4

Making the most of opportunities

Introduction and overview

4.1   The evidence provided a consistent picture: Australia's film, animation, special effects and electronic games industries face great opportunities. In evidence, the Australian Film Commission (AFC) stated:

> We are scratching the surface in terms of the creative potential within Australia to generate and produce high-quality screen content, whether it be film and television or in some of the new and emerging areas of production and screen delivery and markets internationally.[1]

4.2   This chapter addresses the following terms of reference:

- future opportunities for further growth of these industries, including through the application of advanced digital technologies, online interactivity and broadband—term of reference (c);

- the current and likely future infrastructure needs of these industries, including access to bandwidth—term of reference (d);[2] and

- the skills required to facilitate future growth in these industries and the capacity of the education and training system to meet these demands— term of reference (e).[3]

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1   Mr K. Dalton, AFC, *Transcript of Evidence,* 4 September 2003, p. 62.
2   Beginning at paragraph 4.92.
3   Beginning at paragraph 4.151.

4.3   Submissions suggested that government has a lead role. For example:

> The Australian games industry is at a point where it can take off to
> new heights and become a major international game development
> hub or slowly stagnate into a steady state and eventually die,
> because other nations and their governments have helped their
> citizens take the lead.[4]

4.4   The need for policy direction was raised in many submissions, including
from agencies that advance Australia's creative industries,[5] industry
associations,[6] educational institutions,[7] and private enterprise.[8] In
recognition of this need for policy direction, recommendation 1 of this
report suggests that the Government make a policy statement for all the
industries examined n this inquiry. An example of the sort of measures
that could be included in such a policy statement is the Committee's
recommendation later in the report that Division 10BA of the *Income Tax
Assessment Act 1936* be extended to the games industry.

4.5   This chapter identifies the opportunities that lie ahead and outlines the
changes to infrastructure and skills development systems that are
necessary for Australia to be in a position, structurally, to grasp the
emerging global opportunities. Public policy issues are discussed in
Chapter 6.

Future opportunities

4.6   Peter Higgs and Thomas Kennedy estimated the export potential:

> Australia has an opportunity to transform its many creative
> cottage producers into world-class producers and exporters of
> creative content, applications and services. A vibrant Creative
> Digital Industry will shift Australia from being a net importer of

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4   Micro Forte, submission no. 40, p. 3.

5   For example, AFC, submission no. 58, pp. 21-22, Film Finance Corporation Australia,
    submission no. 70, pp. 18-19, Film Australia, submission no. 82, p. 4, Australian Children's
    Television Foundation, submission no. 29, p. i.

6   For example, the Game Developers' Association of Australia, submission no. 54, p. 3; Screen
    Producers Association of Australia, submission no. 33, p. 7, SPAA/ASDC Documentary
    Council, submission no. 45, p. 3.

7   For example, Academy of Interactive Entertainment, submission no. 43, pp. 4-5 and Film and
    Television Institute of Western Australia, submission no. 2, p. 15.

8   For example, Allanbank International, submission no. 57, p. 19; Animal Logic, submission
    no. 102. p. 3; BigKidz Entertainment, submission no. 13. p. 10; Bungarra Software, submission
    no. 41, pp. 1-2; Fox Studios, submission no. 75, pp. 4-5.

over $1 billion of content in 2000 to being a potential net exporter
of $1.5 billion by 2010.[9]

4.7   Opportunities exist to increase Australian earnings in film and television
          drama, documentary production,[10] digital production,[11] animation[12] and
          games.[13] Higgs and Kennedy assessed Australia's resources and prospects:

> Our creative and technical skills and resourcefulness are already
> winning us business share of the "runaway" or "footloose"
> production in film, animation, games and post-production from
> more traditional markets. Our depth of production resources
> including locations, our creative talents, our tolerant, multicultural
> society and the convenience of being in the same time-zone as
> Asia, are all attributes that could enable us to address substantial
> global, as well as niche, markets.[14]

Global markets

4.8   Global demand for the creative industries at the heart of this inquiry—
          film, animation, special effects and electronic games—is growing:

> World wide, the creative economy was estimated to be worth
> about $US2.24 billion in 1999, representing 7 per cent of the global
> economy and growing at 5 per cent per year.[15]

4.9   In 2003, PricewaterhouseCoopers found that between 2003 and 2007, the
          'media market' which included the industries the subject of this inquiry,
          was predicted to have a global compound annual growth rate (CAGR) of
          4.8 per cent. The industries being examined in this inquiry (except for free-
          to-air television) were predicted to have even higher growth rates.[16] The
          highest growth estimate was for electronic games.

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9   P. Higgs & T. Kennedy, *From Cottages to Corporations: Building global industry from Australian
     creativity*, a report for the Department of Communications, Information Technology and the
     Arts, December 2003, p. 13.

10   Film Finance Corporation Australia, submission no. 70, p. 11.

11   BEEPS, submission no. 34, p. 18 and Animal Logic, submission no. 83, p. 2.

12   Yoram Gross-EM.TV, submission no. 63, p. 9 and Mr T. Brooke-Hunt, Pacific Vision, *Transcript
     of Evidence*, 5 September 2003, p. 31.

13   Game Developers' Association of Australia, submission no. 54, p. 10.

14   P. Higgs & T. Kennedy, op. cit., p. 19.

15   AFC, submission no. 58, pp. 5-6, citing J. Howkins, *The Creative Economy: How people make
     money from ideas*, London: Penguin, 2001, p. 86.

16   Exhibit 19, PricewaterhouseCoopers, *Australian entertainment and media outlook 2003-2007*, p. 4.

Table 4.1   Global growth, creative industries, to 2007

	Filmed Entertainment	Free-to-air television	Subscription television	Internet	Interactive games
CAGR (%) 2003 – 2007	6.4	3.7	6.6	10.1	11.2
$A m, in 2007	170,591	220,137	444,942	179,712	69,038

Source   Exhibit no. 119: PricewaterhouseCoopers, Australian entertainment and media outlook, 2003–2007, PricewaterhouseCoopers, p. 4.

Table 4.2   Global growth, by region, creative industries, to 2007

	United States	Europe, Middle East, Africa	Asia/Pacific	Latin America	Canada
CAGR (%) 2003 – 2007	5.0	4.3	4.7	4.4	7.3
$A m, in 2007	1,178,871	814,766	508,545	92,227	59,828

Source   Exhibit no. 119: PricewaterhouseCoopers, Australian entertainment and media outlook, 2003–2007, PricewaterhouseCoopers, p. 5.

Australia's global position

4.10   By themselves, high quality producers, facilities, and professionals do not lead to a self-sustaining industry, nor generate investment or global sales. Nor do expanding global markets by themselves provide opportunities for Australians. Australia must be in a position to participate in the global market: it must have the talent and infrastructure and understand the global market to tailor its capacities and public policy to fit.

4.11   The developing global creative market is digitally based. This means that content—films, games, television programs—will be created digitally and delivered to viewers and consumers digitally.[17] Unless Australia implements a 'creative digital future' it may be marginalised:

> The significant threat faced by a small player in these markets is marginalisation in the global value chain. The key opportunity is simply the reverse: by developing the new capabilities required by the global digital value chain, a strong globally-competitive position can be established.
>
> The implications for Australia are two-fold:
>
> ▪ policies for digital content and applications industries must address the issue of our positioning in global marketplaces,

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17   AFC, submission no. 58, p. 5; and Australian Film Television and Radio School, submission 18, pp. 2 & 24-26.

> including in the downstream distribution channels where large multinational firms dominate;

- policies must have regard to the capabilities of our industries to deliver commercial outcomes in the new global digital value chain.[18]

4.12   Embracing the creative industries and the opportunities they offer requires Australia to recognise a change in the world:

> Certainly the entertainment industries are becoming key economic components. In America they are bigger industries than the defence industry. In Japan and Britain, people spend more on entertainment than they do on clothing and even on their health services. So these information and entertainment industries are becoming very big enterprises. If we are unable to play in that market and have workers who are prominent in that market and making Australian material, then I think we have a huge problem into the future.[19]

4.13   Australia faces several significant considerations that will shape policy responses. It is a small producer in a very large market; it has neither the domestic market, the dollar value of production nor the trading alliances needed to guarantee a strong position internationally; it is not a member of a trading block, such as the European Union;[20] nor does it have a privileged relationship with the dominant cultural force in global cultural industries, the United States, that would ensure Australian cultural products have better access. Rather, recent changes in the relationship have been seen more in terms of ensuring that Australian screens continue to show Australian productions.

4.14   The Committee is conscious of the potential impact of the Free Trade Agreement with the US. The Minister for Communications, Information Technology and the Arts has stated:

> Australian stories will continue to be seen and heard on Australian screens now and in the future, no matter what the platform.

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18   Cutler and Company, *Producing Digital Content*, abridged, Stage 2 of the Creative Industries Cluster Study for the Department of Communications, Information Technology and the Arts, September 2002, p. 4.

19   Mr M. Long, Australian Film Television and Radio School, *Transcript of Evidence*, 4 September 2003, p. 29.

20   AFC and Film Finance Corporation Australia, *Report on the film and television production industry*, a report prepared for the Minister for the Arts and the Centenary of Federation, the Hon. Peter McGauran MP, 5 November 1999, p. 19.

> The FTA completely preserves all of our existing local content regulation, including the 55 per cent transmission quota for Australian content on free-to-air-television.
>
> Importantly, this agreement ensures that the Government retains the power to regulate for Australian content in both existing and new forms of media, whether analog or digital.[21]

4.15 The contrast between the Australian government's assertion (that the right to ensure local content on Australian media and Australian voices and stories on audiovisual and broadcasting services has been protected) and the US government's satisfaction with improved access was referred to by the Chief Executive of the AFC, Mr Kim Dalton. He said the US government described the agreement as containing:

> important and unprecedented provisions to improve market access for U.S. films and television programs over a variety of media including cable, satellite, and the Internet.

Mr Dalton went on to say:

> The concluded agreement does do both and represents compromises by both sides. Australia has maintained its ability to ensure local content on Australian television screens into the future while at the same time giving unprecedented commitments over its future ability to regulate in this area…[22]

4.16 The Committee notes the inquiry into the Free Trade Agreement that is being conducted by the Joint Standing Committee on Treaties. That Committee aims to report to the Parliament by 23 June 2004.[23]

4.17 Another—negative—factor in terms of investment in Australian production may be the value of the Australian dollar. Over 2003 the US

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21 Minister for Communications, Information Technology and the Arts, 'News Release – Protecting Australian Voices Under the FTA,' 10 February 2004, viewed 3 May 2004 at http://www.dcita.gov.au/Article/0,,0_1-2_15-3_498-4_117710,00.html. See also background information available from the website of the Department of Foreign Affairs and Trade: http://www.dfat.gov.au/trade/negotiations/us_fta/backgrounder/audiovisual.html.

22 Mr K. Dalton, 'Cultural Impacts of the Aust/US Free Trade Agreement', Address to the Australian APEC Study Centre Conference on the US Free Trade Agreement – The New Opportunities and Impacts, 1 March 2004, p. 3.

23 See http://www.aph.gov.au/house/committee/jsct/usafta/index.htm for information on the Treaties Committee's inquiry. Also, the Senate Select Committee on the Free Trade Agreement between Australia and the United States of America is to table an interim report on 21 June and a final report by 12 August 2004.

dollar fell by 29 per cent against the Australian dollar.[24] By way of random example, on 27 April 1999 the Australian dollar was worth 0.6518USD; on 27 April 2001 it was 0.5068USD; and on 27 April 2004, 0.7339 USD.[25]

Gaining access to bigger markets

4.18   Some major markets are said to be closed effectively to foreign film and television products:

> They [the US market] take something like 1.2 per cent of new programming from overseas sources whereas we take something like 60 or 70 per cent.[26]

4.19   The Managing Director of Yoram Gross-EM.TV testified:

> The United States and Japan have a very closed market, not through legislation, only through cultural attitude. Japan is purchasing only four per cent of foreign material for Japanese television.[27]

4.20   In this respect, Australia is no different from any other country:

> We are not the only country that cannot sell into America. … They do not love anyone's television programs. Very rarely do you get any English programs on their shows. Generally, they do exactly the format rights and they make it themselves. … They bought up *Cracker*, which was one of the best television projects made in the last 10 years, and made it into a show called *Fitz*. That is what they do.[28]

4.21   The UK market is also regarded as closed:

> … there is no question that the US and Japan are the two toughest markets in the world. The UK probably comes in at No. 3. Again, the UK is dominated by the BBC and the two independents. They

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24   Mr Ian Macfarlane, evidence to House of Representatives Standing Committee on Economics, Finance and Public Administration, review of Reserve Bank of Australia *Annual Report 2002-03*, *Transcript of Evidence*, 8 December 2003, p. 8.

25   Reserve Bank of Australia, 'Statistics, Exchange rates since 1983', viewed 28 April 2004 at http://www.rba.gov.au/Statistics/Historical/1999to2004.xls.

