



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**

WEDNESDAY, 17 SEPTEMBER 2003

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

INTERNET

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

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

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

HOUSE OF REPRESENTATIVES

**STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE
ARTS**

Wednesday, 17 September 2003

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

Members in attendance: Mr Baldwin, Mr Ciobo, Mr Pearce, Mr Pyne, Mr Sercombe, Mr Tanner and Mr Ticehurst.

Terms of reference for the inquiry:

To inquire into and report on:

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

WITNESSES

BERRYMAN, Mr William Leslie, Head of New Media and Distribution, Special Broadcasting Services Corporation.....1

EISENBERG, Miss Julie, Head of Policy, Special Broadcasting Services Corporation1

MILAN, Mr Nigel Stephen, Managing Director, Special Broadcasting Services Corporation.....1

ROWE, Ms Glenys, General Manager, SBS Independent, Special Broadcasting Services Corporation.....1

Committee met at 9.30 a.m.

BERRYMAN, Mr William Leslie, Head of New Media and Distribution, Special Broadcasting Services Corporation

EISENBERG, Miss Julie, Head of Policy, Special Broadcasting Services Corporation

MILAN, Mr Nigel Stephen, Managing Director, Special Broadcasting Services Corporation

ROWE, Ms Glenys, General Manager, SBS Independent, Special Broadcasting Services Corporation

CHAIR—Welcome. I declare open this public hearing of the House of Representatives Standing Committee on Communications, Information Technology and the Arts. The hearing forms part of the committee's inquiry into the future opportunities for Australia's film, animation, special effects and electronic games industries. The committee does not require you to give evidence under oath, but we do regard this as formal proceedings of the parliament and so all false or misleading statements may be regarded as contempt of the parliament—not that we imagine you will be doing that. I also remind you that we like to take evidence in public, but if you do want to give any evidence in camera then you are welcome to request that and we will consider that request. Do you want to make an opening statement?

Mr Milan—Yes, a brief one, Mr Chair, if I may.

CHAIR—Yes.

Mr Milan—As you can see, I have brought several of my senior executives with me. The committee, of course, will be familiar with the principal function of SBS, and that is to provide multicultural and multilingual broadcasting services which inform, educate and entertain all Australians—a wonderful Reithian sort of context. The SBS charter requires us to make use of Australia's diverse creative resources and present many points of view, using 'innovative forms of expression'. Those words appear in the charter. To be frank, it would be very difficult to achieve that—perhaps impossible, indeed—unless we could deliver that through a healthy local film and television production industry.

I would like to emphasise a few of the key propositions in our submission to you before taking questions. SBS believes that public broadcasting has a critical role to play in fostering and maximising opportunities for the local film and television production industry, both in producing content and in helping generate innovation in production, in terms of both process and skills. We are a source of distinctive Australian stories which need to be told. The committee will be familiar with SBS Independent's extraordinarily successful track record in producing distinctive, award-winning films which reflect the true diversity of Australian experiences and which therefore enrich the understanding of our nation.

The *Living Diversity* research referred to in our submission found that less than 13 per cent of Australians believe Australian media currently reflects their reality. Other audience research suggests that Australian audiences want to see Australian stories. It is not that they do not like Australian stories; it is a question of opportunity. This is not just an audience demand. In our

view it is about nation building. It is worth reflecting that in the context of recent international tensions, which have led to very heated national debates, there has probably never been a more important time for Australians to have access to information and entertainment that unites us as a country, rather than divides us. I would put it to you, ladies and gentlemen, that SBS is more relevant today than it has ever been before. In my view true security will come not necessarily through the biggest guns, but through the most inclusive society. That is basically the key message of SBS. It is our sole intent and purpose.

The films SBSi commissions, along with SBS's diverse range of programs, are an important vehicle for national social cohesion. Glenys Rowe can provide more information about the state of the local production industry which, not to put it too bluntly, is in the doldrums. She recently mentioned to me—in fact, only a couple of days ago—that one day in August the largest film production staff agency, which employs many Australians or creates work for many Australians around the country, had not one production on its books, so there was not one person on that agency's books that was being gainfully employed on that day.

To make the most of future opportunities we need to ensure the ability of our local industry to survive in the face of an increasingly difficult and competitive international market. I believe that public broadcasting is essential to industry training and innovation. Though we work with a very limited funding base by any benchmark, SBS encourages productions that foster the skills and experiences of all those who are involved. SBSi often commissions work from emerging production teams which enables them to work with more experienced film-makers. SBS produces work in traditional and in new media. We have not only been at the forefront of technology partnerships to trial new processes, but we have also brought in young, untested talent to develop multimedia and film projects. Will Berryman can give the committee further details of that work. We have pursued these technology partnerships as a way to leverage and maximise the value of our limited funds, in the same way SBSi leverages government funding with other funding sources. As a public broadcaster we share our learning about new techniques and processes with other broadcasters for the benefit of the whole industry.

