



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**

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HOUSE OF REPRESENTATIVES

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

Wednesday, 26 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 Sercombe 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

CONNOLLY, Ms Sharon, Chief Executive Officer, Film Australia 1

Committee met at 10.01 a.m.**CONNOLLY, Ms Sharon, Chief Executive Officer, Film Australia**

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Communications, Information Technology and the Arts inquiry into future opportunities for the Australian film, animation, special effects and electronic games industry. To date the committee has heard from individuals and peak industry groups. Consistent themes have emerged. The committee has been told that the ongoing technological revolution in the audiovisual sector presents Australia's audiovisual industries with enormous opportunities. The committee has also been told that these opportunities will be realised only so long as Australia's audiovisual industries are supported by sympathetic and appropriate policies and programs.

The public hearing today is the last scheduled for this inquiry, so the information gathering phase of the inquiry is coming to an end. The committee will now hear from Film Australia. As one of the nation's largest producers of television documentaries and educational programs, Film Australia is one of the key public agencies that promotes the Australian film industry and, as such, is an integral part of the Commonwealth's film program. Ms Connolly, I welcome you today. I note that Ms Bowtell is not coming.

Ms Connolly—No.

CHAIR—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 that it may be regarded as a contempt of the parliament. I also remind you that the committee prefers all evidence to be given in public. However, at any stage 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?

Ms Connolly—Yes, I will, if you do not mind. Thank you very much for the opportunity to speak to you today. I know that you have spoken with most of my colleagues, so it is pleasing to be here to put a full stop, hopefully, on some of it. Certainly your findings to date would be ones with which I concur. Clearly, for documentary, as for other genres in the audiovisual industries, the digital age, if you like, proposes a lot of opportunities and equally as many challenges and problems. It is probably worth saying that most of them are outlined in our submission, but the one that we probably did not address, given when it was written, was that of the free trade agreement. I think it is probably worth saying here that whilst Film Australia's submission does dwell to some considerable extent on issues to do with regulation, it does not talk about what might happen were negotiations currently under way to result in any diminution of our ability to regulate for the future exhibition of Australian content on whatever platform exists now or which may be invented.

It is probably worth saying that that is of particular concern to documentary for a number of reasons. Film Australia is the oldest of the government film agencies, I should say. In a way, that says something about documentary—that the nation's need for documentary and desire to have programs made about ourselves and our culture is a need of long standing and one which government has long sought to meet through public subsidy.

However, I would have to say that, unlike some other genres, documentary has not had some of the advantages of twin systems of subsidy and regulation. The regulatory framework for documentary production has been very weak compared to our drama counterparts, for example. I think the first Australian content regulation for television drama was introduced in the 1960s. Indeed, documentary had no equivalent regulation until 1996. You have probably heard this from others: where, for instance, long-running serials like *Neighbours* have been able to establish themselves because of continuing regulation requiring Australian commercial television networks to screen minimum amounts of Australian drama, those series have had that stability and been able to build a production sector on the basis of that. Documentary has never actually had the opportunity to build itself a stable base. That said, government subsidy has provided some stability to the industry over a long period of time—since 1946, in the case of Film Australia. It was established in the post-war period primarily to facilitate the production of programs which would teach Australians about themselves and about other nations. It was part of a post-war reconstruction effort. Many of the objectives, I think, are probably just as pertinent today in terms of national cohesion and the spread of knowledge.

The current regulatory framework for documentary is this: the commercial free-to-air television networks are each required to broadcast 20 hours of first-release Australian documentary per year. That is less than half an hour a week. In fact, few of them exceed that requirement. When they do, it is only by a very small amount. There is no expenditure requirement for pay TV documentary channels as there is for pay TV drama channels, which are required to spend minimum amounts of program expenditure on Australian content. There is no similar requirement for pay TV.

