON—Given the imperial nature of the industry—the fact that it is dominated by America—the moves towards globalisation now seem to be coming into this industry, led by America. They are looking for cost cutting. In allowing all the rest of these countries to compete for that work—it is on a cost basis—it is like most other industries we have seen and is seeking that lower cost base. In terms of IP, like other directors and that sort of thing—and my director, the chair, is winding me up—

Mr Lee—Does that happen in your code? I did not realise!

Mr HATTON—In terms of what the Americans have been most successful at—and I am indebted to the secretary of the committee, as I think some \$400 billion of intellectual property rights are tied up in the United States—they have been extremely good at pinching IP from Australia and from other countries in a range of other industries and not allowing IP developed here, for instance, where Australia has been the manufacturing area, to be taken into the United States. You actually have to have it manufactured there. They almost strip-mine you before you get into the place. I think with Metal Storm we are seeing another example of a brilliant Australian product with massive earning capacity being knocked around to the point that they will eventually take it over and then utilise the IP to create a vast industry in ballistics. Does that happen in your industry or is it a lot more subtle than their other practices?

Mr Lee—I can only give you my personal opinion. As I said, we very much operate as a service industry and we do not really need to get involved in anything that is IP. We create a product on a screen, and they make us sign in blood on about 300 pages of contract that gives them total ownership of everything. From that point of view, that is what we do see. We do not get that opportunity to own any of our own American product; they seem to own the copyright of that. To go further, the only thing we could really do to try to avoid that is to continue to develop our own product to a higher level. I think that, ultimately, by owning our own films—and every now and again we get one that is hugely successful—we could claim that is similar to IP because it is our own ownership and our film, and we could continue to develop our own industry. I think the two industries do work hand in hand. The only way I would see that we would counteract that is by developing that side of it.

If you are talking from an electronic point of view, we are doing a bit of R&D on five industry based products which we hope to sell internationally. We have already had a lot of support with one of those products. When we finish it and start delivering it, we are hoping that we can sell a lot of it through the US and Europe. Does that answer your question?

Mr HATTON—It answers my question. I would like to treat that as a penultimate and go to the ultimate, but I think I might stop there.

Mr SERCOMBE—One aspect of film that, not surprisingly from one point of view, the committee has not had any submissions on is X-rated film. I understand that that is not an unknown aspect of the industry on the Gold Coast or in other parts of the country. One would hardly separate out the Gold Coast in that respect, but I understand the industry is present here. I am wondering what you might be able to tell us about how that component of film fits into the industry broadly. Is there in fact crossover, sharing of postproduction activities and the like or does it operate as a quite a distinct and separately structured entity of film?

Mr Lee—My personal view is that it is very strongly a distinct and separate area of the industry. I was not even aware that it was a strong part of the industry down here. I personally do not—

Mr SERCOMBE—I do not know that it is strong. I understand there are production facilities on the coast.

Mr Lee—I do not know anyone who works in that area of the industry. We were approached once 12 or 15 years ago to be involved in postproduction of a particular movie—which we declined, even though they were paying top rate.

Mr SERCOMBE—Why did you decline?

Mr BALDWIN—Lack of incentives.

Mr Lee—No, the incentives were there as well. It was more to do with the stigma which I believe surrounds people who involve themselves in companies that do that level of work.

Mr SERCOMBE—From your experience it is a quite separate entity of the film industry.

Mr Lee—I believe there is a strong area in a certain part of LA that does do a lot of that. I cannot even tell you which area it is, but I have heard people talk about it at various functions. I think there is a country in Europe that does it a bit. But, by and large, I would not know exactly where it is. As I said, I have had nothing to do with it—and have no intention.

CHAIR—It is something of a subculture in the film industry.

Mr Lee—Yes. I believe that people have made very good money out of it and have been very successful from a business point of view. Yes, it is a subculture. That is my personal opinion; I have not explored it. I have not chosen to go in that direction at all.

Mr BALDWIN—There has been a lot of discussion from witnesses before this committee about the US industry. I am just wondering whether any of the offshore Japanese industry has come down here. I understand Japan has a fairly substantial movie industry.

Mr Lee—I do not know of any Japanese films here. Japanese commercials have come down here. We are currently trying to be more involved with those. To date we have done one fairly large commercial out of Japan. We have developed a lot of relationships up there with our troops. In relation to the film industry, we have spoken to people and people have come to see us and looked at doing production and postproduction of films. Some of my colleagues may be able to answer that better. As a company we have not been involved in any Japanese feature films.

Mr BALDWIN—Have you seen that as an opportunity to pursue in the same way that you have pursued the American film industry?

Mr Lee—Not largely about the feature film side of it because we have not heard of a lot of potential with it. We have heard more about the commercial side, so we have got involved over there. Two of my colleagues have been on three trips over there recently. We have tried very hard

to get some of that commercial work. We have not done a lot of research, but what little research we have done has been more by word of mouth on the feature film industry out of Japan. We have not heard of too many opportunities coming down. We did talk to people about one film and we did pursue it for about two years, to be honest, by continuing to talk to them. I cannot remember exactly the reasons why it did not come, but I remember thinking at the time that, for the amount of effort they had to put in, the price and what they were looking for, it just was not a viable option.

Mr BALDWIN—Finally, as a global figure, what sort of investment would your company have in capital, so that we can have an understanding of the size of the investment in the industry?

Mr Lee—At the initial purchase price of equipment—and this is going back five or six years—we have now reached over \$30 million worth of investment in equipment in our two facilities.

Mr HATTON—The chair has been entirely indulgent, so I will ask my ultimate question. During Australia's great days—the days of Ken G. Hall and Charles Chauvel—the films produced ground to a halt and the Americans took over, essentially because they controlled not just production but also distribution of the product to Australian cinemas. Our post-seventies renaissance in Australian film-making ground to a halt for other reasons. Is the key to this industry still worldwide distribution? Is that what gives them the dominance? Are there now, in the digital era, new avenues that we might be able to control in terms of distribution or is it likely, do you think, that it will be closed off by those with most control?