A witness to this inquiry from Griffith University suggested that SBSi and the ABC had abrogated their responsibilities as public broadcasters to train new generations. While I cannot obviously speak for the ABC, I do take issue with that claim and welcome the opportunity to provide the committee with a range of examples. However, it is fair to say that increased budget pressures inevitably constrain our capacity to do all the things that, in our view, we need to do. What we would like the committee to consider is this: in bringing these matters to your attention, SBS wishes to highlight the importance of any future industry regulation or funding framework to take account of the role of public broadcasting, both in developing content and in pursuing creative and effective film and television production techniques. Continued and expanded funding support would be a very good starting point.

Finally, I note from earlier evidence that the committee had the opportunity to view the ABC's production facilities. I would like to extend an invitation to the committee to visit SBS premises and view first-hand some of the innovations that we will be discussing this morning and, of course, I look forward to responding to your questions.

CHAIR—Thank you. We met with Rachel Perkins, who is an Indigenous film advocate, in Sydney. She suggested there should be a specific Indigenous television service called the

‘Indigenous Broadcasting Service’. I asked her, ‘Didn’t SBS fulfil that role? Why would you have another service with a new licence et cetera?’ She said that SBS only ran half an hour of Indigenous television a week and that that was only for six months of the year, so it was really only 15 minutes per week spread out over the year. Do you have any comment on what SBS does in terms of Indigenous film and television?

Mr Milan—I read Rachel’s evidence, Mr Chairman. She is an eloquent and passionate witness for her own cause. Like anyone giving evidence to a committee, you tend to paint your case in the most constructive way for your argument. It is not strictly correct to say that that is all SBS does. It is quite true that our local production unit only produces 26 weeks a year of our locally commissioned program. It used to be *ICAM*—which was an Indigenous current affairs program—but we recently rebadged that as *Living Black*, which has basically two 13-week seasons a year.

However, in addition to that, we have commissioned many hours of both Indigenous drama and documentary through Glenys’s division and, in fact, in some years it has been as high as 30 per cent of our total output from SBSi. The reality is, I would have thought, that we are producing between two and three times that sort of measure of half an hour a week, if you ran it across a year. Quite a high proportion of what we say would be our disposable income and our disposable production budget goes into Indigenous film. We take our charter responsibilities towards Indigenous Australians very seriously indeed.

Ms Rowe—‘Indigenous programming’ is a rather loose term, because you have Indigenous subject matter or you have work made by Indigenous principals, and there is a lot of mix and match in between that. We have Indigenous people at SBS working on programs that are not in themselves of Indigenous subject matter. So the notion that there is pure Indigenous programming is also a little erroneous. For instance, in the years 2000 and 2001, of the SBS Independent spend—that is, dollars spent—16.27 per cent was spent on Indigenous programming, some of it made by Indigenous people. Films like *The Tracker* or *Australian Rules*—which you may have heard of—were directed by white European directors but were essentially Indigenous stories which were embraced by the Indigenous community.

We exist in a creative community of directors, producers, camera people and all the rest of it which is not wholly Indigenous, nor wholly Australian. ‘Indigenous programming’ is a very loose term. In the years 2001 to 2002, 31.3 per cent of our spend was on programming which I would describe as Indigenous. It changes, according to the ideas presented to us, and we need that flexibility.

Mr Milan—I think it would also be fair to say that in terms of Indigenous drama and Indigenous film-making, SBS was right at the very leading edge—for example, with our *From Sand to Celluloid* series.

Ms Rowe—Yes, we have been there from the beginning and we are deeply committed to it. In one way—and this is the greedy way for someone like me, a commissioning editor, to speak—it is very exciting work because there is a cutting edge, in politics as well as the arts. Some of the Indigenous material, the Indigenous stories, are a new kind of storytelling and new material. We cannot go on rehashing the old stuff over and over again. We want it. We are greedy for it.

Mr Berryman—In terms of back of house as well, we have initiatives that positively bring Indigenous people into the company. It may not be at the forefront of scripts and things, but they are working in a media organisation—everything from broadcast lawyers to trainees in finance; all parts of the business. The whole organisation has a good representation there.

Ms Rowe—Of the nine 50-minute dramas that we commissioned in the last 12 months—which start being broadcast on SBS in mid-October and which we are touring around the country with the Australian Film Commission—two are directed by Indigenous film-makers, so it is quite a healthy percentage. You would not find that across the feature industry perhaps. We have a deep, active and ongoing commitment to Indigenous work. If an Indigenous channel does come about, then it would be right and proper for it to take that work on. Under the original principles under which SBSi was set up, we decided we would commit five per cent of our spend every year to Indigenous programming and, across the last three years, the average is probably in excess of 18 per cent. It is larger than you will find anywhere else.

CHAIR—That is good news.

