



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON COMMUNICATIONS,
INFORMATION TECHNOLOGY AND THE ARTS

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

FRIDAY, 5 SEPTEMBER 2003

SYDNEY

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

Friday, 5 September 2003

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

Members in attendance: Mr Ciobo and Mr Pyne

Terms of reference for the inquiry:

To inquire into and report on:

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

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Committee met at 10.52 a.m.

GROSS, Mrs Rachel Alexandra (Sandra), Managing Director, Yoram Gross-EM.TV

WATSON, Mr Geoffrey, General Manager, Yoram Gross-EM.TV

CHAIR—I declare open the second day of public hearings in Sydney of the House of Representatives Standing Committee on Communications, IT and the Arts. The hearings form part of the committee's inquiry into the future opportunities for Australia's film, animation, special effects and electronic games industries. I welcome particularly representatives of Yoram Gross and thank them for having us this morning at their premises.

I need to let you know a few things before we ask you to make an opening statement. While we do not request evidence be given under oath, these proceedings are proceedings of the parliament, so any false or misleading statements could be regarded as a contempt of the parliament, not that we expect you to make any false or misleading statements. I also need to tell that you we like to take our evidence in public. However, if you want to give any evidence in camera, you are welcome to request that and we will consider the request and deal with it at the time. Now would be a good time to introduce yourselves and make an opening statement. We will then proceed to questions until about 11.15, when we will be back on track. Of course, I feel that I have already had a bit of information, so I am at an advantage that Mr Ciobo is not at, but he will catch up very quickly. So over to you.

Mr Watson—Yoram Gross-EM TV is Australia's largest independent animation production house and incorporates a strong audio recording facility, a building interactive division and a licensing and marketing division.

Mrs Gross—I will leave Geoff to answer your questions. Overall, we have been operating in Australia for the last 37 years, of which 25 are in the production and distribution of animated films and television for Australian audiences and throughout the world. We progressed from a small studio of five to being a very strong production house of 60 full-time employees plus another 10 or 20 part-timers. We feel that it is an exceptionally good industry for Australia to move, in the production and distribution of content throughout the world. Most important is the constant support of governments because we have a very small population.

CHAIR—One thing that you were talking to us about this morning that would be of great interest to my friend the member for Moncrieff is how people ask why we cannot compete in an international environment. People keep saying, 'Well, how come you can't compete with the Americans?' et cetera. You had some quite interesting things to say about that, which I would like you to repeat for the public record.

Ms Gross—The bottom line is that, with 20 million people in Australia, the film industry has a very limited opportunity to cover its cost in Australia. I will give you one example that is typical for the rest of the industry. If a series cost \$10 million in Australia to produce, it will be produced for \$15 to \$20 million in the United States or about \$15 million to \$14 million in Europe. We are able to produce it for less than \$10 million. So the evidence in that sense is that we are highly competitive. So why can't we continue to be successful without the support of government? The reason is that, when an American producer produces in the United States, he

can cover most of his costs from the United States. If a French company produces in France, they can cover most of the costs in their country. It is the same with Germany and, of course, Japan.

In Australia, with 20 million people, we cover only 15 to 20 per cent of the cost of a production in Australia. We need to cover the rest from the rest of the world. What is the rest of the world? The United States and Japan have a very closed market, not through legislation, only through cultural attitude. Japan is purchasing only four per cent of foreign material for Japanese television. So we have to somehow slot into that four per cent. The United States—I do not have the statistics—is paying for their own material and most production costs. For foreign material, it is 10 per cent of it or less. If you take the same attitude to Australia, Australian broadcasters will not be interested in paying nearly as much for Australian productions because they can get them for a fraction of the price from the United States. So where can we be more competitive? We are very competitive, but the market just does not allow us to enjoy that competition. This is why support is constantly needed.

Mr Watson—The extension of that is that the Americans go out to the rest of the world market, as we do, having already covered maybe 90 per cent of their production costs. So they are only selling to cover another 10 per cent. We go to the rest of the world and we are trying to cover 85 per cent. So they can undercut us extremely easily, with much more ease, even though their production costs are higher. The percentage that they have already covered means that their shortfall is significantly smaller. It just comes down to that issue of 20 million people versus 250 million people.

Mr CIOBO—I understand that argument. I guess from my perspective we need to get a greater understanding of why, for example, the electronic games industry takes a global view. They say that for all intents and purposes it is one marketplace. I am aware that it may be overly simplistic to directly parallel it to that, but I guess I would like to see more Australian TV series, sitcoms, dramas et cetera along the lines of the Steve Irwins and that type of thing because I believe that in the United States we probably have a real ability to sell Australian domestically produced content but we do not seem to be doing it. I certainly understand the argument that I have heard from a number of witnesses with respect to US product bundling. There is a special name which escapes me.

Mr Watson—Dumping.

Mr CIOBO—Not dumping but—

CHAIR—You mean when they sell you *Friends*, which is clustering?

Mr CIOBO—Like clustering or something.

CHAIR—Clustering, yes. They sell you *Friends*, but then you have to take 10 other things as well and you have to play them.

Mr CIOBO—So that is not—

Mr Watson—Not only do the Americans do that. The BBC does it as well.

Mr CIOBO—I looked at, for example, pay TV here in Australia and wondered why we could not emulate that sort of model in the United States on their cable channels. Why can't we have just an Australian channel and get the kind of quality productions that become flagships for Australian content into the US marketplace? If it is a cultural issue, that is a little esoteric. It is difficult because it is unquantifiable and you cannot immediately point to something and say, 'We need to break that down.' But fundamentally I do not see why we cannot operate on the basis that it is a global market.

Mr Watson—I can highlight one specific issue there. The C drama ABA regulations in Australia are quite constrictive. They have certain determinations of how we need to make our show from an editorial and content perspective to fit into that C drama box which then allows us to get the maximum and premium broadcast sale in Australia. That is what gives us our 10 to 15 per cent investment from Australia, which then allows us to go overseas and find the balance of the investment. The irony is that if we have a project—I can give you two very clear examples here—where, say, the French would like it, it will immediately fall outside the bounds of the ABA restrictions.

I can give you two very clear examples here which would immediately fall outside the bounds of the ABA restrictions. One project which was brought to us by the French, a project called *Norman Normal*, was a great project about a pre-teen boy just discovering girls and having adventures and trying to impress girls. It was very innocent and very naïve. It was certainly nothing dangerous in there in terms of what you are presenting to children. For the ABA, their rule was that a 12-year-old child is not interested in the opposite sex. They would not give it a C drama classification. We had to abandon the project. We had another project called *Girls Stuff Boys Stuff* brought to us from Canada where they wanted us to be a 40 per cent partner. Again, it was a very edgy sort of cartoon network style program. Exactly the same thing happened. It fell over because the ABA would not give a C drama classification. We could not bring our 10 to 15 per cent to the table. We could not proceed with the project.

The other thing to do is to have a look at what the hit shows are on Australian television for kids. I do not know if you have heard of *Ed, Edd & Eddy* or *Dexter's Lab*. There are a number of shows. Another is *Spongebob Squarepants*. These are the highest rating animated shows in Australia at the moment. They are all American. They are made by Nickelodeon, Viacom or Cartoon Network Warner. None of them would get C drama, not one. So we cannot ever think of making a program like that to compete directly in the American market because of the restraints of the ABA regulations.

Mr CIOBO—This is what I do not understand. So those shows are being played in Australia?

Mr Watson—Yes. And they get a G rating.

Mr CIOBO—They get a G rating. So why can't you find something in the same category?

Mr Watson—It is very simple. For C drama, we just did an agreement with the Seven Network. For C drama we get \$A85,000 per half hour, which raises \$2 million for a series, which is 20 per cent of the total budget. That gives us great leverage in dealing with coproduction partners and foreign distributors. Warners is selling *Ed, Edd & Eddy* to Channel 7 for \$5,000 a half hour. We sell a G drama show to Seven and we get five times 26, which is just

over \$100,000. We walk out there to the world market and say, 'Well, we've got one per cent of the budget,' and they do not even want to talk to us.

Mrs Gross—And of course the American production covered its costs in the United States

Mr Watson—I am at the coalface. I go to every market. I am the executive producer of all our shows. It is my job to pull together those finances, and that is probably my most frustrating moment. We have a great concept. It falls over at the ABA. I have three foreign broadcasters really excited about the project because it is edgy, it is hip, it is now, and we just cannot go forward with it unless we found some alternative freelance investor, and they would not even be looking at Australia for revenue. They would be looking at the rest of the world for revenue.

Mr CIOBO—Is it dumping?

Mr Watson—That is not dumping, no. I think it is purely the nature of the business. We also have a block in Australia where we sell non-Australian product. We buy it from overseas and then resell it in Australia. That is the going price for kids. The broadcasters probably pay between \$5,000 and \$15,000 an hour for kids programming and they probably generate between \$20,000 and \$25,000 in ad revenue. When they put C drama on at \$85,000, they are losing money. They see it as an indirect tax to hold their licence.

Mrs Gross—You were asking about dumping. We have an interesting story for you to see how dumping is happening in the way of television distribution. The BBC have unlimited funds to produce quality animation. They cover the cost from their own broadcasters and the taxpayer for full production. Then they go to Germany, the biggest market in Europe, and give the product free of charge for the purpose of earning later merchandising and licensing. We then come with our *Blinky Bill* and we ask a fee and we have to compete with product from the BBC.

Mr Watson—That is being given away.

Mrs Gross—We cannot give it away without the fee because Australia only covered 15 per cent. But that is dumping. Who has the power to fight it? Not us, as producers, and not governments either, but it is dumping.

CHAIR—When Australia does have success with content, as you have—for 30 years, you have been in business successfully—how does it work? What is the secret to the success when it does work?

Mrs Gross—It is the secret ability to produce, first of all, and that is due to a group of factors. One is our ability to raise that minimum of investment from Australia with the support of content protection and various—

Mr Watson—FFC mostly.

Mrs Gross—FFC and the other agencies. That is No. 1. No. 2 we are addressing, meaning the best production, competitive prices and a strong effort to go overseas. Companies like ours send people four times a year to market. On a professional level, I think that companies like us and others in Australia are doing extremely well against all odds.

Mr Watson—I think there is another point to be made here. It is working on one level and not working on another level. At the level it is working on—again, this is a perfect example—the last three years have been particularly tight. The only programs we have been successfully able to continue with and continue production with are our old successful properties. So we managed to secure finance for *Blinky Bill* for the third season because it was already a hit in Germany and France with the earlier seasons. So we had a track record, it was strong IP and we were able to deal our deal. We had to bring in the FFC. In that situation, we raised over 50 per cent of the finance out of Australia by the broadcast sale, the FFC and our own investment. So we were going to Europe only asking for 30 or 40 per cent. The next project that came along was *Flipper*. Again, it was the third season, and it had been a hit in France before.

I take about eight development projects whenever I go to a market. For anything that is new and a little bit out of the box at the moment, because I am constrained with my C drama issues in Australia, they kind of fall between the tracks. They are not edgy and groovy enough for them to go, ‘Yeah, this is now; this is what’s going to happen next.’ It is a bit too safe for them. It is too conservative for them. Basically, what is happening is we are able to maintain our business at the moment based on our history. We are finding it difficult to break into new IP and sell new IP. I think that is the bigger issue at the moment. We are struggling on one level. We are very fortunate that we have this strong history that is allowing us to live off that history. For me as a seller, that is the biggest frustration at this point in time.

Mr CIOBO—I understand you have to make 15 per cent or thereabouts domestically. If you had a situation where you were to produce an Australian animation that had the G classification, you forgo, you said, \$85,000 per half hour?

Mr Watson—So we forgo \$2 million, yes.

Mr CIOBO—But, if you can sell that into the US marketplace, aren’t you effectively doing the same thing? Yes, you are forgoing that percentage of—

Mr Watson—I can give you an example.

Mr CIOBO—If you can gain that through selling into the American marketplace, I do not understand how you—

Mr Watson—There are two difficulties there. First, the US market is dominated by the big multinationals now, such as Viacom, Warners, Fox and Disney. They have brought most of their production in-house. We are fighting that to start with, and they control the bulk of the broadcast outlets in the country. What that has meant in America is the demise of independent producers. There are very few viable independent producers left in America.

Mrs Gross—Even Americans.

Mr Watson—There is one example of an animation production that was started off just with two people in the lounge. They created a little flash project that was adult oriented. It was sort of *South Park* style. They shopped it around. The Warner Bros cartoon network really liked it. They basically bought the IP and took over the project. They turned it into a six- to 10-year-old project. It is now a cartoon network project and it is working really well, and the Australian

studio now is just a service studio to its original own IP. So the IP was basically taken over. I have only known of that happening once.

Mrs Gross—What is normally happening is that a successful series such as *Blinky Bill* was sold to the United States and does extremely well on syndication and we earn \$100,000 per half hour. That was the greatest sale that Australia ever made. Because we were outsiders, we received \$100,000. If it was produced in the United States, it would have been covering the whole.

Mr Watson—They would have got \$300,000.

CHAIR—Per half hour?

Mr Watson—Yes.

Mrs Gross—This is why your suggestion is our dream, if we could have done it. It was just impossible. No other country can do it. It is not only Australia that cannot do it. The French cannot do it, although they have budgets of 60 per cent covered from their own country. They cannot break into the American market and not into the Japanese market. The Japanese market is highly sophisticated with their own animation and they will only screen their own animation.

Mr Watson—There was a fundamental shift in the way the American market was buying. There used to be the three or four major free-to-air broadcasters. Then there was a host of smaller networks in all the regions. You could find what is called a syndication broker to sell to the little guys. That is what we did with *Blinky* about eight years ago and that worked for us. That entire system has broken down because the Foxes and the Viacom have basically bought all of the little guys. So now there is just these massive bodies. Fox owns not only major free-to-air networks but a lot of the regionals as well. So you only have four or five ports of call now whereas before you used to have 50. As I was saying to you before, Europe is a much better market for us because we have 20 possibilities in Europe whereas in the US we have four or five possibilities to sell to. That is a big difference. We can cobble together. If Germany does not work, maybe we can get Spain, Italy and Portugal to raise as much money as one sale to Germany. So the combinations are better. You have more jigsaw puzzle pieces to play with.

But there is no question that the US and Japan are the two toughest markets in the world. The UK probably comes in at No. 3. Again, the UK is dominated by the BBC and the two independents. They believe they make the best TV in the world, so they are not that interested in other productions.

Mrs Gross—I hope that it will come not only from us because we do not have enough information. The ABC has been buying from the BBC for the last—

Mr Watson—20 years.

Mrs Gross—20 years and probably more, huge amounts.

CHAIR—Especially lately.

Mrs Gross—Especially lately. But the ABC cannot sell to the BBC one program. It is nothing written in the legislation; it is just cultural imperialism. So who are we? A small producer.

Mr Watson—We picked up the option rights on *Snugglepot and Cuddlepie*. We produced a pilot, ABC fell in love with it and said, ‘We want to be your partner locally. Now you need to go and find an international partner and then let’s see if we can put all the finance together.’ We then said to the ABC, ‘Well, great, the BBC would be our perfect target for this. Can you present this to the BBC for us?’ Their response to us was, ‘We’d rather you did it.’ To us that was just like, ‘How does this work? You guys deal on a weekly basis with the BBC.’

Mrs Gross—And the answer was that the BBC never bought anything from the ABC.

CHAIR—It is extraordinary, really.

Mrs Gross—It is. The fact is that the ABC has been buying so much over all those years, yet they cannot flex the muscle and force the BBC to buy.

CHAIR—Thank you very much.

Mrs Gross—We hope that we answered clearly.

CHAIR—That was a very important point to have on the record. Thank you for having us this morning.

Mr Watson—Not a problem. Thank you.

CHAIR—If we need any more information, we will come back to you.

Mr Watson—Thank you very much.

Mrs Gross—We would be very happy to answer.

[11.20 a.m.]

