



**SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING  
COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY  
AND THE ARTS**

**INQUIRY INTO THE FUTURE OPPORTUNITIES FOR AUSTRALIA'S  
FILM, ANIMATION, SPECIAL EFFECTS AND ELECTRONIC GAMES  
INDUSTRIES**

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## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	3
INTRODUCTION .....	5
PART 1 - THE TERMS OF REFERENCE.....	5
PART 2 - THE FUTURE .....	20
APPENDICES .....	28
Appendix 1.....	28
Appendix 2.....	29
Appendix 3.....	30

## EXECUTIVE SUMMARY

- The government ensures cultural outcomes through its regulation and subsidisation of the screen content industry: to ensure that Australian audiences have access to Australian stories and characters. Film and television have contributed to the creation of the imaginative, independent and diverse society that we project to ourselves and to the world.
- Over the last thirty years, government has ensured the delivery of minimum levels of Australian content to Australian audiences through a framework consisting of the twin interventions of regulation and subsidy.
- The success of the industry has been built upon the skills and the creativity of Australians and the successful application of funding and appropriate policies by successive governments. This positions Australia to benefit from the opportunities that will come from digital content creation in a converging media world. However, these benefits are not assured without further work by the industry and continued resourcing and policy development by government.
- Australian audiovisual sector revenue in 1999/2000 was \$7.247 billion. This figure includes television (including the public broadcasters), cinema (including associated revenue such as advertising and food sales), video sales and rentals, subscription television and electronic games.
- In June 2000 there were 52,792 people employed across film and television production, distribution, exhibition and television broadcasting.
- Film and television production activity in Australia was valued at \$1.791 billion in 1999/2000. This covered both production generated in Australia and foreign production in Australia.
- In 1999/2000 the value of the post-production sector (including special effects) was \$263 million, increasing from \$103 million in 1993/94.
- The value of Australian audiovisual exports rose from \$64 million in 1989/90 to \$175 million in 1999/2000. However, Australia has a large deficit in the audiovisual trade (\$508 million), as do most countries.
- Foreign investment in the audiovisual sector comes through such avenues as the investment in infrastructure projects like Warner Bros and Fox Studios and in production itself. In the four years to 2001/2002, foreign drama productions located in Australia spent \$1.3 billion dollars here.
- While the rate of increase in the value of foreign production has fluctuated, the long-term trend is one of increasing value, whereas the value of domestic production has remained static or has declined. The primary reason for this is the increasing difficulty of finding finance for domestic drama.
- Broadband and access to bandwidth is a fundamental element in any well-developed communications system. Without these, the ability of Australia to

engage effectively at the cultural, political and commercial level with the rest of the world will be limited. Broadband take-up and availability of compelling content are inextricably linked. This means that there is not only a need for investment in technology and infrastructure, but also in the creative producers of content. Success in the broadband environment will need further resourcing and the continuing partnership of industry and government.

- The government needs to maintain and strengthen those programs that support and develop creativity, through investment in the origination and production of screen content for traditional and new media, and the maintenance of a regulatory environment that encourages private investment. It is the domestic industry that takes risks, discovers and develops new talent, and provides the environment in which creativity is nurtured. Foreign production activity, together with strategic intervention by government can help the Australian industry to grow and innovate.
- With respect to the US-Australia Free Trade Agreement, the AFC believes that Australia should not accept a standstill agreement that maintains current measures without allowing for further support or assistance in the future. Australian content regulation should continue to be vigorously defended, along with direct production investment by government, as the cornerstones of cultural policy for the audiovisual industries.
- Solutions are urgently needed to the global dilemma of ensuring space for local cultural expression and cultural diversity in the face of convergence and US market power. The scenario has been anticipated by many developed countries but there are no straightforward solutions. The answer may be in the regulatory environment, or in the application of more financial resources from government, or in a mixture of both.
- To avoid Australia being marginalised in one of the fastest growing areas of the modern global economy, the government would need to give support of digital content creation a high priority so that Australia develops an integrated industry capacity. This may involve changes to current approaches to regulatory, trade and economic policy.

## INTRODUCTION

The AFC's submission builds upon and extends its presentation made to the Committee on 6 May 2003. A large number of AFC reports and submissions have been provided to inform the Committee. Our submission is in two parts. The first provides information and comment in response to the terms of reference, while the second proposes future ideas for the Committee to consider.

Australia has created a world-class industry based on the creation of screen content. It is an industry that is efficient and internationally oriented, it serves the needs of the Australian community well and projects images and ideas of Australia abroad.

The success of the industry has been built upon the skills and the creativity of Australians and the successful application of funding and appropriate policies by successive governments. This positions Australia to benefit from the opportunities that will come from digital content creation in a converging media world. However, these benefits are not assured without further work by the industry and continued resourcing and policy development by government.

Part Two of this submission outlines challenges for the future:

- Maintaining a balance between domestic and foreign production;
- Continuity of relevant regulatory measures in the context of free trade negotiations;
- Ensuring space is provided for quality Australian content in the multi-channel environment; and
- Policy development that engages with an integrated digital content creation industry in Australia.

## PART 1 - THE TERMS OF REFERENCE

### **a) The current size and scale of Australia's film, animation, special effects and electronic games industries.**

Film, animation, special effects and electronic games are parts of the audiovisual sector in Australia, which includes theatrical feature film and video production, distribution and exhibition; television broadcasting; interactive digital multimedia and electronic games. In turn audiovisual is a subset of the broader creative economy that includes computer and software services, the visual and performing arts, book and magazine publishing, newspapers, architecture, industrial and fashion design and musical composition and recording.

A distinctive feature of the creative economy is that it is based on the creation and exploitation of intellectual property. 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<sup>1</sup>. In the USA, the copyright-based industries are now the single largest sector of the economy responsible for an estimated \$89 billion dollars of exports in 2001.<sup>2</sup>

#### REVENUE

**Table 1: Australian Audiovisual Sector Revenues 1999/2000<sup>3</sup>**

	<b>\$million</b>
Broadcast Television (including ABC/SBS)	3,865
Cinema Exhibition (includes other revenue including advertising and food sales)	1,046
Video: Wholesale	403
Video: Retail (Total Income)	595
Subscription Television	911
Electronic games: Wholesale	367
Electronic games: Retail	427
<b>Total</b>	<b>7,247</b>

In Australia, one measure of the size and scale of the audiovisual sector is the level of revenue generated across the sector, which is illustrated in Table 1. The computer games industry has expanded rapidly and in 2002 earned revenue of \$820 million from retail sales (\$427 million in 1999/2000). While most of the firms in the sector are Australian owned, a large proportion of the revenue is generated by imported film and television. In particular, the US has a significant presence, with US films taking 70 per cent of cinema box office and approximately the same in home video. Its presence is less than this in television where there are Australian content rules to ensure the broadcast of minimum levels of Australian programming, however the US captures the majority of the rest.

