

**THE AUSTRALIAN FILM INDUSTRY TODAY
AND THE FORCES THAT SHAPED IT**

**Presented at the TAIPEI FILM FESTIVAL
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INTRODUCTION

Thank you for inviting me to Taiwan for the Taipei Film Festival. It is an honour to be here as a representative both of Australia and Australia's film industry. I have never visited Taiwan before and I look forward to learning about your country and your films and your filmmakers. I also look forward to encouraging an appreciation of Australia's film and television productions in your territory.

I am addressing you today in my capacity as the chair of the Australian Film Commission, an organisation that is funded by the Australian Government to develop the Australian film and television industry by nurturing our most talented producers, directors and writers and their projects.

I head a board of eight people that helps the Australian Film Commission to set its strategy and oversee its implementation. All of us work in the film and television industry as filmmakers or business executives. For the record, I am

general manager of corporate and part of the senior management team at the Southern Star Group, one of Australia's biggest television production and distribution companies.

It is often said by people from overseas that Australian films have done much better internationally than can be expected from the size of our population, the number of films that are made each year, and the amount that is spent on production. We have developed this reputation by steadily producing interesting and noteworthy films over the past three decades, and occasionally producing a breakout hit.

But Australian producers and commentators tend to have a much less positive view than overseas observers. To us world cinemas are not awash with Australian films, local audiences could be much more supportive, and it remains extremely difficult to finance Australian films in Australia.

There is no disagreement, however, on one key factor: the support and resources provided by successive Australian Governments since 1970 has created the industry and continues to underpin it. Without this support our industry would be a shadow of what it is now and if this support was suddenly removed the industry would collapse.

If there is a secret formula behind developing a successful industry without government assistance I hope that you will give it to me before I return to Australia. I suspect that only Hollywood and India know that secret.

Much of this paper is devoted to explaining how the Australian government supports the film industry. It will also sketch out the nature of the industry. I have tried to anticipate your questions but there will be ample time to ask your own at the end.

A SNAPSHOT OF AUSTRALIA'S FILM INDUSTRY

How many and what sort of films does Australia produce each year?

While it is true that Australia is much bigger than Taiwan in terms of landmass, it is not as true in terms of population. We have nearly 20 million people in a country 80 times the size of yours. Those of you that have seen *The Adventures Of Priscilla: Queen Of The Desert* will know that a lot of the country is uninhabited. Most of us live huddled along the coast.

According to Australian Film Commission research, we produced 32 Australian feature films in the 12 months to June 30, 2002. Two of them were official co-productions with other countries. For most of the last decade the number of Australian films made has varied between 25 and 40 per year.

When our films travel abroad, they are generally regarded as being in the arthouse or specialist category. But, from our point of view, they are much more diverse than that. They explore our history, a recent example being *Rabbit-Proof Fence*. We have consistently produced drama, and we have had a lot of success over the decades with comedies.

We rarely make action films or films that rely on special effects because they are expensive genres. Most of our films are shot on location rather than in the studio.

In the last five years we have been very proud to see some of our actors make a name for themselves on the international stage. They include the New Zealand born Russell Crowe, Guy Pearce, Cate Blanchett, Toni Collette and the character actor Geoffrey Rush. We are pleased to report that they are returning from time to time to appear in Australian films.

Who makes these films?

There is no studio system in Australia. The word “studio”, to us, means a warehouse not a centre of production. All these films are made by what we call “the independent sector”, that is, producers working alone or in partnership with other like-minded people. The lucky ones might make a film every one or two years, but for most of them it is three to five years or longer between productions.

Just as the population is concentrated on the east coast, so too is the production community. Sydney, Australia’s biggest city, is the most active production centre and it is where the television networks and government agencies are

headquartered. But there are also centres of production in all other capital cities, including Melbourne, Brisbane, Adelaide and Perth.

Many of our films are writer/director driven, and they are often first-time writer/directors. Women have probably done better in our industry than in many others around the world, at least in the senior roles. Only a few directors exclusively work on feature films. Most supplement their living from television drama and commercials.

How much is spent on Australian films and where does that money come from?

Our 25 to 40 films per year are generally made very cheaply. The 32 made in the 2001/2 year cost A\$170m (US\$102m). Ten were made for less than A\$1m (US\$600,000), 14 for A\$1m-A\$6m (US\$600,000-3.6m), six for A\$6-20m (US\$3.6-12m) and only two for more than A\$20m (US\$12m).

These numbers are typical. As many as a third are self-financed by emerging filmmakers. They scrounge money from family and friends -- or from credit cards, not a path I would recommend -- and often the projects suffer from not having scripts that are fully developed. Rarely do these films get a proper commercial release at cinemas but every now and then one does break through.

At the top end, one or two Australian films are fully or substantially supported by international investors, usually from the UK or the US. Recent examples are *Moulin Rouge* and the *Babe* films.

The majority of those films in the middle of the budget range are funded by a government agency, the Film Finance Corporation of Australia. It receives about A\$60m (US\$36m) per year in taxpayers' funds, plus returns from its investments, and about half of this goes towards features.