So we are, compared to our counterparts in the drama area, somewhat disadvantaged. I saw some figures recently which showed that the pay TV sector provided something like 13.5 per cent of the total feature film production budgets for the year 2001-02. That is quite a substantial contribution to the cost of producing feature films—a contribution which has not been available to documentary production. Pay TV channels in Australia tend to buy documentaries after they are produced, which is not helpful in terms of financing production. They buy them for somewhere between 0.4 and 0.6 per cent of the production cost. So a program that can cost somewhere between \$350,000 and \$500,000 to produce an hour's worth of documentary might sell to a pay TV station for anywhere between \$1,200 and \$2,000. I am just framing this by saying that the regulatory environment that currently exists to support Australian documentary production is weak and is therefore, in a way, even more threatened by any proposal to limit future regulation of new media.

Documentary, being traditionally a very adaptable genre, is perhaps particularly suited to the digital future in that its creative talent has very special skills. They are skills to do with information packaging and navigation through complex sets of information. So when you see a history program, for instance, on the ABC, very often it is compiled from archives, photographic and film, from original text materials, from interviews conducted with experts, from people with a personal connection to the subject and so forth. Documentary film-makers, if you think about it for a moment, you will realise are expert in navigating their way through complex sets of information and creating stories and arguments from them. That is a skill particularly suited in the digital environment, where we think—you have probably heard this many times—we may well be in a situation where new content is produced by taking chunks or collating information from elsewhere, synthesising it and producing new materials.

They are not just creative skills; they are also quite practical skills. Documentary film-makers are highly skilled in the areas of copyright negotiation. They also are used to the multiplatform world in the sense that, as producers of factual program, they have long had an engagement not simply for television or film but for print publication, for radio and, increasingly, for new media formats such as DVD, web sites et cetera. So there are many ways in which you can regard the documentary as the executive summary, if you like.

The proliferation of platforms now provides many more opportunities to make the most out of investment in documentary production. So threats to limit the regulation for Australian content of new media platforms, be they digital television channels or the Internet or online delivery in various ways, are worrying to the documentary production sector.

CHAIR—I might kick off with the first question. You mentioned the expenditure on documentary for pay TV. What size is the expenditure in drama? You did quote the drama figure. What would you like to see in relation to pay TV's requirement?

Ms Connolly—It is a good question and I am sorry that I cannot answer the first part of it because I could not give you a figure on the drama spend. The only figure I have to hand is the one I mentioned earlier. I am pretty sure that in 2001-02 the pay TV sector in Australia contributed roughly 13 per cent of the production costs of Australian produced feature films.

CHAIR—I think you quoted a figure of \$1,200 to \$1,500 per hour, which on the surface would appear affordable by a pay TV company compared to what they perhaps would be paying for overseas market documentaries. If that is the case, why wouldn't they then be inclined, given that the pay TV broadcast, as I understand it, is to New Zealand and Australia under their Discovery channel and Lifestyle channel, to replay more Australian documentaries on those channels rather than the overseas product?

Ms Connolly—The decisions are pretty much made in Washington in that case. Many of the decisions are made overseas. The way in which documentaries are financed, generally speaking, is similar to most other genres in that preproduction commitments are necessary to trigger government investment or other investment in production. For example, a broadcaster—it may be a pay TV channel—will put up what is called a presale in order to provide a sort of kick-start, if you like, to the financing of that particular production and to indicate that they want it and they want to make sure it is theirs at the other end. Those presales at the moment are very rarely negotiable in Australia but are mostly negotiable through the parent companies of our pay TV channels, for instance. Discovery, as the leading documentary channel, I think it is fair to say, makes those kinds of decisions for larger commitments in Washington. National Geographic similarly does so in North America. So local executives are not necessarily empowered to commit those kinds of moneys. They are reduced to an acquisitions role, which traditionally affords much lower licence fees for programs that have already had an outing on free-to-air television. So there are justifications in lesser payments in that, most likely in order to finance production, the productions that pay TV will acquire at the other end have already been screened three to five times on free-to-air networks.

CHAIR—And what lobbying effort does Film Australia do with the pay television operators to get more Australian product shown there?

Ms Connolly—We have a sales operation at Film Australia which sells not only our own titles but also independently produced documentaries. I do not know whether you would call it lobbying, but you would call it good sales work, I guess. We are constantly knocking at the door to encourage the pay TV channels to take Australian material. And indeed they respond; they do take significant amounts of Australian product. As I said, it is often quite old, that catalogue material, and is almost always material that has been well and truly screened before on free-to-air television. I have been the CEO now for seven years and I can think of one instance where we have had a preproduction commitment that has enabled the production to happen, and that came through Washington.