In computer games both the UK and Japan are significant producers, competing with the US and this is reflected in titles released in Australia. In the six years to 30 June 2001, on average 4 per cent of games titles released were of Australian origin.<sup>4</sup> (4 per cent of 2002 revenue would be \$4.38 million)

The Australian screen production sector is a success story in cultural and commercial terms. It produces film and television programs that are valued by local audiences and which have found export markets in a competitive international environment. This industry has produced world-class talent, which contributes to an international profile that is larger than the size and scope of the industry. This profile and level of success help to attract a growing foreign production sector to Australia.

<sup>1</sup> Howkins, J. (2001), *The Creative Economy: How people make money from ideas*. Penguin, London, p.86.

<sup>2</sup> Siwerk, S.E. (2002), *Copyright Industries in the US Economy: The 2002 Report*, International Intellectual Property Alliance, Washington.

<sup>3</sup> Australian Film Commission, (2002) *Get the Picture (GTP)*, 6<sup>th</sup> Edition, Available from <http://www.afc.gov.au/gtp/>

<sup>4</sup> Ibid.

## **Employment**

In June 2000 there were 52,792 people employed across film and television production, distribution, exhibition and television broadcasting. See Appendix 1 for more detail.

## **Production Activity**

According to the Australian Bureau of Statistics (ABS), film and television production activity in Australia was valued at \$1.791 billion in 1999/2000. This covered both production generated in Australia and production that used Australia as a location.

Production for television, including television commercials, accounted for over 80 per cent of the value of production in 1999/2000. News, current affairs and sport account for over half of the value of production for television. Feature film production represented about 8 per cent of the value of production; television drama production represented 19 per cent of the value of TV or overall production.

Production for television includes both production done in-house by broadcasters and that undertaken by independent producers or the suppliers of channels to subscription broadcasters. In-house production accounted for 48 per cent of the total TV production activity.

## **Animation**

Animation production covers feature films, television series, short films, television commercials and electronic games. A range of techniques is used from traditional cell type animation, through pixillation to computer-assisted animation. Animation production can be highly labour intensive on larger productions, so that routine aspects of the production process, such as colouring and 'in-betweening' are sub-contracted to specialist production houses in Asia where labour costs are cheaper. However, technological change is reducing the need for this to occur.

Animation production houses are characterised by the need for a highly skilled and more permanent work force than is usually the case in other forms of production. Like post-production, animation requires continuous capital investment in technology.

Three Australian animated features have been produced since 1990/91, worth a total of \$19 million.

In television, animation production activity increased significantly during the 1990s. In the first half of the decade, an average of two Australian mini-series or series titles were produced each year worth \$57 million. In the second half, this rose to an average of five annually worth \$157 million. The two years since (2000/01 and 2001/02) have seen an average of six titles made annually worth \$68 million. See Appendix 2 for details.

Foreign originated animation also occurs in Australia, the largest entity being Walt Disney Animation Australia, which employs over 200 people and works on projects that originate from its headquarters in the USA.

### **Special Effects**

Australia has developed a highly sophisticated post-production industry with state of the art facilities and services for visual effects and post-production for feature films, television and commercials. An essential part of this is a pool of creative award winning operators of international reputation, which is reflected in nominations and awards received, such as an Oscar for best visual effects for *The Matrix* in 2000 and a 2002 Oscar nomination for Best Achievement in Visual Effects for *Star Wars: Episode II – Attack of the Clones*.

Australian operators are able to provide world-class special effects, as evidenced in such films as *The Matrix*, *The Matrix Reloaded*, *Mission Impossible 2* and *Babe*. Other services include digital animation, model makers and set designers and builders.

Special Effects are part of the post-production process in film and television activity. Post-production refers to the processes involved in taking the production from photography to a finished product, whether a feature film or a television program. It includes picture and sound editing, recording of the musical soundtrack, special visual effects through to grading and printing of the finished film or creation of a broadcast master-tape.

In 1999/2000 the value of the post-production sector was \$263 million, having increased from \$103 million in 1993/94.

Post-production companies are also characterised by the need for a permanent skilled work force and a continuous investment in new technology. For example, the conversion to digital television has required investment in new technology to service the demands of broadcasters.

### **b) The economic, social and cultural benefits of these industries.**

#### **Economic**

The economic benefits of these industries come from the employment, exports and foreign investment they directly generate and the indirect investment as a result of Australia's image and branding etc.

At the core is the creation of intellectual property, primarily through copyright. To the extent that this intellectual property remains under the control of Australians, it has the potential to create future wealth from its exploitation. Australia has a large deficit in the audiovisual trade, as do most countries. Nevertheless, the value of Australian audiovisual exports rose from \$64 million in 1989/90 to \$175 million in 1999/2000.

Apart from the trade in royalties, the sector has also stimulated foreign investment. This has come through the investment in infrastructure projects like the Warner Roadshow Studio Complex on the Gold Coast and Fox Studios Australia in Sydney and in production itself. In the four years to 2001/2002, foreign drama productions located in Australia spent \$1.3 billion dollars. This is the direct economic contribution before accounting for the multiplier effects into the wider economy.

These industries also require and develop a highly skilled, highly mobile and well-educated work force.

### **Social and cultural**

The industries covered by the current inquiry deal in the circulation of information and stories about what it means to be Australian and to be living in the world of the new millennium. The consumption of film and television is a significant part of the lives of Australians. The average time spent viewing television is over three hours a day. These industries affect how people see themselves, how they relate to each other, what they feel and how they act as part of their community.

The screen entertainment industries have a cultural and social importance that is harder to quantify than their economic importance, but the value of which is greater. Film and television are important cultural institutions that have contributed to the creation of the imaginative, independent and diverse society that we project to ourselves and to the world. In 1997 David Gonski described the cultural and social role in the following terms:

*A vibrant Australian film and television industry can play a key role in:*

- *defining and exploring what it is to be Australian;*
- *encouraging national maturity and independence through a developed awareness of self and the capacity to honestly appraise that self image;*
- *recognising and exploring our own diversity;*
- *promoting a more inquisitive, imaginative and thoughtful society;*
- *projecting diverse images of Australia both nationally and internationally; and*
- *providing for current and future generations an historical record of contemporary issues and events that illustrate life in Australia.*<sup>5</sup>

### **c) Future opportunities for growth of these industries, including through the application of advanced digital technologies, online interactivity and broadband.**

The opportunities for growth are linked to the growth in the amount and value of audiovisual production occurring in Australia across traditional and developing platforms.

