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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**

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## HOUSE OF REPRESENTATIVES

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

Wednesday, 5 November 2003

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

**Members in attendance:** Mr Baldwin, Mr Ciobo, Mr Farmer, Mr Hatton, Mr Johnson 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**

**REID, Ms Mary Anne, Policy Manager, Film Finance Corporation Australia Ltd.....1**

**ROSEN, Mr Brian, Chief Executive, Film Finance Corporation Australia Ltd.....1**

**Committee met at 9.22 a.m.****REID, Ms Mary Anne, Policy Manager, Film Finance Corporation Australia Ltd****ROSEN, Mr Brian, Chief Executive, Film Finance Corporation Australia Ltd**

**CHAIR**—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Information Technology and the Arts inquiring into the future opportunities for Australia's film, animation, special effects and electronics games industry. So far the committee has heard from individuals and peak industry groups. Consistent themes have emerged. On the one hand, the committee has been told that Australia's creative industries enjoy enormous opportunities; on the other hand, the committee has been told that these opportunities will be realised only so long as Australia's creative industries are supported by policies and programs that evolve to ensure that Australia's creative industries remain internationally competitive, attract international investment and remain in the vanguard of the world's creative endeavours.

The committee now wishes to hear from the Film Finance Corporation. The corporation is one of the key public institutions that foster the Australian film industry. The committee wishes to know what the corporation sees as the challenges facing Australia's film industry and the prospects for that industry and the policy initiatives that should be implemented to enable the Australian film industry to flourish. I now welcome the representatives of the Film Finance Corporation.

Although the committee does not require you to give evidence under oath, I should advise you that the hearing is a formal proceeding of the parliament. I remind you—as I remind all witnesses—that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I also remind you that the committee prefers all evidence to be given in public. At any stage, however, you may request that your evidence be given in camera and the committee will then consider your request. Do you wish to make some brief introductory remarks before the committee puts questions to you?

**Mr Rosen**—I would like to state that, although the Australian film industry may be having some difficult times at the moment, after 30 years of support from government the industry has grown tremendously from the early 1970s when the first resurgence of the industry started to happen. Having lived in Los Angeles for 10 years, making movies there and then coming back, when I was approached to come on board the FFC what pleasantly surprised me was the amount of opportunities here in Australia. I think that over the years we have grown a lot. We have created a tremendous creative base of actors, directors, writers and film crews. The challenge that I see ahead of us is that after 25 years the industry is stagnating somewhat in that we are making the same kinds of movies. The thing to look at is how we can elevate the Australian film industry to the next level. That is the challenge that sits in front of the FFC and, I think, in front of government and the industry as a whole as to what are the next steps that we take to help lift the industry to that next level.

**Mr TICEHURST**—I must admit that I get a little bored with a lot of the graphics that we are seeing in films now. It seems to be getting to the point of being overdone. When you are talking about the next level, what do you mean by that? Where do you see the next level?

**Mr Rosen**—I am talking about the independent industry, obviously; I am not talking about the television broadcasts. At the independent level we have been making films with similar stories for 25 years. Part of that is that we are limited by budget as to how ambitious we can become in story-telling, how grand those stories can be, and the cost factor. The first film I made was a children's film called *Fatty Finn*, which did really well at the box office. We made that for \$380,000. You just cannot make a movie like that for that money. The movie *Breaker Morant* was made for around \$650,000. Nowadays it would probably cost close to \$10 million to make.

There seems to be a lot of criticism about the stories that Australian films are telling at the moment. Looking at some of the films that have come out in the last year, *Japanese Story* is a wonderful story and it is really engaging an audience. Yes, it is art house, but it is really reaching the audience. The other side of the spectrum to that is *Gettin' Square*, which had the most nominations in the AFI awards of any film since *Newsfront* in 1979. So maybe some of our films are all right. It is not that the whole thing is broken; we can make certain stories.

When you look at what the Film Finance Corporation has to do, which is to generate somewhere between 12 and 15 films a year, you have to have diversity. It is not just diversity in story—I think diversity comes out of the economics of it—it is that you are going to make a \$2 million film. At the moment we are really struggling to try and make those \$12 million films. The films that have that kind of budget have to be co-productions, which means that we are having to take some of the production work offshore. If it is with the UK, then what tends to happen is we shoot it here and we do the post-production in the UK; therefore our post-production houses here are suffering a bit from that.

