

CINEPOSIUM PANEL

International Models for Developing a Domestic Industry

6 August 2002

We are here because of an interest in the future of the filmmaking industry and also an enthusiasm for promoting our particular region as a destination for film and television production.

There is no doubt film and television is a global business. In Australia around 90 per cent of our gross box office goes to US films. Much of the TV drama on our free-to-air and virtually all on our pay TV is from America. Australia is not alone in this regard. Around the world, with few exceptions, American film and television programs dominate local box offices and television screens. Indeed the US dominates global trade in goods and services.

As the market for audiovisual products becomes more global and production expands, there is a drive to gain market share in the production activity side. And economic factors, the market, mean independent producers and the studio system itself will look for the cheapest place to produce. The relative costs of production are critical.

Within this global setting the profile of the Australian film and television industry is disproportionate to the size of our industry and I have been asked this morning to reflect on some of the reasons behind the successes of the Australian industry. What are the foundations of our film and television industry? What are its outputs and what are its support mechanisms? Could it exist in a brave new world of free and unfettered trade in audiovisual services?

The timing for this session is significant given the new World Trade Organisation round and also discussions between Australia and the US about a possible free trade agreement. The US has made it clear that it wants audiovisual services on the agenda

of any negotiations. There is in principle opposition to Australia's system of subsidy and regulation, which is seen as a trade barrier.

Successive governments have shown commitment to ensuring we have a locally based independent film and television production industry. The reasons for this are essentially cultural. It has been succinctly put that Australian audiences should be able to see Australian faces on Australian screens and hear Australian voices from Australian characters.

A more sophisticated argument would be to say that part of what defines a mature society is an ability to be reflexive in its entertainment media. Just as American popular culture celebrates America, our own arts and film should celebrate a uniquely Australian outlook on the world. To do so is to foster an Australian identity that the world recognises, but more importantly it helps us see ourselves, and that is not something we should be willing to forego. Film and television contribute to this self-definition more than any other cultural activities.

Australian film and television – at least drama and documentary – would not be made without government intervention. The size of our domestic market is simply not large enough to sustain a production industry of even the modest size we currently cherish. If subject only to commercial considerations, many local cultural industries would be replaced by those from countries with greater financial muscle.

Australia's demographics and isolation are inescapable realities that mean our domestic audience base alone cannot sustain the arts, entertainment and audiovisual industries, therefore these will always need indirect and direct Government support. Returns from our domestic market in all media are not sufficient to justify the necessary levels of investment our industry needs. Moreover, if you add returns from foreign markets it would still not be enough. So public investment is required to make up the difference. For us it is a stark choice: public support or no industry at all.

This situation applies in most non-US film industries around the world. A strong domestic market is essential, whether it is naturally strong like the US or subsidised to make up for areas of market failure. Even the US would not have been able to develop its huge film and television export market without its strong domestic market.

Over a period of 30-odd years we have seen various interventions by various governments to ensure Australians do have access to some level of local film and television. And this has been done through the dual approach of regulation and direct subsidy.

The AFC has been operating for 25 years. We primarily develop people and projects with some funding available for broader industry programs. We invested in Peter Weir's *Picnic at Hanging Rock* when he offered vision and talent but no previous hits. We also paid for the development of the script for Jane Campion's *The Piano* when she was modestly successful on the international festival circuit. We funded low budget films featuring aspiring actors such as Nicole Kidman, Russell Crowe and Cate Blanchett.

For a period the Government relied mainly on tax incentives to fund local production. This allowed a popular local TV comedian by the name of Paul Hogan to put together a film called *Crocodile Dundee*, which had some success. It allowed Mel *Mad Max* Gibson to work with the likes of Dr George Miller and Peter Weir and to achieve international success.

In establishing the Film Finance Corporation in 1988, the Government returned to a system of direct subsidy and through the nineties hits such as *Muriel's Wedding*, *Priscilla*, *Shine* and *Strictly Ballroom* were supported.

A string of successes for Australian film and filmmakers has continued to give our industry a profile quite disproportionate to its size.

In addition to the AFC and FFC, there are several other key agencies that make up the Commonwealth Film Programme, which I will simply list: ScreenSound Australia began in 1984 as the national archive; the Australian Film Television and Radio School, established in 1973, Film Australia separated from the AFC in 1988 to focus on

documentary 'in the national interest'. Our two public broadcasters, the Australian Broadcasting Corporation and the multicultural SBS, play critical roles in commissioning and screening Australian content. Together these organisations provide a platform of industry support covering training, development, production finance and production on which today's independent production sector has been built.

There is another key plank of support at the Federal level for Australian production, namely our local content regulations for television. It is these that trade negotiators have their eyes on.

These rules require television networks to screen a minimum quantity of Australian production. The local content regime is, in effect, a requirement that networks pay the higher licence fees necessary to secure a level of Australian content that complies with their licence conditions. The existence of strong commercial broadcasters committed to the production of Australian content serves to underpin the direct industry support initiatives by government. Without local content rules, in place from the beginning of television in this country, we would not have the domestic television production industry that we have now simply because local content is so much more expensive than acquiring the Australian rights to foreign programming.

In addition to the Federal mechanisms, each state government funds a film agency whose task is to encourage production in that state. Together, over the seven years from 1994-95 to 2000-01, these agencies put nearly \$10 million more into project development than did the Federal Government via the AFC. They also provided production finance designed to attract footloose production and supported film festivals and state-based screen resource organisations which provide entry level resources to local film communities. Government film units in various states also provide commissions to the independent production industry.

