



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**

THURSDAY, 28 AUGUST 2003

MELBOURNE

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

Thursday, 28 August 2003

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

Members in attendance: Mr Ciobo, 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.

WITNESSES

BISHOP, Mr Mark, Manager, ICT Industry Development, Multimedia Victoria, Department of Infrastructure, Victorian Government	27
DONOVAN, Mr Brian Frederick, Chief Executive Officer, IT Skills Hub.....	56
DOUGALL, Mr Charles Joseph, Associate, IT Skills Hub.....	56
ELLIOT, Mr Adam Benjamin, Writer, Director, Animator, Melodrama Pictures Pty Ltd	1
FLEMING, Mr John, Vice President, Screen Services Association of Victoria.....	13
GREENSHIELDS, Ms Suzanne, President, Screen Services Association of Victoria.....	13
HOLLANDS, Mr Michael, Company Owner and Creative Director, Act3 Animation.....	65
HULL, Professor Andrea Douglas, Director, Victorian College of the Arts.....	1
KIPER, Ms Debbie, Manager—Policy, Policy and Regional Access, Multimedia Victoria, Department of Infrastructure, Victorian Government	27
MACLAREN, Mr Hugh, Committee Member, Screen Services Association of Victoria	13
MUIR, Mr David George (Private capacity).....	49
PRICE, Mr David John, Lecturer, Visual Effects, and Post Production Co-ordinator, School of Film and Television, Victorian College of the Arts.....	1
ROBERTS, Mr Richard, Head, School of Production, Victorian College of the Arts	1
SABINE, Professor Jennifer, Head, School of Film and Television, Victorian College of the Arts	1
SCHWARZE, Mrs Kerri, Committee Member, Screen Services Association of Victoria.....	13
SDRAULIG, Ms Sandra, Chief Executive Officer, Film Victoria.....	35
SMITH, Professor Peter James, Head of School, School of Creative Media, RMIT University	41
SPARK VRAZOFSKI, Mrs Andrea, Lecturer in Animation, Victorian College of the Arts.....	1
STRAW, Mr Randall Lyn, Executive Director, Multimedia Victoria, Department of Infrastructure, Victorian Government	27
VERHOEVEN, Ms Deb, Senior Lecturer and Manager, AFI Research Centre, RMIT University.....	41

Committee met at 10.10 a.m.

ELLIOT, Mr Adam Benjamin, Writer, Director, Animator, Melodrama Pictures Pty Ltd

HULL, Professor Andrea Douglas, Director, Victorian College of the Arts

PRICE, Mr David John, Lecturer, Visual Effects, and Post Production Co-ordinator, School of Film and Television, Victorian College of the Arts

ROBERTS, Mr Richard, Head, School of Production, Victorian College of the Arts

SABINE, Professor Jennifer, Head, School of Film and Television, Victorian College of the Arts

SPARK VRAZOFSKI, Mrs Andrea, Lecturer in Animation, Victorian College of the Arts

CHAIR—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 by the Minister for Communications, Information Technology and the Arts, Richard Alston. A public invitation was issued by the committee for written submissions, and more than 90 have been received so far. This is the fifth public hearing of the inquiry.

The submissions and public hearings have presented consistent themes and clear suggestions for improving policy in this area. Issues that have already been identified include access to broadband, protection and creation of intellectual property, more aggressive international marketing of our film and games expertise and products, as well as more finely tuned education and training opportunities. This committee will examine all those issues and I am sure and hope that the recommendations that we make will be given full consideration by the government.

Our first witnesses today are from the Victorian College of the Arts. Welcome. Although the committee does not require you to give evidence under oath, I should advise you that the hearings are formal proceeding of the parliament and that the making of false or misleading statements may be regarded as a contempt of parliament—not that we expect you will be doing that. I also remind you that we like to take all our evidence in public, but if you wish to give evidence in camera you can request that and we will consider the request at the time.

Prof. Hull—Thank you. We are delighted you are here today and conducting your hearings in Melbourne at the VCA. The Film and Television School is Australia's oldest film school. It began as the Swinburne Film and Television School some 37 years ago and under the Dawkins reforms in the late eighties and early nineties it became part of the VCA. It has a fantastic track record in terms of the quality of its graduates and the contribution they make to both the national and international film world. The most important thing for our graduates, as for our graduates in other schools, is that we have a very strong pedagogical imperative, which is about supporting and nurturing the individual artist's voice. People come to us who have already exhibited great talent and a very strong notion of what it is they want to say. It is our job to support them to say that. That is why with all the films that our film school makes, and indeed the work that our art

school produces, you will never see the same thing twice. You will see work of astonishing originality and great depth in terms of virtuosity and technical competence.

One of the other things that is important about our film school is that the college is uniquely placed in its configuration in Australia—it is actually one of only three in the world that have all of the art forms taught on the one campus. In addition, it is right in the middle of the arts profession, and that is a rare feature. We have at the college a school of drama, a school of dance, a school of music, a school of art, a school of production and a school of film and television. It is possible, therefore, for students to start the kind of collaborations here that will go on to inform them in their professional life. Clearly, film is a wonderful example of a medium requiring many talents: composers from the music school, actors from the drama school, set designers—as you saw today with the *Wizard of Oz* set—who are graduates of the production school can all come together and start working in a kind of professional mode of delivery.

We are tremendously proud particularly of our animation strengths and our visual effects strengths. The animation department within the school has been going for some time. Animation, as I think I mentioned to you earlier in the film school, is the greatest growth industry in LA, for example. Animators are required for web site design, for computer graphics and for computer games. They are required for feature film industries and obviously for the huge number of animation industries. There are a huge number of animators employed in leisure parks and in advertising et cetera. So our animators are highly employable in the straight employment sense when they leave here, but they are often still running a parallel life where they are creating their own work and raising money for it and developing their next project.

One of the things that has been particularly significant for us is that Australian animators are highly regarded internationally. Like many Australian artists, they are regarded world wide for their tremendous hard work, their capacity to take risks and their wonderful ensemble strengths. They have a good sense of humour, they are irreverent, they can challenge the status quo and they are great creative and lateral thinkers. When I was visiting various animation studios in LA not so long ago—Rhythm and Hues being one of them—this was being constantly affirmed. The value of Australian creative talent in LA is significant. The big challenge for us in Australia—and it is one of things that I am sure you are addressing—is providing opportunities for them to stay in Australia. Many of them do stay, many of them are online to LA and many of them commute between LA and Melbourne. But nurturing that talent, which is an extraordinarily Australian phenomena, is a great challenge.

Prof. Sabine—Leading off from what Andrea said, the issue of content is incredibly important. Australia has had a history of developing great ideas but has not always been able to maximise those ideas for production or to get the value or financial benefit from those ideas. Some of this has happened within our area too, where we produce great content and the content is sometimes going offshore. Or, as is happening in the games industry at the moment, we are often taking offshore content and working on that so that we are not getting the financial value to this country.

One of the strengths of the VCA School of Film and Television is that we really push content creation. That is one of our strengths—that is the centre of our school. We work on a national basis. Thirty per cent of our students come from interstate so we are really able to pick the cream to come into our courses. We are training in narrative, in storytelling, in documentary, in visual

effects and in animation. But it is not as divided as that. For instance, we have redesigned our courses for next year and all students in the school will have an opportunity to walk in other fields' shoes, if you like, so that the narrative students will do some visual effects, the documentary people will have an opportunity to have some knowledge of animation. That is another thing that is very important in our industry: that people be multiskilled. The idea of people just training to be a specialist has long gone with the convergence of our industries. So content is really important, but also that people are multiskilled. At our school at the moment, everybody has to write and develop content, everybody has to direct or make a project and everybody has to edit.

One of the other wonderful things that is happening at the school next year is that we are starting a producers program. We are looking for people who will pick up content and create it into a saleable package and be able to develop that content. We are looking at taking our artists and combining them with people with people who have financial and development skills as well. Those producers will also be working on our student films. So, as Andrea said, the relationship between musicians, actors and production designers which already goes on will also be able to be linked up with producers and they will be able to have that development.

If I see a downside for the school it is our funding. The school actually lurches from crisis to crisis in terms of keeping ourselves equipped. In 1996 we did get a one-off grant to put digital equipment into the school. We had thought about closing down and becoming a mechanical museum if it had not happened because we had no digital equipment at all. In fact, David Price and I were negotiating with Avid to see whether we could buy one second-hand piece of editing equipment to be able to move the students into that realm.

We are a world-class film school. We are a member of CILECT, the international grouping of film schools. Last year we held the international congress of all those film schools here at the VCA. About 110 representatives from all around the world came here. The incredible quality of our graduates is acknowledged by our colleagues.

In some areas, particularly computers, 18 months is old. Some of our computers could be put in a museum as well. You really do need to be able to update software and computers regularly to be in the game. That is really an important problem for us here at the VCA.

Mr Price—The other major issue the school has in its content development at the moment is how we can address the new screen regime of standard-definition and high-definition television in 16 by nine. Most of the work we presented to you this morning and the equipment you saw as we walked around were funded from 1996. Our next big challenge is to actually teach our students the methodology in the industry of working with the widescreen ratio that we have introduced with both standard-definition and high-definition digital television. We have prepared several submissions regarding this but, as Jenny has indicated, one of the difficulties we have at all levels of the school is the uncertainty of funding from year to year to address what we see as base technology to be able to teach the methodology within the school whilst still maintaining that focus content.

As we went around Dr Brien indicated to me that a number of people have approached him with regard to content and I indicated to him, as Jenny has just indicated, that our school is centrally focused on content. All of the work is based around that content. Even in my visual

effects course my students write, direct and edit their own programs because they may not choose to do that again. In fact, Rose, whom you saw in the studio today, wants to be a broadcast designer but she believes that she now has a better understanding of the process because she has been through writing, directing, editing, working on the set and working with performers. The reason this school has been so successful with its graduates, we believe, is the generalist training we give. We try to provide at all levels the most professional tools that are appropriate for the task at hand, but centrally it comes back to the idea as being the main driving point of the school.

Mrs Spark Vrazofski—More than anything it is adding to the sense that animation and visual effects are growing, expanding and diverging. We need a sense of the technology to accompany this change and the support to spend the time and be able to train people in more specific areas that are catering for all areas of the industry. I would reiterate the fact that animation has now broadened the boundaries and become so much more a part of all our content across the board from television to film to digital content to computer content.

Mr Elliot—I can talk only about wanting to stay in Australia and be a claymator. I get constant offers from overseas to go and work, especially from Aardman Animation, who do all the big feature claymations—*Chicken Run*, *Wallace and Gromit*.

CHAIR—Why are they called claymations?

Mr Elliot—Because everything is plasticine or clay or tangible medium. Everything I do is hands on. We make all our characters from plasticine. Aardman have a five-picture deal with DreamWorks, which is Spielberg's company, in LA to make five more feature films out of plasticine. That deal is worth \$360 million.

CHAIR—Is that all!

Mr Elliot—And they are sacking all the claymators from around the world. So I could get on a plane tomorrow, go and live in Bristol for the next 10 years and never have to come back here.

CHAIR—Why does Spielberg do his claymation in Bristol?

Mr Elliot—That is the home of claymation. That is where it originated.

Mrs Spark Vrazofski—That particular style seemed to emerge out of there 15 years ago from that particular company—Aardman—that set up there.

CHAIR—So Spielberg uses them to do it?

Mr Elliot—He puts money into there. He also makes computer animated feature films in Hollywood. *Sinbad* was the last one; *Antz* was another. They do all of those sorts of things. But I want to stay here. The No. 1 reason is lifestyle but No. 2 is that I see a real opportunity to expand what I do here. We could do something here like what they are doing in Bristol and bring money here from America, instead of the money going to Bristol from America. We have animators here who are in the same boat as I am and who would prefer to stay here. We just need time and investment, I suppose, at the end of the day.

Mrs Spark Vrazofski—The other aspect about is that people like Adam who are staying here are creating an Australian voice. We are speaking our stories, our language and our ideas and spreading those out to the world.

Mr Elliot—We have support, too. We used Geoffrey Rush in my last film, and he chooses to live here as well and to just radiate outwards. Getting support from big-name stars like him and others is a good way for us to have the confidence to stay here.

Prof. Hull—Can I pick up on a couple of things. One is that Jenny mentioned our membership of CILECT. This is the international film school society. There are only two schools in Australia that are members. One is the Australian Film, Television and Radio School and one is our school, and that is because we are genuine film schools. We are not communication and multimedia schools. We are teaching and supporting film-makers. The other big issue for us—and Jenny touched on it—is resources. We are funded out of DEST not out of DCITA, from where the Australian film school is funded. The Australian film school is funded well, properly and appropriately for what it does, but it receives about six times as much as our film school does. It is a great struggle. Our current funding per student in the film school is around \$23,000. The per student funding for the Australian film school is about \$126,000. In terms of the quality of the output and the trajectory of the graduates, we are absolutely equal in what our graduates achieve and the kind of international acclaim that comes to them.

It is a critical issue. It is an expensive art form. If the industry is going to make any kind of progress in Australia, the cost of the training simply has to be recognised. We are now facing, as you know, the Nelson report. One of the recommendations in that report is about reducing all the costs of training to a level playing field. If that happens and if we cannot successfully seek an exemption, we will lose 53 per cent of our money for recurrent costs right across the college and we will not be able to survive. That will include the film school. That is the issue of recurrent costs. Then there is the issue of capital equipment. It is expensive—there is no getting away from that. It is expensive for our students to continue to make a film a year. Whilst we can give them the money they need to make a film, many of them want to use it as a calling card and choose to put some of their own savings into it if they want to do that, and many do.

Prof. Sabine—The majority do.

Prof. Hull—The majority do, because they do have a calling card. As Adam said earlier, he submitted his film to 108 international film festivals.

CHAIR—Did you say 108 or 180?

Mr Elliot—It is now 320.

CHAIR—Is that right?

Prof. Sabine—But he got into 180.

Prof. Hull—Resourcing a course such as this is really important. The last time—and Jenny referred to this earlier—there was an upgrade it was because Premier Kennett came to the rescue and we had a \$2.5 million one-off grant from the state government to purchase digital

equipment. Frankly, before then, as Jenny said, we were a museum school. That was very much in response to the state government's real recognition of the excellence of the film school and also the support from the industry, which joined forces with us to secure that. But that was a one-off, and the state government, under the arrangement with the federal government, is not obliged to support us. So it is a really critical issue for us and we are at a critical point in terms of the future. We are producing renowned international artists, renowned film-makers, who cannot achieve higher—they are winning Cannes, they are winning Annecy. You cannot get better than that in the world. And we are looking at maybe not even being able to continue in 18 months time. So I think there are real issues that need to be considered in a holistic sense by a review of this kind.

Mr CIOBO—I was not here this morning for the tour, but I would like to ask you, as someone who supplies so many talented young people to the Australian marketplace, how you liaise with industry in terms of determining the developmental needs that they have? Is that a secondary consideration or is it the primary driver of the way in which you provide your course structure?

Prof. Sabine—Perhaps I can answer that. It is a marriage. We have a course advisory committee, with primarily industry membership, that meet three times a year. They look at our curriculum and advise on it. For instance, the producers course that we are starting next year has been partly suggested by that course advisory committee. I was also a member of a task force here in Victoria that the state government set up to look at the development of film, television and games across the industry. That was a recommendation of that task force. The fact that I was one of six to be a member of that task force was also an acknowledgement that the school is a very important part of the industry here.

We have a very close relationship with industry. We have industry coming and giving guest lectures. We have an award system for students in the school that is all given by industry. Industry is an employer of our students. I will say, though, that our approach is not cannon fodder for industry—if you will excuse the term. We are trying to think of people being able to have a portfolio career over a long period of time. That is why we have taken the approach whereby we are training them in many skills so that they can go and have many different careers over that period of time. We are not training them to go out and get a particular job next week.

If I were to describe the most common thing for our students to do straight after leaving it would be to work in advertising or to be an editor. That is the most common job. That is probably because those jobs are available; they get taken up. But a number of those people, if you look at them five years out, may not be doing those jobs. An example would be Jamie Blanks, a graduate of ours, who when straight out into editing. He was an editor in the industry for a number of years. The Americans are always talent spotting in Australia, because our people are seen as highly creative, and a company came through the school. They asked us to give them a show reel and we did. Jamie Blanks's work was on the show reel. They liked it and got in contact with him. They funded a little project he did. He then went and made two films in Hollywood. He is not an editor anymore. He is still there. In fact, Adam had dinner with him last week, didn't you?

Mr Elliot—Yes. His first film in Hollywood made \$90 million or something, and I think he is 31.

Mr Price—That was the feature film *Urban Legend*.

Prof. Sabine—He is 31 years of age.

CHAIR—Who is he working for?

Mr Elliot—He is just going over next week to Hollywood for a three-month stint, working out which company he is going to work with next. He has various agents. His speciality is horror, which is one of the biggest money making genres in Hollywood.

Prof. Sabine—When you came through the school you commented on a poster we had up for *Legally Blonde*. The graduate of that is another example of someone—

CHAIR—Luketic.

Prof. Sabine—Robert Luketic. He graduated in 1996—the same year Adam graduated. His film was shown at an overseas film festival—at Telluride in America—and from that everybody just jumped on him. He got agents et cetera. He got offered a three-picture deal with Miramax but he did it as a non-exclusive one; he never made those pictures with Miramax. He then made *Legally Blonde* and he is making a second feature. He has a whole raft of things. He is doing some stuff with Spielberg too. So that was another example of someone who was picked up very quickly from a festival.

Mr CIOBO—When you spoke about industry's involvement, you mentioned awards. Does that include bursaries and those types of things?

Prof. Sabine—No, they are mainly awards. They come in at the script stage and they give awards for the best scripts—in fact, we have a lot of those for scripts—and then we have production awards at the end of the year. An example is Village Roadshow giving the top award for the best production made at the school.

Mr CIOBO—A lot of journalism schools incorporate cadetships at the ABC and BRW and that type of thing. Is there that type of relationship?

Prof. Sabine—No—some of them do. For instance, Beam Software has given awards in the past, before they became Infogrames. They gave cadetships. In fact, David might like to talk about one of his students who got one of those.

Mr Price—One of my students got a cadetship. Literally the week that he completed his project, when we were running an interactive media strand within the school, he got offered a position, and he is still working for Infogrames Melbourne House in the content creation area of the games industry. He has not gone in as a programmer or a model builder but as a storyteller, as a content creator. He was talent spotted by industry people whom I had involved in the guest lecture program at that particular time.

Mr CIOBO—We went to Griffith University in Queensland and saw their animation degree, the name of which escapes me. It is one thing for people to undertake a course like that for their own personal fulfilment—I certainly would applaud that—but from an industry perspective, if

you look at the top actors, the top producers and the top directors, at the end of the day there is still only a very finite number of them who are there. Do we ever run the risk that the expectations of people going into the industry will be too high for the number of positions available?

Prof. Hull—Can I just give you a particular answer and then I will ask Jenny to comment on the specifics. We are an intensive specialist artist training institution. That is what we do and we do it very well. As such, we are very deeply aligned with the profession and to our industry. For example, in the drama school over 1,400 people audition—that is not apply, that is audition—for 28 places. They are subjected to the kind of intensive program that you would get as a professional actor. They do not all get through third year. Our undergraduate profile is very different from the university norm in that most of them are mature age, and that is because they will audition, say, in drama and film and television year in and year out to get in. In the undergraduate program of the film school there are 14 places—

Prof. Sabine—And there are over 200 returned tests, so that would be equivalent to having auditions.