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<sup>5</sup> Gonski, D. (1997). *Review of Commonwealth Assistance to the Film Industry.*

## **Growth in production activity**

The total value of production activity as measured by the ABS increased by 35 per cent from \$1.325 billion in 1993/94, when the ABS first started collecting statistical information about the value of production, to \$1.791 billion in 1999/00. This figure covers production occurring in cinema, video and television.

The increase in the value of this production from 1993/94 to 1999/2000 has been largely attributed to the introduction of subscription broadcasting into Australia in the mid nineties and to increases in the cost of production of news, current affairs and sport across all broadcasters. The expansion of broadcasting services and the increasing technological sophistication of non-drama production have been the main drivers of increases in overall production value.

Foreign drama production in Australia has been increasing, although current reports suggest that this is no longer the case. Foreign production is that which is not under the creative control of Australians, but which occurs in Australia, such as *The Matrix*, *Star Wars*, *Scooby-Doo* and *Peter Pan*.

The AFC conducts an annual survey of the value of drama production in Australia. In 1999/2000 the value of foreign productions was \$311 million, of which \$104 million was spent in Australia. In 2001/2002 the value of foreign productions had increased to \$413 million, with \$216 million spent in Australia.

Over the same time, the value of wholly domestic drama production *declined* from \$363 million to \$343 million. Co-production activity, where creative control is shared between Australian and foreign partners increased marginally from \$109 million spent in Australia in 1999/2000 to \$111 million in 2001/2002.

In 2001/2002 the value of foreign production grew at a faster rate (13 per cent) than domestic production (7 per cent). Foreign drama production represented 33 per cent of total production value, co-productions 17 per cent and domestic production 51 per cent. While the rate of increase in the value of foreign production has fluctuated<sup>6</sup> the long-term trend is one of increase, whereas the value of domestic production has remained static or declined. The primary reason for this is the increasing difficulty of finding finance for domestic television drama.

The inhibitors to growth have been the performance of Australian broadcasters in providing finance through licence fees and equity investment, and the competitiveness of the international market place for finance.

The demand for domestic television drama is driven by local broadcasters, local and international distributors' interest in the productions, and by the availability of finance from Australian and foreign sources.

The government is an essential and significant financing partner for feature films, mini-series, telemovies and children's television drama through the Film Finance

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<sup>6</sup> The presence or absence of one large US feature can affect annual growth rates.

Corporation or through the provision of tax concessions for investment. The contribution of local broadcasters to the financing of television drama is also essential, but is variable, as Appendix 3 indicates.

In 2001 the Government announced increased funding for film agencies of \$93 million over five years. This increased funding partly addresses the decline in production and development investment by Commonwealth government agencies in the nineties. During that decade funding for production declined by 13 per cent and funding for development by 48 per cent.

A slight increase in interest in and use of co-production, particularly official co-production<sup>7</sup>, provides the opportunity for improving access to financing and opportunities for distribution. The average annual increase in spending in Australia on co-productions is 2.6 per cent from 1998/99 to 2001/02. The AFC expects that this will continue to grow as Australian producers find new partners, mainly in Europe and Canada, who face similar challenges and can benefit from such co-operative arrangements.

Foreign drama production is primarily financed offshore, although in the past use has been made of Australian tax concessions. In 2001, the Government introduced the Tax-offset Scheme<sup>8</sup> to assist mainly foreign production, which tends to be primarily from the USA. The Directors Guild of America has estimated that the US 'runaway' production is worth \$US3 billion annually, of which 80 per cent goes to Canada.

US production goes offshore to achieve cost savings or because of creative reasons such as the location of the story. The factors that affect US productions coming to Australia are primarily economic and include the cost and skill of Australian crews, cost and availability of production infrastructure (such as studios), communications infrastructure, the exchange rate, and government incentives. To a lesser extent factors such as location and intangibles such as security and lifestyle issues have also driven productions to come to Australia<sup>9</sup>.

The main competition for Australia in attracting this production comes from Canada, the UK, Eastern Europe, NZ and South Africa.

Australia remains reasonably competitive with these destinations in attracting US production, although there is presently concern in the industry about the effect of a strengthening Australian dollar and competing nations offering more attractive incentives. For example, in February this year the Canadian government increased its production tax credits offered to offshore production from 11 per cent to 16 per cent.

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<sup>7</sup> These are productions made under a treaty between Australia and another country to take advantage of pooled creative and financial resources. Australia has treaties or Memoranda of Understanding with France, Canada, the UK, Ireland, NZ, Italy and Germany.

<sup>8</sup> Productions that spend more than 70 per cent of their production budget above a threshold of \$15 million are eligible for rebates of 12 per cent on their total spend in Australia. It is not limited to foreign production.

<sup>9</sup> In 2002 the Australian Film Commission published *Foreign Film and Television Drama Production in Australia: A Research Report* which examines Australia as a production destination. A copy of this report has been provided to the Committee. This can be found on the new AFC website <http://www.afc.gov.au/> under Industry Policy and Research, AFC Viewpoint.

The competition between nations is driving the argument from some sectors to extend the tax offset to long form and high budget television drama production.

New Zealand has recently introduced tax incentives for foreign production similar to Australia's scheme. Producers shooting in New Zealand will receive a grant of 12.5 per cent of their production expenditure. Those spending \$50 million locally will automatically qualify for the grant, but if the local expenditure is \$15-50 million it must represent at least 70 per cent of the total production budget. Unlike Australia's tax offset scheme, the NZ grant extends to direct to video, telemovies, television drama series and mini-series.

## **Broadband Internet**

The development of broadband internet remains in its infancy in Australia and has been slower to excite consumer demand than other new technologies. Recent statistics show that Australia is in the middle of the pack of OECD countries as far as broadband penetration is concerned. At 30 September 2002 there were 71,500 business customers and 204,900 residential customers.<sup>10</sup> The latest Australian Competition and Consumer Commission figures show a total of 423,600 customers at March 2003.<sup>11</sup>

A study of broadband media in Australia published by the AFC in 2001<sup>12</sup> examined the factors affecting the opportunities for broadband internet among which were:

- the pace of the rollout of ADSL services;
- the cost to the consumer of broadband connection;
- access to broadband networks for potential content providers; and
- the scarce financial resources available for content development

The pace of ADSL rollout has increased so that by the end of 2002, Telstra estimated 75 per cent of households could access ADSL and the cost of consumer access was falling.<sup>13</sup>

Broadband and access to bandwidth is a fundamental element in any sophisticated and well-developed communications system. Without such a system the ability of Australia to engage effectively at the cultural, political and commercial level with the rest of the world will be limited. Our ability to exchange ideas, goods, people and services will be greatly enhanced by our full engagement with the electronic highway of the future.

