Film Inquiry
Submission No. 94.1

Government of South Australia

Submission to the House of Representatives Standing Committee inquiry

into the

Future opportunities for Australia's film, animation, special effects and electronic games industries

July 2003

The terms of reference have been addressed from a South Australian perspective as a number of relevant national industry bodies and Federal Government organisations will be providing responses and are likely to address their submissions from a national perspective.

Term of Reference a)

The current size and scale of Australia's film, animation, special effects and electronic games industries

Definitional issues and the availability of statistics at a state level pose a problem in providing a monetary value to the industries and as such have not been provided.

According to the latest Australian Bureau of Statistics (ABS) there are 85 film production businesses in South Australia employing nearly 400 people and contributing to 2.5% of the audio visual industry's national employment (*ABS Cat No. 8679.0 Film and Video Production and Distribution, Australia, 1999-2000*). It is understood a survey will be undertaken by the ABS for 2002-03 with the information likely to be available late 2004.

Appropriate statistics for these industry sectors is an issue and the State Government is exploring avenues to collect meaningful statistics to better guide policy development. The South Australian Government is supportive of work being undertaken by the Department of Communications, Information and the Arts to address this shortfall.

The South Australian Government considers Film and Digital Production/Post-Production as being important industries to the South Australian economy, which are capable of generating employment, income and value add equal to other industries within the state.

South Australian companies are creating visual effects for major international productions, animating globally-recognised advertising icons, producing some of the world's foremost car racing games and in turn generating significant export revenues. The major production houses are Kojo Group, Rising Sun Pictures, Anifex, Imagination Entertainment and Ratbag.

South Australia's film and television post-production and digital media strengths include:

- *Strong international film reputation.*
- *Renowned film producers/directors based in Adelaide promoting the benefits of operating out of SA.*
- *Core number of mature businesses successfully operating interstate and internationally representing a diversity of specialised skills in a range of digital areas such as 3D video game design, cell and stop frame animation; computer graphic imaging.*
- *Creative talent and 'can do' attitude. Multimedia students from Torrens Valley TAFE in SA recently won a prestigious national student award in interactive multimedia at the Australian Interactive Media Industry Association (AIMIA) Awards.*

Term of Reference b)

The economic, social and cultural benefits of these industries

The film, animation, special effects and electronic games industries are fuelled by creativity – the same creativity which is manifest across the arts and cultural sectors, and which drives innovation in other areas of economic growth such as science and technology. This is our society's "cultural capital".

As well as making a substantial economic impact, these industries are vital to the development of Australia's identity, to the fabric of our evolving culture, and to the perception of Australia and Australians at the international level.

The new Adelaide Film Festival, staged for the first time in February/March 2003, has a broad focus on the digital world, not on film alone, in recognition of the fact that the boundaries are becoming increasingly blurred between the screen-based industries. Major streams for the festival included programs such as Digi-docs and a cross-media event called Cross-Over. It is intended that this emphasis will be further developed for future festivals, creating a point of difference for the Adelaide film event compared to other festivals with their traditional emphasis on screening feature films.

The importance of creativity and creative industries was highlighted in the South Australian Economic Development Board's (EDB) *"A Framework for Economic Development in South Australia"* released in May 2003.

In its Framework, the EDB stated the following:

> *Why are some places more conducive to innovation than others? It is the case that no amount of R&D or education will suffice unless there is a creative and responsive culture.*
>
> *A culture of creativity can help translate South Australia's underlying advantages into superior economic performance through the generation of new ideas and the facilitation of innovation, experimentation and the creation of new products and services.*
>
> *Creativity is also recognised as providing vibrancy and encouraging young people to remain in, or go to, a particular location. This particularly applies to highly mobile knowledge workers who are looking for excitement and fun in their working and non-working lives.*
>
> *South Australia already has an international reputation as a 'creative place' and as a centre for the arts. We must enhance this reputation by facilitating the growth of our creative industries. People attracted to work in creative industries generate diversity and, in turn, attract other creative people to work in knowledge-intensive industries.*

The benefits of these industries are considered to be their ability to:

- strengthen the State's creative environment
- provide continuity of employment for industry practitioners
- raise the profile of South Australia for tourism and business

- generate direct economic returns from a growth industry with high multiplier effects (with particular regional South Australia benefits through location based filming)
- broaden South Australia's industry base
- capitalise on existing strengths, and
- enhance South Australia's reputation as a 'creative' place in which to work and live.