With this quite comprehensive and widely distributed framework of support, the Australian independent production industry has produced on average 20 'mainstream' feature films a year for the last 20 years, around 700 hours annually of local television drama and a substantial body of documentary. Not to mention international co-

productions and foreign productions that rely on Australian facilities and personnel. Australian independent drama production was worth \$430 million last year, but its cultural value and its value in terms of promotion of Australia internationally is priceless.

Foreign drama production in Australia has steadily increased over the last seven years with \$191 million spent in Australia during 2000/01, accounting for a sizeable 31 per cent of that year's drama production spending. Still, an American using the Australian vernacular, would have to call this amount 'small beer' (an expression not in your 'speaking Strine' notes forwarded to delegates). But it is of concern that in the past five years spending in Australia by foreign projects increased by 139 per cent while local production spending increased a mere six per cent.

There has been some foreign production here for years. In 1959, when *On the Beach* was set in Melbourne, Ava Gardner was reputed to have said 'That's the place for it!' – being a movie about the end of the world. But foreign production really got into gear here in the mid nineties. Fox Studios in Sydney and Warner Roadshow Studios here on the Gold Coast have been the most prolific sites for foreign production to date. With productions the scale of *Mission Impossible*, *Star Wars*, *Matrix* and its sequels we felt like Australia had hit the big time.

The controversy surrounding US runaway productions apparently prompted some criticism of the Association of Film Commissioners International for holding Cineposium in Australia and led a few US representatives to boycott this event. But I would like to think that your trip to Australia was an opportunity for mutual learning. As the production of film and television increasingly becomes a global business, there is clearly a growing network of interconnections between the Australian industry and overseas counterparts that can benefit us all. Advances in communication technologies have enabled elements of film and TV production to be more widely dispersed than at any time in history.

As you well know, Canada is where the vast majority (81%) of US runaway productions go. According to the Canadian Film and Television Producers Association 'Total foreign location shooting in Canada throughout 2000/01 amounted to \$1.8 billion. More than 90 per cent was service production financed by US-based film and TV producers.' The

closest competitor for US business was the UK, reportedly attracting \$329.6 million in 2001. (*Screen International* 26 April 2001)

The *Screen International* article I just mentioned quotes producer James Wong's reasons for choosing to shoot here 'In Australia, you have cheap labour, cheap sets, a good exchange rate – and Mars.' The latter reference being to our great desert locations (or maybe an echo of Ava Gardner's 'end of the world' comment).

In July, the AFC published a major research report called 'Foreign Film and Television Drama Production in Australia', about Australia as a production destination with a focus on employment patterns, crew experience and attitudes. The report can be downloaded from our website and there are order forms here for those wanting a free hard copy.

A theme of the report was the extent to which foreign productions offered a two-way transfer of skills. Australians are able to expand on their craft, especially due to the larger budgets, while foreign crews learn from our egalitarian and efficient work practices. Interviews with US producers provided vivid testimony to the quality of Australian crews and the building of relationships that encouraged producers to return here. Aside from exploring the obvious and essential economic factors, the AFC report illuminated the complex relationship between domestic and foreign film and television production. It concluded that the two sectors were well integrated but that careful management by Government was needed to ensure a balanced growth of the fragile local industry and a healthy co-existence.

The AFC's core business is of course development of the local industry. This is the foundation, the breeding ground for our talent, our skills base, and our filmmaking culture. Our highly productive crews, our infrastructure, our international reputation all arise out of a successful indigenous industry. This industry has only developed through the continuing government support, which I have outlined today.

The AFC works hard to influence government policy to strengthen the independent production industry through whatever channels are available. Last year we were successful in securing an increase to our own funding through a Package that offered

something to all the core Federal film agencies. Currently we are actively supporting the Australian content standard for commercial free-to-air television, under review by the Australian Broadcasting Authority. We also make submissions to the Department of Foreign Affairs and Trade about the World Trade Organisation and a number of potential Free Trade Agreements, including with the US. Our arguments based on cultural policy grounds have stressed Australia's right to support and subsidise its indigenous audiovisual industry.

So, this brings me back to the subject of international trade relations. Trade relations may seem remote for a Government cultural funding organization but in 2002, we believe it is part of the main game. Film and television production, distribution and exhibition are global business. Moreover, these also entail cultural activities, and are about small nations developing their own identity and showcasing it to the rest of the world.

The support mechanisms that exist for our cultural sector, such as direct subsidy and TV local content provisions, are extremely modest, highly targeted, transparent and regularly reviewed. They are also cost effective so that relative to other countries, significant cultural production is achieved for a low level of Government investment. These measures are designed to ensure the presence of Australian product in the local market, rather than to keep foreign product out.

And from this support, from out of the growth of a local industry, has come our ability to participate in a small way in the global foreign production business. I hope this explanation of the relationship between our local and the foreign production sectors is of interest, and relevance to some. That it may in some way assist in the development of your own strategies for growing your share of the foreign production market.

I hope that those of you from the US may take away some sense of the fragility of small local industries such as Australia, of the complex set of government funding and regulatory mechanisms that allow Australians to see a limited amount of their own film

and television programs. Our continual task is to convince trade negotiators and your government of this and it would be encouraging to think that back Stateside, there are some colleagues who are sympathetic to our case.

Kim Dalton
Chief Executive
Australian Film Commission

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