Prof. Hull—We might get thousands of inquiries and people make their first application, but then we reply and say, ‘To really put your hand up, this is talent based entry; this is not TER.’ Jenny will talk about her admission procedures, but we actually push them through a professional test to see whether they have, firstly, the talent and, secondly, what we call desire, because talent without desire—which we say represents motivation, maturity, tenacity, persistence et cetera—will not get you very far. So by the time they actually get here they are mature, they are completely focused, they know why they want to come and they know that it is hands on. It is 40 hours a week, 40 weeks a year. This is not a mickey mouse arts degree with a bit of media thrown in; this is very serious, intensive training which is highly aligned to industry and professional standards and norms. I can honestly say, therefore, that the people who graduate from our undergraduate and postgraduate programs are the most likely to succeed. They do not all succeed, but they are most likely to succeed because of the rigours they have been through.

They are also, in our view, in receipt of tremendously transferable skills. As I said earlier, there is a kind of parallel universe that all artists will occupy. One is the kind of ongoing focus on their own work—the next exhibition, the next audition, the next film or the next music gig—but underneath that will be earning an income, and that might come from whole variety of sources. Many of them will be related to their artistic talents; sometimes they will not. If they are artists who have a tremendously strong passion to continue within the mode of being an artist, they will. It often takes 10 years for them to actually generate the kind of return monetarily that will sustain them.

Prof. Sabine—If I could add to that, if people are trained very narrowly the chances of what you have suggested are higher. One of the strengths of the film and television school is that we train people so that they can do the editing, they can do some writing or whatever. Also, our stress on content means that our people are the sort of people who can get projects up. I would say that content is the centre of our school. I know at other schools they are more specialist trained, and that can be good for those in the top layer who can make it through; but for the ones underneath, if they do not make it through they cannot duck and weave into other jobs.

I am also conscious that they say in universities today that 50 per cent of those who have law degrees do not study law, so there are probably examples in arts fields and other fields where people may be using the skills they have got and actually going into other areas. For instance, we have a graduate diploma course in our school. This year we have a lawyer, a doctor, an architect and two financial analysts who are in midcareer changes and have come to do film and television. We are delighted to have them because you can imagine what they can bring to something like that—it is just fantastic.

Mr CIOBO—I am not trying to appear insensitive, because I am not—I am actually quite sympathetic to your arguments with regard to the reforms that are taking place. I guess it is part of the conflict between the role of government as a broad provider of services versus the very specialist needs that you have in terms of your funding. But there are a couple of comments in your additional submission that I want to query. You spoke about wanting to increase the payment threshold on HECS debts and those types of things because, as the submission says:

... self employed creators meet their professional expenses from their own income.

How is it any different to any other graduate?

Prof. Hull—If you are going into a law firm or an accountancy firm, a whole range of costs are going to be absorbed by your firm. It is different if you are functioning as an individual artist, as Adam will tell you—he raises the money himself for his own work. If you are a dancer, you buy your own shoes; and if you are an actor, you literally have to provide the make-up, the clothes, the costumes and whatever it is to secure an audition. That is why we argue that if the threshold was increased, particularly for artists, it would be a fairer deal. Artists are the same: they buy all their canvases, brushes, paints et cetera from which they can generate an income. It is the accoutrements of the trade that they purchase out of their own pockets.

Mr CIOBO—My reaction to that would be—and I am not trying to enter into a debate—that it is hard to have carve-outs. I see it as being akin to anyone else who is going into a business for themselves versus someone who takes a corporate approach. Someone who went into a Warner Bros or a BEEPS or a Cutting Edge Post or whatever would probably have their professional expenses met in the same way as someone who went to work for a law firm, but someone who goes into business for themselves and wants to establish their own practice would be facing the same costs as a student.

Prof. Sabine—One of the differences is that a lot of our industry is freelance; it is not actually going into a firm. I think that is one of the differences between the two.

Mr CIOBO—Are you seeking a carve-out for art students? Is that what you are saying?

Prof. Hull—With an increase in the threshold for HECS repayments, yes.

Prof. Sabine—We also get some international students who come to study at the VCA in all of our disciplines in the film school. One of the countries that sends students here is Norway. They actually give their students scholarships to come and study here. The arts students get higher scholarships than those who are doing other disciplines, and it is an acknowledgement of what Andrea is talking about.

Mr CIOBO—Norway is also the second highest exporter of oil in the world—

Prof. Sabine—That is true.

Mr CIOBO—and we would love to have the reserves that they do, but we do not.

CHAIR—Professor Sabine, in your commentary you talked about the content being right at the centre of the school. I do not really understand what that means. Could you explain what that means?

Prof. Sabine—All of our students have to do a screenwriting course. In our screenwriting course, unlike a number of courses that exist in that area, the first few classes are actually about how to find ideas, how to generate ideas. So when we talk about content we are really talking about how to find ideas. How can you find something original and interesting that people would like to pay money for, and get a bum on a seat to watch it? We put a lot of stress on audience and we also put a lot of stress on finding original, different ideas. I think if you were to look at a range of films from the school you would find that it would be hard to say there was a house style there. The other thing we do is to put storytelling as the heart of our ideas. The animators for instance—and Adam might comment on this—also have to do narrative storytelling as well as learning animation storytelling.

Mr Elliot—We just did a workshop on the weekend: ‘Acting for animation’.

Mrs Spark Vrazofski—There is a slightly different approach to storytelling, timing and movement in narrative storytelling and animation storytelling in the sense that, in animation, time and space are compressed. Also, one of the aspects of animators compared to actors is that there is a sense of actors being ‘in the moment’—speaking in actingspeak—when they are acting, whereas animators have to be ‘in the moment’ for maybe weeks at a time because it takes a long time to produce that kind of action. Obviously you are getting narrative structure and narrative storytelling, but then there are other structures and techniques that you are learning in honing scripts specifically for animation. You can get across a large story in 15 minutes in a live action film and you can do that in three minutes in animation—for three times the cost, usually.

Prof. Sabine—That will give you an idea of how that works in animation. Our documentary students do narrative storytelling and they do documentary writing too. The heart of it is really that every student in the school must write. Even to get into the school they have to write us a three-page script idea. Even though someone like Jamie Blanks goes out and works as an editor, we think he is a more intelligent editor because he has learned to write, because editing is actually rewriting. We connect all those bits and pieces. It is interesting that Robert Luketic has just done an interview for the *VCA News* and in that interview he said that when he got to Hollywood, having only made his student film, here he is on the set of *Legally Blonde*—the first time he has ever been on a big set and he is the director—what does he do? He said one of the things that made him feel a little calmer was that when he talked to the cinematographer and the lighting person he understood what all those roles were, because at the centre of the school is also that students have to crew on each others’ films so they have that broad knowledge. But the heart is that you understand writing and creation of ideas. Robert, I have to say—and maybe I do not want this one published—is not a natural writer. Being a director, you have to be a rewriter too.

CHAIR—How did Robert Luketic go from making a student film to being the director of *Legally Blonde*?

Prof. Sabine—His work was shown at the Telluride Film Festival.

CHAIR—And they thought it was so good?

Prof. Hull—It was the student film.

Prof. Sabine—Yes, it was the student film—

CHAIR—How extraordinary.

Prof. Sabine—and people just came around. There are only five shorts that are shown at Telluride; I think four of them were American and then ours was picked up.

CHAIR—I would have thought that they would have tested him on something else before they gave him a movie like *Legally Blonde*.

Prof. Sabine—I know, it is amazing.

CHAIR—It is an amazing story.

Prof. Sabine—Jamie Blanks, whom I mentioned, was exactly the same. He had never made anything but his student film and he has made two Hollywood features now.

Mr Price—We have focused on those two but we also have Emma-Kate Croghan, who made *Love and Other Catastrophes* and then had a deal with Danny de Vito's company to rewrite a Philip K. Dick novel. There are a lot of our graduates about, from Gillian Armstrong, who was our best-known graduate—Gillian studied with the school at its initial foundation—right through to many other people who we have not talked about. There are editors like Jill Bilcock, who has done lots of major feature film editing and also produced *Romeo and Juliet* and *Moulin Rouge*.

Prof. Sabine—And *Elizabeth*.

Mr Price—There is Ian Baker, who is Fred Schepisi's cinematographer; there is Ellery Ryan, who is another prominent cinematographer; and we currently have a lot of cinematographers coming up through the ranks as well who have come out of this. This generalist training sometimes gives the students the ability to find their voice in a different direction. I had a student in my course when I was teaching the narrative stream who said, 'I don't want to be a writer and director; I want to go into post-production.' He is currently working in London as a leading colourist for one of the leading post-production companies in the UK. He went from this school down the road to Complete Post, then to Digipost in Singapore and he is now in London because he decided that his voice was not in storytelling. He was not a bad storyteller—it was not one of the worst scripts of the year—but he chose to pursue a different direction.

CHAIR—You are saying that the school tries to push its students to understand that the content is what is going to bring attention to their work if it is unique and creative and that the content is what will make it a commercial success?

Prof. Sabine—Absolutely. I think that content is the answer for Australia too. If we do not invest in content creation, we end up being the cannon fodder for America.

CHAIR—And training our people for the Americans.

Prof. Sabine—That is right.

Mrs Spark Vrazofski—I have something to add on one of the questions that came up earlier. I have been an animator for 20 years—I have only ever done that—but 50 per cent of my work would be some sort of commercial work for American companies. We were talking about graduates coming out into the workplace and how much work they get. I would consider that aspect equivalent to my waitressing work if I were to do that, because it is not content creation; I am doing it for somebody else. The other projects that I do are possibly lower paid or take a longer time, but a lot more energy and effort goes into them. Those are also the successful projects that go out to the rest of the world. There is always that sense of: ‘How many jobs do they get?’ That is an aspect of it, but it is only one aspect and I would consider it a smaller one in terms of what graduates coming out of here do.

CHAIR—Thank you very much for appearing today.

Proceedings suspended from 10.53 a.m. to 11.09 a.m.

[11.09 a.m.]

FLEMING, Mr John, Vice President, Screen Services Association of Victoria

GREENSHIELDS, Ms Suzanne, President, Screen Services Association of Victoria

MACLAREN, Mr Hugh, Committee Member, Screen Services Association of Victoria

SCHWARZE, Mrs Kerri, Committee Member, Screen Services Association of Victoria

CHAIR—It gives me great pleasure to welcome representatives of the Screen Services Association of Victoria. I have to warn you about a few things. One is that, while we do not require evidence to be given under oath, these are formal proceedings of the parliament. I also have to remind you that false or misleading evidence is a serious matter and may be regarded as a contempt of parliament—not that we expect you to give any false or misleading evidence today. We also prefer to take evidence in public but if you do want to tell us anything in camera you are welcome to request that and then we will consider that request. Before you make any opening remarks, are there any comments you wish to make about the capacity in which you appear?

Mr Fleming—I am the General Manager of AAV Digital Pictures here in Melbourne.

Ms Greenshields—I am Joint Managing Director of Lemac Films Australia.

Mrs Schwarze—I am an owner of Complete Post Australia.

Mr Maclaren—I am a lawyer with Tress Cocks and Maddox Lawyers.

Ms Greenshields—Thank you for the opportunity to address you in support of our submission. The Screen Services Association of Victoria is an organisation representing the infrastructure providers of the film, television and animation industries in Victoria. We are fortunate to be part of an exciting high-tech industry that delivers substantial economic benefits for Australia with a negligible environmental impact and substantial spin-offs in both employment and investment for the country. We recognise that the development of this first-class industry, now acknowledged internationally, could not have occurred without significant Commonwealth support given over the last three decades. The critical importance of this support cannot be overstated.

We are presently, however, at a watershed, and this inquiry has come just in the nick of time. It has become clear that without an ability to produce much more content than we presently do we will not be able to sustain and develop the industry going forward. In the short term we need to be able to attract high budget international productions to Australia in order to build up our infrastructure and our talent. However, the future value of this industry has been recognised around the world, and there is increasing competitiveness between countries to attract production, animation and post. We need to match this competitive environment whilst also

using this time to create a much healthier local environment where we produce much more of our own commercial product for ourselves and for export to the world.

Content is king and, in an increasingly wired world, those who control the content have control and also reap the greater financial rewards. What we watch on free-to-air and pay television and increasingly on the Net has a major social as well as economic impact. We have an industry presently very delicately balanced. Much of it is freelance in nature and is suffering greatly from the stop-start nature of production presently being experienced. From the infrastructure perspective we are increasingly having to invest larger amounts of capital to stay competitive and leading edge, on the back of a declining local industry and wildly erratic incoming overseas production. The bottom line is: if you want your kids to grow up with a sense of what it means to be Australian then we must ensure that our product is seen on all delivery channels going forward.

The massive impact of what appeared on paper to be a minor concession on Australian television commercials has not only had devastating consequences on the production community but has overtly imposed Barbie World-like American values and language on our children. To protect only local content, for example, on free-to-air and ignore the other means of delivery, looking five years out or even 20 years out, will lead to Australia's loss of the most important avenues of social and economic influence this century has to offer.

CHAIR—Thank you. Turning to that last bit first—the commercials—perhaps you could take us through what actually happened from your perspective, what the situation was before the regulation changed, what the regulation was that changed and what the situation is now.

Ms Greenshields—Up until the change, we basically had almost 100 per cent Australian input into commercials. The rule was, apparently, that every commercial had to have 80 per cent Australian content. My understanding is it switched to 80 per cent Australian commercials on air, which is a hugely different thing. It meant that we could have 20 per cent of all commercials on air being outsourced whereas, before, every commercial had to have 80 per cent Australian content in it. Basically it decimated all high-end commercial production.

CHAIR—Because things like Crazy Dave's Lighting were regarded as Australian content.

Ms Greenshields—That is right.

Mrs Schwarze—And a Nike commercial which could cost millions of dollars—

Ms Greenshields—Could sit in that 20 per cent of going to air.

CHAIR—With Coca-Cola ads or whatever.

Mr Maclaren—It was based on air time rather than on some kind of budgetary figure. It was not a cost-of-production type of question; it was just straight air time.

CHAIR—Who lobbied for that change?

Ms Greenshields—Not us.

Mr Maclaren—I do not want to resort to the cliches of the multinationals but it was the foreign companies, the foreign manufacturers of consumer goods—effectively, the big car manufacturers, the Coca-Colas, organisations of that nature—as I understand it. They persuaded with the argument that the change was appropriate because they were making a commercial for a world market and were using one ad around the world—one Nike ad around the world, for example—but were of the view that they could not run that ad in Australia or would have to—

Ms Greenshields—Have substantial Australian input into it for it to qualify.

CHAIR—Which meant they would have to redo it here.

Mr Maclaren—Effectively.

Ms Greenshields—Yes, which was fantastic for the industry.

CHAIR—Which meant that, because of the Australian consumer market being quite healthy and vibrant, they would make it here because they would want to sell things here.

Mr Maclaren—Or they would remake a cheaper version rather than remake a \$2 million ad.

CHAIR—Yes, but they would at least make it here.

Mr Maclaren—Exactly.

Ms Greenshields—They were.

CHAIR—So all of those high-end commercials that use lots of special effects and Australian crews just do not get made here at all now?

Ms Greenshields—Hardly any are made here at all—very few.

CHAIR—A lot of people make their bread and butter on commercials and then go on to television, film, short films and so on. Is that right?

Mrs Schwarze—It is the base of the industry. It is where the industry springs from and where people get their experience. It is where there is the greater amount of money, because advertising has always had—

Ms Greenshields—Was.

Mrs Schwarze—Was, yes.

CHAIR—And day-to-day work: if you are not in a film you go and make a couple of commercials.

Ms Greenshields—Yes, it was perfect.

Mr Maclaren—Not only that, though. If you want to do a very subtle and complicated special effect, for example, and it is only going to last 10 seconds in an ad, you may be able to justify it in terms of cost per minute, whereas you would never get an opportunity to do that in an Australian television drama or feature film—unless it was an extraordinarily expensive film—because of the cost per minute. You may be able to justify it in a high-end TV commercial. The effect of the change in the arrangements for the TV commercials was that the cutting-edge special effects and other post-production work just were not required anymore and that the skills, the equipment and the personnel to do that kind of work could not be gainfully employed.

Ms Greenshields—We have had to fight for overseas work coming in to try and replace that top end. Kerri is with a major effects house, so she is probably better equipped to speak there.

Mrs Schwarze—We have had to go overseas to get work, but I believe that is a short-term answer, particularly in Asia, because—

Mr Maclaren—This is commercial work?

Mrs Schwarze—Yes, and also film work—it is not going to take that long for them to come on top of all of that in China. They are geared up enormously: the government has put a huge amount of funds into the industry in China. We really have to look at it with a longer-term outlook than just for the next few years. We have to look at what value this industry is to this country. I believe it is quite valuable.

CHAIR—Do other Western or Asia-Pacific countries have domestic content quotas or requirements for commercials?

Mr Maclaren—Malaysia do. They enacted them about four or five years ago and confronted a lot of the obvious global free trade arrangements in doing that. Their goal was exactly the same as ours was during the seventies and eighties: building up a strong craft and a technology base so as to have a strong film and television industry.

CHAIR—What about countries besides Malaysia? Have any European countries done that?

Mrs Schwarze—China has. I am not absolutely sure about European countries. That market is a bit far away for us to interact with in the commercial arena.

Ms Greenshields—They are highly protective of local content. The French obviously are massively protective of their own cultural input.

Mrs Schwarze—There is also language.

Mr Fleming—It is obviously made easier by the language.

Mrs Schwarze—If you do not have English language you have an advantage in terms of local content.

Mr Maclaren—Obviously, though, the bigger you are in domestic population the less it is a problem, because it will be a home-grown advertiser rather than a British or American advertiser.

CHAIR—It is very easy for the American ads to be run here.

Mr Maclaren—Yes. The American ads are very—

CHAIR—It is a seamless transition, really.

Mrs Schwarze—At the beginning they revoiced them with Australian voices. Now they do not even do that, in the majority of cases.

Ms Greenshields—The tragedy of it is that the ones that are not revoiced are mostly the ones that sit around kids' programming. I am not sure whether you have kids but, if you do, I am sure half of them are turning into Americans, like mine, at home.

CHAIR—We only watch the ABC.

Mr CIOBO—So they're British.

CHAIR—So they sound British—which is fine because we are from Adelaide, so it works perfectly.

Mr CIOBO—Am I correct in saying that 80 per cent of what is broadcast on television must now be Australian made?

Ms Greenshields—Are you talking about commercials still?

Mr CIOBO—Correct.

Ms Greenshields—No—just what is shown.

Mr Fleming—The broadcasters are allowed to have 20 per cent of the commercial content they put to air derived from offshore.

Mr CIOBO—But just on commercials, 80 per cent of advertisements must be Australian made?

Mr Fleming—Yes.

Mr CIOBO—So your concern is that the 20 per cent is the premium end of the market?

Ms Greenshields—Yes.

Mr CIOBO—Of that premium 20 per cent, obviously a percentage is foreign multinationals and you are saying, 'They'll source and produce locally in their own countries to on-sell into Australia for their products.'

Ms Greenshields—Yes, they do.

Mr CIOBO—But we obviously have national champions in this country as well that would have the same kinds of marketing budgets—the Toyotas, the AMPs and the NABs.

Ms Greenshields—They do not. NEC and Toyota have generic ads. They just bring them in. How many left-hand drive cars—

Mr CIOBO—I have seen Holden—

Ms Greenshields—You watch the car commercials now. They do not even bother to show you a right-hand-drive car half the time.