BROWNING, Ms Anni, Guarantor's Representative, Samson Productions Pty Ltd

MILLIKEN, Ms Sue, CEO, Samson Productions Pty Ltd

CHAIR—I welcome Samson Productions. Thank you very much for coming along. I have to warn you about a few things. Firstly, we do not ask for evidence to be given under oath. However, these are proceedings of the parliament, so any misleading or false evidence you give could be regarded as a contempt of the parliament, although we do not expect you to give any false or misleading evidence. Secondly, we take our evidence in public. However, if you want to give anything in camera, you can request that and we will consider that request. Now would be a good time to start. Do you want to make any opening remarks?

Ms Milliken—I would like to thank you for the opportunity both to make a written submission and to address you. There are many things. The film and television industry is very troubled at the moment. Anybody who is willing to listen and perhaps give some thought to how things might be done better is greatly appreciated.

CHAIR—What sort of things do you think we could do better that we are not doing now?

Ms Milliken—It is not entirely a government situation. It was very interesting listening to Geoff and Sandra. The problems they are having are reflected in many ways. For instance, the ABC cannot sell television drama to the BBC either, even though it is their principal source of drama production. Countries tend to be focusing more on their own national television.

The world economy, probably since September 11, and all the general things that have been going on have reflected with difficulty on our industry. There is less money available worldwide in presales for us to sell our product in order to make it, which is how we have to do it. We have to raise at least 50 per cent of any production outside Australia for drama anyway. There has been a gentle attrition over the seven years of the Liberal government, I believe, in financing. There has also been a lack of interest in the industry from this government. With an industry like this, which is about culture, it is affected by the government's perception of it and the government's enthusiasm for it and the government's ability to support it and to speak out about it. I dare say that, if the Prime Minister was half as interested and enthusiastic about our film and television production industry as he is about sport, the industry would have a high profile. It is a psychological thing really. There is a need to feel that what you are doing is of some worth and that it does have a place in the national ethos, and I think that has been a little lost in the last few years.

CHAIR—You were chair of the Australian Film Corporation for a while.

Ms Milliken—The Australian Film Commission.

CHAIR—The Australian Film Commission. You have been involved in a number of movies and television series over the years. Is that as a producer of them or as a financier?

Ms Milliken—As a producer, yes. The chair of the Australian Film Commission was a part-time or semi-honorary position.

CHAIR—Which years were you doing that?

Ms Milliken—I was there from 1993, I think, to 1997. I was a year on the commission and 3½ years as chair. I have also conducted reviews of the South Australian Film Corporation and the film industry in Western Australia for the governments of those states. In addition, out of our office—Anni does the day-to-day work—we represent a completion guarantee company. So we provide a kind of very specialised film insurance for drama productions. So through our office we have a very good overview of the whole industry. I have been there a while, so I have seen it come and go.

CHAIR—You have been there a while and you have seen it come and go. I assume you have been in the industry for about 25 years or longer.

Ms Milliken—Longer. I do not usually point that out.

CHAIR—I have been in politics 11 years. When I am 46, I hope to be saying that I have been in politics for 20 years, and everybody will be out to get me by then.

Mr CIOBO—They are already.

CHAIR—Thank you, Mr Ciobo.

Ms Milliken—Nobody is paranoid here!

CHAIR—No. Which have been the eras in those last 25 years where the industry has been out of this deficit financing sort of situation that it finds itself in today or has it always been an industry where it has been deficit financed? Is that going to be the situation in Australia because of the Americans dominating the market? Is it something that we have to get used to? Can the government do anything about getting rid of the peaks and troughs or is there no point in even trying?

Ms Milliken—There are a few questions there.

CHAIR—There are.

Ms Milliken—It is true that from time to time the industry has sold itself to government as, ‘Give us this and that will get us going and then we won’t need you any more.’

CHAIR—Yes, that is true. They have.

Ms Milliken—It was true of the FFC as well when the FFC was set up. I do not believe it is true. I think we are very small cheese in the world. We will never really be able to compete. We will never be able to fight at the same weight as the Americans, who really dominate the film industry worldwide. Every other country that you can think of has a subsidised industry. I believe we should simply accept the fact that the industry will always need to be subsidised. It is

a matter of how best to deliver that subsidy to get the best result. It is about creating a national film culture. It is reflecting our own society to ourselves and to the world. It has actually happened. It has been done brilliantly. I think I say in my submission that in the late sixties Australia was a backwater. Most people in the world did not know where it was and had never heard of it and did not want to come here.

CHAIR—Like Ava Gardner.

Ms Milliken—Precisely, yes. She summed it up. She would not say that today. The first wave of establishing Australia on the world stage was almost entirely due to the film industry, to those burgeoning films of the seventies and later the kind of flood of product that came out in the eighties with the introduction of the 10BA tax legislation. Everywhere in the world at any given time, a piece of Australian film or television is screening somewhere and people are seeing it. I discovered this from having gone overseas in the early sixties and been told how well I spoke English, it being assumed that I was Austrian, to by the late seventies and early eighties people saying, ‘I just love *My Brilliant Career*.’ People in cafes, people in restaurants, people in taxis, ordinary members of the public in the United States and in the UK and in Europe, as soon as they knew where you were from, would start talking about Australian films. It has had a major impact. I think the country has had the benefit of that subsidy back in spades.

From time to time it has lost its way. There have been kind of peaks and troughs in the process. In the late seventies, much of the funding was done through the Australian Film Commission. Then there were some ways of financing films with some tax incentives, which were legal at the time. It was a kind of gearing system that was being used in a very small way under section 51(1). That was kind of working. It was small cheese. There were two or three films a year being made or something. There was very little money. That was disallowed retrospectively, so that put the kybosh on that and killed a whole lot of investors. They never came back to the film industry.

There was then an almost 18-month gap where there was really very little production. The government introduced the 10BA tax incentives with the 150 per cent deduction and a 50 per cent tax holiday coming back. The industry took off like a bushfire. Everybody had been developing scripts madly for those two years and they could not actually get into production, so it was all there and it went crazy for a couple of years. The two governments successively—I think it was across the Liberals and then it was the Hawke government—progressively brought down the tax deduction from 150 per cent to 120 per cent.

Ms Browning—133 per cent.

Ms Milliken—It was 133 per cent in the middle and then 120 per cent. That period, for all the bad things that happened—and there were plenty—took the industry to another stage. It sort of stepped up from being a tiny cottage industry to being quite sophisticated in the way it did deals, the way it did sales, the way it financed itself and the way it trained a whole lot of people. It sucked a whole lot of people into the industry because there were not enough people to make the number of films. I was doing completion guarantees on films in about 1982 or 1983. I think I was doing 20 films shooting at once. It was chaotic, but it eventually sorted itself out. Out of it came the kind of sophisticated industry that we have now, with a good level of infrastructure and a good level of specialised people.

By the late eighties, and when the tax deduction was down to 120 per cent, it was not really working very well and in came the Film Finance Corporation, which I personally think is the best method that has yet been developed to deliver subsidy to the film industry. I actually cannot think of a better one. It is involvement between subsidy and the marketplace. Personally, that is how I think subsidies should be delivered. It is a direct subsidy from the government and it interfaces with the marketplace. You are not looking at doctors and lawyers. You are not looking at people looking for a geared tax deduction in a way you cannot quantify. You are looking specifically at direct subsidy and the distributors and the exhibitors and the television networks.

I think the FFC's initial budget was \$150 million a year, which was great. There was enough money to finance pretty well everything that came to it. You had to get a presale and you had to find a distributor. Somebody had to think about this. Somebody else in the market had to think that their film or this piece of television was worth making. Having done that, you were then able to go to the FFC for a substantial amount. At one stage, the FFC was financing up to 75 per cent of budgets. So it was never easy to get that commercial money because everybody is competing for the commercial dollar.

Ms Browning—And it had to be real commercial money. It had to be a proper exhibitor. It could not be your mum or dad.

Ms Milliken—It had to be Hoyts or Miramax, both external and internal from Australia. But, in those early years, that was the heyday of the *Strictly Ballrooms* and so on where there was enough money to take risks on things and there was also enough money to finance the kind of risky projects that may not necessarily be seen to work. There are no rules; nobody can quantify what is going to make a good film. What has happened now is that returns are down and the government subsidy is down to about \$48 million a year, I think. That is not quite enough to go around this year. I do not know the figures, but the FFC in September has allocated about three-quarters of its money for feature films. You could get the figures, but already we have eight months of the financial year to go and there is not a lot of money left. So something is not working.

In between there were the FLICs, which were part of the Gonski report. This comes back to what I was saying about how I think it is not the right way to deliver. I think it would have been better to give the FFC extra money and let it spend the money than the FLICs. We pulled up the titles this morning to see what was financed through that two-year period of the FLICs. The only film that really made a lot of money at the box office out of eight films was *Crackerjack*. It made a lot of money here and it will not sell; it will not travel. Out of those eight films—

CHAIR—Seven of them were lemons?

Ms Milliken—Yes.

Ms Browning—A couple of them were perhaps oranges. *Dirty Deeds* was okay, but it did not make anywhere near the amount of money that they hoped it would.

Ms Milliken—And that was letting a merchant bank make the decision about what films they picked up. It is insanity.

CHAIR—It is a very comprehensive answer. Mr Ciobo, do you have any questions?

Ms Milliken—He wants to ask a lot of questions.

Mr CIOBO—I do.

CHAIR—I am grateful for that.

Mr CIOBO—I am interested in some of the comments you made at the outset, Ms Milliken, in talking about the culture of culture. Is it fair comment that, if to some extent you have a view that is separate from what some of the icons in the industry think is the best way forward, that is translated as a lack of support for the industry?

Ms Milliken—I am not quite sure I understand.

Mr CIOBO—To put it succinctly, I view myself as being very supportive of the industry but someone who remains fairly sceptical about the best way forward being regulation and subsidisation. I get the feeling that that point of view is translated as a lack of support for the industry. I wonder whether that is in fact a popular point of view within the industry.

Ms Milliken—No. I think you are dealing with an artistic community who are largely eccentric and opinionated.

Mr CIOBO—Sounds like politicians.

Ms Milliken—Indeed. I think it is quite healthy to have a divergence of opinion. I think the main thing is that there is some willingness to discuss and interface with the possibilities. Support for film and television and for our country's culture to be represented in this medium is the bottom line. From then on, a discussion about how best to serve that is incredibly healthy. Things have to be tried. Sometimes they work and sometimes they do not. You have to be realistic about what does and does not work.

Mr CIOBO—I guess I say that because you have made some bold comments at the outset. I appropriately think I should pull you up on some of them. For example, we heard testimony that the introduction of the film tax offset is one of the best initiatives that has ever been taken worldwide to encourage film production. I recognise that to a certain extent it is separate in terms of attracting offshore production versus home-grown production. I still, nonetheless, take the view that the experience that is gained and the exposure to different producers and different production houses is all beneficial for the Australian industry. So it would seem to me that your comments stand in stark contrast to what generally is regarded in a lot of instances as some of the brightest days for the film industry when you look at the unparalleled success that Australians are having overseas. I wonder where your introductory comments fit in with those kinds of outcomes that we are seeing.

Ms Milliken—The offset is a separate issue. I have been addressing you pretty much about the national film industry.

Mr CIOBO—Sure.

Ms Milliken—I totally support the offset. I totally support the offshore production industry. I have worked in it myself. I am very happy to work in it. It is an excellent innovation. However, one problem with it is that it has excluded television series.

CHAIR—Like *Farscape*.

Ms Milliken—Like *Farscape*, which I produced. I make a point in my paper—and this is a matter of finetuning really; it is not a matter of the big picture—that one of my concerns at the moment is the post production infrastructure in Australia. Because of the difficulty of financing Australian films, coproductions are a very popular way to go. I have had two conversations about two films myself, one this morning and one last week, of my own productions. The only way I think I am going to be able to finance them is to do a UK coproduction. That is fine. It brings in 15 per cent from the UK sale and leaseback, but I have to do post production in the UK in order to qualify for the UK spend. I have to shoot the films here because they are Australian films. I have to take post production to the UK.

We have one of the best infrastructures for post production in the world in this country. It is absolutely state-of-the-art and the talent is absolutely there. They are really hurting at the moment. The feature films that come here to shoot tend to bring their own editing equipment. They bring their own Avids with them, they bring their own editors and they take all the post production back to the US. The only offshore production which does post produce here is television series like *Farscape*. We had Sound Firm, Spectrum and Animal Logic. We were really paying their overheads for three years because we were putting a massive amount of money through those companies in post production. So the offset is terrific. I totally support it. I would really love the government to make the amendment to include the proposal that has been made ad nauseam to it about episodes that are a \$1 million spend. I do not know if I have answered your question.

Mr CIOBO—You have to a certain extent.

Ms Browning—There is also an issue of whether there is some way of creating a further incentive if productions that qualify do their post production here.

Ms Milliken—This is what I was saying. There is no perfect way to do this. Any government proposal that is initiated needs to be looked at and needs to be finetuned, and it is really nobody's fault because sometimes you will see that people will exploit a situation. With the best will in the world, you have looked at it and thought it is foolproof, but then someone will find their way through or sometimes it does not quite deliver the total results that you want. So it is about flexibility. It is a very low priority for governments. These things are not quite as easy to change as they ought to be. But that kind of monitoring and finetuning, I think, is definitely worth doing to continue to make sure that the money is going in the best direction.

Mr CIOBO—As a committee, we have to concern ourselves with quantitative and qualitative aspects. I asked witnesses yesterday whether the only barrier to us obtaining more TV production within Australia is the extension of the 12½ per cent tax offset. If it is, it would seem to me that our competitive advantage only extends insofar as we are the only jurisdiction offering the 12½ per cent rebate. If that is the case, it is a ridiculous situation to sustain, because

we are only ever going to have a competitive advantage until another jurisdiction matches us. If it all dries up again—

Ms Milliken—It already has.

Mr CIOBO—That is my point.

Ms Milliken—And has included television in their incentive.

Mr CIOBO—In their package.

Ms Milliken—They just copied us and added what we did not.

Mr CIOBO—That is entirely my point. We end up with a Dutch auction situation and we do not actually look at the qualitative aspects of the industry to say, ‘Can we compete in other areas besides price alone?’ That is what I am principally concerned with because we have to develop a regime that supports industry and grows industry. However, we cannot do it on the back of purely and simply price. We can give all the tax incentives in the world, but they are only going to be as good as the next person offering the same thing in another jurisdiction. We are going to be sitting down around a table having discussions like this every six months.

Ms Milliken—I could not agree with you more. There are people who travel the world looking for nothing but the best tax deal they can get.

Mr CIOBO—It is what they want.

Ms Milliken—Precisely. Hallmark Entertainment, which I worked for and which financed *Farscape*, have somebody whom I like very much and respect a great deal. Her job is to find the best deal for Hallmark projects. It comes down totally to the deal. If they can get a better deal here or a better deal in New Zealand or in France or Kathmandu, that is where they go. That is the reality of offshore production. All we can do it about it here is be very cynical about it and say, ‘Let’s get our slice of it where it suits us and where we can.’ We can compete in a quality and production and infrastructure way with anywhere in the world. We are better than a lot of places. But they do not care. They do not care. They only want the best deal. They will bring in anybody that they cannot find there. Nevertheless, we should not be closing the door to offshore production, because it underpins the industry here in downturns with the national production.

But my heart is in the national production; that is what I care about. That is what I really care about government delivering support for—reflecting our own culture to ourselves, to the rest of the world. There are two things. One is the cultural thing and one is the trade thing, I suppose, and the revenue and so on. So you have to look at them separately. If you can do a deal to bring offshore production here and it works, the numbers work and it has a kind of spin-off effect, great, but the heart of what government should be doing is promoting the national film industry and our own culture.

Mr CIOBO—So why can’t we get private sector capital investment?

Ms Milliken—Because the numbers do not work. If you put it back to 150 per cent, it will flood in.

CHAIR—Is it not working because the consumers do not like the product? That is a critical question.

Mr CIOBO—Isn't that the core—

Ms Milliken—I am being recorded, aren't I?

CHAIR—If the consumers like the product, wouldn't the movies pay for themselves in Australia? I am just talking about nationally.

