

# **The first wave of Australian feature film production FROM EARLY PROMISE TO FADING HOPES**

## **Executive Summary**

From 1906 to 1911, Australia was the most prolific producer of feature films in the world. During this period, Australian producers had easy access to cinema screens as supplies of overseas films were irregular.

This success began to decline in 1913 when a series of takeovers and mergers in distribution and exhibition led to the creation of the monopolistic 'Combine', trading as Australasian Films. However, Australasian Films' market position was gradually eroded as Hollywood studios – the world leaders in film production following European decline during the war – began to establish distribution branches in Australia during and after World War I. The US studios also began to exercise de facto control of the exhibition sector through what was known as 'the contract system' which required exhibitors to take all or most of a studio's output over a given period, generally three, six or 12 months. Overseas domination of the exhibition sector was formalised in 1931 when the Fox Film Company acquired a controlling share of the largest cinema chain, Hoyts, ensuring priority for US product.

Australian feature filmmaking faced further challenges in the following years with the Depression and the debilitating increase in production costs associated with the introduction of sound. And while some producers – most notably Cinesound – had partial success in the 1930s, World War II almost fatally disrupted production allowing the industry to sink over the following 30 years, reaching its lowest point by the end of the Sixties.

Two inquiries held in 1927 and 1934 attempted to act on the problems facing the industry, the latter NSW inquiry introducing screen quotas. However, the quotas were ultimately unsuccessful because of foreign distributor resistance and the lack of government support for finance and low cost studio facilities.

Film production in Australia has long been the poor cousin of exhibition and distribution. Film production is high cost and high risk. The campaigns against the film quota showed that once foreign interests had established dominance in Australia they were not prepared to tolerate measures to promote the industry. Despite promising beginnings, for 50 years Australian feature films did not achieve investment and distribution in proportion to their undeniable potential and merit. It was only in the 1970s when the feature film industry received comprehensive support in the form of the Australian Film, Television and Radio School (AFTRS) and the Australian Film Development Corporation (AFDC) (later the Australian Film Commission (AFC)), that the film industry began to expand.

## **Introduction**

From 1906 to 1911, Australia was the most prolific producer of feature films in the world. Beginning with *The Story of the Kelly Gang*, widely regarded as the world's first full-length feature, this period produced a large number of local films with 50 fiction features being produced in 1911 alone. But this early success was neither consolidated nor sustained. As output declined, the high hopes generated in the silent era were not carried into the sound era. While some producers – most notably Cinesound – had partial success in the 1930s, World War II almost fatally disrupted production, allowing the industry to sink over the following 30 years, reaching its lowest point by the end of the 1960s.

Australian feature filmmaking faced many challenges during the early part of the 20th Century: two world wars, the Depression, and the debilitating increase in production costs associated with the introduction of sound. However, the industry identified two major barriers to the successful development of the domestic film production industry during its early years. These were the restrictive trade practices, which existed in the distribution/exhibition sector, and the 'block' and 'blind' bookings clauses t h a t g a v e de facto control to overseas interests, in particular the US studios.

### **1906–1920: the formation of the 'Combine'**

The first major exhibitors (or 'showmen' as they were then called) emerged in the period between 1906 and 1909. The most prominent of these showmen were the British-based entrepreneur T.J. West, and the producer-exhibitors Cosens Spencer, J.D. Williams and Hoyts. During this period, Australian producers had easy access to cinema screens as supplies of overseas films were irregular.

This competitive environment ended in 1913 when a series of takeovers and mergers led to the creation of the monopolistic 'Combine', trading as Australasian Films in distribution and Union Theatres in exhibition.

The 'Combine' came under heavy criticism for its declining interest in production and its reluctance to screen the films of other Australian producers. Filmmakers alleged that Australia had become the dumping ground for overseas product when it could be profitably taking its place alongside other movie producing countries. The 'Combine' retaliated that if they rejected other producers' films it was because they were simply not good enough. Although Australasian Films produced and released seven films between 1913 and 1918, and distributed a handful of other Australian films, the individuals who ran the company saw profits as lying in distribution and exhibition.

The fate of Cosens Spencer is indicative. When Spencer's Pictures merged with the 'Combine' in 1912, it had already produced a series of ambitious films, had a studio at Rushcutters Bay and a film unit under the directorship of Australian film pioneer Raymond Longford. Spencer was a vocal advocate for Australian production and when he resigned from the board of his company, production was discontinued – his fall from power attributed to his ambitions for production.

By 1920 Australasian Films – the distribution arm of the 'Combine' – controlled 75 per cent of exhibitors.