The other side of it, too, is that when you look at the early days of Australian cinema, we accessed great Australian literature to tell those stories. At the moment, that is harder to do. When you look at the great contemporary literature that is sitting there—whether it be Tim Winton or Robert Drewe—it would be great to get those books and translate them to the big screen. But, when you read those stories and want to do them well, it would probably cost \$20 million or \$25 million to make them. So we can reach to a more ambitious film, which costs more money.

We have created all this creative talent and it has been exported. They are working in Hollywood and England, and so they should, and that should be encouraged because they become world names. We now have to find a way to bring them back. We have created a tiny creative drain. If you look at the last 12 years, three of the Academy awards to cameramen went to Australians—Dean Semmler, John Seale and Andrew Lesnie. Andrew Lesnie is working, but the other two have not worked here for a long time. It is not that they do not want to; they need to work on films at their professional level.

It is a pity that we have created all of this and it is exported; the thing is to bring it back. That is what the FFC is looking at: how can we create an environment that allows us to make use of the things we have created and maximise that? The reality with our industry is that yes, we can make small films that find an audience, but the other side is that we are competing against a global market. Let's be real about it. There are an awful lot of movies that have marquee names, big names in them, because that is what attracts an audience. We have those names. If we can put them into our movies, it will broaden the audience base that is out there.

**Mr TICEHURST**—I come from a manufacturing background and in some of the international companies I worked with it did not matter what you did in Australia—you were never more than about five per cent of the revenue of the total group. Do you find the same thing in film? You touched on the point of global markets. Really, any story you are telling here has to be suitable for a global market to be able to attract the revenue you need. Is that the case?

**Mr Rosen**—There is no doubt that the majority of the income in Australian films comes from offshore. *Crocodile Dundee* did \$46 million at the box office. At that time, that was enormous. Even in today's dollar terms, when you look at that \$46 million against the overall box office, that alone would have represented five per cent of the box office, so you can imagine how enormous that was. When you get it right, you can get your money back in your own territory.

There are several films. *Wog Boy*, *Strictly Ballroom* and films like those were able to get their money back in this market. The reality is you cannot just build an industry on that alone; we do have to look globally as to how we get our films out there. It is not just an economic base because, to be brutally honest, films are not economically viable without some support in Australia and, I would say, the same for most countries other than maybe the United States and India that have a self-sustaining industry.

The other side of it is that we make films to reflect our society, so that an Australian audience can go to see that reflection in the cinema and for overseas audiences to see us as a sophisticated country. From a film, you see all sorts of things—how we dress, talk, react to things, what is our sense of humour—therefore informing the rest of the world what Australia is about. Film is a great medium to be able to do that.

**Mr FARMER**—I have a question with two parts and it follows on from Ken's question. With the use of graphics and animation these days, I understand that one of the main things we need to look at is the cost of films and why our people are going offshore. Surely labour costs must come into it or the number of people who are in productions these days as opposed to in a lot of the older films where they had huge volumes of stand-ins and extra artists but, of course, were paid only a fraction of the amount of money that so-called stars are paid these days. That, surely, must blow the cost of films right out of the water. Is that why the film industry, almost worldwide, seems to be going towards graphics and animation—because they are cheaper?

We cannot possibly secure these artists and keep them in this country. If we build up a talent, they go overseas because they can get more money in Hollywood, London or throughout Europe with their talent and it is difficult to get them back for films in our own country. If we look at another scenario, New Zealand, for instance, is very successful with their films on the world scene, yet they obviously have a fraction of the budget that we have to deal with—maybe I am wrong along those lines. How can they produce good quality films that are not graphically produced or animated but use the original talent pool that they have in the country and bring these people through the ranks all the time and make them into stars in a country like that? Maybe you could elaborate on that.