26   Mr R. Harris, Australian Screen Directors Association, *Transcript of Evidence*, 5 September 2003, p. 40.

27   Mrs S. Gross, Yoram Gross-EM.TV, *Transcript of Evidence*, 5 September 2003, p. 2.

28   Mr R. Harris, Australian Screen Directors Association, *Transcript of Evidence*, 5 September 2003, p. 47.

> believe they make the best TV in the world, so they are not that
> interested in other productions.[29]

Distance

4.22   Australia is a long way from the key centres in the international film
world and this can be an obstacle:

> American and Europeans—our greatest potential partners—see
> the distance as a great barrier and traditionally see Australasia's
> use only as a source of cheap labour.[30]

4.23   Distance may now be more a psychological and cultural barrier, but it is, a
barrier that requires incentives to overcome:

> It just really comes down to overcoming sometimes the tyranny of
> distance, for which we are also developing specialised technology
> in the communication area. ... To motivate an American studio to
> take work offshore and to lose that comfort factor of being able to
> control it under their nose, there has to be a financial advantage.
> Ultimately, it comes down to dollars.[31]

4.24   The Film Industry Broadband Resources Enterprise Pty Ltd (FIBRE), said:

> There is certainly a sense of security as well as control that the
> producer or the director will have in being just across the lot from
> where the post-production and the special effects are being
> worked on. They do not have that if they are on the other side of
> the world. While they are prepared to come and shoot for three
> months or four months—or 10 months in the case of *Peter Pan*—
> they are not prepared to spend another year away from home;
> away from where they live with their family. So post-production is
> at a disadvantage.[32]

Local market size

4.25   The local market cannot support a great amount of local production.

> If a series cost $10 million in Australia to produce, it will be
> produced for $15 to $20 million in the United States or about $15
> million to $14 million in Europe. We are able to produce it for less

29   Mr G. Watson, Yoram Gross-EM.TV, *Transcript of Evidence*, 5 September 2003, p. 6.

30   Yoram Gross-EM.TV, submission no. 63, p. 16.

31   Mr Z. Nalbandian, Animal Logic, *Transcript of Evidence*, 4 September 2003, p. 6.

32   Mr D. Case, FIBRE, *Transcript of Evidence*, 4 September 2003, pp. 15–16. See also Mr G. Brennan,
NSW Film and Television Office, *Transcript of Evidence*, 4 September 2003, p. 33.

than $10 million. So the evidence in that sense is that we are highly competitive. So why can't we continue to be successful without the support of government? The reason is that, when an American producer produces in the United States, he can [recover] most of his costs from the United States. If a French company produces in France, they can [recover] most of the costs in their country. It is the same with Germany and, of course, Japan.

In Australia, with 20 million people, we cover only 15 to 20 per cent of the cost of a production in Australia. We need to cover the rest from the rest of the world.[33]

4.26   The small domestic market's inability to sustain production of local content also poses problems for documentary makers. The Film Finance Corporation Australia (FFC) indicated:

> Acquisition prices [for documentaries] are low—usually under $3000 per hour, and rarely above $6000 per hour, whereas the production budget of a one-hour documentary usually ranges from $250,000 to $450,000.[34]

4.27   According to the FFC, the inability of the local market to provide a higher subvention to documentary makers results in Australia not being

> … well placed to take advantage of the increased international demand for "high end" documentary series (eg *Walking With Dinosaurs*, *The Blue Planet*, *Elizabeth*), which are not being commissioned by Australia's broadcasters because they are considered too expensive. The result is that our local broadcasters are screening more foreign documentaries in their prime-time series slots.[35]

4.28   Film Australia found Australia's capacity to be a player in the 'blue-chip' international documentary market was diminishing because the production values required cannot be sustained on the budgets available in Australia. The market was:

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33   Mrs S. Gross, Yoram Gross-EM.TV, *Transcript of Evidence*, 4 September 2003, pp. 1-2. This point was made by other witnesses, for example, Mr G. Brown, Screen Producers Association of Australia, *Transcript of Evidence*, 5 September 2003, pp. 37 & 46.

34   FFC, submission no. 70, p. 20. This point was also made by Ms S. Connolly, Film Australia: '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', *Transcript of Evidence*, 26 November 2003, p. 2.

35   FFC, submission no. 70, p. 11.

> … 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. [36]

4.29   The game industry faces the same problem. Mr Adam Lancman testified that overseas sales and investment are crucial because the Australian market is small:

> … look at the revenue of our members, probably 98 per cent of revenue is export. We don't make games for the Australian market. If you are spending $5 million on making a game, you are never going to recoup that in sales in Australia. It is just too small.[37]

4.30   This can generate another problem: because foreign produced programs have already recovered most of their production cost from their respective domestic markets, they can be sold in Australia much more cheaply than a comparable program could be produced here:

> … the Americans go out to the rest of the world market, as we do, having already covered maybe 90 per cent of their production costs. So they are only selling to cover another 10 per cent. We go to the rest of the world and we are trying to cover 85 per cent. So they can undercut us extremely easily, with much more ease, even though their production costs are higher. … It just comes down to that issue of 20 million people versus 250 million people.[38]

4.31   This problem has been known about for some time, yet it seems that public policy has not evolved to address it:

> In the larger markets of Europe and North America, producers generally recover the majority of their production costs in the domestic market and are therefore able to sell programs to secondary markets at a much reduced price.
>
> By contrast, Australian producers recover a relatively small percentage of their production costs locally (even though Australian budgets are relatively low and the industry is regarded internationally as being extremely efficient).

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36   Ms S. Connolly, Film Australia, *Transcript of Evidence*, 26 November 2003, pp. 5–6.

37   Mr A. Lancman, Game Developers' Association of Australia, *Transcript of Evidence*, 20 August 2003, p. 8.

38   Mr G. Watson, Yoram Gross-EM.TV, *Transcript of Evidence*, 5 September 2003, p. 2.

> In the US, not withstanding increased reliance on overseas revenue in recent years, domestic licence fees contribute about 70 per cent of the production budget (due to the size of the domestic market). Similarly, in the UK, 70–80 per cent of production budgets can be sourced from broadcasters.[39]

4.32   The Committee notes Australia is currently finalising a Free Trade Agreement (FTA) with the United States of America. The terms of the FTA have the potential to materially impact on the dynamics of Australia's domestic industries. In this vein, the Committee acknowledges there are currently two inquiries into the implications of the FTA for Australia.[40] The Committee defers to analysis conducted within the scope of inquiry of these committees on the anticipated impact of the FTA upon Australia's domestic market for film, television, and computer games.

Obstacles

4.33   The practice by international competitors of 'bundling' film and television products—selling them via 'output deals'—is another difficulty:

> Say you wanted to buy *Friends* to air in Germany; you would have to buy a package of material. ... In recent years they said, "Okay, you not only have to buy the package but you've got to show it all," so the slots for foreign programming were taken up with US material. It has got much harder to sell Australian material into some of those European markets where we used to do very well.[41]

4.34   These arrangements are apparently also used when selling films.[42]

4.35   Some producers give programs away to gain market access for other products. This deprives other program makers of market opportunities:

> The BBC have unlimited funds to produce quality animation. They cover the cost from their own broadcasters and the taxpayer for full production. Then they go to Germany, the biggest market in Europe, and give the product free of charge for the purpose of earning later merchandising and licensing. We then come with our

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39   AFC and FFC, *Report on the film and television production industry*, a report prepared for the Minister for the Arts and the Centenary of Federation, the Hon. Peter McGauran MP, 5 November 1999, pp. 41–42.

40   The inquiries are being conducted by the Parliament's Joint Standing Committee on Treaties and the Senate Select Committee on the Free Trade Agreement between Australia and the United States of America. The expected reporting dates are 23 June 2004 and 12 August 2004 respectively. The Senate Committee also plans to table an interim report on 21 June 2004.

41   Ms J. Smith, NSW Film and Television Office, *Transcript of Evidence*, 4 September 2003, p. 40.

42   Mr K. Dalton, AFC, *Transcript of Evidence*, 4 September 2003, p. 60.

> *Blinky Bill* and we ask a fee and we have to compete with product
> from the BBC.[43]

4.36   Australian game manufacturers face barriers as well, according to some
witnesses. There has been a shift, the Committee was told, in the approach
of game publishing companies, that threatens the development of
Australian content. Publishers are focusing on fewer titles and directing
development funds to US-based companies:

> We are becoming like Hollywood: the blockbuster titles are
> grossing half a billion dollars and the niche titles are now not
> really competitive. Publishers now are focusing on fewer titles and
> putting a lot more money into those titles. The threat that poses for
> the Australian industry is that those publishers are really focusing
> on American developers. Nearly all of the investment in video
> games comes out of America now.[44]

4.37   Some of these practices, such as the trend to fewer, but larger titles, appear
to be driven by consumer demand. On the other hand, 'bundling' and
'output deals' could be construed as a misuse of market power. The
Committee accepts that firms need to compete in the international market
place, but moves could be made to ensure this conduct complies with
traditionally accepted competitive principles.

Recommendation 8

4.38   **The Committee recommends that the Australian Government take
action in international trade and commercial fora to ensure that global
competition in these industries is consistent with pro-competition
principles of market regulation.**

Advantages

4.39   The barriers to participation in the world creative industries market
should not be overstated. Australia has some competitive advantages:
apart from the talent and infrastructure and long standing bi-partisan
support at all levels of government, it is in a position to exploit the
positive aspects of its location and cultural diversity.[45]

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43   Mrs S. Gross, Yoram Gross-EM.TV, *Transcript of Evidence*, 5 September 2003, p. 4.

44   Mr G. Siegele, Ratbag Services, *Transcript of Evidence*, 30 September 2003, p. 3.

45   Of course, there is still the tyranny of distance that has been referred to earlier.

4.40 Australians on the other side of the world from the major production centres can 'work while they sleep':

> Many international game, effects, and animation companies have located production centres around the world so the development process is unbroken, with a 24-hour work cycle that follows the sun.[46]

4.41 However, more work is necessary to bring this opportunity to life:

> But in terms of the post-production that is being done here, it is just sent in bits and pieces and very often by courier, which loses advantages. It loses a couple of days in getting the courier across; it loses that day to night advantage—the "follow the sun" ability we have in being able to do a day's work here and then, as we are finishing our day, to send it either to London or to Los Angeles when they are just starting their day.[47]

4.42 Australia is in the same time-zone as the region that is increasingly important to the world economy: Asia. Austrade testified that even though the US market was substantial, there were other markets with potential, including China, Korea, India, Vietnam and Singapore.[48] This opportunity is beginning to be realised:

> We can be a source of expertise and services directly from Australia for film industries in the surrounding area. In the future perhaps, we could look to places such as Indonesia, Singapore, Malaysia and other areas as the film industry expands. I think we will have to diversify into Asia. We have already seen strong interest from China. We are working with Vietnam, for example, at the moment. They are interested in training their television technologists in Australia. We are working with them to see if we can achieve that. Those sorts of contacts for the future will be invaluable, because you build the personal relationships that later grow into business.[49]

4.43 Mr James Mitchell outlined a project involving productions with companies located in Asia and stated:

> We need to encourage greater Australian involvement in regional and international film production, by creating strategic alliances

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46 Film and Television Institute of Western Australia, submission no. 2, p. 3.
47 Mr D. Case, FIBRE, *Transcript of Evidence*, 4 September 2003, p. 16.
48 Mr L. Downey, Austrade, *Transcript of Evidence*, 8 October 2003, p. 2.
49 ibid., p. 7.

and co-production agreements. This will obtain the maximum
cultural and economic benefits for Australia with countries in the
Asian time zone … [50]

4.44   As English is the dominant language in Australia, there is an entrée to
important and emerging world markets. It represents both a competitive
advantage[51] and a point of risk:

> As another English language country, up against the two giants of
> the UK and America, which are enormous production
> powerhouses, unless there is a degree of protection for the local
> industry we are likely to be bowled out.[52]

4.45   The English language market is not the only market opportunity.
Australia has a multicultural community in which the world's major
language groups are represented. SBS, a national public broadcaster, has
considerable language and cultural resources. So, there is an example of a
national capacity that provides opportunities to develop cultural and
artistic relationships across the world.

Opportunities by sector

4.46   The Committee was told about specific instances where Australian talent
and creativity has opportunities to produce creative content that the world
will want. These can grow from developing the existing infrastructure.

Feature film

4.47   AusFILM anticipated that unless the various support arrangements
offered by the Australian Government were changed, domestic
production was unlikely to increase. However, AusFILM noted 'it is
international productions which offer the greatest scope for growth in the
industry in the current financial climate'.[53]

4.48   Fox Studios Australia considered Australia enjoys significant
opportunities in attracting runaway production from the US.[54] Producer,
Ms Sue Milliken, noted that recent international events and local

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50   Allanbank International, submission no. 101, pp. 11–13. Opportunities in the Asian market
were noted by others, for example, the Film and Television Institute of Western Australia,
submission no. 2, p. 8.

51   Mr T. Brooke-Hunt, Pacific Vision, *Transcript of Evidence*, 5 September 2003, p. 32.

52   Mr N. Milan, SBS, *Transcript of Evidence*, 17 September 2003, p. 10. See also Mr T. Brooke-Hunt,
Pacific Vision, *Transcript of Evidence*, 5 September 2003, p. 32.

53   AusFILM International, submission no. 88, p. 9.

54   Fox Studios Australia, submission no. 75, p. 3.

conditions had depressed production, but that Australia possesses considerable capacity and opportunity:

> Currently, the film and television production industry is smaller than it could be, due to a downturn in funding both national and international, which includes a lack of offshore production coming to Australia probably due to the weak economy of the US and the fear of international terrorism.

> The industry's capacity would be at least one and a half times its current scale, based on present infrastructure.[55]

4.49   The Australian Children's Television Foundation (ACTF) stated its 'experience has been that Australian product at the higher end [of production quality] is in demand…'[56] This perspective on opportunities is supported by Ms Milliken:

> The low budget "comedy" feature films of which there has been a plethora over the past few years, generally do well at the box office in Australia but do not export. Australian films need to step up into a new league, of more complex, interesting stories and greater production values. This means some films with bigger budgets.[57]

4.50   The success of the New Zealand-produced *Lord of the Rings* trilogy and *Whale Rider* is well known.[58] These films have strong stories and high quality production values. They attract audiences. There appears to be an export (and domestic) market for high quality Australian made films. This can be either 'runaway productions', which are essentially a foreign film purchasing Australian production services, skills and talent, or Australian scripted and developed products, such as *Lantana* or *Shine*, which are successful on the world stage. The audiences exist, here and abroad, but it appears there is a lack of attractive Australian cinema product.[59]

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55   Samson Productions, submission no. 31, pp. 1-2.

56   ACTF, submission no. 29, p. 12.

57   Samson Productions, submission no. 31, p. 3.

58   W. Owen, 'NZ Film Industry on a roll', *The Independent*, 31 January 2004, reports that the third film in the trilogy, *Return of the King*, has taken over $1 billion at the box office, while *Whale Rider*, has taken some US$38 million worldwide.

59   J. Mills, an Associate Senior Research Fellow at the Australian Film Television and Radio School, ('The Trouble with local films is local film-makers', *Sydney Morning Herald*, 22 October 2001, p. 16) reported that the production values and scripts of Australian films are not attractive to audiences. One cinema patron, who claimed to like Australian films, told Ms Mills: 'When I go out on a date, I want a good time. It's too risky to choose an Australian film'.