### **Distribution and exhibition: the 'contract system' and overseas control**

The privileged position of Australasian Films was gradually eroded as Hollywood studios equipped with large advertising budgets began to establish distribution branches in Australia during and after World War I. The war had brought European film production to a near halt and hastened the development of US supremacy. Hollywood became the world's undisputed film capital, producing 85 per cent of the world's feature films by the end of the war.

Foreign penetration of Australian exhibition was slower to develop. During the period of foreign expansion in the Australian distribution sector, Hoyts and United Theatres dominated exhibition following a series of takeovers. Nevertheless, the US studios exercised de facto control of the exhibition sector through what was known as 'the contract system.' Local exhibitors were forced into onerous 'block' and 'blind' bookings which required them to take all or most of a studio's output over a given period, generally three, six or 12 months. This included films not yet seen, and sometimes films not yet produced. Interestingly, this practice continues today in the television sector where vertical integration of the US production studios and associated distributors also require purchasing of total output. Exhibitors found themselves taking what they regarded as very average American product in order to access a small number of top box office hits. Australian producers complained that their films were being squeezed out of cinemas.

Overseas domination of the exhibition sector was formalised in 1931 when the Fox Film Company acquired a controlling share of the largest cinema chain, Hoyts, ensuring priority for US product. MGM and Paramount acquired their own chains of first-run cinemas over the next few years and when the British Rank Organisation acquired a 50 per cent share in Greater Union in 1945 overseas domination was complete.

## **Export opportunities**

Since overseas sales for Australian films were generally elusive in the early years, Australian producers concentrated on the home market. One opening was provided though by the Empire Quota introduced in Britain in 1927. This granted Australian films quota status. Imported films were otherwise subject to a 75 per cent tax on their earnings, a measure designed to limit the impact of US films on British box office. So when the *British Quota Act* was amended in 1938 and quota status withdrawn from Australian films the effects were devastating to some producers.

## **The Depression to World War II: the studio experiment**

In 1928 – just prior to the arrival of sound – 13 features were produced. The arrival of sound boosted audiences but imposed near prohibitive costs on local production. This coupled with the impact of the Depression brought the industry close to collapse.

Nevertheless, an industry did emerge at the end of the Depression and lasted until World War II. This industry comprised both independent filmmakers such as Chauvel, as well as studios such as Cinesound, National Studios and Efftee Productions who sought to emulate the Hollywood studio system.

The most successful of the studios was Cinesound, the production arm and subsidiary of Greater Union, which had previously been reluctant to invest in production. Managed by Ken Hall, its first production, *On Our Selection* (1932), brought great financial success. As production continued throughout the 1930s, profits from each successful film – and all but one of Hall's films made a profit – provided the finance for the next. As a Hollywood-style studio it employed a regular troupe of actors and technicians. Hall also provided other producers with experienced technicians, studio space and equipment.

However, support for feature production was dependent largely on the good will of Greater Union's Managing Director, Stuart Doyle, who was prepared to take risks on production. Doyle was eventually replaced with a risk-averse accountant who favoured real estate investment over film production.

The onset of war was devastating for the production industry bringing a shortage of film stock; the diversion of production resources for news services and propaganda; and the loss of actors and technicians to the armed services. The continuity of production was broken by the war and was not revived afterwards. In the 1950s and 1960s, offshore productions and co-productions dominated, with few genuinely local features being produced. The infrastructure was only kept alive over these years by documentaries, newsreels and television commercials.

## **Early government intervention: censorship**

The most overt area of government intervention early on was censorship. When *The History of the Kelly Gang* turned out to be hugely profitable it inspired many more films about lawbreakers defying hapless police. In 1914, the NSW police department banned bushranging films, leaving American westerns to fill the void and denying the feature film industry a hugely successful genre. The ban continued until after World War II.

The production industry had further confrontations with the Commonwealth censor, which affected its success. When the censorship regulations were revised in 1926, they imposed an additional requirement on Australian films for export. This required that films must not 'depict any matter ... likely to prove detrimental or prejudicial to the Commonwealth of Australia'. The Governor-General had also earlier issued a proclamation prohibiting the export of films of the drought of 1920, and the mouse plague and police strike riots of 1923. Filmmakers, including Chauvel who had several well-publicised confrontations with the censor, complained that Australian films were subjected to tighter scrutiny than imports and that 'moral' criteria were being invoked rather than simply the 'detrimental to the Commonwealth' criteria. The trade also protested that the censor could remove scenes from films destined for export that he could not prevent Australian audiences seeing.