Mr Milan—That is notwithstanding, obviously, Mr Chairman, our sympathy for those folk who feel that a stronger media voice for Indigenous people would help the process of reconciliation. Obviously SBS is deeply committed to that cause, but we would not want it to be seen to be at the expense of existing public broadcasters. Also, we make the point that we do take our charter obligations to Indigenous Australians very seriously indeed, as you can see.

Ms Rowe—I will give Mr Milan some credit here, because it was his idea. We are working with Rachel Perkins at the moment. She is the executive producer and will direct a monumental six-hour history of Indigenous Australia called *First Australian Nations*. It was an initiative by Nigel in conversation with Rachel which made it happen. It is a huge project. It will be about 10 years in the making, with massive, original research and the best writers brought to it. Rachel is the executive producer of it. You might ask, ‘Why hasn’t this been done before and why hasn’t it been done by somebody else?’ But we are doing it, and it is a monumental work.

CHAIR—I have obviously touched an important nerve at SBS with my one question.

Ms Rowe—We love that work.

Mr Milan—It is something we do take very seriously. I am privileged to work with a number of people who take the whole reconciliation process very seriously indeed and are very passionate about it. Having said that, we have the deepest and greatest respect for Rachel and certainly would not want to inhibit her in any way from doing what she sees as the right thing by her people.

Mr TANNER—Looking into the future, as we make the transition to digital, to what extent would it be feasible to have an autonomous Indigenous broadcaster effectively operating from within the SBS framework, with control or use of a dedicated multichannel? Obviously there are resource issues that would immediately come to mind, but is that a concept that would be a feasible proposition, moving into the future?

Mr Milan—Realistically, it is hard. We have discussed the matter with Rachel and, again, I would say that we are very sympathetic. We have had no discussion with our board at this stage, so it has only really been at a management level. If you look at our charter obligations and our obligations to parliament, they oblige us to have editorial control over anything that goes to air. As you would understand—and I know you understand the laws of publishing—by definition we would be responsible for all of that content and therefore, legally, we would have to be seen to be in control of it. Whether there could be a halfway house, with some sort of independent Indigenous unit within SBS, is something that would need to be explored. We would need to ask the questions: ‘Is it acceptable to the Indigenous community? Would it be acceptable to the board of SBS?’

I can only assure you that if that were the desire of parliament and if appropriate funding were created—I would hate to see a further obligation put on SBS without it being appropriately funded—then negotiations would take place with goodwill. At the moment we do have plans for all of our multichannels and also we have a fair idea of what we want to do with the spectrum ourselves, to further the charter as it is currently written for SBS.

Mr Berryman—The spectrum is quite full at the moment. In trying to reach the obligations for high-definition and multichannelling and the plans we have for those, under the current technologies there is not the space. That is not to say that in years to come, as compression gets better, there will not be more space, but we have allocated the capacity across internal planning to be used. We are the only broadcaster running both high-definition television and our multichannels at the same time and it fills a lot of space.

Mr TICEHURST—You were talking about the productions at SBS. What proportion of your broadcast is actually Australian production?

Mr Milan—We are probably running at about half, but that would include, of course, a lot of repackaging of overseas content. For instance, take a news bulletin: we would class a news bulletin on SBS as local content but, of course, it is a world news bulletin and it takes a lot of international feeds from overseas. It is re-edited, it is recut and obviously it is presented by Mary Kostakidis, or one of our other presenters, so although we consider it to be local content, that is an hour of prime time every night in that bulletin, and it does use a lot of overseas content within it. I think we put it in our last annual report—what did we say?

Miss Eisenberg—We may have to come back to the committee with that information, if you want a precise figure.

Mr TICEHURST—It was more a general question.

Mr Milan—If we say approximately 50 per cent I think we would be in the ballpark. But it would be on the downside of that rather than the upside.

Mr TICEHURST—Regarding *Australian Story*, there have been some very good ones I have been able to see. Do you sell them off to other channels or other countries, or are they just local?

Mr Milan—*Australian Story* is actually an ABC production. We are launching a series called *Inside Australia*, so you may have been confusing the names. It is our own documentary version of it, but with a more multicultural emphasis.

Mr TICEHURST—With your production facilities, are you selling those programs to other channels, like the ABC, or even the other local commercial channels?

Mr Milan—When you say ‘production facilities’, are you talking about renting out space within studios and studio facilities?

Mr TICEHURST—I am talking about using your production facilities to produce programs for other channels.

Mr Milan—We do two or three things commercially. We do rent out straight studio space, and that is normally to advertising agencies and sometimes to film production companies that want to use our facilities. We get a certain amount of income from that. Up until the end of last year, we made a film for the police on a regular basis—an information film aimed at the New South Wales police force. We do that sort of work. In terms of actually making full-on productions for other companies—not other television stations—no, we do not do that directly, but other production companies may hire our facilities to do that.