Animation

4.51   From the evidence available to the Committee, animation—and the flexibility it offers—represents a significant market opportunity:

> Games production and animation in many respects have a greater potential market than Australian film, as the product can be readily localised. Different languages, types of voices, changes of character, or situation are not insurmountable barriers when an export market requires changes to suit that market. In film, such changes are often not financially possible.[60]

4.52   The Screen Producers Association of Australia (SPAA) stated that 'animation production is a significant and growing sector of the [film and television] industry with the potential to grow further and to take full advantages of advances in digital technology'.[61]

4.53   The Chief Executive Officer of Pacific Vision considered Australia's reputation in animation was strong and, despite a highly competitive international market, there are opportunities:

> We can do it. Our projects have to be tiptop. We have to have them really well developed. We have to then be able to give people confidence we can deliver 26 half hours of animation, which is a lot of animation. More importantly, we have to convince them we are going to make it in a way that is going to work internationally.

> All of those things can happen. ... It is made difficult here by the fact that the domestic Australian market does not give a lot of finance to those shows in the way that other countries do that I mentioned, like France and Canada.[62]

Documentaries

4.54   Australia already exports documentary programs, and there are increasing opportunities:

> … 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

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60   Film and Television Institute of Western Australia, submission no. 2, p. 3.
61   SPAA, submission no. 33, p. 16. This was supported by Yoram Gross-EM.TV, submission no. 63, p. 9.
62   Mr T Brooke-Hunt, Pacific Vision, *Transcript of Evidence*, 5 September 2003, p. 32. He also referred to success with US-based investors, p. 31.

> 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.[63]

4.55   Film Australia told the Committee the countries that had purchased its
        programs included Sweden, the Netherlands, Denmark, Finland, Canada,
        Israel, China and France, but that the fees were quite low—in the range
        US$500-$1500 per program.[64]

4.56   The FFC referred to Australia's vibrant documentary production sector
        that makes:

> … on average, 600 hours of programming annually, on a wide
> range of subjects encompassing all the program niches sought by
> pay TV channels. Australian documentaries are internationally
> acclaimed and sell to the world's major cable and free-to-air
> broadcasters, including the BBC and Channel Four (UK), ZDF and
> Arte (Germany), PBS (US) and NHK (Japan).[65]

4.57   Australian viewers also respond positively to locally made documentaries
        when they are well-resourced and promoted:

> … when you make a series …[26 episodes] 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

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63   Ms S. Connolly, Film Australia, *Transcript of Evidence*, 26 November 2003, pp. 5–6. In Chapter 2
      there is discussion on the documentary sector's market.
64   Film Australia, submission no. 82, p. 16. Evidence from the FFC supports this: submission
      no. 70, p. 11.
65   FFC, submission no. 70, p. 21.

> aired. The network was happy, the advertisers were happy and, most importantly, the audience was happy.[66]

4.58   ScreenWest contended that Western Australia has a strong, export-oriented documentary sector, supported locally:

> … this is a good example of how governments all can work in supporting the film industry … for business support as opposed merely to encumber productions with particular investments.
>
> Those companies, a handful of them, have established an international reputation for documentary production. A couple of them fund themselves essentially by making documentaries for export. They win export awards and that is pretty much what they do.[67]

4.59   The evidence suggests there are export opportunities for Australian documentaries.[68] Programs in Tasmania, Western Australia and South Australia foster the development of regional talent and facilities, which can be used should larger projects be undertaken. They ensure that documentaries are not a vision confined to the larger population centres of the eastern seaboard.

Co-productions

4.60   AusFILM described co-production as 'The area of the greatest growth over the last decade, and the area for the most potential growth'.[69] This was supported in other evidence.

4.61   Ambience Entertainment, Atlab, the Omnilab group, Panavision Asia Pacific and Spectrum films supported the broadening and strengthening Australia's co-production treaty regime to inject more financial resources and thereby initiate more productions in which Australian enterprises and artists are engaged.[70]

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66   Ms S. Connolly, Film Australia, *Transcript of Evidence*, 26 November 2003, p. 4.

67   Mr J. Bean, ScreenWest, *Transcript of Evidence*, 30 September 2003, p. 45.

68   Mr J. Nicoll, Screen Tasmania, testified about opportunities for documentary in Tasmania, *Transcript of Evidence*, 30 September 2003, p.23. Ms J. Crombie, South Australian Film Corporation, referred to that Corporation's incubator program, *Transcript of Evidence,* 30 September 2003, p. 11.

69   AusFILM International, submission no. 88, p. 6. This was supported by Allanbank International, submission no. 101, p. 11.

70   Ambience Entertainment et al, submission no. 100, p. 19. Pacific Vision submitted that co-productions be fostered because they provide additional opportunities for finance for Australian producers and market access (submission no. 51, pp. 2-3 and submission no. 95, pp. 1-2). This was supported by the SPAA, submission no. 33, p. 16.

4.62   Australia already has an essential infrastructure element for successful co-productions: public broadcasters with much in-house talent, and publicly supported niche producers, such as the ACTF. As noted, SBS, which broadcasts in more than 60 languages,[71] has a skilled language base for use in foreign language co-productions. Australia's film makers are not, therefore, confined to the Anglophone world.

Children's programs

4.63   Australian children's television products enjoy some success abroad, being distributed in more than 100 countries.[72] Although there is ongoing interest from overseas markets, this interest is under pressure 'as overseas markets continue to gear up their own producers'.[73]

4.64   The ACTF noted the Australian industry's dependence

> … on an international market to be sustainable and that the international market, over the last few years, has really been very slow. There has been a downturn in advertising revenues across the world and there has been a slowing down of buying product. There is also a reaction to American content in Europe which, as a by-product, has affected Australian producers, because Europe is a very strong market for our product.[74]

4.65   Although there is ongoing interest and foreign broadcasters are continuing to purchase Australian programs,[75] the Committee was told that programs generally do not break even initially, although they do over the long haul.[76] Children's programs have in-built market renewal as the audience is renewed every five years.[77] Given this, and the continued interest from around the globe in Australian children's programs, there appears to be an ongoing and possibly enlarging market for children's programs, and potentially for related, bundled digital content.

4.66   ScreenWest described the commercial attractiveness of children's television programs:

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71   SBS, *Annual Report, 2002-03*, p. 2.

72   ACTF, *Transcript of Evidence*, 27 August 2003, p. 39.

73   FFC, submission no. 70, p. 11.

74   Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 39.

75   The ACTF testified that the BBC had paid a licence fee for a current production of the ACTF that amounted to 40 per cent of the cost of production. Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 40.

76   ibid, p. 44.

77   ibid.

> Generally the Film Finance Corporation will tell you that children's is the best returning area of any genre of what they invest in. I call animation a blue chip area of investment because it is very international.[78]

Cross-platform content creation

4.67   Increasingly, a single idea can generate a motion picture, a game, and a website. That is, a single item of intellectual property will be modified and provided in different delivery formats. Each platform for the delivery of intellectual property franchises the property and adapts it to the delivery system:

> One thing that our country needs to learn is that it is not the games anymore and it is not films anymore; it is all about franchises. … They launched *The Matrix* and at the box office on the opening weekend they earned, I think, $US77 million. In that same time frame they had shipped about $US80 million worth of retail sales of the game.[79]

4.68   The Film and Television Institute of Western Australia (FTI WA) noted that major international film and television production companies have gained the intellectual property opportunities by:

> … integrating film releases and TV shows with game products, and merchandising. DVD releases have substantial additional material and interactivity including games to entice the theatregoer to later rent the DVD. … Most productions also have extensive web sites, and these are used to cross promote products associated with the production. With the exception of the *Wiggles*, and to a lesser degree *Bananas in Pyjamas*, and *Hi-Five*, Australian film and television production companies have not embraced such cross marketing or franchise maximising.[80]

4.69   A single creative idea can be adapted to different but familiar platforms, and also to new platforms, such as SMS messaging, the internet, and interactive television. RMIT University referred to the transportability of content from one platform to another:

> A key development is multiplatforming, where a piece of intellectual property (for example a film) is developed on one

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78   Mr T. Brooke-Hunt, Pacific Vision, *Transcript of Evidence*, 5 September 2003, p. 31.

79   Mr R. Walsh, Krome Studios, *Transcript of Evidence*, 24 July 2003, p. 40.

80   FTI WA, submission no. 2, p. 7. See also Mr M. Hollands, Act3 Animation, *Transcript of Evidence*, 28 August 2003, p. 66.

platform (such as for cinema utilisation), but simultaneously or subsequently developed on another platform, such as DVD or as a game. This offers the opportunity for both business and technological development that in turn adds significantly to the value of the creative endeavour and will require further educational development. Locally developed creative output that can be multiplatformed will add significantly to its export value.

A logical development of this trend is the consideration of games potential when film scripts are being developed. The way in which cutting edge developments in effects and animation may be integrated will also influence content or format.

One possible scenario, in relation to film, identified by RMIT is that the rise of DVD and other interactive formats relies for its appeal on rich or elaborated content (interviews with key creative personnel, biographies, resource materials etc). In these formats the "local" is literally the added value.[81]

4.70   The Australian Broadcasting Corporation (ABC) has used the same creative content in different formats, for example, the interactive television and multimedia *Long Way to the Top* concert and the drama series, *Fat Cow Motel*.[82]

Based in the fictitious country town of Fat Cow, the program is Australia's first multi-platform drama event which exposes audiences to the unique, integrated use of new media platforms including the Internet, email, SMS, voice mail, interactive TV, as well as free to air television.

Each of the 13 half hour episodes contains a lateral thinking mystery for the audience to solve, relying on clues from the program and other sources including SMS, email and the website.[83]

4.71   The ABC was conscious that a more systematic approach to developing intellectual property for multiplatform use is being used abroad:

… the BBC has established a cross media approach in order to position itself for the move to new media and interactive television. All producers commissioning television content at the BBC now have to state what the interactive component of the

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81   RMIT University, submission no. 55, p. 7.

82   ABC, submission no. 22, pp. 9-10.

83   ibid., p. 8.

> project will be, if any, to show that they have considered the implications for online and interactive television.
>
> In Canada, the Bell Broadcast and New Media Fund has a definite cross-media funding agenda and specifically supports productions that adopt a multi-platform approach from the outset.[84]

4.72   Such use of intellectual property is increasing and forming an important market. Mr Ian Robertson, chair of AusFILM, anticipated that the market for products based around a common piece of intellectual property would increase, with some games achieving greater revenue than the film and the film being created to promote the game.[85]

Digital production

4.73   'Digital production' refers to computer animation, visual effects and computer generated imagery for film, television and new media.[86]

> While Digital Production is an integral part of the Australian Film and Television industries, it is also a highly specialised sector with unique opportunities. Due to its digital or virtual nature it can often operate independently of the more traditional and physical sectors of the Australian Film and Television industries, competing for and securing work from projects entirely financed and filmed outside of Australia.[87]

4.74   The amount of digital production is increasing each year as a percentage of the total budget of a project. Digital production is becoming an increasingly important factor in the choice of location:[88]

> The Production industry is a multi billion-dollar global industry in which Australia is without doubt a significant player. As the Film industry continues to evolve, there has been a noticeable shift in the production paradigm. Virtual or Digital Production is growing in relation not only to the total percentage of production spend, but also in weight to the overall consideration in selecting the ideal location in which to base a production. Since its technical inception 20 years ago Digital Production has grown to represent approximately 10% of production spend. Based on current growth of the industry globally, this figure is projected to significantly

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84   ibid., p. 11.

85   Mr I. Robertson, AusFILM International, *Transcript of Evidence*, 4 September 2003, p. 52.

86   Animal Logic, submission no. 83, p. 2.

87   ibid.

88   ibid., p. 3.

increase in the coming decade, potentially to levels equal to the physical production spend of any given project.[89]

4.75 Australian digital houses also attract significant sources of their business from abroad. Foreign sources account for 90 per cent of Animal Logic's business[90] and 40 per cent of Cutting Edge Post's business.[91] Such success would support Animal Logic's claim that digital production is developing into a 'stand alone' industry, capable of attracting work on its own merits:

International Digital Production work can be attracted to Australia independently of any other Production or Post-Production commitments. Therefore Digital Production can and does exist as an independent sector and emerging industry in its own right. …

[Digital production] should be regarded as a "new millennium" industry, one with strong export dollar earning opportunities. Further growth of export market earnings is dependent on the sector's ability to withstand and respond to global Digital Production market needs and competition.[92]

4.76 The export possibilities of digital production may extend to post production. BEEPS submitted that, with appropriate policies and support, 'Exports of a truly commercial nature will present themselves for Australian products'.[93] The potential for digital production and post production was also suggested by Cutting Edge Post, a winner of the 2003 Australian Export Awards. It has continued to expand through overseas contracts despite the slump in the Queensland film production industry.[94]

4.77 Significant opportunities exist for Australia to export the skill of domestic post production and digital production suppliers. Agencies of the respective state and Australian governments should place more emphasis on highlighting to offshore productions the opportunities to utilise post production facilities in Australia.

4.78 In each market segment there is a clear need for a coordinated attempt to harness the synergies of convergence in the market with regard to the training of apprentices, undergraduates, and graduates, as well as the

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89 ibid.
90 Animal Logic, submission no. 102, p. 2.
91 Cutting Edge Post, submission no. 20, p. 1.
92 Animal Logic, submission no. 83, p. 3.
93 BEEPS, submission no. 34, p. 18.
94 Cutting Edge Post, submission no. 20, pp. 3–4. See Anon. *2003 Australian Export Awards*, Charlton Publishing, p. 16; P. Syvret, 'Export success offsets production slump', *The Australian*, 5 January 2004.

development of 'critical mass' and the sharing of knowledge between new market suppliers and producers.