**Mr Rosen**—What you have to look at with New Zealand is that, yes, over the years, the same as Australia, they have made films that have reached out into a world market. A little thing that is happening in New Zealand at the moment is the fact that *The Lord of the Rings* was made there and has put a tremendous spotlight on New Zealand. What we must not forget is that those films

were funded by American studios. They may have used a tax system in New Zealand to do it, but it was underpinned by Newline putting up all the money and also Peter Jackson doing it there. He has built up a computer-generated image house to do a lot of the effects in *The Lord of the Rings*. That has been tremendous for artists working in New Zealand.

**Mr FARMER**—I was thinking more of films like *The Piano*, for instance, many years ago, which was very successful at the Cannes Film Festival and throughout Europe.

**Ms Reid**—*The Piano* was actually classified as an Australian film. It was made by an Australian production company.

**Mr FARMER**—Filmed in New Zealand?

**Ms Reid**—Yes, but it was defined as an Australian film.

**Mr FARMER**—How do you make that definition?

**Ms Reid**—The production company, the producer, was Jane Campion.

**Mr FARMER**—So if they come from Australia, then it is an Australian movie?

**Ms Reid**—Yes. Jane Campion, who produced *Lantana*, was also the producer of *The Piano*. There is always that mix of talent between Australia and New Zealand but you will often find it is a Russell Crowe or a Jane Campion. They are working in the industry that has been developed within Australia, which is much more solid and larger than the industry in New Zealand. We are like their Hollywood in a way. Per capita, they produce an enormous number of incredibly talented people in music and film, but they tend to go offshore to Australia and that is where their talents will find a vehicle.

**Mr Rosen**—If you look at Sam Neill, his career took off with *My Brilliant Career*. I know we claim him to be Australian, but he is a New Zealander.

**CHAIR**—Movies like *Star Wars*, which is now being shot in Australia, will always be designated as an American film because it is an American production.

**Ms Reid**—Yes.

**CHAIR**—It is the same with *Matrix*.

**Ms Reid**—Yes, but *Moulin Rouge*, which was made here and financed by a US studio, is considered an Australian film. We classify films here as being offshore—*Matrix* or *Star Wars*; co-productions, which is a slightly different thing; or Australian. *Moulin Rouge* would be considered Australian because it is a story written and told by Australians and was shot here. Even though it is financed by an American studio, the authorial voice is Australian and that is the way we would define what makes it Australian.

**Mr CIOBO**—From an FFC point of view, there seems to be two schools of thought in the industry. One is that we grow the industry as you would any other industry, and that is, we try to



maximise economic potential out of the industry and go forward on that basis; the second I have detected is that it is about Australian stories being told with Australian voices. The two are not mutually exclusive; they just represent two points on a spectrum. From an FFC point of view, though, what would you see as the primary driver behind your decisions on which films to finance?

**Mr Rosen**—I would like to clarify one thing with the FFC and its charter. When the FFC was set up in 1988, its charter was to act like a financing bank. The producer will develop a project, attach certain marketplace elements to it—by that I mean private finance, pay television investment or some distribution deals—and then they come to us. Our guidelines say that you have to have an Australian distributor. If it is over a certain budget, you have to have certain overseas sales agents and all that involves. Once it hits all that criteria, we then look at it financially; we make no qualitative assessment. That is the way it has been set up to now. Therefore, if a producer meets the guidelines, we will put finance into it. The other side is that it was always first in, best dressed. So come 1 July, when the new financial year's funding was there, if the producers who came in met the guidelines, they would get funding. That is what is there.

In looking at the industry and the questions that are being asked of it, what we have been talking about with the various stakeholders is: should there be a sea change and should the Film Finance Corporation also look at the qualitative side of a film as well as the financial side? It is very difficult to make decisions on art, and that is what the industry is. If you are only ever looking at the deal side, if we are trying to build an industry, you have to look at the other side too; there has to be a balance. I do not mean just a great script; it is the whole package. Who is the director, who is the producer, what is the style of film they are making and the kind of money they want to spend on it? Does that make sense financially over this side? What kind of cast are they going to get? What kind of audience are they trying to reach? That is all part of making the whole thing slightly more sophisticated; you think of it as a whole rather than segmented pieces. It comes back to what I have been saying in the industry: where is the accountability? It is very easy for all of us, including me, who has just turned round and said to you that we are not responsible for quality, we only do the deal side, and I do not think that has necessarily helped. I think that we should all have to stand up and be counted in trying to move the industry forward and not hide behind guidelines and various things like that.