Mr CIOBO—That is not correct. We went to Cutting Edge, and I have seen multimillion dollar advertisements that Cutting Edge productions, for example, is doing for Holden Calais and Caprices and whatnot.

Ms Greenshields—We are not saying there are none. Nobody says there are none. It is the reduction from the base that was here and what that provided to the industry in terms of training grounds and the ability to gear up its infrastructure. There is not a company around—and even at Cutting Edge, John Lee is not going to say that it has not had an impact—

Mr CIOBO—I absolutely agree that it has had an impact.

Ms Greenshields—So it is not a matter of: ‘We don’t have any.’ It was used as an example of what a huge impact that change has had and how we wanted to carry that forward. I do not know whether we can go back. I doubt very much that you are going to take it back—we would love you to take that back. This issue is about looking at the rest of the regulations we have, with that just as an example of what effect the change had. Let us look at what else we have in place and what we need to maintain in place going forward.

What we were also trying to get at is this. At the moment we talk a lot about local content on free-to-air, because that is where it has the biggest impact. Five or 10 years out you are going to have delivery mechanisms like pay TV and the Net. Who knows where free-to-air television will finish in our lifetime or in five years time? We only have substantial protection for local content on free-to-air. We only have 10 per cent on pay TV. That is not going to hold.

If you believe that we should have a socially relevant industry in Australia, apart from the economic benefits of controlling content, we are asking you to take a better look at where we are going to be in a year’s time and not just say, ‘What we’ve got now will do us.’ If you want an industry in this country going forward and you want Australian product for Australia and to export to the rest of the world, we ask you to look at the bigger picture. This inquiry is about technology. Let us look at where that technology is going to take our delivery mechanisms going forward.

Mr CIOBO—What I am trying to get clarity on, though, is this. At the end of the day we have an 80 per cent requirement that television broadcast on TV must be Australian produced.

Mrs Schwarze—For commercials.

Mr CIOBO—I am just talking about commercials. We will get onto local content on production et cetera of normal shows and drama in a second. On the commercial side we have 80 per cent protection. Are you saying that that is not enough?

Ms Greenshields—It does not work.

Mrs Schwarze—The issue is about what is happening with that 80 per cent. If you have 20 Crazy John commercials, as opposed to an Audi commercial that has been imported, there is a vast difference.

Mr CIOBO—What about Australian multinationals?

CHAIR—In the old days every commercial had to have 80 per cent Australian content, therefore they could not just bring things in.

Mr CIOBO—I realise that.

Mr Fleming—To summarise the benefit of having that regulated commercial production industry: all the way through the eighties we had technology that was competitive with anywhere in the world and we had craftspeople who were as good as anybody in the world. One of the things I reflect on continually is that although people would go overseas for a couple of years they would come back. We find now that the people we train up, and whose skills we develop, are going overseas and we are not seeing them again. Those people are driven not only by money but also by the contact they get with highly inspirational work. Part of what that regulated production industry meant was that we were doing very high-end commercials, which were invigorating for the people who worked on them and also fuelled a very strong infrastructure in this country for film and television. We have lost that and, looking forward, that is what we are trying to come to terms with.

The way that the commercial side of things is configured at the moment—in terms of the 80-20—means that in real terms the major corporations can bring in what they like because the 80 per cent is essentially taken up by whatever commercial content goes to air overnight. The two positions are so far apart that it will not be helped by something like increasing the 80 per cent to 90 per cent, because the 10 per cent of commercials that have a budget of \$1 million-plus will still be imported.

Mr CIOBO—What about the big Australian companies like the Holdens, the AMPs and the NABs—are they producing overseas?

Mr Fleming—For the most part they produce their commercials here.

Mr CIOBO—They do them locally?

Mr Fleming—Yes, they do them locally. I am not quite sure what their international marketing strategies are, but I think an Australian corporation breaking into another market would more than likely be appealing to the local culture of that market.

Mr CIOBO—You would have to assume the same in reverse though, wouldn't you?

Mr Fleming—Unfortunately I do not think that is the case.

Ms Greenshields—Not in the American situation, anyway.

Mr Fleming—I think that leads into the broader based argument on culture. With those sorts of commercials, we are being trained to accept another culture. I think that is a bigger discussion point for us, longer term.

Mr Maclaren—I would like to say something on the point you raised about the export of Australian commercials. Whilst you have been talking I have been trying to think of a major Australian retail exporter—because it is retail that you are advertising on TV. The only thing I can think of is Australian tourism, and they shoot their ads in Australia obviously because that is what they are selling. But other than that I cannot think of a single one, off the top of my head, that would be spending any money on television advertising.

Your example of the Calais is quite a good one because the current campaign for the Calais is a very well produced ad. But the Calais is not sold anywhere else in the world. I think they sell a few, badged as Chevrolet, in the US and a few in the gulf states—and nowhere else in the world is it sold. It is probably sold in New Zealand and they probably run the Australian ad there. It may be sold in South Africa or somewhere like that, but the vast volume of its sales is in Australia. So they are producing an ad which only has one market, effectively: Australia. I am really pushed to think of an example other than the Australian Tourist Commission and Qantas. That is where I run out. Maybe some of the state tourism commissions would be advertising in New Zealand. But from there on I cannot think of the Australian advertiser overseas.

Mr CIOBO—But at the end of the day that is not a different situation from what existed before. The difference now is that you do not have the multinationals producing in Australia, whereas before they were required to.

Ms Greenshields—Yes.

Mr CIOBO—It is not as if exports have decreased as a result of this change.

Mr Maclaren—They were not required to produce in Australia, but they were required to produce by an Australian production company.

Ms Greenshields—Fred Schepisi was able to launch all those Australian features off the back of Film House, which was built on TVCs. So if you ever get a chance to chat to Fred he will be the first one to tell you what a huge loss that ability to get the money through the TVC sector was in terms of finance to help fund the local product. He would not be where he is today if he had not been able to make the bucks out of TVCs at a time when the industry was regulated.

Mr Maclaren—And the point that I think John raised before about not having that steady background of work means that not only the crew but the facilities, the whole breadth of the industry, is going from job to job rather than having a steady roster of work. If you are going to spend a year getting your next film up, as a producer or a director, why would you be sitting in Australia twiddling your thumbs when you can go to America and work in Hollywood? You can still work on getting up that Australian film, but you could also pick up a film in the interval

where you are just appointed as a director—and off you go and you do the job—or you could do some episodes of an American TV show.

Ms Greenshields—What you are trying to say is that we lose them—there is a huge loss.

Mr Maclaren—There is an unfortunate, inescapable logic to it. These people have got to put bread on the table.

Ms Greenshields—But if you are not a director but a gaffer, a grip or a cinematographer then you are not going overseas—you are going out there to drive a truck or mow a lawn. We all know people at the moment who have had to take jobs completely outside the industry, and many of them do not come back because they have got kids to feed and mortgages to pay.

Mr CIOBO—At the end of the day, though—and I am sympathetic to your arguments—I can tell you right now that if we had a group of Australian farmers sitting in front of us who would like to export lamb to the United States, or steel producers and those types of things—areas in which we have got a competitive advantage—they would be denied the opportunity to do that in the United States because industry groups in the United States would argue the exact same line you are arguing now with regard to the protection of local industries over there.

Ms Greenshields—Where is the culture in a bushel of wheat and a yard of steel, though?

Mr CIOBO—It is not a cultural aspect; it has got to do with the opportunities that exist for export. It is an industry like any other industry when it comes down to the regulation as government approaches it. The decision that we have got to make—and this is an inquiry into film, TV and animation—is part of a broader context of debate. I notice you made comments with regard to the FTA.

Ms Greenshields—Yes. I think it is the biggest issue.

Mr CIOBO—The fact is that there are opportunities that we have to export in particular industries in which we have got competitive advantage. I am just highlighting that that obviously comes at an opportunity cost in other industries where we perhaps do not have a competitive advantage. My primary concern in raising that is to find out how we can improve our competitive advantage in those industries in which you are claiming that we do not. If the Americans can produce advertisements of a better quality and at a cheaper cost than we can—

Ms Greenshields—Not of better quality. They have just got the money. We have got the skills base.

Mr CIOBO—Then that is part of the debate that we need to have. You can come to the table and argue that we need to be regulated and protect our industries. What I am saying is that the corollary of arguing that for this particular industry is that other industries where we have got very strong competitive advantages deny us the opportunity to then export those things into Europe or into the United States. Or we can change the debate and talk about the way in which we can address things to make this industry truly competitive on a global scale, so that we can continue to take advantage of those industries we can export but also not have this industry suffer.

Ms Greenshields—Am I understanding that at the moment it is a trade-off? If we cannot come to the table and say that—

Mr CIOBO—I am not saying that. But that is part of the debate.

CHAIR—We are just talking about the general principles.

Mr CIOBO—It is the general debate that is taking place.

Ms Greenshields—We are world's best practice already.

Mrs Schwarze—If you are looking down the track, I thought we were moving from the sheep's back to the intelligent nation. Therefore the industries in this direction, I think, are the ones that the government singled out as being the future of the country.

Mr CIOBO—Where we would like to go.

Mrs Schwarze—Exactly. So I would therein state a difference.

Mr CIOBO—But not by regulation.

Ms Greenshields—I would argue you will not get there without it.

Mrs Schwarze—No. I would also state that in terms of producing quality work at a very competitive rate, I believe we do that. It is difficult for us in that we have a 20 million-plus population as opposed to countries that have a huge population. In the US they make television series over there that they sell into their own market for perhaps \$1 million or \$2 million per episode. But by the time it gets here they sell it into this market at \$200 an episode. You cannot compete with that. That is dumping, in fact, in a market and that is currently happening.

Mr CIOBO—We have laws against that.

Mrs Schwarze—It is currently happening. It is not really, because they have returned their money in their own market so anything they get outside of their own market is cream, and they do that all around the world.

Ms Greenshields—All the networks are behind package programs at a rate that we could never hope to produce. As Kerri said, they have already recouped their costs in their own market so they will sell whatever extra they can package up into a bundle here. That is just economic reality. If you are asking us whether we can be competitive on that scale, the answer is absolutely no. If we just accept that that is no, then you have to decide how important it is to you to maintain some control of content going forward in the world. America is the most powerful nation in the world in a lot of ways because it controls and has the power over their content. Let us not underestimate that going forward into the future. If we take it as a given, with the population base we have, we cannot compete on an economically viable scale with them. If we have a level playing field we will not win. I am not even going to argue that we can. We have the best skills in the whole world here. We have proven that we can deliver—the old story that we

punch way above our weight. But we are not going to be able to sustain that without support. So I am not even going to pretend that we can do so.

Mr CIOBO—For me that is at the core of the issue. Then it comes down to a debate about the extent to which we protect the industry, recognising that. All I am asking of you is to recognise that.

Ms Greenshields—We absolutely recognise that.

Mr CIOBO—Your industry protection is no different from the rural US farm lobby that want complete and total industry protection for their same—

Ms Greenshields—We all want Australia to be as economically forward as it could possibly be. We all live here, we all have kids, we all want the country to go forward. So I guess it just comes down to a balance of what you trade for what, and we hope that we make wise enough decisions that we do not regret them down the track.

Mr Maclaren—Doubling right back to the television commercials, what on the face of it looks like a very minor tweak has cascaded right through the industry far beyond what you see on air in television commercials.

Mrs Schwarze—I will admit that the industry did not even pick it up. There was a noise made out there but if you could roll back the clock they would be out there with pickets down every street now. We did not do a very good job of looking after it.

Ms Greenshields—We lost a huge part of the industry.

Mr CIOBO—In terms of the extension of the 12½ per cent tax offset onto television dramas, would that help to pick up some of that additional capacity that is sitting idle now?

Ms Greenshields—That is right, yes.

Mr CIOBO—So what sorts of opportunities would you see flying from that?

Mr Fleming—I will put it in the context of explaining what we provide. It benefited from the regulated commercial production industry and it was actually a very strong vertically integrated market. There are levels there that are built up on—if we want to use the term, ‘manufacturing’ levels. We have very strong infrastructure in terms of replication of the VHSs and DVDs for international studios. We then move up to the craft level where we have a very strong crew and technology base for post-production and visual effects. The design level is also very strong. Then there is the conceptual level.

I guess the real issue is that somehow we have to manage all of those levels. The conceptual level is obviously our local producers and scriptwriters developing content that can be sold around the world. But the services level is all about attracting business. It is primarily driven by shooting here, but we are obviously looking to expand our base to be able to post-produce material here that may be shot elsewhere in the world. Therefore I think what we are bringing to the table at the moment as far as the free trade agreement is concerned is protecting the top

levels of the industry. The 12½ per cent is looking to try to ensure that we maintain the infrastructure base within the industry as well.

Since that commercial deregulation occurred, somewhere around 1990—I do not have immediate figures—we are probably down to around 10 per cent of what the commercial production value was at that particular point in time. As an industry Australia-wide we have worked to export our services overseas and the government has taken certain steps to support us in that regard with things like the Melbourne Film Office, which works with us with Austrade, which also works actively to attract work into Australia. So we are out there very aggressively selling our services internationally and, for the most part, I think we have been to a degree successful. But it comes back to that level playing field again—while we are out there competing, so is every other film and television industry throughout the world.

I think the 12½ per cent is an issue. In preparing that tax offset to attract feature film work here, one of the things that were not taken into account was picking up on the television production side of things. That is the area that we have been using to make up for the loss of the commercial production side of things. It is the thing that keeps television facilities going. It keeps crews working. It is not like doing one feature film a year. You will have a series of 40 programs throughout the year or a series of 22 programs or a telemovie that might be shooting for 12 or 16 weeks and then there are three months of visual effects work to be done. So that 12½ per cent is actually quite critical to our being competitive in the world market to attract that sort of work into Australia.

Mr CIOBO—At the moment, qualifying expenditure is \$15 million for films. Have you got a figure—

Mr Fleming—What we are missing out on at the moment—and we are not trying to bring low-end series work into the country—is high-end series work. We are looking for high-end series work which would mean that a 22-episode package of programs would be in excess of the \$15 million mark. Additionally, we would be looking at being able to bundle packages of telefeatures, and that may be packages of two or three telefeatures. Quite a lot of the big studios will pull together budgets based on having the momentum of a crew and post-production services for periods of maybe six months and they can do those three telemovies during that time. We were looking for an aggregate amount of around \$15 million.

Mr CIOBO—That is what you would be happy with?

Mr Fleming—Yes. To be honest, I do not have the figures off the top of my head, but they are in the Ausfilm proposal that was put in and we are supportive of that proposal.

Mrs Schwarze—I think, though, that in conjunction with that we do need to look at building our own content. Much further down the track I think that is going to be very important.

Mr CIOBO—That is where local domestic content rules are crucial.

Mrs Schwarze—And product that is saleable to the rest of the world has to be well developed.

Mr CIOBO—With regard to the box office take, I understand in your submission that you talk about a percentage of revenues going towards supporting the industry. We have looked at doing this previously and it has failed. What makes you think it would be any different this time?

Ms Greenshields—How has it failed?

Mr CIOBO—It was put forward—

CHAIR—It was attempted once. It was in the thirties though.

Ms Greenshields—I do not remember that!

Mr CIOBO—I did not think it was that long ago. I knew that they had tried it and it had failed. I know, for example, that the distributors would be opposed to this move.

Mrs Schwarze—I wonder at this stage of free trade negotiations whether that would have a very bad impact on our negotiations. I do not know. I think that we have to look at all sorts of means. I think that is a good idea.

Mr CIOBO—Just as an idea?

Mrs Schwarze—Yes.

Mr CIOBO—I like it because it is almost a user-pays principle.

Ms Greenshields—Yes, we are happier with it.

Mrs Schwarze—I think it is a great idea. It definitely takes the box office—which is mostly US in this country at the moment, in terms of numbers—and gives something back to the local industry, which I think is perfectly fair.

Mr Maclaren—Better than that, though, is that it means in effect that it is the successful films—foreign or Australian—that put the money back in to create the next wave, to get the next films coming through two or three years down the track.

Ms Greenshields—There are plenty of countries that do it, though.

Mrs Schwarze—France does it.

CHAIR—In France it is an enormous amount—it is something like 30 per cent of the ticket price.

Mrs Schwarze—Yes.

Mr Maclaren—Ticket prices in Australia are historically quite low at the moment, as I understand it, and Australians are big film goers. We go—I think—on average to 4.7 films a year. Some people must be watching some short films. This is one of the highest film attendance

rates across the world. It seems a good opportunity to provide what would be a relatively painless source of revenue, from the point of view of the consumer, to drive the Australian industry forward. It would not, in my view, have a powerful effect of discouraging people. It is not a tax that would have people saying: 'Gee, I don't know—\$11 to \$11.50, \$8 to \$8.50. We are not going to the cinema this weekend.' It does not have that psychological effect that some taxes do in the wrong spot.

CHAIR—Calling it a tax is probably not a very good start.

Mr Maclaren—Call it an incentive.

Mr CIOBO—Would you see that going to video and DVD rental, or just to box office?

Mr Maclaren—Yes, you do need to have it—

Ms Greenshields—I think it is smart to look outside just the box office, because those are the delivery mechanisms that we are looking at down the track. You would not want to make it so narrow that, when we all go home to our home theatres and plasma screens—when we go high definition—you could not apply it. That might be the way. I think we will all always still go to the movies because it has a social connotation, but you are right: we may move more towards that kind of consumption of product at home. So yes, we should look more widely than that if there are any legs for it.

CHAIR—Thank you very much for appearing today. It has been very useful and we hope to pick up some of the things that you have come up with.

[11.49 a.m.]

BISHOP, Mr Mark, Manager, ICT Industry Development, Multimedia Victoria, Department of Infrastructure, Victorian Government

KIPER, Ms Debbie, Manager—Policy, Policy and Regional Access, Multimedia Victoria, Department of Infrastructure, Victorian Government

STRAW, Mr Randall Lyn, Executive Director, Multimedia Victoria, Department of Infrastructure, Victorian Government

CHAIR—I now have pleasure in welcoming representatives of Multimedia Victoria. I have to tell you a few things. One is that we do not require evidence to be given under oath, but these proceedings are formal proceedings of the parliament and any false or misleading evidence could be regarded as a contempt of the parliament—not that we expect you to give that sort of evidence. We also like to take our evidence in public but if you do wish to say anything in camera you can request that. We will consider the request and decide whether to take any evidence in camera. I now invite you to make an opening statement.

Mr Straw—As Executive Director of Multimedia Victoria, I am responsible for the Victorian government's ICT policy and implementation of its ICT policy, Connecting Victoria. My colleague Ms Debbie Kiper is in my policy area and has responsibility for new media. Mr Mark Bishop has responsibility for computer games from an industry development perspective.

I would like to make a short opening statement regarding computer games, which is the key area we want to talk about. Victoria aims to grow its games sector to try and take advantage of a strong growth in entertainment software, which is reported to be the fastest growing sector of the entertainment industry. Various reports from people like Gartner Group indicate the current global entertainment software market is about \$US30 billion a year, with predictions that it will go up to \$US100 billion a year by the end of the decade. Much of this is incremental growth, and it is also being targeted at Asia. So we will see a large growth market in Asia and the growth of what you would call non-traditional platforms as well: we see mobile telephony games as a growth area.