Mr Lee—That is a very good question. Again, I will answer it from my personal view. In the long term, potentially there could be a change in the climate. Let me answer the first part of the question. Distribution is a major part, but it is probably more a combination of the alignment that the studios have with production companies—first-look deals, affiliations with people who make films, films that they make themselves and the distribution outlets that they have—all the way through to deals that they have with the cinema complexes throughout the world. For instance, as I understand it, a certain distribution company might say to a certain distributor chain, 'Through the year, I will provide you with 10 A-class films, 20 B-class films and so many C-class films, and that will give you so many viewing days. They will be at this level and we will spend X amount of dollars on what is known as PNA'—which is prints and advertising.

Some films in that combination of production and distribution spend a lot of money on promoting and hyping those films. I remember once being at a dinner with the lady who was the producer of *Gone in 60 Seconds*. She was lamenting that they had spent \$US45 million on making the film and \$US55 million on promoting it. That is the level that they spent. The rest of the world cannot afford that. It really comes down to about six major groups of those combinations that control whatever percentage of the world it is—it would have to be right up there at 80 per cent or 90 per cent of the world, I would guess.

At the next level below that—and there is a huge gap—are what they call the independent films. They are the films that try hard to get into various distributors, and ultimately into theatres, but, because they do not have the money to spend on the promotion, they get deals that are worse. In fact, Australia has the worst return to a producer per film from the box office than

any other country in the world. On average only 30c of every dollar that is spent at the box office on a film actually goes back to the producer—or a combination of the producer and the people who are involved with the finances of the film—and the rest goes to the theatre itself. For those independent films it is a much harder road to be able to get their films distributed.

Often, even a good film has to go through the channel of going to film festivals and getting paid next to nothing or nothing—or in some cases they even pay to go to those film festivals to play their films—and then they are up against a hoard of others, and who sees them and how they rate. It is a very slow and long process. Occasionally a film will come through that will be very successful. We have seen some films in recent times do that. *Lantana* was a very successful film in this country, although it did not do that well overseas. I am sure that if I think about it there will be others that have come through over time. *Run Lola Run* is one that did very well.

The Internet has tended to globalise a lot of things, because no-one really owns the Internet and you can send stuff all around the place for free—as opposed to people like Mr Bill Gates, who is lucky enough to have a company whose product everybody wants or needs and who gets a percentage every time someone buys it. I think in some ways the film industry is like the Internet. When digital distribution eventually comes online, maybe that will change the playing field a little bit; I do not know. But at the moment I would say that, if you have a film, unless you get into bed with those people you are not going to reach that high-end level of return for your film and you are going to struggle through the independent route, which is what happens. In France they have a policy—I do not know if you are aware of it—whereby a percentage of every dollar spent at the box office goes back into their local film industry, so they have a huge reserve of capital which is provided to create their own independent film industry.

CHAIR—That is in France?

Mr Lee—Yes. So they effectively subsidise a lot of their own films. That works very successfully in France.

Mr HATTON—That is why their film industry has been able to be so substantial, then, for so long.

Mr Lee—Yes, exactly—they have a huge amount of money.

CHAIR—They get a percentage out of every ticket sold at the box office?

Mr Lee—I think it is some 10 per cent.

Mr CIOBO—No, it is 20 per cent.

Mr Lee—It is 20 per cent, is it?

Mr CIOBO—Yes.

Mr HATTON—I like that idea.

CHAIR—That is an enormous amount of money.

Mr Lee—Yes, it is.

CHAIR—Thank you very much for appearing this afternoon. We might get back to you if we need you again for any purpose in the inquiry—and thank you very much for looking after us in Brisbane.

Mr Lee—Thank you. Can I go or do you need to get back to me today?

CHAIR—No, you can go. Thank you.

Mr HATTON—We will put you on day release!

Mr Lee—Thank you very much again for your time.

CHAIR—Thank you.

[3.28 p.m.]

COOPER, Mr Stephen George, Managing Director, BEEPS Pty Ltd

CROXFORD, Ms Elle, Marketing Consultant, BEEPS Pty Ltd

CHAIR—I welcome the representatives of BEEPS Pty Ltd. We are finishing at 4.30 p.m., and I am leaving at 4.35 p.m. to get to my plane—and I am sure other members of the committee are as well—so we will hear from the last two witnesses for half an hour each. I ask committee members to keep their questions short and the witnesses their answers—not that I want to put any constrictions on them. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament and I would remind you that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. I would also remind you that we prefer to take evidence in public, but if you wish to give evidence in camera you can request it and we will consider your request. Would you like to make any introductory remarks?

Mr Cooper—Yes; we would like to summarise our submission, if that is okay.

CHAIR—That is fine.

Ms Croxford—BEEPS would like to take this opportunity to thank the committee for coming to visit the Gold Coast facility this morning and for its interest in these industry issues that are affecting the varied business sectors as well as individual companies competing globally in a very competitive environment. For the record, BEEPS is an internationally renowned full-service post-production and visual effects company with two facilities in Queensland—one based in Brisbane and the other based at the Warner Roadshow Studios on the Gold Coast.

There has been a lot of talk about issues that are affecting the film industry, but we at BEEPS would rather think of them as areas of opportunity. So in our presentation we will be addressing the terms of reference in very specific areas of opportunity—technical and creative. On the technical side, we see infrastructure, broadband, affordable connectivity and global competitiveness as areas of opportunity. On the creative side, we see education and training, research and development, people development and the ownership and retention of intellectual property as areas of opportunity.

We have in our submission made several recommendations in the technical area about new technology, about investment in projects, infrastructure and this industry sector and about education and training. We have made recommendations in the creative area about the development of and investment in this particular industry sector, about intellectual property and about collaboration not only within this industry sector but also between this industry and the other creative industry sectors involved in film, television, animation, visual effects and special effects. We have made recommendations about the marketing of this industry sector, including collaboration with the other industry sectors in marketing the Australian film industry as a whole. We have also made some comments and recommendations about incentives.

We see the development of clear strategies identifying areas for opportunity, growth and customised communication and information solutions as essential to the achievement of the goals laid out in our submission for the film, animation, special effects and electronic games industry sectors. It must be said, though, that we believe that no amount of marketing or attraction of production will be of benefit to Australia unless cost-effective infrastructure, education and training and highly skilled people are present to support the demand. We can all go out and promote Australia as the place to be and the place to do things but, if we do not have those foundations in place to support the demand, we are marketing something we cannot deliver.