CHAIR—Given that documentaries are to tell a story, is the quality there that would entice operators to pick up the product, or are the documentary producers producing a story without a view to the commercial realities of getting it played?

Ms Connolly—Indeed, I think you can safely say that Australian documentary is one of the most highly regarded documentary production sectors in the world and it always has been. Australia's first Oscar was won by a documentary in 1946. It was *Kokoda Front Line*. Documentary has continued to be recognised through awards and audience figures in Australia and around the world, so I do not think there is much of an argument about quality.

The commercial realities may be another question. Certainly it is a commercial reality that television networks, both in Australia and overseas, prefer to program materials that come in long formats. Most documentary in this country is produced in single programs—one hour or very short series of three to six hours. That is simply because the funding mechanisms that currently exist need to spread their moneys around and do not have the resources to fund longer format series. On the rare occasion when it has been possible—to use an example, in the days when the commercial television production fund existed to try to stimulate some further Australian production—

Mr SERCOMBE—What was that?

Ms Connolly—The commercial television production fund. I am trying to remember when it finished. It wound up in about 1999-2000, probably. It was a one-off Creative Nation initiative. It was money designed to encourage commercial networks to produce and screen more innovative content. Film Australia did one production with the commercial television production fund's finance with the Nine Network. It was called *Our Century*. It was a 25-part series fronted by Ray Martin about Australian history. If you like, it was a bit along the lines of *This Fabulous Century* or those kinds of programs, but it was done for the year 2000 specifically.

There is no doubt in my mind that, when you make a series that long, you give it the production values we were able to give it and the network can program it over a considerable part of the year and you amortise its promotional costs across 26 episodes as opposed to having a lot of on-air promos that cost money to make to publicise a one-off one hour, the audiences will be there. The figures for *Our Century* were remarkable. It won its slot practically every week that it aired. The network was happy, the advertisers were happy and, most importantly, the audience was happy. The response was fantastic.

So it is possible, but I think the impediments and obstacles to production in more commercial formats are to do with resources available for production in longer formats and the interest of commercial networks in screening documentary programs. I have to say I do not understand their reluctance to do so other than on that format question. *RPA* would be another case in point, to take a less self-interested one. Film Australia has nothing to do with it. *RPA*, again, has a stable presence on our television screens; it has been on for a long time and regularly rates in the top 20 programs on Australian television.

CHAIR—But would you call that a documentary, or is that just reality TV?

Ms Connolly—Well, it skirts the border, but certainly the Australian Broadcasting Authority classifies it as a documentary. I think it is documentary. There are certainly forms of television that we would call reality television that I would not class as documentary, but I think *RPA* offers interesting insights into the way Australians live and into Australian families and crises and hospitals and all the rest of it.

Mr TICEHURST—I am thinking of comparing film and documentary to a manufacturing organisation. I am thinking of a global market because the Australian market is just too small. When you look at documentary, are you looking at it from a global point of view? We heard one other witness earlier saying that a lot of the Australian stories have been told. I thought that was a little light-on, because with documentary you perhaps have a lot more scope. Should we be looking at making programs here that are more acceptable to a worldwide market? In that case, you are selling product on the basis of the content and the audience perception of that content.

Ms Connolly—It is a complex question. First, I would say that documentary, possibly more than other genres, is to some significant extent produced to meet our own cultural needs. I would argue that a civilised nation needs a means of reflecting and exploring its own concerns. Certainly that would be argued in every other country. The British, for example, are the largest producers of documentary in the world. The BBC, for instance, would not expect to export even 50 per cent of its documentary output. It is primarily geared to domestic consumption. In some ways, obviously my role at Film Australia is to produce a record of the nation's life. Our production is funded under our national interest program. It has quite specific criteria about exploring and illustrating Australian life and concerns.