This industry works, to a certain degree, on a gut feeling as to what is and what is not going to work. In the end, whether there be a specific committee set up to help decide what has or does not have quality, something has to be found that gets that balance between the deal, the finance and the qualitative thing to help the industry move forward. If you look back again to the 1970s, when funding for films predominantly came from the Australian Film Commission and the various state corporations, they all made that assessment of quality and the finance side of it. I think it is something that the Film Finance Corporation, together with the industry, should look at as to whether this is something that should be embraced and is something that we should do.

**Mr CIOBO**—At the end of the day, you have a finite budget. I would presume that the number of applications exceeds your budget. Given that scenario—and it may not be stated in terms of the criteria you have to look at in making an assessment of whether to finance a film—would it not be implicit in that that you look at the likely success of a film in terms of whether or

not to finance it, or would you happily finance something that you knew was going to be a complete failure provided it met the criteria?

**Mr Rosen**—In this industry nobody knows what is or is not going to work. With the Film Finance Corporation looking at projects, we are seen to be there to support the lacking marketplace of deals. What tends to happen in the financing of a film, and even television programs and documentaries—all the three dramas that we go over—is that the producer gets together the various deals and a lot of the time we sit behind those deals. Let us say it is a \$5 million movie. Between pay television and distribution deals in Australia you get a million dollars, you get another million dollars from overseas deals and an extra \$400,000 from one of the state agencies. So there is \$2.4 million; we put in the other \$2.6 million. Other than the other state agency, which is *pari passu* with us, the other components, because they are pre-sold, come out first. That is how we support the films. When we have looked at, ‘Can this or will this film make money?’ to be frank with you, I do not think we have ever said a film is going to make a profit. We do not have the expertise to sit there and make that sort of assessment because it is the marketplace that has to assess that.

**Mr CIOBO**—Is it fair to say that FFC’s role is to provide finance to films that are unable to obtain finance in the private sector because presumably they are not going to be a decent commercial investment?

**Mr Rosen**—The Film Finance Corporation is there to underpin the fact that there is market failure in the industry.

**Ms Reid**—Most films do not make money, even Hollywood films. It does not matter where you are—Britain, France or Australia—you can presume that production of films is not going to be profitable. You have to put that assumption on the table first.

**Mr CIOBO**—Are you saying that most films do not make money but the few that do cross-subsidise investment in the other films, or are you saying that it is a loss-making industry?

**Ms Reid**—It is partly that they cross-subsidise but it is also that the money-making part of the industry is not production; it is distribution.

**Mr CIOBO**—They are interwoven, though; they are not so distinct?

**Ms Reid**—It is kind of. In Hollywood, the distributors produce films to make money for their distribution businesses.

**Mr CIOBO**—So the vertical integration in the industry is crucial to the survival.

**Ms Reid**—Crucial, yes.

**Mr CIOBO**—Is that part of the problem in Australia?

**Mr Rosen**—Absolutely. If you look at the industry we are in, whether it is film or television, distribution is the driving force behind it. Even in the UK you can see that Sir Alan Parker, who is head of the Film Council, is saying we have to start changing how we do things and look at

distribution, because distributions leads production. What we have here is production pushing distribution. Production is a highly risky area in making a film. You have to look at film making like venture capital. It is like going out to Bass Strait and starting to drill holes and somewhere along the way you are going to find some oil.

The problem with a movie is that, if it does not find an audience, it has no value. It is not like real estate. You can buy a block of land and, yes, the market might collapse, but there is an intrinsic value in that block of land and over time it will show a return. If a movie does not work when it first comes out, it has lost money.

**Mr CIOBO**—Is that the dominant difference between why the US industry has a higher degree of success than the Australian industry—because it perhaps has production that is pulled through by distribution, rather than the situation in Australia where we have production trying to drive distribution?