Like most of the post-production houses in Australia, BEEPS's core business centres on TVCs—television commercials—both local and international, and the domestic long-form production. For over 25 years BEEPS has been a leading company in that industry sector, and we believe that it is in the areas of new technology, both visual effects and animation, the attraction of offshore production and creative development of projects with a visual effects and animation focus that most of the growth and opportunities exist. The opportunities for all industry sectors present themselves in the cost-effectiveness of acquisition of infrastructure, both hardware and software; broadband; the scale of needs—and it is not just about the scale of needs at present but about getting a strategy together and thinking about future directions, as driven by the needs of clients and the market; and connectivity and affordable access. It is not just the big end of town but all those companies that are affected by connectivity who need access to connectivity in order to be globally competitive. We find that the major concern is the affordability of those new technologies.

It is also through well-developed fundamental foundations that creative areas of the business are best served. Opportunities exist in areas of development and investment, particularly projects with a visual effects or animation focus; education and training—and this is a critical issue for this industry sector; research and development of software and commercialisation of the same; people, as having highly skilled people with a creative notion is a critical issue in this industry sector, and there is a global shortage of those types of people; and also the ownership of the idea, retaining that ownership and owning it. Another thing that has been raised in this afternoon's meeting is: how do we retain ownership and not have it go offshore? How do we retain the idea so that another country, another company or another region does not take that idea, commercialise it and capitalise on it when we should have done it ourselves?

The sustainability of the Australian industry's success is through embracing and developing new technology, and we believe that the key to this is making access to new technology and infrastructure cost effective; creating an environment for investment—and we are not talking about government handouts; we are actually talking about either angel network or venture capitalist companies actually seeing the potential, the growth and the long-term investment strategies that are available through this industry sector; and also developing people and keeping that development in terms of education and industry-relevant training. We think that only by continuous monitoring of the Australian industry in relation to market demands—and that is both here and overseas—and future needs and its competitors, both here in Australia and also globally, can we develop a model for action that is cost effective and can also be done in terms of the national interest.

We feel that the recommended actions that we have put in our submission could in fact expand and grow the technical and creative areas with profound results in growth and future opportunities for Australians and increased production—both domestic and offshore—and coproductions. We get to retain and grow our reputation of talent, skills and products that we develop. We see major financial benefits of production, employment and economic impact and we feel that creative development and control is one of those results. And we get to retain and develop the people—highly skilled collaborators who are renowned not only nationally but internationally—and we get to see what Australians have had a great track record for and that we would like to see more of: exports. But it is exports in terms of ideas, products and development rather than people. We would like to retain those people, retain the ownership.

We feel that, again, we would rather see these issues, issues that a lot of people have raised to do with this industry sector, as areas of opportunity and growth. We see it as important that all levels of government—local, state and federal—work with industry to actually make action happen. At the end of the day, we want to see things happen in Australia, owned by Australians, for the world to see what we are actually capable of.

Mr CIOBO—One of the issues that you mentioned in your submission was with respect to infrastructure. You spoke of Toronto and Sohonet's shared broadband network. I was wondering if you could expand on what that is.

Ms Croxford—Essentially what those networks have set up is a network of companies who have teamed together with telcos. So it has been private industry and the film industry. What they have essentially done is created a demand, an aggregation of usage. By pooling their resources, by bringing them all into one place, they have essentially made it cost effective for all those companies to actually benefit. So it does not matter whether it is The Mill, which is a high-end company, or it is one of the smaller, boutique companies in London, particularly with Sohonet. They all get to benefit from that aggregation.

Mr CIOBO—Is that a role that you would see government performing or is that something that you would see if you had a cluster of post-production facilities or whatever it might be in any particular area being coordinated by, for example, a council or alternatively being coordinated by an industry association?

Ms Croxford—It has been coordinated to a certain extent through FIBRE, who have been very active and who have been very kindly supported by the federal government, in terms of the initial funding to do the feasibility study. But there is also continued funding for the next financial year in terms of pushing through and dealing with the telcos—to become almost the middle person for all the post-production companies, visual effects companies and animation companies in Australia who then join them together to deal with the telcos to get the best deal back.

Mr HATTON—A facilitator.

Ms Croxford—A facilitator; exactly.

Mr CIOBO—And that model is working well?

Mr Cooper—It is fair to say that a lot of effort has been put into getting the model together. I will talk briefly about some of the problems that we perceive about that. In principle it is a very good concept and there is no reason why it cannot work eventually. I guess the problem that you have, when you look at our industry, is that the fibre technology that has been established to date is being utilised quite extensively by a number of different companies in different sectors and each industry has a different requirement in terms of bandwidth. In post production, because of the nature and the enormous size of the files that we are dealing with, the bandwidth requirements for us are considerably higher than they are for data. We are not sending data as such; we are sending images. The amount of data in one single frame is quite extensive when you compare it to just sending raw data as such. Whilst they have certainly been successful in negotiating with the service providers to get the rates down, those rates are realistically still way too high for companies such as ours, given the amount of usage. The amount of data that we want to stream out is considerable.

Ms Croxford—And that is done in peaks and flows as the production happens.

Mr Cooper—It is interesting, because we have done quite a bit of research into this recently on the basis of a new facility that we have just built on the Gold Coast. The longer the negotiations go on, the lower the rate is getting. I think we are getting there slowly and they are beginning to understand, I believe, what our usages will be. That is part of being competitive with the international market. It is a very important part of us being competitive internationally. I think that we will continue to work that through and we will have some success. The problem that we have in the short term is that it is just not happening quickly enough. We would like to fast-track that if there were a possibility of doing that, because at the moment we are running into some problems with communications with some of our international clients and we feel that we need to solve those problems relatively quickly if we are going to continue to do business with them.