The recent report to the government of the Broadband Advisory Group (BAG) identified that "broadband take-up and availability of compelling content are

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<sup>10</sup> National Office of the Information Economy (NOIE) (2003). *Australia's Broadband Connectivity: The Broadband Advisory Group's Report to the Government*, Chapter 2. Available from <http://www.noie.gov.au/publications/NOIE/BAG/report/index.htm>

<sup>11</sup> [www.accc.gov.au/telco/fs-telecom.htm](http://www.accc.gov.au/telco/fs-telecom.htm)

<sup>12</sup> Jacka, M. (2001). *Broadband Media: Tales from the Frontier*. Australian Film Commission, Sydney.

<sup>13</sup> McKenzie, K. "Australia's broadband lags", *The Australian*, 15 January 2003.

inextricably linked”<sup>14</sup>. This means that there is not only a need for investment in technology and infrastructure, but also in the creative producers who will drive content creation.

The success that Australia has achieved in the production of film and television content can and should be repeated in the broadband environment, but it will need the continuing partnership of industry and government plus further resourcing, to see it flourish. It is important to understand that the success of the production industry has been built on nearly forty years of Commonwealth government policy development and intervention by way of direct and indirect funding alongside the regulation for Australian content.

The history of the production industry to date is a mix of public sector funding institutions and private sector production and distribution entities. Its creative development, project management, financing, marketing and distribution methodologies all provide a framework for the construction of an Australian digital content and interactive media sector.

To stimulate broadband content production, the Government in August 2001 provided the AFC with \$2.1m over three years to establish the Broadband Production Initiative. The fund finances the production of innovative broadband projects which will be accessible to Australian and international audiences via ABC Online. In addition to this the AFC also provides other funding to the development of digital interactive media.

In establishing the Broadband Production Initiative, the AFC has followed its general principles of development funding, which include the bringing together of traditional screen content practitioners and interactive media practitioners, the formation of teams with complementary skills, the leveraging of funds through matching arrangements with other entities, and the encouragement of structural change in the industry. The specific goals of the program are to:

- Alert practitioners at all levels to the changing global environment in which they are working;
- Encourage grouping and clustering, both at a practitioner and at a business to business level;
- Encourage business plans and models, including entry-level and consolidating practitioners forming strategic working relationships;
- Lever up third party finance, including with telcos, IT and software companies, the educational sector, broadcasters etc;
- Encourage cross-platform content development; and
- Ensure completed projects reach appropriate user groups and audiences.

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<sup>14</sup> NOIE, op.cit., Chapter 6.

The AFC's Broadband initiative is a small and necessary step but there is much left to do if Australia is to keep pace with other nations such as the UK and Canada, where developments in the production of interactive content are more advanced and where the marriage of traditional and new media has achieved more focus. The ABC has done important work in the encouragement of multi-platform and broadband content, but its budget is limited and is not matched by similar commitments from commercial broadcasters. There currently is no coherent policy focus in Australia that would encourage commitment from commercial broadcasters. In the UK, the BBC has moved to a position where broadband and multi-platform content creation is an essential element of all new program commissions. Without such encouragement, Australian screen content producers risk becoming uncompetitive.

### **Post-production**

It is in post-production that digital technology has had the most impact on the production process in the last decade. It has become digital, non-linear and computer based, which has brought significant gains in efficiency and productivity and produced new levels of innovation and creativity. It has also required new investment in capital equipment and skills development.

Although photography or image acquisition for feature films and the public exhibition of features remains based on analogue celluloid technology, this will change very soon. It is now becoming the norm that the whole stage of production from the completion of image acquisition at principal photography to the striking of a release print is carried out in the digital environment.

The extent of image manipulation in the digital environment also means that a whole range of 'special effects' can now be created from those used in large budget features like *The Matrix*, through to the visual enhancement of the apparently 'natural' world in a film like *Rabbit-Proof Fence*. The increasing ease of such manipulation has raised the technical standard of production and also introduced new levels of creativity.

The same technology is also applied to the creation of television programs and commercials. This will become increasingly important as society moves toward the widespread acceptance of digital television.

Australia stands at the forefront of technological innovation in post-production and is capitalising on that internationally through the development of export markets. For example, part of the digital effects market leader Animal Logic's business is servicing the needs of clients in Japan and North America undertaking television commercial production in and for those markets. Asian feature filmmakers have also been attracted to Australia by the quality of the work that Australian firms undertake.

**d) The current and likely future infrastructure needs of these industries, including access to bandwidth.**

### **Studio facilities**

Government programs and private investment have built a significant creative infrastructure for production in Australia. The focus of current expansion is to meet the anticipated needs of foreign production in Australia. Studio facilities to meet these needs already exist at the Warner Roadshow Studios on the Gold Coast and Fox Studios Australia in Sydney. The Gold Coast studio added two new sound stages in 2002 and plans are underway for expansion at Fox. In addition to this, Central City Studios, assisted by the Victorian government, is under construction at the Docklands site in Melbourne and a private initiative, Serenity Cove is taking shape in Sydney.

All this studio development will mean that by mid 2004, Australia will have doubled the amount of sound stage space available at present. However, the Australian domestic production industry is not predominantly focussed on studio production and often lacks the budget for high-end studio facilities.

In August 2003, the AFC will publish a research report titled *Cinema Cities, Media Cities: The Contemporary International Studio Complex* by Ben Goldsmith and Tom O'Regan. Using case studies, the report examines the development of Australian and overseas studios. It demonstrates the continuity between contemporary Australian policies for studio complex development and previous governmental attentions to film and television, including support for the development of studios, concern for infrastructure provision, models of public and private partnerships and the development of value-adding clusters and precincts.

### **Bandwidth**

Digitisation of the post-production process introduces the ability to use the telecommunications system to transfer data electronically. The ability of Australian companies to service the international market for production services through digital transfer of data depends upon the levels of connectivity that can be achieved and the cost of access to bandwidth.

A recurring problem for the industry is the discrepancy between the demand characteristics for bandwidth of the post-production sector and the ability of the telecommunications sector to supply this at an affordable price. Characteristically the industry needs access to reasonably high levels of bandwidth for short periods of time, but the telecommunications providers base their pricing structures on continuous usage.

This problem may be solved as technological advances exponentially increase the capacity of the public internet, and broadband connectivity delivers the speed and capacity of data transfer needed. In the meantime, the Government has funded an industry initiative, the Film Industry Broadband Resource Enterprise (FIBRE), which is working on strategies for demand aggregation and negotiating with telecommunications providers with a view to solving these issues. The AFC endorses FIBRE's submission to the Committee's Inquiry.