We believe that Victoria is recognised as Australia's computer games capital. We are home to game publishers, developers and major retailers plus the annual Australian Games Developers Conference and the Game Developers Association of Australia. We have a 20-year computer games history in Victoria which is largely attributable to Beam Software—which was eventually purchased by Infogrames—now rebranded Atari. From our latest statistics, over half of the computer games developers in Australia are located in Victoria, currently employing about 300 people. Several international companies have also set up base in Victoria—people like Atari, Acclaim Entertainment, THQ, parts of Electronic Arts and Nintendo. Reasons cited by companies that have set up here—which we know because we work with them to establish them here—are things like access to retail distribution, which they believe is fairly good here; strength in game development, especially with regard to skilled game developers; an excellent education market; a significant local market; and some access into Asian markets as well.

There is also a long history of successful computer games developed in Victoria: the latest *Jurassic Park* game done by Blue Tongue; the latest *Men in Black* game done by Atari Melbourne House; the *AFL Live* game—I do not know if you have played it yourself—by IR Gurus; *South Park Rally* by Tantalus Interactive; and *Minority Report*, which was recently done by Torus Games.

Since 2000 the Victorian government has had an active industry development program for computer games. We see this as one of the niche subsectors of our entire ICT industry. There are three key areas of the industry that we have tried to improve and grow here in Victoria: one is trying to improve infrastructure for the industry, the second is growing local businesses and the third is developing skills so that people have access to skills. Over the last three years we have had a very active computer games program and we have put a number of programs in place, including things like supporting PS2 developer kits for local industry to have access to and establishing the Game Developers Association headquarters here. We run a fairly successful trade fairs and missions program where we take local computer game developers to E3, which is one of the largest computer games conferences in the world. We have been doing it for five years but the Australian delegation has started in the last year and I think we had 20 of the 30 companies going there.

That is an opening statement with regard to showing the seriousness and demonstrating some commitment by the Victorian government to this industry, which we see as a flourishing small industry. We think it can grow, given the large world market, and we think we have some capability to exploit that. We do have packs of material here on our computer game industry policies which will give you an indication of the sorts of things that we have done over the last three years. It might be useful to the committee.

CHAIR—What do you think is the secret to why Victoria started off as a hub, if you like, for electronic games, computer games, special effects and so on, which then caused the government of Victoria—the Kennett government, I might add—to focus on this as an area of growth? You must have started with something.

Mr Straw—In terms of what we started with, one of the references I made here was to Beam Software. One analogy I could make is that it is like the Telstra of computer games. A lot of small telecommunications companies have come out of people who originally started at Telstra. A number of the computer games companies in Victoria started with ex-employees of Beam Software. So it was that melting pot of creativity and capability that spawned off a number of games companies. I will ask Mark Bishop to elaborate on any of that that he might see as relevant.

Mr Bishop—Further to what Randall said, there was a cascading effect. People would leave Beam, which had been going for over 20 years. When Beam started in the early eighties it really was the beginning of the computer game industry world wide. There is an interesting parallel between the Scottish industry and the industry in Australia. One of the first programmable computers, called the Sinclair machine, was manufactured in Scotland. They talk about a few falling off the back of a bus and about one industry going downhill in Scotland and some people taking these machines home and figuring out that they could program games on them. Around the same time the first Beam games were programmed on the same type of machine. So there is a long history. Back then, Melbourne was truly a centre for computer game development because

there were not many places around the world where they were doing anything at all. We really have our roots back at the very beginning. When people left Beam over the years—and we are talking about a period of nearly 25 years now—you would get that cascading effect where a couple of people would leave and start a company. We now have new companies that started from the companies that were spawned by Beam, right out into the outer suburbs of Melbourne, up in Boronia—if anybody knows Boronia. We have companies up there. The second largest independent game developer in Australia is based in Boronia. We have had people leave that company and start new companies in the area of Boronia.

Mr Straw—One of the conclusions the Victorian government came to is that ICT is so pervasive you cannot be all things to all people, especially in a country of 20 million people and a state of 4½ million people with an IT industry of 60,000 people. You cannot be all things, so you need to focus on the markets where there is worldwide growth, where you have capability, where you have niche reputation and therefore where you can grow those things. We saw computer games as one of those industries that we could grab onto early, in advance of other economies if possible, and get growth out of it for local companies, jobs and wealth for the state.

CHAIR—You had a base of companies to start with that you could see had the capacity to expand and employ more Victorians. What did the Victorian government start to do—did it try and bring the industry together in one industry group or try and make it more cohesive so that it would collaborate on trying to get large projects? Is that the sort of thing that the Victorian government did?

Mr Bishop—A few things happened. There were some talks. In our role dealing with the industry at Multimedia Victoria, we deal with a lot of companies. Over a period we realised that we had the game developers located in Victoria. They know very much what they are about, because they make computer games. They are not doing other multimedia applications; they are not doing web development and that type of thing. They know: ‘This is what we do.’ So when they want to talk to us they are pretty clear.

We got everybody together—we are talking about probably six key companies in Victoria who were able to enunciate pretty clearly the types of things they would like—and we put together a wish list that we put to the government of the day. I think it actually was the treasurer, John Brumby, who received that brief saying that we would like to implement a PlayStation 2 development kit program. Actually, it was not called that then; it was just support for next generation development kits for the Victorian community. It was not until later that we were able to focus on exactly what type of platform we would be able to offer support for the Victorian community for, but they were smart because in the process they picked the platform that has ended up being by far the most popular platform in the world.

Mr Straw—There were three areas that we saw as barriers to the industry: one was infrastructure, another one was skills and the other one was how they would grow local businesses—that is, not necessarily just be at all stages a contract developer for an overseas publisher but be able to grow to become publishers themselves, own the intellectual property and keep the wealth here in Australia.

CHAIR—Is that the way it is turning out? Are you achieving what you set out to achieve?

Mr Straw—As with good government policy, we review each point of policy before we put something else out. We have done three versions of this game plan. We believe the areas that we focused on in 2000 and 2001 have achieved their goals with regard to growth and reducing market barriers for people. In terms of this year's plan, at this stage we have not reviewed it and whether or not it has assisted that. One of the interesting things that we have done is with Film Victoria. We have provided some funds towards a thing called a digital media fund where there is a computer games prototyping fund where people can come in and do a prototype or a concept design. We will fund that so that they can keep that intellectual property and start trying to get that taken up by publishers and other developers. It is to try and keep local content here rather than just being a contract developer. I think that is one of the more interesting things, and we would like to see how that works in the future.

CHAIR—What about in the area of skills? We have visited some terrific places in the last few weeks and we are discovering that there is a lot of enthusiasm—and the Victorian College of the Arts is a good example for this area—but are we producing the right people with the right skills? Are we producing too many people with the right skills for the industry here? We hear that Australians are creative and much sought after in the United States, which is a positive thing, and a lot of them get snapped up and taken over to the United States. That is not necessarily a bad thing in a global world, but are we producing too many people?

Mr Straw—I think there are two ways to answer that: one is for computer games specifically and the other one is for the IT industry as a whole. With regard to computer games, La Trobe University run a postgrad course for computer games. We also have some TAFE-level computer games courses. The companies we have talked to believe that the skills coming out of those are good for them. The other thing is that it is not just specialist computer games people that they hire; they hire hard-core software developers, people that program in C++ that come out of RMIT and Melbourne University et cetera. We have not had too many problems with regard to being able to get those skills. What we wanted was some level of specificity on the skills. That is why we have encouraged specialist computer games courses.

Are we producing too many IT skills? Certainly there has been a downturn in the IT industry over the last few years, and the supply and demand gap has normalised a bit. However, I would say that we probably should be looking forward not backwards, so we believe the IT industry will pick up and we need to produce those skills now for the future rather than having to address that in four years time and have another problem.

Mr CIOBO—Previous witnesses, such as the Games Developers Association, have indicated that they feel the biggest barrier is lack of access to capital. Is that consistent with your understanding? Have you got in place programs to try to be a market maker, so to speak, to get access to capital?

Mr Straw—This is an area where traditional venture capital has not moved—for what reason, I do not know. Certainly they have talked about capital being a problem, as do film-makers, television program makers et cetera. Hence Film Victoria's submission called on the government to consider a games finance corporation that could look at some of those financing issues and access to capital issues. At the moment, the Victorian government does not have any programs in place with regard to capital raising or capital programs. We have some programs, as I said, trying

to seed prototypes and concept designs, but not the financing of it, which we see as the responsibility of either the market or the Commonwealth government.

Mr CIOBO—In terms then of the development of the industry, do you do it through clustering or has it been on the basis of people approaching you and you then lending experience and assistance?

Mr Straw—The majority of our ICT industry strategy is around clustering—computer games probably being one of the early examples of a successful cluster. One of the reasons we supported the Games Developers Association of Australia, and supported bringing the games developers' conference here as well, was to act as a hub, with clustering around that as a subindustry group. It is not just a Victorian cluster; it is a broader Australian cluster. We see clustering as an important element here.

Mr CIOBO—Regarding your proposal of a games finance corporation and the convergence that is taking place, rather than having another separate body wouldn't we be better off bringing these various strands together—whether it be TV, film or games development—under the one roof?

Mr Straw—I think you have made a good point there. There are a lot of similarities between the three industries, and that is why we put forward a submission around a games finance corporation, making the analogy to the Film Finance Corporation. It is an industry with a project based structure—it goes through preproduction, production and post-production—and there are similarities in the distribution channels to market and in the people they use. In addition—and I have got kids that actually play these and watch these things—you see films getting made out of computer games now like *Tomb Raider*. Actually, every time a film comes out they make a computer game at exactly the same time, because it is all part of marketing and distribution. So in terms of similarity of industries and the convergence of industries, there may be some benefit in doing that.

Mr CIOBO—Is it more than co-location? Should we have just one body that handles all three industries or do you see them being better served by three separate bodies?

Mr Straw—I am not sure if I could give an opinion on that. In the Victorian government we do have separate entities that look after separate bits—we have Film Victoria, we have Multimedia Victoria because computer games spawned out of ICT rather than film as such. But it depends how closely they coordinate and work together. We in the Victorian government have not had a problem making these things converge and integrating programs because we have worked very closely together. If there were separate bodies and they did not worked closely together, it would probably produce a suboptimal outcome.

Mr CIOBO—Sure. Your push to extend the 12½ per cent rebate to game development is one I have not seen before but probably has some merit. What sort of threshold would you be talking about? At the moment film has a threshold of about \$15 million of qualifying expenditure.

Mr Straw—I think the suggestion was \$10 million, and that would be based on that not just being one game, because one game might be about \$5 million in terms of production. It would actually try to encourage a portfolio based approach rather than a single game approach.

Mr CIOBO—The final thing I want to tease out is the issue of intellectual property. Various premises that we visited and various witnesses have indicated that they do not have a problem with regard to accessing capital provided they are willing to sell over all their IP. Is there a way that the relationship can evolve such that IP can remain with the developer of the game, and the publisher on-sells on a licensing type basis or something like that? Or is the attitude that you pick up from publishers that they must have IP before they will take it any further?

Mr Bishop—The publishers plainly control the industry—the US publishers in particular. It is what has come before that is the model. The industry is trying to break that model. It is interesting because with a game you probably have more creative input and, in a way, have a lot of IP in the game even though you do not own the brand and you are not going to retain or receive a larger royalty flow for having made it. All of the technical prowess that you put into it and the way that things move around is something of your own imagination. If it is Bugs Bunny they might just give you Bugs Bunny and he has to fly through space. So they own that and they are going to cut the same deal they have always cut, whereby you are making it for them and you build in a little increment on your production, so each time you meet your milestone you will have made a bit of money to get you that far. But you are not making the money that the industry sees that it needs to grow. I think it is a bit ironic that they put so much creative work into the development of the game and the way things move around, but I do not see where that is actually recognised. It is basically the actual brand or the character that the publisher, if they own that, rightfully gets their return on.

Mr CIOBO—The same example exists with regard to film development. You saw what was heralded at the time as a big change from current distribution patterns when they released the *Blair Witch Project*, which, for all intents and purposes, was by word of mouth and did not have a big marketing budget and so on and so forth. Do you see the potential for there to be distribution within the games industry akin to what we saw with the *Blair Witch Project* whereby developers could distribute over the Internet and bypass publishers?

Mr Straw—There is a possibility of that because where is the next level of online gaming? You can see Korea and places like that having massively multiplayer online games over the Internet which do not need a physical distribution channel as such; they have got a cyber distribution channel. If we could actually get broadband right and the right sort of pricing across the world, you would be able to encourage those sorts of distribution channels for online gaming. I think probably the most exciting and innovative bit for gaming is Massively Multiplayer Online Games.

Ms Kiper—For non-online gaming there is a distinction between marketing over the Internet and distribution over that Internet. With the *Blair Witch Project*, that was marketing over the Internet. Similarly, with any game there can be marketing over the Internet, but at the moment it would have to be an online game for it to be distributed in the same way, and the IP rights would still flow in the same way.

Mr Straw—I think one of the interesting challenges for the industry in online games is if the console manufacturers will want to lock it up. The next layer of consoles, the PS3s and the Xbox 2s, are going to be home entertainment kits in the lounge room. Will they still try and lock it up with some level of proprietary approach rather than a normal, web based, Internet PC type of

approach for online games. I do not know the answer, but it would be an interesting thing to see whether or not they do try and do that.

Mr CIOBO—I have a technical question which you may or may not be able to answer. If I were a game developer and had broadband connections et cetera, and I developed a game and you are sitting at home on your PC and you also have a PlayStation 2, are you able to pull that down off a broadband connection, burn it onto a CD or a DVD and then play it on a PS2, for example?

Mr Bishop—No.

Mr CIOBO—So it is a different sort of—

Mr Bishop—Whilst the computer game industry uses that as a generic term there are, at least, two distinct strands: computer games and video games. The video games are run on proprietary consoles with proprietary software.

Mr CIOBO—That is why I was wondering. If, as a game developer, you were releasing that software it is still a different format even though the medium is the same, that is, a CD-ROM or DVD-ROM.

Mr Straw—It would not be burnable; it would be something that you would need to be online to participate in.

Mr CIOBO—Thanks.

CHAIR—This inquiry is about what the Commonwealth could do. Obviously you have a very keen involvement here in Victoria between government and industry which is working very well. What do you think the federal government could do besides what is mentioned in your submission about taxation, which we are not allowed to talk about—it is not in our terms of reference. Besides that, what could the federal government do that would be useful?

Mr Straw—There were two suggestions in the submission. One was to take a more proactive approach with regard to marketing the industry overseas. Austrade for the first time took an approach this year to doing a ‘games Australia’ approach overseas. That was only after much heckling from a few states. Even though Victoria and Queensland funded the lion’s share of it I do not think that will happen next year. We would be looking for the Commonwealth to be more proactive and take on some national responsibility regarding that. As a ‘games Australia’ brand we have to market it better. It is no use doing a ‘games Victoria’ brand overseas—that just does not work. We would encourage the federal government to be more proactive in that.

The other area that we did suggest was better specificity around data so we can, via the ABS, do some better classifications around digital content and computer games so we can determine better policy. If you cannot get good data it is very difficult to determine good policy. There is some work in the ABS that may assist the industry with regard to bringing it to the top so we can get some good data.

CHAIR—What does the ABS collect now?

Mr Straw—It has an annual economic activity survey.

CHAIR—In computer games?

Mr Straw—No. An economic activity survey on all industries—whether digital content and computer games could be a subsector of that is a consideration. They also do a film and video production survey and a film and video distribution survey, and whether they could be more specific around digital content in that area is also a consideration. They also do an annual survey on the business use of IT and the household use of IT. Whether information around the use of computer games could be brought into that as a subsector as well is a consideration. That may give us a better understanding of the demand market.

CHAIR—That is an interesting idea. Thank you for appearing today. Good luck with your continuing good work in Victoria. If we need you we know where to find you.

Mr Straw—Thank you.

Proceedings suspended from 12.18 p.m. to 1.32 p.m.

SDRAULIG, Ms Sandra, Chief Executive Officer, Film Victoria

CHAIR—Welcome. You are not required to give evidence under oath but these are formal proceedings of the parliament and the giving of false or misleading statements could well be regarded as a contempt of the parliament. We like to take our evidence in public, but if you want to give any evidence in camera then you just have to request that and we will consider the request at the time. Perhaps you could make some opening remarks.

Ms Sdraulig—I am here as a representative of the film, television and multimedia industry. The Victorian government is very much committed to a vibrant film, television and multimedia industry and very much recognises the important part that the industry plays in the state's economy. It also recognises that the industry is critical to our social and cultural fabric. The Victorian government has adopted a number of measures to support film, television and multimedia: the implementation of the Film Industry Task Force and the nomination of the film and television industry as a strategic industry sector; the allocation of \$31 million for the industry development and investment in film, television and multimedia production; the commitment of \$40 million to the construction of the studio complex at the Docklands; and also the establishment of Film Victoria and the Australian Centre of the Moving Image as statutory agencies on 1 January 2002. I came in soon after to head Film Victoria.

Film Victoria is the government body that provides strategic leadership and financial assistance to the industry and we do that through a suite of programs broken up into industry development and investment, the Digital Media Fund, the Melbourne Film Office, which is about attracting productions to Victoria, and also through Screen Culture through the support of festivals and events. I will take questions from there.

CHAIR—There are a lot of groups in Australia that are operating in this area—Film Victoria, the Film Finance Corporation, Film Australia, Ausfilm and a whole lot of different bodies in this country promoting the film industry. Why did the government in Victoria feel that there was a need to establish its own Film Victoria, and what do you do that is different to what some of the other groups are doing in this area?

Ms Sdraulig—I guess the government saw that the industry had been pretty important in its contributions economically and culturally. Prior to the Labor Party coming in, whilst multimedia had burgeoned under the Kennett government, the film industry in particular had become somewhat depleted. I think the priorities had been to strengthen multimedia and of course to create Federation Square. The government saw the benefits this industry delivers and has wisely chosen to strengthen the tremendous skill base we already had and to try to grow the industry further from that skill base.

CHAIR—So Film Victoria brings together things like Federation Square and ACMI.

Ms Sdraulig—That is a separate component. On 1 January 2002 Cinemedia became the body that incorporated those elements, ACMI and Film Victoria. With the creation of those two new entities, production rested with Film Victoria and Federation Square and exhibition with ACMI. So in fact we operate fairly distinctly.

CHAIR—So you work with them collaboratively but you are quite a separate organisation?

Ms Sdraulig—Absolutely.

CHAIR—Your job is basically to promote film-making in Victoria?

Ms Sdraulig—Exactly—to promote film-making internationally and locally and also to invest in productions and assist with the development of projects in television and feature films, and multimedia as well through the Digital Media Fund.

CHAIR—Are you having much success?

Ms Sdraulig—We are indeed. We invested in *Crackerjack*, which was the highest grossing Australian film last year.

CHAIR—Who was in *Crackerjack*?

Ms Sdraulig—Mick Molloy—

Mr CIOBO—In a bowling club.

Ms Sdraulig—Yes, the bowling club, exactly.

CHAIR—Of course it was; I remember now.

Ms Sdraulig—That grossed \$9 million.

CHAIR—Was that a profit?

Ms Sdraulig—Indeed it was, so we are pretty pleased with that. At the last Cannes Film Festival we not only had the highest grossing Australian film over the last 12 months but also had the pleasure of launching *Japanese Story*, which was the only Australian feature film at Cannes and which attracted a great deal of international attention and sold to territories around the globe. Not many Australian films sell quite so extensively, so that was a tremendous achievement. In the festival we also had the Victorian film *Cracker Bag*, which got the Palme d'Or award for the best short film at Cannes.

