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

TUESDAY, 30 SEPTEMBER 2003

ADELAIDE

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://parlinfoweb.aph.gov.au

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

Tuesday, 30 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 Pyne 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

Committee met at 10.36 a.m.

SIEGELE, Mr Gregory Peter, Chief Executive Officer, Ratbag Services Pty Ltd

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Information Technology and the Arts and its inquiry in the future opportunities for Australia's film, animation, special effects and electronic games industries. The inquiry arises from a request by the Minister for Communications, Information Technology and the Arts, Richard Alston. We have issued a public invitation for written submissions and have received more than 90 so far. The submissions and evidence received at public hearings have presented consistent themes and clear suggestions for improving policy in this area.

This is the ninth public hearing for the inquiry. It is the first hearing to be held outside the eastern seaboard. We have received written submissions from South Australia, Tasmania and Western Australia and we will be hearing from all of those states today. The first person we welcome to our hearing today is Mr Greg Siegele from Ratbag Software. I have to let you know that, even though we do not require you to give evidence under oath, these are proceedings of the parliament, and so if you were of a mind to give false or misleading evidence it could be regarded as a contempt of parliament. We also like to give all our evidence in public, but if you want to give anything in camera you can request that and we will consider that request. Do you want to make any opening statements about our inquiry and your views, before we proceed to questions?

Mr Siegele—Yes. I am chief executive of Ratbag Services and I am also Vice-President of the Game Developers Association of Australia, and so I appear today in both capacities. I was one of the founding board members of the association.

CHAIR—That is with the man from Canberra. What is his name?

Mr Siegele—John De Margheriti.

CHAIR—That is right.

Mr Siegele—Firstly, I would like to thank the House of Representatives for taking an interest in our industry, in film and media generally. That is extremely encouraging and we really welcome the opportunity to talk about our industry. I was involved in the preparation of the paper that was submitted to the inquiry by the Game Developers Association of Australia, so I fully endorse all of the comments made in that paper. Today I would like to talk to you about Ratbag—what we do and what the issues are for us—but also say something more about the association and the business case paper that we will be presenting to DCITA—the Department of Communications, Information Technology and the Arts—in the next couple of weeks.

Ratbag makes video games for PlayStation 2, Xbox and PC. We have been in business for 10 years. It took us four years to get the company off the ground. The first four years were extremely difficult, but we managed to secure a publishing deal with a major international publisher in the United States and that really got us going. With that deal, we made our first game PowerSlide, which went on to win racing game of the year around the world. The

technology that was used in that game—the graphics engine—also won some awards. Not only was it a great game; it proved that we have the 'smarts' to be able to do better than the competition.

Since that time we have made eight games, specialising in North American motor sport racing, and three games have won international awards for racing game of the year. We currently have 50 staff, and we are now hiring more people. We are branching out into global titles that include action drama and involve a lot more story as well, so we are beginning to use a lot of people from the film industry in our development. In fact, we have become dependent, to some extent, on skills in the film industry. For example, we use screenwriters, editors and post-production houses, animators, voice actors; a whole range of creative people from film and TV to help us make our games. The games are focusing much more on story.

We have signed two new contracts in the past month—they have not been formally announced yet. The first one is with a French publisher called Ubisoft which is based on a successful TV show. The TV show is being made into a film next year, so we are working with Warner Bros in this case to develop that game. The second game we signed last month is with an American publisher called AT Division. It is a war game that is based on one of their most successful franchises back in the Atari 2600 days, so that game is 22 years old now and we are doing a remake of it.

The industry in Australia is characterised as one that is extremely cooperative and collaborative. We, like nearly all other developers in Australia, get 98 per cent of our revenue from overseas. The way that we look at it is that we are not really competing with each other; we are competing with developers overseas, so we do everything that we can to support each other. The Game Developers Association of Australia really has achieved a lot in the last two years in terms of doing things that are important for the growth of the industry and removing some of the barriers that we face. If you are interested, I could touch on some of the runs that we have on the board, although they will be contained in a letter that will be sent to you in a couple of weeks, so we can leave that for later. It is entirely up to you.

CHAIR—You can touch on it in your opening statement as well, if you like.

Mr Siegele—As an example, in May of this year the Australian industry attended the E3 Expo—the Electronic Entertainment Expo in Los Angeles—which is the biggest trade show for the games industry. We had the largest ever Australian presence. It was done in conjunction with Austrade and, as a result of the trade show, more than $A10 million worth of deals were signed. Since 2000 we have been holding the Australian Game Developers Conference, which is currently in Melbourne, and is supported by the Victorian government and has major sponsors such as Microsoft and Sony. We have established a national headquarters and appointed an executive director: Evelyn Richardson who you have met.

CHAIR—Yes. She came to Canberra.

Mr Siegele—There is something else that we have done but it will not be announced for a while yet. Shall I save that for later?

CHAIR—Save it for later.

Mr Siegele—We attended the Game Developers Conference in San Jose in March of this year and next year we will have a much stronger presence. I am just touching on the key stuff. We have commissioned an industry development strategy and, in conjunction with Multimedia Victoria and FilmVictoria, set up a digital media fund for prototype development of games. The GDA has also been actively meeting with most of the state based film bodies. The GDAA has an agreement with Sony Computer Entertainment Europe. It is the only time that Sony anywhere in the world has agreed to provide development kits to start-up developers. This allows start-ups to get into the industry, and the Victorian government has put up $250,000 to buy 12 development kits and a performance analyser, which has been given to Victorian developers. Four to six development kits will be provided to Queensland developers by the Queensland government and Brisbane City Council. The ACT has also expressed interest.

We are currently in discussion with Microsoft for a similar program for the Xbox development kits and, of course, the industry has been heavily involved with educational institutions, such as the Academy for Interactive Entertainment and QANTM in Queensland and various universities, to try and put together programs that are relevant to the games industry. They are some of the highlights of our achievements to date. The impressive thing is that Evelyn Richardson has not been with us for long and a lot of these things have been achieved by the chief executives of all the game developers around Australia who are obviously extremely busy people, working 80 hours a week.

CHAIR—What is the motivating force behind this cooperation between the Australian game developers?

Mr Siegele—We basically see that it is essential for us to gain critical mass here to be a global player. We need to grow in order to have an industry that is big enough to support our individual goals and aims, so education is very important. Attracting talent from overseas also is necessary because we are a growing industry. We need to get people with 15 years experience from Europe and from the States to come out here.

CHAIR—What has been your experience in the past when you have not been operating as a cohesive industry? Do you get picked off by the United States multinationals and they come and buy your firm and take the intellectual property? Is that what used to happen? Is that what you are trying to avoid in the future?

Mr Siegele—Not really. That has not been the case. We have a healthy industry here and there are enormous opportunities for growth in our industry, but also it has been characterised by a lot of struggle. It is a difficult business to be in, it is high risk, and we have been completely dependent upon funding from overseas publishers.

What is happening in the industry now is that it really has grown to the point worldwide where video games are mass market and there are a lot of people playing them. We are becoming like Hollywood: the blockbuster titles are grossing half a billion dollars and the niche titles are now not really competitive. Publishers now are focusing on fewer titles and putting a lot more money into those titles. The threat that poses for the Australian industry is that those publishers are really focusing on American developers. Nearly all of the investment in video games comes out of America now. The money is going to American developers, although we are still getting deals over here in Australia. For example, Ratbag has just signed two and I know several other

developers around Australia who have signed for major deals, too, with budgets around $A2 million up to $A7 million.

The Australian industry can be characterised really as a fee-for-service industry. We are making games for American publishers, sometimes European publishers. They own the intellectual property. They also make the majority of profit out of the games. All the Australian developer does is get a margin on the work they do. If they have a hit then they see a royalty, or if they have a good game they see a royalty. But making that small margin is difficult to grow a business, especially when you finish a project and you might have 30 people working on the game and that might mean a burn rate of, say, $200,000 or $240,000 a month. When they have finished that game, you need to have another game ready to roll straightaway, otherwise you are burning $250,000 a month and that very quickly eats up your margin. If you do not get that next deal in the door quickly, then you have the threat of losing your business. That represents the greatest threat to the Australian industry.

In the business case that we will be presenting to DCITA we will be suggesting a couple of solutions to the problems of attracting investment in video games. I cannot go into any detail on the business case now because we really want to present it to the new minister and the department. I can just briefly mention the general thrust. Stimulation of investment is the most important thing. What we propose is that the government set up a games investment fund based very much on the successful innovation investment funds, where some money is put in by government and it is also matched by institutions and the fund is run by an institution and then money is invested in video games. In conjunction with that, we propose a managed investment scheme that allows those funds, or the games investment fund licensees, to raise further investment capital from individuals within the Australian community.

The second prong is to extend an application of division 10BA of the Income Tax Assessment Act to apply to video games. If we do that it will allow individual developers to directly raise investment moneys from investors around Australia, which currently is very difficult to do.

CHAIR—Have you done any studies on the taxation impacts of extending 10BA to video games and whether that is revenue neutral or will cost the government money?

Mr Siegele—Yes. We have engaged Allen Consulting to prepare the business case and they have done some costing.

CHAIR—This is just for video games?

Mr Siegele—That is right, yes.

CHAIR—Because there has been work done by the television industry on the same thing. They have papers they can present to the committee. Perhaps when Allen Consulting present to the Game Developers Association of Australia, you might make those studies available to the committee. We would be interested in that, wouldn't we?

Mr TICEHURST—Yes.

Mr Siegele—Okay.

CHAIR—They came up with a result that said because of the amount of tax that the actors and others would be paying when they are in Australia for long-term television series et cetera, there would actually be more money coming into the government than would be foregone by the government by the extension of 10BA to the television long-series market. It will be interesting to see what the results will be with video.

Mr Siegele—Yes, thank you. I will definitely follow that up. They may well have had a look at that already. They have done some costing based on some work—I do not know if it was by Treasury or who it was—and they estimate the cost at about $2 million per annum. My personal opinion is that I think 10BA would be revenue positive because I think that was in relation to film and TV. In relation to games, I think it will be revenue positive because, as I said, 98 per cent of our sales come from overseas. If we can finance a game ourselves here in Australia then we will get a royalty which is two to three times greater, which means we are generating export revenues which are two to three times greater than what we currently do.

Mr TICEHURST—Why is Ratbag successful?

Mr Siegele—The No. 1 reason is because of our people. We now have 50 people in our company. They range across a number of different disciplines. We have programmers, engineers, mathematicians, physicists and, on the arts side, animators and modellers, texture artists, industrial designers, graphic designers. All of these people are amongst the most talented in the world. We are very lucky to be here in Adelaide where we have three universities and a number of TAFEs and they, along with the private sector, produce a lot of very talented people. Australians work very hard—they are amongst the hardest working in the world—but they are also extremely creative. What that means is that we have been able to make some very exciting games. Our games would be a lot more successful if we were getting the budgets that our competitors are overseas. That is the No. 1 reason. We have a cost advantage in that it is cheaper to make games here in Australia than it is overseas, but that really is not relevant to publishers. They are not too concerned about cost. They are concerned about quality and risk.

CHAIR—And content.

Mr Siegele—Yes.

Mr TICEHURST—With your staff, how many are TAFE trained versus university trained?

Mr Siegele—Between five per cent and 10 per cent would be TAFE trained and the balance would be university.

Mr TICEHURST—What courses would they undertake?

Mr Siegele—That is on the creative side, so graphic design mainly. For example, we do not employ any IT graduates from TAFE. In fact, we do not even employ people from IT disciplines within the university. They have to be programmers or engineers or mathematicians, because it has to be at the top end on the programming side.

Mr TICEHURST—Are these staff employed as full-time workers?

Mr Siegele—Yes, they are. That is why things are so difficult for us. In the film industry there is a lot of freelancing, casual labour. When a project starts you can grab whoever you need and pull them together, make your project and then they all disappear. In video games you really need to have full-time staff because of the complexity of what we do, all the R&D which needs to be done to make a game, although it is possible to outsource some of the art component. We are now starting to do that. That minimises our risk. For example, for the two latest games we have signed we are outsourcing the animation to a film special effects company. We may also outsource some of the modelling.

Mr TICEHURST—Do you provide games to Europe, or is it mainly North America?

Mr Siegele—Ratbag has focused on North America, but we basically created a niche for ourselves in North American motor sport. These two new games we are doing are global. We expect to get half of our sales from Europe and half from North America. There are other companies in Australia that get a lot of revenue out of Europe. It really depends on the genre of game which they make.

Mr TICEHURST—In some of the submissions we have had people say that broadband is a restriction to the development of the gaming market and maybe more so the film market. Do you find that a problem?

Mr Siegele—For Ratbag it is not currently a problem. We share an office with Chariot, which is an ISP here in Adelaide. We just connect straight into them. It has not been an issue for us. Every four weeks, or six weeks, we deliver milestones to our publishers and we do that over broadband. We are sending very big files. They are not as big as the film industry. In our case it is more like a gigabyte in size, but it is essential that we have broadband.

Mr TICEHURST—You mentioned earlier that the games are now focusing on being a story. How long would a game of that type play?

Mr Siegele—It really depends. The shortest is six hours. Probably there are more casual gamers now than there are hard-core gamers. Hard-core gamers are people who, around 15 years ago, would spend 20 hours a week, or 50 hours finishing a game. Today there are a lot more casual users and they like to spend about 10 hours on a game. There is a new game that has come out recently on the Xbox called *Star Wars: Knights of the Old Republic*. You could spend 50 or 200 hours playing that. One of the reasons it is such an exciting game—a lot of commentators are saying that game is a much better story and a much more compelling experience than the last three *Star Wars* films—is because you are getting into the complexity now where the narrative element within a game is as good as a film. In the case of this particular game you start out as pretty much a nobody and you join the Jedi Force and away you go and develop your skills and just travel all over the universe. It is set a couple of thousand years into the future. You develop your special powers, use the Force and everything else. If you want, you can turn to the dark side and join the Empire. It really is quite exciting.

There is another game coming out soon, which is based on the James Bond property. That is being made by Electronic Arts. They have gone to Pierce Brosnan and licensed his likeness. They are using that in the game. He is also doing all of the voice-overs for James Bond. They have found a lot of other very prominent talent within the music industry and the film industry to

play all the parts in the game. That is not based on a film. That is just based on the James Bond character. That is a very exciting project, too.