Term of Reference c)

Future opportunities for further growth of these industries, including through the application of advanced digital technologies, online interactivity and broadband

The film and digital production industry is a global growth sector with demand for entertainment increasing with household incomes. Innovative and creative content are increasingly sought whenever new platforms and/or significant changes in technology emerge. Consequently, the continued development of new platforms, eg announcement of hand-held game device by Sony as well as technological advances such as online connectivity of consoles in general provide ongoing opportunities for growth.

The digital nature of these industry sectors combined with good broadband accessibility has potential to overcome the 'tyranny of distance' faced by South Australian business in relation to access to markets. The ubiquitous internet creates a market place of proximity.

The electronic games industry is an industry that continues to provide future opportunities for growth, with the Interactive Digital Software Association estimating the worldwide sales of game software to total US$20 billion by 2005. South Australia has two games development companies working exclusively in the international arena.

Term of Reference d)

The current and likely future infrastructure needs of these industries, including access to bandwidth

The South Australian Government's Office of Economic Development (OED) has commissioned a consultancy to examine the requirement of studio infrastructure to support the future growth of these industries (i.e. both for film and digital production). The results of the study are expected in late August 2003 and will assist recommendations by the EDB to the South Australian Government.

Through the OED, the Government is supporting a project that will assist local businesses in the film and digital content sector access high capacity broadband telecommunications at cost effective levels to support the activities and growth of the industry.

The project follows a demand aggregation model similar to the Film Industry Broadband Resources Enterprise (FIBRE) solution. This project is being supported by our Government rather than via the Commonwealth funded FIBRE as the delivery mechanism and cost of the FIBRE solution does not currently meet the needs of South Australian based businesses.

Term of Reference e)

The skills required to facilitate future growth of these industries and the capacity of the education and training system to meet these demands.

A clear concern has been expressed by multimedia industry representatives in South Australia that improvement is needed in graduate skill levels. Their businesses need better qualified graduates to take up entry-level positions.

There needs to be articulation between university level courses and the TAFE system. In South Australia, for example, Flinders University and Torrens Valley TAFE are in discussion about ways to create clearer "complementarity" between the courses offered by each institution. The TAFE and tertiary sector covers areas such as visual arts (including graphic design), creative writing, film, screen and broader audio-visual studies. These training sectors all contribute tangibly to emerging employment opportunities in the multimedia industry.

Flinders University, which currently offers streams in Screen Studies, Creative Writing, and Drama Studies, plans to establish a fourth stream in Multimedia under its new Bachelor of Creative Arts degree, in collaboration with Torrens Valley TAFE. This is an exciting prospect that will contribute considerably over time to the needs and opportunities of the multimedia industry in South Australia.

There are also some key training challenges that relate to the schools' sector.

It can be difficult for teachers to gain training in media studies or multimedia. This is a complex challenge because it is activated at three levels: teacher employment, teacher training and qualification, and consequently in delivery of secondary education.

In South Australia, the following factors have been identified as contributing to the limited supply of teachers qualified to teach screen studies and multimedia:

1) There are few teachers in the public school system in South Australia who currently teach multimedia or screen studies. Twenty-one teach this as their first subject, while another 20 teach media studies as their second or third subject. The situation has gone backward over the past 10 years, in contrast to the growth of screen-based industries.

2) Those teachers who teach information technology (which is more "hardware" focused rather than multimedia or "content" focused) generally come from a "technical studies" or trades background, and not from the creative development or content sides that are fundamental to the health of the multimedia industry sectors.

3) There is a limited pathway for students from school to tertiary education and training in the area of multimedia. In 2000, 229 South Australian secondary students undertook *Media Studies* for Stage 1, and 775 undertook *Media*

Production and Analysis (formerly *Media Studies*) at Stage 2. Both are school-assessed (rather than externally assessed) subjects, which sit within the Social and Cultural Broad Field of Study, and not the Arts Broad Field, where they may better belong. However, schools are increasingly incorporating multimedia in other SACE subjects, such as music and art curricula, which do offer externally assessed subjects.

4) There is no pathway for multimedia/new media graduates to take their skills and learning into South Australian schools without undertaking an education qualification first.

5) There is no pathway for undergraduate teaching students to study this area as part of their teaching qualification. At present, for example, Bachelor of Education students cannot take Screen Studies subjects (at Flinders University) as part of the curriculum component of their degree. At the same time, we continue to see a public demand for media literacy in schools and the soft industries of the information economy are growing in South Australia. Opportunities exist to provide appropriate training for teachers in media subjects, if the issue of their recognition as part of the teacher training university curriculum can be addressed.