## **Two government inquiries**

Two high profile inquiries held in 1927 and 1934 highlighted the problems facing local production. They also highlighted the inability of state and federal governments to act.

Complaints about unfair business practices in the distribution and exhibition sector, and agitation at the number of American films being screened, led in 1927 to the Royal Commission into the Moving Picture Industry. Its agenda items included censorship, taxation, import duties and film quotas. Allegations from producers that the 'Combine' did not give Australian producers a fair go, met the usual defence from Australasian Pictures that they could not be expected to release films that were poor quality.

Raymond Longford, by that time deeply disillusioned, is said to have stated that Australia could not blame America – it only did what Australia allowed it to do. The Commission stated that it was unable to discover any evidence to substantiate the allegation of some witnesses that the American picture industry had a stranglehold on the Australian counterpart. Forty-five years later the Tariff Board Inquiry of 1972-73 found that 'the Australian distribution and exhibition network is to a great extent an integrated arm of the marketing activities of foreign film producers'.

Despite the Royal Commission's reluctance to acknowledge the problem it recommended:

- the limiting of exhibitor-distributor contracts to 12 months, with an inclusion of a rejection clause of five per cent to be in all contracts (this still left the block booking system in place)
- the establishment of a five per cent quota for Empire (not Australian) films, rising to 10 per cent and 15 per cent in the second and third years.

Distributors and exhibitors lobbied hard against the film quota proposal, claiming it would be unworkable. The government had some doubts about its constitutional powers so did not proceed. However, it is generally agreed that fear of intervention led to a renewed interest in production by distributors and exhibitors, with Australasian Films and Union Theatres becoming involved in the Master Picture Series and then the Cinesound Studio venture from 1932.

In 1934, a NSW Government Inquiry into the Film Industry headed by F.W.Marks, who had also conducted the 1927 Royal Commission, had nine items on its agenda including, once again, the proposal for an Australian feature film quota, a policy that was seen to have saved the British industry. Other items included the practices of block and blind bookings. The inquiry's main recommendation was that NSW legislate for an Australian film quota and that the legislation be submitted to other states in an endeavour to obtain uniform legislation throughout Australia.

The NSW legislation was enacted and came into force in October 1935, giving some initial impetus to production in anticipation of its implementation.

### **Film quotas in practice**

The quota plan was for 20 to 25 Australia films in the first year (double the existing level) rising to 60 in five years. Originally it was intended that the US distributors would have to finance the production of Australian films if none could be purchased on the open market. But foreign distributors continued to lobby furiously, arguing that the measures were unconstitutional. The Motion Picture Distributors of Australia threatened to withdraw all pictures from NSW and possibly from Australia, while the British film industry also lobbied against the measures.

A major controversy developed around the word 'acquire' used in the quota legislation, with the distributors denying that they had an obligation to produce or invest in films to meet any shortfall. In 1937, the NSW government decided not to force distributors to participate in production and issued full

and partial exemptions to distributors. In Victoria similar quota legislation was passed but never proclaimed, leading to the closure of Efttee Studios.

The film quota initiative was ultimately unsuccessful, firstly because of the foreign distributors' resistance and secondly because government policy failed to address the need for finance and low cost studio facilities, which would have required government expenditure. By the end of the 1930s the quota law had ceased to operate in practice.

### **Other government initiatives**

Another initiative that similarly failed was the NSW Bruce-Page government's five per cent tax on gross theatre receipts, which intended to capture profits flowing out of Australia to the US, and a 12.5 per cent tax on payments for imported films. This was defeated by an exhibitors' campaign led by Stuart Doyle of Union Theatres.

However, there were a couple of successes. Firstly, the NSW government gave minor financial support in 1939 with a guarantee of bank overdrafts of approved producers. This helped to subsidise four productions.

And secondly, in 1945, the Commonwealth created the Australian National Film Board, which became known as the Commonwealth Film Unit, and later Film Australia. Its brief was to produce documentaries. Several state and commonwealth departments also established production facilities. But the feature film industry had to wait until the Seventies for comprehensive government support.

### **1970s to the present**

The 1970s saw a major expansion in the film industry following the introduction of a range of government support measures beginning with the Australian Film, Television, Television and Radio School (AFTRS) in 1973 and the Australian Film Development Corporation (AFDC) in 1970, replaced by the Australian Film Commission in 1975. These initiatives were later to be supported by the introduction of 10BA concessions, the establishment of the Film Finance Corporation in 1988, and the programs administered by state film bodies.