Ms Milliken—It is a high-risk industry. The odds on success are unquantifiable. They are stacked against profit.

CHAIR—You have to have a hit every now and then, though; otherwise, you would not still be in the business after 25 years.

Ms Milliken—That is right.

CHAIR—So you have got to have a hit every now and then.

Ms Milliken—But you do not know where they are going to come from. This is what, it seems to me, has been happening recently. I am not sure if I am diverting from the question. Private investors are very reluctant at this point in time to put their money into the film industry because the best they can get is a 100 per cent write-off. They can get that doing many other things. They have no control over what they put their money into. They have no idea whether it is going to be any good or not. It is also high risk and it also has had a bad name over the last few years because there has been an awful lot of films where private money has been put in that have not worked. So they get nothing out of it.

I go back to the beginning. My view is that it is probably appropriate in America, where there is such wealth that it is perfectly fine to find incentives for people with so much money and to find some sort of deal to put money into the film industry and where they have really, really big returns on the major studio pictures, but here we are very small. We are very high risk. We can really only be justified as a business because of the national ethos, because of the culture and because of reaching out to make Australia part of the rest of the world. It is not a viable business.

Mr CIOBO—This is where we get mixed messages, from my perspective anyway. If the goal is to go down a path where at the end of the day we make 20 films a year and 45 people go to see it and we all feel good about ourselves as Australians, let us state that that is the goal.

Ms Milliken—No. I do not think the goal is for 45 people to go and see it at all.

Mr CIOBO—But if the goal is to develop a world industry that competes as much as we can with the United States or France or the UK, and it is about trying to develop a regulatory regime that nurtures that growth, then we have to address those aspects and say, 'Why don't we have

more successes like *Moulin Rouge*? I do not know conceptually whether the *Matrix* was an Australian idea or not, but it was certainly filmed here. There is *Finding Nemo*, which we can see in the box office now, a film that for all intents and purposes is Australian except no-one here did it.

Ms Milliken—It is not Australian.

Mr CIOBO—I said ‘for all intents and purposes’. It is an Australian story, and it is Australian based.

Ms Milliken—They just decided to set it here, yes.

Mr CIOBO—But this is the point. I look at *Crocodile Dundee*, which perhaps was one of the first ones. I know from tourism that Americans love Australian things; they love them. Why isn’t there an ability for us to develop concepts and stories out there that we can sell into that marketplace and be very successful at and finance privately? I do not understand why we cannot do it.

Ms Milliken—It has not been done in 30 years.

Mr CIOBO—That is why we need to start thinking differently. Why not?

Ms Browning—There is *Crocodile Dundee*. There is a film like *Lantana*.

Mr CIOBO—Exactly. That was very successful.

Ms Browning—Every now and then something works. You might have looked at *Lantana* and gone, ‘Hang on, the guy made *Bliss* and half the world hated it, so *Lantana* is not going to be very good.’

Ms Milliken—Every film is a prototype. It is not as though you are making a new model of a motor car. You just do not know, with the best will in the world, until it is finished.

Mr CIOBO—But why is it that the US seems to consistently be able to get the marketing mix right, even for very average movies, and get them in the marketplace?

Ms Browning—They make a huge number of flops that we never see—an enormous number of flops. They spend millions and millions and millions on the marketing.

Mr CIOBO—That is all private sector money, though. This is the difference. That is why I do not understand—

Ms Milliken—But what other country runs an industry on private sector money? There are not any. The US is a phenomenon.

Mr CIOBO—But this is the point. The United States do not have—

Ms Milliken—We have 19 million people.

Mr CIOBO—The United States does not have the kind of crying lobby for government support for its industry, yet its industry fares the best in the entire world. To a certain extent, we had this debate with Kim Dalton yesterday. We started talking about new mediums and new forms of entertainment delivery, such as the Internet and all these types of things, and I said, ‘Well, you can say that systemically there has been a competitive advantage that the United States has had for 40 or 50 years in the film industry but you cannot say that about the new delivery mediums that are coming out now.’ Why is it that there seems to be an attitude that in these new delivery mediums we cannot compete from day one? There is no systemic advantage for the United States. Why is it that we cannot get popular with consumers?

Ms Milliken—There is a marketing advantage.

Ms Browning—And money.

Ms Milliken—And money. You can say this about any number of Australian enterprises, such as CSIRO, and things that are funded. We can do things well here, but we are a very small area of the world. To compete on that level just needs so much money. Once in a while you will get a *Crocodile Dundee*. Without 10BA and the much maligned tax incentive of that period, there would never have been a *Crocodile Dundee*.

Mr CIOBO—Which attracts the funding.

Ms Milliken—Yes.

Ms Browning—Then there was *Crocodile Dundee 2* and *Crocodile Dundee 3*.

Ms Milliken—That is right.

CHAIR—They were pigs.

Ms Milliken—Yes, they were pigs. Precisely, they were pigs.

Ms Browning—We’re not talking about *Babe*, are we?

Ms Milliken—We are, yes. I am talking about *Babe*. There is *Babe*. There is *Babe 1* and *Babe 2*.

Mr CIOBO—We need more emphasis on attracting private sector investment through perhaps the 150 per cent rebate.

Ms Milliken—But why do you want to do that?

Mr CIOBO—Because that is a different proposition to putting in taxpayer subsidies.

Ms Milliken—But the whole problem with 10BA from the government point of view, across two governments, was the unquantifiable nature of the subsidy. That is what they hated. You set up the subsidy and you do not know how much money you are going to lose to revenue. It was the loss to revenue that was the constant refrain throughout that period. We do not know how much the loss to revenue is. You have something like the FFC, where you have professionals. They are not geniuses, any more than anybody else, in picking—they do not pick it—nor is the marketplace, but the marketplace is a little more directed towards it.

You quantify it. The government says, ‘This is how much we want to support this industry with.’ Boom. That is it. They know, and they know how much roughly that is going to gear into in terms of support. If you open tax incentives, the big boys will not touch the film industry. The Packers of this world, the real money, will not touch it. The superannuation funds should not.

Ms Browning—Not if your money is in it, anyway.

Ms Milliken—Not if my money’s in it!

CHAIR—Sounds like AMP!

Ms Browning—HIH.

CHAIR—HIH were in it, were they?

Ms Browning—Yes.

Ms Milliken—And the little people should not be in it either. I know that I am probably a bit of an unusual voice and there are a lot of people who support it.

Mr CIOBO—No, that is why we are teasing these issues out.

Ms Milliken—I have thought about it. I have seen it all. I have lived through it. I have worked in it. I have worked for it. I have looked at it. I just do not think it is the right way to go. I think the FLICs is a classic example. Gonski recommended 120 per cent. The government made it 100 per cent. Everybody says, ‘It would have worked at 120 per cent.’ I do not think it really would have. Two companies were allowed to raise \$20 million a year over two years. That is \$80 million. Macquarie raised something like \$30 million all together, and the Content Capital one I think raised about \$5 million—I do not know exactly. They did not get the money in and look at what they put the money into. It just does not stand up as a philosophy.

CHAIR—Thank you very much. It has been an excellent freewheeling discussion, which is exactly what we are looking for. Thank you very much for coming today.

Ms Milliken—Ask the Prime Minister to stand up and say some nice things about the film industry. It would make a huge difference, I assure you.

CHAIR—We will pass that on to him.

Ms Milliken—Thank you very much.

[12.09 p.m.]

DAVEY, Ms Sandra, President, Australian Interactive Media Industry Association

ROMNEY, Mr Jason, Chair, iTV Taskforce, Australian Interactive Media Industry Association

VAN ROOYEN, Ms Louise, Executive Director, Australian Interactive Media Industry Association

CHAIR—I welcome representatives of AIMIA to our inquiry today. I have to tell you a couple of things. First, we do not take evidence under oath, but these are proceedings of the parliament so if you are of a mind to make false or misleading statements—which I am sure you are not—they could be regarded as a contempt of the parliament. Second, we take our evidence in public. However, if you want to say anything in camera you can request that and we will consider that request and decide whether to move into camera or not. Please make any opening remarks now, if you want.

Ms Davey—This is my first inquiry.

CHAIR—That is fine. We are very informal.

Ms Davey—The more informal the better for us. I am delighted to be here to represent AIMIA and the views of the interactive media industry. Not having been through this process before, I gauge that we would do some follow-up conversation to the submission we put forward. On that point, I will wait until we commence the actual discussions.

Ms van Rooyen—I am delighted to have this opportunity to represent our members. Hopefully, we will have an opportunity to further express our views through to Canberra, which I think would be a great outcome from today.

CHAIR—Do you want to make any opening remarks? Do you want to add anything to your submission or do you want to talk to your submission before we ask you any questions? If you prefer, I can just ask you questions.

Ms Davey—It would be good if we just go straight into the questions.

CHAIR—In your submission you call for more regulation of the market as one of the changes the government could make to ensure that Australia benefits from emerging digital technologies and interactive applications et cetera. Could you explain what that means? The government is not very into regulation if it can avoid it.

Ms Davey—I do not recall that I made any comment about increasing the regulation of the industry, so I will make an assumption about what I think I might have spoken about, which would be threefold. We are convinced of the importance of broadband and the further take-up and use by Australians and Australian industry of broadband technologies. I would have

requested assistance from the government in furthering the take-up of broadband, possibly through the recent BAG or asking the government to implement the recommendations of the Broadband Advisory Group. I would like to express some further thoughts on broadband in a little while.

I would have asked for more incentives for the local film industry, particularly in the form of investment in film games and the interactive components of films and television programming. I would have suggested and asked for increased funding of the ABC and the SBS in its emerging digital areas only. I am putting these forward as the things you might have taken as further regulation. I also made a brief comment about the looming free trade negotiations and argued that we would like to retain some kind of subsidy and protection of the local film games and interactive media industries. Are any of those four related to your point?

CHAIR—They could be. The Broadband Advisory Group is of interest to me. Which of the recommendations of the Broadband Advisory Group do you think the government said it could adopt but has not that would be useful?

Ms Davey—I think when we submitted I might not have seen a press release that recently came out which was the federal government endorsing the recommendations of the Broadband Advisory Group and commencing with an implementation group. I would have probably been asking for some of those recommendations to go forth. I have since found that I think the first cab off the rank is the creation of an implementation group. We fundamentally support and congratulate the government that it has taken that initiative.

For AIMIA, off the top of my head, I think it is fostering and encouraging the take-up of broadband and any services that the government can develop and implement that would encourage that take-up to continue. I know that the government has put a lot of work particularly into small businesses or projects that look at the take-up of broadband by small to medium enterprises. On that note, I continue to congratulate the government and would like to see a continuation of any services or projects that would encourage that further take-up.

I cannot remember off the top of my head whether BAG really spoke about bandwidth, but we do have a particular view on the cost of bandwidth and the cost of broadband. Obviously, it is not as a result of government but really as a result, one could argue, of the market. I would be hoping that through the concerted effort of multiple parties, including the government, we continue to call for further take-up but a reduction in pricing. More importantly, I would be keen to see, possibly in the form of assistance—I can already see this coming through a group called FIBRE—some more innovative bandwidth pricing methodologies, particularly for the games and post-production industry, where current bandwidth pricing does not really foster the ability of our small games industries and post-production industries to use bandwidth effectively.

I cannot really remember any of the other particular recommendations of the BAG that I would see as not happening. I would have to refer to the recommendations, and I did not actually bring them with me.

CHAIR—Generally for our purposes you would suggest that if we are looking at broadband, which is one of our terms of reference, from the point of view of encouraging its take-up and reducing its cost, the recommendations of the BAG would be quite a useful starting point for us?

Ms Davey—Absolutely, yes, particularly as they relate to—off the top of my head again—the health and specifically the education sectors. AIMIA has a number of students and educational institutions that are partners of ours. So increasing the bandwidth and broadband take-up in schools in particular would be something that we would wholeheartedly support.

CHAIR—How would that help the film industry?

Ms Davey—I am just crossing over; I am jumping here and there. In terms of the film industry and the games industry, which I spoke about together, our view is that no-one yet has taken a really innovative approach to looking at bandwidth prices, particularly for what we would call spiky or bursty environments, like multiplayer gaming environments, games development per se and post-production, where the requirements for bandwidth will often differ from the average consumer's requirements for bandwidth. We note that FIBRE—

Ms van Rooyen—The Film Industry Broadband Resources Enterprise.

Ms Davey—FIBRE is an organisation that has been supported significantly by the federal government with a view to looking at demand aggregation as an example or kind of more innovative bandwidth pricing model to encourage our local games and post-production industry to be able to use these new technologies to further what they do.

CHAIR—Your submission was rather interventionist inasmuch as the government had a large role to play in promoting your industry. Is there one thing that you think the government could do that it is not doing now that would be the cut-through application for your industry that would be simple and we could recommend would be a good idea?

Ms Davey—We have all got one—that means we have got three.

CHAIR—Why don't we hear one at a time then.

Ms van Rooyen—We would like to see government support for industry development, what we could call initiatives directed at bringing those of us in the industry together. There are a number of us who serve different aspects of the industry. AIMIA is really in the middle overlapping with groups who specifically support film and others who specifically support games. As the Interactive Media Industry Association, AIMIA believes that there is an urgent need for industry development which would be an initiative enabling all of us who work in this divergent industry to collaboratively move the industry forward. That could involve increased communication and facilitation of initiatives among those of us within the industry.

Specifically, we believe that there is a need for content developers to be suitably showcased to export markets. We would like to see something like a digital sandbox or a portal created where developers and producers of digital content would be showcased and supported to have their works made publicly available. By 'publicly available' I mean not just to Australians but to an international market. We also believe that through an industry development initiative we could actually implement some of the funding initiatives more effectively through a shared and collaborative approach towards administering some of the content development funds that are available.

Ms Davey—The view we took is that the interactive media industry by its very nature is quite fragmented. We tend typically to represent small to medium enterprises which are groups of young innovative developers. We are very much unlike some of the larger IT industry associations you will be talking to, such as the Internet Industry Association or the Australian Information Industry Association. By their very nature, our member companies are often three to five employees producing high-quality innovative products across a multitude of industries such that we have a number of very small industry associations, myself included. The Game Developers Association is very small. We attempt to facilitate a whole range of connections across this fragmented industry.

Additionally, we think that by having some kind of funding around the industry development area we would be able to more effectively link centres of excellence together. I think I have mentioned in our submission some digital media lab who we already have a relationship with and some of the work that CeNTIE is doing. It seems to us that there are a whole range of excellence projects going on and programs all around but there does not seem to be any kind of holistic connector bringing it all together. I think as a result of that you will sometimes see duplication or you will sometimes miss important gaps.

The second part of industry development that we think could help us is focusing on innovation, emerging ideas and emerging new technologies and, just as importantly, commercialisation and export. That means looking at some of the opportunities, particularly in interactive TV and interactive entertainment games, and what we see as significant Asian opportunities as opposed to just traditional US opportunities. We also see enormous opportunity in the European market from an interactive TV point of view as well as a games point of view. So that industry development funding is an attempt to bring a whole range of disparate, fragmented groups together, including very small companies. Jason can speak of his experience with iTV World. They cannot afford to do it themselves but use AIMIA as a games developer, for example, to enable that kind of linking to occur.

Mr Romney—I would like to live in an Australia which remains a First World information economy. I see a growing body of evidence, albeit only anecdotal, that I can point to which suggests that we are slipping back in what I believe is that important goal. There are numerous ways that the government could take a proactive stance to sharpen the effect of its existing initiatives, notwithstanding its general reluctance to intervene or to be regulatory. In my industry, of course, the government has by necessity played a highly interventionist role. The digital television regulatory framework in the datacasting area, for example, is a good case in point.

There are dramatic changes poised to occur in Australia, such as the digitisation of Foxtel early next year. Perhaps to bring some more granular detail to the general principles that Louise and Sandy have put forward, which I applaud, I believe that the Australian content regulations which apply with some benefit to the Australian content creation industry today should be extended. There is the idea of a digital showcase, where the outputs of the efforts of Australian companies can be tested and evaluated for their business efficacy and can be given a corroboration, when those companies go out to sell those products to overseas markets, of those products' commercial value and robustness in the marketplace. That would be a tremendously valuable thing for the Australian industry.