Recommendation 9

4.79   **The Committee recommends that the Australian Government take the lead in establishing a digital media incubator to harness the opportunities in a convergent market for joint training, research and product development. The establishment of such a digital media incubator should ideally incorporate the assistance of all tiers of government, as well as private sector associations and firms, and education institutions as appropriate.**

Television

4.80   This is another industry that depends on the international market. In the past, Australian television productions have been exported with some success, for example *Water Rats* was sold in Germany and *Heartbreak High* was sold into France and Germany.[95] But evidence suggested that the overseas market for Australian television programs had contracted:

> The biggest challenge for the Australian industry at the moment is that we are completely dependent on an international market to be sustainable and that the international market, over the last few years, has really been very slow. There has been a downturn in advertising revenues across the world and there has been a slowing down of buying product. There is also a reaction to American content in Europe which, as a by-product, has affected Australian producers, because Europe is a very strong market for our product. Also, the licence fees that broadcasters pay to screen programs have been very static around the world for a couple of years.[96]

4.81   Evidence indicated that overseas television markets tend to be quite inward looking, preferring to make their own programs rather than

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95   Mr G. Brown, SPAA, *Transcript of Evidence*, 5 September 2003, p. 46; see also Ms S. Levy, ABC, *Transcript of Evidence*, 27 August 2003, p. 7.

96   Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, pp. 39–40.

purchase them from abroad.[97] So, there are quite limited opportunities to sell television into a television domestic zone.[98]

4.82   Other barriers that were mentioned included the lack of international stars, the inability to offer 'output' or bundling deals[99] and the practice of foreign broadcasters to purchase the format of a program and produce it domestically, rather than buy the foreign-produced program.[100]

4.83   However, other evidence indicated there are opportunities and interest in Australian producers by foreign broadcasters in animation,[101] live-action children's programs,[102] 'high-end' documentaries,[103] and adult drama (for example, *McLeod's Daughters*, sold to over 100 countries).[104] The programs may be financed completely in Australia or be co-productions.[105] Often the returns come not from a single large sale but from many smaller sales:

> … programs sell to markets for small amounts of money. There may be 30 sales to cover the deficit but not taking it into profit. It is very difficult to sell for a significant price. Sometimes the sale will go to a territory and it will be worth $2,000 an episode, $500 an episode, $1,500 an episode—very small amounts of money—and the cost of maintaining a sales division is a factor.

> Australian sales agents need to have salespeople out in the field covering Asia, Africa, South America, Europe. There are many broadcasters to sell to, but the value of each sale is very small. So there are sales opportunities available, but they are tiny and you are mostly selling for nonprime time. So Australian material is sold into non-prime time for small amounts of money.[106]

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97   D. Enker, 'No dramas?', *The Age*, 8 January 2004. See also Ms S. Levy, ABC, *Transcript of Evidence*, 27 August 2003, p. 3.

98   Ms S. Levy, ABC, *Transcript of Evidence*, 27 August 2003, p. 3.

99   ibid.

100   See paragraphs 4.18-4.21 above.

101   See Pacific Vision, submission no. 51, p. 2 and Yoram Gross-EM.TV, submission no. 63, p. 7 for discussions of the opportunities in animation, along with Mr T. Brooke-Hunt, Pacific Vision, *Transcript of Evidence*, 5 September 2003, pp. 29– 31.

102   Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 40.

103   Ms S. Connolly, Film Australia, *Transcript of Evidence*, 26 November 2003, pp. 5–6.

104   Mrs J. Crombie, South Australian Film Corporation, *Transcript of Evidence*, 30 September 2003, p. 14.

105   Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 40, and Mr T. Brooke-Hunt, Pacific Vision, *Transcript of Evidence*, 5 September 2003, pp. 29-31.

106   Ms S. Levy, ABC, *Transcript of Evidence*, 27 August 2003, p. 8.

4.84   It appears there is a market, although a competitive one, for Australian television programs, whether financed solely within Australia or co-productions. The SPAA also submitted that the potential for additional television production in Australia would increase with the introduction of High Definition television.[107]

Electronic games

4.85   As noted, the global market for electronic games is predicted to increase markedly over the next five years.[108] Evidence indicated that Australia has a highly respected game development industry, operating at present on a largely 'fee-for-service' basis, with most revenues from off-shore sales:

> The Australian industry can be characterised really as a fee-for-service industry. We are making games for American publishers, sometimes European publishers. They own the intellectual property. They also make the majority of profit out of the games. All the Australian developer does is get a margin on the work they do.[109]

4.86   Mr Adam Lancman of the Game Developers' Association of Australia (GDAA) considered that the opportunities lie off shore, making products that are attractive to an international market:

> If you define the marketplace as the world, because that is how we [the GDAA] see it as an association, and you look at the revenue of our members, probably 98 per cent of revenue is export. We don't make games for the Australian market. If you are spending $5 million on making a game, you are never going to recoup that in sales in Australia. It is just too small.[110]

4.87   Ms Sandra Davey of the Australian Interactive Media Industry Association (AIMIA) testified:

> Australia has excellent expertise and experience in games development. The bulk of our successes so far tend to be in the PC console based environment. Given Asia's absolute fascination with

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107 SPAA, submission no. 33, p. 10. High definition television is discussed further at paragraph 4.144 below.

108 Exhibit no. 119: PricewaterhouseCoopers, *Australian entertainment and media outlook, 2003–2007*, PricewaterhouseCoopers: Sydney, 2003, p. 4.

109 Mr G. Siegele, Ratbag Services, *Transcript of Evidence*, 30 September 2003, p. 4.

110 Mr A. Lancman, GDAA, *Transcript of Evidence*, 20 August 2003, p. 8.

broadband and wireless and other types of devices, we think that there is an extraordinary market opportunity for us in Asia.[111]

4.88   The market potential stretches to all countries that have broadband access. The game opportunities also go beyond PC or console games to the emerging world of massively multiplayer online games:

> We know that the current focus, for instance, for the games industry is on console games, because that is where the market is right now in the US. But we absolutely believe the future is multiplayer online games and, ultimately, the future is wireless. This is why AIMIA's focus is in the digital content industry and not just film or animation or games, are looking at trends that are happening overseas. We would absolutely say that broadband and wireless is where things are heading and where we need to be looking.[112]

4.89   Witnesses suggested that opportunities exist for Australian developers to evolve into the developers and controllers of their own intellectual property, should appropriate policies be implemented.

> What kind of a business do we have to build that will actually be around in 10 years? It is not going to be a fee-for-service business. … there is an amalgamation of interest occurring internationally and it is all to do with the exploitation of intellectual property. … It is where the Americans and the entertainment industry in general—but it is dominated by the Americans—are seeing the future. That is where the profits are—from exploitation of IP, not from fee-for-service production.[113]

4.90   Australia's game industry must develop and market its own IP, but must also retain a cash flow. Opportunities, according to witnesses, are likely to be found in striking a balance between the development of Australian IP and taking on fee-for-service commissions:

> The issue in moving forward is to continue to be able to compete for those very large deals … that are now the $US5 million-plus kind of game—fewer of them but much larger projects requiring much larger project teams of at least 30 people, and probably over the next two years a minimum of 50 people per project full time

111 Ms S. Davey, AIMIA, *Transcript of Evidence*, 5 September, 2003, p. 24; see also AIMIA, submission no. 42, p. 8.

112 Ms L. Van Rooyen, AIMIA, *Transcript of Evidence*, 5 September 2003, p. 26. See also AIMIA, submission no. 42, p. 8.

113 Mr Michael Hollands, Act3 Animation, *Transcript of Evidence*, 28 August 2003, p. 66. See also Micro Forte, submission no. 40, pp. 3-4.

for two years. Another part of that is putting the industry in a position where it can develop its own IP. The more concepts and prototypes that companies can develop and take to a publisher and look to do a distribution deal, and the more self-financed they are within Australia, then the more leverage our companies will have when they are negotiating these deals, particularly regarding the royalties and the flow-on profits coming back.[114]

4.91   Opportunities also exist in the development of simulators:

Gaming for Australia also means there is a huge market in simulators, and the same skills that are used in gaming—game design, game building, game construction—are used in all kinds of industrial simulation. Major game companies in other parts of the world have cloaky subdivisions that are doing this sort of stuff for the military.[115]

Infrastructure needs

4.92   Australia's film and game industries see considerable opportunities already and more that will emerge. To take advantage of these, the industries require skilled participants and state of the art infrastructure. Participants in the industries believe that some work is required on these.

Studio and production facilities

4.93   World class motion picture studios are located on the Gold Coast, in Sydney and in Melbourne. South Australia has studios but they are not of industry standard, the Committee was told.[116] Tasmania and Western Australia do not have large scale studios that could support feature film projects.[117]

4.94   Up-to-date studio infrastructure is crucial to the development of the Australian film industry, according to the ACTF:

The success and growth of the Australian film and television industry is dependent upon an adequate infrastructure to

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114 Ms E. Richardson, GDAA, *Transcript of Evidence*, 20 August 2003, p. 2.

115 Mr T. Lubin, FTI WA, *Transcript of Evidence*, 30 September 2003, p. 39.

116 Mrs J. Crombie, South Australian Film Corporation, *Transcript of Evidence*, 30 September 2003, p. 14.

117 Mr J. Nicoll, Screen Tasmania, *Transcript of Evidence*, 30 September 2003, p. 23 and Mr J. Bean, ScreenWest, *Transcript of Evidence*, 30 September 2003, p. 47.

accommodate and support local industry. The availability of studio space is recognised as an essential element of development and growth.[118]

The government of Western Australia acknowledged this and noted that state's need for production studio facilities if the industry is to develop.[119]

4.95   ScreenWest noted the role of studios in enabling states to participate in the film and television industry:

It [Western Australia having a film studio] comes back to the argument about whether it is worth having WA participate in this industry in Australia and contribute to the critical mass of the Australian industry. If the answer is yes, then it is worth having an infrastructure there for it. At what level is open to argument.[120]

4.96   Does Australia need studio facilities in every state? ScreenWest suggested that it does—for cultural reasons:

Can we afford a relatively small industry that requires a fair bit of infrastructure to operate in half a dozen major cities in a country where the population cannot afford to sustain investment in individual productions at a very high level at all, anyway? …

It can and should because the regional capitals that house this industry and that insist, for their own reasons, on being part of it are cultural centres.[121]

4.97   Studios act as hubs around which a local industry can grow:

… the Fox studios complex in Sydney has developed as an industry hub housing a diverse range of industry businesses including digital effects and postproduction houses, film processing equipment hire, casting consultants and composers. The development of such a "hub" and the increase in studio space has enhanced the reputation of Australia as a favourable film production location stimulating income and employment for industry businesses and professionals.[122]

However, the studio will set the direction for the hub and therefore not all interested parties may be catered for.

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118 ACTF, submission no. 29, p. 8.
119 WA Minister for Culture and the Arts, submission no. 6, p. 6.
120 Mr J. Bean, ScreenWest, *Transcript of Evidence*, 30 September 2003, p. 47.
121 ibid., p. 41.
122 ACTF, submission no. 29, p. 8.

4.98   The same type of facility may not be required in every state; facilities should be adapted to the type of industry hosted by that state:

> We have thought about the possibility of having a studio, but it is probably not realistic in a state the size of Tasmania. It is probably better to be thinking about animation and broadband. Social documentaries are another area where there are quite strong writers... They are the kinds of things that can work in Tasmania. We have stayed away from the idea of big capital investment items.[123]

> The Committee notes the point made by ScreenWest, above, that the regional capitals that seek to house these facilities are also cultural centres.[124]

4.99   It is clear from the evidence that each Australian jurisdiction is developing a film and game industry tailored to the local community's infrastructure. Western Australia has, according to its government, a world class documentary making community[125] as well as electronic games and animation;[126] Tasmania is developing a world class animation community, content for broadband, CD-ROM and social documentary sectors.[127]

Access to state-of-the-art software and hardware

4.100   To remain competitive, the creative industries rely not only on industry standard infrastructure, but also industry standard software and hardware. Speaking for the digital production-visual effects industry, BEEPS submitted: 'The sustainability of the Australian industry's success is to embrace and develop new technology'.[128]

4.101   This point was reinforced by Light Knights Productions which noted that without access to the latest versions of software applications the industry could stagnate.[129]

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123 Mr J. Nicoll, Screen Tasmania, *Transcript of Evidence*, 30 September 2003, p. 23.

124 Mr J. Bean, ScreenWest, *Transcript of Evidence*, 30 September 2003, p. 41.

125 WA Minister for Culture and the Arts, submission no. 6, p. 2; Mr J. Bean, ScreenWest, *Transcript of Evidence*, 30 September 2003, p. 45.

126 Bungarra Software, submission no. 41, p. 2 and Lizard Edutainment, submission no. 97, p. 1.

127 Tasmanian Government, submission no. 73, p. 5 and Mr J. Nicoll, Screen Tasmania, *Transcript of Evidence*, 30 September 2003, p. 23.

128 BEEPS, submission no. 34, p. 1.

129 Light Knights Productions, submission no. 48, p. 6.

4.102   Creative industry enterprises acquire software and hardware from third parties and, in order to remain internationally competitive, also develop their own:

> For companies at the forefront of the Digital Production industry, the ability to maintain technological advantage through Research and Development is imperative. … For companies at the leading edge of the sector, the business is as much science as it is an art. Animal Logic as a case in point currently spends 10% of every dollar of revenue on R&D. … [E]ach project has unique and essential R&D requirements that cannot necessarily be commercialised outside of each specific production.[130]

4.103   Hardware and software dates quickly, particularly in the computer animation industry:

> … it is not unusual for multiple releases of new and updated applications within 6 to 12 month periods, and at times in as short as periods of 3 months.

> If we are to maintain a standard of skill and capability relative to the rest of the world we need access to these newly developed products releases.[131]

4.104   The cost of maintaining industry standard software and hardware imposes a considerable burden upon small enterprises.[132]

4.105   Light Knights Productions was specific about the burden imposed:

> … a small animation company will own between 10 and 20 licensed seats of each of the software applications it uses on a daily basis, with those seat costs being in the range of $5,000 to $20,000 per seat for software, depending on the companies needs.

> The problem is however, that on a regular basis, all of this software is effectively made redundant by the software's developers as they release new versions. When this occurs, to remain competitive in the market the business must upgrade all the seats, each at costs ranging again from $2,000 to $10,000. This is then compounded further by the fact that most such upgrades will often trigger demands for upgraded hardware system to cope with the newer technologies.[133]

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130 Animal Logic, submission no. 83, p. 5.
131 Light Knights Productions, submission no. 48, p. 6.
132 Mr M. Hollands, Act3 Animation, *Transcript of Evidence*, 28 August 2003, p. 70.
133 Light Knights Productions, submission no. 48, p. 6.