Initiatives, put in place by the South Australian Government, to address some of these challenges include:

- Responding to the growth of creative digital content industries through the Technology School of the Future (TSOF) which is developing and delivering a wide range of courses for teachers and students in the technical and new literacies aspects of media.

- The development of a Professional Development Pathways program by the Department of Education and Children's Services (DECS), in partnership with the tertiary and training sector, that allows teachers to undertake a range of courses, including some offered through TSOF, to have these qualifications recognised as part of Graduate Certificates, Graduate Diplomas and Masters qualifications.

- The introduction of computer subsidies programs to support schools in updating their ITC infrastructure, essential to the delivery of multimedia curriculum. In addition, DECS has also introduced ITC coaches in every education district to support the teaching and learning of a range of ITC subject offerings. Their work has a strong emphasis on new media.

- In relation to pathways for students, the implementation of a new *Futures Connect* strategy, which is one of the strategies to support schools in ensuring that students are engaged in constructive learning, will support school leaders to critically analyse curriculum pathways, including quality VET and career and transition programs. This includes transition to TAFE multimedia programs and relevant undergraduate university courses.

It is worth noting, that in addition to the SACE subjects referred to in (3), above, students in South Australian schools also undertake Certificate II in Arts Interactive Media through partnerships between schools and Registered Training Organisations (TAFE Institutes).

In some of these cases, teachers partly deliver the course in school with some of the more industry-specific curriculum delivery undertaken at a TAFE site. Prior to delivering the classroom component, teachers are provided with specific training to ensure that they also meet the Australian National Standards consistent with the standards of a Registered Training Organisation. This includes access to professional development opportunities, industry relevant experience and or training to ensure that teachers meet the requirements of the Australian Quality Training Framework and the requirements set out in the Training Package.

The above initiatives go some way towards increasing the capacity of the education and training system to produce the skills required to facilitate further growth of film, animation, special effects and electronic games industries. It is recognised, however, that the various education and training sectors need to continue to work together to overcome these challenges.

Term of Reference f)

The effectiveness of the existing linkages between these industries and the wider cultural and information technology sectors

A number of arts organisations are now working at the creative interface between the arts and the multimedia industry. These include the SA-based national organisation, the Australian Network for Art and Technology (ANAT), which actively fosters innovation and research and development at the creative end of new media. Many artists are now working in or utilising new media/multimedia, and they are supported creatively by organisations such as ANAT and the SA-based Media Resource Centre and by Arts SA through grants.

In recognition of the importance of these industries, SAFC runs a substantial digital media development stream, assisting in boosting capability in the broad screen based industries. SAFC has production accords with both the ABC and SBS to encourage the creation of content for delivery on free-to-air television and on the internet.

Companies such as high-end South Australian games producer, Ratbag, have highlighted creative capacity as the single crucial factor they seek in recruiting people. The potential size and capability of the "feeder group" for these industries is restricted by current blockages in the educational pathways for young people at school, VET and tertiary levels, and for teachers, especially within the school system.

Term of Reference g)

How Australia's capabilities in these industries, including in education and training, can be best leveraged to maximise export and investment opportunities

South Australia has considerable strengths in the area of film and television production, and the new media industries. It is positioned as a centre for independent film production and increasingly well known for multimedia production covering the range of industry sectors, from interactive installations for museums and education to commercial special effects and the economically powerful electronic games sector. But these strengths need a growing, contemporary, competitively positioned skills base and training sector beneath them if they are to have a future.

These industries are very competitive and yet South Australian companies deliver work of a high standard to the international market. To strengthen our global reach financial incentives by way of rebates could be offered to underpin business investment by overseas companies.

The next generation of major film makers needs to be developed, broadening out and diversifying, contributing to a dynamic, growing employment base for Australia. Young people must develop the multimedia/digital skills to work with South Australia companies like the highly successful Ratbag, Rising Sun Pictures, Kojo Group, Anifex, or Imagination Entertainment. South Australia's well-established capabilities in the creative, technical and entrepreneurial realms need to extend to the growing multimedia industry.

Term of Reference 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

<u>Funding Imbalance</u>

The state and Federal Governments provide financial support to these industries for cultural and economic reasons. To overcome the imbalance of cultural spend and industry development in the less populated states, positive discrimination should be considered by the Federal Government.