**Mr Rosen**—Yes. What you have to look at is that the Hollywood system has complete global reach. By that I mean that all of us in this room have been brought up on American stories through television and movies. They are entertaining. You can say, ‘There was not much but gee it was good fun and I got my \$14 dollars worth.’ Whether you go to Russia or India, the Americans have just penetrated the market in a way that people feel that, when they spend their \$14, there is value on the screen for what they get. So they just have that reach and there is no way around that.

The way I look at it is that there is no point competing with Hollywood. By all means we should look at ways how can we get them to make movies and spend money here, and that helps skill up our industry. The other side of it is there would be no Americans coming here if there had not been a film industry in the first place. John Gorton set up the film school and the Australian Film Commission was part of the resurgence of the industry building towards something. Over that period we have built up a skill base that is attractive to the Americans, English and Germans, or whoever else wants to come here.

A bit of my own history: I grew up and worked in the film industry in Ireland. When I left school I worked at Ardmore Studios. There was no indigenous industry as such; it was all from overseas financing. It was the Americans, the Brits coming in, whatever. The minute Northern Ireland blew up in 1969 and into 1970, they disappeared and there was no work for anyone. For 10 quid I came to Australia and started the revolution in the Australian film industry. The danger of building an industry on the basis that overseas people are going to come is that we will be exploited in same way as anything gets exploited—tax concessions and a workforce that is somewhat cheaper than their home territory. I see that as the icing on the cake. I think below that, we have to have our own industry.

Getting back to what we were saying with stories and entertaining, we will never compete against Hollywood. There is no point in even thinking that way. What we should look at is making distinctive stories. The reason *Japanese Story* is working is that it is distinctive, it is different from whatever else is out in the marketplace. That is what an audience looks for. Yes, it is art house and it is never going to get the vast numbers of people going to it, as has *Wog Boy*, which had a much broader base in comedy. But that is the area that we need to work at.

If we look back, *Breaker Morant* is a great story about Australians that happened to be set in the Boer War. They shot a lot of it in South Australia and made it look like real and it captured the attention of the world market. That film was seen everywhere and people learned something about Australians. We can tell that kind of a story. At the moment we are not doing that. I do not see any of that. Because it is historical, it is expensive to make. Look at *Gallipoli*, made in 1981, and the attention that that got. They are distinctive stories about Australia and I think those are the films we should be making.

We can even do a *Mad Max*. You can say that *Mad Max* is set in a neutral territory; maybe it is, in the same way as *Matrix*. It had a very distinctive look to it and it created one of the greatest Australian directors in George Miller, who is still working here and has his own company, and is probably the only self-sustaining independent film production company in Australia. That is what we should be encouraging. I am not saying that we should be making esoteric films; I am not saying that at all. Even if it is like a *Mad Max* that you could say is more commercial—

**Ms Reid**—Au genre.

**Mr Rosen**—Au genre—if it was distinctive, of course we should be doing it because that will find a marketplace.

**Ms Reid**—Even *Lantana* is interesting in that way because that is a relationship drama, which is probably not something that we have done a lot of here. It worked not only here but also there were lots of articles in the UK when it was released there discussing the issues raised by the film and it had a release in the US as well. It is not necessarily any particular type of film we cannot make, it is just that that had something distinctive and fresh, and the way it was told engages.

**Mr JOHNSON**—Brian, thank you for your comments and observations so far. You can count me as a supporter of what you do. Taking up your point about distinctive stories, is there necessarily an association, a clash with money there? Can we make these distinctive stories without necessarily having large amounts of money?

**Mr Rosen**—You can.

**Mr JOHNSON**—We could make lots of them. If so, does that come back to the talent pool?

**Mr Rosen**—Where does it all start? It starts with someone—the director, producer or writer—having an idea. I think there is a great story to be told about the Kokoda Trail. If you are a writer, obviously you have ideas in your head of what you want to start developing. If you are the producer or director, you are going to have to find someone to write that and to put whatever is in your head onto a piece of paper and start building that up. There is no simple way of saying that we will write this, we will write that, or we will write the other, and you have to write it for a million. A story is organic, it is something that suddenly grows, and that story gets told. Depending on how that writer tells that story and the opening scene—50,000 Japanese marching down the trail. That is starting to get expensive, or you could have five soldiers walking down. In other words, the story is what, in the end, dictates the kinds of films we are going to make. That comes from the creative base, it comes from the writer or director. At the moment, in their heads, they are saying, ‘Gee, if this is going to cost more than \$6 million, I won’t be able to get the funding because I can’t get a distributor, and then I cannot get in the FFC.’ So everybody is

thinking inside this little box, and I am saying let us start thinking outside the box. In early days we were thinking outside the box.