Mr TICEHURST—What type of people have time to spend playing these games?

Mr Siegele—Some research has been done in North American by a number of different organisations—and if you want I can provide you with copies of these reports—which shows 60 per cent of Americans now play video games on a regular basis; 70 per cent of our market worldwide is adult. One interesting statistic is that more adult women play video games than boys aged six to 17; it is 26 per cent versus 21 per cent.

CHAIR—That is not what the mythology is, is it?

Mr Siegele—No. A lot of people think it is just a market for kids but it is not that any more. There are actually a lot of 50-year-olds or people over the age of 50 playing games now, too.

Mr TICEHURST—These games are stand-alone, are they? They are not interactive? Are they played on a local PC?

Mr Siegele—Yes, in most cases they are. You play on your PC at home. You do have the opportunity to connect to the Internet but they are not online only, and it is the same with most of the console games, too.

Mr TICEHURST—How does that experience translate to Australia from the users' point of view? Is it similar demographics?

Mr Siegele—We have never done any studies here but I suppose anecdotal experience is very similar, yes.

Mr TICEHURST—Essentially you produce the games here or produce the design for the games, they are published in the States and then, I guess, they are imported back into Australia? Is that how it works?

Mr Siegele—In the case of PlayStation 2, for example, Australia falls within the European territory, because we have a PAL TV system, and there is only one place in Europe where they make PlayStation 2 games. It is in Austria, so all games are made there and then they are shipped all over Europe and to Australia. In the case of PC games, they do the manufacturing here in Australia.

CHAIR—You said that you received 98 per cent of your revenue from overseas. What do the overseas people who contract you require of you? Do they want to own the intellectual property?

Mr Siegele—Yes.

CHAIR—You do the work for them and they pay you for all that and they take the game and that is it? You basically give work from one fabulous created game to the next?

Mr Siegele—Yes, we make the game for them. In the old days, when the budgets were smaller and developers had a bit more negotiating power, you might be able to retain rights to the game—for example, sequel rights. You would be guaranteed that you would make the sequel. Today, because publishers are putting up the $5 million to make a game, they demand that they control all the rights. They do not want to take any risks.

CHAIR—Is that a cycle that you can see being broken or do you think that is just the reality of the industry and that Australia, because of the smallness of our market in comparison to the United States, is just going to have to get used to that? Is there any attempt to try and change that? John De Margheriti was talking about trying to keep control of the royalties and some of the intellectual property et cetera, but you do not seem to be too fussed about that. Is that right?

Mr Siegele—No, that is something we definitely want to do. It is vital to us. That is one of the benefits of self-financing. If we can finance a game ourselves, it means that we own the intellectual property. The top 10 selling games last year were all sequels. There is a lot of value in a sequel, especially in the games industry; a sequel is always better than the game that came before it because you can improve your technology and so forth.

CHAIR—Do you have to secure distribution rights if you produce it yourself?

Mr Siegele—Yes. I will briefly explain both models. First of all, under the traditional deal with a publisher, we go to a publisher and we agree to make a game for them. They pay us in milestone lumps, so that we might get $200,000 a month from them to make their game. When we finish the game, they go off and manufacture it, they distribute it, do all the marketing and the PR. They own all the rights in the game. We get a royalty on the game, which is, say, 15 to 20 per cent of the wholesale price, and the publisher pays us that royalty but not before they have recouped all of the advance they gave us to make the game.

If we were to do a distribution deal, we would raise the finance ourselves here within Australia. Then we would go to the very same people and do a deal that is very similar, where they still do the marketing and the PR, the manufacturing, the distribution. The difference is then we get a royalty that is two to three times what we received before. It would be, say, 40 to 60 per cent. We have actually had offers for 60 per cent distribution deals with some product that we have taken to publishers if we could get it financed.

Mr TICEHURST—Your milestone payments are advanced on royalty, are they?

Mr Siegele—That is right, yes. It is a little different to a book because it does not cost you $5 million to write a book. With a game, you are spending all that money to make it and then you hope that it does well, in which case you then start to make money on top of that.

CHAIR—What is Ratbag's story? You started off doing everything and then discovered you were good at doing racing games? Is that what happened?

Mr Siegele—Our first game was a racing game, yes. It was an arcade racing game that we sold all over the world. I think it has done about 300,000 units. We discovered a niche in speedway racing, which has been our focus for quite a while. Our technology is so good and our people are so good that we really want to branch out and make games that have the potential to

gross $100 million or more. That is why we are now moving into the action titles that are much more character and story based.

To go back to the benefits of financing, obviously we can double or triple our revenues by doing that. The second thing is that we can then own the intellectual property in everything that we create. The third advantage is that we have certainty about future projects and the timing of those projects. Ratbag has faced a couple of nasty situations in the last couple of years. We started developing a game for Universal. I think you are probably aware of the Vivendi accounting scandal. Vivendi put up Universal group for sale after we had started development of the game for them. They cut all the projects that they started, because when putting a group up for sale they do not want to start anything new and create any new expenditure. That project was cut. We had 15 people working on that game and we had to pay to cover the salaries and all the costs related to them while we found a replacement game for them, and it took over six months to do that.

We had another similar situation where there was a change of management within a company. When the new manager came in, they cut all of the previous manager's projects and we had the same problem again. If we were financing our own products, then we would know that when we had finished a game we could start another one. We would also know that that game would go to completion. We have removed that risk, which has been the biggest threat to Ratbag.

I can quote as an illustration a Queensland company called Evolution, who put out one game. They only made one game. That was based on the Nickelodeon children's TV licence and it was hugely successful and sold 400,000 units. They started making a second game for the same publisher and then that publisher decided that developing games in Australia was great and they would start their own studio here, so they pulled out of the project with Evolution and unfortunately Evolution had to close its doors because they knew they could not find a replacement project quickly enough. That company is no longer here. If they were self-financed, that would never have happened.

I will maybe just give you a bit of an illustration as to the financial impact or the financial comparison between the standard publishing deal and self-financing. Let us say for the sake of argument it cost $4 million to make a game. If we had to do a publishing deal, the publishers would give the developer $4 million to make the game. They would be paid a royalty of, say, 20 per cent of wholesale. The game is released; it sells. The royalty the developer might receive might be, say, $5 million—and that is not unusual; that is probably pretty standard. After the advance is deducted, they have received a million dollars in royalties.

That is not a big margin and it is difficult to keep a company afloat, especially if you are six months without a project. When you have finished that, you do not know where the next one is coming from. If that company had financed the game itself and received a 60 per cent royalty, the cost of developing the game is $4 million, the cost of money and other costs associated with self-financing might be, say, 25 per cent, so the total cost is $5 million. The royalty paid by the distributor or publisher is three times what it would have been, so that instead of being $5 million it is now $15 million. The net royalty the developer received is $10 million, so it is a difference between $10 million and $1 million.

With $10 million you can go out and make two more games, so it really makes a huge difference to our industry and would enable us to really grow at a rapid rate. There are plenty of opportunities in the games business. It is considered to be the fastest growing industry amongst all of the media and it is not a small industry to start with. Estimates of global sales in games vary between $US21 billion and $US25 billion for the last period.

CHAIR—Even in Australia, the take from video games is about the same as the take from cinemas. People do not really know that, do they?

Mr TICEHURST—What is the limitation with self-financing from the Australian perspective?

Mr Siegele—It is basically just the fact that there are no sophisticated investors out there. By that I mean that they are not familiar with the games industry. They do not know anything about it so they are not aware of what the risks are and therefore are not prepared to invest in it. That is why there is a suggestion that we get a games investment fund started. It is something to just kick-start the investment community, because games are extremely profitable. They are even more profitable if you can finance them yourself. The fact that they are profitable is evidenced by the fact that publishers overseas are quite happy to give Australian developers the money to make these games. What we need to do is get investors and institutions in Australia familiar with the industry, and a games investment fund would do that.

Mr TICEHURST—Is the games association working on that as a project?

Mr Siegele—Yes, and that is the main thrust of the business case that we will be presenting to the minister in the next couple of weeks.

CHAIR—Thank you very much, Greg, for coming along today. If there is anything else we will get back to you. Good luck with it all.

Mr Siegele—Thank you very much.

[11.17 a.m.]

CROMBIE, Mrs Judith Elizabeth, Chief Executive Officer, South Australian Film Corporation

CHAIR—Welcome. I need to let you know a few things. We do not take evidence under oath, but these are formal proceedings of the parliament. If you are of a mind to give false or misleading evidence—which we would not assume you would be—it could be regarded as a contempt of the parliament. We like to take all our evidence in public, but if you want to give any evidence in camera you can request that and we will consider that request. Do you want to make any opening remarks?

Mrs Crombie—No, I do not, because I was only going to speak about the South Australian Film Corporation and its role—what we are doing in the way of traditional and digital media.

CHAIR—Why don't you do that?

Mrs Crombie—I do not feel qualified to talk about other people's activities. We are a government funded organisation. We have been going for 30 years. We currently receive state grants totalling approximately $5.4 million, 70 per cent of which are directly channelled to the industry—that is, film, television and digital media—through our programs of assistance. For instance, we have script and project development areas, new writers, documentary film-makers, programs, marketing, loans and incubators.

The incubators are something that we have introduced fairly recently. They are designed for, particularly, scriptwriting for documentaries, feature films or television. However, there is a crossover. We are aware of that, but sometimes people in those incubators go on to do different things by way of digital media as well. We are basically looking at content creation. As such, our project officers have all been retitled that—'content development'. It is in their interests and in ours—and certainly in the industry's—that the members of the staff are aware of exactly what is going on, as much as one can be, and it is good for their own personal development, I feel.

We have an education content fund that has been going for years. In fact, until June this year it was the called the Government Film Fund. That was a good thing. The SAFC, under legislation, has copyright on any films made for, by or on behalf of government departments. It has worked fairly well. It has been a very good training ground, particularly as Scott Hicks, Mario Andreacchio and a lot of other film-makers have cut their teeth making those government films.

In the last couple of years it has not been as effective as we would like, and we have decided to now call it the Education Content Fund. It still has the same idea—to work with government departments—but it is providing funds for the production of education specific resources. It is across all genres—that is, online video, television and games—and the projects must have production partners who will commit funds and resources. The idea is that it has potential for return. Therefore, the distribution will be wider than previously expected under the Government Film Fund.

Our first project under this fund is *Zero to Five* with the education department. That is a parenting series. We have contributed $200,000 and, with distributors involved, hopefully the project will get up to $500,000. Again, it is a training exercise, but one that has probability and an engine. We also have a creative development strategy. This year we have fully funded two short films at $25,000 each. Under this strategy comes the hothouse. That is where people with some experience—not emerging film-makers—live with us for a year fully funded and get a stipend of $10,000 to work on their projects.

In relation to the digital media program, this is the third year of three years of funding. Under the state Liberal government, we received $750,000 per annum for three years. I am hoping it will continue, because I think we have been pretty successful in what we have managed to achieve and implement during that time. We have production accords with the ABC and with SBS. The ABC one is 4 Minute Wonders. We did 12 little films at $15,000 per project. The initiative is supported by Triple J, Fly TV—before it flew, ABC, New Media and the SAFC. It is a partnership that encourages the development of music video and digital media production skills. A lot of them are up on our web site already and on the ABC's web site. The first three in round 1 were invited to screen at the Edinburgh Film Festival. This is very much an emerging film-maker initiative. It has been fantastic and hugely successful, to the point where Film Victoria are now taking on the same initiative for their film-makers. The commitment by us is $200,000 for two years, so $400,000 all up.

The SBS one is a joint initiative with their television and digital media areas. It is a 20-week intensive laboratory, with nine practitioners involved. On SBS, they are advertising, 'My space is an amazing place.' Viewers can ring in or write in and say, 'Hey, I want a story about what's going on in my head,' or, 'The abattoirs is a fabulous place,' or whatever. These stories coming from the public will be sent to the production laboratory, and representatives from SBS and the SAFC will choose films. They range from 90-second interstitials for television to a sometimes much longer product that will be online. Again, this is a two-year initiative. This is the first part of it, and we will see how it goes, but the objective is 25 interstitials for broadcast.

With that $750,000 that we receive, we do project development, particularly for digital media. That is up to $10,000 for early development, basically supporting the feasibility testing of projects to the point where they can be pitched to other investors. We also do advance funding, which is up to $50,000, and that supports further development of projects that have been able to attract third party development and can demonstrate the potential for production finance.

What else? We are very keen to work with partners and collaborators. We have worked with the Australian Film Commission. We have worked with the Department of Transport and Regional Development. With them we conducted an audit of all the new and traditional media training courses in South Australia. That is something that is constantly changing, so it needs to be monitored every six months.

We worked with the Regional Eastern Adelaide Development Initiatives Inc under a project called TACTIC, which was the Technology and Arts Communication Training and Industry Collaboration. The project secured structured work placements for year 12 students. We wanted to link the creative industries to those senior secondary school students who were looking to train in media related fields. It was an 18-month exercise. During that period we placed 77 students, which I think is terrific.

We have also been involved with CineNet which, as you will probably hear about today, is a broadband initiative to service the local industry, and MNet. We were a foundation member of that but, being government, we are no longer involved in that, now it is up and running and funded.

This year in February we ran a think-tank called Crossover. It will be held every second year, I hope, to coincide with the Adelaide Film Festival, who we work closely with. It was a mixture of local and interstate participants and basically designed to encourage all the participants to think outside the square and to cross-skill and just be aware of each other's creativity. As a result of that, teams have been formed and we have siphoned some money from our ordinary development initiative for digital media and put it directly to funding the projects that are a direct outcome of this Crossover. It was a week that they spent away from everyone else and worked together.

We are involved with the Australian Network for Art and Technology and the film festival again. We combined to fund the Thinkers in Residence, one of the projects there which is one of Premier Rann's initiatives. This year—well, it has been approved—Blast Theory will come here for three months. It is a British performance company that practises across all media and disciplines. A master class will be held here next year and the outcome of that is hopefully that there will be projects that go into the existing British thing called *Uncle Roy All Around You*. I do not know much about it, I have to say.