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

and

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

The skills required to undertake production of screen content are gained both from formal training and from hands-on experience. The Australian Film, Television & Radio School (AFTRS) provides elite training for film, radio and television production and tertiary institutions such as the University of Technology in Sydney and the Victorian College of the Arts in Melbourne also provide training opportunities. But just as significant is on the job training or the capture of skills developed in other sectors. For example, graphic artists often work in production design, animation, electronic games and in the creation of special digital effects.

While the capacity of the education and training system is important, the AFC submits that the capacity of the industry to provide opportunities for the application and constant development of skills is equally important. There is no shortage of people with potential to perform in highly skilled areas of digital production, but without the constant throughput of work, this potential cannot be realised.

It is essential that both government funded film agencies and the industry itself are able and willing to facilitate appropriate levels of professional development. The AFC provides specific and targeted programs for professional development, but at another level mainstream production is also an important contributor. Whilst it does not provide entry-level skills development, it provides the vital opportunities to work on a variety of productions at different levels of magnitude, from domestic television to big budget international features, and thereby expands the ability of the industry to undertake any form of content creation.

**f) The effectiveness of the existing linkages between these industries and the wider cultural and information technology sectors.**

There are a number of ways in which industry linkages or potential linkages can be traced. Apparent at the international level is the increasing trend towards consolidation and vertical integration, where production, distribution and exhibition/broadcast of content occurs within the one large enterprise. The merger of Time Warner and AOL is the most prominent example of this trend.

Yet a large part of the screen content industry in Australia remains outside these vertically integrated structures and is characterised by small businesses with a fragmented relationship to each other and differential linkages to other sectors.

The linkage between the advertising industry and the film production sector is worth noting as an example of this character. The advertising sector is not only important for the support of generally small production companies that specialise in commercials production, but also for the production services sector – editing, special visual effects, laboratories. Many of the companies which are producing technologically innovative work for Australian and international drama production depend upon commercials production to maintain their continuity of work. There is also a high degree of mobility of technical crew between commercial and drama production. TV commercials play an important role in film development as some of Australia's most prominent filmmakers depend on income from commercials while developing major

feature films. Ray Lawrence survived in this way for 20 years in between directing *Bliss* and the highly successful *Lantana*. Chris Noonan has chosen to work almost exclusively on advertisements since the worldwide hit of *Babe*, while he develops two feature films.

In a yet to be released survey on the development pathways to feature film production, the AFC found that 44 per cent of those surveyed had worked on television commercials during the development phase of the feature film they worked on.

It has also been apparent that, from the mid nineties, governments have recognised the policy linkages between culture, information and telecommunications, such as through the formation of the Department of Communications, Information Technology and the Arts (DCITA). In a converging environment these linkages are likely to grow even closer and policy development needs to reflect this.

A number of major research projects have been undertaken and/or are forthcoming, which study industry linkages. DCITA and the National Office of the Information Economy (NOIE) have completed two stages of their *Creative Industries Cluster Study* and are currently working on a third. The AFC, in collaboration with the Creative Industries Research and Applications Centre (CIRAC) at the Queensland University of Technology (QUT), NOIE, and the Communications Research Unit (CRU) of DCITA, has applied for an Australian Research Council Linkage Project to further explore the creative digital industries. The proposed project's working title is *Creative digital industries in Australia: innovation in quantitative and qualitative mapping*. The project will innovate in both quantitative and qualitative analysis of the creative digital industries. It will enhance the statistical base for this emerging part of the new economy, and examine creative enterprise dynamics as well as digital outputs within the creative industries and wider service industry sectors including education, health and government.

**h) Whether any changes should be made to existing government support programs to ensure that they are aligned with the future opportunities and trends in these industries.**

The highest priority is for a coherent and coordinated focus on the development of a successful screen content industry for the digital age. Existing programs focussed on the creation of screen content need to continue but they need to be aligned to the reality of convergent multi-platform usage and be resourced properly.

The government needs a coherent and workable policy on how it can act across the whole of government as a catalyst for digital content production both by its own usage and through the programs it supports.

The government needs to ensure:

- stability and certainty in funding and policy settings;
- continuity into the future; and

- alignment of programs with the convergent media world.

These concepts are elaborated in Section Two.

### ***Australian Broadcasting Authority***

In its submission to DCITA's Review of the Roles of the Australian Broadcasting Authority (ABA) and the Australian Communications Authority (ACA)<sup>15</sup>, the AFC argued for the merger of the ABA and the ACA, as long as the social and cultural objectives of broadcasting regulation are maintained.

In the AFC's view there are compelling arguments in support of a converged regulator in the current and future communications environment. A converged regulator would be in a better position to have an overarching view of the economic, social, cultural and technical policy issues confronting government and the industries it regulates. However, in contemplating a change to the structure of regulation the AFC would be concerned if economic and technical regulation were assumed to have a priority over social and cultural. The AFC argues that competitive market-based solutions do not necessarily deal effectively with the cultural and social objectives of broadcasting. The AFC believes that it is necessary to have a regulator with the role and responsibility to deal adequately with the social and cultural issues relating to communications. Currently that regulator is the ABA.

The option of merging the two regulators is not simply an administrative change, rather one that could lead to functional change, particularly in considering the future development of communications. The prospect of a merger provides the opportunity to conduct an audit of the existing regulatory framework for communications and broadcasting. If done, this would require a longer public process, a deeper analysis of the policy options and consideration of the economic implications for the industries being regulated. The AFC does not believe that the state of regulation in Australia is such that there is a lack of time for this work to be undertaken. The process of regulatory reform in the UK, where a Green Paper and a White Paper were produced, is an indicator of the amount of preparatory work and debate that is needed. For further elaboration on regulatory reform in the UK see Appendix One of the AFC's submission to the ABA/ACA Review.

### ***Subscription Television***

The regulation of Australian content on subscription television is an important element of the government's cultural policy, to ensure that Australians have access to a diverse range of Australian programming. As more Australians pay for and watch subscription television it is increasingly important for pay television operators to join with other broadcasters and operators in the broadcasting sector to play a role in promoting Australian identity, character and cultural diversity.

The current drama expenditure requirement for subscription television is for

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<sup>15</sup> AFC, (September 2002). Submission to the Department of Communications, Information Technology and the Arts' *Review of the Roles of the Australian Broadcasting Authority and the Australian Communications Authority*, available on the new AFC website <http://www.afc.gov.au/> under Industry Policy and Research, AFC Viewpoint.

subscription television licensees and channel providers offering a predominantly drama service to spend a minimum of ten per cent of their program expenditure on new Australian drama. No other Australian content requirements apply.