Ms Croxford—There is something that we probably did not touch on during your site visit this morning. BEEPS has had quite a deal of success in working on visual effects that have been shot nowhere near Australia. So, in terms of connectivity, affordability of access and transferring data, and being able to do that quickly and efficiently, a core part of our businesses is starting to depend on that quite heavily. We are doing visual effects for the BBC and there is a need to send large amounts of images to London. We see that as a real growth opportunity for our company and also for the industry sector. It does not matter where those people are sitting in a dark room working away on their visual effects. We see potential and growth in that area of the industry, in bringing back. So, if we had those infrastructure things in place, we as an industry sector could actually go out and promote Australia, saying, 'Look, you may not film here, but, in terms of bringing visual effect and post production back to Australia, we can help you.' You end up filling in those ebbs and flows. They may not be filming here—we may not have a lot of Australian production happening here at the moment—but, in terms of several of those industry sectors, we can then go out and start bringing business back. While it is not exactly production here, it is being post produced here.

Mr HATTON—I want to run down some of the same lines. You and others have spoken about the problem of continuity of work and the difficulty of trying to infill those points where you just have not got demand. There have been suggestions about what might happen in regard to television and so on, and they are entirely outside our terms of reference. Can I ask about

something else that you have been dealing with now—that is, the importance of bandwidth and particularly bandwidth out of Australia to where the product is going? How much are you using now? We have got the Internet and Internet capacity. Scientific institutions have been building Internet to much larger capacity pipes and so on. Are you part way between that? Are you still back in the first Internet bunch? Do you think you will be able to get into the scientific capacity area or are you bigger and bolder?

Ms Croxford—Or could we tap into that?

Mr Cooper—I will answer that question in two ways. Firstly, it is fair to say that 90 per cent of our usage at the moment is down at the fundamental, basic level of consumer Internet capabilities. That is largely due to the fact that when we communicate with these people we are communicating with them personally. For example, when we undertake a project for the BBC, we do not stream material to a central server within the BBC; we give people access essentially to our web site and from that they download the work that we are doing, review it and give us feedback. That is, I would suggest, between 70 and 90 per cent of the usage currently.

That is the problem as I see it, in terms of being able to expand our business opportunities within those markets. When you consider that a company is working at an international level delivering high-quality visual effects that cannot be done in the UK—they probably can be done in the UK, it is fair to say, but certainly economically we are miles ahead of them—we believe that we need to now look at ways of streaming that material to them, firstly, at a better resolution, a better quality and, secondly, faster. In doing that, we have to essentially set up an infrastructure at the other end as well. At the moment, we have a reasonable infrastructure here. Certainly, we have access to more bandwidth than we are currently using. However, if we use the larger bandwidth here, we have also got to get connectivity at the other end, and that is where the cost considerations come in. So that is part of the problem we are trying to deal with at the moment. That is obviously the advantage of setting up strategic alliances with companies like Sohonet and using them as a service provider to potentially set up those resources for us.

We are able to send images across maximising the bandwidth that is available to us and we certainly do that. That generally happens as we get towards the end of a project and we are delivering either a broadcast resolution or certainly a resolution for what we would call a final approval. In that case, we have an affiliate post-production company within that market which we would stream the material to and they have a capacity to download it. That gets delivered from that company to our client at the BBC.

Mr HATTON—So at the early stages, the draft stages, you are using relatively low resolution.

Mr Cooper—Yes.

Mr HATTON—I imagine that you are compressing?

Mr Cooper—Yes, we are.

Mr HATTON—So you are compressing to MPEG-4, DivX or some other standard?

Mr Cooper—Yes. It is even MPEG-3 or MPEG-2 if we can get away with it.

Mr HATTON—At this stage, using MPEG-2 would probably be fairly normal, given that the standardisation of MPEG-4 is only very recent. That has not really worked its way even into your industry?

Mr Cooper—No. We actually do not do a lot of MPEG compressions. Most of our compressions are done by QuickTime, so we use a method—

Mr HATTON—If it is QuickTime, then it is MPEG-4 or a variant of it.

Mr Cooper—Yes. In the early stages of dealing with a company, we will determine what their capacity is to download. If they say, ‘Our capacity is to download a file which is a maximum of 20 meg,’ then the amount of compression that we add to the files will vary. Generally, from our experience, an individual producer with access to broadband will not want file sizes any larger than, say, 10 meg. That really limits the quality of the image you are sending through, particularly if you are working on a sequence that is a minute long, and that does often happen.

Mr HATTON—You would have seen over the last few years the improvement in the QuickTime protocol as it has developed, because that is based on MPEG-4. As you are getting to the end of the process, do you send uncompressed material, or are you still using compression and is it lossless compression and what is the basis?

Mr Cooper—No. As we get closer to the end of the project, we will send it through a product that is compressed but at a very low compression ratio. It may be as low as three or four to one. But the final delivery is still done via delivery of a digital format tape, so we are still using an international courier at the end of the day to ship the final product to them.

Mr HATTON—Is that because of the problem that you still have to compress, even though it is only a low rate of compression?

Mr Cooper—Yes. There is not enough bandwidth for us to be able to send it uncompressed.

Mr HATTON—Most of what you deal with is moving image. Do you use any still images? Given that moving images are based on still image, do you have any still image base to what you send? Have you used JPEG2000 for that?

Mr Cooper—Yes, we do. Let us say we are working on a 30-second sequence. We will send them a 30-second compressed movie, and we will then send them maybe five or six uncompressed still frames so they can use those to adjudicate on things like colour and resolution and, if we are doing retouching work, they need to be able to look at the retouch and make sure it has addressed the issues that they may have had. So, yes, we use a combination of movie and stills.

Mr HATTON—Are you using compression in those stills?

Mr Cooper—No, they are uncompressed.

Mr HATTON—They are entirely uncompressed?

Mr Cooper—Yes.

Mr HATTON—Has the industry at all moved to using JPEG2000 as a standard when you have to compress stills, or is that not relevant to you?

Mr Cooper—That is a technical issue that, to be honest, I cannot really answer for you.