Ms Rowe—One of the interesting things about the Australian film industry at the moment—and particularly as it relates to television and perhaps my area of SBS Independent—is that it is very hard for us now to do a great big documentary series like *Frontier House*. An example coming up on SBS in about five weeks is a two-part series called *Dying to Leave*. The series is an Australian idea and there is an Australian company. To finance that series, to get enough money to make it, we must pre-sell that idea to two other broadcasters around the world. It is a program about human trafficking and people smuggling. It is very contemporary. But to produce it, SBS alone does not have enough funds and so we pre-sell the idea with the producer to a public broadcaster in New York, Channel 5 or a German network. Even though we might own the idea and the means of production, we must bring in other money in order to afford that scale of production. Australianness in the global production arena is a floating notion.

Mr TICEHURST—I can fully understand that. I think it is commendable that you are doing that. That is the commercial reality, isn’t it?

Ms Rowe—It is.

Mr TICEHURST—Australia is not big enough to produce for the world market on its own.

Ms Rowe—That is correct.

Mr Milan—We sell some things. For instance, we have on sold *The Food Lovers Guide to Australia* and *Wine Lovers Guide to Australia* to pay television and they have had a limited amount of international distribution. But the other issue is that SBS has taken the view—and I think quite rightly, because of the size of our resource—that it wants to get the maximum to air to entertain and inform the Australian people. Often with the documentaries and dramas that Glenys produces, all we have bought is the first-run television rights. For that, we might put

20 per cent to 25 per cent of the funding in and we actually often do not therefore have the rights to on sell overseas anyway.

Ms Rowe—In a way it is better that they rest with the producer, because we do need to keep Australian film producers alive and eating. At the moment it is pretty hard.

Mr TICEHURST—No. That's great.

Mr Berryman—I think it is fair to say that where we do obtain rights it is now a current policy of the organisation to investigate every opportunity to make a sale of the program, whether it be to DVD or to another broadcaster. SBS is a new broadcaster in terms of the spectrum of things. As we accelerate the types of production models we have, there will be lots of different opportunities for us to distribute those programs.

Mr TICEHURST—Terrific. Finally, I notice on digital down here you are producing signals on about three channels and there is some radio as well.

Mr Milan—Yes. At the moment we have World News Channel up which is, I think, in 16 or 17 different languages across the week. We have SBS Essential, which is a development Will put together. That is our EPG, which stands for electronic program guide for those of you who do not know the lingo of the business. We have plans for a music channel, too.

Mr TICEHURST—Yes. I think that is tremendous.

Mr Milan—We just need a bit more money.

Mr TICEHURST—You have to earn the money. The commercial deals you are doing is the way to do it.

Mr PEARCE—What role does SBS Independent play in relation to training institutions throughout Australia? I particularly mean in the area of production et cetera. Do you interface with the Victorian College of the Arts, for example, or that type of establishment? Do you encourage development of projects through them, or bring in people for some of the productions you are doing at all?

Ms Rowe—No. In fact, it is fairly limited while those people are students. I spend quite a few of my nights and afternoons going out to speak at those colleges; I am a regular speaker. We are obliged, under our charter, to make use of Australia's diverse creative resources, and the only way we can do that is to constantly renew. I regard those colleges as our fishing grounds. I go talent searching there. When we find someone who is talented, we drag them in as fast as we can.

Mr PEARCE—You do? After they finish their course?

Ms Rowe—Yes, because I also am obliged to broadcast material of international broadcast quality to Australians. Ideas will come to us. They come from all over the place; we have them ourselves, or a producer has one. We often take four young directors who might be straight out of film school. We are doing one at the moment: a program for prime time—7 p.m. on Sunday

nights—called *Inside Australia*. They are all made by new directors. We take an experienced producer who understands what broadcast quality is. If you have ever sat through home movies or student films, you will know that there is a difference. We take an experienced producer and say, ‘Here are four young directors. We would like you to make four half-hours about neighbourhood disputes’—something that is manageable. Often young people come to us with ideas to make a film and they say, ‘I want to do an intergalactic story about wars on Mars.’ We have to say, ‘Look, the truth is for \$30,000 you are not going to be able to make a special effects movie. Great idea, but we are not resourced in that way.’ There is a constant dialogue. We do not put student work to air as a matter of course, but we do cherry pick. We look for talent, and there is an active engagement in an information sense to and fro between us.

Mr Berryman—That is not to say, though, within all of SBS that those programs are not realised. In the past three years our New Media division, unlike a division which just produces web pages, has invested with state film bodies well over \$1 million in training and incubating the type of people that Glenys cannot take a risk on with television. As a result, we have probably trained hundreds of people in music production and film production in South Australia, Victoria and New South Wales—and we are planning programs in Tasmania at the moment—to take those risks on these other mediums, so that we can get kids, while they are at school and while they are at university, to get real about the industry.

Mr PEARCE—You are doing some of that?

Mr Milan—Not through SBSi, but through SBS.