The AFC recommended to the 2002/2003 ABA Review of Australian Content on Subscription Television that:

- The minimum expenditure requirement on predominantly drama channels should be increased to 20 per cent, phased in over two years, in recognition of the capacity of the subscription broadcasters to fund this and of the production industry to meet any increase in demand.
- A 20 per cent expenditure requirement for subscription television documentary channels should be introduced, yielding a minimum of ten hours of new eligible programming per channel, rising to 20 hours in the following two years.

## PART 2 - THE FUTURE

The production of audiovisual content is part of a new creative economy involving the development and exploitation of intellectual property. The creative economy is post-industrial in the sense that it is based on human capital and the application of knowledge. The market place it inhabits is characterised by the proliferation of networks and the provision of access to services, rather than the circulation of goods.

The screen content industry in Australia has grown enormously over the last thirty years. It has the potential to grow as much again. The raw materials for growth are present in a talented and highly educated population of content creators and an established infrastructure and regulatory framework for the realisation of that potential.

The screen production industry reached this stage of development initially through the establishment of an infrastructure to support creativity. Later, it developed through partnerships with government and the private sector investing in content creation and development.

Crucial aspects of this have been:

- Direct investment and indirect investment by the Government in production through the FFC and tax measures to stimulate Australian and international private sector investment;
- The role of regulation for Australian content on television in not only encouraging the investment of broadcasters in content creation, but also in creating a strong domestic and international market for Australian screen content;
- The regulation of television commercials production in Australia which has provided not only a consistent level of production but has been a fertile ground for creative and technical innovation; and
- The support provided for training and professional development through the AFTRS and the AFC.

The government has justified this level of support primarily as part of its cultural policy objectives for the nation. It is recognised as important that Australia has a strong and diverse screen content sector. Therefore, the focus of the intervention has been to address, as Senator Alston has stated,

*...those parts of the value chain for film and television, which without government support, would not occur or would fall to levels likely to threaten industry stability.<sup>16</sup>*

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<sup>16</sup> Address to the Screen Producers' Association of Australia Conference, November 1997.

To be able to maintain cultural objectives as the basis for government intervention, the AFC identifies the following challenges facing the government:

### **1. Maintaining a balance between domestic and foreign production**

Fundamentally, the government is seeking cultural outcomes through its regulation and subsidisation of the screen content industry: to ensure that Australian audiences have access to Australian stories and characters. Since these cultural objectives exist in a global context, it is acknowledged that market forces will not deliver against these cultural objectives. Over the last thirty years, government has ensured the delivery of minimum levels of Australian content to Australian audiences through a framework consisting of the two key interventions of regulation and subsidy.

The result is an audience-driven, highly efficient and competitive, economically and culturally very successful screen industry, which is evident in the high ratings of Australian dramas, the consistent performance of relatively low-budget Australian features at the local box office, and Australia's performance 'above its weight' internationally both commercially and critically. Another outcome for the industry has been its recognition as an attractive destination for foreign productions.

The presence of foreign production (also referred to as 'off-shore' or 'runaway' production) in Australia is dependent on this country being able to maintain its position against competition from other countries. The ability to compete is based on having a highly skilled and internationally regarded workforce, a lower cost base for production, the use of English as the main language, good infrastructure, a wide range of locations and a favourable exchange rate against the US dollar. In addition, the 12.5 per cent refundable tax offset for eligible film and television productions represents a further incentive to attract runaway productions. However, the financial advantage, while important, is not sufficient on its own to attract foreign projects.

The fundamental requirement for having the capacity to produce Australian film and television, as well as having the potential to grow the level of foreign production, is a sophisticated domestic industry. It is the local production sector that creates and develops the technical, creative and infrastructure base valued by the foreign production sector.

As the value of foreign production in Australia continues to rise compared to that of Australian productions, it becomes imperative to examine the role of foreign production in Australia. The AFC's research<sup>17</sup> into foreign film and television drama production in Australia provides a base for discussion and policy formulation.

With the growth rate of foreign production spend in Australia far outstripping that of local production<sup>18</sup>, the local industry is in danger of losing the competitive advantages that attracted and held foreign productions in the first place. Careful management is

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<sup>17</sup> AFC, (2002). *Foreign Film and Television Drama Production in Australia: A Research Report* available on the new AFC website <http://www.afc.gov.au/> under Industry Policy and Research, AFC Viewpoint.

<sup>18</sup> An average annual increase of 20 per cent from in 1998/99 to 2001/02 compared to 5 per cent for local production spend over the same period.

needed to reap the economic benefits of foreign productions without jeopardising the cultural and professional benefits that arise from a strong Australian industry.

Foreign production is an important contributor to the economics of the Australian production industry as a whole. However, it is not a substitute, economically or culturally, for a healthy domestic production industry making feature films and television programs for Australian audiences. These two facets of the Australian industry are complementary; foreign production in Australia has grown on the solid foundation of skills and infrastructure of the primarily domestic industry. Foreign production brings investment, employment and further skills enhancement, but it requires above all the presence of a sophisticated domestic industry. Ongoing levels of foreign production can only be sustained where indigenous film industries continue to maintain a high level of sophistication and capability.

Governments need to maintain and strengthen those programs that support and develop creativity, through investment in the origination and production of screen content for traditional and new media and the maintenance of a regulatory environment that encourages private investment. It is the domestic industry that takes risks, discovers and develops new talent, and provides the environment in which creativity is nurtured. Foreign production activity, together with strategic intervention by government can help provide Australia with the continuing capacity to grow and innovate.

## **2. Continuity of relevant regulatory measures in the context of free trade negotiations**

Negotiations over bilateral and multilateral trade agreements have the potential to affect how Australia develops and implements its cultural policies. An unconditional commitment to free trade could restrict the ability of countries like Australia to retain, adapt or introduce new measures designed to support and foster its cultural industries.

Australia is currently a participant in World Trade Organisation (WTO) negotiations on trade in services, and is in discussion with the United States and Thailand about Free Trade Agreements (FTAs).

The publicly stated objective of the government is to preserve Australia's freedom to act in regard to cultural policy. In the WTO negotiations, Australia has so far refrained from making any offers of market access on audiovisual or cultural services and has excluded measures related to content from its offers on computer and related services.

The government's intention for the US-Australia FTA involves ensuring that Australia's cultural and social policies are taken into account, along with the need for appropriate regulation and support measures to achieve these objectives. The Minister for Trade, the Hon Mark Vaile MP, has reiterated the government's commitment to preserving its ability to regulate in relation to social and cultural objectives, while negotiating the FTA.

