

**Australia Korea Foundation**

**Media Forum**

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Good afternoon, and let me say thank you to both the Australia Korea Foundation and the Korean Press Foundation for the opportunity to talk to you today.

This Forum offers an opportunity to gain greater understanding of each other's film and television industries. This can lead to a better understanding of each others' cultures, expand our contacts and may in the long run lead to opportunities to work and develop projects together.

My purpose today is to outline for you the current shape of the Australian film industry and some of the issues, which are affecting its future.

The Australian Government's Film Program supports the development of a creative and highly skilled Australian film and television industry in a competitive and international commercial context.

The program assists the development and production of Australian film and television programs and helps to promote them in local and international markets.

It has both economic and cultural goals, as it aims to create opportunities for Australians to make and view a rich variety of high quality film, television and other audiovisual productions and for current and future generations to access a record of life stories and issues relevant to Australians. It also aims to help Australian students and practitioners to develop a high level of creative, technical and business skills; and for Australian film and television productions to reach appreciative audiences both in Australia and internationally.

The AFC is one of four Government funded organisations: the AFC, the Film Finance Corporation, the Australian Film Television and Radio School, and Film Australia, which combined deliver the program to achieve these objectives.

At the moment there are some quite fundamental issues that pose a significant challenge to us, the Government's agencies, and to the whole Australian film industry.

The question of being able to maintain or even increase levels of Australian content in the face of increasing market dominance of US product, and the regulatory limitations imposed by the Australia/US Free Trade Agreement, is arguably the most critical issue.

The rapid development and take-up of new media technologies, affects the creation, distribution and consumption of audiovisual content, and will increasingly impact on traditional audiovisual markets.

Another crucial issue is the continually difficult task of securing funds, for both conventional modes of producing content, and, increasingly, for the digital environment, to ensure a cultural and economic place for Australia in the digital world.

The AFC, as the Government's primary source of information and research on Australia's audiovisual content production and markets, has been well placed to monitor these developments and plays an important role in advising Government on issues affecting the film industry.

### ***Size and scope of our industry.***

The overall worth of the Australian audiovisual production industry is about \$1.8billion annually (1470 billion won), and employs over 16,000 people. Feature films and television drama make up about one third of all audiovisual production in Australia, \$588m in 2003/04 (481 billion won). Other areas include production of documentaries, commercials, music videos, corporate video and TV programs such as news and sport, worth about \$1.2billion (980 billion won). Foreign feature production is growing in Australia, and some co-productions are made with countries such as the UK and Canada.

While the Australian industry has developed these distinct sectors, it is highly integrated with regard to creative talent, crews and infrastructure. For example, many directors gain experience in television working on television serials or commercials, and then

move on to direct feature films. Director Cate Shortland is the latest example of this development process, with her first feature film 'Somersault' screening at Cannes this year and going on to sell around the world. Most of our internationally famous actors also started out on TV, actors such Russell Crowe, Nicole Kidman, and Cate Blanchett. The television drama, commercials, and foreign production sectors provide continuity of work and variety of experience and knowledge for the many actors, directors and crew who move easily between these areas. It is very unfortunate that this year has seen the lowest level of spending in the area of television drama for ten years, as it is the bedrock of our industry.

### ***Why do we have an industry?***

If we look back at the genesis of the contemporary Australian film industry, say since 1975, we could say it exists the way it does today as a result of government intervention. The government supports the industry as part of its cultural policy, to ensure that Australians have access to a diverse range of Australian content. The government's policy recognises the importance of Australian stories and voices for local audiences, and the importance of projecting the Australian cultural identity both to itself, and to the world.

Although the Australian domestic market is small, with a population of 20 million, going to the cinema is the most popular cultural activity – there were 90 million admissions to the cinema in 2003. This compares with 113 million admissions here in South Korea in 2003, with double the population.

The vast majority of the films screened in Australia over the past 20 years have come from the US, and, in 2003, 66 per cent of films releases were from the US (178 titles). Australian films usually make up about 10 per cent of films released each year (about 25 titles).

Unfortunately Australian films cannot match the box office performance of Korean films of over 46 per cent of local takings, as Australian films earned just 5.7 per cent of the box office of the last 10 years. I know that during the 1990s the Korean film industry increased its percentage of the box office from 15 percent to over 46 percent, and in 2003, 28 per cent of films (70 titles) released were local films, compared to the 45 per cent of titles which were made in the US (112).

One reason that it is difficult for Australian films to compete with US studio made films is that the majority have a budget under \$6 million (4.8billion won), compared to US studio financed films which frequently have budgets over \$100 million (114billion won). It is also difficult for Australian television productions to compete with programs imported from the US, which can be bought for a fraction of the cost of their making. For example, a popular US show like *Friends* can be bought for \$100,000 (80million won) even though it cost \$2m (1.6billion won) to make. An equivalent Australian television program costs \$300,000 (245 million won) to buy, with a production budget of around \$400,000 (327 million won).

Successive Australian governments have therefore decided that they will intervene to maintain a film industry in Australia, thereby developing Australian cultural identity and artistic expression where the market fails to do so.

Government intervention on behalf of the film industry is delivered through a mixture of direct and indirect funding, and regulation.

Direct funding is dispensed through two major film agencies: the AFC which is responsible for the development of practitioners and projects with a budget in this area of \$12.4m (10.13 billion won), and the Film Finance Corporation which is responsible for the funding of production with a budget of \$60m (49 billion won). In addition, the Government funds national broadcasters, the Australian Broadcasting Corporation and the Special Broadcasting Service.

Through legislation the Government regulates a quota for free to air commercial broadcasters, to ensure overall minimum levels of Australian programs and minimum levels of Australian drama. In addition, the Government regulates an expenditure quota for Australian drama for pay TV operators.