That is basically what we do in the broad sense of it. We are very aware of trying to up-skill, cross-skill and create an environment and support an environment where people can work in South Australia. It is as simple as that.

CHAIR—What about major film production in South Australia?

Mrs Crombie—Yes.

CHAIR—The South Australian Film Corporation has a long history of very successful major films. That really led the regeneration of the Australian film industry in the seventies but you did not talk much about the major film production part.

Mrs Crombie—I can get to that. We have positioned ourselves as the home of independent film-making, for a very good reason. We are a small state. We are not hugely financed as far as the Film Corporation goes in comparison with its eastern state organisations so we have tried to be smarter about it. Personally, I am passionate about the Australian industry. We have carefully targeted people who have talent who will make films here.

We have a small but very strong representative group here, with Rolf de Heer, Mario Andreacchio and Scott Hicks, and we are encouraging them all to make films here. Paul Cox makes films here and, at the moment, I am delighted to say that we currently have in pre-production his new film *Human Touch*. Rolf de Heer will be shooting *Ten Canoes* up in Arnhem Land but we will be doing the post-production here. We have *Deck Dogs*, which is the first feature by Steve Pavlovsky, who was nominated for an Oscar for a short film this year, and that film is being produced by Bill Bennett. We also have Anne Turner's new film, scheduled to come in towards the end of the year. In an environment where it has been incredibly tough for

the rest of Australia, we have done quite well. Our budgets are not fantastic, no doubt about that, but we have worked and we have made 25 feature films in the last four years.

The biggest coup I think has been getting *McLeod's Daughters* here, because, apart from the cultural thing, it has sold in over 100 countries and therefore it is seen by more people than all the Australian industry put together, audience-wise. It is now in series 4 and it has created over 400 new jobs. It has provided a lot of economic benefit to the state so I am thrilled with that and long may it continue to be a No. 1 rating show. We are very closely involved in those films. We have two new projects coming up for funding at the Film Finance Corporation this week: fingers crossed on those.

CHAIR—There is obviously a lot of work going into building film studios in Melbourne. There is already Fox in Sydney and Warner Bros on the Gold Coast. There have been rumours and talk about film studios here in Adelaide. Do you give those rumours any credence? Is there any movement towards establishing film studios? Is it necessary? Does South Australia need to have film studios? Are there too many film studios in Australia, if there is one in Adelaide, one on the Gold Coast, one in Melbourne and one in Sydney?

Mrs Crombie—There are 18 all up, so it is more than one. We already have studios. Part of our peculiar charter is that we are expected to have commercial return on our studios and mixing facilities. We do have them. They are very tired and they are not industry standard any more. I am on a panel looking at infrastructure and the results of the review are due out in October. I do not know why they put me on the panel because I do not think it is necessary to have studios of the Paramount size or the Warner size in South Australia, but we do need one.

CHAIR—One central spot?

Mrs Crombie—Yes.

CHAIR—At the moment the studios are quite spread out. You have mixing and you have post and you have studios, but they are not all in the one spot as they are in Fox or Warner Bros, are they?

Mrs Crombie—They are at Hendon, yes.

CHAIR—Hendon—of course they are.

Mrs Crombie—We have two sound stages there, and an internationally recognised mixing facility. We have post-production offices, we have production offices, wardrobe, make-up, laundry, all in one spot, and it works incredibly well.

CHAIR—Why are you searching for new studios?

Mrs Crombie—They are not up to industry expectation; they do not have broadband; they do not have all the things that people expect these days. If, indeed, an American film came here or a footloose production came in, they could not use what we have.

CHAIR—We need a bit of sprucing up down there?

Mrs Crombie—Or moving. I do not think it would be prudent for us to compete with the eastern states at all. One might ask why our industry is working as well, but there is a lot of studio space vacant at the moment.

CHAIR—Interstate?

Mrs Crombie—Yes.

CHAIR—There is nothing at Warner Bros at all.

Mrs Crombie—No.

Mr TICEHURST—What is the relationship now between digital and film? Is there a move towards digital, rather than the old film idea?

Mrs Crombie—Yes, there is, but both lots will have their supporters. I am hoping that we might look at digital film-making for newer directors. It is very difficult for directors to get people to put lots of money into their films, but digital films might be a way of doing it and give them a start in life. I know it is happening in America; I have not had a lot to do with it.

Mr TICEHURST—How relevant is broadband then? If you have the older type of studio, when you talk about film, how does broadband link in with that? I understand with digital you would want broadband if you are transferring information.

Mrs Crombie—They transfer their rushes: they can send them overseas, interstate or wherever. It is not us; we are not producers. I want to make that very clear—we are not producers. We have tenants who are and they require this. They think it is going to be a lot more helpful in the global sense of working with international partners.

Mr TICEHURST—Why is the broadband not there? Is the facility not available, or is it the cost?

Mrs Crombie—We live at Hendon, which is a long way from where the broadband is. It is on North Terrace. There is a fantastic Telstra pipe at the Entertainment Centre not being used, but it is not at Hendon.

Mr TICEHURST—Is that why you are thinking of moving?

Mrs Crombie—One of the reasons. Another reason would be to have a cluster there that would encourage more work between organisations. At the moment there are 59 companies, I think, in the Norwood-Kent Town area—it stretches from North Adelaide to Kensington—and that is significant, but the cost there is pretty steep for us to relocate when there may be other options available. One of them could well be staying where we are because of financial pressure.

Mr TICEHURST—I am not familiar with the surroundings here; Kensington, to me, is just out of Sydney.

Mrs Crombie—Hendon is about 25 minutes down one of the major roads, but in Adelaide terms a lot of people think it is going to the other side of the earth.

Mr TICEHURST—You say you now have education programs in school.

Mrs Crombie—No. We have put kids from schools into work placements, and the Education Content Fund is education in the wider sense of the word. Hopefully, it will be seen by whomever—on television, through schools, through direct sales. We need distribution partners. This is a new initiative and it is being tendered at the moment, so I do not have any results to talk about.

Mr TICEHURST—Are you thinking of providing that film-making training as part of vocational education training?

Mrs Crombie—Yes.

Mr TICEHURST—That is excellent.

Mrs Crombie—We are very keen to see as many people as possible come into the industry and think that they might have a career and a career path, and it might have options. That is terribly important. It is a growth area and, for the money that the government entrusts us with, I like to think we do a good job in returns. I know our $1.6 million that we have in production investment has over four years—I should have brought the figures—and it is well over $100 million. It is a good area of growth and economic benefit to the state, as well as all the cultural things.

Mr TICEHURST—Yes. You said *McLeod's Daughters* was made in South Australia. Did the SA Film Corporation have involvement with that production?

Mrs Crombie—Yes, we did, in two ways. For the first series we invested $550,000 over two financial years—direct investment. Subsequently, we have not invested because it went to a prospectus and we cannot fund retrospectively. When it came out, we were cut out, which is good: we had money for other people as well. We support them as much as possible—and they are very willing to do this—by way of professional development.

We put attachments on the show wherever there is a gap, and we monitor the gap. We have a list of shortages in the industry—for instance, there could be a camera focus puller, or wardrobe assistant or something—and we have identified the shortages in the local industry and we pay $400 a week while the person is an attachment to *McLeod's Daughters*. It is not just *McLeod's Daughters* we do it for; we do it for every film that comes in. We negotiate with them to take on training so people can upgrade their skills. I am pleased to say that just about all of them are still in the industry and they have been re-employed by *McLeod's Daughters* for proper money.

Mr TICEHURST—Good. What about animation development?

Mrs Crombie—We do not do it. We have very little to do with it. That is not to say we would not; it is just that people do not come to us for it. With the 'four-minute wonders' there is flash animation. This is part of the whole creative process of what they want to do to tell their story.

CHAIR—'Four-minute wonders' is the partnership with the ABC, isn't it?

Mrs Crombie—That is right.

CHAIR—When I was at the ABC in Melbourne, they spoke very highly of the partnership with the South Australian Film Corporation. They felt that it was working extremely well.

Mrs Crombie—Yes, it is.

CHAIR—And that there were a lot of emerging film-makers who were using it as their platform for bigger things.

Mrs Crombie—That is right.

CHAIR—Which is very important. One of the purposes of a film corporation is, of course, to identify future success and nurture it, so it is obviously working very well. It is not very expensive, is it, for what you get? I think you get 25 short films for $400,000 or something like that. Isn't that what you put in?

Mrs Crombie—Twelve. They could have teams of three or five people, so if you multiply that, the employment is quite high and the creative opportunities are good. They only have to pitch the project, then a selection is made; then they can go and make it.

CHAIR—Have you just renewed that for another contract, or is it still the same one that has been going?

Mrs Crombie—It is the same one. The last three are being done.

CHAIR—I am very pleased about that. When Scott Hicks and Rolf de Heer make a movie here in Adelaide or in country South Australia, do they organise the finance themselves?

Mrs Crombie—We do work closely with them, because we generally invest in those projects. We are the minor investors, but we work closely with them and with the Film Finance Corporation. We do not have as much to do with the distributors or sales agents usually. Scott has not made a film here since *Shine,* but we are working on one with him at the moment and I am hoping that that will come off. Sometimes they do not need us at all. They do not need our advice, but they often need our money and, for what we can afford to put in, we get a very good return. If the film is made here and we have invested $250,000 and they spend $2 million here, the state multiplier is for every dollar spent it generates $2.15. I will explain this. There are 28 jobs created in the state for every $1 million spent in film. That is lower than the ABS statistics, so I like to use both.

CHAIR—We are not yet at the stage where a studio in the United States says to Scott Hicks or Rolf de Heer, 'We want you to make a movie and you can make it anywhere you like and we will pay for it.'

Mrs Crombie—I hope they will.

CHAIR—Yes, but they are not doing that yet. Is that right?

Mrs Crombie—Not yet. Another part of our business, of course, is providing location information and trying to sell the state as a location. Again, we do not have incentives like other states do. We have different locations, and we are film friendly. We understand what they generally require, and we market ourselves—as part of the AusFILM outbound missions quite often as well.

CHAIR—We certainly get a lot of that work on location, don't we?

Mrs Crombie—Yes.

CHAIR—Fox were telling us that they were off to the Flinders Ranges, to use that location as outback China at some point.

Mrs Crombie—That is right. Then we claim in our economic benefit what they spend here while they are here. It is quite significant money.

CHAIR—We heard that each of the state film corporations has their own very good promotion of locations, but there was an argument made that there should be one central spot on the Internet—or anywhere—where potential film-makers could go to find locations. Is there not that level of cooperation between each of the film corporations?

Mrs Crombie—Yes, there is. We work very closely with all of them. AusFILM, as you know, is the one stop shop idea. If they get a request for snow, they are obviously not going to pass it on to us, but desert they do. If the AusFILM representative in Los Angeles sends, say, three states a script that he thinks might be Maryland, we would all work separately on those sorts of promotional activities.

CHAIR—Do we get our share here in South Australia of that sort of locational work?

Mrs Crombie—No. We did not have money until recently either; $30,000, I think it was, to promote the state through the Office of Economic Development. We were granted a further $200,000, which came in on 30 June. That has helped us with hardware, software, commissioning shoots and to really start working—

CHAIR—There is quite a commitment from the current government for the film industry in South Australia, isn't there?

Mrs Crombie—Yes, indeed.

CHAIR—Would you say it was one of Mike Rann's pet projects?

Mrs Crombie—Yes, I hope so.

CHAIR—Yes, it appears to be. I am not of the same political persuasion as he, but I must admit I agree it is a good idea.

Mrs Crombie—It is a good idea. It has survived here for 30 years, which I think means it works.

CHAIR—It has.

Mr TICEHURST—You are doing something right.

CHAIR—Interstate, a number of the witnesses have said that they wished that they had the longevity and success of the South Australian Film Corporation. We obviously have something going for us—that we have managed to swim through the troughs of film. Are there any more questions?

Mr TICEHURST—No.

CHAIR—Thank you very much for appearing today.

Mrs Crombie—Thank you for your time.

CHAIR—If we need to, we will get back to you.

[11.55 a.m.]

NICOLL, Mr John Charles, Director, Screen Tasmania

REYNOLDS, Ms Margaret, Chair, Screen Tasmania Advisory Board

CHAIR—Welcome. We do not take any evidence under oath, but these are formal proceedings of the parliament, so if you are of a mind to give false or misleading evidence then it could be regarded as a contempt of parliament. We like to take all our evidence in public, but if you do want to say anything in camera you are welcome to request it and we will consider your request.

Ms Reynolds—Thank you very much. There is a separation between the advisory board and the CEO of Screen Tasmania. I would like to make a few opening comments. As I indicated informally, I have gone from the far north of Australia to the far south of Australia. What I have taken with me is a commitment to regionalism which has always been something I have felt very strongly about, living always in regional Australia; first in Tasmania and then in North Queensland, and now back in Tasmania.

Our submission is twofold in that we did want to tell the committee what Screen Tasmania is doing, because we too have a long history of making film in the smallest state; various versions of the Tasmanian film body have existed since post war. I was just trying to check the actual date, but it is certainly from about the fifties. I will provide that as a definite for you in writing afterwards. That historical basis of film in Tasmania is very relevant as, of course, it is here in South Australia. We wanted to bring you up to date with what Screen Tasmania is doing because there was a lull in activity in the 1990s and the new body has been operating for three years and, we think, has been highly successful.

With my regional advocacy, we also wanted to look at creative suggestions we could make about ways in which regional film-making could be encouraged throughout Australia. Obviously we are here primarily for Tasmania, but our idea of a special focus on the capacity of the outer states to contribute to the Australian film industry is something we feel very strongly about.

Obviously, because we are representing Tasmania, we will be focusing primarily on Tasmania but, as we say in our submission, we wonder if there is in reality a level playing field in terms of opportunities for states other than the two largest states, Victoria and New South Wales. We do not in any way want to take from the tremendous job that is being done in the Australian film industry, but we wonder whether there could be fresh initiative and fresh opportunity for something like a regional film-making fund. That is very much the core of our submission.