CHAIR—That was directed by a guy who came from the Victorian College of the Arts.

Ms Sdraulig—Exactly. And two of our producers from Ruby Entertainment, Mark Ruse and Stephen Luby, were nominated in *Variety*, the key international industry magazine, as being in the top ten producers globally to look out for. So I think we are going quite well. We are pretty pleased.

CHAIR—You are returning on your investment.

Ms Sdraulig—We are quite pleased with the way the industry is progressing at the moment. It certainly goes in cycles, as we all know. At the moment we are riding high.

CHAIR—Is it highly competitive between bodies like Film Victoria, the South Australian Film Corporation and their equivalents in New South Wales, the Gold Coast and Queensland? Do you all work together?

Ms Sdraulig—We do indeed.

CHAIR—Or do you just compete against each other?

Ms Sdraulig—We try to work together, because I think it is in our interests to see this as a national industry with international connotations and engagement. That has certainly been the philosophy that I have encouraged. There are all sorts of ways of working together. Sometimes we choose to jointly invest in projects. Sometimes we might have producers come to us from overseas who are interested in bringing a production to Australia but not sure where it would be best placed. When we do not offer the facilities that the script demands, we make recommendations elsewhere in a fairly collegiate fashion, and I think that is important.

CHAIR—Is there a Commonwealth agency that has the role of bringing you all together? Is that done by AusFILM, the Film Finance Corporation or Film Australia?

Ms Sdraulig—The Australian Film Commission brings us together, and we certainly are looking towards greater cross-fertilisation on an organisational level, on a project level and on an issues and policy level. I think it would be regrettable if we chose to operate in isolation, because we have similar ambitions and similar desires to grow the industry, and we can only do that if we work in unison.

CHAIR—This is the kind of industry where the more you do, the more it creates, isn't it?

Ms Sdraulig—It can be.

CHAIR—The more films that you make, the more likely people are to make films in Australia.

Ms Sdraulig—It is heavily dependent on subsidies, so the opportunity to make more films is also the product of the level of investment that federal and state governments make in the industry.

CHAIR—For example, they say that, because George Lucas and Rick McCallum felt that they could make all of the Star Wars trilogy in Sydney, other people in America said, 'If they can make them there, perhaps we should be making films there too.' This was some time ago.

Ms Sdraulig—Absolutely. I think this is an industry that generates a great deal of goodwill and national identity and has the opportunity to promote Australia internationally in a way that is unparalleled. Its impact is enormous. You can gauge that level of impact by observing the kind of cultural strength that emanated from, for example, *Lord of the Rings* in New Zealand and very much from *Moulin Rouge* here in Australia. That level of exposure is extraordinary.

Mr SERCOMBE—Could you describe to us in a bit more detail the business decision making process that Film Victoria follows in the lead-up to deciding to support a film like *Crackerjack* or *Japanese Story*. What prompts that particular question is some comments that the Pacific Film and Television Commission made to us up in Queensland just recently. They were very vigorously saying that government film organisations in Australia need to have a better business model. They said:

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

Implicit in that is a pretty savage attack on the Australian Film Commission, and it is a matter that we will take up with the AFC when we next see them, but it would be interesting to get an understanding from you as to what sort of business model you apply to your decision making and how you balance business considerations against cultural considerations.

Ms Sdraulig—What determines how we invest in films is the criteria and the guidelines that we apply, which are focused on quality, innovation and marketability.

Mr SERCOMBE—So marketability is a specific criterion?

Ms Sdraulig—Yes, it is indeed a specific criterion. We look at the quality of the script and the appropriateness of the marketplace attachment. We do require marketplace attachment to our production investment. We also look at the level of production investment that is sought on a case-by-case basis and assess the deal making. We look at the economic benefits that result to Victoria—that is quite important—and we look at the level of participation of Victorian personnel. The employment side of it is obviously fairly pivotal. We also look at the commercial and critical track record of the creative principles that are involved. That is a fairly sizeable set of guidelines that assists us with our decision making.

Mr SERCOMBE—Is it your understanding that those sorts of marketability criteria would be given equal weight by other organisations similar to yours elsewhere in Australia?

Ms Sdraulig—I am not in a position to comment on the mechanics of their decision making. You can only do so if you are actually participating in that process and see the way in which it is delivered and executed. It would be inappropriate for me to comment further than that.

Mr SERCOMBE—Can you tell us a bit about where the Docklands studios project is at and how you envisage that in the future? As I am terribly parochial, can you tell us a bit about St Albans and whether that has a future in relation to the Victorian film industry once Docklands is open? I declare my interest.

CHAIR—St Albans must be in your electorate.

Ms Sdraulig—The Docklands studios is on track—

Mr SERCOMBE—Despite media coverage that suggests there are some problems.

Ms Sdraulig—My understanding—and in fact you could check this out for yourselves because the building is physically going up, so it is a site that can be examined—is that they are running according to schedule at the moment, with a delivery date of April next year. At the moment, that is where it stands, and we are pretty confident and they are pretty confident that it is going to be on track.

CHAIR—What is going to be at Docklands?

Ms Sdraulig—There will be at least five studios—

CHAIR—Five sound stages.

Ms Sdraulig—Yes—and they are being constructed progressively. After the five have been completed, a determination will be made as to whether additional sound stages will be added depending on demand. There is the capacity to provide for that on site, so that will be determined as demand requires.

CHAIR—And what is at St Albans?

Ms Sdraulig—St Albans is a very large studio. It is really more a site that we operate at the moment. Recently we had *Salem's Lot*—the Rob Lowe project—there, but they have just vacated. It is quite an enormous space, which is one of its advantages and also one of its handicaps, because if you are looking only for a space that requires marginal arrangements it is not suitable. It has not been determined as to whether or not St Albans will continue. That is a decision to be made in the future; it is not for me to pre-empt which way that will go.

Mr SERCOMBE—The Premier was quoted in one of the local papers this week as suggesting there may be a future for it. That is why I was asking about it.

Ms Sdraulig—Yes. It is very much about whether there is a demand for that level of space, and often there is. It is a fairly idiosyncratic space. It is not state-of-the-art equipment. That is in there and that is one of its disadvantages, but the enormity of the space can be a great advantage.

CHAIR—Is this right in the middle of a residential area?

Ms Sdraulig—Close by. Where Docklands is being developed is where the apartments and the retail area are also being developed. One of the intentions of the project is to develop a cluster around the studios.

CHAIR—That is at Docklands. Is St Albans in the middle of a residential area?

Ms Sdraulig—Not quite.

Mr SERCOMBE—It is the cultural heart of Melbourne!

Ms Sdraulig—Especially to those who represent that section.

CHAIR—Thank you very much for appearing this afternoon. If we need any more information, we will get back to you.

[1.52 p.m.]

SMITH, Professor Peter James, Head of School, School of Creative Media, RMIT University

VERHOEVEN, Ms Deb, Senior Lecturer and Manager, AFI Research Centre, RMIT University

CHAIR—I take great pleasure in welcoming representatives of RMIT University. While we do not require you to give evidence under oath, these proceedings are formal proceedings of the parliament. If you make false or misleading statements, they would be regarded as a contempt of the parliament—not that we expect you to do that. We do like you to give evidence in public, but if you do want to give any evidence in camera you can request that and we will consider your request and make a decision about whether or not we would proceed on that basis. Do you wish to make a few opening remarks?

Prof. Smith—Yes.

CHAIR—Please proceed, and then we will have some questions.

Prof. Smith—In the School of Creative Media at RMIT University we have screenwriting, creative writing, multimedia and photography—in fact quite a wonderful web of creative industries that we are busy teaming together to create new kinds of product. We are young at research, coming from the creative side, I suppose. I am a professor of mathematics and art, so I am one of these cross-disciplinary animals that RMIT is encouraging. I am a formal researcher as a mathematician and a practising artist, so I am very keen on bringing good research credentials into the school and developing those in a very cross-disciplinary manner. We are busy building new programmatic material which is useful with regard to the material we are talking about today. We are building multimedia programs at the moment and extending them in a general masters in creative media that engages all the disciplines in our school in a way that links them together. That puts people in a good space for being able to work in the creative industries—especially in areas such as the gaming industry, which not only requires formal computer scientists but also good designers and good writers and narrative people because of the complexity of narrative in game design. So a school such as ours is well positioned to feed in well into that area.

Mr SERCOMBE—The complexity of narrative?

Prof. Smith—Indeed. If you engage in some of the modern games that have culturally gripped our teenagers in recent times, an individual player can make a path through a very complex game. It is more than a linear narrative, it is actually quite sophisticated, and we need to be able to use our writers and narrative people to feed into the multimedia people. We have a centre of animation design, which is at the leading edge of our research base.

Ms Verhoeven—I am a senior lecturer in the School of Applied Communication, which is a very large school at RMIT by anyone's terms. It is probably larger than most faculties at most

universities. It incorporates degrees in communication design—graphic design—as well as media studies, journalism, professional communications and public relations. As a result, it is a school that houses a number of disciplines that are very relevant to the terms of this inquiry, in particular the fact that its graduates go on to seek a lot of employment in the film and television industries and in the multimedia industries. We also find the two schools working alongside each other in education initiatives and collaboration on certain discussions around curriculum and other things.

Prof. Smith—Internationalisation is an issue too. We are both strong schools with a very strong contingent of international students, both onshore and offshore, and we find their contribution extremely positive.

Ms Verhoeven—We teach degrees into Singapore and we have also taught a large number of students from Malaysia and Hong Kong. Hong Kong in particular has a very strong film industry, as you understand. We house the AFI research collection, which was formerly the AFI Research and Information Centre in South Melbourne. That has moved to RMIT University and it forms the basis for a lot of our research activities into the film and television industries. It is also an opportunity for us to work with international researchers, so we do a lot of work with Americans and Europeans on national cinemas and the terms of establishing and maintaining national cinemas in a global environment.

CHAIR—Do you offer at RMIT a basic degree in animation, special effects, electronic games and film?

Prof. Smith—We have a VET program that is an advanced diploma in that area.

CHAIR—Does it cover all those aspects?

Prof. Smith—It does, but it is something that we would extend. It articulates into a bachelors program of multimedia. I am currently extending that bachelors program to a full three-year program, so we will have a suite going right from the VET sector through to the undergraduate degree program and we will be encouraging full fee paying undergraduate students into this because of the huge demand. Then we have research degrees and the new masters program at the other end, so we are encouraging those different sectors with different outcomes.

Ms Verhoeven—We have a Bachelor of Communications in media studies, which is a production degree. Students come in and they usually want to work in television, which is generally where our graduates end up. They can also specialise in radio. All students who do that degree also have to work online. It is the fundamental belief in the course that anyone we allow into the degree in 2003 will be working in a vastly different industry by the time they graduate in 2006. We do our best to try to anticipate what that industry will be, and it is our belief that it will be a much more converged industry. I think most people would agree with that. We ask all students, no matter what technology they are learning, to be able to work with and communicate with someone from a different technology background. For example, if you are studying video production, you have to work with multimedia students and ensure that your product works for a multimedia environment, not just for a film or TV environment. That is the future.

With that in mind, we are also working on a new curriculum initiative to develop a program to encourage multiplatforming as part of education. That would take graduates from Peter's school or from our school and ask them at a graduate level in a real world environment—working on a real project for a distributor, for example—to develop something that is for not just film, TV, DVD or the Internet but all of those things from the outset. You cannot just repurpose an existing product; you cannot just make a film and then think after the fact, 'Gee, I should have got some stuff for DVD for that,' or, 'I should have thought of what that would look like on the Internet.' You have to think about that stuff from the beginning, and this is an area that we have noticed is lacking in the Australian film industry at the moment. But the marketing opportunities for Australian films are limited because we are not asking film-makers up front to think about where their films might end up or what types of technologies their films might be used in. Mobile phones are yet another new technology that seems to be taking up image based content.

Prof. Smith—That informs the writing, too, using Australia's cultural heritage in a very exciting way that is not the straight 'prawn on the barbie' type thing, but using cultural material sensitively and innovatively so that it makes products that sell very well, products that are quite exciting.

Ms Verhoeven—It is not just about the technology. Multiplatforming is a technological term but it is also about ensuring that those film-makers or screenwriters, right at the beginning, understand that their films will not just be shown in Australia—

Prof. Smith—Absolutely.

Ms Verhoeven—that they need to address other markets. So the markets are not just technology based; they are also globally based. I have now taught film production in three different institutions, including this one. I am repeatedly told by graduates that they do not need to watch Australian films because their films will never be shown in Australia, and they will never make Australian films; they are going to go straight to Los Angeles and be a Hollywood producer. That happens for maybe one in every ten years of graduates—one student may get to be that lucky person—but most of them will work in the Australian industry at some level. There is a kind of denial about that global fluidity that they need. They need to be able to work here but they also need to be up to work in other places. One of RMIT's strengths, which is something we hope our submission reflected, is the internationalisation of our programs. We encourage students to work in overseas environments and vice versa as part of their work experience programs.

Mr SERCOMBE—Could you give us a couple of examples of what you meant before about developing Australian cultural material in ways that has not really been explored? Can you give us some tangible examples?

Prof. Smith—I can, but it is a Kiwi example!

Mr SERCOMBE—It would be interesting to get my head around what you mean. The words sound great but it would be good to understand what you mean.

Prof. Smith—I am thinking of the movie *Whale Rider*, which my wife twisted my arm to see. It treated postcolonial issues very sensitively; it addressed a lot of issues in such a way that it has

intrigued audiences right around the globe. They all understand the issues that were raised in the movie and yet it was absolutely true to cultural authenticity. Not only that, there were huge advances in image making; the photography was—

Mr SERCOMBE—Rolf de Heer doesn't do that in Australia?

Prof. Smith—Deb is the film person, she will find examples; but what I am saying is that that is what we need to encourage.

Ms Verhoeven—*Whale Riders* is a real exception because it has now done so well overseas. It is made an extraordinary amount of money that no-one had anticipated. If you look at a counterexample—an example of a failed initiative in this regard—there is the film *The Night We Called It a Day*, which is in release at the moment. You can see that the producers were thinking very hard about an international market. They cast A-list international stars—Dennis Hopper and so on—and the film has done very badly in Australia. That is an example of film-makers thinking outside their domestic audience—

Mr SERCOMBE—Don't people like Frank Sinatra after all?

Ms Verhoeven—or not thinking about the domestic audience and what it might do—

Prof. Smith—That is really important. The domestic audience is important.

Ms Verhoeven—Lots of distributors will tell you that if a film does not work with its domestic audience they cannot sell it to an international sales agent because the sales agents say: 'Any film from a small or medium sized industry, like Australia's or New Zealand's, has to do well with its own audience before we will pick it up. Otherwise how can we possibly sell it? If it is not going to do well in its own market, how can we do anything with it in an international context?' So the domestic audience is very important and it is something we ignore at our peril in general industry terms but also specifically in education terms, and I think that is something we have focused on a lot at RMIT.

Mr SERCOMBE—Why do you think that recent film on Frank Sinatra has failed? I have not heard that it was doing poorly at box offices.

Ms Verhoeven—It is averaging less than \$200 a screen at the moment, so it is down to one session a day after two weeks.

Mr SERCOMBE—Why do you suspect that is the case?

Ms Verhoeven—It is possibly misunderstanding the audience. An audience that might be interested in Frank Sinatra probably does not buy Dennis Hopper as a Frank Sinatra performer.

CHAIR—I have seen it.

Ms Verhoeven—I quite liked it, I must say. It was okay.

CHAIR—Joel Edgerton was the best thing in it.

Ms Verhoeven—The thing is that maybe the Joel Edgerton audience has not followed over from TV to film because, for whatever reason, they do not buy him as an early 1970s hippie—

CHAIR—I thought he was pretty good.

Ms Verhoeven—I thought he was great. I think he was one of the strongest things in the film.

Mr SERCOMBE—Did you like Bob Hawke?

CHAIR—No, not really.

Prof. Smith—In our submission we have outlined, vaguely in form, the idea of a centre for media industry education where we can get some of these things happening. I am planning new degree structures next year that particularly address the gaming industry because it is something that sits well within my school and can involve writers and the cultural context that we were talking about. If you look at a lot of these video games, you see that they really benefit by having international students in our programs—that effect comes through. If you look at some of the images you see that they are images that are on the leading edge of image making anywhere in the world. In other words, they have to appeal to Asian users of the game, American users and so on—it is quite sophisticated stuff. I am amazed at how much further it is advanced, even the image making, compared with traditional fine art disciplines. The end product is really interesting, sophisticated stuff. Apart from the writing and narrative aspects there are all those visual aspects: the design aspects that are, again, in Deb's school. So it will be something that we can really fly with as we get together and start thinking along these lines and proposing this. I have had some really exciting experiences seeing international students doing really fantastic stuff in Australia in the gaming forum.

Ms Verhoeven—We had a group of 14 Indonesian students last year spontaneously just decide that they were going to make a feature film. They got together and did it and had it screened at a special festival of Indonesian cinema in Melbourne, which is in itself quite a phenomenon anyway. They won quite a lot of audience respect and applause for that. There is this idea of collaboration—the local students helped them out and helped them produce the film, but it was all done in Indonesian with an Indonesian plotline and everything else. So this stuff does happen. It happens at a very small level, but it has big implications later when those students graduate and start to work in the world. It is a world; that is what you have to remember.

Prof. Smith—There is one other aspect that I would like to mention, and that is particularly orientated to research, because for us to progress this forward beyond mere documents and things we really need to make headway as research teams—industry-linked research. I am thinking particularly of ARC grant research applications—grants which I am keen on getting, linking with computer scientists and so on. I dislike this very act that that we will as creative artists have to piggyback on the CVs of computer scientists with their 200 publications in order to get an ARC grant. I think it is a bit remiss of the government in a sense to have removed the DEST criteria for creative works—for novel writing, and for exhibitions and performances and things. These were in for one year as DEST publishable—

Ms Verhoeven—Quantum.

Prof. Smith—research quantum. I do not imagine that that costs the country a lot, but this sort of submission proves that these people are a driver into things with absolutely real-world important outcomes, as I have described. So, being a traditional mathematical researcher—a formal researcher—but also a practising artist, I know both sides of it. I am going to really drive to try to get that type of work to become part of the research quantum, so that it can feed in a formal way into these grant applications and we do not have to do such a lot of piggybacking. Then we could get the grants through collaboration but on our own merits, rather than sticking a bunny researcher in there to win the grant for us and then going and doing all the work. Do you see what I am trying to say? I think that that is important.

Ms Verhoeven—If I could extend that: getting linkage grants between industry and university in the film sector is extremely difficult. I say that because 2½ years ago I organised a research summit for industry, government and universities, at which most of the key industry and research organisations sat around a table. I put it to the table as part of the summit that this was an opportunity to create linkages—to create linkage grant applications. We had a situation where—and I do not blame any particular party in this—academics do a type of research that does not interest industry; industry had a set of research questions that did not particularly appeal to the academics; and the government would not tell us what they were interested in researching, and decided that the agencies would just keep it in-house and let their own policy units do the research. That did not augur well for opportunities to occur to break this stone wall that exists around moving this industry forward. Since then—certainly on my part and on the part of my colleagues—we have tried very hard to address real-world industry problems in our research. But, even still, finding organisations in industry that are prepared to cofund those inquiries is quite difficult. It is a very anti-intellectual industry.