That said, there is definitely a place for the exportable documentary. In fact, Australia has been very successful in doing that, particularly in genres which are more universal. They would include natural history, science, travel and adventure, for instance. They are the kinds of genres which traditionally are exportable and deal with more universal concerns.

There are currently some impediments, again, to the production of what I would call blue-chip documentary. Increasingly, the international market has become fragmented because of new technologies and new ways of delivering programs. That has brought about in Australia, as elsewhere, a real shift in the market. So we now roughly have the market for documentary product divided into two sectors. The first market, which is quite lucrative, comprises large public broadcasters, such as the BBC, the Canadian Broadcasting Corporation and so forth and the larger privately owned networks, be they terrestrial, satellite or cable. They include Discovery and so forth—the big ones.

The second market comprises the multiple cable satellite niche operations around the world. They are expanding all the time. Our figures show that in a period of a year we have increased our sales by 90 per cent in terms of the numbers of titles that we have been able to sell overseas—that is with national interest material, primarily—although the revenues coming back to us have only increased by 58 per cent. So we are mostly selling to that second fragmented market where there are more opportunities for sales, but they return much less money.

The first market is becoming increasingly competitive and requires very high production values to achieve sales in that area. Those production values, to be frank, are less and less achievable on the kinds of budgets available to Australian producers. That is a result of several things—again, first, the limited resources of government funding mechanisms, and, second, the weak regulatory framework which has not created a domestic market upon which we might build a substantial export industry. Does that answer your question?

Mr TICEHURST—It does. I must say I am horrified by a lot of the American sitcoms. I do not watch them. If you have to have canned laughter so you know that it is funny, I find it quite ridiculous. But I am amazed that we have such an appetite for those programs. What can you do to actually make more appealing the Australian productions compared to some of the what I would call inferior American programs?

Ms Connolly—Again, I think the problem is that if Australian audiences—I will start with Australia first—are not exposed to Australian documentary, they are not going to develop an appetite for it. The reality is that when you show good quality Australian documentary on Australian television, people will watch it. I have done enough surveys of ratings figures in the last few months myself to know that this is the case. But they have very limited opportunities to see Australian documentary other than on the public sector broadcasters, given our regulatory deficiencies. Even the public broadcasters, which in my view are increasingly trying to, again in a fragmented marketplace, appeal to larger audiences to justify their funding and their existence, are finding themselves pushing documentaries often—not always, but increasingly this is the case not just here but around the world—to the outer reaches of the schedule. So they are on at 10 o'clock at night rather than 8.30 at night. Again, this is often because they are made in one-off forms or short series. The same arguments apply to public sector broadcasters trying to amortise promotional costs across a long-running series, which is much harder to do with documentary.

It is fair to say that documentaries sometimes deal with the more difficult end. It is often the serious subject that it takes, although, I should say, the ABC, for instance, runs a series called *Reality Bites* at eight o'clock during the week. In that early evening slot, the ratings are quite extraordinary. I know with series that we have produced, like *Plumpton High Babies*, which some of you may have seen, or *Bush Mechanics*—I could name some others; *Kimberley Cops* was not one of ours but was screened in that slot—the ratings are very comparable, if not better than, drama product shown in a similar timeslot at a similar time of night with a comparable amount of promotion. That is in Australia.

The only way you can enhance the appeal of Australian documentary overseas, if indeed that needs to be done, is to enhance production values. Look at a BBC natural history production or an ABC natural history production, which is very expensive. They are the most expensive forms of documentary to make because people go out into the field for a year, following difficult little animals which may or may not come out of their holes at the right time or whatever. It has all

those problems. It is a very expensive genre. The production values are very high, but with our limited resources it is very difficult to make very many of those. Indeed, when we do, we are very dependent on the contributions of overseas broadcasters to produce high-end blue-chip programming of that kind, which is the kind that appeals at the more lucrative end of the international market.