4.106   Apart from the cost of software and hardware, there is an issue with the infrastructure required to distribute the content:

> … we are really talking about there in terms of the back-end support is the various software mechanisms and content management systems and content distribution mechanisms which make it cost-effective and simple to distribute our content across new platforms as they become viable and accessible for the audience at large. For example, a program at the moment which is broadcast on ABC TV might also appear on ABC Online in a broadband format—video delivered online and with text and interactive elements—and segments of that will now also go out via SMS and through wireless delivery mechanisms. They also appear on an interactive television environment. It is the ability to simply and easily manage and distribute that content without replicating production models across each platform which is a key part of the development of the industry going forward.[134]

4.107   To summarise, it seems there are two distinct problems facing the creative content industry: the cost of the software and hardware to *create* content; and the availability and cost of the software and hardware required to *distribute* content.

Recommendation 10

4.108   **The Committee recommends that the Australian Government work with state governments to establish a software affordability fund for educational institutions.**

4.109   The Committee notes the difficulty firms face in evaluating the wide variety of expensive, yet constantly changing, suites of software. Light Knights Productions argued that there was a need for technology-relevant research and to evaluate new technologies.[135] The Committee supports this suggestion and notes that it could be pursued through the creative industries think tank discussed in Chapter 6.

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134   Ms L. Marshall, ABC, *Transcript of Evidence*, 27 August 2003, p. 8.
135   Light Knights Productions, submission no. 48, p. 7.

> ### Recommendation 11

4.110 **The Committee recommends that the Department of Communications, Information Technology and the Arts, in helping to establish the think tank in recommendation 32, ensure it has the expertise to evaluate new software and other technologies and is sufficiently resourced for this task.**

Film and television schools' access to contemporary technology

4.111 The future of the industry is bound up with the training opportunities provided. To take advantage of the opportunities emerging in the creative industries, Australia must have talented professionals, trained in the latest techniques, on the latest equipment. World standard infrastructure is therefore required in order to train the next generation of creative personnel to produce the content that consumers want.

4.112 Talented creative industry practitioners emerge from training 'on-the-job' and, from education and training institutions: universities, technical and further education colleges and institutes of technology. The problem facing these institutions, the Committee was told, is that the cost of maintaining state-of-the-art infrastructure is high and institutions are having difficulty affording the state-of-the-art equipment they need.[136]

4.113 This is particularly the case in the area of digital media. Mr David Muir testified:

> … with the advent of digital media, there are going to be huge loads on the educational institutions, because the move to high-definition television, for instance, involves completely re-equipping not only the television stations et cetera but also the educational institutions, since nobody at the moment has the upper end of the technology required for this.[137]

4.114 The need to re-equip educational institutions for digital production was also raised by the Victorian College of the Arts (VCA):

> Most of the work we presented to you this morning and the equipment you saw as we walked around were funded from 1996. Our next big challenge is to actually teach our students the methodology in the industry of working with the widescreen ratio

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136 Professor M. Bramley-Moore, Queensland College of Art, *Transcript of Evidence*, 24 July 2003, p. 7.

137 Mr D. Muir (private capacity), *Transcript of Evidence*, 28 August 2003, p. 50.

that we have introduced with both standard-definition and high-definition digital television.[138]

4.115   The Queensland College of Art (QCA) also noted the need to train students adequately and the resulting cost of re-equipping its television studios for high definition digital production:

> …it is important to turn out people ready for the industry and to ensure that good product that is coming out of the school can be screened. If we do not make this jump, we could have a fantastic product produced by a final year student or a postgraduate student but they would not be able to get it on television because people will not look at it.[139]

4.116   QCA discussed the costs associated with refitting the college's television studio for high-definition television:

> As I say, we are working in DVCAM format. We can go widescreen for that for $50,000 a camera. If we want to go high definition, we are looking at $130,000 to $180,000 a camera. For a television studio with three cameras you are trebling the cost.[140]

4.117   The VCA set out the issue of supporting training properly: 'If the industry is to going to make any kind of progress in Australia, the cost of training has to be recognised'.[141] But the cost is high: 'The school actually lurches from crisis to crisis in terms of keeping ourselves equipped.'[142]

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138 Mr D. Price, VCA, *Transcript of Evidence*, 28 August 2003, p. 3. Overseas sculpture students have expressed concern over the standard of the facilities at the VCA: J. Buckell, 'Disappointed by the VCA', *The Australian*, 30 July 2003.

139 Professor M. Bramley-Moore, QCA, *Transcript of Evidence*, 24 July 2003, p. 6.

140 Mr D. Mayocchi, QCA, *Transcript of Evidence*, 24 July 2003, p. 7.

141 Professor A. Hull, VCA, *Transcript of Evidence*, 28 August 2003, p. 5.

142 Professor J. Sabine, VCA, *Transcript of Evidence*, 28 August 2003, p. 3.

Recommendation 12

4.118 **The Committee recommends that the Australian Government, in cooperation with state and territory governments:**

(a) **audit the infrastructure needs of Australia's film and television schools, especially in respect of digital production and high definition television**

(b) **develop an ongoing plan that involves key players in the film and game industries, to ensure that they remain 'state-of-the-art' and capable of delivering the world class education required.**

Access to broadband by content producers and consumers

4.119 Access to high capacity broadband connections at affordable prices has been recognised by the Australian Government as essential to a world-class creative digital industry sector.[143] The Australian Government has taken an active role in enabling creative digital industries to connect to broadband, including the creation of FIBRE—the Film Industry Broadband Resources Enterprise—in 2001.[144]

4.120 This was followed by the establishment of the Broadband Advisory Group (BAG) in March 2002, to provide high-level advice on the development of the broadband market in Australia and to conduct a strategic review of broadband policy, to help stimulate the availability and take-up of broadband.[145] The report of BAG, *Australia's broadband connectivity*, recommended the Australian Government promote the adoption of broadband by business and domestic consumers. The vision was:

> Australia will be a world leader in the availability and effective use of broadband, to deliver enhanced outcomes in health,

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143 Broadband Advisory Group, *Australia's broadband connectivity*, Canberra, Commonwealth of Australia, 2003, p. 11, has a listing of some of the investments made by the Australian Government in broadband and telecommunications infrastructure. A summary is available at http://www.dcita.gov.au/Printer_Friendly/0,,0_1-2_1-3_143-4_112937-LIVE_1,00.html.

144 FIBRE was formed in October 2001 by a working party of industry participants supported by $650,000 funding from the Department of Communications, Information Technology and the Arts. From 1 November 2001, FIBRE began operation, negotiating with telecommunications carriers to achieve the aggregation of film and television post production industry demand for more affordable bandwidth. See FIBRE, submission no. 50, p. 1.

145 Broadband Advisory Group, op. cit., p. 1.

education, commerce and government and to capture the
economic and social benefits of broadband connectivity.[146]

4.121   FIBRE set out the reasons broadband is essential to the growth of the
creative digital industries; most important is that it enables Australian
enterprises to work collaboratively to win overseas contracts and be
visible on the world stage:

> In order to win tenders, it is often necessary for Australian
> companies to collaborate in a variety of ways—sharing resources,
> subcontracting parts of work, etc. It is also advantageous for these
> companies to work together in marketing themselves overseas.[147]

4.122   FIBRE provided examples of local or international collaboration requiring
broadband networks:

- Sending digital files of scanned film images from laboratory to
  effects house
- Sending compressed rushes, edits etc to producers for approval
- Sending CGI elements of commercials to overseas agency
  clients for approval
- Recording "ADR" sessions while the actor is in a remote
  location
- Linking music recording studio with sound editing facility
- Remote collaborative digital colour grading with the director,
  remote from the grading facility but participating in the grade
- Linking interstate branches of post production facilities for any
  of the above
- High quality Video-conferencing sessions during production
  meetings, previews of work.[148]

4.123   BAG's inquiry acknowledged the great potential of broadband to boost
economic growth and the importance of a coordinated national approach
to broadband connectivity. BAG reported a co-ordinated national
approach will ensure that 'Australia has the infrastructure necessary to
support innovation and productivity growth, underpinning future
economic prosperity in an increasingly open and competitive global
economy'.[149] The government of Victoria stated in a similar vein:

> Securing access for post production companies to high speed
> bandwidth at affordable prices is essential to the growth of the
> post production sector, in order that the post production

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146 ibid.
147 FIBRE, submission no. 50, p. 8.
148 FIBRE, submission no. 50, p. 8.
149 Broadband Advisory Group, op. cit., p. iii.

> companies can send film and television rushes, special effects etc for approval to producers offshore or interstate. Game developers and the animation industry have the same requirement for sending components of work being developed here off shore.[150]

4.124   This view is supported by the creative industries:

> One of the most attractive elements of the digital production process, is that the location where a project is produced is of little relevance, apart from issues relating to cost-effectiveness and access to lifestyle.

> For many productions around the world, the emergence of the Internet means that producers can create products in a distributed manner, with parts of a project being shared in locations all over the world via the Internet.[151]

4.125   Despite the initiatives of the Australian Government and the recommendations of the BAG, the lack of affordable broadband connections was a theme through submissions and hearings:

> Over the past 18 months, the Film Industry Broadband Resource Enterprise (FIBRE) group has moved some small way down the road towards achieving access to broadband at costs approaching those suitable to our industries needs, but the reality is that for the most part the cost is still too high for many but the largest players in the industry.[152]

4.126   FIBRE acknowledged that problems remain:

> Genuine broadband connectivity within and around Australia remains underdeveloped. The issue of the cost of bandwidth across the world has always been a major barrier, but it is as difficult to get out of one's own front door as it is to cross the Pacific Ocean![153]

4.127   Studies by the National Office for the Information Economy (NOIE; now known as the Australian Government Information Management Office) appear to indicate that broadband has not spread far into the Australian community. In *The implications of the emergence of broadband distribution mediums for the production of digital content and applications*, Convergent Consulting indicated that of 12 developed countries, Australia ranked

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150 Film Victoria, submission no. 85, p. 5.
151 Light Knights Productions, submission no. 48, p. 8.
152 ibid.
153 FIBRE, submission no. 50, p. 2.

with Italy as having the fewest broadband connections for domestic customers.[154] BAG reported an OECD study indicating that of every 100 inhabitants, Australia had about 1 per cent connected to broadband in 2001 while South Korea had some 17 per cent. Australia ranked 18 out of 30 OECD countries for broadband penetration.[155]

4.128   Part of the reason for the lack of broadband penetration may be the cost:

> … we need to extend past our back door and to deal with studio facilities primarily in the United States and Canada. Those bodies have amazing access to incredibly cost-effective broadband which allows a director to sit in a studio in LA while the audio engineer is sitting in New York. The New York engineer will mix the desk; the director is sitting in his LA studio. The bandwidth of data transfer that they have available to them means that it is seamless. It is prohibitively expensive for us to try and offer that service in Australia. We are competed out of the marketplace on cost …[156]

4.129   Information available to the Committee indicates that Australia has the highest charges for a broadband connection, as a percentage of monthly household income. Australia also has relatively high costs, per 100 kilobits of data, per month, being ranked 10th out of 19 countries.[157]

4.130   The lack of affordable broadband and access to a broadband connection were identified clearly as barriers to the ongoing growth of many of the players in Australia's film, animation, special effects and electronic games industries. For example, the NSW Film and Television Office stated:

> In the past there have been complaints about the cost of bandwidth across the Pacific for transporting rushes between Australia and west coast USA. This was seen as a major disadvantage for productions moving from North America. The cost of the international bandwidth has come down but there is still a structural problem with the cost of the "first mile" being too expensive for post production houses here.[158]

154 Convergent Consulting, *The implications of the emergence of broadband distribution mediums for the production of digital content and applications*, December 2003, p. 14.

155 Broadband Advisory Group, op. cit., p. 9.

156 Mr W. Tatters, Light Knights Productions, *Transcript of Evidence*, 24 July 2003, p. 32. Cost of broadband as inhibiting the development of the Australian creative content industry was identified also by the Screen Services Association of Victoria, submission no. 28, p. 10.

157 P. Higgs & T. Kennedy, op. cit., p. 42.

158 NSW Film and Television Office, submission no. 56, p. 7. The problem of the cost of the 'first mile' was also mentioned by FIBRE, submission no. 50, p. 10.

4.131   The Committee was told that access to broadband is regarded by the creative industries as crucial, including access by regional players:

> … an outcome of the inquiry must be to place a priority on a mean of providing low cost, high volume broadband between WA production companies, and not only to East Coast production centres, but beyond our borders.[159]

4.132   Witnesses considered that broadband is out of reach because the needs of creative industries are not accommodated by the business plans of the broadband service providers. For example, FIBRE stated:

> The cost of bandwidth is not the only barrier to growth. It is equally the business models or charging regimes by the telecommunications carriers that are inappropriate.[160]

> Unfortunately, the supply side of the broadband market is not as responsive to sectoral needs as it could be, largely due to a lack of competitive tension. The broadband telecommunications market is characterised by the dominance of the incumbent carrier, Telstra, and a handful of major suppliers. There is little competitive pressure to encourage these suppliers to invest in meeting the needs of a relatively small segment of their total customer base. The problems posed by a lack of competition in the broadband market are more acute in locations outside capital city CBDs.[161]

4.133   The government of Victoria stated:

> Content producers, particularly in the film and television post-production sector and the game industry, often have atypical requirements for broadband (eg "bursty" requirements for transfer of large data files rather than continuous use of high bandwidth connections). These producers rely on tailored product offerings from broadband suppliers to meet their sector specific patterns of use in a cost-effective manner.[162]

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159 FTI WA, submission no. 2, p. 3.

160 FIBRE, submission no. 50, p. 2.

161 Film Victoria, submission no. 85, p. 5. Mr I. Robertson of AusFILM International also suggested there was 'a lack of competition', *Transcript of Evidence*, 4 September 2003, p. 44.