Mr PEARCE—Is there any opportunity to formalise that more, do you think, Ms Rowe? Rather than postgraduates, I am thinking more about the work experience concept.

Ms Rowe—We do that.

Mr PEARCE—Bringing them in on secondment or something like that. Is there a greater role that you could be playing or public broadcasters could be playing in helping to provide training opportunities and practical life experience opportunities for our students?

Ms Rowe—We do that. At the moment I have someone from the film school.

Mr PEARCE—So it exists?

Ms Rowe—Work experience exists. We are a unit of 11 people at SBSi. We are principally an ideas unit as opposed to a production unit. I do not have a cameraman or a director.

Mr PEARCE—You are happy to bring people in, are you?

Ms Rowe—Yes, they come in and work alongside us and learn the process of commissioning, which is a different process to production. I do not have a production unit. They assess proposals. We receive 1,200 documentary proposals a year. It is a lot to get through.

Mr Berryman—By the end of next year, in the New Media part of the business, we hope to have production accords with every state in Australia to incubate naive talent. In Victoria at the

moment we are in the process of taking animators who have never worked in the industry before—some of them are at school—to produce an animation series of 25 fairytales from around the world. We have just completed a project with Film Victoria and Universal Music, which is one of the biggest music companies in the world, to produce 20 bands of diverse cultural backgrounds who have never been in studios before—and who do not have talent management but who are talented—and match them up with 20 young film-makers from institutions like VCA and RMIT, to train them in making material. That is an investment project. We invest with state bodies, with people like Universal, to do it. But, hopefully, they can get trained and get real and get picked up by Glenys, down the track, to the big end of the business.

Mr PEARCE—My question actually was to you, Mr Berryman. Can you give us a 60-second snapshot of the New Media division? Exactly who are you and what is your charter? What are you doing currently?

Mr Berryman—New Media division at SBS runs most of the technology of the organisation. We paired its IT and transmission distributions technology with content creation, rather than creating silos in the business. In the actual online broadband web component, we do not have the resources to be a News Limited or a Fairfax or an ABC. We have 15 people working in our web development arm, not 135 like the ABC. We took a specific charter, or specific business plan and said, ‘We will reflect what SBSi and the rest of SBS does online, but we will use the rest of our resources to incubate talent’—not the graduated talent and not necessarily the graduated film-makers either, but untested and untried technologists, who are often very fresh and have great ideas.

Working with other partners—Sun Microsystems, Hewlett-Packard, state film bodies—we leverage our money off that and do training programs throughout the country. It is not specifically focused on Sydney. We try to get into the other states. In South Australia we are doing training with the support of Apple Computer who have built a hothouse down there of production facilities with the South Australian Film Corporation. We are training 18 young promo-makers, who have never been tried before, to hopefully make stuff that is good enough for our television network. After we finish that we will go to Tasmania and do a similar program. We do not know what the content there will be yet. Rather than try and be all things to all people, as the New Media division we have specifically focused on being an incubator. With new technology and new processes it is very important that we get in early.

Mr Milan—Mr Pearce, there are two philosophical positions driving that. Firstly, there is an understanding at the top of the organisation that we simply do not have the resources to compete with the other media owners. The real difference between our organisation and, say, the ABC or Fairfax, is that we do not employ people to repurpose material internally. What Will’s division does is actually train the people at the coalface to dual publish. The same people who make the programs also put the web sites together. The same journalists who work in the newsroom, for your television news bulletin today, feed the news directly onto the web site. That is why we have 15 people, as opposed to 130 people.

Mr PEARCE—Mr Milan, in relation to the terms of the inquiry, what do you believe is the most significant thing the Australian government could do to support the Australian film industry?

Mr Milan—Being selfish, if you put more money towards production, you can earmark it—and I have no problem with more ring-fenced money going to public broadcasting and to SBSi, saying it has to be spent for local production. A sure-fire way to guarantee further employment for Australian writers, actors and directors is to actually expand the budget that is available to public broadcasters.

Mr PEARCE—Is it just money, do you think? Is it just investment, in terms of dollars?

Mr Milan—At the end of the day everything comes back to money. Our other concern, of course, is the change in the regulatory environment that at the moment commits commercial television to a very high level of domestic content. We feel that is an appropriate piece of legislation and we would be very sad to see that go as part of a free trade agreement with the United States.

You have to remember that since the mid-nineties the single largest export from America—and people tend to think of armaments; they tend to think of petrochemicals—in fact, is ‘culture’. As another English language country, up against the two giants of the UK and America, which are enormous production powerhouses, unless there is a degree of protection for the local industry we are likely to be bowled out. There is a wonderful quote of Gandhi’s which says:

I am prepared to open the doors and windows of my house to the winds of change, but I refuse to be swept off my feet by the forces of change.