Mr FARMER—I have a couple of points that I would like to make. One is along the lines that Mr Ticehurst referred to about American sitcoms. I cannot help thinking—and I would value your opinion on this—that we watch whatever we are dished up because we simply do not have a choice. I wonder what the Australian Film Commission has done in relation to overseas documentaries that are actually about Australia targeting audiences overseas in relation to a particular market. For instance, look at the tourism side of things and say, ‘Which countries’ people visit Australia the most?’ We could look at the Japanese market, determine what the Japanese like the most about Australia and then tailor a Japanese documentary made in Australia by Australians that encapsulates all those points and then sell it specifically to Japan. Is that sort of direct targeting done with respect to serving up documentaries for the overseas market? If that is the case, perhaps we could entice overseas investors to get involved in the Australian documentary industry.

Ms Connolly—I am not sure what the Australian Film Commission has done in this regard because I am from Film Australia. Certainly our efforts internationally include quite substantial attempts to deal with international coproduction partners. There are a number of ways that we do this. We promote our programs through a range of activities, including international film festivals, so we have quite a large film festival presence making sure that films get out there. As I say, we have an active distribution department, so we are licensing programs to other territories all the time.

Film Australia has a long history of coproduction, indeed with countries as diverse as Japan, Brazil and, most successfully, I suppose, European territories. However, there is a limit to how far we can pursue those kinds of opportunities given that our primary objective at Film Australia, at any rate, is to produce programs in the national interest.

Mr FARMER—But wouldn’t it be in the national interest to promote the Australian product overseas? That would in turn bring dollars back into Australia.

Ms Connolly—Where that is appropriate, that has certainly been done. It is interesting that you mention Japan because Japan has a very new documentary culture. It did not have much of a documentary culture even 10 years ago. There are many people at the government broadcaster in Japan, NHK, who have been concerned about this and who have worked with organisations like Film Australia to develop their documentary culture. So in the mid-1990s we were involved in a number of consortium arrangements where we were involved with developing countries in South-East Asia and in our region and in Latin America. I think there was one that had 13 participants in it. The more developed countries involved were Canada and Australia. We certainly led that particular consortium. Actually, there were consortia; there were about three productions like this. We led them and tried to develop a better documentary production capacity.

Mr FARMER—You said that not only pay TV but basically the television stations actually buy the finished product if they like it after it has already been produced, so it is a bit like the cart chasing the horse. You spend an incredible amount of money to produce things for which there may be a market, depending on what the market research shows, but it is still a huge risk and a huge outlay just to get started. They are in the box seat because you already have this thing you have to offload. What could this committee recommend to government or the minister about setting some criteria and having some up-front commitment from the broadcasters before outlays are made?

Ms Connolly—In trying to be helpful, and with things that are less costly, I would say that the No. 1 priority is regulation. We do need some expenditure requirement to be imposed on pay television documentary channels similar to that which is imposed upon them in relation to Australian drama so that there is some pressure on them to acquire Australian content rather than to continue programming vast amounts of much more cheaply acquired overseas programming.

No. 2—this is a costly thing, but it is not that costly—is that a documentary is a much cheaper form of production than its drama counterparts, as a rule. I think we certainly need more resources in government funding for the documentary sector if we are to explore the digital future with any systematic approach. At the moment, we do not take the risk and make the program without knowing that we have an end user. In fact, nearly all government funded documentary, and that is most of it, in this country is funded with broadcasters. Because of the lack of effective regulation, it is nearly always funded with public broadcasters, being the ABC and SBS, obviously.

The problem with that is that we are now so dependent on the financial contribution that those public broadcasters make to add to government subsidy which produces the documentary output of the nation that it is very difficult for us to go into more high-risk areas like production for the new media. So very little of that is happening, and yet just as documentary always provided a good entry point for film-makers into the feature film and television industries going back decades—and that has continued to be the case and continues to be the case today—documentary is the perfect entry point for people entering the cross-platform digital age. At the moment, we are not doing a very good job of encouraging those people to apply their skills to those forms of production, to expand their skills, to think laterally about how they might produce for those areas, which is not only a cultural need but also a sensible business strategy. If they can diversify the platforms and audiences for whom they are producing, then hopefully they will have a more sustainable future.

I would not say we will never have subsidies, because in a country of this size we will always have to have good systems of subsidy if we want to make sure that Australian documentaries are produced. Hopefully, if one can exploit the work done on a number of platforms and through a number of media, then one might increase revenues flowing back and, hopefully, take some of the pressure off government funding.

