FILM FINANCE CORPORATION AUSTRALIA LIMITED
and
AUSTRALIAN FILM COMMISSION

Inquiry into Future Opportunities for Australia's Film, Animation, Special Effects and Electronic Games Industries

Supplementary Submission

Submission to
The House of Representatives Standing Committee on Communications, Information Technology and the Arts
August 2003

This supplementary submission to the inquiry is a response by the Film Finance Corporation Australia (FFC) and the Australian Film Commission (AFC) to comments made by the Pacific Film and Television Commission (PFTC) to the House of Representatives Standing Committee on Communications, Information Technology and the Arts at its hearings in Queensland on 24 July 2003.

We wish to correct a number of errors in statements made to the inquiry by the PFTC's head of production, Henry Tefay.

1. Mr Tefay stated that, *"Australian audiences do not care very much for the kind of feature films that we produce. This is why the government's film and television investment programs lose on average 80 per cent of their base allocation each year."*

   The audience admissions for some of our most successful Australian feature films of recent years show clearly that Australian audiences turn out in large numbers to see those Australian feature films that capture their interest.

   Listed below are approximate cinema audience admission numbers for five of the most successful government-backed films of the last two years

Lantana:	1.5 million admissions
Crackerjack:	1 million admissions
The Man Who Sued God:	1 million admissions
Rabbit-Proof Fence:	0.8 million admissions
Dirty Deeds:	0.6 million admissions

   It should be noted, also, that millions more Australians will see these films as they move through the video/DVD, pay television and free-to-air markets. For example, *Lantana* has been seen by almost 4 million Australians taking into account its combined theatrical and video/DVD audiences.

   Not all Australian films work well with Australian audiences but, as the figures listed above indicate, some work very well indeed. This is the case for local films in national film industries around the world. Even in the United States, the world's most commercially successful feature film producing nation, many local films 'flop' at the box office.

   In the year referred to by Mr. Tefay, 2002, when Australian films earned 4.9 per cent of the total domestic box office, the overall performance of Australian films was solid, with three Australian films earning over $5 million gross box office each, and ten Australian films earning more than $1 million each.

   Moving to the issue of recoupment, it is important to note that all national feature film industries – with the exception of the US and India – rely on government subsidy in one form or another, due to the expensive nature of feature film production and the worldwide dominance of American entertainment conglomerates.

   It is wrong to imply that Australia is alone in its failure to recoup the government funds it invests in feature films each year. Governments around the world provide subsidy for feature films, whereas less expensive audiovisual formats (eg. drama serials, current affairs and variety programs) are often be fully financed by television networks on a commercial basis.

Certainly there is room to improve the recoupment levels for Australian feature films, but it is misleading to suggest that the feature film business should survive here on a totally commercial basis when this not the case in the UK, Canada or European countries, which have the advantage of being much larger domestic markets.

When judging the overall performance and popularity of Australian films one cannot overlook the market dominance of the US. 22 of the 259 films released in Australia in 2002 were Australian (8.5 per cent), while170 or 66 per cent were from the USA, and these achieved an 82.3 per cent market share. The average budget for a major US studio film was $95.9 million, compared to the Australian average budget of $7.8 million. With larger production budgets comes high spending on marketing campaigns and larger releases across a high number of screens. With this uneven market spread, the performance of Australian films, when compared with lower budget independently produced films from other countries, continues to be strong.

2. Mr. Tefay stated that, *"$100 million was spent on making* Matrix*; they spent another 60 per cent of that actually marketing the project. In Australia, with a budget of around $5 million to $6 million for a feature film, we barely spend $100,000 on marketing that film."*

   American films often are marketed more lavishly here than local films but it is wrong to suggest that all Australian films have a marketing budget of as little as $100,000. The marketing budget is predicated entirely on what kind of film is being released. A mainstream Australian film such as *The Man Who Sued God* or *Crackerjack* will be released on over 100 screens nationally supported by a marketing budget of over $1 million.

   The size of the marketing spend is determined by – and rightly so –the distributor of the film, not the producer or the government agencies co-financing the film, based on the size of the theatrical release. It does not make commercial sense to outlay large amounts of money on mass market advertising for specialist or 'arthouse' films released on a small number of screens.

3. Mr. Tefay stated that, *"The corporate plans of the AFC and the FFC do not appear to have quantifiable objectives, or indeed, performance indicators that identify success or otherwise of specific programs."*

   The corporate plans of both the FFC and the AFC include diverse and numerous performance indicators. The two organisations report to the Government against these performance indicators twice each year.

   In the case of the FFC, performance indicators are developed in association with the Department of Communications, Information Technology and the Arts (DCITA) and the Department of Finance. The current indicators are too numerous to list here but they do include:

   – box office and ratings targets for film and television programs
   – awards and festival selection for film and television programs

- level to which the FFC gears up its government appropriation with marketplace co-investment

In the case of the AFC, performance indicators are also developed in conjunction with DCITA, and are reviewed annually through a rigorous strategic planning process that seeks outcomes directly related to the organisation's objectives, which are clearly stated and publicly available. The current performance indicators include measures such as:

- participation rate of AFC developed projects in the national production slate;
- numbers of AFC investment recipients with projects in production;
- numbers of AFC supported films achieving theatrical release or television broadcast;
- numbers of scripts in production or completed production.

The nature of the performance indicators of both organisations demonstrates that there is an awareness and encouragement of projects that achieve or have the potential to achieve both commercial and critical success, as well as playing a central role in the cultural life of Australia.

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