I will conclude by bringing you up to date with what has been happening in the Tasmanian industry. Some of you may be aware of the revival of the Tasmanian industry in recent years. Before the state body Screen Tasmania opened its doors in 2000, the local independent industry was pretty well finished. A small injection of funds through Screen Tasmania annually has seen that industry revive rapidly to its current state, where it will be worth about $5 million this year. We have gone from about $26,000 to $5 million.

Depending on whose measures you use, the industry now supports between 120 and 180 jobs which, in a small state like Tasmania, is very significant. Did that job creation and new programming happen just because people moved to Tasmania? Is it part of this trend we like to boast about—that everybody wants to come back to Tasmania? There were one or two cases that we will talk about during our discussions, but people who had long wanted to make films but did not want to go to Melbourne or Sydney were now able to make films. Companies started sprouting like mushrooms. People were found with all sorts of skills that had been lying dormant. Stills photographers started to move over to shooting movies; ad copywriters started writing feature film scripts.

Tasmania has a tradition of writing; there are many writers who make Tasmania their home. We have been encouraging that with a special program called *Cut and Polish*, which encourages writers to learn the skills of scriptwriting. Actors who had only graced the stage started to find their feet on the screen, and producers started popping up all over the place to drive the industry forward. But it is not only that people were unlocked; funds were unlocked as well, and all because a small state government fund of $750,000 a year was the catalyst for action. It was not just state and federal funding; very significant funds from the United States, Germany and Wales have begun to flow into the state—money that otherwise would not have been there or people would have been doing something else with it. Films would never have been made.

There is an industry maxim that is worth repeating: the future of the industry is always the search for new funds. Government can never provide all the funds that are needed for the industry, but the strategic placement of funds, we believe, is significant. We have demonstrated it at state level and we believe that, notwithstanding the encouragement and support that the film corporation is prepared to give, if there were just that little bit greater push for a regional film fund it would greatly enhance opportunities in Tasmania.

You can debate as much as you like whether one state is doing better or worse, whether digital will soon be on all our movie screens, whether 35 millimetre will go the way of Beta, or even whether more broadband pipes will allow greater efficiency. In the end, the growth of the industry—more jobs, more and better films and more stories told—is really about finding new ways of doing business, new ways of accessing markets and new ways of finding partners. We hope that through some of the work we are doing and some of the suggestions that have come out of this particular inquiry, there can be fresh and creative approaches for strategically placing money in different areas of the country, and obviously we will be batting for Tasmania. Thank you.

CHAIR—Thank you, Margaret. Tasmania obviously is putting quite an effort into the film industry. I assume it is an initiative of Jim Bacon's government.

Ms Reynolds—Yes, that is right.

CHAIR—I assume they are doing that right across Tasmania—Burnie, Launceston and Hobart. Are they picking a particular city or town to make that the centre of film and scriptwriting and so on in Tasmania, or is it spread across the state?

Ms Reynolds—Capital cities do tend to attract the greatest focus and the greatest effort in many respects. However, it is also very much a policy of the government to be regionally

focused. In a small state that is easier and is a priority for the state government. Through the work that Screen Tasmania has been doing, we do make an effort. For instance, we have run a number of film festivals and made a point of having touring film festivals. Next year we will be doing one for the bicentenary—a history of Tasmanian film-making. That will tour the state. In our grants program, we find that we are funding people who come from Burnie, Launceston, or wherever around the state. I have to say that the focus is on Hobart—obviously, the office is there—but we are always very sensitive to the fact that we need to be working regionally and encouraging film-makers or scriptwriters wherever they happen to be.

CHAIR—You talk about regionalism, which is of interest to me, because of course I come from a small state as well. In fact, all the states are small really, except for Victoria and New South Wales—and I guess you could argue Queensland. How would the Commonwealth decide on a regional policy in terms of film? Let's face it, film and television et cetera can be done anywhere. It is not like it needs to be on the harbour or at Docklands. The Commonwealth government could easily decide to have some kind of regional policy. As you say, there is a history of film-making in Tasmania and in South Australia, but what sort of recommendations could we practically make, if the committee was of a mind to do so, that would encourage the policy you have talked about?

Ms Reynolds—I will get John to take up some more detail in a minute but, as you know, leadership always comes from the elected members. Governments can lead departments or independent corporations in certain ways. If it were known that government was particularly interested in something like a regional film fund, it would be a matter of identifying what is a realistic amount. We do not want to be seen to be going into competition with and taking money from Sydney or Melbourne, but the democrat in me says that we pay our taxes too.

CHAIR—The small 'd' democrat.

Ms Reynolds—Yes. What are Tasmanians and South Australians getting from their taxes in terms of film-making and opportunities?

Ms Reynolds—Yes. What are Tasmanians and South Australians getting from their taxes in terms of film-making and opportunities? A new office has recently been set up in the Territory. What opportunities are our film-makers getting? How many of our stories are being told across this national industry? It is not that we want to set up a tension because we know that the cake will always be smaller than we would all like, but knowing that there is this amount of money for film, would it not be reasonable and would it not assist the industry, broadly, to identify a share of that as a special initiative for regional film-making? We were originally in the arts area of government administration. We have been moved since the last election into economic development.

CHAIR—This is in Tasmania?

Ms Reynolds—Yes. We are continually trying to get the message across within the bureaucracy and the community that we are about economic development. We are also arts and creative people involved in the industry, but it is that economic development that is so important for the state, as was said in previous evidence. *McLeod's Daughters* has generated so much opportunity and income for the state, quite apart from the cultural arts benefit. Whether you look

at it from the point of view of democracy and sharing around the nation, or whether you look at it from the perspective of the economy and regional economies—it is always harder to get new initiatives in regional economic development than in capital city economic development—from both perspectives there is great merit in government looking at this as a new initiative; not to take from but to be additional to the work of the national industry.

Mr TICEHURST—What sort of projects are you working on now that would encourage investment of that type?

Ms Reynolds—I will ask John to comment.

Mr Nicoll—I would like to add to what Margaret has said. For me, the most important thing with a regional fund would be that there are funds on the ground in the regions as in the experience with Screen Tasmania before we were there: a level playing field, administered out of Sydney—which is fine—in terms of which anybody can apply for money. The reality is that when you do not have local film offices in the regions, it is very hard for people to make the contacts and build the networks and infrastructure and so on. The important thing I would add to what Margaret has said is that you need the money in the place where it is going to be spent.

In terms of the actual projects, the interesting thing in Tasmania is that animation has been a very big part of the revival. That is really because it is not tied into the traditional infrastructure. You do not need film equipment, hire houses and casting agencies—all the things that go with big feature films. Animation has played a big part, as well as online and broadband projects, for exactly the same reason: you can do it in Tasmania without having all the other bits. Any regional strategy would probably be clever if it looked at the kinds of areas that are most likely to be able to compete nationally and internationally. They tend to be areas that are not tied into all the traditional infrastructure.

Mr TICEHURST—The online centres were very well supported in Tasmania. I visited quite a few when I was there and that was interesting. I think that came out of Networking the Nation funding. A number of those organisations were setting themselves up commercially; others were relying on more funding to keep going and I said, 'Well, the commercial reality is that you've been given a hand-up here, so now you need to support yourself to keep it going.' Some have done it very well indeed and there are others who have not quite caught up with what it is all about. What sorts of studio facilities exist in Tasmania?

Mr Nicoll—It is pretty minimal. People who want a studio can use the ABC studio, but that studio is used for ABC activities as well. It is pretty small. We have thought about the possibility of having a studio, but it is probably not realistic in a state the size of Tasmania. It is probably better to be thinking about animation and broadband. Social documentaries are another area where there are quite strong writers, as Margaret mentioned. They are the kinds of things that can work in Tasmania. We have stayed away from the idea of big capital investment items.

CHAIR—You are aiming for a niche market—animation and special effects?

Mr Nicoll—Absolutely.

CHAIR—Electronic games?

Mr Nicoll—Games are something that we have just started talking about and we are very interested in that area. But as with a lot of these things, it is driven by the industry. In fact, for some reason we have a lot of animators in Tasmania. They have come to us and it has been push, push, push. We have not had a lot of games inquiries.

CHAIR—That is interesting because, in South Australia, Judith was saying how animation was something in which they really did not have any involvement but they have had 25 feature films in the last four years, which is very good. Many of those probably have only been shown in a few places like film festivals, but some certainly were successful. It is obviously a very different approach. That suits you in Tasmania because animation is something you can do in a room this size with a few computers and lots of people with great ideas. You do not need infrastructure.

It has worried me that Melbourne has to have its infrastructure and Sydney has to have their infrastructure. There is Warner Bros on the Gold Coast and Adelaide has talked about building new studios. There is enormous investment in infrastructure and film, but everyone is telling us that since the introduction of 10BA, which has been great for films, there are no long playing television series being made in Australia any more, and since the changes to commercials—the 80-20 rule—the high end commercials are not being made here. Why would you keep building new studios when the industry at the moment appears to be consolidating rather than growing? I think you have probably made the right decision.

Mr TICEHURST—Are your animators spread around the island?

Mr Nicoll—The main company is located in Hobart, but there are a few dotted around the place. It is interesting that in Tasmania there are more people outside than in the capital city. We do get a lot of applications from outside Hobart and increasingly there is money going around the place.

Mr TICEHURST—The broadband is well developed in Tasmania, isn't it?

Mr Nicoll—It is. In fact, we invest in Blue Rocket Productions, the main animation company in Hobart, and its other main investors are in Germany. From Hobart that company is able to deliver material, via broadband, to Germany up until the very final stage, which is the broadcast standard product. They can shunt material back and forth, right through the production process, for checking and testing and so on, and broadband enables it to happen. They do have a few complaints about broadband, like everybody, but basically it works for people.

Mr TICEHURST—That is great.

CHAIR—Is broadband successful because of the investment in Networking the Nation in Tasmania and because of the size of Tasmania?

Mr Nicoll—I am not an expert on this.

CHAIR—Should we be thanking Brian Harradine for his casting vote?

Mr Nicoll—I am not an expert but people do say that Tasmania is very well piped, basically. We have not really had any complaints about it.

CHAIR—That came about with the first tranche of the sale of Telstra, I assume.

Mr Nicoll—Yes.

Ms Reynolds—It is the first thing you notice, coming from Queensland, because we moved back about that time. You drive into town and there is the centre, and you can pull up and check your email and have a coffee and drive on for another couple of hours. Well, not even a couple of hours; another hour, and there is another one. It is just amazing.

CHAIR—You would be very grateful to Brian Harradine then.

Ms Reynolds—Brian is a good friend.

Mr TICEHURST—What about the intellectual property? Do you have any issues related to that with your productions?

Mr Nicoll—I am not quite sure I understand.

Mr TICEHURST—If you are producing these animations with European companies, who owns the intellectual property?

Mr Nicoll—There is, I guess, a fairly typical break-up of ownership rights, according to who invests. Typically, Screen Tasmania will invest, along with a couple of German companies, a broadcaster and a distributor, and then we basically share the copyright and the intellectual property pretty much on a pro rata basis according to what we have invested. Interestingly enough, the animation that is happening in Tasmania is creative. They are creating their own things and selling them overseas. The most successful is a series called *Hooter and Snozz*, of which there are now more than 70 episodes and that is seen in more than 90 countries around the world.

CHAIR—I have heard of *Hooter and Snozz*. I shouldn't have, I imagine, but I have.

Mr Nicoll—In Tasmania there has not really been a company that has been out, as in doing work for Americans. As I understand it, in Sydney there are a number of animation companies that just basically make animations offshore for the Americans but in Tasmania it is all creative and new material.

Mr TICEHURST—What would you do to encourage more animators to come along? Are there any educational programs designed to focus on that?

Mr Nicoll—Having got the industry up and running in the last few years, we are really now looking at who is coming through into the industry, and because there was a long lapse of 15 years when nothing was really happening in Tasmania, we are really starting to turn our attention now towards young people and the avenues that are available for them to get into the industry.

CHAIR—So it is a bit of a clean slate?

Mr Nicoll—It is very much a clean slate.

CHAIR—Which is an opportunity in lots of ways.

Mr Nicoll—It is, yes.

CHAIR—What about your university in Tasmania? Does that have a particular course, degree or diploma in animation or special effects, electronic games or film?

Mr Nicoll—The University of Tasmania has a very good art school which does have some 3-D animation component in the course work, but we really do not have any significant film school or training. There is TAFE. The university touches on it. The school of journalism does a little bit of electronic media work as well, but that, I guess, is one of the barriers to growth in a place like Tasmania, in that you grow up and you are in Hobart and there is one art house cinema for Hobart and none anywhere else in the state, and there is no film school.

CHAIR—That is a traditional difficulty in a small state.

Mr Nicoll—That is true, and I am not going to complain about that.

CHAIR—It is all about carts and horses, isn't it? Do you put your film school there?

Mr Nicoll—That is right, and we do not expect to have film schools and huge studios and that sort of thing, but you do have to try and be creative and work out ways that you can turn those disadvantages into opportunities, if it is possible.

CHAIR—Then when the young people go to Sydney to AFTRS or wherever they go, you lose them. Why would they come back to Tasmania, unless they have a particular reason to do a niche thing or they are independent film-makers or whatever? This is the problem, isn't it? South Australia has the same difficulties. They are slightly bigger, of course.

Ms Reynolds—Yes. I think, increasingly, people are moving back to smaller regional centres. Yes, they will go to the bright lights of the big cities, especially for opportunities, but many of them then turn around and come home again.

CHAIR—I have found that with my age group or people from university. Many of them went interstate or overseas. When they had children, they wanted to come back to Adelaide and that is what they have started doing. These are people in their mid-30s.

Ms Reynolds—Yes, and because of communications these days, it is much easier for people who live in Tasmania to do some work in Hobart and some work on the mainland. We are now hearing more and more about people who are commuting between Sydney and Hobart or Sydney and Launceston because they like the lifestyle. They are taking up holiday houses in Tasmania but working in Sydney and then gradually phasing out to retirement et cetera. That is another age group, of course.

Mr TICEHURST—What about online courses? Are there opportunities to pick up these courses from some of the other capital cities?