Prof. Smith—It is.

Ms Verhoeven—It is an industry that deeply believes in apprenticeship—not any other form of education—as the basis for learning.

Prof. Smith—But I think the concept of the linkage grant per se is good. We are not criticising the linkage aspect.

Ms Verhoeven—No. We would like linkage grants to be possible and established and to occur. That is something we strive for. We also recognise there is a long road ahead to fulfil the specific requirements of the linkage grant process with the current industry organisations that exist in the film industry.

Prof. Smith—I hold a linkage grant as a mathematician with the banking industry, and I had to wring the banks like this to squeeze even a small amount of money out of them. Yet, as soon as you make a product that would have commercial application, boy, are they on the email list wanting to be involved! It took us six months to argue the intellectual property because they suddenly smelled there was something in it and they wanted to be part of it. So it is a tricky process.

Ms Verhoeven—The key questions for the industry are around audience, for example, and the lack of audience for Australian films. But actually finding an industry organisation that is interested to address that head on—

Prof. Smith—And pay for it.

Ms Verhoeven—and pay for it is difficult because it is either commercial-in-confidence distribution information they do not want to share or because it is a question that certain organisations may not want addressed in full as they may be criticised or seen not to be achieving. It is very difficult.

Mr CIOBO—In your submission, you make reference to a national curriculum strategy. Could you expand on that a little bit in terms of exactly what form you would see that taking and how that might tie in with other institutions?

Ms Verhoeven—There are really two components to that. One is that the government used to hand out curriculum development grants, but they do not exist anymore. They were specifically targeted to developing innovative curriculum. In fact, I was a recipient of one of those grants and it was useful for getting off the ground some of these new initiatives we have been discussing. RMIT in particular would like to see the return of something like that. RMIT was very successful at garnering those grants, because it was attempting to keep up with industry practice and used those grants to move curriculum forward. That would be one component.

The second is that in relation to what I would call audiovisual literacies as opposed to our conventional idea of literacy, which is reading and writing. The different states are in a sense all in different positions and places with respect to how they address that problem in their secondary curricula. For example, Victoria has had film texts as part of its HSC or VCE competencies for a long time and New South Wales has recently introduced a whole set of very innovative audiovisual literacy curriculum initiatives, but other states fall much further behind in how they address those questions. If we are to ever develop a nationwide audience for our own content in this country, we need to address it as a nation. One of the key issues in Australia is that we are a great audience for international cinema but that we are not a great audience for our own cinema and our own audiovisual content—although TV is a bit of an exception. We do like our own TV, and I guess that is because it is free. We do not like to pay for it. In a sense, we are not a viewing nation; we are a viewing population. As a nation we do not come together around our cinema or around our content.

Mr CIOBO—Would a national strategy make it easier or harder to get the flexibility you talk about? I am inclined to think it would probably make it harder.

Ms Verhoeven—No, if it were adequately—

Prof. Smith—It would define, it would delineate, the issues. It would tease them out.

Ms Verhoeven—Our aim is to delineate the issues. I guess it would be up to each state as to how they then took it up in their curriculum. It would be good to have a national strategy that said, 'Audiovisual literacy is important.' This week is Adult Learners Week, and there are great ads on TV at the moment talking about the fact that everyone thinks literacy is reading and writing but that there are a multitude of literacies in the world nowadays that we have to engage with. Even with respect to mathematics and banking there is a whole set of literacies that people have to grapple with. Audiovisual literacies are no different.

I mean literacy in the very simplest sense—that is, it is about understanding through doing. If you are going to really know how to read, you need to know how to write. We teach those things concurrently. If you are going to really know how to produce films then you also need to know how to watch them. I would argue that one of the fundamental issues in Australia is that we do not know how to watch our own films. Consequently, we are making films that are inadequate. It is cyclical; it revolves around and around. We do not make films that we want to watch, and because we do not watch them we do not improve on how we make them, and so on. I think that is the heart of the problem with *The Night We Called it a Day*. It is a film that has lots of good elements in it, but it just does not come together as a viewing experience.

CHAIR—It was a good story but it did not go anywhere.

Ms Verhoeven—Yes, and it had little wayward bits and pieces that went off, threads that never did anything, and it did not seem to know what the real point was. Was it about Frank Sinatra or was it about the relationship between Rose Byrne and Joel Edgerton? There were those sorts of things. When you watch American films you do not get the sense that you are watching films made by people who do not watch films. When I watch American films I get the sense that these people have grown up talking about films, they have watched them, and they have pulled them to pieces and put them back together again. There is a real sense of a culture of watching as part of the literacy there that you do not get a sense of in the Australian cinema. I would like to see something that would encourage a national strategy for encouraging us to be brave about watching them and pulling things apart and putting them back together again, productively.

CHAIR—Thank you very much for your evidence this afternoon, and thank you very much for appearing. If we need anything further we will get back to you.

Proceedings suspended from 2.16 p.m. to 2.31 p.m.

MUIR, Mr David George (Private capacity)

CHAIR—Welcome. There are a number of things that I have to let you know about, Mr Muir. While we do not require evidence to be given under oath, these hearings are proceedings of the parliament and are treated in that way. Therefore, the giving of false or misleading evidence could be seen as a contempt of parliament—not that we expect you to be doing that. We also like all evidence to be given in public but, if you do want to give any evidence in camera, you can request that and we will consider it and let you know whether we are going to do that or not. You might like to make some introductory remarks, and then we will proceed to questions. I also thank you for coming early because we are running a bit ahead of time. That means that we will hopefully be able to finish about half an hour earlier.

Mr Muir—Does it mean that things are going well or badly if you are running ahead of time?

CHAIR—Things are going well. We are happy.

Mr Muir—I am here representing only myself, except that I am an active member of most of the screen production organisations in Victoria and the craft guilds. I am the immediate past president of the Victorian branch of the Australian Cinematographers Society, which is the largest craft guild of its kind in the world. I also sit on the Victorian Film and Television Industry Working Party, which is basically a coordinating body for the peak organisations. It is the peak umbrella body for the screen industry in Victoria. Currently I am engaged in organising the Australian Screen Directors Association national conference, which brings together people from all over Australia and, indeed, from overseas to talk about the art and craft and the funding, et cetera, of the screen director's work. I am not officially representing anyone because a lot of the views that I have expressed are just from my long experience both in the film and television production industry and as a teacher in the last 10 years or so.

CHAIR—Do you want to talk to your submission? Are there things you want to add to it?

Mr Muir—I have no idea why I have been called in, so I do not know whether you want to ask me about the submission or—

CHAIR—The way we usually proceed is that people like to make an opening statement of some kind or other and perhaps talk about the fundamentals of their submission—and they can add to it or amend it if they wish to—and then we proceed to questions. But, if it is easier for you, we can just ask questions.

Mr Muir—I will just do a very brief rundown. I think Australians as a whole are very lucky in that we have an enormous number of creative, talented people in all the arts. We have also been very fortunate in that successive governments have done a lot to foster the screen production industry in Australia both by way of television quotas and direct funding in the form of grants, loans and so on. This has been very good.

The only problem with the encouragement is that we have more and more talented people coming through all the time. They are all looking for outlets for their work, and that is a bit hard

to provide with our current level of population and access to international markets. Although we have a common language with the major film production nation in the world, it is only common when it comes from America to here. Australian films in America often have to be subtitled because they do not understand what we are talking about or, if it is a 100 per cent Australian movie, for instance, it has distribution problems in other countries. The reverse side of the marvellous talent pool that we have is that so many of the really talented film-makers end up working either wholly or mainly overseas. It is hard, then, for them to pass on the continuity of their knowledge and skills et cetera. I will just go briefly through the submission.

In response to term of reference (e), I made the point that, with the advent of digital media, there are going to be huge loads on the educational institutions, because the move to high-definition television, for instance, involves completely re-equipping not only the television stations et cetera but also the educational institutions, since nobody at the moment has the upper end of the technology required for this. There are also specific problems in terms of the Victorian perspective because, although Victorian film-makers have often been leading practitioners both nationally and internationally, the VCA School of Film and Television next door is a rather poor relation to the Australian Film, Television and Radio School in Sydney. Having taught at both institutions, I know the relative level of funding and the relative level of facilities that are available at the two schools. I think that, under the circumstances, the VCA has done an absolutely fantastic job of training a lot of very talented people who have become very successful in the industry. They have managed that, basically, because they have a small but enormously dedicated staff who really care about the storytelling possibilities of the screen and, in particular, telling Australian stories.

Unfortunately, the school here does not have the facilities or the staff to conduct specialist training in the craft areas such as editing, cinematography and sound mixing—all those sort of areas. The Bachelor of Film and Television is a generalist course, basically designed to encourage writer-directors. But, in order for anyone who goes through the course and develops particular skills in an area such as editing, cinematography or so on to get further upper level training, they have to go to the film school in Sydney. A lot of them do not come back. Obviously, if you have to be uprooted for three years and you are removed from your community network, your family support systems and so on, during the three years you are in Sydney you usually develop different connections and networks, and you often tend to stay there. So Victoria is losing out on people who were initially trained in Victoria basically because there is nowhere further for them to go within the state. I have asked for funding. It is strange; I am sure nobody else has asked for funding for anything, have they?

Mr SERCOMBE—No, it is a novel approach!

Mr Muir—Yes. On behalf of a lot of the students whom I have taught part time or in specialist courses here who have gone on to other establishments such as AFTRS or overseas, I would really appreciate it if specialist training could be funded within Victoria so that there is not this break of continuity in their lives et cetera. If the funding were provided, there would be no problem in providing people to teach those courses, because there is a wealth of talent within Victoria.

I also mentioned the foundation year part-time courses which are a relatively recent development. They are now in their third year of running. The work of these first-time students

has been quite remarkable. Some of it is well and truly up to the standard of the productions by the full-time students. A lot of people who have been through this foundation year course, which is run only two nights a week during term time and some weekends, have gone on to full-time study either here or at AFTRS. It is a really great preparation for entry either into the academic stream or into the actual industry at entry level.

One of the problems with screen production education is that there used to be two organisations which provided an ideal practical training ground and some theoretical training as well. They were the ABC production units and Film Australia. Neither of these bodies is now in a position to provide that sort of training, because they are under pressure to produce the work. Unfortunately, Film Australia has become more or less a body for the distribution of work rather than a body that employs a lot of people, as it did when I joined in 1958—a long time ago now, almost 50 years. Film Australia was a fantastic training ground for people like Peter Weir and some of our old academy award winners like Dean Semler and so on.

What I have asked for in my submission—and I am very optimistic in my submissions; I never ask modestly for anything—is that some provision is made in the ABC charter to ensure that there are ongoing traineeships. The ABC used to follow the BBC model, where they had regular courses for upgrading their staff from assistant level to practitioner level et cetera. The BBC are still doing this but of course they have a very different charter and a very different financial structure. It would be terrific if the ABC could apply a similar system here.

The effectiveness of the existing linkages between these industries and the wider cultural information technology sectors relates to the craft guilds. I guess we all understand what craft guilds are: they are not a trade union; they are a society of peers whose main aim in life is to upgrade the quality of work and help practitioners in that specific area. Typical of these are the Australian Screen Directors Association, the Australian Writers Guild and the Australian Guild of Screen Composers. In Victoria we have had a lot of success in bringing together the disparate interests of everything from the employers to the unions with the craft guilds in between.

This initially happened, I think in 1998, when the then minister for multimedia got fed up with getting complaints from all different directions about all sorts of different things related to the screen production industry. A lot of the complaints were rather contradictory. He could not see a pattern, so he said, 'You guys get together and give us a report,' which we did. That report was shelved just long enough for the next election, when the government changed. Fortunately a lot of what had been in that report came to be taken seriously by the next government and resulted in a task force inquiry headed by actor Sigrid Thornton. The recommendations of that task force have led to increased funding of the industry in Victoria, which we really need, because our percentage of national product every year seems to drop another 10 percentage points down the scale, so things have not been good.

Also as a result of the task force the government put money in to help private investors build studios here, which were much needed. Because there were no studios, that was restricting the amount of activity that could happen in Victoria. People used to go into old warehouses and do their best to fight the lack of soundproofing and that sort of thing. It was pretty half-baked, and of course this was totally unattractive for overseas people, who are used to the best of everything and having all the facilities available in the studio.

In this coming together of the craft guilds we have managed to achieve total unanimity, in the five years that this organisation has been functioning as a peak umbrella body. It is quite remarkable for any industry to be able to combine the employers, the service people, the practitioners on a craft and artistic level, and the trade union, to get unanimity on what has to be done. It has been pretty remarkable. It is still continuing its work in advising Film Victoria and other bodies as to what the current problems are. There is a vague general national equivalent of this working party, which is the coming together of all these bodies, but this basically has become a purely Sydney thing rather than a truly national thing.

If the government could provide either direct financial support or support in kind—provision of accommodation, office facilities et cetera—it would really help the interaction between government bodies and the industry. It is a two-way street. When the government wants to communicate something to the industry, the first call is to us, because all our organisations have newsletters, and we have regular magazines, web sites et cetera. It is not just a matter of us going to government bodies et cetera with our problems; it is very much a matter also of avoiding problems by being able to feed government policy back into the industry. So I think the national equivalent of that would be well worth encouraging from both sides of the equation. I also went for a vastly improved or even a new overall marketing body, not only to promote Australian production and facilities et cetera overseas but also to promote Australian educational institutions. As we know, education is now a major export item—which sounds funny. But it is bringing money in from overseas because a lot of students are coming from overseas.

When I say ‘promoting Australian services’ that also may sound funny, because I am talking about post-production, studio facilities et cetera, but this also is an important export item, if you like. This goes all the way from Australian companies doing the digital special effects for overseas major productions to the use of our skilled personnel. An editor by the name of Jill Bilcock cuts films for so many of the leading international directors—she has a fantastic international reputation. No matter where they are filming initially—and during that period she has to be there in order to show them cuts all the way along of what they are doing—she always tries to get them to come back to Australia for the full editing and sound mixing et cetera period. Again, this is probably an unseen contribution to the export market because these high-flyers from overseas are coming, staying in Australia and spending their money here. This is a little detail in terms of the larger export market, but there are a lot of people like this who are helping the export thing. That was why I was asking for better overall marketing for both education facilities and the production industry.

My submission goes on to discuss whether any changes should be made to existing government support programs to ensure they are aligned with future opportunities and trends in these industries. The successive federal governments I think have done a lot to help our industry. Everyone is going to want a larger slice of the cake—that is logical, isn’t it?—but I do not think that there are any major negatives that the industry feels towards existing government support. What we are worried about is that if the current round of so-called free trade negotiations results in any decrease in the level of help and support and Australian content regulations et cetera then we are going to be in real trouble. I quoted a couple of instances from the UK where they talk about the impossibility of an industry of their size—which from our point of view is huge, but from their point of view even the population of England is so much smaller than that of America. The British industry has been really worried about any diminution of their funding help that is provided through such things as direct levies and a proportion of the lotteries funding.

Particularly in Ireland, for instance, a lot of money from the lotteries goes towards film production, which is an interesting thing because they are both a bit of a gamble, aren't they? One is artistic and the other is purely financial.

Mr SERCOMBE—If they put a tax on Guinness they would do better!

Mr Muir—Yes, I suppose so—I do not know how they tax Guinness there. I ask, basically, that all cultural industries be excluded from the free trade negotiations and, failing that, that urgent steps should be taken to increase the nominal levels of funding and the Australian content quota regulations and so on. What happened in Canada was that Canada accepted a so-called standstill provision in their free trade treaty—or whatever it is—and a standstill means that the level of support was locked at the stage that it was when the treaty was entered into. That means that there is no possibility of them ever improving the situation for local cultural industry.

There is another major problem with regard to Australian content. I think it was in 1992 that I appeared as a witness before the inquiry into Australian content in television commercials. We lost that one. At that stage we were campaigning to preserve the Australian quota regulations that only 80 per cent of any one commercial could be of foreign origin. Unfortunately, this was changed to 80-20 foreign commercials. This of course becomes terribly difficult to monitor. Anyone who, either by choice or by duty, has to watch a lot of television will obviously see that there is a lot of foreign material—not all of which is obvious. When you see the cars driving on the wrong side of the road et cetera, you get the notice saying 'foreign version' or whatever, but there is so much other stuff which is not quite so obvious. Parents certainly know how much of this is going on because their children drag them along to the toy shops and plead with them to be bought expensive toys—but they plead with an American accent because this is what they have experienced on television, so they associate these toys with American culture and American wellbeing et cetera.

In preparation for this appearance today I tried to dig up the figures about how the expenditure on Australian TV commercial production had dropped after the change in the Australian content regulations which I think happened in 1992. Anecdotally, and certainly from the experience of all the companies that went broke after this, it seemed that the whole economy of the film industry took a nosedive because of the derestriction of commercials. This may sound funny to an outsider, but the problem is that commercials use exactly the same equipment, facilities and, most of the time, the same practitioners as the feature film industry and the TV industry. Because it is basically a freelance industry, this is particularly important for technicians and so on who cannot earn a living all year round from working just on feature films or on television series. It is awfully important, both in training terms and in economic terms, for there to be a spread of work across all the available areas. I would love you to move to questions. I was trying to provide some background.

Mr CIOBO—We have had a number of witnesses who have appeared before us suggesting that they would like to see a levy on blockbuster tickets to help fund the Australian film industry. What are your thoughts on that?

Mr Muir—That hits me entirely out of left field because it is not something I have given much consideration to.

CHAIR—The French have a levy on every ticket as part of the ticket price.

Mr Muir—I lived in Europe for 12 years and I am very aware of the systems. Likewise, the English had a tax on their cinema tickets for a while but I think they gave that up in favour of other—

CHAIR—There has been a suggestion that we have the same thing here. It was tried in Australia once before in the 1930s, but you may not remember that!

Mr Muir—I was born in 1935, so I was possibly a little young to have had much experience of it.

CHAIR—You could be forgiven for not remembering it. The last witnesses did not remember it.

Mr Muir—Did it fail? What was the situation?

CHAIR—The distributors opposed it. It was impossible.

Mr Muir—I bet they did.

CHAIR—It did not work, which is what Mr Ciobo is getting at.

Mr SERCOMBE—The Tory government rolled over to the business interests.

Mr Muir—We will not let politics enter into this!

CHAIR—Do you have anything you want to add to your answer to Mr Ciobo's question?

Mr Muir—I really do not know. The Motion Picture Association of America, of which Mr Jack Valenti has been head for so long that I cannot believe he is still alive, are the most powerful lobby group in the world. I think they would see this as being extremely negative, and I am sure they would be violently opposed to it. They might be willing to put up with our Australian quota on television and our various forms of government assisted financing and so on, but if we start jacking up the price of cinema tickets they are going to be very cross. They are going to think, 'Okay, the public's purse is only this big and if the government's going to get this bit out of it then it reduces our profit.' I think we would be in real trouble internationally if we did that. I would like any form of funding to be tried, but I do not think this one would work because of the huge international pressure. Your own introductory paper gives a figure of something like \$635 million being paid out to overseas production companies as against something like \$147 million worth that we are managing to export. The trade is certainly free in one direction at the moment but not necessarily in the other.