162 Film Victoria, submission no. 85, p. 5. See also FIBRE's submission which also identified the 'bursty' nature of data transmission as an issue, submission no. 50, p. 10; as did the Screen Services Association of Victoria, submission no. 28, p. 10. See also Mr T. Lubin, FTI WA, *Transcript of Evidence*, 30 September 2003, p. 38 and Mr D. Case and Ms J. Tucker, FIBRE, *Transcript of Evidence*, 4 September 2003, pp. 19-20.

4.134 This was supported by the FTI WA:

> Broadband services must take into account the nature of the screen
> production industry. Current broadband bulk-buy pricing is
> suited for banking, broadcasters and other large volume users,
> where the data volume is relatively continuous and on-going.
> Production companies need high-speed transmission of data only
> at certain times in a production cycle, but when they do, it will be
> intense high volume. Low cost sporadically intense broadband
> connectivity is essential for high performance production
> companies (most of which are fairly small) to be an integral part of
> a national agenda to grow screen production, animation, effects,
> and games production.[163]

4.135 The AIMIA found this analysis applied to games development, special
effects and post production, and this made Australia vulnerable to
competition:

> …With the potential for broadband to close the geographic gap, it
> is the pricing of broadband and bandwidth which restricts
> Australia's ability to compete with Canada for the highly valued
> North American market.[164]

4.136 Animators face the same problem:

> What we require is access to broadband data at cost rates and
> speeds matching those of our counterparts in places like the
> United States. Without access to such services, over the coming
> years we will simply not be able to compete on the global
> market.[165]

4.137 It should be noted, however, that while there were many complaints, not
all industry participants who gave evidence had experienced difficulties
with access to broadband and the cost of broadband.[166]

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163 This was supported by FTI WA, submission no. 2, p. 3.

164 AIMIA, submission no. 42, pp. 9–10.

165 Light Knights Productions, submission no. 48, p. 8. This point was also made by Yoram Gross-
EM.TV, submission no. 63, p. 14.

166 Ratbag stated it had no problems with broadband; Mr G. Siegele, Ratbag Services, *Transcript of
Evidence*, 30 September 2003, p. 6. Animal Logic stated broadband was expensive, but that it
did not 'make or break' projects; Mr Z. Nalbandian, Animal Logic, *Transcript of Evidence*,
4 September 2003, p. 6. BEEPS stated that broadband was expensive, but that the rates were
coming down; Mr S. Cooper, BEEPS, *Transcript of Evidence*, 25 July 2003, p. 31. This issue may
be related to firm size; the staff numbers of these firms are 50, 180 and 26 respectively.

4.138   Broadband is important also for the digital effects and film industry.[167] It is needed in the production sector so that developers of content can communicate with each other. It is also needed by consumers who seek access to the new products and services being developed, and so that producers can sell products directly to purchasers. However, broadband penetration into the home is low compared to other countries:

> Australia lags behind other countries with availability of broadband to the home. Affordable broadband will enhance Games penetration into the Australian market.[168]

4.139   The importance of broadband making its way into the home, especially for games developers, was reiterated by other witnesses, for example:

> … broadband in games is quite strategic because the more that we get broadband delivery, the more likelihood that games producers can utilise broadband for being able to generate income through direct broadband delivery to gamers.[169]

4.140   This was a point also made by Multimedia Victoria, when asked about developers distributing over the Internet and bypassing publishers:

> You can see Korea and places like that having massively multiplayer online games over the Internet which do not need a physical distribution channel as such; they have got a cyber distribution channel. If we could actually get broadband right and the right sort of pricing across the world, you would be able to encourage those sorts of distribution channels for online gaming. I think probably the most exciting and innovative bit for gaming is Massively Multiplayer Online Games.[170]

4.141   The Committee concludes that affordable broadband access is essential to the production and consumer sides of the creative digital industries.[171] On the evidence, the availability of broadband to creative digital enterprises and Australian consumers is unacceptably low and this indicates signs of market failure. It is a particular problem for animation and digital post-production. It may relate to a lack of competition and also seems likely to

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167 Mr D. Case and Ms J. Tucker, FIBRE, *Transcript of Evidence*, 4 September 2003, p. 16.

168 Aganomis Services, submission no. 64, p. 3.

169 Mr T. Lubin, FTI WA, *Transcript of Evidence*, 30 September 2003, p. 39.

170 Mr R. Straw, Multimedia Victoria, *Transcript of Evidence*, 28 August 2003, p. 32.

171 See, for example, Mr I Robertson, AusFILM International, *Transcript of Evidence*, 4 September 2003, p. 44 and Mr D. Case, FIBRE, *Transcript of Evidence*, 4 September 2003, p. 16. The effect of 'bundling' companies to increase demand for connections is discussed by the Gold Coast City Council, *Transcript of Evidence*, 25 July 2003, p. 8.

have been exacerbated by the proportion of SMEs in the industry.[172] An audit of access (that is, connection and cost) to broadband may well indicate that intervention is required. In the longer term this issue may be a matter for consideration by the Australian Competition and Consumer Commission.

Recommendation 13

4.142   **The Committee recommends that the Australian Government audit the implementation of policies directed towards providing affordable broadband to film and game companies and modify them as necessary.**

Recommendation 14

4.143   **The Committee recommends that the Australian Government establish a creative industries broadband fund, possibly administered through FIBRE, to improve access to and the affordability of broadband for the creative industries.**

Digital high definition television

4.144   The next development in television is said to be digital high definition television[173] but evidence indicated viewers have not adopted the new technology as quickly as anticipated.[174] Several reasons were advanced:

> We regard the failure of digitisation to take off in 2001 as a product of a lack of content and a lack of trained people who can produce content that will then be attractive so that consumers will buy high-definition television sets, 16:9 screens and so on.[175]

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172   FIBRE noted that even if businesses increase in number, they will be small businesses and not in a good bargaining position when negotiating with big providers over bandwidth needs, submission no. 50, p. 15.

173   SPAA, submission no. 33, p. 9.

174   QCA, submission no. 17, p. 2 and SPAA, submission no. 33, p. 10.

175   Mr I. Lang, QCA, *Transcript of Evidence*, 24 July 2003, p. 3. Lack of high definition content was also identified by the Screen Services Association of Victoria as an inhibiting factor in the adoption of high definition television; see submission no. 28, p. 10.

4.145   One reason content may not be produced is that there are different standards for high definition television in Australia:

> We have chosen a standard in Australia which is quite vague. There are three broadcasters choosing to broadcast high definition and setting different quality standards for high definition. The different networks, if you talk to them and ask them what they expect when they get a tape from a producer for high definition, will tell you different things. When we were discussing producing this season of *The Shapies* in high definition, we spent a lot of time with the network asking which version of high definition they wanted, which of the various specifications. There are varying resolutions and each of them technically falls under the category of high definition, but they are competing standards.[176]

4.146   Differing standards impose additional costs on producers, according to Light Knights Productions.[177] The cost of digital televisions was also cited as a deterrent,[178] along with consumers not being fully aware of the improvements in quality that digital high definition television offers.[179]

4.147   Consumers may be unwilling to spend on a technology without established standards. The ABC supports a uniform standard:

> Obviously—we think obviously—having common standards in place where content has been uniformly produced for delivery across a common standard is going to aid the development of an industry. It is basically quite a simple issue. I guess the key is getting to that point where a common standard can be agreed, accepted and then distributed.[180]

4.148   The Committee believes that the government should examine the impediments to the adoption of high definition digital television and that the current range of standards is likely to present a barrier to producers of content and viewers. The Committee notes that on 10 May 2004 the Minister for Communications, Information Technology and the Arts announced that DOCITA would begin a series of digital TV regulatory reviews. These include a review of additional programming by free-to-air-broadcasters, including multichannelling; a review of matters relating to the end of the moratorium on the issue of new commercial television

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176 Mr W. Tatters, Light Knights Productions, *Transcript of Evidence*, 24 July 2003, p. 23.

177 ibid., p. 24.

178 Mr G. Brown, SPAA, *Transcript of Evidence*, 5 September 2003, p. 43.

179 Mr I. Lang, QCA, *Transcript of Evidence*, 24 July 2003, p. 6.

180 Ms L. Marshall, ABC, *Transcript of Evidence*, 27 August 2003, p. 9.

broadcasting licences and arrangements for converting any datacasting licences to other broadcasting types; the efficient allocation of spectrum for digital television; parts of the legislation related to under-served markets; and a review of high definition digital TV requirements and the duration of the digital simulcast period.[181]

Recommendation 15

4.149   **The Committee recommends that the Department of Communications, Information Technology and the Arts further promote the use of HDTV and, in consultation with the domestic and international industries, set a more precise standard for the Australian industry to follow. The standard setting process could be part of the digital TV regulatory reviews announced by the Minister on 10 May 2004 and should ensure that Australia's standard is internationally compatible.**

Recommendation 16

4.150   **The Committee recommends that the Minister for Communications, Information Technology and the Arts regularly advise Parliament on progress with the digital television reviews and table the reports in the Parliament.**

Education, training and skills

4.151   Apart from world standard infrastructure, Australia's film, animation, special effects and electronic games industries rely upon the capacity to train creative, skilled employees.[182]

4.152   A recurring theme was that education and training do not meet the needs of the creative industries and that initiatives are required to ensure that appropriately trained practitioners are available to staff the industries.

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181 The Hon. Daryl Williams AM QC MP, 'Digital TV Regulatory Reviews to Commence', *News Release*, 10 May 2004, viewed 11 May 2004 at http://www.darylwilliamsdcita.gov.au.

182 Mr M. Long, AFTRS, *Transcript of Evidence*, 4 September, 2003, p. 21. This view was supported for example by the ACTF, submission no. 29, p.7; see also the Pacific Film and Television Commission, submission no. 47, p. 4.

What sorts of skills and skilled people are required?

4.153   Evidence indicated that the creative industries employ people from many diverse disciplines; often disciplines regarded as central to one genre are in demand in another. As a result, what are regarded as relatively distinct industries (for example, film, animation, digital effects, electronic games) did not present to their participants an employment barrier because often the skills typically associated with one genre were used in another. For example, Mr Greg Seigele testified:

> We are branching out into global titles that include action drama... For example, we use screenwriters, editors and post-production houses, animators, voice actors; a whole range of creative people from film and TV to help us make our games.[183]

4.154   Mr Seigele listed some different skills used in his company:

> We now have 50 people in our company. They range across a number of different disciplines. We have programmers, engineers, mathematicians, physicists and … animators and modellers, texture artists, industrial designers, graphic designers.[184]

4.155   This diversity of skills is reflected in a recent report produced for DOCITA as part of the Creative Industries cluster study, Stage 2:

> The following list summarises the actual skills profile of a major game developer
>
> ■ 30 artists
> ■ 28 programmers
> ■ 5 designers
> ■ 2 producers
> ■ 12 system developers
>
> Game developers need people who can write lean code, and can develop titles in real time—and on time and on budget. There is a premium for project management skills.[185]

4.156   With respect to the motion picture industry, the Australian Film Television and Radio School (AFTRS) informed the Committee: 'Visual effects work on *Star Wars* or *Lord of the Rings* entails collaboration between

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183   Mr G. Siegele, Ratbag Services, *Transcript of Evidence*, 30 September 2003, p. 2.

184   ibid., p. 5. Mr A. Lancman of the GDAA testified that the games development industry tapped into the skills base of other creative industries, particularly the film industry, and often outsourced work to the post production and special effects industries; *Transcript of Evidence*, 20 August 2003, p. 14.

185   Cutler and Co., op. cit., p. 23.

designers, animators, practical effects specialists, cinematographers and digital artists'.[186] The skills needed range across the creative industry sector and into the IT sector, and include business management skills. The IT Skills Hub testified:

> We see the need for the technology skills that will be needed to aid the take-up of interactive TV; we see the need for creative content skills in how it gets utilised; and we see the need for business skills in the business models that will be needed for it to really take off.[187]

4.157   Gaps in skills and resources could cause Australia to fall short of its potential in the emerging industry of interactive television, according to IT Skills Hub:

> … currently there are very few people who have capability to author interactive content or to develop new iTV applications. There is no formal education and training in the disciplines necessary for the integration of content production, software, telecommunications and applications development. A critical priority for Australia, is the development of formal education and training in this field and the support and resourcing of organisations to provide such education and training.[188]

4.158   The NSW Film And Television Office (NSW FTO) considered a structure was required to nurture the development of interdisciplinary teams:

> Success in these [creative] industries is dependent upon the ability to access and successfully combine a broad range of skills and capabilities ranging from technical, creative and business management.[189]

4.159   The need for business skills was raised. For example, the GDAA testified that its skills and training program includes a focus on business skills and project management.[190] The Queensland Games Developers Cluster submitted that there was a general lack of business and project management skills and that the industry should:

- Develop business skills. There is concern about the lack of solid business skills within the development community. Developers

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186 AFTRS, submission no. 18, p. 13. On pp. 13-14, the AFTRS listed no fewer than 42 skills that visual effects company Industrial Light and Magic required.

187 Mr B. Donovan, IT Skills Hub, *Transcript of Evidence*, 28 August 2003, p. 57.

188 IT Skills Hub, submission no. 44, p. 4.

189 NSW FTO, submission no. 61, p. 1.

190 Ms E. Richardson, GDAA, *Transcript of Evidence*, 20 August 2003, p. 5.

> need to know what to present to investors and publishers - such as business plans, projections, marketing plans, technical plans, project plans etc—and how to create these.
>
> - Develop project management skills. There is a growing emphasis on the importance of project management, as budgets and team sizes increase. Both project managers and producers are rarely given specific training. They are often successful programmers, designers or QA testers who are moved into project management. Training in basic tools and skills is therefore urgently needed …[191]

4.160   The AFTRS detailed the range of skills producers and directors need, ranging from business management to OH&S, risk management and contract negotiation and management.[192] QDox's analysis of the skills required in the creative industries included:

> … information technology, intellectual property, design, visual and performing arts, law, ethics and historical and cultural studies.[193]

4.161   In short, a wide range of skills is required in all the creative industries, and people need to be adaptable and move from one genre to another: film to animation to electronic games. The importance of adaptability and a capacity to migrate between genres is highlighted by the fact that the film, animation, special effects and electronic games industries are coalescing into a single screen content industry, not only in Australia but globally.[194] This is called 'convergence'. The issue that confronts Australia is whether the education and training system can produce the creative, skilled artists capable of moving through the converged creative industries.