Mr Nicoll—The Harradine funds and the Intelligent Island program have done quite a lot in terms of online education and training and so on, so I think there are opportunities there.

CHAIR—The South Australian Film Corporation have an involvement with ABC and SBS through the 4 Minute Wonders short films. Is Screen Tasmania involved in that?

Mr Nicoll—We are not involved in that particular program but we do a lot of projects with SBS. We indicate in our submission that SBS have been very supportive of Tasmania right from the beginning. By now their investment in Tasmania would be close to a million dollars over the last three years, and that is very significant. They have been great supporters, and I think it is that willingness to come down, the willingness to take a risk with new talent that is coming through, to try out some things that are a bit more adventurous, that has been great for Tasmania.

Mr TICEHURST—That is a good source of regional funding, isn't it, when you look at that?

Mr Nicoll—Yes, fantastic.

Ms Reynolds—We are building similar linkages with the ABC, and I suppose in a way SBS proves our submission about strategically placed funds in a regional centre like Tasmania. It opens up amazing opportunities for young people, for people who do not want to work in the capital cities. We would be trying to encourage other elements of the industry to follow SBS in that very special commitment that they have given.

Mr TICEHURST—In your submission, you say that Tasmania is rich in history and that it should be a good source of stories. What can you do to bring those into focus? You can take advantage of that niche opportunity you have. What are you doing about bringing that to fruition?

Ms Reynolds—I am sure there are some days in the office when the staff think, 'Can we handle any more phone calls?' because there is such an interest, particularly in relation to the environment—'Where do you film this? Where can we go to see these animals?' Screen Tasmania gets so many of those kinds of inquiries; perhaps less on the history, but after the bicentenary there will be just as many about history. The inquiries are numerous—almost at times too numerous to handle—but, as you know, with the film industry there is a great deal of interest, lots of ideas, lots of potential and then you wait and wait and see what happens and who is going to invest.

Mr TICEHURST—What happens next, yes.

Ms Reynolds—There are film-makers—particularly documentary film-makers—from around the world flying into Tassie every month.

Mr TICEHURST—What becomes of that?

Mr Nicoll—A lot of film-makers come to Tasmania to film, particularly, natural history, science and so on. For example, not many people know that about 25 per cent of what ended up in the first series of *Walking with Dinosaurs* was backgrounded in Tasmania.

CHAIR—Is that right?

Mr Nicoll—Yes, but that does not really help Tasmania much in terms of its local film-makers or its economy, because these days that just means a crew of probably three people. They came in, they worked with the university, they probably spent six or eight weeks filming inside the national parks, they got all the background and off they went back to London. The fact that there are always a lot of particularly European and Asian crews coming in and filming nature and animals is of interest, and we support it and it promotes Tasmania and so on, but it does not really help our local industry much.

CHAIR—It is like the confusion about *Finding Nemo*. All sorts of people think that was made in Australia. The story-line is about Australia and that is it. Are there any more questions?

Mr TICEHURST—No. It has been enlightening. The presentations have been quite different this morning.

CHAIR—Thank you very much for coming all the way here from Tasmania.

Ms Reynolds—Thank you very much for having us.

CHAIR—We really appreciate that, and we look forward to speaking to you again if we need any more information.

Proceedings suspended from 12.29 p.m. to 1.10 p.m.

LUBIN, Mr Tom, Head of Training, Film and Television Institute of Western Australia

CHAIR—Welcome. We do not take evidence under oath, but these are hearings of the parliament and so if you are of a mind to give false or misleading evidence, which we assume you are not, it could be regarded as a contempt of parliament. I also need to tell you that we like to take our evidence in public, but if you want to say anything off the record, or in camera, then you can request it and we will consider that and decide what to do. If you would like to make an opening statement about your submission that would be worth while.

Mr Lubin—I am head of training at the Film and Television Institute of Western Australia. FTI is one of five organisations loosely called the Screen Development Association. They are funded in part by the AFC and their individual state funding agencies. They are a member based organisation. Their briefs are similar, though they are each quite unique. In Adelaide it is MRC—you are probably aware of that; in Brisbane it is QPIX; in Sydney it is Metro; in Melbourne it is OPENChannel; then FTI in Perth.

The FTI develops—and has for 30 years developed—the emerging screen producer. That includes live action, drama and documentary making. Recently, however, we have become involved in animation games and traditional digital puppetry. We have formed them into a community of creative practice. The idea is that training can drive commerce but you have to cultivate and do much more than training. You have to cultivate the development of production teams and content creation. This has been done working quite closely with ScreenWest. The state feels strongly that it is in these kinds of areas of children's production—animation, games, traditional digital puppetry—that the state can actually blossom and bloom, rather than trying to compete with the east coast directly to find niche markets. These are areas where the tyranny of distance is not much of a tyranny at all, provided you have high connectivity.

We have developed, working with the state, the Centre for Advanced Digital Screen Animation for Games and Puppetry. There are about 100 people involved who are actively developing content. There are a couple of key things I think are quite important. Much of the inquiry, I think, mentions training. Training, in and of itself, I do not believe will achieve results. The training has to be at the front end of what is basically team building in content creation. Traditionally the output or business of training institutions is training. Our output and business is not training, it is actually business development. We really nurture young content creators in these areas.

What we discovered was that storytelling, content creation, creativity and all those sorts of things are not explicitly provided in traditional training. The notion of training is about getting jobs with an employer. In our industry that does not happen very often. What really has to happen is that people have to be made self-employed content creators. We call it fantastical storytelling and Imagineering. Within that greater community of practice what we really want to do is to try to make it so there are people constantly working on projects, building skills and attracting attention to those skills to allow content to be created.

Another thing I wanted to make sure was said is that we think this can happen at really young ages. Some of our youngest animators now are nine and 10 years old. One of the things we find

is that the idea of creativity or storytelling, which is different to scriptwriting, is thought to be, in training jargon, a high-level skill, but actually it is not. It is something that happens at a very rudimentary level. There needs to be a greater focus in putting content creation, creativity and storytelling into lower level training.

In the terms of reference for this committee, it was 'games, animation and special effects,' but we see puppetry and model making as absolutely central to this. You cannot operate a special effects industry without models and puppets and this is given very little focus or attention anywhere in the country. We believe we will be the first ones to offer an accredited course in traditional digital puppetry. The games industry uses motion capture. Motion capture is also central in making 3-D production very efficient. It is a very interesting area. What has happened is that our puppeteers are becoming 3-D people and our 3-D people are becoming puppeteers. The blending of those skills in a holistic creative environment has really been quite central to what we think will be the germinating of concepts and ideas which we hope will incubate and become start-up businesses that will eventually become significant players in Western Australia.

Lastly, as part of my opening statement, I came from the east coast and when I was on the east coast Perth was seen as the backblock of Australia.

CHAIR—The east coast of the United States?

Mr Lubin—The east coast of Australia. I was on the west coast of the United States. On the east coast of Australia there is a notion that WA is the backblock. Actually, it is not at all; it is really the gateway to Asia. We see a lot of what we do in WA has its output to the Indian Rim and the South China Sea area. We are closer to Bali, Singapore, Korea and all kinds of places like that. In animation and games, and in some of the other areas we have talked about, it is really quite a launching pad to that area. I am not representing ScreenWest; I am representing the Film and Television Institute, but we believe that some of the areas in special effects are not just about special effects for existing films but, in learning how to be effective in special effects construction and design, we can make very efficient low budget pictures that are in the $5½ million to $6 million range and can satisfy that niche market. They are some of the things I wanted to mention. Our approach to it has been a little different, I suppose, to other submissions.

CHAIR—It has been. Does FTI get its money mostly from the Western Australian government and the Commonwealth government and industry players in Western Australia? Is that right?

Mr Lubin—Yes. Lotterywest has a unique relationship with the Department of Culture and the Arts and there is a substantial amount of money from Lotterywest that comes into that department. Some of that money also then comes down to FTI. So, yes, we get it from the AFC and we get it through the Department of Culture and the Arts and we get it through member services and course fees—because we run nationally recognised courses. We also get project funding, though, from some other odd places. We do get corporate sponsorship. Sometimes other State government departments have a particular interest. We are getting money right now from the WA local government and regional development through a Western Australian Regional Initiatives Scheme.

CHAIR—Department of regional services?

Mr Lubin—It might be. The minister is Tom Stephens; it is his portfolio. For a while what we have been doing is putting our gear in the back of a van and going off to different places in the middle of nowhere. This year we got enough of a grant to be able to take a van to places that do not have cinemas. On Monday they set up the cinema and show Australian titles throughout the week, but during the day they teach television production. Then, on Friday, they show what was shown in the communities. It is not just about teaching television production; it is a way of allowing people to create visual stories that are not text based. To a high degree it is often Aboriginal people, who are not as literate as other people might be. They are able to tell stories in a visual medium. That is happening right now. They go to the middle of somewhere and I get emails from where they are at any given time.

We are really excited about that one because it is very interesting going out into the middle of nowhere. We work with a lot of VET—vocational educational and training—clusters and we work with a lot of kids. We run a VET in Schools program where they come down to FTI for the course. They get a kind of work experience—but because of the rules of work experience it is not officially that. They work and develop their own stories and we organise them. The first thing they do is a documentary on people in the business. On a given Tuesday, which is the day we have set aside for this, they interview everybody in the building. That gives them experience in how to do it, but it also gives them an understanding of how the business works.

For their second project we take them down to the Fremantle Tourism Bureau. The tourism bureau is very groovy about this and so is the Fremantle council. They go through all the brochures and pick different things they are interested in. Then one of my staff will tee-up interviews for them. In the last group there were three Catholic girls from a fairly well-heeled school who were interested in the soup kitchen at St Patrick's so they did a documentary on that. Other groups did one on the Fremantle Harbour and one on the prison. That is what they do. The money comes from different places.

We do more adult education in a television production than any place else in the state. We have become very involved with animation, because we think this is a certain unique area, but some types of animation are interesting, like stop-motion animation. That is like *Chicken Run*. That is fairly complicated, but it turns out that that kind of animation is really good for kids at risk, because they can do visual storytelling with found objects. We will help people with that, too. We show teachers how to teach stop-motion animation to kids at risk because the technology to do that is very cheap.

Mr TICEHURST—What do you call 'stop-motion animation'?

Mr Lubin—Take a picture, take another picture—that is a found object.

Mr TICEHURST—The old cartoon style.

Mr Lubin—Yes, like a flip book.

Mr TICEHURST—Yes.

Mr Lubin—It turns out there is a company in Melbourne which has great stop-motion software. We worked a deal with them where they would give it to us for schools really cheaply.

Unlike most animation, which is very expensive for both hardware and software, the hardware for this is very basic. It allows them to do it with really basic equipment. Kids, particularly Aboriginal kids who are familiar with Aboriginal art, can create animation with found objects by moving stuff around and telling stories. On one level it is really sophisticated because you can make beautiful little characters that move and, on another level, it can just be at a very young level.

It is interesting what we do. We are very much open access. We have people who are incredibly intense and very professional and very high end. On the other hand, we have people who will just lob up on a Sunday afternoon and want to help out.

Mr TICEHURST—When you say the kids are interviewing people in Fremantle, how do they record those interviews?

Mr Lubin—We have very expensive cameras, but we also have what I call little 'chewing gum' cameras—if you drop them, too bad. It is a camera worth under $1,000. We have found they are better cameras than the expensive ones for the kids, or for people starting out, because we do not want them to get bogged down with technology. We really want them to focus on the storytelling.

CHAIR—The content?

Mr Lubin—Yes.

Mr TICEHURST—Point and shoot?

Mr Lubin—That is right. That is exactly what we want. We give them the kit—and this is the basic kit that we have taken on the road—which includes one of the cheap cameras, a microphone, a tripod and a basic Macintosh IMAC with really cheap software called iMovie that is thrown in for free. That is what the kids use. We have grade 11 and 12 kids that are working in professional editing software, because they pick it up so quickly. If they are smart—and most of them are—we do not restrict them by saying, 'You have to use the baby stuff.' We really let them go for it. The kids that are just basic will use this basic software. A lot of storytelling is not about expensive stuff. It is about just getting your head around telling great stories.

Mr TICEHURST—When you talk about VET in Schools with these nine- and 10-year-olds, do you also train the teachers in how to produce the animation or the stories?

Mr Lubin—We do. The reason why I hesitate is because FTI's funding and its brief is to be about nurturing the professional industry, so we do a lot of stuff because we think we should, but we do not get funding for it. This is one of those things. We work quite closely with the teachers, or we try to. In Western Australia, there is not a very good ATOM chapter.

CHAIR—What is that?

Mr Lubin—Australian Teachers of Media. That is very big in Victoria and the east coast, but not in WA. We have been working with the Curriculum Council. We know which of the teachers are teaching media. We have a staff person who calls every semester to find out who is teaching

it and we get them on our mailing list. Then we make sure that they know what we are doing. If any of them calls us, I will usually go out.

It is not unusual for a teacher to say something like, 'I took media 10 years ago at university. I have been teaching history for the last five years. Now I am going to teach media. I have a cabinet full of equipment. How do I plug it together?' I will go out and unload it all, put it on the table and say, 'That cable goes with that, and that goes with that. Throw that out, that's useless junk' or 'You need one of these' or 'You need a power supply for that'. Then they will usually take a few of our courses.

Those are, again, very basic courses. We have a whole series of basic courses, like how to use a camera and how to use a microphone. They are weekend courses. They are not accredited. They are fun. That kind of gets their head around it, and it is remarkable the results that some of the teachers have. There was one woman whose first conversation with me was, 'I am a first-year teacher. I have a grade 5 class. I want to do a picture with them. How do I turn the camera on?' She came down and she learnt this stuff. I was fascinated with her, so I went up and talked to her kids. These were just little kids, and we spent an hour talking about wide shots and close-ups and all sorts of stuff like that. They had storyboards around the room, and they built their sets. Kids can get it if the teachers get it.

Again, it does not relate to this, but one of our biggest problems is that VET in Schools in media, if you look at the statistics, is mostly things like tourism, hospitality, food services and that stuff, because there is always a pub somewhere and there is always a McDonalds.