Some developments in 'the trade' have been led to a more competitive environment, beginning with the entry of the Village chain in the 1960s, breaking the Greater Union/Hoyts duopoly (although Village and Greater Union subsequently developed extensive cross ownerships in exhibition and distribution as well as being engaged in joint ventures).

Following the Tariff Board inquiry of 1972-73 – which called for a radical restructuring of film production, distribution and exhibition – distributors came under pressure to invest in and distribute Australian films. While none of the radical restructuring proposals were implemented, Greater Union resumed investment in local features in 1975. Hoyts and Greater Union reverted to Australian ownership in 1981 and 1984 respectively, though foreign interests subsequently took shares in Hoyts. The more recent emergence of independent distributors and exhibitors such as Palace and Dendy has also led to an improved environment.

Even so, as the 1998 report commissioned by the ACCC from Ross Jones noted, film distribution in Australia remains more concentrated than in the US, Japan and most European countries. The exclusive access of major distributors to US studio output, and the reliance of exhibitors on them for this supply, allows distributors to impose conditions on exhibitors in relation to season length, and number of sessions and session times. Conditions can be onerous for the smaller operators and are the subject of ongoing controversy.

## **Conclusion**

Since the early years of the Australian film industry, film production has been the poor cousin of exhibition and distribution. Film production is high cost and high risk – too risky a venture for most investors without a guarantee of distribution. The campaigns against the film quota and other regulations showed that once foreign interests had established dominance of Australian distribution and exhibition through vertical integration and the block booking system, they were not prepared to tolerate measures to promote even very minor competition. There were those who said a good picture could always find a distributor and that the problem was poor stories. They were usually distributors arguing against intervention.

Despite promising beginnings in the early years of the 20th century, for over 50 years Australian feature films did not achieve investment and distribution in proportion to their undeniable potential and merit.



## CHRONOLOGY OF KEY DEVELOPMENTS

1906	<i>History of the Kelly Gang</i> produced. Possibly world's first feature film
1906-09	First Australian exhibitors emerge. Local films have easy access to screens
<b>1910s</b>	<b>163 feature films produced over decade</b>
1911	High watermark of production, with 50 fiction features produced
1912	NSW Police Department bans bushranging films 30 features produced
1913	The 'Combine' formed, trading as Australasian Films in distribution and United Theatres in exhibition. Allegedly not inclined to production or distribution of other Australian producers' films 20 features produced
1914-18	Production in Europe brought to a halt
1918	Hollywood emerges dominant from WW1 US studios begin establishing branches in Australia to distribute their films
<b>1920s</b>	<b>90 feature films produced</b> Infamous 'contract system' develops with 'block' and 'blind' bookings giving US distributors de-facto control over Australian exhibition
1925	Australasian Films commences Master Pictures series
1927	Commonwealth Royal Commission established to investigate Production Industry
1928	Introduction of sound, with higher attendant production costs and financial risks
1929	New Commonwealth censorship regulations Onset of the Depression
<b>1930s</b>	<b>50 feature films produced</b> Emulation of Hollywood studio system between Depression and WW2
1931	Fox Film Company buys controlling share in Hoyts
1932	Cinesound established as production arm of Greater Union
1933	Greater Union and Hoyts establish joint venture for purchase of films which lasts till 1938
1934	NSW Inquiry NSW Quota Legislation Victorian quota legislation enacted but not proclaimed
1938	Change in British quota system – films from Australia excluded
1939	NSW government guarantees bank overdrafts for four features Cinesound ceases feature production Film stock shortages, resources directed to war effort (newsreel and propaganda films)
<b>1940s</b>	<b>19 features produced</b>
1945	British Rank Organisation acquires 50% stake in Greater Union
<b>1950s and 60s</b>	<b>42 features produced</b> domination by offshore and co-productions Establishment of Village chain in late 'sixties breaks Fox/Greater Union duopoly
<b>1970s</b>	<b>153 features produced</b> following introduction of government assistance

1970	Australian Film Development Corporation (AFDC) established
1972-73	Tariff Board Inquiry recommends radical restructuring of production, distribution and exhibition. Most measures not implemented but 'trade' feels the pressure to invest in and distribute Australian product Australian Film, Television and Radio School (AFTRS) established
1975	Australian Film Commission replaces AFDC First government sponsored delegation to Cannes Greater Union resumes investment in local features
<b>1980s</b>	<b>334 features produced</b>
1981	More generous tax concessions under 10BA
1984	Fox sells its interest in Hoyts Rank divests its shares in Greater Union to its Australian partner Amalgamated Holdings
1988	Film Finance Corporation established and tax concessions wound back
<b>1990s</b>	<b>295 features produced</b>