I travel widely overseas and have an opportunity to see the pace at which these industries are growing in Europe and the United States. The promising evidence that it has been possible to point to for some years now which suggests that Australia enjoys parity with the industries in those countries is evaporating. We are falling behind. I submit that it would be helpful if the government at the very least could put the importance of this area onto the public agenda by talking about it more. Perhaps beyond that, it could change the role of Austrade, for example, to give it further focus on digital industries rather than the primary industries and areas of that kind which it has played such an important role in before.

I have enjoyed the benefit of Austrade assistance by travelling overseas on what was called a European high tech trade tour in the last year. Our company has also enjoyed the assistance of AusIndustry R&D and DIS support to develop a product which we then commercialised by successfully selling to the BBC in London, for example. Today, the software that came out of that AusIndustry support powers the BBC as its exclusive method of managing its interactive applications on its three major digital platforms—cable, terrestrial and satellite. But the quest of a small Australian company to even benefit from such a powerfully persuasive reference customer and move on to other customers throughout the world is a very difficult one because Australia is so far away. The ability of an Australian digital media company to support and maintain its products, particularly when it is an enterprise-level product that is mission critical for the customer, is something that receives blowtorch examination by prospective customers. There are many ways that the existing support mechanisms that the government provides could be adapted to assist companies in that position better.

It is certainly the case that, in the pure content area, initiatives such as those of the Australian Film Commission—and we have also been a grateful recipient of support from the AFC—have until now been by their frame of reference very much focused on the conventional film industry rather than the interactive digital media industry, which—not wishing to bore you with the details, has some significant differences. So what is required is something of an overhaul in the way I believe those bodies conduct their very useful and appreciated role.

Then there are a whole range of initiatives, such as Telstra's very valuable broadband development fund, which again I am happy to say we are a recipient of assistance from. Nonetheless, they are conducted on the basis that anything Telstra puts forward under that \$50 million scheme should be matched by other companies. You remember the role Microsoft played in initially getting that onto Telstra's radar. The thing is, though, no other companies have come to the party there. It is sad to see that. And the government, indeed, has not come to the party there, I believe, in ways that it could provide both explicit and more subtle influence.

I do not want to go on too long. In conclusion, I will just draw out the most important point, I believe, that the government could take action on now. The opportunity we have in Australia with Foxtel's digitisation, resulting in a great many digital set-top boxes suddenly appearing in the marketplace, is a very significant one. While I understand it is not within the scope of today's inquiry to investigate that at any length, I believe there are many ways that the government could ensure that a channel is dedicated for the purpose of being a showcase of Australian interactive content and services. I would be happy to give you further information if that would be of assistance to the inquiry, offline perhaps.

Mr CIOBO—We have had a number of very successful game development companies et cetera appear before us as witnesses. It would seem to me they probably would take the view that they would not benefit from some of the proposals you are talking about. They are already out there. They are doing well. We have heard from Microforte through to a Brisbane mob whose name escapes me.

CHAIR—Krome.

Mr CIOBO—Yes, Krome and others. Is it not the case that what are you talking about might be of benefit to those who perhaps are not hitting home runs but that, fundamentally, it is like that in any industry? It is always going to be the case that you will have industry champions that do very well. So why would we take such an interventionist approach in this instance?

Ms van Rooyen—Some of these companies that you are referring to as having hit home runs are certainly—for example, Microforte—doing major deals with US companies. But I would challenge some as being a home run when the intellectual property resides in the US. What we do like to see is companies like Microforte's joint venture deals with the US where Australians continue to own the intellectual property on an ongoing basis. We believe that unless the government actually takes some strong initiatives to support large and small games developers in their efforts to advance the industry on an international level we will probably continue to end up being the sweat shop for US films and games titles rather than the owners of the intellectual property that we develop down here.

Ms Davey—Australia has excellent expertise and experience in games development. The bulk of our successes so far tend to be in the PC console based environment. Given Asia's absolute fascination with broadband and wireless and other types of devices, we think that there is an extraordinary market opportunity for us in Asia. We are not necessarily talking about the large successful Microfortes but much smaller companies that might be interested in developing wireless scanning devices, Java console based games and, importantly, some of the new massive multiplayer online gaming environments that have been developed.

Just on that note, Telstra, for example, runs 120 games servers within its network with approximately 5,000 to 10,000 people gaming on a daily basis. So Australia has a fascination with games. We have excellent skills. I guess we would be interested in exploring further some of those Asian opportunities, and not necessarily in the traditional PC based gaming environment but certainly more in the console, online, always-on environments and some of the smaller wireless devices.

Mr Romney—There are many structural incentives that the government can provide to assist with the challenges that a company like Microforte often speaks about at conferences. I have heard their CEO talk about the scale that is required to be a successful game company, which is very difficult to achieve in Australia, even for Microforte to maintain. It is also in the nature of the opportunities that come up in the games business that they are very spiky. To maintain an operational business that survives against that trend is very hard.

Mr CIOBO—The principal argument that I hear from those that have been successful is a lack of access to venture capital. I think that ties in with your comments about IP. What can we do as a government to facilitate private providers providing the kind of venture capital

requirements that the industry is looking for? If we walk down one particular path in terms of the options available to us, which may be something you would pursue, should we be having something like the Film Finance Corporation for the gaming sector? I am guessing would you probably say yes—why wouldn't you! But what are some of the things there?

Mr Romney—The *Financial Review* talks about the tax changes that could be applied to things like employee share option plans in Australian start-ups all the time. It is probably redundant to go over that stuff. We have sought institutional venture capital for five years. Despite successfully developing and commercialising more than one piece of software, overseas indeed, we have never been able to move past high net worth individuals for all sorts of reasons relating to the environment now following the boom finishing. When venture capital fails, and it is manifestly failing in Australia, I believe the government has a role to pick up the slack until the industry evolves again to make venture capital more accessible.

Ms van Rooyen—I support the government's initiatives with investors through Invest Australia. Yesterday AIMIA met with one of the key leads from Invest Australia and we were looking over the draft submission. It was all good. We have had input into that document. We have already channelled some ideas through to that. We totally agree with the need to attract more offshore investment into Australia. Those sorts of initiatives will help us to retain our intellectual property and fully leverage the capability that we have here in Australia as opposed to the kind of thing that we see happening where we are working on big international productions but not necessarily retaining the benefit that we get out of that.

Ms Davey—Just to finish up on that, we work closely with Austrade in its export program. AIMIA has seen many successes through some of the smaller companies that have gone through that program. We think the program is excellent. Certainly I have heard from my members that they would be delighted to see more of an interactive digital media focus on some of those programs. In terms of the types of support that Austrade offices overseas offer back by way of market intelligence services and support, tapping into some of these newly emerging areas rather than the typical traditional ICT space, we certainly would love to see something like that happen. I know that to a certain extent in the parts of the Austrade program that we run we are naturally doing that because the sort of people we are putting forward through the program are more likely to be interactive media organisations. But I do sense that, certainly from a market intelligence point of view, it would be helpful to be tapping into some of the newly emerging opportunities overseas to give that intelligence to the members that we are putting through those programs. Would you support that?

Ms van Rooyen—Yes.

CHAIR—Is there anything else you would like to add?

Ms Davey—Broadband, broadband, broadband, broadband. I am absolutely frightened of how quickly Australia is falling behind. There are a couple of practical examples. I currently have the absolute pleasure of working at BigPond in Telstra. It is an organisation that all of us have critiqued in some form over the past 10 years of being in the industry.

Mr Romney—I have never critiqued BigPond.

Ms Davey—Haven't you?

Mr Romney—No.

Ms Davey—I am sorry. I take that back, Jason.

Mr Romney—They are doing a great job, especially with Justin Milne.

Ms Davey—Okay. What I can say, which we are absolutely delighted with this year, is that we have seen a significant change in focus in the Telstra broadband fund, for example, moving away from the support of just applications to the support of content. BigPond itself has a rather rigorous new content strategy which we are all delighted with. Seeing the emergence of Australian content onto the network is extremely important from a content point of view.

In terms of broadband, though, as an example, one of the sports projects that Telstra does is the AFL—possibly the most popular sport in this country besides the rugby world cup. We stream the AFL at 200 kilobits a second, because that is what the network will allow. We are running a trial in Hong Kong in the next three weeks where we are streaming the AFL at 700 kilobits a second because we can. The support and the infrastructure from some Asian governments that I have seen—South Korea, Hong Kong and Japan—in terms of paving the way for creating these smart networks is absolutely important. I am frightened as a consumer, as a citizen of this country and as president of AIMIA that we are falling behind in the broadband stakes far too quickly. I urge the government to do anything it can to keep fostering the take-up of broadband.

Mr Romney—I have just one last thing. In relation to Australians who live in the country and Australians who are not connected to broadband at the moment, there is a terrible gulf between their lives and the people who have access to this technology. I believe that that so-called divide between the information rich and the information poor is one that the government will benefit the nation by bridging, by playing a more proactive role in. That is not something that private enterprise will do. It is not something that those people who do not have access to broadband today will have the power to do for themselves. But it is in everyone's interest to try to explain to those people what broadband is and why it will enrich their lives, if indeed it does. I believe it does.

Ms van Rooyen—And supporting the development of content as well as infrastructure. I want to make a further comment on broadband and on games et cetera. We know that the current focus, for instance, for the games industry is on console games, because that is where the market is right now in the US. But we absolutely believe the future is multiplayer online games and, ultimately, the future is wireless. This is why AIMIA's focus is on in the digital content industry and not just film or animation or games, are looking at trends that are happening overseas. We would absolutely say that broadband and wireless is where things are heading and where we need to be looking.

Mr Romney—When you look at the innovations that are being prepared for launch next year, such as the establishment of methods by which music, games and movies can be distributed on a pay-per-use basis online, you see the beginnings of an infrastructure that is secure and scalable and which has enormous potential benefit for government processes and the interface between

government and the public. Everything from driving licences through to the voting process will be dramatically changed by these technologies. Indeed, when you look at the voting process and the opportunity to usher in an era of more participatory democracy through SMS polls conducted via the television set and so forth you see the potential for great social change as well as this technological change. I submit that it would be of benefit for the government to explore how these innovations might benefit all Australians and to embrace this more proactively.

Ms Davey—In summary, I want to applaud the recent work of the government to help develop a viable and robust methodology for obtaining statistical indicators of the economic contribution that our industries respectively make to the Australian economy. It has been very difficult, because our industry is so fragmented, to see that total holistic contribution, so I would love to see that work continue by the government.

I certainly support Jason's comments. Broadband and bandwidth for AIMIA are key areas that I would like to see continue to be supported, even if it is just by the Australian government taking a lead and being a leader in fostering that take-up.

CHAIR—Thank you very much for appearing today. Your evidence has been very useful. If we need to speak to you again, we will be in touch with you. It was not so hard after all, was it, for your first time?

Proceedings suspended from 12.42 p.m. to 2.18 p.m.

BROOKE-HUNT, Mr Timothy, Owner/Chief Executive Officer, Pacific Vision Pty Ltd

CHAIR—I welcome the representative of Pacific Vision. You might like to make some opening remarks. There are a few things I have to warn you about. One is that we do not require evidence to be given under oath. However, these are proceedings of the parliament, so if you are of a mind to give false or misleading evidence it could be regarded as a contempt of parliament.

Mr Brooke-Hunt—I will try to avoid that.

CHAIR—That would be good. We also like to have evidence taken in public. However, if you want to give any evidence in camera, you are welcome to request that and we will discuss that request. You are free to make some opening remarks.

Mr Brooke-Hunt—Pacific Vision basically works as an executive producer with independent animation studios and creators in the financing of their shows. As such, it is my job to know what different broadcasters around the world want because a large part of that financing will come from broadcast presales, from coproduction arrangements and from distribution advances gained internationally. The reality I have to deal with is primarily that we are lucky to get 20 or 25 per cent of revenue in any animation project out of Australia, so it is a very international game.

In my submission to the committee, I basically made just a couple of specific recommendations. One has to do with the training of animation personnel, which I think is something that needs very urgent attention. The other is to draw attention to the rather ineffective and inadequate state of our coproduction treaties, which are a very important part of the raising of finance. They are the two main issues that I wanted to bring here today.

CHAIR—Do you want to expand on how you think Australia could capitalise on the current wave of international finance coming to the country for the purposes of animation and games and films?

Mr Brooke-Hunt—Yes. We have to remember that a lot of the money that is coming into the country for entertainment generally has to do with the making of, say, American films here because it is cheaper or better to do so. What I am more concerned about is the taking of Australian creations to the world marketplace, which of course is a very different thing. My concern there is that in such a situation we have to raise a majority of the money from overseas in the ways that I said.

CHAIR—Is it possible that with the amount of money that is coming into Australia for the particular projects and so on that will bring enough interest in the Australian market for them to want to take our product back overseas?

Mr Brooke-Hunt—I think it can help a little bit, but my experience is that people see a real difference between using a country as a cheaper or more convenient or better quality location and crews and actually taking Australian creations. That is quite a different exercise. My main interest is in animation, and you do not see that happening now. You see it happening in live

action for very specific reasons to do with locations et cetera. Nobody is going to bring animation to Australia as such; we have to generate the projects ourselves and get the interest out there. The reason they will not bring it here is that they can take it to Asia and they can take it to Eastern Europe. They can go so many different places.

CHAIR—Do you get much help from the government in the job you are doing?

Mr Brooke-Hunt—Certainly in certain government instrumentalities in the development area, such as the Australian Film Commission. On a state government level, there is the New South Wales Film and Television Office. Certainly the Film Finance Corporation is an important area but, sadly, it is very underfunded for what is required to make a difference in this area. So, yes, there is help, absolutely.

CHAIR—Do you work much with AusIndustry or Austrade?

Mr Brooke-Hunt—No.

CHAIR—Yet one of your roles is to try to get Australian product overseas.

Mr Brooke-Hunt—Yes.

CHAIR—So you never have any involvement with Austrade?

Mr Brooke-Hunt—For export development, marketing grants—at that level, certainly, but I never go and ask them advice. Truthfully, the financing and selling of animation is such a specialised area that I do not think there is a tremendous amount by way of relationships and things that Austrade could help me with, frankly.

CHAIR—You basically do that yourself?

Mr Brooke-Hunt—Yes.

CHAIR—Through the connections you have made?

Mr Brooke-Hunt—Yes. I spend probably three months a year overseas. I go to MIPCON and MIP Television and the major markets in Cannes. I go to NATP and major children's conferences. It is my job to keep what Australia can do, if you like, before the eyes of the overseas broadcasters and keep that sort of interest going.

CHAIR—Do you take product with you?

Mr Brooke-Hunt—Yes.

CHAIR—So you do not find out what they want and then come back and source the product.

Mr Brooke-Hunt—In the course of presenting one thing, you discover what they want, so you kind of attune it next time or you make a guess about where they are going. Generally, the

development of any one project that I would take would probably cost \$40,000 or \$50,000 of which maybe half has come from a government agency. That is just risk money that has to happen somehow.

CHAIR—This is almost entirely in children's television?

Mr Brooke-Hunt—Primarily in children's. The adult animation area is growing, very interestingly, but it is still a tougher proposition to finance adult animation than it is children's at the moment. That may change, but right now it is a lot harder.

CHAIR—Recently Ancey were in Australia and the Victorian College of the Arts won three of the 15 awards for animation.

Mr Brooke-Hunt—Indeed.

CHAIR—So obviously we have some talent, creativity and content here that people are interested in.

Mr Brooke-Hunt—Yes.

CHAIR—But do we fail to get it to market? Is that the problem?

Mr Brooke-Hunt—I think the situation is this: if we were in France or Canada, the level of government subsidy available to our projects would be so much greater. I can take an Australian project to France, coproduce it there and get 30 per cent of the budget out of France. I could never get 30 per cent of the budget out of Australia. The point really is that as a country we have a certain amount of assistance but it pales in comparison to countries like France and Canada. So what we have going for us is being lucky enough to get some FFC money. However, realistically that organisation has \$70 million a year. The amount that goes into children's is maybe \$20 million-odd a year, and animation is a part of that. Each animated series I make costs more than \$10 million. So the maths makes it clear that there is not a huge amount of money coming into animation from the FFC.