Do we train enough and appropriately?

4.162   Many industry players felt that the current education and training arrangements are not adequate to the needs of the creative industries:

> The education and training system is largely inadequate. Arguably it is in a difficult situation, with the electronic gaming business in such a constant state of growth and flux.[195]

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191 Queensland Games Developers Cluster, submission no. 78, p. 4. This was supported by the NSW FTO, submission no. 61, p.1 and RMIT University, submission no. 55, p. 9.

192 AFTRS, submission no. 18, p. 22.

193 QDox, submission no. 25, p. 6.

194 AFTRS, submission no. 18, p. 2.

195 Yoram Gross-EM.TV, regarding electronic games, submission no. 63, p. 15.

4.163   QPIX put it plainly: 'All producers and other industry professionals report that graduates must be retrained'.[196] Other evidence supported this view, for example, the Queensland Game Developers Cluster testified:

> … they [educational institutions] want to provide their students with a broad range of skills, but games require a specific skill set and the graduates do not have those skills. They probably need a good six months in upskilling time. It is usually in the larger players' best interests to attract overseas talent.[197]

4.164   Yoram Gross-EM.TV submitted that graduates often do not have the 'craft'/creative skills required, even if they are familiar with various technological developments in animation:

> In our view there is a current lack of understanding in new graduates of basic elements of the animation craft such as perspective, colour, storytelling, human movement and writing. Current courses appear to point students in the wrong direction, focussing too much on the technological tools and neglecting the creative side.[198]

4.165   The Academy of Interactive Entertainment (AIE) listed some causes and symptoms of problems:

> … through inadequate length of training, inappropriate curricula and lack of expertise in course delivery. Many courses, for example, pay little heed to the generic skills of communication, teamwork and time management consistently identified as important by developers and do not expose students to the realities of game development processes and cycles.[199]

4.166   The Canberra Institute of Technology (CIT) and AIE suggested a cause of the dissonance between training and employment: the existing vocational training system was not designed to deal with Australia's film, animation, special effects and electronic games industries and was not working well:

> New and emerging creative industries require innovative ways to create a diverse but essential skills base that underpins growth in film, animation, special effects and electronic games industries. Neither conventional skills training as typically found in VET nor highly abstracted learning as typical in Higher Education models

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196 QPIX, submission no. 23, p. 6.
197 Mr S. Deo, Queensland Games Developers Cluster, *Transcript of Evidence*, 24 July 2003, p. 18.
198 Yoram Gross-EM.TV, submission no. 63, p. 10.
199 AIE, submission no. 43, p. 6.

are entirely suitable for achieving the skill sets and other attributes required of workers in these industries.[200]

4.167   On the other hand, evidence suggested that current accreditation and funding of courses make it difficult for education and training providers to ensure courses meet industry's needs:

> It takes time for certification if you are talking about a body like QANTM, which needs that certification so that they can offer their students Austudy and HECS type facilities. But, by the time they have got their syllabus process certified and delivered, there are three new versions of the software, which means that we cannot put the person they deliver us—who was nice and neatly certified—into the job in a lot of cases. We bring them on as a junior and spend the next three to six months—depending on the project—repurposing and retraining those people so that they are ready to go again. So there is an issue with how we work with our education cycles in this particular sector, because it is evolving. The game industry is faced with the same problem.[201]

4.168   The Committee received evidence that education and training providers or governments do not actively consult industry players.

> Being really honest, I am the largest employer in Australia and I have no interaction with any of the government institutions when it comes to training and education. Not one of them comes and knocks on my door and asks me what I want.

> …I think the educational institutions need to go to industry as a whole. The industry is at fault as well, as it should be saying, "Here is what we need coming out of them." My requirements are probably different from somebody else's, but there should be some sort of general consensus that as a bare minimum they could come in and have basic skills in certain areas.[202]

4.169   The rapidly evolving nature of the technology and the difficulty that education and training institutions had in keeping up was noted by

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200 CIT & AIE, submission no. 19, p. 10.
201 Mr W. Tatters, Light Knights Productions, *Transcript of Evidence*, 24 July 2003, p. 28.
202 Mr R. Walsh, Krome Studios, *Transcript of Evidence*, 24 July 2003, p. 37.

Professor Andrew Wallace of Central Queensland University[203] and Light Knights Productions.[204]

4.170　On-the-job training was considered by many making submissions and witnesses as crucial to developing the skills base required by Australia's creative industries. The Committee was told, however, that a change in the nature of production has resulted in less on-the-job-training. The Pacific Film and Television Commission (PFTC) submitted:

> In the past, the ABC, Film Australia, state government film units, Crawfords, Grundy's and national television networks were major providers of on-the-job training. Structural change, outsourcing and increasing contract based freelance employment appears to have resulted in reduced on-the-job training opportunities.[205]

4.171　QCA considered the scarcity of people trained to produce the content necessary to attract viewers had contributed to the failure of high definition television:

> Since we have seen SBS and ABC largely abrogate their traditional responsibilities in training we really have not got a new generation of people who are equipped with high-definition skills from the training sector. We regard the failure of digitisation to take off in 2001 as a product of a lack of content and a lack of trained people who can produce content that will then be attractive so that consumers will buy high-definition television sets, 16:9 screens and so on. We think that it is not just a government problem; we think that it is a training problem in the take-up of digitisation.[206]

4.172　The contraction in opportunities for training with the ABC was outlined:

> The ABC in the past was able to train an enormous number of people who are currently eminent in the industry. The ABC had a much bigger staff, probably about double the number it currently has. In the 1970s the ABC had a huge drama division, with between eight and 12 drama producers and about 20 drama directors on staff. We even had in-house writers. These days we have none. So the opportunities for that kind of career development, for spotting talent and giving people the chance to

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203　Central Queensland University, submission no. 76, p. 3. Professor Wallace also referred to problems for regional universities in keeping in touch with metropolitan businesses and industry participants.

204　Mr W. Tatters, Light Knights Productions, *Transcript of Evidence*, 24 July 2003, p. 27.

205　PFTC, submission no. 47, p. 5.

206　Mr I. Lang, QCA, *Transcript of Evidence*, 24 July 2003, p. 3.

> learn skills on-the-job, which the ABC used to do, sadly, has deteriorated over the last two decades.[207]

4.173 In addition to the ABC, the Committee was told, much on-the-job training had occurred in the television commercial production sector. However, when the quota requirements relating to the amount of Australian content in television commercials were changed, fewer commercials were produced, and this avenue of on-the-job training diminished:

> In the past TVC [television commercial] production was one of the major training grounds for filmmakers (many of whom have gone on to international success) and enabled investment in facilities and new technologies.

> The regulatory diminution of Australian content requirements in TVCs screened here has had a negative effect on our balance of trade—as well as disastrous consequences for our industry.

> In order to retain and develop a skilled domestic workforce and to justify the expenditure (and constant technological upgrades) on production facilities used by the entire industry, there needs to be a continuity of quality local TVC production.[208]

4.174 SPAA also supported the importance of television commercial production as a training ground for Australian film makers:

> The director of "Lantana", Ray Lawrence has spent most of his career working in television commercials production between the success of that film and his first feature "Bliss" in 1985. Glendwyn Ivin, whose short film "Cracker Bag" won the Palm D'Or at the 2003 Cannes Film Festival, produced the film with no government funding while working as a television commercial director.[209]

4.175 Gaps in the range of skills available were also raised:

> … there is a real concern amongst developers about the increasing lack of skills across the range of roles: designers, programmers, producers etc to support industry growth. The industry has a skills gap plus an urgent need to bolster the skills of graduates. The other critical issue is lack of business and project management skills amongst start-ups and new entrants to the industry.[210]

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207 Ms S. Levy, ABC, *Transcript of Evidence*, 27 August 2003, p. 2.
208 Mr David Muir, submission no. 39, p. 5.
209 SPAA, submission no. 33, p. 18. Mr D. Muir supported this, submission no. 39, p. 3.
210 GDAA, submission no. 54, p. 12.

4.176   This analysis was reinforced by the Queensland Games Developers Cluster:

> Current training lags behind industry needs and expectations and large up-skilling costs are associated with employing recent graduates. To compound matters, there is also a lack of highly experienced local development talent due to the relative infancy of the industry.[211]

4.177   It seems that education and training lags behind the needs of the creative industries and a skills gap is emerging, within the ranks of content producers, and also educators and trainers.[212] Traditional training grounds—such as the ABC and television commercials—no longer provide the education and training that is required. The established education and training regime is not identifying and addressing the issues that confront the creative industries.

4.178   CREATE Australia is the national education and training advisory body for the cultural industries. Its role is to liaise between industry, training providers and unions to ensure that training is correctly aligned to the needs of industry and students. In its National Vocational Education and Training (VET) Plan for Industry 2003-06/8, CREATE has identified a number of broad skill and knowledge shortages. Across the cultural industries generally, the shortages include:

- intellectual property;

- professional practice and the digital environment;

- updating skills for new technology, including digital; and

- working with particular communities including Indigenous, multicultural and people with a disability.[213]

4.179   CREATE Australia also identified specific technical skill shortages in the film, television, radio and multimedia industries such as audio assistants and scriptwriters.[214] The 29 national training advisory bodies are being amalgamated into 10 industry skill councils. CREATE Australia's functions will be merged into the Business and Innovation Industry Skill Council.

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211 Queensland Games Developers Cluster, submission no. 78, p. 7.

212 See, for example, Central Queensland University, submission no. 76, p. 2.

213 CREATE Australia, *National VET Plan for Industry 2003-06/8*, 2003, p. 3, viewed on 18 May 2004 at http://www.createaust.com.au/downloads/NationalVETPlanV3Part1.doc.

214 ibid., p. 4.

Recommendation 17

4.180 **The Committee recommends that CREATE Australia and its expected successor, the Business and Innovation Industry Skill Council, increase communication between industry and training providers and accreditation bodies to reduce skill gaps through the following process:**

(a) **a roundtable to establish informal links**

(b) **regular surveys to establish a database whereby industry specifies projected needs and providers specify projected facilities and programs.**

On-the-job-training and apprenticeships

4.181 Practical, on-the-job training was identified as an area that should be addressed:

> There is a need for better resourcing of on-the-job training such as attachments, internships, etc. Also the particular industry and business characteristics of much of the industry such as intermittent employment, high mobility, periods of high intensity followed by lulls and the contractual base for employment, needs to be recognised in the delivery of on-the-job training.[215]

4.182 Fox Studios Australia also supported improved training programs:

> There needs to be greater assistance in the training of new participants and technicians in the industry. This training needs to encompass public and private training initiatives. In addition, we believe Governments need to consider a coordinated, national approach to "On-The-Job training", which may include direct incentives.[216]

4.183 This was echoed by other witnesses, for example QPIX, which asked that 'some return at least to the old apprentice-style systems be designed and trialled'.[217]

4.184 The Media Entertainment and Arts Alliance (MEAA) provided an analysis of why currently the industries referred to in this inquiry did not believe they were being properly served by the New Apprenticeships Program.

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215 PFTC, submission no. 47, p. 5.
216 Fox Studios Australia, submission no. 75, p. 5.
217 QPIX, submission no. 23, p. 6. See also Producers and Directors Guild of Victoria, submission no. 3, pp. 5 and 6; and Gold Coast City Council, submission no. 53, p. 11.

The first issue is that most technicians are only employed on a short term basis and cannot undertake an apprenticeship for 12 months. Group training companies are intended to address this problem by allocating trainees to work with different firms as and when they are able to take them on. Conditions in the industry, however, are so difficult that the MEAA is unaware of any group training company including this industry in its portfolio.[218]

4.185   Another issue is that Australian productions operate within tight production budgets. The cost of taking on apprentices is usually not practicable. Further, due to the general uncertainty in the industry, employers are usually not able to offer employment at the conclusion of an apprenticeship.[219]

4.186   The MEAA also argued that the apprenticeship qualifications do not cover the breadth of skills needed in these industries. A gaffer, for example, is an electrician in charge of lighting on a set. Although many of a gaffer's roles require an electrician's licence, many other roles do not. For example, electricians are not trained to have knowledge of light qualities or setting lamps to achieve a desired effect. A person trained in cutting and manufacturing street clothing may not be able to produce period costumes or highly durable clothes for stunt performers. Most people with trade qualifications would only be able to enter the industry as assistants because their training is not industry specific.[220]

4.187   Evidence was given that some organisations were implementing their own on-the-job training programs. The South Australian Film Corporation has addressed the issue:

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

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218   MEAA, submission no. 59, p. 17.
219   ibid.
220   ibid.

> in the industry and they have been re-employed by McLeod's
> Daughters for proper money.[221]

4.188   Some enterprises are making substantial individual efforts to link with
         education providers, however, they still provide substantial in-house
         training:

> We have good interaction with universities, colleges and film
> schools; we have a very successful training scheme and we have
> been part of an apprenticeships scheme with the New South Wales
> Film and Television Office for three years. ... But those schools are
> not equipped to provide us with people at the rate that we need
> them. Most of our training is provided in-house, or else we have to
> import experienced people and then build on the experience those
> people bring us to train others in Australia. What we get is very
> good raw talent, of which we have a great abundance in
> Australia.[222]

4.189   Light Knights Productions had considered an apprenticeship program:

> We have investigated this at length ... We would love a mechanism
> that would allow us to put someone … on an apprenticeship
> scheme to take advantage of the skill learning in other areas of life
> that the apprenticeship scheme requires.[223]

4.190   A benefit of apprenticeship is that it provides diverse training:

> Obviously, the nice thing about an apprenticeship program is that
> the syllabus is reasonably diverse. It does not just focus on the
> animation element; they may have to learn a bit of business
> practice or they may have to do a subject in accounting or
> something else that value-adds to what we do. At the moment, we
> do not have access to that.[224]

4.191   The Screen Services Association of Victoria (SSAV) also supported the
         creation of an internship/apprenticeship program.[225] In addition, the
         SSAV recommended that the ABC be funded for additional internships in
         specialised fields, to return it to the position it once held in the industry as
         a training institution and a significant source for professionally trained

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221 Mrs J. Crombie, South Australian Film Corporation, *Transcript of Evidence*, 30 September 2003,
     p. 16.
222 Mr Z. Nalbandian, Animal Logic, *Transcript of Evidence*, 4 September 2003, p. 8.
223 Mr W. Tatters, Light Knights Productions, *Transcript of Evidence*, 24 July 2003, p. 31.
224 ibid.
225 SSAV, submission no. 28, p. 12. See also Ms E. Richardson, GDAA, *Transcript of Evidence*,
     20 August 2003, p. 5.

industry practitioners. The SSAV also recommended that apprenticeship and internship opportunities be reviewed, and be especially designed for the creative content industry sector.[226]

4.192   The Committee concludes that on-the-job training and apprenticeships are crucial to the development of Australia's film, animation, special effects and electronic games industries, and to the creation of an adaptable skills base. The Committee also concludes that the current arrangements are not meeting the needs of the creative industries and that the various training programs may need to be redesigned or have added flexibility.