CHAIR—I am afraid that I have to go to another appointment; I am double booked. This is now a subcommittee. With the members' concurrence, I will hand over to Mr Ticehurst, who will chair the meeting. I do apologise. Thank you very much.

Ms Connolly—Thank you. It is very nice to meet you.

Mr SERCOMBE—Ms Connolly, I wonder whether you could provide us with some assessment of the position of Australia in relation to the regulatory framework that you have outlined with other countries with whom we might want to compare ourselves. I would be particularly interested, I suppose, in the regulatory regime in relation to documentaries in Canada, for example. Obviously some of the European countries are in a somewhat different situation. Britain is obviously a bigger market but still not quite the leviathan that the US is. Then, of course, there are the French. They have a different language, so I guess there are different issues there. It would be very helpful to get a bit of a picture as to how the regulatory regime here compares to other countries with whom we may compare ourselves and where they sit in relation to the free trade issues that are on the agenda that our industry is confronting at the moment.

Ms Connolly—It is not my particular area of expertise, but I will have a go at answering that in fairly general terms, if you do not mind. Certainly, as we know, the United States has virtually no regulatory framework in relation to this because it does not need to. Its market is so enormous and the taste of its audiences for its own product is so high over such a long period of time that the figures for imported production are absolutely tiny. Britain is somewhat similar. Britain used to have—

Mr SERCOMBE—Similar to the US or similar to Australia?

Ms Connolly—Similar to the US. Nothing is similar to Australia. We are probably the least protected industry in the world. In Britain, there have been over time a number of import quotas so that it was not possible to screen more than a certain percentage of imported material on British television.

Mr SERCOMBE—So the onus was the other way?

Ms Connolly—It was the other way, absolutely. I am on shaky ground, I have to say, when it comes to Canada. Put it this way: I know that Canada has much more protection of its domestic product than Australia does.

Mr SERCOMBE—In terms of a higher percentage requirement for local content?

Ms Connolly—It has a local content requirement. I am sorry, but I cannot answer that question. I would possibly make an error if I try to answer that question. But it certainly has in place mechanisms which protect local content levels on Canadian television. It has similar subsidy mechanisms to our own. The equivalent of Film Australia is the National Film Board of Canada, for instance. We were both established in roughly the same period with the same objectives, and we have quite a close relationship with the National Film Board of Canada. It has an organisation called Telefilm, which is not unlike our Film Finance Corporation. They have very similar systems of subsidy but much better regulatory provisions to ensure Australian content is screened on all platforms, as I understand it.

Mr SERCOMBE—You referred earlier to the one-off program that arose out of the Creative Nation package. As I recollect what you were saying, you were talking about that in the context of the incentive to produce long production runs. Could you outline that program and what it actually produced compared to the present situation.

Ms Connolly—The commercial television production fund was a Creative Nation initiative designed to encourage commercial networks to produce more innovative programming.

Mr SERCOMBE—Was it successful in that respect?

Ms Connolly—Well, if the measure of success is that the commercial networks screened more Australian content and of quality, then I think you could say yes. It was specifically designed for the production of content that was not to be counted toward the fulfilment of quota requirements, so in that sense it encouraged them to create more than they already were obliged to. So it certainly succeeded in doing that. But it was a subsidy to networks which you might argue should have been paying for additional content themselves. In relation to documentary, it did not do a great deal. It did the *Our Century* series I referred to earlier, which was 25 half hours and, as I recall, one other one-off production. Most of its funding went into the production of drama series. I am trying to remember the names of some of them. I think *Kangaroo Palace* might have been one of them. Miniseries are again a difficult beast to fund in the current environment. I think 1999 may have been the last year in which it invested, but its investments carried on a little. Returns from its investments still flow through the Australian Film Commission into development funding for television, as I understand it.

Mr CIOBO—I am interested to explore some of the aspects of the documentary market in terms of the Discovery channel and National Geographic, for example. You are dealing there with a fairly sophisticated consumer. Obviously people with those channels have an interest in documentaries; they want to watch documentaries. If I had a dollar for every time I have seen a cheetah, leopard or crocodile in Africa on those channels, I would be a wealthy man. Why is it that given their market mix and given the consumer preferences—you say they have very high production values—they would have a propensity to use dated Australian documentary rather than invest in new documentary?