I can get a certain amount through what is called C drama licence fees from broadcasters, which is useful. The rest is primarily coming from overseas or if I can interest a local private investor, and they are not easy to interest. 10BA does not have the bite and the appeal that it did have, so I would say it is useless. It is better to have it than not. But it is a tough job raising finance in Australia; it is a very tough job.

Mr CIOBO—What about AusFILM? You were saying you do not have a lot to do with Austrade. What about AusFILM?

Mr Brooke-Hunt—It may be my fault, but I could not even tell you what AusFILM does.

Mr CIOBO—That is an answer in itself.

Mr Brooke-Hunt—I truthfully could not tell you what it does.

Mr CIOBO—You were speaking about the difficulty you have in raising finance in Australia. We hear that across all sorts of industries in this area, be it film, TV or computer games. What is the principal barrier to the raising of finance? Is it a cringe from an industry that exists only in Australia but not in other places? I guess I am talking about that proportion of funding that flows from the private sector rather than public sector funding. Public sector funding is a separate debate. Of that proportion from the private sector, what is the difference?

Mr Brooke-Hunt—Why is that hard to raise?

Mr CIOBO—Yes.

Mr Brooke-Hunt—There has been what you might call the mum and pop investors for a long time—the dentists and the people who want to get a bit of a tax deduction. But what we really need to get the industry going is a Macquarie Bank or somebody like that to be coming out with a really attractive unit trust arrangement. The big problem with film and television is the risk inherent in any one project. What would be great would be to see more ability for people to invest in a range of projects. I think animation has a tremendous story to tell. Generally the Film Finance Corporation will tell you that children's is the best returning area of any genre of what they invest in. I call animation a blue chip area of investment because it is very international. It actually can be proven to be a safer investment for many people. There is no mechanism to market that sort of aspect to investors. You really need a city intermediary to do that. That has not really been available so far.

Mr CIOBO—This morning we had representatives from Yoram Gross before us as witnesses. We were discussing this issue with them as well. I queried why it is that we cannot view the United States as part of our market and why it is that we cannot raise capital out of the United States.

Mr Brooke-Hunt—I do that. The most recent show I financed was two-thirds financed by Nickelodeon and MTV. I do that. It has been very interesting. For a while, the American marketplace was very closed to us. I am negotiating another one with the same MTV networks. I raised all of the money for Yoram Gross's projects. Right through the 1990s I was a director of the company and their executive producer. We relied on Germany. Let's be honest: it was all the money coming out of the newer market raisings by companies like EM-Entertainment, but that kind of dried up. Certainly I am finding success in America. Americans are very interested in looking at what we produce in Australia. They realise that we are fresh, we have great talent and we have lower costs. I am able to raise money there, absolutely.

Mr CIOBO—That sounds like a good story. Have you retained IP rights?

Mr Brooke-Hunt—When you deal with a big organisation like MTV International, they will give you a share of copyright. They will give you a share of backend. Generally, I am going to them for a huge amount of money—two-thirds of my budget. When you do that, truthfully, you are always going to be in a minority position. The more I can bring to the table by way of financing, the more I can retain.

Mr CIOBO—As a model, then, am I right in saying that you have a successful model that is working well in terms of Australian produced material?

Mr Brooke-Hunt—I think what it shows is that we can do it. I think it shows that we have the creativity. I think it shows that we have the nous. Generally Australia is very highly regarded in children's programming, not just in animation but in children's TV through the efforts of people like Jonathan Schiff and many others. We are in a tremendous position. We are very well respected and we have an enormous advantage in having the English language. But the reality is that it is an incredibly competitive environment to raise money in. You have projects coming from the UK. You have them coming from parts of Europe. It is not just from here. We can do it. Our projects have to be tiptop. We have to have them really well developed. We have to then be able to give people confidence we can deliver 26 half hours of animation, which is a lot of animation. More importantly, we have to convince them we are going to make it in a way that is going to work internationally.

All of those things can happen. It is difficult. It is made difficult here by the fact that the domestic Australian market does not give a lot of finance to those shows in the way that other countries do that I mentioned, like France and Canada. If at any point the broadcasters were to lower what they paid, we would be really in trouble. What is holding what they pay up at the moment is the C drama regulations and the FFC's policies; that is all. But if that were to break down, we would be in terrible trouble.

Mr CIOBO—What you are talking about what would not fall within the C drama classification, would it?

Mr Brooke-Hunt—The shows that I get financed by MTV?

Mr CIOBO—Correct.

Mr Brooke-Hunt—Yes.

Mr CIOBO—It does?

Mr Brooke-Hunt—One of them is coming on the Ten Network this month called *Yakety Yak*. It is a C drama show.

Mr CIOBO—So that feeds into that remaining third that you fund, does it? It is one of the \$85,000.

Mr Brooke-Hunt—Yes. On that one it was more like \$45,000. Yes, I know the FFC has just put it up to \$85,000. There is always going to be a tier of FFC projects at that level and then non-FFC, which will sit a bit under that. I think now we could probably get \$60,000 or \$65,000 for *Yakety Yak*, not \$85,000, because the FFC was not in it. The broadcasters are very quick to chop you down when they know that is the case.

Mr CIOBO—So what is that as a percentage?

Mr Brooke-Hunt—It is 15 per cent of the budget.

Mr CIOBO—Yet Yoram Gross were saying that they found the C drama classification a constraint on their ability to sell internationally.

Mr Brooke-Hunt—They have always had problems with that.

Mr CIOBO—So you are not finding that a constraint, obviously?

Mr Brooke-Hunt—Absolutely not, not in the least. I have great respect for the way the ABA applies it. I think it is a very useful thing. I know why Yoram Gross has problems with the C drama thing. It is because Yoram himself has never really wanted to be a part of it. But, no, it is not a problem. Without that C drama, the regimen would be deeply screwed. So I would never be coming to you saying, ‘Let’s knock that down.’ It would be really silly.

CHAIR—That gives a guaranteed amount of C drama requirement.

Mr Brooke-Hunt—Because the broadcasters know that a decent amount of that is going to have some FFC money in it, and because the FFC says, ‘None of our money unless it is at this rate’, that is what creates that premium thing. It is the biggest single advantage we have in this country as children’s producers.

CHAIR—Does that link into the minimum requirement of hours of children’s television?

Mr Brooke-Hunt—Yes, it does. It means that every year—or now I think it is spread over two years—each broadcaster has to have a certain amount.

CHAIR—How many hours is that? It is 42 hours or something, isn’t it?

Mr Brooke-Hunt—I thought it was 38 or something. It is high 30s, low 40s, yes.

CHAIR—I cannot remember what Yoram Gross’s point was about that.

Mr CIOBO—Their argument was that if you go to the G classification, the US will retail to Australia for \$5,000 for a half-hour episode. They cannot compete at that level for the cost of manufacturing. Therefore, they need to go to the C drama classification to obtain a sufficient degree of funding to finance a project.

Mr Brooke-Hunt—That is true.

Mr CIOBO—But being in that classification then makes it difficult to export.

Mr Brooke-Hunt—I have to say, and this includes my 10 years at Yoram Gross, I could not disagree with that more. The ABA is very sensitive in its application of C drama requirements. *Yakety Yak* is a classic example of quite a comedy driven show. It is not your traditional children’s drama. The ABA were helpful and good. This is a show that has been picked up by Turner’s Cartoon Network in the US. C drama is not incompatible with selling in America. I know it is not because I do it. It is a tremendous system.

Mr CIOBO—You say you sell to the United States and you have discussions with MTV and Nickelodeon and whatever. Your evidence stipulated that they are recognising that we have a bit of a creative edge and that the costs of production are lower et cetera. Am I right in summarising

that as saying that basically from a US network perspective the quality of production and those types of qualitative aspects are all well regarded from Australia?

Mr Brooke-Hunt—Absolutely.

Mr CIOBO—So is it a case, then, that from a supply side in Australia, if you are at that level in terms of the supply side, you will get interest from the US?

Mr Brooke-Hunt—I find Americans very open to looking at a project you give them and looking at what they like or do not like. If they think it will work in their market and if in particular we can offer not just a good project but a means of raising some finance through a C drama sale or some coproduction arrangement, it is enormously attractive. The economics are this. Nickelodeon, if it produces a show of animation in America, will spend \$US½ million per episode on that show. I am producing animation here at \$A400,000, which is probably \$US300,000 maximum. Then I am going out and hopefully bringing in a C drama fee and maybe a coproduction somewhere else. Suddenly, to get most of the world rights to a show, they are at almost half what they are spending on the American stuff.

Mr CIOBO—That is very interesting. I am driving on this because your evidence is in stark contrast to other evidence we have heard, and that is why I would like to tease it out a bit more. What about the German market? We heard testimony that said that the BBC will dump free of charge animations into Germany just off the back, essentially using it as a loss leader to then cross-sell merchandising.

Mr Brooke-Hunt—That is very true in the area of preschool shows. It is not only in Germany. One of the most significant broadcasters in the United States is the public broadcasting system. They do not pay for shows. You almost pay to have them put it on. But the fact that so many kids watch it means that your merchandising happens and people will do it. Germany is a little like that. Many markets are like that. What that says is: ‘Be damned careful what you do in the preschool area.’ The reason is that organisations like BBC worldwide are huge in preschool—the *Tweenies*, *Teletubbies*, you name it, all that stuff. So what is happening is that the Brits and people like Hit Entertainment are pushing out huge amounts of very high quality preschool. It has been for a long time the most competitive area of animation, which is why I tend to try to look for stuff that goes a bit up the age group to find an opportunity for finance. I understand Yoram Gross’s issues with that. It is very frustrating if you want to be making preschool programs. However, that is just an economic reality of the world we live in. It is not true across the board. It is just in that little genre.

Mr CIOBO—At the end of the day, nothing prevents an Australian producer from reaching merchandising agreements et cetera which will enable the same—

Mr Brooke-Hunt—We did a lot of it with *Blinky Bill* when I was at Yoram Gross. The merchandising area is harder—everything is harder these days somehow—but it is quite possible. If you really believe have you a merchandising property and you have a major broadcaster who will give you a good run with it, you give it to them. Frankly, the way that licence fees have come down internationally, often the merchandising is the more interesting area.

CHAIR—Thank you very much. That is very interesting. Do you have anything you would like to add?

Mr Brooke-Hunt—I want to come back to the two issues I raised earlier. I want to bring these to your attention because I believe they are enormously important. The first point is about coproduction treaties. We have an organisation, the Australian Film Commission. In my view, that organisation has for particular reasons gone very slow on any sort of expansion of that regimen. But that is what makes it possible for people like me to raise finance. Right now our treaty with France is screwed. The CNC in France are interpreting it the wrong way. We cannot raise much money from it. We do not have coproduction treaties with our Asian neighbours. We should be working with the Koreans, we should be working with the Filipinos, we should be working with a whole bunch of people—the Singaporeans indeed. But there is a reluctance, I find, on the part of the AFC to expand the coproduction regimen because in the past the authoritative figures in the film industry thought it would lead to a whole lot of imports in which Australia's were the minority. I personally think that is crap. The fact of the matter is that we desperately need all the finance we can raise. Unless the Film Commission gets out and improves that coproduction treaty regimen, we are going to do ourselves a great deal of harm.

The second point is something that Yoram Gross I am sure might have mentioned to you, which has to do with the training of animation personnel and the difficulties that arise from the fact that a large part of the animation process is no longer very much done in Australia. It is done in servicing studios in Asia. What that does is to make it difficult to train tomorrow's people that we need to sustain this industry. It would be such an easy thing for the government if it were prepared to spend a little money. It could be so easily dealt with on a training subsidy level; I can tell you how if you are interested. But they are things for the long term of animation. We need government help in training, we really do.

CHAIR—We heard some evidence in this last day or two that we only have 12 treaties through the Australian Film Commission for coproduction.

Mr Brooke-Hunt—I would be amazed if it is that many.

CHAIR—Canada has 60.

Mr Brooke-Hunt—Yes. We are at such a disadvantage, I cannot tell you. The Canadians have treaties with China and they have treaties with the Philippines. We are way closer to them. There is so much business to be done there. There is so much that we could do together with Asian countries. You would think it did not exist from our viewpoint.

Mr CIOBO—Is there a difference between what you do in terms of animation and film and TV, for example? I am just looking at post production aspects here. Some of the evidence we heard from those involved not only in animation but in TV principally is that their concern with coproduction is that we lose all post production. They cited examples where they said that there would be a project done in conjunction with the United Kingdom, for example, and the requirement was that they would shoot here but all the post production et cetera would all be done in the UK.

Mr Brooke-Hunt—I would say that is dead right. It can happen. But there is nothing that says it has to happen. With *Yakety Yak*, which was a coproduction between Australia and Canada under the treaty, all of the post production happened in Canada. But with the next one I do, it may be that all the post production happens here. It is the nature of a coproduction thing that you will share production. There is no regulation that says it is always going to be post production. What will tend to happen is that you will do in Australia the things that Australia does best and cheapest relative to the rest. So if the post production industry is losing out, it is probably because they are not giving us a good enough deal. I have no sympathy for saying that is the reason not to do treaties. The treaties are required because, unless we help producers like me and others to access international finance, we will have less animation. It is as simple as that.

Mr CIOBO—Conceivably, there would be a market for post production houses in Australia to look for coproduction opportunities with other countries where they might shoot overseas and then do post production here.

Mr Brooke-Hunt—It is rare for a post production entity to generate projects. They do not often do that. It is the producer does that and then he hires the post production place. Many of the classics are very interesting. Because the MEAA is incredibly difficult to deal with, when I set up a coproduction, I will never bring voices for animation to Australia because I cannot be bothered dealing with the union. It is a nightmare. They make my life an absolute nightmare. What influences what you do in this country is price, talent and somebody not giving you a hard time. They are all these very basic things. But I do not think post production has a particular beef on that front at all.

CHAIR—Thank you very much. If we need you for any more information, we will be in touch with you.

Mr Brooke-Hunt—Thank you very much for this opportunity. I would be delighted to come back.

[2.50 p.m.]

BROWN, Mr Geoff, Executive Director, Screen Producers Association of Australia

HARRIS, Mr Richard Miles, Executive Director, Australian Screen Directors Association

SEROW, Ms Bethwyn, Policy Officer, Screen Producers Association of Australia/Australian Screen Directors Association Documentary Council

CHAIR—Welcome. We do not require to you give any evidence under oath. However, these are proceedings of the parliament, so if you are of a mind to give false or misleading evidence you might need to know that it could be regarded as a contempt of parliament, not that we assume you are going to do that. I also remind you that we like to give all our evidence in public. However, if you want to give any evidence in camera, you are welcome to request it and we would consider your request and let you know accordingly. I invite you to make some opening remarks.

Mr Harris—When we first heard word of this review, my first sense was that it was focusing on post production and effects and a whole range of things that seem to be a kind of subset of the industry. Once we did our submission, we realised that in fact the terms of reference of this committee or this inquiry are actually quite broad. We essentially wrote our submission trying to deal with some of the broader issues. We would be happy to talk to them and answer questions you might have in terms of our submission.

The main issues that we are facing at the moment is that we have an industry which has performed very well for the size of Australia. It is a world leader in many ways. It has a range of strengths. We have some problems at the moment. There is a serious production crisis that we have had for a number of reasons, including everything from SARS, the international financing market, international terrorism, the increased value of our dollar and a whole range of things which have come together to create what I think is a crisis for the industry. A broader concern for us, and the concern that we wanted to bring to the attention of this committee, is essentially what could happen to effectively a very fragile industry from negotiations currently taking place in terms of the free trade agreement. We see the impact of that agreement specifically in terms of the arrangements in place at the moment. We are also very concerned about the impacts of those sorts of agreements on the future of our industries, particularly in the digital arena. I want to leave it there. Geoff can say a few more words. We will then leave it to questions from the committee.