The great thing in Australia is that there is a real ‘can do’ attitude in the film industry. If you think what was achieved in the early days with next to no technology, it is quite incredible. We were quite ingenious as to how we did things. We started telling all those stories and we said we would work out how we do it as we were starting to do it. I think that we have not allowed the writers to start thinking beyond that and everybody is so busy looking at a budget and thinking, ‘I have to write something with this kind of money,’ instead of saying, ‘Let’s write a great story, then look at how we make it and get it financed.’ Over the years we have closed in on the creative community a bit and battened down the hatches and said, ‘You can only do this kind of budget.’ That kills creativity.

**Mr JOHNSON**—Is that through a limited chequebook? My response to that, as the guardians of the Australian taxpayers’ money is that we have to draw a line somewhere.

**Mr Rosen**—Absolutely.

**Mr JOHNSON**—Where do we draw that line? You or your successor could come back to us in 10 years time and say, ‘We’re doing great but we could do even greater.’

**Mr Rosen**—There is no easy answer to this. If you had an easy answer, you could fix it. There is no easy answer because this is an organic and creative industry. We have an industry, it creates work and an economic base. If you just look at the industry as a box and say that is what it is, then that is fine. The difference is, if I am making these glasses, I can design these glasses and I could do a prototype that might cost me, let’s say, \$500 to produce. Then I will go to David Jones or Woolworths and I will say, ‘Do you like the look of this?’ ‘Yes, I will order 500 or a thousand.’ Based on that, I will manufacture accordingly. If my break-even figure is that I have to make 5,000 glasses to set up the machine, unless I know I can get orders of 5,000 glasses, no point in doing it, I am going to lose money, why would I do it. The movie industry does not work that way. In the movie industry you have to make the film and then hope the people will come. That is the most vexing thing of this industry.

**Mr JOHNSON**—That is why I think Mr Ciobo’s questions were highly relevant. I think he was asking: are we doing this on a commercial basis, are there going to be some commercial returns, or are we doing it because of Australian content, character or culture? On what basis do we say, ‘Yes, that’s a good idea because it is Australian. We can therefore justify giving you more money.’

**Mr Rosen**—John Woodward, who is the Chief Executive of the UK Film Council, has said, ‘As a long forgotten Hollywood wit once said, the trouble with movies as a business is that they’re an art, and the trouble with the movies as an art is that they’re a business.’ That is the quandary that this industry is in. I cannot see how you can have an economic, viable, independent film and television industry in Australia without government support; we just do not have the numbers to do it. The export of it is difficult too. Government has realised over many years, because it has supported it, that there is a certain market failure and therefore there is a certain amount of subsidy that has to be put in to maintain this industry. The reason for doing that is that it is culturally important that Australian stories be told and shown on Australian

screens for Australian and overseas audiences. Over the years the Australian industry has been quite successful in doing that. It is hit and miss, but most years there is a film that rises to the top and gets an international market. I am not somebody who says, 'Let's go to government just to get more money.' I am coming from the basis that if we want to look at government putting in more money, then I think there has to be a partnership with the private sector. I do not think that taxpayers should be the only ones putting their hands in their pockets. I think we should find mechanisms that engage the private sector to come into the industry and help support it. It is a partnership with government and the private sector to create this industry that has a skill value, a cultural value and a value where overseas people see Australians on a screen. I think that is why we have an industry.

**CHAIR**—Mr Rosen, if you could shorten some of your answers, we have one or two more questions to go through.

**Mr HATTON**—We have seen the Australian film industry destroyed in the past through America's cultural imperialism but expressed in its control of distribution networks and channels. That happened in the thirties and the forties, so the recrudescence of Australian industry only came with an enormous amount of effort and recognition that the distribution channels were important. I want to ask a question about what might have happened if the financing of Australian film was the same as the current financing for the Australian games industry. Would we now have a broad, deep, mature Australian film industry if it were on the same financing basis as the games developers have?