What we are suggesting is maybe having the shutters half-set so there is enough protection to allow us to foster it. I feel passionately, and I have a very unique seat. It is a very privileged job, being Managing Director of SBS, because you do get a ringside seat of the emerging cultural change within Australia. We are a changing nation and it would be a great shame if that culture was not allowed to fully express itself and, indeed, become a reality, so that we differentiate ourselves from the Americans and the British.

It is very important that the government keeps a weather eye on all of this and ensures there is adequate funding for the industry. A very efficient way of getting funding to the industry, frankly, is to put it into public broadcasting. You can ring-fence it and say that it has got to go for local content. As you know, we have made quite a success, I think, publicly with SBSi over the years and it is a great credit to Glenys and her predecessor. That is money where every dollar that goes into SBSi goes into local production.

Ms Rowe—The difference between giving money to a public broadcaster like SBSi and giving it to the other film agencies is that we are an end user. I am not suggesting you take away the money which is going to film agencies like the FFC and the AFC, but they have no means of distribution. We are both an investor and an end user. The money that comes into SBSi actually ends up on a screen that the Australian public will see. In America, the film industry is vertically integrated. You have production, distribution and exhibition all financing. They put money up. In Australia it is government agencies who put up the risk money. SBS is an end user and we provide that material to the Australian public. Regrettably, we do not have a cinema system owned by government, so the other agencies are risking their money all the time with no guarantee that the work will get exposed. We actually do that.

Mr Milan—The story, in other words, gets both made and told, whereas with any other way you can guarantee it being made, but you do not necessarily get it distributed.

Mr CIOBO—By way of preliminary comment, I want to congratulate SBS. I think you do an outstanding job and, to the extent it should be said, I want to put that on the record. In terms of what we were just discussing—investment—to what extent is there opportunity to provide for an increased mix of private and public funding in terms of productions? Do you do many collaborative exercises? You made reference before to pre-selling to the US or Germany and so on. Is there an increasing mix of that type of production vehicle?

Mr Milan—Philosophically, at the macro level, SBS's position is that we do everything in our power to do partnerships anywhere we can, whether they be in film technology, distribution—anything. We do deals even to try and get our telephony costs down; it is over the whole range of the business. I would say, to be fair to Glenys—and credit to her and, indeed, to her predecessor and the commissioning editors—we go everywhere looking for bits of money. A lot of the producers that come to us are first-time producers and directors and they do not have a great deal of experience in the industry. We spend a lot of our time offering advice on how best to finance the project. We do that by talking about where there are little pockets of money from government—both federal and state—and where the best chance of getting private investment is, so we spend a lot of time interfacing with private industry and private investors.

Your question is: is there more opportunity? Without a significant change in tax policy, I would say we, as an organisation, are doing everything we can, both on our own case for our own causes and also in trying to assist young film-makers to find their way around the labyrinth. Glenys and I were talking about this only a week ago. The average project now has seven or eight people involved in the funding. All projects are really quite complex in the way they are put together. People who are essentially creatives soon gain a tremendous amount of financial expertise simply by trying to put a project together.

Mr Berryman—The country, as a whole, will get better at partnerships at the end of the day. In terms of some of those other types of partnerships Nigel was talking about—not directly in production itself, but in all the buttressing we need for production—it is a pretty weird thing for a company like SBS to turn to another company and say, 'Let's partner.' It can often be jolting and jarring at the beginning and there is a bit of work to be done culturally amongst businesses and other providers to acknowledge that.

But it has changed. In the three years we have been doing it, we are well received and people are starting to understand that a public broadcaster is a great partner, because it is not proprietary with what it learns. What we learn is for the public; we make things available for everybody. We want everybody to know the things we have learnt in digital production, but a partnership with a commercial organisation is a proprietary, secretive relationship for competitive advantage. We need to do a bit of work and we need to have it realised as part of what we do that there is a cultural change, and not just for ourselves but for the people we interface with, in order to shift the thinking that we can be an important part of their aspirations while we achieve our own.

Mr Milan—To Mr Berryman's great credit, we basically built a whole new media division on smoke, mirrors and trading partnerships. We got a couple of million bucks seed funding from government a couple of years back and we have gone from 80,000 hits a month to over four

million. Our sports site, *The World Game*, is regularly in the top three sports sites in the country. We are now the fifth or sixth most popular media site. That has really all been done with partnerships. People like Hewlett-Packard have put the hardware into place on the basis that they can see how it works, we experiment with them and we use our expertise and combine it with theirs. They can then take that learning away and market it somewhere else and make a buck out of it. Will has basically put his whole division together with those sorts of deals.

Mr TICEHURST—That is the commercial reality.

Mr Berryman—Yes. The economics need to be assessed and need to become part of our culture.

Mr Milan—I will boast on Will's behalf, not mine—it is his brain, not mine, that has achieved all this. If you look at the spend on multimedia last year, Channel 9 was \$26.5 million; Channel 7, \$99 million—so you can see why they have a few problems; the ABC was \$16.9 million; SBS, \$1.6 million. That whole infrastructure you see through our web site is literally at a nano-fraction of what the other networks are spending. The reason we have done that is because we have leveraged that \$1.6 million off against a whole range of partnership arrangements.