Mr Brown—I endorse Richard's remarks. To us, the most threatening thing on the horizon at the moment is the current negotiation on a US-Australia free trade agreement. We are emboldened by government support to this stage. The Prime Minister, Minister Vaile and Minister Kemp have been very supportive of our industry to this point in saying that they will not sacrifice Australian cultural industries for the sake of the US-Australia bilateral trade agreement.

Wednesday week ago, Minister Kemp reinforced that at a special Australia Council AFC function in Canberra, where he said, 'We will retain the right to regulate.' The position that has been put by the Australian trade negotiators in the July round in Hawaii supports that. The offer made by Australia is consistent with our position, which is that we should be seeking to have the provisions which are currently in the Australia-Singapore free trade agreement on cultural industries in this new free trade agreement with the US. However, it seems to us that there is a gap between the rhetoric of government and the reality of the trade room, the negotiations.

This is a bit difficult for us to talk about because there is a level of confidentiality that we have been sworn to. We have a concern that in the negotiation of the final deal, which is going ahead now full scale because of the commitments by President Bush and Prime Minister Howard to have this deal done before December, our industry in particular—film and television, marrying it down from the broader cultural industries—may be compromised. That could have a significant impact on our ability not only to sustain current levels of production but to grow beyond those levels in future years.

Whatever the line in the sand is at the end of the year will be the line in the sand for the next 30 or 40 years. We have to make sure that whatever agreement is reached allows our industry, the film and television production industry, to grow in the new digital landscape with the support of government through government regulation, content regulation and support through film and television direct production investment. That is by way of an editorial. I think Richard and I are expressing some real concerns that when it gets down to the nitty-gritty of the trade text, if we are not careful about the language used, Australia might limit itself in its capacity to deal with cultural industries down the track.

I will illustrate this, and Richard can bear me out on it. One of the things that has been put to us both by the Americans and by our trade team is that a standstill, if I can refer to it as that, would be acceptable. What they mean by a standstill is that we keep what we have got across the board as it is now but we cannot go beyond that. So what they are effectively saying is: 'You are limited to what is covered by the Broadcasting Services Act 1992 and that's it. That stands there forever.' That is analogue regulation. It seems to us that as public policy it is not the way to go.

CHAIR—It is very unsustainable.

Mr Brown—It is unsustainable. What they are saying is that, for instance, we keep the current 55 per cent Australian transmission quota on free-to-air—

CHAIR—When you say 'they', you are talking about the Australian negotiators in the free trade agreement, or are you talking about the Australian government?

Mr Brown—We are talking about the potential for this standstill to be an outcome. I am talking about an outcome of this round of negotiations which might be exactly this. There is a level of support that concerns us from within government and of particular concern from within the Labor Party, which does not seem to understand the complexities of it, that a standstill would be an outcome for our industry. What they are effectively saying is at the moment we have this 55 per cent transmission quota between 6 o'clock and midnight. That stays forever. The only way you can change that is to reduce it. You cannot then, after having reduced it, take it back up again. What is to say that in 10 years time, given the rollout of digital platforms, especially on

pay through satellite—and the way the market is opening up overseas illustrates this—the free-to-air commercial broadcasters at the moment might be working in a much more competitive environment for the advertising dollar. What is to say it would make sense to continue their viability to address the issue of the transmission quota as some sort of too heavy obligation on them and let them reduce it to 45 per cent, for instance, but at the same time take that 10 per cent and impose it as a transmission quota on the digital pay TV? As we understand it at the moment, what is being said is: ‘Yes, you can reduce it from 55 to 45 on the free-to-air, but because there is no existing regulation beyond the current drama requirement on pay TV, you could not roll that out on to new digital platforms or on pay TV.’ That seems to us to be bad public policy. Why would you lock yourself into that forever and a day?

Beneath the transmission quota, we have the subquotas for drama, children’s and documentary. So we have a real concern. We cannot compete with the American audiovisual industries—nobody can—unless we have some mechanisms for supporting our local industry at the basic level. The levels we have at the moment are in the national development and production investment. We have no subsidy on film distribution, no subsidy on film exhibition. The UK has schemes along those lines; we do not. We compete openly with American film and television product. They take 94 per cent of our box office locally. We are about six or a bit less than six, depending on which films you throw in and which films you do not from year to year.

Mr Harris—Overseas is 94 per cent.

Mr Brown—Yes, overseas. We have about 83 per cent of that. We are not opposed that. The penetration of American product here is fine by us as long as we have a sustainable local industry in Australia and Australians continue to see Australian stories told by Australians through content regulation, through investment in the Film Finance Corporation and through investment and development from state agencies. They are the keys. The level of sophistication is a bit of concern to us. The Americans do not seem to appreciate how important that is to us in the scheme of things. They have come up with some fairly outrageous, it has to be said, suggestions for dealing with the issue of getting rid of content regulation. This is our concern.

As I mentioned earlier, government has been great to this point but we have this concern when push comes to shove. They are saying things to us like, ‘Well, if we got rid of content regulation on free-to-air broadcasting, we could fix that up because your government would just give all that over to the ABC and the ABC would be the broadcaster of Australian drama, children’s and documentaries. But the free-to-airers would be free to take more American product.’ Our concern is that that is a pretty simplistic approach.

CHAIR—Who is saying that?

Mr Brown—The Americans.

CHAIR—The Americans say lots of things.

Mr Brown—But there is reasonable intent there.

CHAIR—Isn’t it the case right now that in terms of our market we already take the largest share of American content of any nation in the Western world outside the United States?

Mr Harris—That is absolutely true.

CHAIR—If you drop to the next country, which I think is Belgium, they take half as much as we do.

Mr Harris—That is right.

CHAIR—So there is no-one even close to us.

Mr Harris—The American market is in fact remarkably closed to offshore production. They take something like 1.2 per cent of new programming from overseas sources whereas we take something like 60 or 70 per cent. So the truth is that the Americans are not terribly interested in getting more access to our market with this agreement. This is one of our other concerns.

CHAIR—They aren't?

Mr Harris—No. They look at the box office and say, 'We can't actually get much more.' It would not be the free trade agreement which is going to get us much more. Where they see the free trade agreement sitting is in a range of areas. First of all, it is opening it up for digital in the future. So it is very much a future game. It is also very much a game of locking in a number of free trade agreements around the world. They have locked in one with Singapore and they have locked in one with Chile. They build up little precedents where they manage to gain concessions in the audiovisual sector. They want to use those concessions to unlock the big markets for them in places like Europe, where they do have serious gains to make. So we are actually part of a small pawn in a bigger game they are playing in the audiovisual field.

That is another concern for us. We know the Australian negotiators went to the Americans, put it on the table and said, 'Here are the facts and figures about how open Australia's market is and how competitive our industries are despite the fact that we have regulation. If you are looking at a whole series of regulatory measures, we do not just have measures that are about supporting our industry or about regulating Australian content. We actually have measures where we have two broadcasters which primarily buy overseas product, and they are the ABC and SBS. The SBS is set up almost predominantly by overseas product. We are actually doing something which is a potential market for you. That is a government policy measure.' So we see all these things as part of the government's mix, but the Americans are actually taken aback by the fact that it was not quite as simple as they thought. They just immediately went ahead, saw Australia, heard words like 'quota' and 'subsidy' and just went, 'It's a closed market.'

Mr Brown—Absolutely. Just following on from that, unfortunately, the Americans seem to be very much focused on the television commercial content requirement.

CHAIR—The 80-20 rule?

Mr Brown—Which was originally 100 and went back to 80-20 in the early 1990s.

CHAIR—It was originally 100 but, of the 100, 80 per cent of all commercials had to be Australian. Now the 80-20 rule means that 20 per cent of all commercials can be foreign?

Mr Brown—Exactly.

CHAIR—When you say it is 100, you are talking about 80-20?

Mr Brown—Yes. The Americans appear to have seized on the Productivity Commission's report on the broadcasting industries back in 1998-99, which recommended that there be no regulation and no content regulation of the TV commercials. They seemed to be pushing this very strongly. It is the sense we get out of talking to our trade negotiators and certainly the sense I got out of talking to Ralph Ives and his team in March.

We are concerned that government may give in that area as a concession down the track. The big concern for us is that people seem to underestimate the value adding that television commercial production brings to this country. It is a training ground, a skills ground, which is not replicated in film schools, in TAFEs or in Swinburne or anywhere else. It is the only place where you learn your skills ground up. It is the place that bred Ray Lawrence, Peter Weir, Fred Schepisi, Beresford and the great Australian cinematographers. Most of them came through that skill base, that training base. We value that very much.

The problem with this sector is that for the most part they are all small businesses, with five, six, seven, eight or nine people. But the creative output is way beyond that resource base. To have that sacrificed in the mix will have a dramatic effect on our capability to continue to create artists which are recognised internationally. We will see the dumbing down of the industry to the point where our producers might be doing a Harvey Norman ad or a Crazy John's but they are not going to be doing Qantas, BA, Mercedes.

In previous years, when the previous requirement was in place, one of the ironies of it was that the major flags like BA and Coca-Cola were required to do their ads here locally. It was those ads that went overseas. It was those ads that became the international advertisements or TV commercials for those companies. So all we are doing, I guess, is expressing a concern that in the mix of things—and we understand the dynamics of the trade negotiation; we are not opposed to a free trade agreement—if agriculture becomes the big ticket, pressure will be placed on the cultural industries. The American audiovisual lobby is the biggest and most successful lobby outside of the motor industry in the US. Jack Volente is a very, very powerful person.

Mr Harris—They call themselves the mini state department on their web site.

Mr CIOBO—You said that TV commercials used to be exported. Why are they no longer exported?

Mr Brown—Let us be clear: we still do a fair degree of what we call offshore television commercial work here. In other words, we bid for work out of New York and London to have it made here with our creatives. Our people are still recognised as being extremely talented. We can be cost competitive with our producers internationally. But the reality is they go to South Africa, where it is much cheaper. They use cheaper labour. That is where they prefer. The advantage with South Africa is that they are in time zones where most of the agencies can deal through Europe in particular.

Mr Harris—The production does tend to fly with the dollar and on a range of international things. It simply meant that when we were working essentially the 80-20 or 100 per cent things, when one particular ad was made they did eventually decide to use us for their international campaign.

Mr CIOBO—I guess I am wondering about the qualitative aspects of the industry and why there would not have been any variation in that as a result of the rule change.

Mr Harris—I think it is about the quantity.

Mr CIOBO—The production values.

Mr Brown—It is quantity. It is production values too. If you do not have an Audi or Mercedes, you are not going to be producing at that top level. You produce stuff which is still very creative and interesting but not at that top level. There is one at the moment. Maybe I am arguing against myself. We were talking about it this morning. Baz Lurhmann is doing the Chanel ad with Nicole at the moment. That is the sort of high-end value that comes out of Australian creatives. Chanel has recognised Baz Lurhmann and Nicole Kidman as a great mix. The Coca-Cola ads and the BA ads wore those badges overseas. They became—

Mr Harris—Part of their portfolio.

Mr Brown—part of their portfolio. The Weirs and Beresfords picked up a couple of feature credits and then moved their careers on from that. They are now established directors in the United States. They thankfully come back from time to time and make feature films back here. I guess what I am doing is just flagging for you some concerns that we have. The trade negotiators have been very open with us. We applaud them for that. It has been a very open and reasonably transparent process to this point. But the industry is really concerned about what might be compromised in the final crunch at the end of the year. We would like to think that the government will stand by Minister Kemp's statement of last Wednesday week that we will retain the power to regulate beyond the free trade agreement.

Mr Harris—It is very difficult actually. In terms of commercials there is not a lot of research about the impact. One of the things that has been on our agenda for some time is to get some real research into what the impacts of it are. Certainly at an anecdotal level, if you ask most people in the industry what the most significant decision that has been made over the last 10 years is, that reduction from 80-20 has had a remarkable effect because the commercials just underpin so much of everything that happens in the rest of the industry. Certainly from our point of view representing directors, those directors can work on a couple of commercials a year and actually spend the rest of the time developing feature film projects. In a sense, it provides a development that the government does not have to pay for which it would have to pay for through other agencies. So, from our perspective, it is about skilling. It is also about providing enough money to allow them to actually have time out to keep working on the projects that will eventually make it to the bigger screen.

Ms Serow—From a documentary perspective, in a way we are at the bottom end of the food chain. One of the things we have all knitted together so delicately is that the TV commercials manage to underwrite equipment and more technical and more expensive and upmarket skills

that can be afforded or costed at a much more documentary budget rate. We just could not get those values into our projects unless there was another sort of market happening here demanding it. So it is personnel, but it is also actually the technical equipment as well.

Mr CIOBO—You spoke about digital TV. Is there a systemic advantage that the US has in new mediums like that over Australia?

Mr Brown—I think they have two advantages. First, they committed themselves starting five years ago to high-end drama in HD. They made that call. HD is the standard. You have to deliver on high definition. So the take-up from the production side of it was much better than ours. On the digital side in terms of consumer interest, of course we are seeing that value reflected on the screen. But we cannot compete with the Americans. They are selling their HD TVs at the moment for under \$US1,000 a unit. The closest we can get, to be full HD compliant with 100 kilohertz, is about \$5,000 or \$6,000.

Mr Harris—You would be lucky to find anything under \$5,000.

Mr Brown—That is correct. So, in terms of pick-up here locally, they have a hell of an advantage because you can actually get it for \$1,000, even though it is \$US1,000. You can say, 'I'll get one of those,' especially if you can see straightaway when you turn on your television the quality and high definition, but the problem we have at the moment is that nobody is getting that message out there. We know CTA have kicked off a program to promote high definition, but it is a very difficult thing if you have not seen it.

We had an example of this last year at our SPAA conference in Melbourne. I guess you are aware that one of the new technologies emerging is digital high-definition cinema, which is really threatening a lot of the commercial underpinnings of the distribution exhibition industry. You are talking about being able to upload to a satellite and beam down to a cinema and project high definition on the screen. Most of us have read about this and heard about this without ever seeing it. We are a very traditional industry in many respects. We still like to deal with 35-millimetre film. We invited *Star Wars* producer Ric McCallum to screen *Attack of the Clones* in the new cinema at Federation Square in Melbourne, the Australian Centre for Moving Image, which had just been commissioned with the first HD projector in Australia.

CHAIR—We have been there.

Mr Brown—He presented that and showed us a 35-millimetre print beforehand and then put *Clones* on as it was originally shot. With technology, he said at that time in terms of what they are doing at the studios now it was about 100 per cent behind. With the clarity, the precision and the depth of field, all of a sudden people understood what HD was about and where the future of cinema was going. A problem on the digital front is that you cannot translate that on a TV screen as effectively at the moment. If they are selling the set boxes between \$800 and \$900, it is a huge ask for a consumer to pick up.

We would like to see the broadcasters in particular more aggressively deal with this. We are a bit cynical of the process whereby HD was adopted as the mandated standard. However, we accepted that. In particular, my post production people accepted that as a mandated standard and went out and spent over \$A110 million on first generation HD post production equipment. We

were extremely disappointed but are moving on. We are not seeing the pick-up with the commercial broadcasters that we need. We are not getting Australian programs being commissioned on HD. We have one at the moment, *McLeod's Daughters*. The rest are either on tape or on film. They cannot convert film to a reasonable HD level. But we do not see the level of commitment there that we think we need to reskill and re-equip our industry.

I have people sitting on equipment that has hardly been used. You could say it was a commercial decision of theirs. They thought they would pick up on first generation equipment which they have not used. At the time we thought this was the future of television. Not only did we think we could amortise that cost through work we were doing for the networks in going HD but also we could make ourselves more competitive for offshore production coming to Australia in an effort to attract some of that post production work here rather than have it go back through a big pipe to LA. We have not seen that.

The future of television is digital. How the government deals with it, be it through multichannelling or straight HD, is a decision for government. They did mandate HD and we expect that most prime time will be HD 10 years down the track. I think for the networks they have to be HD to work.