The success of this intervention is apparent in that a highly competitive market has been created where the networks broadcast Australian programs, which are extremely popular, to compete for Australian audiences. Recently an evening broadcast of a modestly budgeted Australian film “Looking for Alibrandi” beat the US blockbuster “Gladiator” in the audience

ratings. The Australian telemovie “The Alice” is the most popular movie of the year, and the recent Australian mini-series “Jessica” won its slot and increased its audience on the second night of broadcast. This is clear evidence that if Australians are provided with the opportunity to view quality Australian material, they will. It seems to me this is not dissimilar to the experience in Korea where introducing cinema quotas offered Korean audiences a choice.

The Government also provides indirect funding to the film industry through tax-based measures, although these are having a marginal effect at the moment.

### ***State of the industry***

The success of our feature industry has been disproportionate to the size of our population and size of our industry. Australia has a very significant profile internationally by any measure, with many creative and commercial successes, acclaimed actors and directors working internationally, a presence at major festivals, and many past Oscar nominations and awards.

The concern at the moment, however, is whether this is slipping away from us? The Australian industry is going through a very difficult time, as both Government funding and private investment are down, and as a result production of features and television drama is also falling. While television drama is still very popular, Australian features in the last couple of years, with some exceptions, have struggled to find significant audiences.

## ***Our challenges going into the future.***

To round off this 'state of the industry' overview, I'd like to talk briefly about the main challenges we see going forward for the industry. These include the treatment of culture in the international trade environment, and the ramifications of trade deals; the growth of television delivery systems and services, and its effect on audiences; the way we finance and make films, and how we decide which films get made; the rate at which Australian talent exits the local scene to work overseas, and last but not least the growing market for interactive digital content.

Culture – in any form – has slipped off the mainstream political agenda in Australia. It is interesting to note that in the current Australian election campaign, neither major party has given prominence or significance to their cultural policies. The broadcasting policy debate is dominated by issues relating to technology, spectrum allocation, ownership and control. While there is a recognition of market failure in relation to Australian content, this is not a central concern in the development of policy around new services or the architecture of our broadcasting system. Recent election commitments from both major parties in Australia in relation to feature film funding have been welcomed by the industry, but do not necessarily address the need for a long term or fundamental change.

I am very aware that it is easy to criticise political parties for what we see as a failure to prioritise the issue of culture and Australian content. However, we also need to acknowledge the role that our

industry should play to develop a coherent policy framework, to articulate the fundamental principles, to argue it in a convincing and unified manner to government. And, with due respect and to some extent with the exception of those Australian journalists with us, we need to increase the amount of serious debate in the media about these issues. Australian media tends to engage in the promotion of our celebrity culture, our stars and our international successes, above all else. You will find reviews and critiques on the arts pages, you will find what I would describe as fairly superficial analyses and criticism of the poor performance of some of our feature films when compared to American films, and you will find much questioning of the role and competence of our film agencies.

Earlier this year the Government, supported by the Opposition party, agreed to the Australia/US Free Trade Agreement. Whereas previously in the WTO environment and in its bilateral treaty with Singapore, Australia has excluded culture from trade negotiations, the AUSFTA saw a bipartisan break with this policy. Australia has entered a new era where it has agreed to restrict its ability to regulate for the delivery of Australian content to its audiences. The full ramifications are yet to be seen, but, to the extent that Australia has now restricted its ability to regulate new and existing services, there will have to be a greater reliance on other methods of support for the film industry. In the past, regulation of our television system has been fundamental to the development of our film and TV industry, and the consequent benefits that flowed from having a diverse, innovative and vibrant production industry.

Another challenge we face is the continuing growth of television delivery systems and services that inevitably fragment both the audiences for content and the revenue base for operators. The AFC's representation to Government is that minimum levels of Australian content are a fundamental part of our television system, and whatever decision is made in relation to new services, a new system, or any of its separate parts, Australian audiences must have access to adequate levels of choice, quantity and diversity of Australian content equivalent to current levels on free-to-air television. While the provisions of the FTA affect regulation in support of Australian content, other means are available and should be used by the Government to fund local content in a future converged television environment.

Another ongoing challenge is for our development and production systems to deliver films that are appreciated by Australian audiences. Notwithstanding falling levels of resources, an expanding and fragmented marketplace, and tough conditions internationally, Australian film development and production agencies and the filmmakers we support must be prepared to constantly evaluate our funding systems, the films we are making and their performance with Australian audiences. There is no doubt we have been making some films, which should never have been made, especially when resources are so limited. The responsibility for this lies with both the funding agencies and filmmakers alike. We have taken this on board, and are looking at new initiatives to draw out the films that should be made.

A further challenge lies in the amazing yet alarming rate at which we export our successful talent, which puts a constant drain on our local talent base. While Oscar night in recent years has been a cause for outbursts of national pride, and affirms our industry support systems, nonetheless at times it feels like our industry is little more than a training ground for Hollywood. It's a daunting task to think of ways to attract some of our internationally successful directors and actors back to Australia, but it is something we must tackle. What we also need to think about is how to own and celebrate their successes, and promote a better understanding within Australia of their connection to Australian film culture.

Finally, the expanding area of interactive digital content such as broadband services, mobile telephony, interactive TV, and on-line games brings with it a whole new set of challenges, for both the Government and our industry. We want Australian content to have a place in these mushrooming new services and the growing screen content space. The Government needs to address the new challenges with policies that will navigate a path through the difficult landscape of trade deals, finance, political realities and rapidly changing technology and help Australians to create content and participate in new markets.

I hope these comments have given you some sense of our industry – its structure, its strengths and successes, its challenges. I look forward to the discussion to follow.