I am speaking absolutely on my own behalf, and from having worked in England for a long time, and I have found that the industry on the whole would prefer other means of financing assistance for screen production other than a tax directly levied on the consumer. There are other ways of doing this. I have recently been getting from Germany some occasional cheques, which are royalty cheques for feature films I did not direct. Directors very often have royalties written

into their contract and actors get preperformance fees and so on, but it is unusual for anyone below that level to get any income. The way the Germans do it is that they assume that any feature film that is run on television will be copied by people with videorecorders, and so they levy a tax on blank videotapes. The proceeds from that are then distributed to the people who made the films. That is another way of approaching that situation. You are penalising people who are going to cheat and not pay their cinema admissions.

CHAIR—Thank you very much for appearing this afternoon. We know where to find you, so if we have any further questions we will get back to you.

Mr Muir—Thank you all for your efforts to help.

CHAIR—It is a pleasure.

[3.06 p.m.]

DONOVAN, Mr Brian Frederick, Chief Executive Officer, IT Skills Hub

DOUGALL, Mr Charles Joseph, Associate, IT Skills Hub

CHAIR—I have great pleasure in welcoming representatives of the IT Skills Hub. I have to advise you of a few things. Firstly, we do not take evidence under oath, but the proceedings are proceedings of the parliament. That means that if you make false or misleading statements they could be treated as a contempt of the parliament—not that we expect you to do that. Secondly, we take all evidence in public but if you do wish to give any evidence in camera you can request that and we will consider that request. You can now make any comments about the capacity in which you appear, and make an opening statement.

Mr Dougall—I am Director of Dougall Consulting and Associate of IT Skills Hub.

Mr Donovan—Before I go to the bigger question of why we are here, I perhaps should mention my background. I spent 30 years with Telstra and in the last couple of years have run the IT Skills Hub. The Skills Hub was formed with some federal government support through two ministries, Communications and Education, so Minister Alston and, at the time, Minister Kemp provided \$5 million in federal government money to seed the commencement of the Skills Hub. Twenty companies got involved in support of the Skills Hub. They are most of the major companies that you would know from the IT and telecommunications arena: Telstra, Microsoft, Oracle, Novell, Ericsson, Alcatel, and others of that ilk. The board is typically formed from the chief executives of those companies, which also include a couple of IT users, such as the NAB and Westpac. The chief executive of NAB proved to be hard to get today because he was getting caught up in some other matters. In the case of NAB and Westpac the chief information officer, the CIO, is the board member. So it is a fairly unusual body, in the sense that you have 20 chief executives, and it is a fairly influential board. It forms a good opportunity to get a perspective on some of the industry's supply and demand issues.

Our charter is essentially to try to get a better match between the industry demand for skills and the education supply thereof. We do some research. We try to stimulate the youth market more towards ICT careers—believe it or not, they are being turned off by the negative views they hear about ICT and the dot com downturn. That is the context of the Skills Hub.

Charles, similarly, has 30 years in Telstra. It is a fairly influential organisation. His experience includes some of the pay TV rollout and involvement in a number of areas around that technology. In his time in Telstra and since, he has been interested in the area of interactive TV. That is the main thrust of our submission to you and the discussion we would like to have today with the committee.

We are not really here to tell you there is anything wrong or that there is a problem. We really want to talk about what we see as an opportunity, and that is the opportunity around interactive TV. We do not have any particular vested interest; we are not aligned with any particular technology supplier. I mentioned the 20 companies that are involved in our board but we do not

represent one technology over another. In fact, putting that group together in one room is fairly unusual. Most of them would cut each other's throats in the marketplace. They tend to be fierce competitors. We are not an advocate of any one vendor or any one technology solution.

We do hear from a number of our stakeholders—and, as I say, we have them captive so we have a rare opportunity to get a sense of some of the market plays—and their view is that Australia does have a real opportunity in the area of interactive TV and that there is a convergence of IT and telecommunications and some of the creative content work that Australia is well renowned for. We have some significant advantages, not the least of which is Australia's propensity for take-up of technology. We recognise that there are some policy and legislative issues associated with this topic and we are not here today to represent any view about how to address those. This committee has probably heard enough views about that and no doubt you have your own views about the way forward on some of those issues. Our contention is that the policy issues will eventually be sorted out and the technology is really going to be what enables Australia to capture the opportunity.

We believe that there is an opportunity via the process of this committee for Australia to really make a mark. Our recommendation—and we will establish the case for it, but to cut to the chase—is that we create a centre of excellence. This can be a virtual centre, not necessarily a physical centre but a centre that is focused on education and training around the area of interactive TV, probably in three components. We see the need for the technology skills that will be needed to aid the take-up of interactive TV; we see the need for creative content skills in how it gets utilised; and we see the need for business skills in the business models that will be needed for it to really take off. Through our association we have a number of companies that would be prepared to be part of a kind of consortium approach to a centre that is focused on skill development. We have had some discussions with the likes of the Australian Film, Television and Radio School, which is similarly interested in this area, being particularly driven by the convergence and the current fragmentation of the approach to education in this arena. But it could include a wider group beyond the AFTRS.

Perhaps that is, in a nutshell, the context of why we are here and who we are. Perhaps we could come back to our recommendations. At the risk of weighing you down with any more paper—I can see there is a pretty substantial amount—we have a summary pack of some of the key points we would like to make to the committee. It is very much a PowerPoint sort of presentation. We will hand copies around to committee members.

CHAIR—Mr Dougall, would you like to make some remarks?

Mr Dougall—I will be presenting the pack, prior to taking questions.

Mr Donovan—Perhaps we could pass to Charles Dougall now.

Mr Dougall—As Brian mentioned, my expertise in this field of interactive television stems from a number of years I spent managing Foxtel operations in Telstra and being directly involved in developing digital television and interactive television strategies in that company, and since then in my consulting practice. I have come together with Brian in the IT Skills Hub because we both see a major, emerging opportunity in this field of interactive television. We have observed what has been happening overseas in this field. A lot has been happening, but it

has passed Australia by. We have observed that the industry is poised for growth overseas and we think that that opportunity ought to be seized in Australia as well. To look at what has been happening overseas and to take lessons from that overseas experience, it is best to look at the UK as the world leader of iTV. There is very high penetration of that service in the UK. Although it is also operational in the United States and Europe, the UK leads the world, and we believe it gives us a good guide as to the opportunities that this industry could give Australia.

There has been some activity in Australia; indeed, there have been trials, but not many of them. Austar provides some interactive services now and Foxtel has made some announcements, which I will come back to. However, the fairly low uptake of digital television is really impeding the growth of this service, and there are some unresolved industry issues. We do not necessarily want to go into those but we do want to alert the committee that a policy framework to address those issues is a priority for Australia, as leveraging off digital television penetration—that is, free-to-air broadcast television—will be one of the important factors in the growth of this industry.

However, there is positive news out of the Foxtel camp in that they have announced that early next year—March—they will be launching digital services, including interactive services, and then extending those services in the second half of next year. They will, effectively, be utilising the framework and structures that have been used in the UK by Sky Digital, and we know that that has been a good working model. We see this as a catalyst for the emergence of iTV in Australia. However, there are other policy frameworks in the education and training area that we are specialists in that need to be addressed for Australia to take full advantage of those emerging opportunities, and we will come back to those.

I would like to give you a quick view of what iTV is and some of the important elements of iTV. I suppose the key aspect of iTV is that it draws on a number of industries—it is truly a convergent industry and it is multifaceted. It draws on industries which today are looked at in policy terms essentially in isolated ways—the IT industry, the telecommunications industry and the content production industry. However, for iTV as an industry to be successful, we need to integrate all of these and address policy in a holistic manner across all of these industries.

As you will see from page 3 of our slide pack, iTV encompasses many things: it involves all forms of television transmission, whether it is cable, satellite or terrestrial broadcast; it involves telecommunications for interactivity by the customer; it could involve broadband for such things as video on demand and download of on-demand programming; it certainly uses the Internet—access to web sites and mail embedded in the content and programming; there is online commerce—people can shop through iTV; and, of course, content itself has embedded in it the various prompts and links that enable interactive TV to work. So it is no longer just straight-out linear content but content that has a number of prompts and links that enable interactivity to take place. We believe it is crucial to look at this new opportunity in a holistic and integrated way. Let me give you a few examples to illustrate these points, starting with page 4, addressing the scope of iTV as being wide scope.

Essentially, iTV embodies the things that we show on this slide on page 4. There is enhanced television. The viewer is able to participate with programs—for example, participate in quiz shows, that sort of thing. Sport broadcasting is no longer just what you see on the screen, but you can call up different camera angles, statistics about players, that sort of thing. You can play

interactive games. Information services can be supplied. There are new forms of advertising where the potential customer can request further detailed information about the service. There is shopping, as I mentioned, and email chat. You can communicate with mobiles via SMS. I have mentioned broadband. And a number of devices can be connected to the television—I have shown some here: remote controls, PlayStations and keyboards. So the television becomes an exciting new medium offering a whole new range of functionality for the viewer.

On the next couple of slides I have shown some program examples from overseas, again to give you a feel of what this is all about. Top left is BBC *Test the Nation*. I think we had an Australian version of this, the *IQ Test*, and people were able to go separately to a computer and web page and answer questions or fill out a form at home. With interactive TV you can do it there on the spot. Sport—this is *Interactive Cricket*. I mentioned multiple camera angles and a range of other information that the viewer is given, so it certainly enlivens the sport broadcast.

Page 6 is on games. I know games is one of your areas of examination. Games is one of the popular applications overseas, particularly in the UK. PlayJam is one of the earlier channels. This is a games channel, but I picked this particular one because it is an example of how advertising and games can be combined, where competitions can be provided through a games format to advertise a product. On page 7 are some of the more traditional games that are offered through interactive TV.

On page 8 is an example of shopping via television—shopping for pizzas, in this case. You will note there is a reasonably high percentage of pizza sales for this particular chain, Dominos, in the UK via iTV. The last example is an interactive example of a program that is running in Australia right now, *Australian Idol*. This is the interactive version due to start in the UK in September, and it gives the contestant the ability to participate directly as the program is being shown.

Coming to our final slide, and reiterating some of the points that Brian made earlier, we believe that a viable iTV industry will only be possible if underpinned by a suitable education and training framework—that is, one that integrates technology, business and creative skills. We do not have that framework in Australia that pulls all of those things together. We see an opportunity for this committee to launch this framework and to assist the development and uptake of interactive television. As Brian mentioned, we think this framework is best achieved through a collaborative approach between government, business and the education sector, forming a focused body of some sort or a centre of excellence, as you could call it, bringing together technology, business, content creation and education and training.

We recommend to the committee that you examine what has occurred in the UK as it is a model that could provide some lessons for us. We need to caution that, because of regulatory and market differences between the two countries, we cannot just transplant what has occurred there. But it is useful to look at the UK because they have been successful—to look at structures there, models and so on. It is also useful to look at national policy for the provision of government services, as the government there is very active in promoting interactive television as one of the vehicles for the provision of government services online. They have a fairly aggressive policy of achieving online government services by 2005, and that includes interactive television. That in itself is an incentive, amongst many, for the development of iTV.

Lastly, again to give you a feeling for the sorts of things that have occurred in the UK and particularly in the education sector, I have a handout from the University of Brighton, which offers courses in interactive media—digital interactive media and interactive television in particular. They are postgraduate courses and short training courses. I will give you that as an indication of the types of training that could be undertaken here that are certainly not undertaken at present, and the way business and technology are integrated in these types of courses.

CHAIR—The UK seems to be a bit of the model—obviously it is the world leader in iTV. The Commonwealth government is obviously not doing a number of things that the UK government does. What are the stand-out examples of those? What did the UK do at the beginning that is causing this to work so successfully?

Mr Dougall—The UK has a different regulatory structure. There are licence fees paid by viewers to the BBC, so there is a very well-funded public infrastructure. In addition, there is BSkyB, which is separate to government arrangements. It was very commercially successful and promoted the service very effectively. Clearly, the UK government's push with online services and assisting the uptake of digital television have been key factors.

CHAIR—So they required all their government departments to allow services to be accessed online, did they?

Mr Dougall—Yes.

CHAIR—To pay bills et cetera?

Mr Dougall—Yes, that is right.

CHAIR—And through the television?

Mr Dougall—Yes. The television part has been under trial for some 12 months or so. The other Internet online accesses have been as you have described.

CHAIR—Government is very much online in Australia these days.

Mr Dougall—Yes. I am talking about the extension to television.

CHAIR—Yes, there is no access through television. But we have nothing like the digital take-up rate that the UK has.

Mr Dougall—No, and that is one of the impeding factors.

CHAIR—Did the UK mandate digital television take-up earlier than us?

Mr Dougall—Mandate in what terms?

CHAIR—We have set deadlines—

Mr Dougall—They have a deadline, which they have now deferred—it was 2008. I believe that has been put off by a couple of years.

CHAIR—We have a deadline that we are not even close to meeting.

Mr Dougall—That is right. I think only about 90,000 digital set-top boxes have been sold in Australia, representing about one per cent of households. At that sort of rate we are nowhere near achieving the critical mass that would be necessary.

CHAIR—So the difference is that the BBC and BSkyB promoted digital television in a big way?

Mr Dougall—Yes, and cable companies as well.

CHAIR—But there is nobody doing that in Australia.

Mr SERCOMBE—Is anyone in Australia getting serious about interactive television?

Mr Dougall—Yes. As I mentioned, Foxtel are becoming very serious about it. Austel already provide services and Foxtel have announced a fairly aggressive plan to digitalise and to offer these interactive services. That is a positive step. They are becoming serious and that will help to create a positive environment, but we also need the free-to-air side of the industry as well.

Mr SERCOMBE—Presumably there are other logjams in the system too. Your submission talks about an absence of formal education and training in disciplines necessary for integration of content, production, software, telecommunications and applications development. As I understand the thrust of what you are saying, your centre for excellence proposal is one option for addressing that sort of logjam, which presumably continues to impede development in Australia.

Mr Dougall—Yes. From our point of view, the lack of those facilities for education and training is certainly an impediment, and our proposal is aimed at alleviating that.

Mr SERCOMBE—So Foxtel are serious. We address the training issues. What else needs to be done?

Mr Dougall—The overall policy framework for encouraging digital television take-up is an important factor. It is outside of our scope to recommend what that policy framework for digital television take-up ought to be, but it is clearly an area that needs to be addressed.

CHAIR—But interactive television is not going to happen without the digital take-up?

Mr Dougall—It will happen, but in a limited market. It will happen in the market that Foxtel address, in the cable and satellite markets. That will help to drive the other side of the market, the free-to-air market. We also need the free-to-air market to develop.

CHAIR—There is not really much in it for the free-to-air providers to move towards digital television or interactive television. This is the difficulty, isn't it, in the Australian market, which

is dominated by free-to-air television? With Foxtel only just getting going in a serious way in the last year or two they are starting to get a serious mass of people who are taking up that service. But Australians have been so used to having something for nothing with free-to-air, and the free-to-airers are not that interested in promoting anything different.

Mr Dougall—The attraction for the free-to-airers—I do not know whether you wish me to address that—would be to find new sources of revenue which digital television could provide, such as new revenue that could flow from new forms of advertising or the types of services that I talked about—the interactive services, where people transact and the free-to-airers may be able to extract a percentage of those transactions.

CHAIR—From what you have seen, why do you think they do not seem to see the same things that you see?

Mr Dougall—They indeed have. But, again, we are straying into that area of policy requirements for digital television in Australia. There are particular impediments to their moving. At this stage they are restricted from offering multiple channels—other than the ABC and SBS—and that could be seen as one of the impediments.

Mr Donovan—One of the impediments for them would also be that this model which they currently have around free-to-air TV and paid advertising limits their view about what is possible in the future. Our point is that the kinds of skill sets you need coming through fundamentally start with business skills. So there need to be some new business models developed to really have interactive TV work in such a way that you will see the vision that is possible. Free-to-airers are probably not going to be the ones to lead that. SBS and ABC might be, though.

CHAIR—Unfortunately, the ABC has just announced that it is not going to proceed with its digital television that we gave it the money for, as part of its cost-cutting measures.

Mr Dougall—Not to proceed with the multiple channels, yes.

CHAIR—Which is why there was in a bit of a ruckus about that with Senator Alston a couple of weeks ago.

Mr CIOBO—The rollout of digital TV is, as you said, not progressing strongly. Is it a regulatory aspect that you are alluding to that is the resistance on the rollout or is it just that there is a lack of enough benefit for consumers to warrant the take-up?

Mr Dougall—Customers are not seeing a utility in buying set-top boxes. The rollout on the networks' side has progressed as required, so signals are being transmitted and set-top boxes are on the market, but customers are not perceiving value. Compare that with DVD player sales, which are very high—something like 38 per cent penetration of homes—and widescreen television sales: they perceive a value there.

Mr CIOBO—Would a centre of excellence like that be something that would necessitate co-location? Would you see it operating on the basis that Foxtel and other stakeholders—like Channel 9, Channel 10, Channel 7 and the Telstras of the world—would be incorporated into it?

What is its actual purpose? Is it about developing content and applications for iTV so that that would then stimulate demand across the board?

Mr Donovan—Yes—and develop the kinds of people you need to drive the industry forward. Your idea of a collaboration is exactly what we had in mind. So there would be some industry partners who see a future for this—and a number of them do—who would be driving the demand; there would be some education providers in the picture to help to supply the graduates that are needed; and those three critical areas would need to be addressed. We do not want the existing technology approaches to be seen as sufficient, because most of those do not address this area of interactivity in TV technology.

Mr CIOBO—Is there an example of this that has worked elsewhere in the world?

Mr Donovan—There is, in the UK example we have tabled today, which is a collaboration with the likes of Hewlett-Packard—which is also represented on our board—and a public university in the UK. It seems to us to have some of the right ingredients. We thought that if you really wanted to stimulate some development in this industry then by getting the right kinds of people and developing the right kinds of skill sets—in anticipation of these policy and regulatory issues being solved—you could get the technology to take off. It seems to us that other countries are seeing the vision—the UK is a good example—and really doing something to capitalise on it. We do not want to be left flat-footed in Australia saying: ‘Okay, now what we do? Now we have solved those problems, where are the people?’

Mr CIOBO—Would you see it as a PPP type of operation?

Mr Donovan—Yes.

Mr Dougall—I would like to clarify the answer I gave to your previous question. My comment relating to customers not perceiving value in digital television related to digital free-to-air television as it currently exists.

Mr CIOBO—Yes. This might be crystal ball gazing but in terms of Foxtel’s new offerings in 2004, what percentage of the existing Foxtel customer base would you expect to be taking up the rollout of digital TV? That perhaps would provide a more reflective example of consumer demand for iTV.

Mr Dougall—Currently Foxtel is analog and there are logistical issues in rolling out digital set-top boxes to customers, and customers taking up Foxtel’s offerings—because there are different prices and packages. So there will be a progressive rollout within their overall population of about one million customers. That is probably a question for Foxtel.

Mr CIOBO—As I said, it is probably crystal ball gazing.

Mr Dougall—From the answer that I have given you, you could probably deduce that there will probably be a small initial take-up which will grow fairly rapidly once the installed base starts to take off.

CHAIR—Thank you very much for your presentation today. We appreciate that and if we need any more information we will get back to you.

Mr Donovan—We would certainly like to offer our services. If we can be of any further assistance to the committee we would be happy to.

[3.40 p.m.]

HOLLANDS, Mr Michael, Company Owner and Creative Director, Act3 Animation

CHAIR—I now have great pleasure in welcoming Mr Michael Hollands of Act3 Animation. Initially we were to take your evidence in camera, but the secretariat informs me that you are happy for it to be an open session. If you are asked any questions that you want to keep private, just indicate that and we will either rephrase the question, dump the question or move in camera—Mr Sercombe and I can decide that as we proceed. The committee does not require you to give any evidence under oath, but these are proceedings of the parliament and so the giving of false or misleading evidence could be regarded as contempt of parliament. I have already indicated that, while we prefer evidence to be given in public, if you do want to give any in camera then just let us know and we will move to that. Would you like to make an opening statement?