However, US focus in the WTO and in the US-Australia FTA negotiations has recently shifted to seeking what are known as ‘standstill commitments’ in audiovisual services, namely, an agreement to maintain existing regulatory measures but preventing any modifications in the future.

A standstill agreement would restrict Australia’s right to enact cultural policy into a future in which emerging broadband and digital networks are predicted to become the primary medium for the distribution of audiovisual services. For a viable audiovisual industry that is able to be maintained into the future, Australia needs to retain the right in the future to determine its own cultural support, by whatever means the government see fit to use.

This right necessarily includes Australia’s ability to regulate advertising services, currently in the form of the Australian Content Standard for Advertising (the Standard), which requires that 80 per cent of the transmission time of commercials between 6.00am and midnight, be Australian-produced. In the context of the General Agreement on Trade in Services (GATS), the US is seeking “increased access for advertising services, such as planning, *creating*, and placement services of advertising in various media” (emphasis added). The AFC expects Australia’s regulation of the content of advertisements to be a contentious issue in US-Australia free trade negotiations.

Through its commitments in the GATS, Australia has already substantially liberalised its market in relation to advertising services. However, Australia has reserved its right to retain measures relating to the production of advertisements for television, radio and cinema.

The value of the commercials production sector in 1999/2000 was \$A243 million, which made it about 70 per cent larger in value than Australian feature production. The production sector for commercials substantially overlaps, and is interdependent with, the production sector for film and television. Total deregulation of the commercials sector would have a significant impact on the capacity of the production industry to produce Australian films and television programs.

Television commercials are also significant cultural products that contribute to the overall ‘Australianness’ and character of the television viewing experience. The Standard is an important and transparent measure that helps underpin the creative infrastructure of the audiovisual sector, and Australia needs to retain its ability to regulate in this area.

The US also argues against cultural measures designed to ensure minimum levels of Australian content for Australians in the on-line delivery of digitised entertainment, news and information, or broadband services. The US maintains that a digital product should be treated differently from an analogue version of the same product, whereas the Australian position holds that digitisation is simply a means of delivery, and not a new product or service.

The AFC is concerned that the definition of e-commerce in the proposed FTAs should not encompass digitised audio-visual and other culture products. If this were the case,

it would serve to undermine the exemptions negotiated in the cultural services chapter.

To ensure the continuity of relevant regulatory measures, Australia needs to refrain from making trade-liberalising commitments on culture in the context of the WTO negotiations and, with the US and other bi-lateral negotiations, ensure that there is an exemption that covers cultural industries as it has done in its recently concluded FTA with Singapore.

The AFC believes that Australia should not accept a standstill agreement which maintains current measures but does not allow for further support or assistance in the future to respond to technological change. Australian content regulation should continue to be vigorously defended, along with direct production investment by government, as the cornerstones of cultural policy for the audiovisual industries.

### **3. Providing for Australian content in the multi-channel environment**

A fundamental issue confronting Australia is to ensure that Australian audiences continue to have access to minimum levels of Australian content. To date that has been achieved in television by the funding of the national broadcasters and the regulation of privately owned broadcasters which compels the showing of minimum levels of Australian content. Increasing digitisation, may necessitate change to the current mechanisms by which minimum levels of Australian content are delivered.

The multi-channel and multi-platform world offers increasing ways of communicating from television to SMS, which compete for the attention of the media consumer, particularly youth. Ensuring that there are adequate levels of Australian content crossing these platforms is important, not only from a cultural perspective, to ensure that an Australian identity continues to flourish, but because it has implications for the ability of an informed citizenry to participate in the national democratic process. It also affects the future growth of the creative industries in this country and the economic and social well-being of the nation.

The answer to this challenge may be in the regulatory environment or in the application of more financial resources from government, or most probably in a mixture of both. In any case, it is now a global dilemma to ensure space for local cultural expression and cultural diversity in the face of convergence and US market power. The scenario has been anticipated by many developed countries, and there are no straightforward solutions. Australia has conducted few studies on the topic in comparison with Canada and the United Kingdom. Similarly, Australia is lagging behind other developed nations in developing mechanisms and structures to ensure minimum levels of local content on new and emerging services.

Professor Stuart Cunningham, Director of the Creative Industries Research and Applications Centre, is correct in proposing that solutions will lie in a combination of policy approaches:

*The policy mix might see a range of forms of facilitation of creative content enterprises' access to and comfort with industry support schemes. These can take the form of venture capital support, other forms of equity investment,*

*enforcement of competition regulation, and structural regulation. These can sit alongside, but are other than straight subsidy or content regulation. Incubation, business skills development, investment incentives, digital rights management, advances against profit, etc. Research and Development tax concessions, accelerated write offs, concessions, tax holidays, addressing GST impacts on small business, wider utilisation of industry development schemes such as START scheme. They might include test beds, clustering strategies and support to develop them.*<sup>19</sup>

#### **4. Policy development for an integrated Australian digital content creation industry.**

As Australia looks at the development of the multi-platform multi-channel environment that holds out the promise of future growth for the content production industries in Australia it is also apparent that there is a need to foster the development of policy settings that address the economic, social and cultural implications in a coherent way.

According to Professor Stuart Cunningham:

*...the creative industries are simultaneously cultural industries delivering crucial representation, self recognition and critique in a globalising world. They are service industries delivering basic information and entertainment services in a converging services environment and knowledge industries requiring very significant levels of R&D to continue to innovate and to provide content and applications that 'make the wires sing'.*<sup>20</sup>

A greater degree of policy convergence is needed to match technological and economic convergence. Cultural policy, broadcasting policy, telecommunications policy and information technology policy should no longer remain separated as the industries they address no longer remain discrete.

The AFC believes an integrated approach to an overarching policy for content creation is key. Content creation is at the core of the creative industries in Australia. The government needs to formulate the policy base supported by appropriate funding and regulatory structures to ensure Australia's active and continuing participation in the production of screen content, otherwise a very real risk exists that Australia will be marginalised in one of the fastest growing areas of the modern global economy.

To avoid such an outcome, the government would need to give the support of digital content creation a high priority in the decisions it makes across a range of activities, so that Australia develops an integrated industry capacity. This may involve changes to current approaches to regulatory, trade and economic policy.

For example, the approach to the allocation of spectrum and telecommunications licences would need to address the contribution that these services can make to

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<sup>19</sup> Australian Content in Cunningham, S. (2002a). 'Policies and Strategies', in K. Harley (ed), Australian Content in new Media: Seminar Proceedings, Network Insight, RMIT, Sydney, pp. 39-42.