**Mr Rosen**—When you say 'games', what do you mean?

**Mr HATTON**—Looking back, electronic games that have been produced in Australia for an overseas market because there is not much available in terms of our own local market. There is not the market depth, so our people are using similar techniques to what is being used in film to create electronic games they can sell to an overseas market. In this inquiry we have been looking at their financing base. There are some on the committee who would argue that there should be no greater assistance or no subsidy. Other people, in giving evidence to the inquiry, have done a comparison between film and the way it has developed, and we are looking at a nascent games industry versus a very mature film industry. If we wound back the clock and used the same government support for Australian film that we have now for games, would we be dealing with the entity that we have now?

**Mr Rosen**—I have to say I am ignorant as to what the support has been for the games.

**Mr HATTON**—It is very little.

**Mr Rosen**—If it is very little, then I think the independent industry would be crushed. I have made animated movies. I like animation and I would like to see far more animation happen in Australia. The great thing with animation is that you can do it here and it can be exported quite well because you are dealing with graphics. The cost factor of doing that is less than doing a movie. If you are doing *Lara Croft*, or something, they spent a lot of money in making that game. One of the great things with animation and the whole digital-CGI area is that it is constant employment. It is an entity whereby people work in a studio turning out these images all the time, and it is constant employment. Part of the thing with the film industry is it is freelance. You

get brought in to do a film and then you are out of work for a while; whereas, with the post-production houses, it is a constant business, which is a good thing to have and should be supported.

**Mr HATTON**—The evidence we have, from talking to post-production houses, is that it is like the film industry; it is not constant. They run for 12 weeks or so, when the project is finished, they are on the shelf and they are part of a casualised workforce that could, if film and the games industry were to interfeed each other—and they are starting to do that—would allow for a more solid base. In terms of film financing, I think this year's great win, according to just about everybody who saw it in Parliament House, would be the film *Love's Brother*, which magnificently tells the experience of people coming to Australia and the strangeness of the new land. It should do well internationally.

You have rightly pointed out that films about projecting ourselves to ourselves and projecting that overseas is a saleable product. In the games area we have evidence that the counter thing is there and that we need to be incorporated directly into production for that international market, otherwise we cannot make it. What experience do you have as a financing corporation, in terms of looking at other nascent areas like games and animation, and seeing how that might be more incorporated into film and whether or not there is a convergence there that is strong?

**Mr Rosen**—Definitely with animation it is something that absolutely fits our charter. To access finance from the Film Finance Corporation, you have to have a 10BA certificate from DCITA. My understanding is that games do not necessarily fit that, so that makes that side a bit difficult. However, with animation, be it a TV series or feature film, it is something that the Film Finance Corporation would embrace to look at doing. To add to what you are saying—this comes back to genre—it would be hard to make a game out of *Love's Brother*, but it would not be hard at all to make a game out of *Mad Max*. If we had some films that were of that genre—like *Matrix*—then there is a way of looking at exploiting that and saying, 'Let's go to Animal Logic or somebody and get them to create a game with it.' Now you are getting to a synergy between there being a film and a game. That is something that the FFC would very much embrace. It gets back to what I was saying—to open up the diversity of the stories, that they are distinctive. Also, action films like that are very hard to do for a small budget; they tend to be bigger budget films.

**Mr FARMER**—Is it cheaper to produce an animated film than it is for one that is normally produced with a lot of artists racing around the set? I think you have answered that question. What do you want us to do as a government? You mentioned you need support for the industry because it is arts based rather than based on dollars and cents, but where do you say how much is enough? What are we looking at?

**Mr Rosen**—On the feature film front, something we are looking at is to create a production fund that is a marriage of FFC, finance for features and private sector finance, because the idea is to get the critical mass. The money that we spend on feature films, our appropriation per year, is about \$30 million, and that generates about \$60 million worth of features. If that number could be \$100 million of feature, we feel we could then look at doing a \$30 million film, a \$20 million film, a few \$15 million films and then some smaller films.