Mr Hollands—I am one of the joint proprietors of Act3 Animation, which is a CG animation company based in Melbourne. We have been going for 10 years, so we have seen a lot of changes in the industry over that time. I have worked in the entertainment industry since the early seventies, so I have seen a fair bit of change in that time. I became involved in computer animation in the eighties with one of the pioneer companies, called the Video Paintbrush Company, in Melbourne. At that time, the development of companies like that and their expansion into the developing industry was financed largely by the high profit margins that were provided by major advertisers that used to have productions done locally—I am talking about the big companies like Coca-Cola and those kinds of people. When that portion of the industry began to shrivel up, I saw how much support that rather underregarded source of money was giving to the rest of the industry by not only keeping crews and people like that going but also funding the development. They enabled companies like the Video Paintbrush Company, and then my own company, to develop expertise in forms of production that they would not otherwise have been able to develop.

In the last decade, our business has shifted completely from an advertising based local industry to internationally based industries. Most of our work now comes from overseas. When we look at the future of the company and where we are going to be in three years, five years or 10 years, it is a very worrying prospect for us. We know that this committee is interested in the development of the industry. The industry as we see it at the moment—and we see our bit of the industry, which is CG animation, but we also see the general production industry—is becoming entirely a fee-for-service industry. What that means is that we are looking for markets overseas, and finding them, and so are other companies like ours. At the moment we are competitive internationally, and we are competitive internationally because we can produce the quality that, principally, the Americans want and we are cheaper. As long as we can produce the quality, and our dollar is under what the US dollar is, the Americans are interested in doing business with us.

But we are constantly bidding in the marketplace against, for example, Indian and now Chinese and South Korean companies, and we are never going to be price competitive with those people—not ever. I look at the future and ask myself: what is the reason these people are coming back to us at the moment? They are coming back to us at the moment because they are confident

that we can produce the quality and because they know they can do business with us. We are speaking the same language. We are reliable. They can check up on us through local subsidiaries. They can do due diligence on us easily. They can be confident that when they give us a substantial contract we are actually likely to be able to deliver, so we are reducing the risk, whereas they look at an Indian company or a Chinese company and they do not feel that way even though the price is much cheaper. But we have spoken to some of our competitors and they are not going to stay that way. They are going to become reliable and dependable. They are going to employ people who speak English and sound like American producers to the American clients. When that happens there is no way we are going to survive against that kind of competition—it is not remotely feasible.

So I ask myself: what does our company have to do? Where do we have to go? What kind of a business do we have to build that will actually be around in 10 years? It is not going to be a fee-for-service business. What I am seeing in America and what I am seeing with the companies that we deal with is that there is an amalgamation of interest occurring internationally and it is all to do with the exploitation of intellectual property. The games that we have worked on—*Jurassic Park*, *Mission Impossible 2* and *Starship Troopers*—are all movie properties that have been redeveloped as game properties. The reason they do that is easy to understand: the movies generate sales for the games. There are things that have gone the reverse way: there are games that have been developed as movies because the games develop a market for the movies, or books develop markets for movies and then for games. This is serial exploitation of IP—intellectual property. It is where the Americans and the entertainment industry in general—but it is dominated by the Americans—are seeing the future. That is where the profits are—from exploitation of IP, not from fee-for-service production. The companies that we deal with—Atari, Midway, Paramount, these kinds of people—do not really care where something is made as long as they are making the profit from the IP. That is the long and short of it.

We look at the Australian industry and we ask: where is the IP development happening? I look around and I do not really see it happening except in a couple of cases—in the electronic game industry, for example. I am seeing a couple of companies that are seriously looking at developing and exploiting IP in this way, but it is an expensive thing to do because it is like a bet. In fact I was looking at a property that my son told me I should look at. He had read a book by an Australian author called *Across the Nightingale Floor*. I read this book and it is a sword and sorcery fantasy set in medieval Japan—perfect theme for this kind of exploitation. I thought: this is my big chance. I will rip in and put up my hand here. I did some research and I found the agent who was in London. The electronic IP rights for the book had been sold prior to publication—and this was a first novel from this particular author. Prior to publication they were sold to Universal in the States for \$US15 million.

So this is a bet. This is an investment but it is a bet. This book might fail. It might not generate \$100 million, or whatever it is, in IP over the next 10 years. But Universal is saying, ‘Okay, we’ll bet 15 million bucks on that.’ This is the kind of thing that needs to happen here and cannot possibly happen here. I cannot do it—companies like mine cannot do it. I do not know how we do it but we have to find a way that this country starts developing IP in that way. If we do not, this kind of industry is just going to go down the tubes.

That is the heart of what I am worried about. There are a whole lot of things that go with that. We have to have all the other things. We have to have scripts, we have to have directors, we have

to have all of those kinds of things. But we also have to have whatever it takes—a national policy or an investment policy or something—that enables that kind of development to stay here, to bring wealth here, to bring the kind of turnover that an industry like this requires. If that can happen then we will be a part of that information economy that spreads entertainment in that way. But if it does not then we are just part of the pipeline—we are just the purveyors of it and the providers of audience and nothing else. We will not be making the things. We will not be telling the stories. We will not be doing the things that are important to us. So that is the heart of my submission.

CHAIR—Does a country like Canada, with a population that is not much greater than ours, do the same sort of work that you are worried about happening in Australia?

Mr Hollands—Yes. The largest CG company outside the US is in Canada—the name of it has just fled from my tongue. They make CG television shows reboot, and they are currently making a fully CG-animated television special from one of Graeme Base’s stories—he is an Australian children’s illustrator and novelist. That should be made here; it should not be made in Canada.

Canada has taken quite an enlightened approach to a lot of these things. Almost all of the software we use is developed by Canadian companies. Almost all of the animation software is Canadian. Our major supplier is a Canadian company called Discreet. Discreet actually started in Melbourne. It makes a compositor that is used by the film industry, widely called Flame—that is its best known product. That is also IP and it is related to all of the entertainment based IP. The fact that you can talk to your software supplier down the road—those kinds of things are important. Also, in relation to production, they have a number of initiatives that allow companies to part-produce their work in Canada, so they actively encourage coproductions. We have a couple of clients who have done coproductions with Canadian companies. Coproduction rules require that a percentage of the money is spent in Canada so that it generates income there.

I do not, however, see them doing anything with the conglomeration of IP in the way that I have been talking about it. In fact I do not see any governments actually doing that or being involved in even encouraging that. You see the results of it, though, in America. You see the results of it in the companies that regard it as their core business, and many of our clients are this group. Atari, for example—they used to be called Infogrames—are the large game company in Melbourne. They see their future entirely in terms of purchasing, owning and exploiting IP. The Canadians do encourage scripts. They do encourage animation specifically, and have done since the war, really. The Canadian Film Board has been a big supporter of innovative animation development. So, to answer your question: I do not see the Canadians actually encouraging IP development in the way that I mean it, which is as an exploitable product that can be used as the basis for an industry. No, I do not see that happening.

CHAIR—So the United States are really the dominant player and they use Canada, Australia and other Western countries to produce their things, because we have some skills here and they might have some skills in Canada, but they hold on to the kernel of things.

Mr Hollands—Yes, that is right. The film industry is a bit less like that—they are more inclined to produce locally in the States—but the games industry has really been global right from the start.

CHAIR—We just cannot get the venture capital.

Mr Hollands—Yes. There are big bets involved. When the games industry want to put out a title on, for example, the PlayStation—a Sony proprietary box that is a way of delivering games—they spend around \$2 million to \$5 million to develop a game. I am making these numbers up, so please do not get me for contempt of parliament for quoting a wrong number. Again, the next number I am going to give you is fictitious but it is in the area of the actual amount. They finish the game to a point where it is acceptable and they go to Sony and say, ‘We want to publish this game for the PlayStation,’ and Sony says, ‘How many copies do you want to put on shelves?’ If they are a very big company they might say, ‘We’d like to put a million copies on shelves worldwide,’ and Sony would say, ‘That’ll be \$25 a copy, please, in advance.’ So they have to make a \$25 million bet—

CHAIR—That it is going to work.

Mr Hollands—Yes. There are big amounts of money and big risks involved. I read recently that the big film studios in the States structure their own profits on that basis. They assume that something like only one in three movies is going to be a success, so they make that investment bet assuming that two out of three might return the investment but are not going to make a profit. Without the action of government to provide some way of pulling that kind of thing together, it is hard to see how any company in Australia could do that.

Looking at what I have to do, for instance, I say to myself that the only way I will be able to survive in five years time is to be outsourcing animation from somewhere cheap—China or somewhere like that. In effect, I will have to take work out of Australia just because I cannot afford to do it here. Globalisation is going to affect me in exactly the same way it affects all of the global players. While it will be worth while for Australia to have companies like mine surviving and making money—obviously it is better to have us than not to have us—it would nonetheless be much better for Australians in general to have their own stories being told.

Australian films do not only need to tell Australian stories; they need to tell stories that are not just Australian stories. Americans do not just tell stories about Americans; they tell stories that interest Americans. That is what we should be doing—we should be making movies that are not just parochial movies. We should be making the parochial movies—do not misunderstand me—but not just those. We should be telling stories for everybody to listen to, because it is becoming a global economy and a global culture and we need to be part of that.

CHAIR—You might need to make the movies about other people’s stories in order to make enough money to afford to make losses telling our own stories.

Mr Hollands—You might indeed; that is exactly what might have to happen. We are storytellers foremost, so we need to have an audience. We need to have people saying: ‘We’ll listen to them. We know we like the stuff that they tell.’

CHAIR—That they produce.

Mr Hollands—That is right.

Mr SERCOMBE—I was interested in the anecdote you told us about that Japanese story and I was somewhat surprised by the scale of the fee—\$US15 million, was it?

Mr Hollands—As I said, I am doing this from memory. I can find the actual amount for you and let you know, but it is of that order.

Mr SERCOMBE—This gave rights for film and games and any subsequent development of the product?

Mr Hollands—Yes.

Mr SERCOMBE—Is this common?

Mr Hollands—It is becoming increasingly common with those kinds of things. I suspect, although I do not know for sure, that this particular author was—

Mr SERCOMBE—What would have attracted Universal to this particular thing and, in your view, how would they have sourced it? Would it have been the same sort of way you have sourced it, or is there a system of agents?

Mr Hollands—No, an agent would have taken it to them. This also happened with J.K. Rowling's *Harry Potter* series. I think hers was one of the first where they had a big IP auction that actually happened before the publication. They get expressions of interest from publishers and they develop a groundswell of interest in the thing and then they start a bidding war. That is really how these things have come about. In the case of—

Mr SERCOMBE—So it is the agent for the author of the IP that sets up the bid?

Mr Hollands—Apparently, yes. I have not actually been involved in any of these things so I am guessing about that. In this case, this book may well have been deliberately written with this in mind. It has a lot of very clever and very targeted things in the plot. It is about a young boy who is orphaned in feudal Japan, adopted by a powerful warlord and learns semi-magical martial arts abilities. It has everything in it that you could see would be targeted to people who like the kind of sword and sorcery novels or those kinds of things. It also lends itself perfectly to other IP development—to games and little action figures. It has a visual style connected to it that is quite unique. The Japanese feudal stuff has not been exploited visually recently. Everything about it has potential success written on it. It may well be that the thing has actually been written entirely with that in mind.

The published name of the author is Lian Hearn, and Lian is a male name. But it turns out to be a South Australian female author—whose name escapes me for the moment—who has written this book with the intention of it being exactly what it is: an extremely successful, young adult fantasy. She has sent it to a London agent, which is where the auction took place—and I could track the agent over the Net. It may well be that this piece has been an extremely well-targeted piece of writing and development.

Mr SERCOMBE—On the other side of the ledger, the principle thing the games people were talking about yesterday was the threat to them from piracy. Can you give us your perspective on

that and the level of threat that piracy potentially makes to the industry? We had figures given to us yesterday that somewhere between 10 and 30 per cent of the market in games in Australia would be pirated product.

Mr Hollands—To be honest, I cannot give you much information about this because we are not publishers at the moment so we do not have product that gets pirated in that way. The things that we have made we made for various publishers, and piracy at the moment does not hurt us in that way. It will hurt us in the long run if it reduces the profitability of our clients because obviously that is something that affects us. I cannot otherwise answer your question very seriously but I do know that they are all worried about it.

I see plenty of piracy. We use software tools that are quite expensive—for example, it costs us about \$10,000 per animator to equip them with software. Every time we upgrade we have to pay another couple of grand, and that happens once a year, and we have to buy a new suite of software every time we take on a new, additional animator. This software that we have to pay \$10,000 for—and we cannot afford not to do that because we cannot afford to be taken to court and pay massive amounts of damages—is available free, a phone call away, all over the world, or you can download crack versions of the software that we use. At the low end, we constantly have low-end competitors competing against us, and I know they have to be using pirated software because there is no way they could be running three or four animators out of their lounge room and be paying full software rates. So I see plenty of piracy. I cannot give you any numbers about it but I know it is a significant issue.

It is also a significant issue at the entertainment end. Lots of movies are pirated. To be honest, I cannot see any ultimate solution to piracy. The only successful solution has been produced by the software makers—I am talking about Adobe and these kinds of people that make the kinds of software tools we use. Piracy has given the biggest impetus to innovation of anything that I have ever seen. In the eighties the company I worked for prior to Act3 used software that was made under the old paradigm of how software was made and developed, which was the IBM model, where you acquired the rights to use the software and you paid a maintenance fee to continue using the software and getting upgrades year after year. That software developed at an absolute snail's pace. You look at software development now and it is incredibly rapid. It is incredibly rapid principally because software developers have to get new product out in order to go on having a market, because everybody's software is pirated very rapidly.

I know this is not giving you an answer but software piracy or piracy in general is not entirely a bad thing. I think what we have to do is develop new ways of thinking about this kind of intellectual property. I know that some of our software suppliers are quite happy for small-scale individual piracy to continue; in fact, they are quite pleased if it continues because it provides companies like me, for example, with people who have already been trained in 3DS MAX, which is our primary 3D package. They do not want companies like mine to do it, of course, because we are their market. So there is a very strange relationship between these kinds of things in terms of value. It has reached the point where Maya and I think even SoftImage and 3DS MAX all now give away copies of their software to be used in educational institutions so that they maximise the usage, and they say, 'Of course, you must not use it for commercial production.'

So, yes, piracy is a problem. In the long term I think it is one of the new aspects of understanding intellectual property, in exactly the same way that lending libraries were a hundred years ago. It is just a new thing. We have to have new stuff. New stuff is what is going to generate trade, not hanging on to the old stuff—not the way the recording companies are doing it by rereleasing their back catalogues. This is not going to go on working.

CHAIR—Will publishers want to publish material if they do not own the intellectual property?

Mr Hollands—Publishers do want to own the intellectual property, so what happens ultimately is that a deal of some sort is made and it is usually a royalty based deal. Piracy, though, is going to kill royalties in the long run. It is going to mean restructuring them, because if you are not selling more copies then the thing has to be arranged in a different way. Some of these things used to happen in a knee-jerk way: film distributors or television distributors used to demand all electronic rights as a matter of course and did not exploit them; they would just demand them and then if somebody else happened to develop a market they would say, ‘Give me my royalty on that,’ or ‘Pay me damages,’ or whatever. Now there is a change in that—I was talking to my lawyer about this recently—and people are saying to distributors who are demanding these kinds of things: ‘Show me what you are going to do to exploit it then, because if you are not going to do anything that makes me any money out of it I am not going to give you the rights.’ It used to be that if you made a television series of something like that then you would have to assign all the rights in order to get the thing happening, but that kind of thing is changing.

Mr SERCOMBE—Use it or lose it.

Mr Hollands—Yes. But I think underneath your question is something else, and that is that we need publishers here, not just the game makers who are working for American publishers of which there is a local pseudopod company. We need game publishers here. We need the Australian equivalent of movie studios. We need the Australian equivalent of the animation studios—Pixar, Blur, ILM and these kinds of places. We need the equivalent of those here. If Pixar were in Australia they would have made a difference to the national economy. Pixar have never turned over less than \$300 million on a movie that they have made, and they have made five or six now. That is a massively potent thing to have nationally. We need that kind of clout.

If you go to the television industry markets, to MIPCOM and those kinds of places—I have not done this, but people have told me about it—the buyers who are buying for the European networks go in there wanting a bag. They say, ‘I’d like 100 hours of something.’ Or they say, ‘Gee, I am short of 200 hours of family entertainment.’ They want someone to go in with a big bag. That is what a publisher is really, someone with a big bag of stuff, and that is what we do not have here. Every now and again we turn out something that is really successful internationally, such as *Crocodile Dundee* or *Shine*—once a decade there is something like that that is very successful commercially. We have had some things that have been artistically successful but perhaps less successful commercially. But we have not had the kind of studio structure they have in the States that capitalises on that, that builds a whole industry based on the fact that, yes, we turned out that and we will go on turning out things like that.

So we encourage individual writers and directors and so on, all of whom need to be encouraged—and please go on doing it—but we need some kind of industrial structure that makes that stick to Australia. Our best directors go and work in the United States—and why wouldn't they?—because they are going to make more money there, but we train them here. I have trained animators who are now working for Pixar, the best animation company in the world. These guys have done good work for me, but I also invest in them and the country invests in them and they go and work over there.

CHAIR—It is the way of the world, unfortunately.

Mr Hollands—Well, it is, but if there were an industry here then it would make an awful lot more sense. I know it is going to happen, obviously, but you would want to bring them back. If you wanted to make the Australian equivalent of *Toy Story* you would hire a John Lasseter to do it. Why use someone here? Why not get a bankable director to do that? Why not approach it in exactly the same way that the big money-making companies approach it? They look at the whole thing from every point of view: 'How do we sell this? How do we raise the money? Who do we need to attach to this who will make it easier to raise the money? We need a bankable director; we need bankable performers. We need a writer who has a track record.' You know, the whole range of things—and it is very hard to bootstrap that kind of operation by saying, 'Well, yes, of course we want all those things but we will have to create them fully grown from scratch.' It is the business end of that that we do less well, really, than everybody. The artistic end I think we do really well. We have produced fantastic people here, as you would expect—why wouldn't you?

CHAIR—They win lots of awards.

Mr Hollands—Yes, indeed.

CHAIR—So we must be producing the best people if they keep appearing all the time at all sorts of international things where they win all these awards. The proof of the pudding is in the eating.

Mr Hollands—That is right. Adam Elliot, one of the Melbourne animators—

CHAIR—Yes, we met him today.

Mr Hollands—You did? He is the perfect example.

CHAIR—He has just won three awards in Nice.

Mr Hollands—Yes, he is a fantastic animator—a wonderful writer and animator. So we can produce these people, but we are not providing somewhere for them to work.

CHAIR—He wants to stay here.

Mr Hollands—That is good, I am glad to hear it.

CHAIR—Thank you very much for appearing this afternoon and coming earlier to make our life easier.

Mr Hollands—It is a pleasure.

CHAIR—In closing, I thank *Hansard*, broadcasting and the secretariat for their services and the Victorian College of the Arts for hosting us today.

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

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

Committee adjourned at 4.18 p.m.