4.193   The Committee regrets the loss of on-the-job training opportunities that were available through the ABC and television commercial production. The Committee suggests that any review of on-the-job training and apprenticeship programs include the ABC and SBS. The Committee believes that avenues should be explored that would enable these iconic public institutions to engage in on-the-job training and apprenticeship programs.

Recommendation 18

4.194   **The Committee recommends that the Australian Government, in cooperation with state and territory governments, adapt apprenticeship and on-the-job training programs to take into account the particular needs of Australia's film, animation, special effects and electronic games industries. Because of the nature of these industries, it seems likely that the establishment of group training companies will assist. Additionally, the ABC and SBS can be expected to be actively involved in these programs.**

Accreditation of courses

4.195   Issues in course accreditation were drawn to the Committee's attention:

> Looking across Australia, I would have to say that I have never known an area of academia where people will over claim to such an extent across educational institutions and deliver so little in the way of actual vocational training—meaningful training. Film, animation and extensions—games and so on—are expensive areas to deliver.[227]

226   SSAV, submission no. 28, p. 12.
227   Professor M. Bramley-Moore, QCA, *Transcript of Evidence*, 24 July 2003, p. 2.

4.196   Apart from the fact that courses may or may not meet acceptable quality standards, the AIMIA raised the issue of the accreditation system. Accreditation takes too long, AIMIA stated, and it often lags behind the needs of the market which change quickly, with technological advances:

> Vocational Education and Training assures provision of industry-endorsed training will be delivered to an agreed standard within a rigorous qualifications framework. This industry, however, has unique requirements in that it demands regular updating to keep pace with changes in hardware, software, and the related evolution of content form.

> The current accreditation regime, whilst necessary, slows down the ability for organisations to rapidly change course content and has forced teachers to become administrators.[228]

4.197   The difficulty of accreditation systems keeping pace with the needs of the creative industries and also the implications of a lack of accreditation was referred to by Light Knights Productions:

> Apart from the obvious issues of software upgrades, it is actually the issue of certification, which poses greater difficulties to educators. It is of course possible for an educator to run a course without certification, given that the industry itself is more concerned with the quality of the training than the piece of paper attached to it. However, without the certification, any student who attends the course cannot obtain access to benefits such as HECS and AUSSTUDY support.[229]

4.198   The process of accreditation was also raised. FTI WA had difficulties with courses offered jointly with the University of California–Los Angeles, a leading creative industries establishment in the US:

> Over the course of time with UCLA we established quite a relationship with them and we have entered into an agreement with UCLA where in WA we are going to offer a graduate certificate in television production that is going to be jointly FTI and UCLA. That has presented quite a lot of problems because it does not fall into the ANTA guidelines. I know there are rules but I find myself being befuddled sometimes when somebody who is

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228 AIMIA, submission no. 42, p. 10. The inadequacy of the current accreditation system was also raised by the AIE and CIT in submission no. 19, pp. 5-8 and the AIE, submission no. 43, pp. 4-5.

229 Light Knights Productions, submission no. 48, p. 9.

> with the accreditation council tells me, "Who is this UCLA and are they really bona fide?"[230]

4.199　It is also clear that the lack of interaction between key players has produced graduates ill-equipped to take up positions within the creative industries and that, in some areas, skills shortages exist:

> There needs to be a much higher level of dialogue between the training programs and the industry. There is a danger that the private colleges have profit more as a motive than appropriate feeding of the industry at large. It is all too easy to attract young students to the "glamour" of the entertainment business rather than basing enrolment upon the industries needs. Consequently there are many wide-eyed graduates with no appropriate job prospects.[231]

4.200　As the Committee understands the VET system, it is the responsibility of all relevant parties, facilitated by CREATE Australia, to maintain communications to ensure that training is appropriate.

4.201　In line with this principle, evidence suggested that some education and training providers and some industry enterprises were trying to work with each other to improve the current situation, however, progress was slow. Mr Adam Lancman outlined efforts by the GDAA to engage education and training providers to ensure greater harmony with needs:

> There are ongoing conversations with all the universities by all our members—in Victoria, in New South Wales, in Queensland and in South Australia—where we have relationships with the universities. The universities are very open to having our input and in trying to understand how they can better serve our requirements. So we are starting to see some movement in that area where individual units as part of broader courses are being introduced that deal with some of our issues.[232]

4.202　The CIT and AIE submitted that the existing mechanisms to monitor the education and training needs for creative industries were inadequate. Such mechanisms were best suited, they stated, to old economy industries, and this was something that had been identified in 1995:

230　Mr T. Lubin, FTI WA, *Transcript of Evidence*, 30 September 2003, p. 37.

231　Yoram Gross-EM.TV, submission no. 63, p. 10. Closer linkages between education and training institutions and industry were advocated by the Australian National University, submission no. 71, pp. 5-6.

232　Mr A. Lancman, GDAA, *Transcript of Evidence*, 20 August 2003, pp. 4–5.

> One of the continuing pressing issues evident in the 1995 report [National Multimedia Education and Training Strategy] and continuing today is the provision of appropriate opportunities for skills development for emerging occupations in sunrise industries. In particular this relates to the need for the rapid evolution of responsive curriculum. While VET has a well-established set of protocols surrounding training package identification, development and implementation, these are best suited to established occupations in Industries where change is not fundamentally affecting new business opportunities.[233]

4.203   The CIT and AIE identified critical impediments that prevent VET providers responding appropriately to emerging training needs for occupations within sunrise industries, including:

- Inability of a National VET agenda to provide clear evidence of significant emerging national industry trends, particularly in industries that are part of the new economy and have not established conventional employment, representative, and lobbying structures.
- Identifying training priorities in advance of established national consultative processes and training package development
- Ensuring the emerging training issues being identified are responding appropriately to national priorities as well as local needs.
- Recognising that the existing VET training paradigm for commonly agreed learning outcomes is difficult to accommodate in areas where complex interactive capabilities are required by practitioners in newly evolving specialisations typical of film, animation, special effects and electronic games industries.[234]

4.204   A number of submissions suggested that a national accreditation system be developed for the games industry,[235] as well as animation,[236] and film, animation, special effects and electronic games industries in general.[237]

> National Leadership is required here to provide educators and trainers with a framework to quickly endorse and quality assure new training to meet increasingly diverse needs.[238]

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233 CIT & AIE, submission no. 19, p. 5.

234 ibid.

235 Queensland Game Developers Cluster, submission no. 78, p. 8.

236 Light Knights Productions, submission no. 48, p. 9.

237 CIT & AIE, submission no. 19, p. 2.

238 AIE, submission no. 43, p. 6.

4.205   Many of these issues have been recognised and discussed in the wider
         VET literature. CREATE Australia has listed the responsiveness of VET
         and the need to identify emerging sectors as priorities.[239] The House of
         Representatives Standing Committee on Education and Training, in its
         report on VET in schools, also noted these difficulties and recommended
         that the Australian National Training Authority (ANTA) receive
         additional funds to better serve new and emerging industries.[240] Many of
         the industries examined in this inquiry are SMEs and, therefore, are
         limited in the amount of resources that they can contribute to VET. Most
         firms in emerging industries generally would also be SMEs. The
         Committee, therefore, supports this recommendation in relation to the
         industries examined in this inquiry.

4.206   In a related development, ANTA has been conducting a high level review
         of training packages. These packages are the standard framework within
         which training providers deliver courses that are uniformly recognised
         across Australia.

4.207   The high level review has recognised that fast-changing industries may
         need speedier development and review cycles. It has also recognised some
         of the other issues raised in this inquiry such as how to obtain the best
         balance of technical, cognitive and behavioural skills and how to
         incorporate generic skills such as those relating to communication or
         business. [241]

4.208   The high level review is nearing conclusion. The National Training
         Quality Council is developing recommendations for the ANTA Board. At
         the time of preparing this report, the meeting of the ANTA Ministerial
         Council in June 2004 is the next milestone, whereupon the final review
         report may be publicly released.[242]

4.209   VET is meant to promote and assist the joint interests of businesses and
         students. The evidence presented to this inquiry, however, suggests that
         VET is not maximising the opportunities for businesses, apprentices and
         trainees, who are competing in a tough global market.

239 CREATE Australia, op. cit., pp. 5-7.
240 House of Representatives Standing Committee on Education and Training, *Learning to Work*,
     March 2004, Canberra, pp. 194-201.
241 ANTA, *High Level Review of Training Packages, Phase 3, Consultation Paper*, December 2003, p. 7,
     viewed at http://www.anta.gov.au/images/publications/consult_paper.pdf on 18 May 2004.
242 ANTA, *Fast Facts*, no. 187, 27 April 2004, viewed on 18 May 2004 at
     http://www.anta.gov.au/images/publications/Fast_Facts_187.pdf.

Recommendation 19

4.210 **The Committee recommends that the Australian Government work with national and state accreditation bodies to decrease red tape and time in accrediting courses relevant to the industries examined in this inquiry and publish performance information on the timeliness of accrediting these courses.**

Recommendation 20

4.211 **The Committee recommends that, in line with recommendation 28 of *Learning to Work*, the report of the House of Representatives Standing Committee on Education and Training, ANTA receive additional funding to facilitate the development of qualifications and industry links in the new and emerging industries examined in this inquiry.**

National skills council

4.212 Another current development in VET is the consolidation of the 29 industry training advisory bodies (such as CREATE Australia) into ten industry skills councils. To date, the ANTA Board has agreed to declare five councils. CREATE Australia is expected to be merged into the Business and Innovation Industry Skill Council. This Council will also include the business, finance, education, information technology and telecommunications sectors.[243]

4.213 The expected benefits of the consolidation include:

- greater cross-industry cooperation;
- addressing skill shortages before they become a problem; and
- more flexible skill mixes.

4.214 This chapter and Chapter 6 discuss the need for a better mix of skills in these industries, including business skills. From ANTA's comments, including the creative industries in the Business and Innovation Industry Skills Council may address the Committee's concerns. Further, it may assist the industries to better manage the trend to greater digitisation of creative work.

243 ANTA, *New composition for national industry advisory arrangements*, 26 May 2003, updated 2 May 2004, viewed at http://www.anta.gov.au/news.asp?ID=221 on 18 May 2004. The council's name is subject to variation.

4.215   The industries themselves suggested a national skills council for the creative industries. This was suggested by the GDAA,[244] the CIT and AIE,[245] as well as the IT Skills Hub:

> … a viable iTV industry will only be possible if underpinned by a suitable education and training framework—that is, one that integrates technology, business and creative skills. … we think this framework is best achieved through a collaborative approach between government, business and the education sector, forming a focused body of some sort or a centre of excellence, as you could call it, bringing together technology, business, content creation and education and training.[246]

4.216   The proposed national skills council appears to have largely the same functions as the current advisory arrangements, namely CREATE Australia and the foreshadowed Business and Innovation Industry Skill Council. The Committee is reluctant to recommend duplicating current mechanisms.

4.217   The industry's suggestion, however, clearly reinforces the industry's concerns about the effectiveness of current arrangements. Not only is it difficult to 'pin down' new, quickly developing industries, but most of the firms in the industries examined in this inquiry are SMEs. Therefore, they tend to have limited resources to devote to general matters such as training needs. The games industry, through its relatively new industry group the GDAA,[247] appears to have commenced this task but the process has been much slower than what an industry working in a high growth market might expect or need.

4.218   The Committee, therefore, would like to reiterate its earlier support for the recommendation of the Standing Committee on Education and Training. Cutting edge, rapidly growing industries such as those examined in this inquiry are entitled to extra support from bodies such as ANTA and the Committee supports further funding for ANTA for this purpose.

244   GDAA, submission no. 54, p. 19.

245   CIT & AIE, submission no. 19, p. 7.

246   Mr C. Dougall, IT Skills Hub, *Transcript of Evidence*, 28 August 2003, p. 59.

247   The GDAA was formed in December 1999. See http://www.gdaa.asn.au/about/index.html, viewed on 20 May 2004. The GDAA appointed its first dedicated staff member in late 2002; Ms E. Richardson, GDAA, *Transcript of Evidence*, 20 August 2003, p. 2.

A network of national institutions

4.219   At present, the only creative industries training organisation that receives direct federal support is the Australian Film Television and Radio School. The Committee inspected other educational and training institutions that fall under state government legislation: the Victorian College of the Arts, the Queensland College of Art, and the Canberra Institute of Technology. As well, there is the Film and Television Institute of Western Australia.

4.220   These institutions produce excellent creative results by any measure. The graduates from the Victorian College of the Arts, Queensland College of Art and the Australian Film Television and Radio School, in particular, have taken leading creative roles industries.

4.221   The institutions indicated there were issues of keeping abreast of current technology and being able to offer the best training and latest equipment. Moreover, Australians who do not live on the eastern seaboard may not enjoy the ready access to education and training institutions enjoyed by students living in Sydney, Melbourne and Brisbane.

4.222   There is a case to be made, the Committee believes, to reassess the Australian Government's relationship with these institutions. The role of the Australian Government may be to draw the institutions together into a national network, thereby providing for better co-ordination of courses and complementary training opportunities.

Recommendation 21

4.223   The Committee recommends that the Australian Government designate creative industry training establishments, public or private, as national key centres to foster greater cooperation between them.