Mr CIOBO—From my perspective, you come arguing for a greater degree of protection. What I am failing to get a clear grasp of, though, is why that protection is needed. You can say that systemically the US has had an advantage in film and TV historically for a whole bunch of different reasons. Going forward with new mediums, new distribution channels, the Internet and all these types of things—and I raised this point with Kim Dalton yesterday—I think we can safely predict that in 10 years or something, conceivably we will be pulling things off the Internet that are produced and watching what you want when you want it. It will be a whole different world. We are going to be nowhere then with local content laws.

Mr Harris—If I just say quickly, we are not actually arguing here for more regulation. That is not what our concern about the US free trade agreement is about. The truth is that we know to some extent what the future will bring in the short and medium term but we really do not know in the longer term what it will bring. I know the AFC has just done a quite large paper about the regulation options for different mediums that we can identify now that we may decide to use in the future. I guess what we are arguing in terms of the American free trade agreement is that we may decide to have no content in 15 years time. I want that decision to be made by my government, not to be dictated by a free trade agreement with the US.

I guess a good example of that is if we look at the CER agreement where, in the Australian content standard for broadcasting, New Zealand programs count as Australian programs. To me, that is an absurdity. To anyone looking from the outside who knows nothing about this industry, they say, 'Why on earth is a New Zealand program counted as an Australian program?' But it is a reality because of a free trade agreement where it was not really picked up enough. So we do not want to be in the situation where we are caught by that sort of absurdity in the future. What we are saying is that, whether it is digital, whether it is digital broadcasting, as far as we are concerned, if it is broadcast, be it digital or analog, it is the content that matters, not how it is delivered that matters. How you manage to regulate other industries in the future is an open-ended question at the moment. We want to be able to say that our government is going to be able to determine how that works.

Mr CIOBO—I have no problem with that at all. But, fundamentally, what stops us from manufacturing and exporting via whatever distribution channel you want and whatever medium you want Australian content to the United States or to Europe?

Mr Brown—There are two reasons. None of them have anything to do with trade. One might be indirectly related to trade. The barriers in the US are not necessarily trade. We have been asked to identify it by the Americans. We have not been able to identify it. The barriers in the US are cultural and they are significant. In the last 15 or 20 years, *Crocodile Dundee* was the great Australian break-out. *Shine* and *The Piano* were sold in. *Shine* is the only Australian feature film in the last 10 years to get a network sale in the US. Most of our product, if it is taken up, is taken up on pay and cable. It is not even taken up on syndication—shows like *Stingers*. So we are dealing with very small markets. The issue is cultural. We need to break that one. As Richard said, 99 per cent of what Americans watch on their network television is American indigenous product. They do not see anybody else's faces outside of their own.

CHAIR—And even when they do something like *JAG* in Sydney, for an Australian watching it, it was completely peculiar because the people on it were not Australian types at all; they were all very California types.

Mr Harris—My favourite was *Baywatch* when they came to Australia. Bondi had piers and jetties.

CHAIR—It was unrecognisable as an Australian product. The people running about in it were not Australian types at all. It was quite jarring really, which highlights the contrast.

Mr Harris—The one thing I want to raise about the potential barriers is that independent product in America is actually very difficult to sell into America because it is an incredibly vertically integrated market. It is a market where the studios are not in the business of production generally; they are in the business of distribution. So it works where they are actually controlling the content and distributing the content. To try to break into that not only for Australians but for independent filmmakers in America is very difficult.

Mr CIOBO—The US is also fiercely pro-consumer. Their antitrust legislation is some of the best in the world. There was the break-up of the baby Bells and the attack on Microsoft. I ask out of genuine interest: has there been any effort to try to break down that vertical integration?

Mr Harris—There has, but they have gone the other way.

Mr Brown—The FCC has actually tightened the market for the current players. Congress overturned that. We heard this morning that the High Court has overturned the FCC's regulation as well. So it is not being consumer driven; it is being driven by the interests of major international media players. And it is not only our concern. There is a significant movement within the US as we speak from independent producers, writers, directors, major companies like Sony, which are not aligned with the studios out of LA, to break down this media control. They have even put submissions to the FCC that they should introduce an independent production quota on the prime time US network of 50 per cent. That is staggering, given the free market nature of the American system.

It is very difficult to break in. In fact, one of the things we suggested to our trade negotiators was that, if you really want to do something about cracking the market for us and the rest of the world, you should get congress to introduce their equivalent of SBS. Outside that, we do not see how they are going to do it. Tim was talking earlier about PBS, and that is important, but unfortunately PBS does not carry enough mainstream American interest to get our message across.

If I can turn to Europe, 10 years ago, yes, we had a market in Europe. We still have a limited market for features, which from time to time is of value to us, but in television it is a significant secondary market. We can take *Water Rats*, for instance, and sell into Germany. *Heartbreak High* sold into France and Germany. They were significant returns to the producer, which allowed the producer then to get some money back at least. We were not making any money and still do not make any money out of broadcast licensing fees here locally. We got some money back to sustain them and allow them to develop future projects.

Mr Harris—Most television productions here are deficit funded.

Mr Brown—What has happened more recently—and this is a bit of the trade stuff as well, which is why I mention it indirectly—is that the Europeans have started to look at what the US is doing internationally with these bilateral agreements and to look to shore up their own local content and produce their own more indigenous programs. For instance, *Water Rats* would now not be sold as *Water Rats* as you know and I know it with subtitles or dubbed. They buy the format now and they produce their own version of *Water Rats*. That is still somewhat of a revenue stream for producers, but it is not the sort of revenue stream that sustains a production business.

The third part of this is that, when it comes to competing with American product on free-to-air broadcasters in particular and even the ABC with BBC product, it costs us between \$370,000 and \$400,000 an hour to produce one full drama on tape. It costs \$500,000 on film and HD is just a bit more. By international standards, that is really cost effective. The *Baywatch* people just could not understand how we could make *Water Rats* for the budgets we were using on *Water Rats*. *ER*, *CSI* and *Law and Order* are running at budgets of \$US2.5 million and up an episode.

Mr Harris—That is not including cast. That is below the line. On *Friends*, you are paying a star \$1 million an episode. We are just talking production costs.

Mr Brown—The American market has 280 million people plus. They recover the full cost of that from their domestic market. By the time we see it here, it is part of an output deal from a studio and it is \$50,000 an hour to the network. It is great television; it is fabulous. If we did not have those market support mechanisms and that market failure mechanism the way it is addressed through the content, there is no way that any of these networks, to the extent that they are at the moment at least, would be showing Australian product. You just would not be in it.

Mr CIOBO—I look at the tourism industry, which I know a little about. They love Australia and they love Australians. Why don't they love Australian TV? I look at shows like, for example, PFTC's *Pacific Drive* or whatever it is called, which I think they sold into Los Angeles. It is on at 1 a.m. and is probably screened on one cable channel somewhere.

CHAIR—It was rubbish.

Mr CIOBO—I would not watch it either.

Ms Serow—From a documentary perspective, BBC will often say, ‘Love the idea. We’ll make it ourselves.’ They came and did a documentary series on dingoes. They prefer to make their own series.

Mr CIOBO—But why? If we can do it cheaper and better, why?

Ms Serow—It is cultural as much as anything.

Mr CIOBO—It is cultural?

Ms Serow—You can never take it right back to the market.

Mr Harris—We are not the only country that cannot sell into America. That is the other point to remember. It is not a case that they love us but they do not love our television products. They do not love anyone’s television programs. Very rarely do you get any English programs on their shows. Generally, they do exactly the format rights and they make it themselves. The only ones I can remember were obvious ones like *Absolutely Fabulous*. I am not sure even how well that did. But generally that is what they do. They bought up *Cracker*, which was one of the best television projects made in the last 10 years, and made it into a show called *Fitz*. That is what they do. So it is not Australia solely that is not liked because of its television programs.

CHAIR—They have *Jerry Springer*. They like *Jerry Springer*.

Mr Harris—They do. That is the point I would make. What it means is that it is not just a simple equation to say, ‘What is it they don’t like about our programs?’ There is a series of complex things about how the networks produce their own stuff or buy their own stuff or have a whole range of connections with output deals and a whole lot of other things that happen with producers in America plus the fact that they are quite happy to keep a cultural lid on it—essentially, keep to American thinking that America is the world. Even someone like Harvey Weinstein, who runs Miramax, says there is an invisible quota that happens in America. He says it just means that they do not buy anything from anywhere else.

CHAIR—Like the Japanese.

Mr Brown—We all have grown in love with *The Castle* as a feature film. It is quirky and very Australian. It has done unbelievably well domestically, and Nine continue to re-screen it. Miramax took the very courageous decision of buying US rights. They paid decent money for it; it was about \$US5 million or \$US6 million.

Mr Harris—It was 10 times the budget of the film.

Mr Brown—Extraordinary. I remember being in New York at the time and seeing cinemas screening *The Castle* and, having seen it, thinking, ‘How is this going to work?’ It was a disaster.

They could not pick up on the language, the idiom, nothing. It was another planet, absolutely another planet.

CHAIR—They would have wondered why he kept congratulating his wife on her meals.

Mr Brown—They just did not get it. They just did not get it at all. So it was great for Miramax to do it.

Mr CIOBO—Maybe we are not exporting them.

Mr Brown—*Lantana* is an international film.

Mr CIOBO—It seems that we spend our time trying to sell the Australian story to the United States. Why can't we sell to the United States the United States story?

Mr Harris—Why would we want to do it?

Mr CIOBO—Because it is about building an industry and getting jobs and generating export income.

Mr Harris—There are two different elements to what the Australian industry is about and why it is supported by government. One of the serious parts of that is about cultural identity.

Mr CIOBO—Sure.

Mr Harris—In terms of whether we should be making shows for the American market, I guess there is the opportunity to do that with shows like *Farscape*, where we are making shows that will sell to those markets. The point I would like to make is that there is a very distinct difference between those two industries. When you start talking about what is necessary to provide the infrastructure and the elements in place to allow those sorts of productions, we are doing essentially what the Canadians are doing, which is making Canadian programs that essentially look like American programs to sell to Americans. The Canadians have a number of advantages. They drive on the right side of the road for one. They have cars that look very American and they have cities that look very American for another. They are also very close to America and speak with very similar accents. So there are simple advantages to those elements that allow them to do that. A lot of Americans go there for that very reason.

We have some possibilities of doing that here, but there is a very different set of questions as to why we would do it. There are a number of tax advantages you get from going to Canada. If you want to make a television series in Canada, there is a tax advantage which you cannot get here. It is currently on the government's plate to look at. They have introduced a tax advantage for feature films and there is a question of whether it should be extended to television.

CHAIR—We have taken a lot of evidence on that subject.

Mr Harris—Yes. We are all supportive of the idea of that being extended. We think it is a good idea. Again, as I said, it is a very different question as to whether we should be making films like *The Castle* or not.

Mr Brown—The other thing is that it is a function of budgets. Why are we producing so many quirky Australian comedies and feature films? We are doing that because our budget range is limited. We do not have the budgets to do high-end action drama in the same way. If we could do that with the budgets, then you have the potential of selling it to the American market. But to make even a period piece, if it is action drama, you are looking at *Ned Kelly* and you are talking \$23 million and you are going up.

Mr Harris—If you look at *Moulin Rouge*, it is over \$100 million.

Mr Brown—So we do not have the opportunities is what we are saying. We are limited by our small market. Because we are not selling overseas any more—this is the dog eat dog; this is the way it works—you have to make your films even more colloquial because your primary market is here. So you are killing off your overseas sales right at the point of commissioning and just looking for a domestic return through box office and some free-to-air. So that is why we have *Crackerjack* and *Bad Eggs* and films of that kind.

Mr Harris—And *Dirty Deeds*.

Mr Brown—With *Dirty Deeds*, I think they tried to let that travel. It has actually got a sale in the US at the moment. But it is really hard.

CHAIR—I do not want to cut you off, but I think we are the sort of people that could talk all day about some of these issues. I have to fly back to Adelaide and Mr Ciobo has to fly back to the Gold Coast. If there are any other matters we want to raise with you, we will get back in touch with you. Thank you very much for appearing today.

Mr Brown—Thank you.

Proceedings suspended from 3.36 p.m. to 3.49 p.m.

FORRESTER, Ms Janice Maria, Consultant, Indigenous Screen Australia

PERKINS, Ms Rachel, Treasurer, Indigenous Screen Australia

CHAIR—I welcome representatives of Indigenous Screen Australia. Thank you very much for coming. I am sorry it is right at the end of our two days. We will try to hold it together for the purposes of the next three-quarters of an hour—I have to leave at 4.30, so we will definitely have to finish by then otherwise I will not get my plane and I will be very unpopular with my three children who are under three. There are a few things that I have to tell you about. We do not take evidence under oath but these are formal proceedings of the parliament, so any false or misleading evidence could be regarded as a contempt of parliament. We like to take our evidence in public, but if you want to give any evidence in camera you are welcome to request that and we will consider that at the time. Now would be a good time to make any opening remarks that you might want to make.

Ms Perkins—I would like to open by thanking you for the opportunity to speak today and expand on our proposal. We in the Indigenous film and television industry see the digital future as a very exciting opportunity. We want to participate in that to the fullest extent possible. From our point of view as Indigenous Australians we want to participate in moving towards the digital age with the rest of the Australian population. We feel we have achieved significant goals in the last 20 years of being involved in the film and television industry. What we would like to do is maximise those achievements to date by clustering the existing Indigenous media sector that has spread around the country. We believe that the National Indigenous Broadcasting Service as proposed by us in our earlier document provides an extraordinary opportunity to do that: to build upon the skills and to cluster existing services under the one umbrella—the National Indigenous Broadcasting Service.

We also believe that Indigenous product has unexplored but real export opportunities. One can look at the tourism industry for parallels in terms of international interest in Indigenous culture. We also believe that the National Indigenous Broadcasting Service will be a primary entertainment and information source not only to Indigenous Australians but to all Australians. We feel that it will play a critical role in nourishing and rejuvenating Indigenous cultures which are, as we all know, under threat. Importantly, we also believe that the National Indigenous Broadcasting Service is overdue. In fact, this service would fill a gap in broadcasting policy as defined under the stated objectives of the Broadcasting Services Act and the current reality today.

In conclusion, I want to speak about the fact that we feel that NIBS would be an extraordinary opportunity for the government to be able to harness the richness of Indigenous culture and to share it with all Australians and, indeed, the world. Television, film and new media have the power to reach out to people like no other media. Indigenous culture and languages and history at the moment are an untapped resource in this country. We feel NIBS is a perfect way to tap into that. That is a broad overview.

CHAIR—What are the current arrangements for Indigenous broadcasting in Australia?

Ms Perkins—There are a number of sectors. There are the regional Indigenous media associations in each capital city or major city, so they are everywhere from Brisbane to Alice Springs, Perth to Darwin. Mostly they produce radio, but some produce video and television and film. There is the Broadcasting in Remote Aboriginal Communities Scheme, which is called BRACS. It was a government initiative to introduce replay facilities for video and radio when satellite television was introduced. So about 100 communities in remote areas, communities with populations of less than 2,000, have these transfer facilities where they can receive satellite signals and then disperse their own programming to a two-kilometre radius within their community.

Then there are the national broadcasters, which both have Indigenous programming units. They have budgets of between \$1 million and \$1½ million annually to produce programs. They produce about 30 half hours of programming a year. And there is material that the heads of television will commission on an on-and-off basis. Both SBS and ABC commission that material as well—the occasional documentary or packets of short films or features. So that is the current status. You are looking at expenditure of about \$2½ million by the national broadcasters.

The Australian Film Commission has a development and production investment budget of about \$1.5 million which it expends on various programs during the year. Then there is BRACS, which is very underfunded and does not really produce much video at all. Then there are the regional media associations, which are not actually funded by ATSI to produce programming. They make their own projects and raise funding from corporate or government production. So that is the status at the moment.

CHAIR—I guess the obvious question is: why we would have a national Indigenous broadcasting service when we have our SBS?