CHAIR—It does relate to this, because this is exactly the sort of thing we want to know about—the training and what needs to be done.

Mr Lubin—One of the strategic problems with VET in Schools in general is that under the training package guidelines—in order for the teachers to deliver the VET in Schools of this particular training package—they have to have a certificate IV qualification in the training package that they deliver and most of them do not. I think they can what they are doing, but they are not satisfying the spirit of VET, because most of those who are teaching VET in Schools do not have the qualification. They have a teaching qualification and they have a certificate IV in workplace training, but they do not have a qualification in the training package.

For some time we have been looking for resource, because we have designed a cert IV in screen that can be delivered online. Again, because it is one of these things that falls between the cracks, we have not been able to get funding for a project officer to put this together. We have WestOne, which is TAFE television in WA. WestOne is strategic in WA. They were interested in developing this course for us, but FTI does not have the resource to hire a project officer to put it together. When you look through the training package at a cert IV in screen and you think of the teacher not as a teacher but as a director or producer, they satisfy—through the course of what they do with their kids—the cert IV in screen. FTI needs enough resource to build this as an online course. You need this for the whole country, not just WA. It has been a problem for me. I have not been able to get this one to go yet, because I cannot get anybody to put money into it. I cannot get the AFC to, because it is about schools. It is between the cracks.

CHAIR—How much do you need?

Mr Lubin—I have been chasing not much more than about $30,000. What I need is enough to have a project officer that can get it all together. I think WestOne then would come to the party, because they have some really skilled people in web CT. That is a delivery language. They know how to do this really well. They were happy to do that, but they could not afford to give me a project officer to put it together. It is not very much money at all.

Once it is built it would pay for itself, because most of the VET in Schools programs running through the Department of Education and Training divisions get money passed on down through the department to ANTA into the VET in Schools programs and the instructors—at least in WA and probably in the rest of the country—would be able to get training money to take this course. It is kind of strategic.

One of the things that I see is that these instructors are seen as instructors, but they really need to be seen as the first mentors of these young content creators. They have to be inspirational and they have to be connected to the industry, and it is really important to embrace those instructors into the industry. We have been working at trying to do that, because they have to feel as though they are a part of it. People will call and say, 'I have this 15-year-old who wants to do a feature film and they are really brilliant.' There is a girl right now—she is a young lady now, but she was a girl when I met her—named Sophie McNeill, and she has had a lot of press. She was 15 and wanted to do a story about a doctor in East Timor. She went there, and we supported her. I gave her phone numbers and I found her somebody at the ABC up in Darwin who could support her when she needed help. Now she is 19 and she is doing shows for SBS.

Mr TICEHURST—Excellent!

Mr Lubin—Those kids are fantastic, but whichever one is good you have to really nurture. It is making sure that the instructors know that there is a conduit and they can steer those kids into it, because content creation is really what will make this happen. Just training people to do the job will make it where it becomes more centralised or more of them will leave the country. It is about making us really creative and content creators.

Mr TICEHURST—With a unique Australian flavour to it.

Mr Lubin—Absolutely. That happens very organically, if you help them become content creators. You do not have to force that. If you just teach them skills, they do not know what to do with them.

Mr TICEHURST—That is an interesting point you made earlier on, Tom, about the training really leading to that creativity. As you say, if you want it to be ongoing, that is what you have to do.

Mr Lubin—You have to.

Mr TICEHURST—When you produce these animations, where is your market for the output product?

Mr Lubin—FTI is very much involved in developing skills, but we see that the market is a global market. In animation, we are only 18 months into the Centre of Advanced Digital Screen

Animation Games and Puppetry so it is early days. We figured it would take about five years. In fact, it is happening sooner than that. Where our market is, we want to build up enough skill levels so that even if somebody does not buy the project which we show them, they see a high enough quality of skill that they will then say, 'You guys are sharp. Let's do it with you guys.' To some degree, building up the skills is also about attracting the business. The output in animation is very international. It is traditional film distribution channels, but non-traditional ones as well like online delivery, broadband delivery, direct to DVD sales. If you are clever with your production budgets, you can make enough money on just direct to DVD sales through DVD rentals in video shops. So the output is really quite broad.

The animation skills, though, travel across several boundaries. They are definitely core to games. Animation and games and puppetry have this really interesting core relationship in that all of them have a subject/object relationship. The animators, the games creators, the puppeteers are all actors telling a story through a familiar area, so there is this one-step-removed relationship. Animators are very good at moving into games and also good at moving into puppetry. Puppetry is quite important in television production. It is also quite important in special effects areas because so much of high-end special effects area is also puppetry and model-making, so the output for those core skills is very diverse. Did I answer you? I am not sure if I did.

Mr TICEHURST—I think you did. The puppetry and television, is that for producing shows?

Mr Lubin—Yes. Currently on morning TV any day of the week, all the networks have puppets. They all do.

Mr TICEHURST—Not the presenters.

Mr Lubin—Not the presenters—well, some of the presenters are puppets! Puppetry is a really interesting thing in that it is very much in children's production but when you also look at things like *The Lion King* or *Farscape* or *Moulin Rouge* or lots of shows that require special effects, puppetry skills are part of that. Puppetry skills are really interesting too: I call puppeteers small muscle athletes. I have a head of 3-D. He was a 'make the stuff fly around on the screen' kind of guy, which is pretty much how a lot of people teach animation in this country—'Oh, yes, we're teaching animation. See the spaceship go by.' The 3-D guy started working with a puppeteer and the puppeteer has this glove and it has sensors on it. What we found was that the puppeteer guy working with the 3-D guy got a look and feel of a character that was so much more holistically interesting, and the animation could happen so much quicker that you could really see the synergy between the puppetry skills of the puppeteer who was used to performing and a 3-D guy who is not a performer but an animator. The two of them working together got this look and feel of the character that was quite extraordinary.

I have ended up having long conversations over the last couple of years with Brian Henson. Henson really sees this too. He reckons that very few people really have twigged to this: that if you take puppeteers and put them with animators, you get a much more interesting, fluid product. Next year we are probably going to do something with full-body motion capture, not just with gloves. The gloves are interesting because full-body motion capture tends to look very humanistic, but the glove can do anything, so the glove can be any of the behaviours of the 3-D animation. We have some production that we have done just building up skills that has this

wonderful connection with the fact that these puppeteers can do this. It is not just about this kind of thing but the actual inputting into the 3-D animation.

You also need motion capture for a lot of games. If you want to do a game with Tiger Woods swinging a club, you have to capture Tiger Woods swinging a club. That is an area that is important. It is interesting. Where we have found the most skills in motion capture is in sports and exercise departments. Motion capture travels across to a lot of boundaries. It is interesting these relationships that are building up between totally disassociated streams that have a common interest. Up at UWA, University of Western Australia, there are people in the sports and exercise department that are really interested in animation.

CHAIR—What is the crossover, do you think?

Mr Lubin—They use motion capture.

CHAIR—In their teaching?

Mr Lubin—Yes. You know a while back the cricketer that was throwing a ball kind of unusually?

CHAIR—Muralitharan?

Mr Lubin—Yes. They are the ones who did all that work. They did all that work with getting somebody there to throw a ball and they could monitor all the movement. They have also done some interesting things like animal movement. They have some emus running. They wanted to see how emus ran. They have full-body motion capture there and we are now talking with them about seeing if we can take. We have now created a 3-D animated emu and we are going to see if we can connect the two. Then we are going to start doing some experiments and doing some motion capture in drama. Again, we are trying to be very experimental. Once people get up these skills, we hope they will be encouraged to become their own businesses.

FTI, unlike the schools, does not get involved in anybody's intellectual property. We really want them to have their intellectual property so they can go off and make things happen. There was something in this paper. I talk about IP and how to handle IP. It is quite central to a lot of things. Too many schools have their hands in people's IP. There is an underlying notion that you do not do anything really good at university because the university will try to grab it. We just do not do that. In fact, what we do is that everybody at the beginning of each of our cycles signs an agreement that turns over all the IP to FTI. As they work on different projects in groups, they sign the agreement that says, 'Well, I'm working on this project.' There are all kinds of rules about being part of that group.

When the projects are done we get together all of the different groups and they choose either a producer—and we do not get involved with that; they would just get a commercial producer—or they choose one of their own to be the power of attorney so that they can negotiate the IP. Then we turn it back over to them. I do not know of anybody that does that.

Mr TICEHURST—It is a different approach.

Mr Lubin—Yes, it is, and unless you give people the power to do something with their IP, they will never go anywhere.

CHAIR—The gateway to Asia comment that you make: does that mean the FTI has partnerships with any organisations in South-East Asia or India? Is that the direction you are heading in?

Mr Lubin—That is definitely the direction we are heading in. We became a registered training organisation about four years ago. Over the last year, we have taken the Australian Quality Training Framework and basically applied it to the whole organisation. As you probably know, that is the equivalent of getting an ISO 9001. If we had the resource, if we had the people, we would be out there much more.

We are in contact now regularly with places like Mauritius, India and Singapore with people wanting to do stuff with us or us to facilitate grouping people together to actually do production. Our problem is that we are as big as we are, but it is definitely our intention to cultivate the industry by making those kinds of contacts internationally. We bring over international people regularly. If I hear of anybody flying over Perth, I try to get them to land.

CHAIR—Throw a grappling hook at them or something?

Mr Lubin—It is almost at that level, but you never know. That is what we do. I am very persistent. Script development for animation is a real issue. A lot of Australian scriptwriters think when they write animation they are just doing drama with drawings, and scriptwriting for animation is not anything like live action, and so most Australian animation has really awful scripts. Scriptwriting for animation is very specific.

I had a long relationship with UCLA for various reasons, going back to when I was a young man. They have an industry training program there which is really quite vibrant. I could not find anybody to teach animation scriptwriting and so we have now delivered three 10-week courses in animation scriptwriting, where the instructor in Los Angeles would come on on a Friday night to a class in Fremantle on a Saturday morning. We did this real inexpensively with just a web cam. It was very basic but it worked great. She would review the scripts, and now I have a cohort of people in WA who are pretty good at animation scriptwriting, which is quite different from live scriptwriting and game scriptwriting; quite different.

Over the course of time with UCLA we established quite a relationship with them and we have entered into an agreement with UCLA where in WA we are going to offer a graduate certificate in television production that is going to be jointly FTI and UCLA. That has presented quite a lot of problems because it does not fall into the ANTA guidelines. I know there are rules but I find myself being befuddled sometimes when somebody who is with the accreditation council tells me, 'Who is this UCLA and are they really bona fide?' I had somebody there say something like, 'You know, having them involved really complicates it.'

Mr TICEHURST—It would.

Mr Lubin—It is not so much that you have the skills in Perth. What you need to be able to do is create those networking mechanisms, that people in Perth not only say, 'We can do the job,'

but that other people can say, 'I know these people in Perth who can do the job.' We actually see this as a way of making that connection, so we are going to run a graduate certificate course but it is really about the people in Perth being able to form relationships in the school at UCLA to be able to make that happen—an alumni. Australians do not do alumni associations very well. Even if they are not a formal association, the notion of alumni really has a lot to do with getting on and being successful in the entertainment industry. We think that will help with that so that is what we are doing. I am pretty interested in developing a relationship with India. There are a lot of Indian pictures that come and shoot second unit work in Perth, in WA.

CHAIR—Is that right?

Mr Lubin—Yes. It does not make any of the federal stats because they do not apply for any kind of special visas. They apply for special visas but they do not apply for any funding, and much of the stats have to do with funding.

CHAIR—Sure.

Mr Lubin—What I found was that I could track some of those people because there is a certain visa qualification that you can get to find out who has come to shoot and that was the only way that I could figure out to do that. There is a big Indian community in WA, probably one of the biggest in the country.

CHAIR—That makes sense.

Mr Lubin—It is where a lot of them came when the Anglo-Indians were driven out in the seventies.

CHAIR—Is that right?

Mr Lubin—Yes. So there is a big Anglo-Indian community in WA.

Mr TICEHURST—On broadband, you were saying that you would prefer to have I guess higher speed but also lower pricing.

Mr Lubin—It is not just high speed and low pricing; it is actually high speed, low pricing and also it needs to be set up in such a way that it can be almost on demand. The problem for a lot of these small production companies is that they need broadband only when they are in production and so in a sense they fill out the form and they say they are going to be involved, they need broadband and they need it to be available just for short periods of time. Broadband delivery is really an essential part of what goes on in WA—being able to get access to data back and forth—but it needs to be structured so that small operators can afford it and it also needs to be where it can be within a small community and not a media precinct.

Fremantle is a particularly interesting place. Fremantle is the most organically creative place you will find. It just grew up that way and most of the people in media have a place in Fremantle. Bungarra Software has his place in Fremantle, lots of people do down there, and it is kind of that community of practice idea, so you need broadband for that.

The other thing about broadband, though, is that broadband in games is quite strategic because the more that we get broadband delivery, the more likelihood that games producers can utilise broadband for being able to generate income through direct broadband delivery to gamers.

Mr TICEHURST—Just delivery to gamers or is it online gaming?

Mr Lubin—No, it is online gaming because you want it where people can play the game in real time with each other; massively multiplayer games.

Mr TICEHURST—I think Hutchison are trying promote that with their new 3-G technology.

Mr Lubin—That is right. It is also interesting, too, that the mobile phone companies really see gaming as a big area, and it is interesting, the combinations of people who are signing deals. Vodafone and Disney just signed a deal. There is a lot of interest in the idea of this real-time interactive gaming. I think gaming is one of these things that has to be seen in a really broad kind of view, because some of your colleagues will see gaming as something like a lonely boy sitting in a room with first person shooter games, seeing blood and spatter stuff. It is not that way at all. It is going to take a bit of effort to get people's heads around the fact that it is also about education; it is also about older people feeling vibrant. There are all of these other opportunities. Gaming for Australia also means there is a huge market in simulators, and the same skills that are used in gaming—game design, game building, game construction—are used in all kinds of industrial simulation. Major game companies in other parts of the world have cloaky subdivisions that are doing this sort of stuff for the military. In WA, in particular, where it is such an industrial place, simulators are really pretty important things. The same skills can be used in all of those areas.