<sup>20</sup> Cunningham, S. (2002), "Culture, Services, Knowledge or Is Content King or Are We Just Drama Queens?", Communications Research Forum, Canberra.

content creation. This may involve the application of new regulatory approaches that value the cost of access not just as an economic rent to the government, but on the basis of the real contribution new and existing players can make to investing in content creation.

Although such an approach may not be in keeping with the conventional approach to government regulation and the general free trade agenda, it is a viable option to encourage the development of screen content in a digital environment. This would extend the government's current encouragement for the development of screen content by regulation. In the current trade negotiations the government has committed to retaining the flexibility to act in pursuit of social and cultural outcomes for Australia. A practical application of such a policy is seen in the UK government's approach to encouraging the creation of online educational content. By funding regional educational bodies to purchase online resource material, it has created a substantial market which the creators and producers of content are now servicing. In this way government intervention is driving a successful and competitive market, in the same way that Australian content rules have created a flourishing and competitive market.

The Learning Foundation, an initiative of Australia Commonwealth and State governments, represents a base from which to apply government support across a range of activities in the educational sector. However, it needs a sharper focus on content creation and to engage more coherently with the screen production industry in Australia. This has been our experience in working with Telstra on its initiative to aside \$10 million of its broadband fund towards the development of content. This would to enable the governments' purchasing powers to be used in a more strategic manner, as in the UK situation. It has been disappointing to note the Learning Federation's lack of engagement with the government's broader policy concerns in the growing digital screen content industry.

The AFC believes that there are significant benefits in examining policy developments in a convergent communications industry via a whole-of-industry approach, as has been undertaken in other developed countries. In the UK, the Department of Trade and Industry in collaboration with the Department of Communications, Media and Sport produced a Communications White Paper titled *A New Future for Communications*,<sup>21</sup> mentioned above in reference to regulation. New Zealand's Screen Production Industry Taskforce has also recently released its report *Taking on the World*.<sup>22</sup>

Apart from the 2001 Film Funding Package, there has not been a thorough review of Commonwealth assistance to the Australian film industry since the 1997 Gonski Report. Such a review was recommended by the Productivity Commission in 1999:

*To ensure that the social and cultural objectives of broadcasting continue to be addressed in the future digital media environment, the Government should*

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<sup>21</sup> <http://www.communicationswhitepaper.gov.uk/>

<sup>22</sup> <http://www.industrytaskforces.govt.nz/screen/documents/media/Screen-Production-Industry-Taskforce-Report.pdf>

*commission an independent, public inquiry into Australian audiovisual industry and cultural policy, to be completed by 2004.*

Similarly, the recent Australian Competition and Consumer Commission (ACCC) Report on *Emerging Market Structures in the Communications Sector* points to the necessity of a whole-of industry approach to policy:

*It is particularly important that the Commission's recommendations about the current regulations applying to the FTA and pay TV sectors not be seen as discrete or as 'either/or' options. The regulations applying to the FTA and pay TV sectors should be considered in a comprehensive manner—that is—a broad review of the regulations applying to pay TV and FTA broadcasting is necessary. It would be undesirable for further amending of the media regulatory framework to occur in a piecemeal fashion – a thorough assessment of the regulations and how they relate to each other is necessary.<sup>23</sup>*

The AFC suggests that the Committee's Inquiry could be a useful preparatory stage for the proposed comprehensive examination and evaluation of a converging content creation industry.

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<sup>23</sup> Australian Competition and Consumer Commission (ACCC), *Report to Senator Alston, Minister for Communications, Information Technology and the Arts on Emerging Market Structures in the Communications Sector*, p76: [http://www.accc.gov.au/pubs/publications/utilities/telecommunications/Emerg\\_mar\\_struc.doc](http://www.accc.gov.au/pubs/publications/utilities/telecommunications/Emerg_mar_struc.doc)

## APPENDICES

### Appendix 1

#### Employment

##### Service Industries Surveys

	Numbers employed		
	June 1994	June 1997	June 2000
Film and video production	5,998	9,591	15,195
Film and video distribution	981	1,341	1,426
Cinema exhibition	5,729	7,739	9,282
TV services (public and private) and public radio <sup>1</sup>	14,089	14,151	15,855
<b>Total these industries</b>	<b>26,797</b>	<b>32,699</b>	<b>41,758</b>
Video hire industry			11,034
<b>Total</b>			<b>52,792</b>

Source: Compiled by the Australian Film Commission from ABS, *Film and Video Production and Distribution* (cat. no. 8679.0) 1993/94, 1996/97 and 1999/00; ABS, *Radio and Television Services* (cat. no. 8680.0) 1993/94, 1996/97 and 1999/00; ABS, *Motion Picture Exhibition* (cat. no. 8654.0) 1993/94, 1996/97 and 1999/00; ABS, *Video Hire Industry* (cat. no. 8562.0) 1999/00; ABC and SBS annual reports.

Notes:

<sup>1</sup> The 1997 and 2000 surveys of television services did not provide separate data for the radio and television activities of public broadcasters; so data has been combined for all years.

## Appendix 2

### Production of Australian and co-production animated features and TV drama 1990/91 to 2001/02

<b>Animated features</b>		
	<b>1990s</b>	<b>2000/01 to 2001/02</b>
No. produced	3	0
Total duration:	4 hours	-
Total production value	\$19m	-
<b>TV drama (animated mini-series, series and serials)</b>		
	<b>1990s</b>	<b>2000/01 to 2001/02</b>
Total no. titles produced <sup>1</sup>	38	11
Average no. per year	4	6
Total duration <sup>2</sup>	337 hours	100 hours
Average duration per year	34 hours	50 hours
Total production value	\$215m	\$68m
Average value per year	\$22m	\$34m

Source: Australian Film Commission

Includes Australian productions and co-productions shot 1990/91 to 1999/2000 (the 1990s), 2000/01 and 2001/02. Excludes foreign titles, titles post-produced only in Australia and animation of commercials and components of programs.

1 Includes two series of *Lift Off*, which combines animation, puppets and live action.

2 Duration is calculated using broadcast hours.

### Appendix 3

#### First Release Australian Adult Drama for Commercial Broadcasters 1999-2001: Sources of Finance

	<b>Broadcasters</b>	<b>Government</b>	<b>Pay TV/Distrib.</b>	<b>Private</b>	<b>Foreign</b>
<b>Features</b>	1%	59%	8%	11%	20%
<b>Mini-series</b>	13%	27%	0%	0%	60%
<b>Series/serials</b>	64%	0%	15%	2%	18%
<b>Telemovies</b>	24%	32%	16%	0%	28%

Source: Australian Film Commission