Mr HATTON—You have spoken about the IP, and I have asked questions about the IP. There is one particular area and it is primarily in stills but it also goes to other acquisitions that Microsoft has made. Very early on, there was a development of the fractal algorithm for compression. Bill Gates utilised that in the first major acquisition that he had, because this was well before JPEG was developed strongly enough, I suppose. Using this fractal compression, you are able to get a lossless compression of the original and pull that back up as good as the original—because it was completely lossless—but it took a lot of computing power and time to actually digitise it in the first place. What are your problems with digitising and doing that fast enough? Are you able to do it all in real time, or have you still got that problem of a lag in time? In terms of what you have developed and other people have developed, has the capacity to use fractal algorithms and so on been locked away or have they been important to you? That may not be relevant to you because it may be a still image question rather than moving.

Mr Cooper—In fairness, it is not relative to moving imagery. Let us, for example, say we had a 30-second uncompressed clip. We are not able to compress that, ship that with a compression tool for them to uncompress it and bring it back to the resolution that it originated at. That is not possible to do. Obviously, if we could do that, we would be doing that. That technology does not currently exist, to my knowledge. If it does, I am sure we would know about it because everyone would be using it.

Mr HATTON—You are still using a lot of 35 millimetre. Is one of the key reasons for that the silver halide nature of 35 millimetre, that it has a warmth that digital does not?

Mr Cooper—We have been in post production for nearly 25 years. When we first commenced, it was film and film only, so we have grown up with film. We believe that there is an aesthetic quality to film. In many instances, people will look at a really well shot piece of video that has been acquired completely digitally and suggest that that is as good as film. If you are a traditionalist and you have been using film most of your life, you understand the sensitivities of film—and it is to do with how the contrast areas hold up and what it does with things like peak whites.

There are a number of technical issues, but, when you compare the two formats side by side, there is no doubt that at this stage film still holds the upper hand. As to whether that will change in the future, I am of the opinion that, yes, it will always continue to get better. It has been improving considerably over the last three years. I am still not convinced, though, that it will ever take over from film. I believe that film will be around for many years yet. As an acquisition format, it is still the best format in which to acquire for the potential of archiving in the future.

Mr HATTON—You made this point in discussion this morning, and I would like to get it on the record: the fact that it is your view that in the future you cannot effectively improve on anything shot digitally now, whereas the stuff shot in 35 millimetre, not only now but previously—even degraded material shot previously—can be brought back and repurposed fully as a digital product at any point in time.

Mr Cooper—The point that I made, and it is quite valid, is that, historically, if I went back—and I can only base this on history—to an image that had been acquired digitally on a video tape format and if that image had also been five years ago on film, if I took both of those products and said, ‘I want to bring them up to best digital version that I can get of those images now; which would be the better?’ then film would be the better by far, because you have the flexibility of being able to put that film onto a scanner and scanning at a much higher resolution than you could have five years ago. You would have more colour depth and you would be able to have more control over the image. With video, it is very hard to upres what you actually capture in that digital format to a better resolution. I am not saying you could not get a better result out of it—you certainly could—but it would not be anywhere near as good as the film version when you compare the two.

Mr BALDWIN—When you take the film image, you scan it, you digitally enhance it and then put it back to film, that resolution is still the maximum you can get for that piece of film. So in a few years time when we are at a different level of resolution, how will the film that you have taken, digitally enhanced, be able to be worked up?

Mr Cooper—I can answer that for you. When we scan film at the moment, we are scanning it, generally speaking, at a maximum resolution of what we call 2K—2K is more or less the industry standard for scanning film, manipulating it in a digital format and then going back to film. There are some companies that work in a higher resolution than 2K—you can actually get 4K scanners. Currently we are using 2K. The fact of the matter is that eventually they will bring out 8K scanners, so the actual capability of the technology that is being used to scan that film digitally is what is enabling us to improve the actual picture quality—if that makes sense.

Mr BALDWIN—But when you put it back to the film—the dots that you put on the film—the laser or whatever it is that you use to put it back to film from the digital can put only put it back at a certain level.

Mr Cooper—That is right. If we scan it at 2K, we can only put it back at 2K.

Mr BALDWIN—As you said, something that is on video now only has a certain resolution. That means that in the future you are only going to be able to work at the 2K resolution you have now.

Mr Cooper—Yes, but if we wanted to upres it in the future, we would go back to the original 2K film. So the film that we scanned in the first instance at 2K—

Mr BALDWIN—Which is not enhanced?

Mr Cooper—Exactly. With the material that has been manipulated digitally and enhanced, yes, you are correct: what you end up with is what you are going to end up with for the future.

CHAIR—I have a question. I have been generous to my colleagues today because of the time, but I do have a question. In your submission and again today, you said that there was no point in attracting product to Australia for production unless there were the highly skilled people here to be able to produce it. But elsewhere we have heard that the Australian skills are second to none around the world, that the people are more creative than Americans and that they can lend their hand to almost any aspect of the industry. So is it really a problem that there are not enough highly skilled people in Australia to be able to produce?

Mr Cooper—Yes, it is. There is no doubt—and I do not disagree with those people who have made submissions prior to me—that there are a number of very skilled people here in Australia. In fact, the skill level overall of the people who are trained and qualified to work in this industry is equal to anywhere else in the world.

I will give you an example of a project that we recently worked on, to demonstrate our point. We recently submitted, via two very capable men, a submission on a visual effects sequence for a Disney film. We had to create a photorealistic kangaroo, and it was one of the first of its kind that had been done in the industry. We did a test for that based on two people that we had working with us who were very capable, and we submitted that. They accepted our submission, were delighted with the results and subsequently awarded us the contract to do the work. Once the contract came on board we then had to acquire another 12 individuals. Some of them were Australian based—they were not Queensland based, but they were Australians—but five of those people were from offshore. The five people that we acquired from offshore were working at the highest level.

Yes, we do have lots of very skilled people here in this country but we certainly do not have enough to cater for a major American production. If, for example, the government saw their way clear to expand to the 12½ per cent rebate into television and that market came back with a degree of momentum that would generate enough work to keep all of us busy for a year or two, I would dispute that we would not have enough trained experts—and I am talking post production only—to be able to handle that work at the level it needed to be handled in order to deliver excellent results across the board. I firmly believe that is the case.