New South Wales accounts for 62.2% of the film and video production industry (ABS Cat 8679 1999-2000) and as noted in the Victorian task force it has always had the advantage of being the headquarters of the major Federal funding and development organisations (i.e. the Australian Film Corporation, Film Finance Corporation, SBS and SBS independent and the Australian Film, Television and Radio School), the major television networks including the Australian Broadcasting Authority, the national promotion agency AusFILM and the main private sector vertically integrated production, sales and distribution companies.

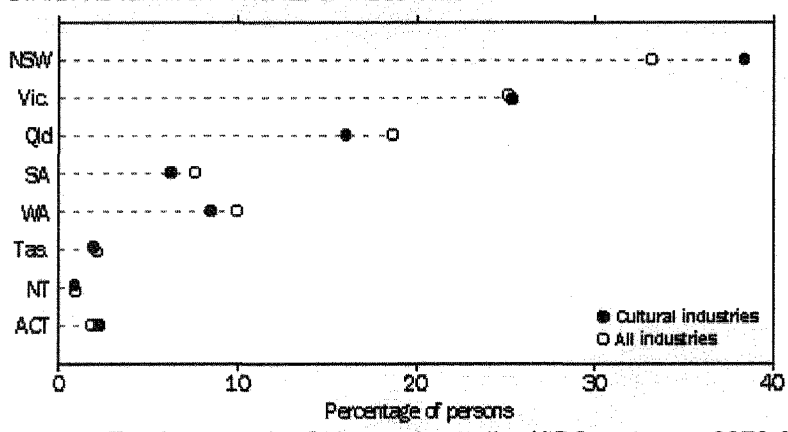
This consolidation in effect sees the majority of Federal funds allocated to the film industry as part of its 'cultural policy' expended to develop the New South Wales industry and creative ability. In 2002/03 the Federal Government allocated $131.1 million to key federal film agencies (excluding broadcasters and regulatory bodies).

The 2001 ABS Census of Population and Housing statistics demonstrate the advantage New South Wales has in the cultural industries. New South Wales has 38.4% of Australia's total creative industries, compared to 33.2% for all other industries, demonstrating the higher concentration of creative industries employees.

As demonstrated in the table below there is a lower percentage of persons employed in cultural industries in Queensland, South Australia and Western Australia.

Of all persons employed in cultural industries, 38.4% (114,985) had New South Wales as their usual state of residence. Similarly, 25.4% (76,009) had their usual place of residence in Victoria, 16.1% (48,145) in Queensland, 8.6% (25,669) in Western Australia, **6.3% (18,944) in South Australia**, 2.3% (6,925) in the Australian Capital Territory, 2.0% (5,925) in Tasmania and 0.9% (2,638) in the Northern Territory. Similar percentages were reported for each state and territory in 1996.

STATE AND TERRITORY PROFILE OF INDUSTRIES



Source: Employment in Culture, Australia (ABS cat. no. 6273.0), released in May 2003, presents summary data on selected cultural occupations and industries from the 2001 Census of Population and Housing.

As noted by Richard Florida, Professor of Regional Economics, Carnegie Mellon University:

> *creativity has come to be valued because new technologies, new industries, new wealth and all other good economic things flow from it. When it comes to economic growth, the relatively well educated and the relatively creative are disproportionately important.*

The imbalance of Federal funding threatens the future ability of the smaller states to sustain their creative culture and creative industries.

Incentives

The South Australian Government is supportive of the extension of the "12.5% Refundable Tax Offset for Large Film Productions" to include large budget television series, bundled non-theatrical films, electronic games, animation and special effects. The exclusion of these types of content development is likely to lead to the loss of significant production opportunities with substantial long-term negative impact on the industry and the economy.

The entertainment industry is a global industry. The global competition for production has become extremely intense in recent years with a number of emerging locations with significant cost advantages compared to Australia. Unless Australia maintains its competitiveness these types of projects will be undertaken in locations that do offer incentives (in one form or another).

Local South Australian post production and special effects companies have lost significant projects due to incentives offered by other countries and Australian states, which cover digital production.

For further reference on this issue, the Standing Committee should refer to the AusFILM commissioned report undertaken by the Allen Consulting Group, a respected independent economic consulting group, in conjunction with the Centre for Policy Studies at Monash University, to identify the economic and fiscal impacts of the extension of the tax offset scheme to large budget television production.