Ms Perkins—That is a really good question. One would perhaps hope that the SBS would have fulfilled our aspirations in that regard. The SBS are doing a fantastic job. They broadcast in 64 languages, they broadcast programs that represent the multicultural community, but they do not broadcast in a single Indigenous Australian language. They produce a very minimal amount of Indigenous programming. You are more likely to see a Chinese drama series or a French program than an Indigenous program on SBS. They do not represent a comprehensive service for Indigenous Australians.

Other Commonwealth nations, such as Canada, have had Indigenous broadcasting services since 1999. They are about to launch one in New Zealand as well. Australia has, from being an industry leader in the 1980s, dropped behind comparative nations. National Indigenous television services have become a reality in other countries but unfortunately not here.

You really need to think about SBS as serving the multicultural needs of Australia. But it does not serve Indigenous needs. Indigenous people are not just another cultural group of Australia; we are the first Australians. Obviously, we have a longer history in this country and a unique culture that needs to be recognised and supported as we support Australian culture with our content standards on the commercial broadcasters and the government broadcasters.

CHAIR—How many hours of Indigenous broadcasting are there on SBS every week, do you know?

Ms Perkins—About a half hour, when they have a regular program running, and that is not all the time.

CHAIR—And how much on the ABC?

Ms Perkins—Roughly the same. I think *Message Stick*, which is the current program on the ABC, is hoping to go to 40 weeks a year. But at the moment I think they are running 26 episodes a year. So roughly half the year you will have a half-hour program running at 6.30 on Wednesday nights. The SBS are not actually broadcasting any Aboriginal programming at the moment apart from occasional commissioned material.

CHAIR—How would a national Indigenous broadcasting service operate? Would you imagine it cohabiting with the SBS or the ABC or having its own studios?

Ms Perkins—We have ideas about that. There was a comprehensive report done by ATSIIS or ATSIIC, as it was then known, in 2000 by Malcolm Long. Jan Forrester contributed to that as well as Owen Cole. That produced a number of models.

CHAIR—Malcolm Long from AFTRS?

Ms Perkins—Yes. One of their models was what was called a partnership model, which involved the regional existing media associations. What we are suggesting at Indigenous Screen Australia, because our proposal is founded on that document and the significant research that was done there, is that we would like a legislated broadcaster similar in nature to the SBS and the ABC. What we are very clear about is that we have achieved certain benchmarks to date: we have won best film awards at the AFIs and won awards for best director and best actor and we have a whole body of work behind us in the production field. What we do not have is people within the industry who can schedule a television network, who can market our product effectively, who can transmit the programs to air. We have *Imparja Television* in Alice Springs. That has some Indigenous people who have gone through there. I have worked as an executive producer for both broadcasters. But we do not have a large pool of talent to draw on who have experience running a television station.

So, rather than going from an immediate start-up with a full television station, we were thinking that we would like to concentrate first on programming and training. We would have a programming budget where we would produce programming for the network. We would also have a training program that was in partnership with either of the broadcasters. You would have someone sitting by the head of scheduling and by the head of television in all the key positions so that they would have experience in running a television station. So that model, the partnership model with one of those broadcasters, would begin. Over a five-year period we would migrate to a process whereby we could be an independent, functioning organisation.

We have looked at the Canadian model and at the New Zealand model. We think this is a way of building on the skills we have without biting off too much. We do not want to have the mistakes that perhaps the Maoris are experiencing now with their network. We want to go into it with the capacity to actually operate what we aspire to realise.

CHAIR—I guess another obvious question, which might seem slightly insensitive but it is not meant insensitively, is whether you think Indigenous people want to watch Indigenous programs as opposed to wanting to watch what everybody else is watching.

Ms Perkins—Not only do Indigenous people want to watch Indigenous programs but I think non-Indigenous people want to watch Indigenous programs. If you look at the comparative estimates in terms of the box office for Indigenous films compared to non-Indigenous films, they are not actually that disparate. I have some statistics here. In 2002 the average box office for Australian films was \$2.12 million, whereas for Indigenous films it was \$1.85 million. So they are relatively similar box-office levels.

We have seen some Indigenous programs not rate as strong as, say, US programs, but we have not really had the opportunity to explore the full depth of Indigenous programs. We have been sort of forced to make half-hour magazine programs in bad slots on SBS. We have not really had the opportunity to test the water. We have seen some programs like the *Bush Mechanics* series, which was aired on the ABC. There was a huge response to it. However, we really have not had the opportunity to explore the full gamut of Indigenous programming. I suppose on the international market we can look at films like *Rabbit Proof Fence*, which has grossed \$17½ million so far. You can look to international models like *Whale Rider*, which I think has done \$US20 million. So there is an interest in Indigenous programming. The models and the benchmarks are there to prove it.

Mr CIOBO—Have you got examples where the ISA has been involved in collaborative exercises with, for example, Discovery Channel or the National Geographic Channel or those types of things?

Ms Perkins—I should clarify our role. Indigenous Screen Australia is an association of filmmakers. We do not enter into production ourselves but we represent people who do.

Mr CIOBO—In that vein, are you aware of collaborative exercises like that?

Ms Perkins—Yes, absolutely. For instance, CAAMA Productions, the Central Australian Aboriginal Media Association based in Alice Springs, in 2002 did a feature documentary called *Red Storm*, which was done with Discovery Channel. I am not sure how many of the Discovery networks globally it went on, but I think it screened in the US. So there are examples of that. Our national Indigenous documentary fund, which has been running for five years, has sold internationally.

Mr CIOBO—Do shows like that then get picked up within Australia for exhibition for Indigenous and non-Indigenous populations?

Ms Perkins—Yes, absolutely. All of our programs screen. We do not do much business with the commercial networks but we do a lot of business with the government broadcasters. It is interesting to note in term of Indigenous product for local video that for the three main distributors—Ronin and the AFI, now defunct, and Film Australia—50 per cent of their revenue from local videos was generated from Indigenous content. So the market is significant for Indigenous material, particularly the educational market. We are also now seeing in feature

drama and cinema that Indigenous films have broken through the view that Indigenous stuff does not rate. That has actually proved to be incorrect based on recent experiences.

Mr CIOBO—If you are having this experience, why the need to have a dedicated 24-hour a day, seven-day-a-week channel?

Ms Perkins—It is exactly the same reason we have a seven-day-a week, 24-hour ABC showing Australian programs. It is a cultural service to Australians to deliver them stories about themselves and current affairs about themselves and films that reflect their culture.

Mr CIOBO—You are playing a role in that and you are subsumed as part of that. Why a separate entity outside of that?

Ms Perkins—Because it is not a comprehensive service that we are being provided with the ABC. The ABC gets, what, \$600 million a year or something.

CHAIR—It was \$720 million last year or this year.

Ms Perkins—Exactly. The Indigenous proportion of that is \$1.5 million. That is meant to give us a full service of current affairs programs, sports programming, drama, comedy, children's programming and programming in languages. You cannot possibly satisfy all of our requirements under that sort of allocation. We would be happy to look at models where we work with them, but it is just not a comprehensive service. Frankly, all of the other comparable nations are moving towards this, whereas Australia is being left behind. I have been to New Zealand and Canada and the US. I spoke to people at Sundance last year. They said: 'What is happening in Australia? Have you got your national Indigenous service up yet?' I just had to say, 'Frankly, no, and I don't see there is much possibility of it.' They are surprised because our industry is so far advanced in other ways in comparison to New Zealand's and Canada's. Government support of our industry is far more extensive than that in New Zealand. But in this issue we are not.

Mr CIOBO—So why do the ABC and SBS do so little for you?

Ms Perkins—I suppose within their charter they have an obligation to meet the broadcast needs of Indigenous Australians, but that is just one of their charter obligations and they have many others which compete for dollars. We are part of that but we are not exclusively served by them.

Mr CIOBO—Is the view that it is disproportionately small for what you should be getting, or that it is not as much as would you like?

Ms Perkins—The view is that it is worth while to fund Indigenous programs within the ABC. We are part of the audience they should be servicing. We want a comprehensive service. The argument is not about the budget within the ABC necessarily. The argument is about comprehensive services for Indigenous people and non-Indigenous people that provide Indigenous content across a range of genres. Does that answer your question?

CHAIR—Playing devil's advocate momentarily, I do not think the government or the committee would be of a mind to recommend that we should establish another whole

broadcaster. There is some support amongst members of the government—I do not support this position—for the SBS being folded into the ABC. I do not think they would come at the idea of having a new broadcaster. Would it be possible, though, to achieve the same thing by mandating that the ABC have a certain number of hours a week of Indigenous television and providing them with funding? You have asked for only \$9 million.

Ms Perkins—That is right.

CHAIR—Wouldn't be it possible to give that \$9 million to the ABC but require as part of their charter that there was obviously a great deal more than half an hour a week of Indigenous broadcasting?

Ms Perkins—Let me say first of all that I am disappointed that you already feel it is not a possibility.

CHAIR—It is just my hunch. We have not discussed it, but my hunch is that they will not be that keen on the idea. They might well be keen on it, but that is a matter for them, I guess.

Ms Perkins—I must say that is a disappointing outcome, I suppose, or impression to go away with after having just put our position. Certainly our focus is on content and that is what we care about. We care about actually providing Australians and the world with programs that represent our people. So the delivery of that material—

Mr CIOBO—That is happening, though. What you are talking about is an expansion that is not actually generated towards that goal, because that is already happening. What you are talking about is an expansion that satisfies an inward looking focus, which is to satisfy Indigenous content across all genres.

Ms Perkins—Yes. What I was getting to, I suppose, is that the delivery for us is not as critical as the content. So if we were to reach an agreement with the ABC where we could go out on their digital channel and would not have to pay for our own infrastructure costs, that would be one way of minimising costs. For us, the big issue is programming dollars so that we can make a comprehensive service. The delivery model is up for discussion—how we best do that. I think it is very important for this committee, if you could, to consider spectrum issues for Indigenous broadcasting. In New Zealand, they have had a situation where all of the spectrums have been absorbed. I think we are facing the same situation in Australia. That is a big issue for Indigenous people—how are we going to get these programs delivered. My understanding is that spectrum is limited. But with digital technology there are more avenues available to us.

This is a bit of a leap for you or this government to make, or for people generally in broadcasting policy to make, but the Maoris have made the argument that their rights to the resources of the country are not just about land rights and sea rights but about spectrum rights, because that is part of the resources of the country. We would like the committee to consider that. Going back to your point about ways to minimise costs of delivery, we are very open to that and willing to discuss that.

CHAIR—I would have thought it was a good outcome initially since you said that you recognise that in the Indigenous community you do not have the whole gamut of skills required to run a television station, for example.

Ms Perkins—Yes, at this stage.

CHAIR—At least initially for the ABC to have a certain requirement of hours of television like they have in other areas would be a terrifically good start.

Ms Perkins—It would be a great start. But we feel, as the ABC would no doubt feel if they were in a similar situation, that editorial control is obviously of importance to Indigenous Australians. For any station that represented their interests, that would need to be clarified. We had very initial discussions with the SBS and ABC at the time this original report was being proposed. They were fruitful and people were interested in considering partnerships.

CHAIR—And the SBS could be even better because they already operate in a genre that is not specific but is specialised.

Ms Perkins—SBS obviously have similar concerns, as we do, as well as the ABC because it is in their charter to represent—

CHAIR—And, dare I say it, the money would probably be more traceable with the SBS because it would be \$9 million of a smaller budget, whereas if it was \$9 million of a \$720 million budget the ABC would lose that, so to speak.

Ms Perkins—Yes, that is true. I must point out that in our original submission we attached the full NIBS proposal, and \$9 million is what we have put up as a very very basic starting point to get this sort of thing off the ground. Nine million is not a lot of money, as you would be aware. There are two models put up under the NIBS scheme. One is the optimal model, which is about \$45 million over five years. The basic model is about \$27 million over five years. That is for primary programming material. But we feel that we could start up now. Part of the process of starting would be to bring the review of Indigenous television which is scheduled for 2005 to next year. We would hope that the committee would consider making that recommendation so we can act on this issue. The Broadcasting Services Act says it will cater for Indigenous interests. To date, we have not acted upon that part of the act so there is a gap in policy in terms of Indigenous broadcasting that needs to be filled. We hope that this committee will look at that.

CHAIR—Do you want to add anything before we finish?

Ms Perkins—I have lots of notes here.

Ms Forrester—I want to add one thing that we mentioned in our submission. We were very impressed by a speech by the federal tourism minister, Mr Joe Hockey, who put forward some interesting statistics which we think could be further explored in terms of audiovisual Indigenous products. Amongst other things, he mentioned over 130,000 visitors from the UK, Japan and the US visiting Australia in 2002, experiencing specifically Indigenous cultures and spending nearly half a million dollars doing so. That is equal to nickel exports and better than uranium and better than rice. The speech continued in terms of that kind of international interest in specifically

Indigenous experience in Australia. He felt it was a shame that a lot more Australians could not experience that. He certainly drew a comparison between the cultural vibrancy of Indigenous cultures and the economic viability both for Indigenous people and the country as a whole.

Like him, we feel there is an international market for Indigenous products and their audiovisual products which we think is massively underexplored. I think unless you have the kind of focused cluster activity of an Indigenous television service you will not get the research and development that might lead to other avenues, even offshore, that specifically promote Indigenous audiovisual cultural products.

Mr CIOBO—Why is that?

Ms Forrester—Say we wanted to target the Japanese because they come here and they spend a lot of money on Indigenous culture within Australia. Maybe they would be interested in audiovisual products in Japan. Maybe they would be interested in the direct DVD experience, given the Japanese propensity, like us, for taking on new technology. It takes a bit of money to explore that. You have had a lot of input from the industry. You know that international marketing is difficult for the film industry generally. I think you need the focus of a national Indigenous television service so you would be able to leapfrog possibilities off that. You need that cluster and that focus. Frankly, you need the money.

Mr CIOBO—Why does, for example, the ABC not fulfil that role?

Ms Forrester—I am not saying it does not try to fulfil that role.

CHAIR—I imagine there was money in Aboriginal affairs.

Ms Perkins—Yes. They have just agreed to participate in an Indigenous fund.

Ms Forrester—I think what we are saying at the moment is that that is unexplored. You would need an Indigenous television service to provide focus for research and development to happen as to where you could place audiovisual products worldwide. I think you need a focused activity to do that.

Ms Perkins—Could I detour to other things before you guys go. Firstly, I want to point out to you this statistic, which is quite close to my heart. It is a good indication of Indigenous culture and its status at the moment. There were 250 languages here at contact in 1788. There are now 90 surviving. By 2040, 10 are expected to still be alive. So the rate of breakdown of Indigenous culture is extreme and rapid. We are actually at a point where we can either try and reverse that situation or it will continue the way it has, losing one to two languages every year. Indigenous television can intervene in that in an extremely powerful way. We have that opportunity right now. But in 30 or 40 years we will not have the opportunity, because those languages and, with them, all the stories and all the songs that have been around for thousands and thousands and thousands of years will have disappeared. That cultural heritage will be lost to not only Indigenous people but Australians as well whose birthright it is, by being Australian, to inherit all of that richness. I want to leave you with that because it is something I feel very passionate about and so do my people.

I have some show bags for you. I know you are busy and I am sure you have not caught the latest Indigenous films that have been on. They are all personalised. That has Ivan Sen's feature *Beneath Clouds*, which won best director and best cinematography at this year's AFI awards.

CHAIR—Thank you. We have nothing to give you in return.

Ms Perkins—A television station would be fine.

CHAIR—We are very low budget.

Ms Perkins—It also has *One Night the Moon*, which I directed. It won a couple of AFIs this year. It has the latest short films that the Australian Film Commission and SBS commissioned, which are fantastic. It picked up a couple of AFIs as well. There is also the *Black Book*, which is an Indigenous media and arts directory. It lists all the directors, media associations, radio stations, directors and the whole industry in that book. It will give you an idea of the range and scope of Indigenous talent that is out there at the moment.

CHAIR—Thank you very much.

Ms Perkins—Thank you for your time.

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

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

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

Committee adjourned at 4.22 p.m.