**Ms Reid**—Not that we would need \$100 million from—

**Mr Rosen**—No, not from government. But we are looking at seeing how we can find the marriage between getting the private sector in to co-join with that and build up that critical mass. That will give a diversity and therefore may be more ambitious in the story telling and embrace some of those films that might add benefit to the animation or CGI sides.

**Mr CIOBO**—I am very passionate about the Australian film industry. The vision I see for the industry differs in large part to some of the entrenched views in the industry. I do not see why the Americans have a monopoly on creativity. I do not believe that the Americans produce more films because they are more creative; I think they produce more films because they know how to make a buck out of doing it. If that means that there is cross-subsidisation between the ratio of one in every five that is a box office success, or something like that, I am yet to understand why we cannot replicate that.

I totally support and believe in having an indigenous Australian film industry but the difference is this—and this ties into the first question I asked—there is a view that I pick up from the industry that says it is about Australian films with Australian voices. That is our primary focus and then, along the way, if we can get one or two box office successes, that is fantastic. Why can't we look at developing a sustainable industry? If that means we have to look at the distribution side of it to make sure that happens in the same way the Americans have, then let us look at doing that, and that is something government policy can affect.

Let us make that the primary focus so we have the *Crocodile Dundees*, *Moulin Rouges* and those sorts of films that are the bread and butter of our industry, because that then gives us the opportunity of a commercial footing to have the funds necessary to put in to movies like *The Castle*, which was a tremendous success in this market but a complete flop overseas. In a global marketplace, are we not kidding ourselves by trying to pretend that we can have a taxpayer subsidised film industry that is designed for 50 Australians to sit in a cinema at any one viewing and feel really good about the fact that they are Australian.

Why do we not address the fact that we can have a highly successful Australian film industry on an international basis, one that then provides us the funds necessary so that we can invest in the Australian films that we know are not going to be box office successes because they are uniquely Australian, ones that we know that will drive Australian spirit, but separate that from the commercial success that we ought to be striving for—in my view, anyway—that can underpin the whole industry.

I fail to see why we would sit back and say we cannot compete with the Americans. I do not see it. I cannot understand why we cannot have the script development and the creativity to put films—let us face facts. A lot of highly commercialised films are not particularly good when it comes to creativity or script, but they are tailored to meet the market because the Americans know how to make a buck out of putting a film together. In my view, our focus needs to shift towards that in order to then provide in the long term a sustainable industry that can do more than we can ever dream of out of taxpayer dollars to promote an indigenous Australian film industry. I would be keen to hear the FFC's response to that.

**Mr Rosen**—I concur with a lot of the things you are saying. I do feel there is a certain arts funded mentality in the industry. It is something that needs to be challenged and looked at. The things that we are looking at doing are, for instance, with all the state corporations and the AFC



we now have a set up to talk about development of projects and where we are going, where the industry is heading. At the moment, everything is fractured. You would have a film being developed by an agency and they are putting in money, but they cannot make the thing happen because that is all they have—they can put in a bit of production financing. You then have a producer who will go to a distributor and sales agent to get some of those deals. Then they come to the Film Finance Corporation to put in a chunk of money as well.

In the end, who is really looking at the vision of what you are doing? I am not saying this is what the FFC should be because it will become a monopoly. When you look within the studio system, the reason it is successful is that it is not just whether or not it is global domination; it is that they create the story, they pay a lot of money to get big talent names, and they have the money to make and distribute it—it is one-stop shopping. That is what a studio is. They have total control of the slate of what they do and how it should be put out into the marketplace and what should be spent on it. We do not have that here. So what you are saying, in essence, is right, but when everybody only has a piece of the puzzle, you are not controlling it.

**Mr CIOBO**—So do we develop government policy to try to secure that?

**Mr Rosen**—I think that should be looked at to see how it can be done, but I think it can be done without it necessarily being just one organisation. If there is true collaboration, then I think that can be achieved.

**CHAIR**—Mr Rosen and Ms Reid, thank you very much for appearing before the committee today. If the committee has any further questions, the secretariat will contact you.

**Mr Rosen**—Thank you for the opportunity.

**Ms Reid**—Thank you.

Resolved (on motion by **Mr Ciobo**, seconded by **Mr Johnson**):

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

**Committee adjourned at 10.16 a.m.**