We have seen continually, over the last 10 years in particular, a drain of experts from our company. This is one of the reasons we need to attract international business such as American films to Australia. If you take a young fellow who wants to be a computer animator, and he goes through art college and he gets all the training he needs he will then come to a company such as ours. Sadly, we cannot offer many of them an opportunity but, hopefully, if he presents an outstanding case to us, we will employ him either on an internship or a traineeship and we will develop his skills and bring him along to a level where we think he is very capable. Once he gets to that level he will start producing work of a reasonably high quality—for example, for the BBC on the documentary work that we do.

But ultimately his dream and his vision—and they all have it—is to work on a feature film; they want on the *Lord of the Rings*, they want to work on *Harry Potter*, they want to work on *The Matrix*. If those projects do not exist within our environment they are not going to stay with us; they go. In fact, I lost an animator three weeks ago who had been with me for eight years. He had worked on the Disney film for us and did a fantastic job, really enjoyed the experience and wanted to know where the next film was coming from. There was not one so he has now been

employed by Los Angeles based company Digital Domain and he is working over there. That is going to happen more and more. It is a bit of a catch-22 in a way: yes, we have to train them and we have to have the experts here but then we have to have the projects here as well, because if they are not getting good projects to work on they will not stay here.

Mr BALDWIN—You raised the educational aspect of it; do you have much interaction with the universities and the courses that they are running, seeking what you want from trained people from their degrees?

Mr Cooper—No, we do not. Yes we have some interaction with them but certainly nowhere near as much as we would like to. I do not believe that will happen easily. I actually guest lecturer at the Bond University but I, sadly, only get there once or twice a year at best. I talk about what our expectations are from the people that they are training, what sorts of skill sets we want them to acquire. And we talk to the lecturers on a regular basis about the sorts of things that we are looking for and we encourage them to visit our facilities. But it is very little; it is certainly nowhere near enough, nowhere near as much as should be done, in my opinion.

CHAIR—Thank you very much for seeing us today at your premises and also for appearing this afternoon. If we need to speak to you again we will be in touch with you.

[4.05 p.m.]

MOLLOY, Professor Emeritus Bruce Michael, Professor and Director, Centre for Film, Television and Screen Based Media, Bond University

TAN, Dr Clarence N. W., Associate Dean, School of Information Technology, Bond University

CHAIR—Welcome. Although the committee does not require witnesses to give evidence under oath, I advise you that these hearings are formal proceedings of the parliament. I remind all witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as contempt of parliament. I also remind you that the committee prefers to hear all of its evidence in public, but if you would like to give any evidence in camera you are welcome to request to do so and the committee will consider your request. Would you like to make any opening remarks?

Prof. Molloy—Yes. Bond University's stake in this inquiry is to do with education and convergent media. Bond is a multicultural university, with approximately half its 3,000 students being from countries other than Australia. Of these students, around 130 are undertaking either the two-year bachelor's program in film and television production or the one-year master's program. Roughly 70 of these students are Australians. I will speak briefly about the film and television aspects, then Clarence will talk about the electronic games industry.

Bond's film and television program is production based and outcome driven. The nature of the film and television industry is such that there is always a degree of cynicism in it about academic training, especially university training, for such a highly technical and often experience based occupation. The Bond program aims to overcome such concerns in three ways. Firstly, there is a strong production emphasis that ensures that graduates have a very substantial portfolio of show material. Secondly, there is the use of adjunct staff drawn from industry who work with academic staff in developing and teaching programs. Thirdly, there is an internship program, where students are placed in positions on actual productions in mentored situations. The Bond film and television program is very successful financially, earning around \$3 million a year in student fees and about another \$1.5 million from educational productions that are sold overseas.

My main points are as follows. Firstly, the long-term health of film and television depends upon a pool of skilled labour, and universities and other educational institutions must contribute to such a pool. That pool will help to anchor the industry and stop it being footloose, to use Mr Baldwin's term. Secondly, ongoing production is the key element, providing bridging and transitional mechanisms, helping students move from educational environments to real-life employment environments. Thirdly, ensuring ongoing production requires a healthy production industry, especially a television production industry, where there is continuity of employment and a capacity for taking numbers of trainees. The internship and training opportunities in television are much more long-term than in film projects, which tend to be, by their nature, highly intensive but shorter. What I think is needed to enhance opportunities for film and television production in Australia and to encourage the educational opportunities associated with that are appropriate locations for television production—and I contend that one of those would

be the Gold Coast, as I think the record shows. As somebody pointed out, the industry has developed here over a period of about 15 years without any real incentives being provided initially. This industry has come here because of the innate attractions the Gold Coast possesses. Regional production also ensures that Australian production reflects the true nature of Australia, not just the metropolitan nature of Australia.

How would one give these incentives? The 12½ per cent post-production rebate has been mentioned by almost everybody, and I will mention it too. It would certainly be a big help if it were appended to television production. I also think we need incentives to encourage productions to take on interns and trainees—preferably, some proportion of the budget of the program should be devoted to training purposes. However, as has been pointed out, even a small percentage of additional cost will discourage overseas productions from coming to Australia, so we have to find some way of helping those productions fund those internship programs. Those internship programs should extend to all aspects of the production process, not just actual production but also pre and post production, including marketing, distribution and exhibition.

Dr Tan—As well as my role at Bond University I am chair of the Australian Computer Society on the Gold Coast. I believe that especially on the Gold Coast there is a niche area for Australia to excel in the game technology area, especially wireless games. Bond University's IT school has grown by 300 per cent in the last three years, and we have seen a number of companies that are associated with the university succeed—basically graduates of Bond who have gone out and developed successful ICT companies, a lot of them in the wireless area. I believe that capitalising on the entertainment industry and the film industry and moving to the next step of providing wireless entertainment—both wireless through broadband and wireless through medium and narrow band—would be a niche area for us to get into. Bond's IT school itself is looking at expanding into this area, both by attracting students into it and by attracting industries to work with.