Mr TICEHURST—We are going to have more simulators for car drivers.

Mr Lubin—Indeed, that is true. Car drivers and boat drivers.

CHAIR—Thank you very much for appearing today, Tom.

Mr Lubin—If I can finish one thing I wanted to mention: we also represent AFTRS in WA. We have been working closely with AFTRS in this area as well.

CHAIR—We have been to see AFTRS.

Mr Lubin—Yes, a very clever lot. We work very closely with the state government in WA. I think the relationships we have with ScreenWest—even though Jeremy Bean is standing right there I would say this in any case—and the other departments are very good. There are some things, though, where it would really help if we could get more resources. We are a unique kind of organisation and I really do appreciate the committee's interest in what we are doing.

CHAIR—We thank you very much for making the trip across.

Mr Lubin—Next time you come to WA, come and visit us.

CHAIR—Indeed. If we need to get back in touch with you, we will know where to find you.

Mr Lubin—No problem.

CHAIR—Thank you very much.

[1.58 p.m.]

BEAN, Mr Jeremy Alan Cunningham, Director, Corporate and Commercial Services, ScreenWest Inc.

SEEBERGER, Mr Rene, Managing Director, Bungarra Software

CHAIR—It is a big effort to come from Western Australian but it has helped us enormously to be able to hear from Tasmanians, South Australians and Western Australians on the same day in Adelaide. I now welcome representatives from ScreenWest and Bungarra Software. We do not take any evidence under oath but these are proceedings of the parliament so they are treated seriously. Any false or misleading evidence could be regarded as a breach of parliamentary privilege or contempt of the parliament. I also remind you that the committee does not take evidence in private, if it can help it—it likes to take all its evidence in public—but if you do want to say anything in camera, then you are welcome to request that and we will consider that request. Does one of you want to make an opening statement, or both of you?

Mr Bean—We have made a submission.

CHAIR—Yes.

Mr Bean—I would like to say something along the lines of the submission but perhaps with nuances that might have been left out of the written word, consistent with a series of points which have been linked to an argument. The first point I want to make is about what Hollywood is and why it is what it is—that is, it is not a physical place so much as it is where the infrastructure, the talent, the money and the ideas meet. It is, in effect, a marketplace. It really could have occurred anywhere. It occurred in Los Angeles initially because of the weather and because of expatriate Europeans, but that is where it happened.

There is a lot of talk about critical mass in the Australian film industry particularly and about the need to get there. It is quite clear that while there is some element of truth to that concern, there is no way we are ever going to be an equivalent marketplace in that industry. But the world is changing: geography is less important; technology is making that less important. But place is, if anything, even more important because of cultural reasons.

A logical question out of the state of the screen production industries in Australia today is: can it afford to be so scattered across such a large country? Can we afford a relatively small industry that requires a fair bit of infrastructure to operate in half a dozen major cities in a country where the population cannot afford to sustain investment in individual productions at a very high level at all, anyway? I would say—contrary to what I thought 10 years ago addressing another federal parliamentary inquiry, much like this one—that it can and should.

It can and should because the regional capitals that house this industry and that insist, for their own reasons, on being part of it are cultural centres. Perth, in Western Australia, obviously is part of that but I would go so far as to say that the state has a culture that is noticeably different from that on the east coast. You can feel it when you live there. It is a unique place. Part of that

uniqueness is driven by the physical place itself. It also is very close to Indigenous culture. I do not mean that it is like Indigenous culture; I mean it is in contact in a more immediate way with Indigenous culture than Sydney or Melbourne are. You feel it; you run into it.

Indigenous culture is—and has been for some time—revitalising various art forms. It has not yet really had the impact that I believe it is going to have in screen production, but it is beginning to. In the last two years, there have been some rather astonishing pieces of film made, after a very long period in which not much of interest happened with Indigenous input. I have to take my hat off to the AFC for being a seminal instigator of that through its IDI—Indigenous Drama Initiative—and subsequent initiatives. That seems to have led to other things. A couple of examples spring to mind: *One Night the Moon,* a one-hour opera film funded by the ABC and the AFC; there was Rolf de Heer's *The Tracker* and there are others on the drawing board.

CHAIR—*Rabbit Proof Fence.*

Mr Bean—*Rabbit Proof Fence,* which should have been filmed in Western Australia but was not.

CHAIR—It was filmed here.

Mr Bean—It was.

CHAIR—In my great state.

Mr Bean—In your great state, the cradle of the Australian film industry, indeed.

CHAIR—Indeed.

Mr Bean—We tried but it slipped through our fingers. In a cultural sense, Western Australia is part of the critical mass. A film industry that is very heavily oriented around the Sydney-Melbourne axis cannot afford to remain ignorant of the periphery. Hollywood is now important because it is iconic. I do not think the Sydney-Melbourne axis can rely on that status. All you have is an industry very heavily reliant on the large established companies that drive it there. They are mainly two big companies, the two biggest network headquarters. They are inherently conservative. I do not mean technologically so; I mean in the content they develop.

It has been noted that there is a malaise in the Australian film industry. We have not really had any outstanding box office successes for a while. The ones that have been successful have been nothing like what was being made in the mid-eighties in terms of the impact. I am inclined to think that 'hard-headed' often means 'closed-minded' and that the entrenched industry, which believes that nothing else happens outside it, is in fact in danger of stultifying.

Hollywood worked partly because it is a great importer of everything. It does not work to do that, because other people pour into it without it having to work for it. I do not think Sydney and Melbourne can claim that kind of thing is going to happen automatically the way it happens in Hollywood. I would say as an opening statement, on top of our prepared submission, that the periphery is vital. In some ways it represents the future of the centre. The cultural strength of

places like Western Australia, South Australia and now Tasmania—and possibly the Northern Territory—is going to provide some of the creative lifeblood of the screen content industries.

Technology can help that. The geographical critical mass that Hollywood once supplied can be, to some extent, provided by a broadband technology. A lot has been said elsewhere, I am sure, about the specific advantages of broadband technology so there is not much point in me repeating them, but it does ameliorate the tyranny of distance.

CHAIR—Rene, do you want to make an opening statement of some kind about your area?

Mr Seeberger—Yes. I would like to reiterate a couple of points made in the Game Developers Association's submission regarding extending division 10BA to apply to electronic games. I am sure you have already read the submission. That is a point that we feel strongly about. We feel at Bungarra—and I think a lot of other game developers will also agree—that it would be beneficial to the games industry as a whole if there was an easier way for developers to access capital. That is pretty well it, in a nutshell.

CHAIR—In terms of your remarks, Jeremy, when you were talking about the industry in six different regional centres, all competing, are you advocating some kind of consolidation of the industry? If so, how would the Commonwealth achieve that?

Mr Bean—I am not, actually. I would have quietly advocated that 10 years ago.

CHAIR—But the horse has bolted?

Mr Bean—Yes. My thinking has evolved. I used to think it was irrational for essentially this one market to be so attenuated. It does add significant costs. It does mean that obviously economically some money that the state government has put into the industry in some ways encourages or builds in a cost structure to the industry as well. If you are attracting a production over to Western Australia or South Australia by handing money out to make it possible, in some ways that money is not going on screen. What it is doing is giving the state an opportunity to say, 'We have some production here.'

I must say I have felt somewhat unsympathetic to film-makers who seem to think that they have some divine right to practice their craft wherever they happen to live, or want to live. I have dealt with film-makers who insist on living at Mission Beach and making a living as film producers. It is just absurd. It is like saying BHP should go to Mission Beach because there are people there who want to work for them. Those issues of geography are less important and becoming ever less important really. At a time when you can send your rushes via broadband across the sea to another country to look at in your edit suite and send back an assembly for the director to look at the next day or the day after, it does not really matter—

CHAIR—Where you are.

Mr Bean—that you have everything there.

CHAIR—Do you think this proliferation of film studios is the wrong direction? We went to Warner Bros and it was empty. We went to Fox Studios and it is busy at the moment because of *Star Wars*. Steve Bracks is insisting on building studios at Docklands.

Mr Bean—Yes. We have had an inquiry in Fremantle from a syndicate as well.

CHAIR—Of course, in South Australia they have studios, but they are thinking of moving them and consolidating them in one spot, perhaps at Norwood. Can the industry sustain this sort of infrastructure?

Mr Bean—That is such a difficult question. Possibly it can. It is a bit fragile. Yes, it possibly can, if certain conditions are met.

CHAIR—What are those conditions?

Mr Bean—That we maintain a cost structure that is competitive and productions find it attractive to work here. That means we have to have enough work to keep crews busy, so that they remain skilled. We need to have enough investment so that the technology stays up with it. We need enough indigenous output—I do not mean indigenous with a capital 'I'—so that other industries that see our work believe that they can do the work here. We need the occasional *Matrix* that says we can do anything. If all those things continue, then we will attract footloose production. If our cost advantage diminishes, if our natural competitive advantages diminish—and they are not guaranteed by any stretch—then we may find it difficult to attract offshore production and then the studios will not be filled.

CHAIR—Being highly skilled and being very creative is not enough?

Mr Bean—There has to be a cost advantage.

CHAIR—There has to be a cost advantage. Don't we not get into the position potentially of a Dutch auction? The federal government did 10BA and then everyone has copied that around the world, so now the film studios are saying, 'Why would we come to Australia? There is no cost advantage'—that is, 'You have to give us a cost advantage.' Ultimately your point was that the government is creating an artificial industry, if all it is doing is throwing taxpayer dollars at bringing industries here that are taking advantage of cost structures but not establishing deep roots in this country to keep them here, regardless of the cost advantages.

Mr Bean—I think that is the challenge.

CHAIR—That is the challenge, isn't it?

Mr Bean—It is the challenge that I think most countries face. There are some signs that the challenge may be worth meeting. The American juggernaut at times looks vulnerable. The very large-scale Hollywood productions are not nearly as sure things as they appeared to be five years ago. The other thing I keep thinking is that it is an industry which is still really old-fashioned in the way it is structured industrially, which I pointed out in my submission. It is a highly unionised guild structured industry, where you have very strong and clear demarcations between myriad roles. They are all separately contracted. It is very difficult to obtain productivity

increases with a structure like that. I have been talking about this for a while, but mostly the reception I get is, 'Ah, it will never happen; forget it.' I think that is unfortunate, because it has to.

CHAIR—Do you mean the freeing up of the industrial structure of the industry?

Mr Bean—Yes. If you visit a set, you will know what I am talking about.

CHAIR—Like visiting a university, Jeremy.

Mr Bean—Exactly. Did that recently, too. It is interesting, though, because I see possibilities if people wish to really try and do that. We have a strong documentary sector in WA. It is managed—this is a good example of how governments all can work in supporting the film industry—as a result of a reasonable amount of money being available reasonably freely—that is, without too many strings attached—for business support as opposed merely to encumber productions with particular investments.

Those companies, a handful of them, have established an international reputation for documentary production. A couple of them fund themselves essentially by making documentaries for export. They win export awards and that is pretty much what they do. Occasionally they sell something to an Australian network, but they do an awful lot of work for Animal Planet and Discovery—outlets like that. They do it with a very low cost structure and sometimes in quite unorthodox ways. One company in particular does not even use production accounting in the conventional sense at all. He uses an accounting system that looks much more like a small business accounting system, which makes it a bit difficult for organisations like us who are set up to monitor production. But when we do examine it, we find that everything is in order, he is just doing it differently. He has managed to get his whole cost structure of production down very low.

If you talk to a drama producer he says, 'Yes, but that is a documentary. You cannot do it with drama.' I would like to see him produce a drama program and see how he goes about it, even if he fails. It is very difficult to get drama producers to interrogate the documentary production method which is obviously different—and has to be—and the documentary producer who is running a business quite well to take on a drama project using the same structure.

Sooner or later somebody is going to re-engineer the drama production process and the cost structure is going to come down. Partly that is going to be enabled by technology, I think. Digital photography is helping already but there is a long way to go and there is a lot of resistance. If that were to happen, and I think a state like WA could possibly do it, we would have a terrific competitive advantage.

Mr TICEHURST—Are you saying the Australian situation is similar to Hollywood with this regimentation?

Mr Bean—Yes. Hollywood is worse.

CHAIR—The unions in Hollywood are much worse I think, aren't they?

Mr Bean—Yes. We are more flexible and we have that advantage. The thing is, the more Hollywood films here, the more—

CHAIR—It infects our unions.

Mr Bean—it infects us. A Hollywood studio comes here. The locals want to be paid the same rate. There goes half the advantage. I can understand that. That is fine, but that is why I say our advantage is fragile.

Mr TICEHURST—Absolutely. In part of your submission you were talking about infrastructure.

Mr Bean—Yes. That was the studios.

Mr TICEHURST—You were saying that broadband was still prohibitively expensive. I know Telstra Country Wide have recently reduced a lot of their broadband charges. Has that made any difference as far as you are concerned?

Mr Bean—Not enough. The companies we are talking about in the industry are very small. We are still taking about fairly significant cost imposts. There is hope on the hill, on the horizon.

Mr TICEHURST—There was some suggestion there too that you needed a film processing laboratory but in this digital mood, why would you put a film processing lab in?

Mr Bean—Once we get sufficiently far down the digital line, we will not; but we are not that far yet. So far it is an inhibitor. It does mean that, for instance, when we were talking about the film that we just shot there, *Japanese Story*, and any other film recently shot there, the fact that we do not have a lab becomes a point of argument. It is something that we have to offset for them in some way to make it worthwhile them coming.

Mr TICEHURST—Is digital improving all the time? What is the, say, output comparison between a drama or whatever shot on film compared to the same thing on digital?

Mr Bean—You mean with regard to cost and quality?

Mr TICEHURST—Cost and the overall effect.

Mr Bean—The quality is getting very close. Partly the resistance to it from film-makers is that it is not and probably will not be for a while quite what 35 millimetre is. Also there is a desire amongst people who have grown up wanting to be film-makers to use the film. Again it is a craft issue. It is a love of the celluloid, of all the things that go with it. That is a bit why it is a guild based thing, too. There are a lot of people in the industry who do not feel that they are working in an industrial practice that needs to be subject to such issues as productivity improvements. They are actually making art. In terms of cost, it depends probably to a large extent on what you are filming, what you are making, the kind of thing that you are doing, but it can be substantial. It can be hundreds of thousands of dollars on a piece of television. On a telemovie, for example, it can be $200,000 or $300,000. That is quite significant.