Ms Connolly—It is cheap.

Mr CIOBO—But doesn't that conflict with high production values and a sophisticated audience?

Ms Connolly—Again, it is a complex question. They do occasionally invest in Australian production or commit to Australian production at the front end as opposed to the purchase of more dated material. As I said earlier, when that happens, it happens through head office; it does not happen through the Australian Discovery channel. It happens through the parent company. It is a very competitive market. There are people from around the world trying to get some of that Discovery money and a Discovery deal. It is also quite difficult in that Discovery, for its investment or for its commitment, likes to take rights to many territories. Sometimes that is not completely compatible with our own financing systems.

Mr CIOBO—When you say 'rights', are you talking about IP rights?

Ms Connolly—The right to sell the program in territories and to diverse media around the world. So, for example, the best way to make money out of any production in any genre is to sell it off territory by territory. So it would be \$25,000 to Britain, \$15,000 to the US and \$5,000 to Canada et cetera. We would be very happy with those kinds of prices for a one-hour

documentary. That is the best way to maximise the return on that program. Discovery likes to buy as much as it can up front, so it will often want to take the world, leaving you, the producer, or any Australian investor, with no means of recouping any of its investment.

Mr CIOBO—In the short term, you talk about building an appetite for documentary. Don't we lose lead, effectively, on those types of documentaries and create that demand, which then down the track would lead to a sustainable demand?

Ms Connolly—Well, to some extent we do that. Both the financing systems we currently have for documentary production certainly invest amounts of money knowing that they will be very unlikely to recoup a significant part of that investment. They do so for cultural reasons, essentially. So that already happens. Am I responding to your question in a way that helps?

Mr CIOBO—Yes. You talked about market failure in your opening statement. I am not convinced it is market failure. I take on board your comments about creating demand, but I have to say that it would seem to me that commercial operators make decisions on a commercial basis. If they do not believe they are going to be able to generate consumer interest and demand for a product, I do not think they will broadcast it. Obviously there are exceptions, but in broad terms I think that the market demand and supply mechanism works. Perhaps the role for these does lie with the public broadcasters. Perhaps as a committee we should be recommending that the ABC or SBS or both increase significantly their quota for documentary services.

But I think to say that what the broadcasters are looking for are long-run series but all we can ever generate is short-run series to me shows that we are putting, as Mr Farmer said, the cart before the horse. Surely it has to be incumbent upon us, if we want to get something up on a financial basis, to turn around and say, 'Okay, we've got a business case to run here and that will involve us catering to market demand and looking at doing a deal that caters to that market demand,' or alternatively we accept that there is not a business case but we have a fundamental belief in the need to have, again to use your words, Australian stories with Australian voices, in which case we say we are going to subsidise it and put taxpayers' money into it, in which case it should rest with our public broadcaster, which serves that purpose as well.

Ms Connolly—Can I respond to that in two ways. I think both those things are true. At the moment, it would not be possible to finance a long-run Australian documentary series out of this country. You are not talking about companies that have capital behind them; you are talking about an industry that comprises pretty much lone operators and cottage industries. I had been an independent documentary producer, a reasonably successful one myself, long before my association with Film Australia. Film Australia works with independent film-makers. By the way, we outsource all of our production. Those people are very under-resourced. They are appallingly paid and remunerated for what they do. The only reason for them to continue doing it is because they believe in the culture and they obviously achieve some sort of satisfaction from doing it. They do not have the means to invest in speculative series, such as you are suggesting, nor do broadcasters make commitments on that scale, nor do our government investment mechanisms have available to them resources to that extent. So the creation of a 26-part series or a 25-part series that I spoke about before was made possible by a unique government funding mechanism that then disappeared.

Mr CIOBO—Is that the case internationally? You get, for example, the *Blue Planet*.

Ms Connolly—There are a number of differences, but the major difference internationally is that most broadcasters elsewhere in the world, were they to want that kind of series, where they would want any program, would fund, if not all of it, a much greater part of it than Australian broadcasters.