We need incentive from the government to allow these local companies to grow organically as opposed to bringing in huge multinational corporations that come into the research park—for example, the one we have at Bond. And we had Compaq, which was Digital before, and when they merged with HP they decided to shut down the whole industry. We were left with a lot of very high quality staff who enjoyed the lifestyle on the Gold Coast and hence decided to live here. There is a natural incentive for people coming to the Gold Coast and living here. I am an example: I have worked and lived in New York, LA and Hong Kong, and have settled on the Gold Coast for the last 10 years. I think there is a natural tendency for people to come here, but the thing is that we need more incentive to enable the infrastructure as well as incentive for getting the businesses to work with the industry and with the government.

In the mobile wireless area I think there is basically already a game cluster here, as you have heard. Also, last week there was a meeting in Brisbane on setting up a wireless cluster. I see these two clusters intersecting. It is an area where I think there is a very good opportunity for us to provide training to people to produce entertainment, games, short clips, movies and so on for mobile devices and also for distribution. We talk about distribution here and the high cost of it. I believe that the future lies in the ease of distribution of entertainment clips to personal devices, as has happened in Japan and elsewhere in the world. In summary, we heard about the broadband issue—what we need is affordable and accessible infrastructure technology, even data centres

and so on for serving up all this entertainment and video data. We could probably do it for a fraction of the price in the US, and I would hate to see that stuff go overseas.

There was a case where the Indian companies were looking for backup of data services, basically because the Americans have a lot of their information services being hosted in India through Infosys and some of the bigger Indian companies. When they went out to tender for data centres, they actually went to Singapore, which was surprising because Singapore obviously does not have the cheapest data centres because of land and the fact that Singapore is a non-Muslim country surrounded by Muslim countries. You would think that for stability Australia would have been an ideal area. I think perhaps the government could carry out studies on providing incentives for data centres to be set up here to support both the film industry and the ICT industry.

Mr SERCOMBE—Professor Molloy, over lunch there was some discussion with the BEEPS people on the question of internships, and the term referred to was ‘seat’, I think. When people start talking about seats, politicians get interested, I suppose! But I think you were talking about something quite different. Could you amplify that issue?

Prof. Molloy—The problem Steve Cooper was talking about was the fact that a seat in a post-production house refers to a workstation with a high concentration of both hardware and software, and in his operation a seat would cost between \$100,000 and \$150,000. So we cannot afford to have a seat occupied by somebody who was not earning some of that money back.

Mr SERCOMBE—An intern.

Prof. Molloy—The problem with internships to a large extent is that it is a costly operation for the company which takes the intern.

Mr SERCOMBE—How does that cost to the company arise in the circumstances that you were suggesting? What practical solutions are there to the issue?

Prof. Molloy—If you look at the credits of any Hollywood film, you will see at the end there is a whole series of training attachments. If you sit through the credits; they often run almost as long as the film. These training attachments are people who have been placed on that production and paid for by either a levy on the production company or some other funding. In Australia, we do not have such an operation; we do not have such a procedure. When internships occur, they are either paid for by someone like the PFTC—a state training agency—or they are done by the goodwill of the production company, which is unfortunately how most of Bond’s internships come about.

We had, say, 11 people working on *Big Brother* as interns. They were earning a small salary but they were actually helping the production company. That was for the first series of *Big Brother*. These people were contributing to *Big Brother*, but in order to have that happen *Big Brother* had to send in training teams to bring into the university the technology they would have to learn to use and the people who could teach them how to use it before the internship started. So there is always a cost involved, either on the job or before the job starts, in bringing interns up to speed with the equipment that they will encounter on a real-life production, as distinct

from the sort of equipment they will encounter in most university settings, which will never be cutting edge equipment.

Mr SERCOMBE—Is this an insurmountable problem?

Prof. Molloy—No, it is not an insurmountable problem. There are a number of solutions to it. One is to find some way of paying companies to take interns and paying for the time and technology which is involved in employing those interns.

Mr SERCOMBE—It is pretty expensive.

Prof. Molloy—It could be very expensive.

Mr BALDWIN—Are you a full-fee university? Is that correct?

Prof. Molloy—Yes. We are a full-fee university, for most of our students.

Mr BALDWIN—So if you wanted access to their facilities, and they were paying, wouldn't that just be a fee you would log on top of the cost of that university course?

Prof. Molloy—That is what one would logically expect. However, the university has not proved enthusiastic about paying other people to take interns up to this point in time, though it is on the books at the moment. In fact, our interns in the past have been taken as goodwill gestures by the industry—a contribution back into the industry. But you are quite right.

Mr HATTON—We heard a little bit just previously about how the French were willing to place a levy on tickets. Do you think that is a good idea? Do you know much about their experience?

Prof. Molloy—I can tell you about the Australian experience. There have been two attempts in Australia to do it.

Mr HATTON—Can you tell me about that?

Prof. Molloy—Yes. Back in 1927, the Marks commission in New South Wales investigated an attempt to place a subsidy on tickets for the Australian industry. It was very strongly resisted by the Australian film industry to the extent that they brought down one particular government. Also, they came up with devices—and I am not saying this would happen now—to, shall we say, subvert the whole process.

Mr HATTON—It may sound like a good tactic for us!

Prof. Molloy—That was by putting on Australian films at nine o'clock in the morning, say, or at odd times. Nobody wanted to see these films, because there were no audiences for them. So it has been tried in Australia. It has been tried in England by the Eadie commission after World War II. It was not successful there, for the same reason: the big Hollywood distribution companies just refused to supply new product.

Mr HATTON—That is exactly the important point. In terms of what happened there—the Australian experience with the Marks commission and the result of the refusal of that—it was not all the people within the industry; it was the distributors. The distributors finally won. They finally took over all the outlets and destroyed our native industry because the price of that was to take their product—

Prof. Molloy—And bulk booking.

Mr HATTON—and the American product dominated.

Prof. Molloy—I think that is a little bit simplistic, but you are right. The French have a big advantage. They have this very distinct cultural identity, which they are very protective of. Therefore, the government is prepared to wear the cost of whatever unpopularity might be caused by a levy on cinema seats.

Mr HATTON—But what they are driving for is the retention of French language and culture—

Prof. Molloy—Sure.

Mr HATTON—and not just the French metropolitan idea but their idea of the imperial as a counterweight to American influence. I think that has been popular with the French, hasn't it?