Mr CIOBO—You commented before, Mr Milan, about the opportunities that may exist and, indeed, do exist for public funding to tell Australian stories. A question I have asked a number of witnesses who have appeared before the committee is whether or not there may be a separate model when it comes to the production of Australian stories. By that I mean: is there increased scope for Australia to recognise that we do have some competitive advantages when it comes to, for example, cost of production? Should we look at building an industry that is not based on telling Australian stories internationally, but rather on building and growing an industry by delivering a product that is sought internationally, and then using the increased industry size and wealth creation that flows from that to explore the opportunities to tell Australian stories internationally that may have less of a commercial focus but are predicated upon an industry that is stable, growing and generating revenues that can then be diverted for those cultural outcomes we are seeking?

Mr Milan—I think the answer to that is yes, but it should not be exclusive. We are doing that to some extent. I am a great supporter of Fox Studios, but Fox very rarely makes an Australian film. Most of the content that goes through there is basically a way of exporting labour. You build a big warehouse and then you employ a lot of talented Australians to essentially make foreign films. I believe that work should be encouraged and certainly if government was considering any other tax breaks to ensure that more of that work got to this country, it would be a good thing because, without question, it trains folk up. There is a negative effect to that, though, in that it does push up the cost of production for local film-makers. On balance, I think that is a good thing.

Mr CIOBO—Why do you say that? Why would that be the case?

Mr Milan—Because there is more competition, because we are so cheap in terms of cost of production. The cost of production here is about less than half what it is to make a film in Los Angeles and about 20 per cent to 30 per cent less than it costs to make one in Canada. There

are tremendous savings for international film-makers by making product here, but that means they can pay more than local film-makers. It creates competition for resources, but—

Mr CIOBO—Surely, though, concurrent with that increase in the cost of production is a much more significant increase in the quality of infrastructure available.

Mr Milan—I absolutely agree with that. At the end of the day there are very few countries that have ever been successful having a weak currency, though there are some downsides to having a strong currency in terms of cost. I would argue the same principle for local production.

Mr CIOBO—Sure.

Mr Milan—We need a strong and healthy industry. Anything the government can do to encourage foreign film to be made here is a very good thing and, overall, it is positive for the industry. But I do not think you can rely on it solely on a trickle-down basis as that would necessarily mean that people like Rupert Murdoch, out of a sense of altruism, would then say, 'I've got to start making all these Australian dramas because I made so much money out of Fox Studios.' I just do not think that would happen.

Mr CIOBO—Sure.

Mr Milan—I think you need to do both.

Mr CIOBO—You may have noticed I asked this question of Sandra Levy in Melbourne. What is your view in terms of the cultural aspects of SBS and ABC? Do you see opportunities for there to perhaps be some cost savings through a sharing of the back office type of structure between SBS and the ABC?

Mr Milan—In all honesty, no. The reason I say that is because I think we have developed an enviable reputation for our financial transparency and our overall value for money. It is hard to see what we could do further in combination with the ABC which would actually enhance that process. I would invite you to come down and look at the way we operate as an organisation. You do not see too many people sitting around having cups of coffee or playing cards at SBS. It is a very transparent, very lean organisation.

CHAIR—Not like this place, then!

Mr Milan—But, of course, if it were the will of the government, then we would look at it and I am sure we would enthusiastically cooperate. But I honestly say to you that I do not see that—knowing little about the ABC operation and an awful lot about ours—there would be a great deal to be gained.

Mr CIOBO—In terms of the ABC's budget, which is significantly greater—

Mr Milan—I would like it!

Mr CIOBO—That is why I wondered, from an SBS point of view, whether there may be opportunities flowing from some sharing with the back office.

Mr Milan—My experience is taken from basic physics: when a big object meets a small object, no matter how elegantly engineered the smaller object is, the big object tends to come off better. I think SBS is performing an extraordinarily valuable service to the Australian community and I would like, on my watch, to be able to continue to do that. I do not think it would be helpful, frankly.

Mr SERCOMBE—Mr Milan, you and your colleagues talked a lot just now about SBS's relationship to other media organisations. My electorate in Melbourne, I know, is one of the most culturally diverse in the country. I have been interested over recent times to see anecdotally a pick-up in the subscriptions to TARBS, particularly amongst a number of specific ethnic communities. I wonder how you see SBS and the media marketplace in relation to subscription television services like TARBS.

Obviously TARBS does not give much good news at the moment to Australian production, by definition, given the nature of the offshore material that it uses. I understand also anecdotally that TARBS, if it has not done so already, is on the point of transmitting its material into the North American market. I just wonder whether there is any capacity for SBS to be exploring a relationship there in terms of gaining access to big markets like North America, potentially from a platform like TARBS or something similar to it. Commercially that may not be possible for all sorts of reasons—and I understand there are some fairly colourful characters involved with TARBS as well, such as Mr Boulos.