Mr TICEHURST—That is cheaper in digital?

Mr Bean—Yes.

Mr TICEHURST—If you look at the audio industry, we have gone from bakelite to vinyl to tapes to CDs and now DVD audio.

Mr Bean—That is right. Where the cost starts to get added back in is when people want to go from digital back to film for cinema release. It does not totally erase the cost advantage but it significantly erodes it.

Mr TICEHURST—Digital has a fair way to go before you run it at a cinema. Is that the suggestion?

Mr Bean—Depending on who you talk to it either has a long way to go or it has hardly any way to go at all. Really, that does depend on who you talk to. There are some people who will probably refuse to believe it will ever get there. Others are quite happy to work with it now. I think it is inevitable. It is going to happen and it will be hastened dramatically once we start having digital cinemas that project digitally. Then you will not need to produce those celluloid copies.

Mr TICEHURST—It is phenomenal. When you take the compact cameras, I think two years ago two megapixel was about it. Now you can buy five for the same price as they were offering a couple of years ago.

Mr Bean—Yes. It has not happened as quickly I think at the very top end, because you do not have quite the market volume to drive it, but something of the same thing does happen. If I could just comment on the studio question, because I ducked that one, studios themselves do not make much money. If they achieve a reasonably high occupancy rate—85 per cent say—they will cover their costs. They are not very complicated things. They are just big sheds with soundproofing and a bit of decent audio. That, together with digital technology, is now becoming a fairly basic requirement, so it looks crazy building a whole lot of studios around the country. I do not think it need necessarily be. I would have probably said it was once.

Mr TICEHURST—It depends on the cost, doesn't it?

Mr Bean—It depends on the cost. If it was the Fox Studio complex in Sydney, they spent $100 million or something on the studio part. If it were something simpler—certainly WA would not need anything on that scale—it would be much more along the lines of a basic requirement for anything that happened there and it would get used a lot. It comes back to the argument about whether it is worth having WA participate in this industry in Australia and contribute to the critical mass of the Australian industry. If the answer is yes, then it is worth having an infrastructure there for it. At what level is open to argument.

CHAIR—What studio facilities do you have in Perth now?

Mr Bean—A couple of very small things. We do not really have a substantial studio. We have a couple of studios attached to educational institutions. A 620-square metre studio would be big

enough to do a three-set production operating in it. That is still not very big. It is useful and you can make a low-budget film.

CHAIR—Adelaide, for example, has two sound stages.

Mr Bean—I think they are bigger.

CHAIR—They are bigger? They have mixing and post-production all in the same spot. You don't have anything like that?

Mr Bean—No.

CHAIR—That is probably traditional in South Australia because we had the South Australian Film Corporation back in the early seventies.

Mr Bean—Yes.

CHAIR—Doing things, good things.

Mr Bean—In fact, arguably the best films ever made in Australia. We will have a new studio in the ABC studios which will be finished in 2005, I think. It will be 600 square metres. It will not have significant office space attached, so it will not have production offices, for example. It has been designed for the ABC's use and, while other people can use it, it is not really set up for independent production, which is a bit disappointing.

Mr TICEHURST—Has ScreenWest done much production for ABC and SBS?

Mr Bean—Most of our production has either the ABC or SBS as a co-investor.

CHAIR—Rachel Perkins appeared before us in Sydney arguing in favour of an Indigenous broadcaster. We said, 'SBS is supposed to be performing that role as well as for the multicultural community.'

Mr Bean—Indeed.

CHAIR—SBS said that they were very committed to that and they were spending a lot of their money and time on it. Do you think there is more of an expanded role within SBS for Indigenous broadcasting? Do you think there is a need for a separate Indigenous broadcaster? Would that be diffusing the available resources too much?

Mr Bean—Without—

CHAIR—We were very impressed with her, by the way.

Mr Bean—Yes, she is very impressive. I used to work for SBS once. When I was there I think we screened the first ever Indigenous made film. It was, as films go, of interest really because it was that, to put it delicately. Since then SBS has been a partner in all the Film Commission's

Indigenous drama initiatives—*From Sand to Celluloid* or *Shifting Sands*, was it? There is a series of them. They were half-hour films that established people like Ivan Sen who then went on to make *Beneath Clouds*. I am pretty sure that SBSi has been a co-investor probably in just about every piece of independently made Indigenous film, with the possible exception of *One Night the Moon*, Rachel's film. It is difficult to see how they could really do more than that with their resources.

CHAIR—They are currently working on a five-year program with Rachel Perkins on Aboriginal history for SBS, which is the biggest project of its kind in Australia's history, our Indigenous history.

Mr Bean—Yes, it would be. Given SBSi's resources and SBS's resources, I cannot really see how they could do any more without sacrificing something else. I think then they would run into equally difficult choices. Their contribution has been remarkable. Really, Indigenous film-making is still burgeoning. ScreenWest is about to hire an Indigenous project manager for the first time. We have set aside in this budget, for the first time, a substantial amount—a couple of hundred thousand dollars—for production and development of Indigenous Western Australian film-making. It is a small start, but it is a start. That is going to add to what others are already doing. They are not going backwards.

Mr TICEHURST—Rene, on the game side, where is your main market?

Mr Seeberger—For what, the title we are current developing? That could be worldwide, really. It is a worldwide thing. Basically we could develop a game for any particular market but, generally speaking, worldwide.

Mr TICEHURST—Have you been selling worldwide before?

Mr Seeberger—We are developing our first title at this point in time so we do not have any track record. Hopefully in another five months time we will. That is when our title is slated for release in Europe and the US, as well as Australia.

Mr TICEHURST—Where did you get your funding?

Mr Seeberger—Originally we started off with a prototype, just a couple of people in a garage. We developed an electronic proof concept through loans from banks, uncles, family, work—all that sort of stuff. Then we had a deal with Electronic Arts for our title. Halfway through the development of that title they decided to switch focus and, as a result of a lot of design issues and internal politics within EA itself, they decided to close their studio in Queensland, which left us in limbo. We decided to continue the development of our title. We signed a deal with Vivendi Universal in the hope of raising money to complete the title internally in Australia. Vivendi offered us a deal whereby they would commit marketing dollars, distribution et cetera, but we would fund the title. We tried to raise money for about a year but we could not do it. Yes, it was a very big task. Since then we have signed a deal with another publisher based on a cut-down version of this title, just in order to get our title to market and basically earn some sort of track record.

Mr TICEHURST—Is that publisher a local one?

Mr Seeberger—It is a US publisher that has offices in the UK as well, so they are worldwide. We are funding the completion of the title ourselves.

Mr TICEHURST—You will expect a good royalty.

Mr Seeberger—It is basically fifty-fifty, yes.

Mr TICEHURST—It will be great if you can do it.

Mr Seeberger—Yes. As I say, we are fairly confident. We are not too sure how it will sell, although we are fairly confident. Basically, as I said, it is a cut-down version. It will be a budget title. Instead of finally retailing for $US50, it will retail for about $19.99. Obviously the royalties are a lot less in that regard, but we see it as being an important step in just releasing the title, getting the title to market and hopefully basing our future game development in Western Australia on raising money to do more games. We think it is going to be a little bit easier next time around because of our track record. As I said in our submission, it is becoming hard to convince publishers to invest in new projects. We think if we can raise some money through some sort of tax incentive scheme in order to do a fairly convincing prototype, that way we can get a publisher to guarantee a certain amount of royalties at the end of the project. Hopefully, it will get them to give us our route to market and give the investor some sort of security at the end of the project.

Mr TICEHURST—But the majority of your sales will be overseas.

Mr Seeberger—Most definitely. Australia is realistically only—in any game—five per cent of the market, except for obviously the AFL game and the new NRL game which is about to come out. Cricket is another Australian title which, by the way, is developed in England. That has a market in South Africa, New Zealand and Australia.

CHAIR—India?

Mr Seeberger—India, yes—basically the Commonwealth countries. The title we are developing is an extreme sports title. It has a worldwide market and realistically that is something we would like to concentrate on—developing titles for a worldwide audience.

Basically, again, you can develop a game for a worldwide audience here in Australia. There is absolutely no problem with that. I understand that there are issues with the 10BA and 10B tax divisions in regard to Australian content. If we were to be contracted to develop an NFL game or an American gridiron game I know there would be some issues with that, but generally speaking that would not be the case.

Mr TICEHURST—Did you have any problem getting people there—staff to put these projects together?

Mr Seeberger—At the beginning we did, yes. We were very thankful to EA for supporting us and taking a chance on us at the beginning, but we did have a pretty good prototype. We were in a bit of a hiatus for a year, trying to look for more funding to complete the title. Since about two months ago, we have found the funding. We have been able to hire three people through the FTI,

which is Tom's organisation. They have a training scheme currently under way there and we hired three artists about two months ago. They are very good and if it were not for that scheme we would have had a bit of a problem, I dare say, in finding artists that have the level of skill that we need to employ and to basically hit the ground running. That has been a very positive aspect of the FTI.

Mr TICEHURST—That is excellent.

Mr Seeberger—Do you have any other questions in regard to the 10BA? Okay. Maybe I have a question for you then. What basically is the protocol from here on regarding the extension of 10BA to make it easier for investors here in Australia to invest in a game? I do not want to get into any competition with, say, ScreenWest or the film industry here in Australia, but games are cheaper to make than most films. Maybe not for an Australian market, because I am not sure of the statistics there, but games for a worldwide market, we can develop here for $A2 million to $A5 million.

CHAIR—The difficulty with 10BA is that it applies to expenditure on films of $15 million or more.

Mr Seeberger—Yes.

CHAIR—Your industry might not be suited to the changes that 10BA has brought about for film, because of the much lower value of your investment and spending. There is a suggestion, which this committee is not really canvassing, that the government should apply 10BA to long-running television series, which might not be $15 million in one series but over three or four series it might be $15 million, or lumping together a number of different television series that might be $15 million. I am not sure how you would go. I know what you are getting at in terms of investment and tax concessions and I think that is probably the right direction that the video game industry or electronic game industry should be aiming for, but I am not sure that 10BA is exactly the same thing you would want for your industry. Even if the government said, 'Yes, this is a good idea,' you would not reach the threshold with one game.

Mr Seeberger—Yes, that is exactly right.

CHAIR—It would need to be altered. But the person to lobby about that, of course, is the minister for communications, Daryl Williams. He is a Western Australian no less. That would be the direction you should go.

Mr Seeberger—We have found, up until now, that most investors have tended to shy away from investing in anything that we have at this particular time, obviously because we do not have a track record. We had a fantastic deal with Vivendi and, as I mentioned in our submission, basically one of the main hurdles we encountered was the fact that there was not really any incentive.

CHAIR—The electronic games industry runs on its own track in Australia. It is as big as the film industry in terms of taking from the theatre.

Mr Seeberger—It is huge.

CHAIR—But it is remarkable that nobody in government really knows anything about it.

Mr Seeberger—That is exactly right.

CHAIR—It has quietly gone about its business over a long period of time and operated a sort of cottage industry which has just grown and grown and is now only just getting organised in terms of the Game Developers Association of Australia, which is having an impact.

Mr Seeberger—Yes.

CHAIR—But it is not as well organised as the film industry, for example. It is more of a frontier industry in lots of respects, but a very large and significant one, with the capacity to be larger than the film industry. This is what this inquiry is all about. We have taken a lot of evidence about electronic games, especially in Queensland and Victoria. Your concerns have been raised and registered.

Mr Seeberger—Will they be raised in front of Daryl Williams, or is that something separate?

CHAIR—The process is that this committee will do a report, which will be given to the minister, who is Daryl Williams. The government's response is required and that is when we will find out what the government is planning on doing.

Mr Seeberger—From here on is there any need for me and other game developers in Australia to make any further submissions directly to Daryl Williams?

CHAIR—No. You can make submissions to this inquiry. The more submissions you make the better, and they will all be considered as part of the committee report consideration and the drafting and the tabling of the final report which will have recommendations about what the government could do to improve the film, electronic games, special effects and animation industries. That is the whole purpose of it. But your view has been well represented so far.

Mr Seeberger—Fine.

Mr Bean—Apart from the games industry, it has long struck me that the exploration of the uses of game play in other areas warrants attention. I noticed, when doing a bit of web surfing, something that I had hoped existed: an exercycle combined with a game. You want to get your exercise in order to get your score up. I remember having a conversation with a games developer in Sydney about this idea some time ago, before such a thing existed, but he said, 'No, game people are only interested in the games; they are not really interested in exercise or anything else.' He did not know anything about it and was not interested in anything like that.

Now I notice that a company has produced one and is selling it for an exorbitant fee—$14,000 or $15,000—and selling it to gymnasiums as some sort of drawcard for their clientele. It has been very successful. The whole idea of applying that kind of addictive game play to productive outcomes, not only getting fit but various work processes, seems to me to have the capacity to change a lot of people's attitudes to things that they have to do, which could be made a lot more palatable. The games industry does not really talk about that, but there must be a lot of thinking

about game structure and the psychology of games which can apply to a whole range of activities, not just within the entertainment sector. That is my observation.

CHAIR—Thank you. Is there anything further, Ken?

Mr TICEHURST—No. That has been very good and very interesting.

CHAIR—I thank Bungarra Software and ScreenWest. I also thank you particularly for making the trip across from Perth. If we need any more information we will know where to find you. Thank you very much.

Mr Bean—Thank you.

Mr Seeberger—Thank you for taking the time.

CHAIR—It has been a pleasure.

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

That the committee authorises publication of the evidence given before it at the public hearing this day but with the transcript amended to remove the reference made by Mr Siegele to Ratbag Services' remake of an electronic game.

CHAIR—This will be my last public hearing as chairman of the committee.

Mr TICEHURST—Congratulations.

CHAIR—Thank you. Unfortunately I will not be here for the resolution of the report, but I have enjoyed the film inquiry immensely. I look forward to the new chairman—whoever it is—completing it.

Committee adjourned at 2.46 p.m.