Prof. Molloy—Yes. I think it has worked there, although I must say that even in France seven out of 10 popular films at any time will be American films. That is the worldwide trend.

Mr HATTON—Given that most of your emphasis is on production and feeding into the facilities that are here, do you have a view on those periods when we have been strongest in producing Australian content and trying to lever that onto the world market and the period we are in at the moment where we are dealing with the over-wash from elsewhere and are effectively doing piecework for the major player?

Prof. Molloy—Someone used an analogy before for the film industry that it was like drilling holes and looking for minerals: sometimes you hit and sometimes you miss, and you miss more often than you hit. Only two to four per cent of the Australian box office goes into Australian films, so it is probably unrealistic to expect that other nations are going to go and see Australian films at a higher rate. I suggest that we need to put more emphasis on marketing and the back-end financing of film than we do at the moment. Someone mentioned that \$US52.7 million is the average price of a US movie. The average price of an Australian movie is about \$A4 million, so there is going to be a vast difference in the production value. About half of that American cost is associated with marketing. They have much better distribution and marketing mechanisms set up than Australia can ever hope to have. I do not think that we can ever completely compete with American markets, but we have to try to identify those films that are going to be successful—after they are made, not before—and put our efforts into promoting them properly.

Mr HATTON—I do not know whether anyone else has brought up with you the issue of free trade negotiations. The question I asked about IP dovetails with the negotiations that are on at

the moment. The Americans are extraordinarily tough, and have been in virtually every industry. Do you have a view on what is transpiring there?

Prof. Molloy—My view is not unlike that of Mr Lee earlier: it is a very hard question to answer. There is no doubt that the Americans will want to extract more access. They resent Australian content regulations now. I was at the National Association of Television Program Executives conference in New Orleans in January. They are very deeply concerned in America about the declining overseas market for American television, and they will do whatever they can to bolster that market. I believe the free trade negotiations will be one of the mechanisms.

Mr BALDWIN—I understand that their limit on overseas programming is not taken up 100 per cent. The allocation is not taken up as it is today, with the current limits that are in there.

Prof. Molloy—Sorry, I do not quite understand the question.

Mr BALDWIN—You talk about Americans wanting further access. They are not accessing all that is available to them currently under the limits.

Prof. Molloy—I was not aware of that. I think it is true to say that Australian television programs in Australia are usually more popular than American programs, so there is a case for Australian programming quite apart from any cultural imperative.

Mr SERCOMBE—How significant has been the decline of American television programming elsewhere in the world? What do they see as the reasons for that?

Prof. Molloy—Based on what I heard in New Orleans, once upon a time America could rely on getting back from its programming the full cost and a profit in the American market and then selling it quite cheaply overseas. What is happening in many countries now is that, partly as a result of globalisation, there has been a decline in the number of networks and acquisition companies that will buy overseas television. Therefore there is a depression of the market price because there is not so much demand. This is impacting on the external export trade in American programming. It is still very lucrative. I think entertainment and media from the USA is the most lucrative export industry in the world, but it is apparently hurting them. That is all I can say about it really.

CHAIR—It is fair to say too that the Australian experience with United States television is peculiar in the world. For example, I was told in Sydney this week that we take twice as much American television in Australia than any other country in the world. The next one is Belgium, and they have half the American programs on their channels that we have.

Prof. Molloy—I was not aware of that, but that is quite possible.

CHAIR—Australia, without realising it, is the second biggest consumer of American television in the world behind America.

Prof. Molloy—Australia has always been per capita a very large consumer of American film and television.

Mr BALDWIN—Dr Tan, would you tell us a little bit about what Bond University is doing about training for the electronic games industry?

Dr Tan—At the moment we are trying to set up centres where we can cooperate with some of the members of the active wireless industry here like Bond Wireless and ActiveSky, a number of companies that do streaming of videos and so on. We are talking to the game cluster companies about the way in which we can do some research projects or get students to work on such projects to develop technology in order to enable those games to be ported onto phones and so on. We are also working with local schools, especially down at the Varsity Lakes research park area, where we are trying to get the students to work on small multimedia projects. Some may go into the more creative side and go into film and television. Others may actually go to the more technical side and into IT.

Mr BALDWIN—Are you having much interaction with companies like Krome in the electronic games industry?

Dr Tan—We are initiating talks with Krome and Auran and so on, but at the moment they are concentrating more on getting distribution into America and getting their games out. We have initiated talks but we have not actually consummated anything yet.

Mr BALDWIN—As a university, do you have access to the developers kits for the various gaming platforms?

Dr Tan—That is one of the reasons why we want to talk to some of those companies. For example, with Microsoft we are actually negotiating with them to try to develop applications for their smart phones, which they launched last month. In terms of game applications, one of the things that we are looking at is working with them and training our students by using their developers kit and so on. We managed to get Cisco's for the networking stuff and we hope to do the same with Microsoft and get them to give us the software and the facilities required to do the training.

Mr CIOBO—We heard evidence yesterday from the QCA that the government, rather than providing a little bit of money to a whole range of different training facilities, should provide a large pool of money to only a couple of top-end/high-end level training facilities in the creative arts. I am wondering what your thoughts are on that.

Prof. Molloy—I agree with that. The survey conducted by Mr Giles, who was speaking earlier, of education in film and television in Queensland indicates that there are 37 different film and television programs in Queensland. In Australia there are 30-odd universities that teach film and television, and they probably have multiple courses as well. I really think this is not a viable proposition, because there are a limited number of possibilities in the world for effective economic film and television industry locations. I think we should try to identify what they are in Australia and concentrate on those.

Mr CIOBO—So just back those?

Prof. Molloy—Yes.

Dr Tan—I agree. I think we need a concentration of the top-tail ones. That would branch off and feed off the smaller ones that are trying to come up anyway, so I think that is good.

CHAIR—Thank you very much for appearing this afternoon. We will be in touch with you again during the course of the inquiry if we need to get any more information. In closing this public hearing, I thank Hansard, Broadcasting and the secretariat and also the Gold Coast City Council, for hosting us here today, and the Queensland College of Art, for hosting us yesterday.

Resolved (on motion by **Mr Hatton**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 4.29 p.m.