Mr Milan—I have not met with Mr Boulos.

Mr SERCOMBE—I just wonder how you see SBS's position in relation to, in both the Australian market and potentially offshore, the connection with an organisation of that type. I am not necessarily inviting you to talk about that particular one, but I think they are probably the biggest in that marketplace in Australia.

Mr Milan—Yes, the simple answer to your question is that there is very little we can do with Mr Boulos in terms of export. The reason is not because we could not reach a commercial arrangement to use his carriage facilities—whether we would want to or whether there would be other alternatives—but the reality is that it is simply copyright.

Mr SERCOMBE—I see.

Mr Milan—We get a lot of requests for SBS from overseas countries. We only buy the Australian rights to many of the wonderful films you see on SBS. Even with the programs we make ourselves, as I have just explained to the committee, we are only buying the first-run television rights for Australia. In fact, there really is not a basis for that negotiation to take place. We do piggyback with him. He brings in our Russian news service for instance—that comes in through his satellite system—so there is a relationship. It is a bit strained at times because, of course, they are the competition to some extent.

Mr SERCOMBE—To what extent are they the competition? In terms of your customers, as it were, to what extent is a subscription service like TARBS directly competing with you? I would have thought your market was considerably broader.

Mr Milan—It is specifically in the area of rights from overseas news bulletins. What has happened in a couple of instances—and the Polish news service is probably the best example—is that we were supplying a free service to Australia because we were getting a free service from the Polish broadcaster. Mr Boulos said, ‘Give us exclusivity and we’ll pay you some money,’ and that service was no longer available to us and our audience. The essential difference is that SBS provides a limited and very diverse service—because we only get short bits of programs for each language—but it is a completely free service, whereas Mr Boulos obviously has a paying service. It is quite expensive.

Mr SERCOMBE—Yes, it is.

Mr Milan—It is about \$60 a month—

Mr SERCOMBE—It is \$65, I think.

Mr Milan—for a service. But can I say again, I would not want to discourage Mr Boulos because I think SBS is there to seed ideas and to create. If someone can then make a buck out of supplying a service that we currently supply free by doing it more comprehensively, then I believe that that should be encouraged—and good on him. But I do not think it really replicates what we do as a free-to-air broadcaster. Of course, there is a whole range of language groups and communities we serve through both our radio and television services that simply would not be economically viable for a commercial operator to get to.

Mr TICEHURST—The way you are working is very interesting. I picked up on your comment, too, about the smaller company when you look at yourselves in relation to the ABC. We have a parallel there with Telstra Country Wide. They have been very successful because they have adopted a commercial service oriented outlook. I guess that is the difference between SBS and the way the ABC are operating. I am very pleased to hear about these commercial deals you are doing because that is the way to expand. I come from a business background and one of the maxims I learnt when I was running a British company out here was: 25 per cent return on net trading assets, minimum 10 per cent net profit at the end of the day. Providing you keep within those sorts of guidelines you can only grow from there. But it did not matter really, because however big the Australian operation was it was never any more than five per cent of the revenues of a global company, and it is a global market these days.

We had some Americans here yesterday. I like to point out our cars to the Americans, particularly the new Fairlane and the Statesman, because they do not have cars over there which are the equivalent of ours. They just do not understand that a country like Australia can design cars that are in fact better than a lot of the things they produce. But, really, that has come from getting rid of tariff barriers. It has come from competition and design capability, which I think Australia has proven, and your challenge, in your industry, is not much different.

CHAIR—No. Good point.

Mr Berryman—It is exactly the same. The future of public broadcasting is how it can be businesslike and ingenious, but at the same time maintain its independence and its public charter. It is a healthy and fun challenge.

Mr TICEHURST—I must say I was very pleased: I have a set-top box and the thing automatically goes through and selects the channels that it can pick up and there are three, SBS being one. I think you have more on digital down here than any of the other groups.

Mr Milan—Yes, we have. We say there is a lot of smoke and mirrors in what we do in digital, but I am very proud of the services we have developed. To take your point, we have developed a business on my watch with very little increase in government funding. Most of our money has come through the partnership process and improving our commercial income.

Mr TICEHURST—But you are a commercial man background-wise, too, as I understand it.

Mr Milan—I would say I come from a mixed background. I have played on both sides of the fence. It is enormously enjoyable and challenging. As I said before, I feel very privileged to have the job I have.

CHAIR—Thank you very much, Mr Milan and your team. If we have any more queries we will get back to you. I thank you for being generous with us in coming down to Canberra rather than meeting us in Sydney, which was difficult. Your evidence has been most useful.

Mr Milan—It was a pleasure, and thank you for giving us a hearing. Let me reiterate, if you find the time when you are next in Sydney, we are more than happy to show you around.

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

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

Committee adjourned at 10.23 a.m.