Mr CIOBO—So that in essence, though, is what we are talking about?

Ms Connolly—Yes, absolutely.

Mr CIOBO—So to achieve a *Blue Planet* status type thing—the BBC has obviously invested a lot of money in that series—if we are going to replicate that and drive demand, to use your words, we need to look at the role that our public broadcaster plays in—

Ms Connolly—Not just our public broadcasters, to be fair. Yes, our public broadcasters carry Australia's commitment to documentary in the sense of getting it out to an audience, pretty largely. They have done that job for a long time. Whilst we all have our differences with them from time to time, the reality is that they are still putting out by far the most documentary content. So, yes, they have a responsibility to continue to support documentary—I agree—but certainly the commercial broadcasters do. The reason they do not is that they are not regulated to do so. Therefore, there is nothing to compel them to acquire Australian product in preference to much cheaper, infinitely cheaper, overseas programs, which can be sold in Australia at a much lower cost than Australian programs simply because they have often recouped their money in other markets. So a documentary made in North America can recoup its production costs from its domestic market, and the sales to other territories are icing on the cake.

Mr CIOBO—But, there again, if the public broadcaster in Australia is broadcasting Australian produced documentary and a commercial station is broadcasting cheap offshore series and you are saying that Australians want to watch Australian documentary, won't they be turning over their TV channels and watching the Australian produced documentary?

Ms Connolly—Well, you have to start somewhere. As I said earlier, the long-run drama series model is really instructive in this. Australians did not have a taste for Australian drama until it was created for them. It was created by giving them opportunities to see Australian drama. There were consistent opportunities over a long period of time. Those opportunities were created by some marvellous individuals like Hector Crawford, but they were also created by a regulatory framework that people like Hector understood had to be put in place.

Mr CIOBO—So you are saying that it is there or it is not there when it comes to the public broadcaster at this point?

Ms Connolly—Public broadcasters are not subject to regulation in the same way as the commercial television broadcasters.

Mr CIOBO—No. What I am asking about is creating that demand.

Ms Connolly—I think the demand is definitely there for the public broadcasters but, as you are probably aware, the public broadcasters' audience share is nowhere near as significant as the audience share of the commercial broadcasters, which have not made a contribution to

developing Australian audience taste and appetite for Australian documentary because they have never been required to by regulation. When given opportunities, certainly Australian audiences watch Australian documentary, but a Channel Nine viewer is not necessarily going to be given any opportunities to watch Australian documentary.

I should qualify that. We are currently doing a production where we can work with commercial broadcasters. We are currently making the *Colour of War* series, which you may have seen, about the Anzacs, which is a coproduction between Australia and New Zealand. Channel Nine has been very involved in that. From time to time it does happen. As was the case with the Nine Network and *Our Century*, audiences watched that series in their droves. Hopefully, given that the *Colour of War* series will be on Channel Nine and that it will be hopefully well promoted by the network and by ourselves, again, it will bring large numbers of people. But that is rare. That opportunity is rare. It is rare because there is no regulatory incentive to do that, and it is not cheap for the network to do that, I should say.

Mr CIOBO—I disagree with your final statement, where you say it is rare because there is no regulatory incentive to do so. I think it is rare because there is not the business case for it to be so. The regulatory incentive makes it so. I do not think regulation has ever created incentive other than the incentive to comply for fear of reprisal, but we could talk about that all day long.

Ms Connolly—We could.

Mr CIOBO—I guess I have got my point across and I am interested in your responses.

Ms Connolly—I think the regulatory incentive is necessary in the situation we have, where the television product of every other nation in the world, and particularly the English speaking ones—it is our misfortune in some ways to speak English—is dumped here in Australia and can be purchased by networks for very little money.

ACTING CHAIR (Mr Ticehurst)—Thank you for appearing before the committee today. If the committee has any further questions, the secretary will contact you.

Ms Connolly—Thank you very much for the opportunity to speak to you. I wish you well with the rest of your deliberations, which are nearly over, I take it.

ACTING CHAIR—Just about over.

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

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

Committee adjourned at 10.55 a.m.