There are also state-based government agencies that have some money for features. The pay television movie channel Showtime has been a consistent backer of features, as has the national broadcaster SBS. The free-to-air commercial networks have also started to loosen their wallets and the private sector also tips in some money.

In most cases, but not always, these sources invest alongside the Film Finance Corporation.

Who else supports these films?

The Film Finance Corporation insists that a local distributor and an international sales agent is attached to each film. This wisely means that the

films will definitely be released in Australia and that they will be on offer at overseas markets, and hopefully sold.

Australia has both locally owned distributors – companies such as Roadshow, Palace, Dendy and newcomer Hopscotch – as well as local offices of the US studios. The Australian-owned distributors are the most loyal supporters, particularly Palace and Roadshow, but the foreign-owned distributors also regularly agree to come on board.

Australia has two very active international sales agents in Beyond Films and Arclight Films but often it is sales agents based in the UK and Europe that handle our films abroad.

Australian cinema owners are not obliged to run Australian films, as is the case in South Korea, but I am pleased to report that they are very enthusiastic about those films that they think will work for their audiences. The three major cinema chains are Village, Hoyts and Greater Union/Birch Carroll & Coyle. All of them have a presence in international territories.

How successful are Australian films locally and on the world stage?

Going to the pictures is very popular in Australia. The average number of visits per person is nearly five per year. In 2002, A\$812m (US\$487m) was spent on

cinema tickets. Only rarely in the last 25 years has the national box office gross fallen from one year to the next.

Australian films last year grossed about A\$42m (US\$25m), or about 4.9% of the total box office. For the last decade the annual local share has not exceeded 10%. And, admittedly, a big influence on the size of the local share is whether we have one huge hit in that year.

This small local share is unfortunate, but also understandable. Like many territories across the world, Hollywood films dominate our cinemas. About 160 to 170 US films are released each year in Australia compared to 20 to 25 Australian films. Most of these US films are studio films with average budgets up to 10 times bigger than our average budgets. Generally, they also have more to spend on publicity and advertising.

There are about a dozen films that have grossed more than A\$30m (US\$18m) ever and three of these are Australian, *Crocodile Dundee*, *Babe* and, most recently, *Moulin Rouge*. Determining success is relative to the budget, of course, but as a rough rule of thumb, if an Australian film grosses more than A\$5m (US\$3m) it is regarded as successful.

Eleven films exceeded A\$5m in the last three years. In addition to *Moulin Rouge* they were *Crackerjack*, *Rabbit-Proof Fence*, *Dirty Deeds*, *Lantana*, *The*

Man Who Sued God, Crocodile Dundee in LA, The Dish, The Wogboy, Looking For Alibrandi and Chopper.

You may be interested to know that about 50 films from Europe, including about 30 British pictures, are released each year, but only five to 10 come from the Asian region. Subtitled films have a pretty tough time in Australia and we never dub films. However, films from your diverse region are always shown in our festivals and on specialist broadcaster SBS.

Being culturally similar to the US and the UK, and speaking the same language, is a disadvantage at home for us because our audiences find US and UK films very familiar and easy to watch. But our cultural similarity is an advantage when we are trying to sell our films abroad. Nevertheless it is hard to quantify the level of success we achieve internationally against other films.

To this day, the 1986 film *Crocodile Dundee* is the only non-US film that has been the hit of the year across the world. In other words, its worldwide gross was bigger than any other film.

While films such as *The Adventures of Priscilla; Queen Of The Desert*, *Muriel's Wedding* and *Strictly Ballroom* have done very well internationally, we regard our last big breakout hit on the world stage as *Shine* and that was back in 1996.

Between four and 10 Australian films are released theatrically each year in major markets around the world such as the US, the UK and other European territories, and Japan. But they don't return much money from the box office in addition to the sale of rights.

We are very proud of the critical accolades our films gather year after year. It is rare not to have an Australian film in official selection in the world's major festivals.

How often is Australia used as a location for offshore filmmaking?

Many service companies are relying on offshore production as being a growth area. The arrival of Fox Studios Australia in 1998 immediately attracted some very high profile films such as *Star Wars*, *Matrix* and *Mission Impossible II*. Seven foreign films used Australia as a location in the 2001/2 year, most of them being either from the US or India.

What makes Australia attractive is our skill base, our very diverse locations, and the low Australian dollar. A new tax-based incentive has also been put in place recently.

There are always fears about offshore films having a damaging effect on the local industry by pushing up crew costs, but it is also a good way of improving the skills of workers and maintaining infrastructure such as laboratories. It can also forge relationships that lead to financing and co-production opportunities. The state of Queensland, always a popular spot for foreign producers, is building a local industry on the back of foreign production.

What we are also now seeing is a new generation of local directors returning from LA to shoot big budget films at home. Recent examples include Gregor Jordan and the soon-to-be-released *Ned Kelly*, and PJ Hogan, who is just wrapping *Peter Pan*.

Some of you would know that Melbourne has become a popular place to post-produce films from your region. Recent projects include *Double Vision*, *So Close* and *Big Shot's Funeral*.

Does this complete the snapshot of the Australian industry?

I would also like to make it clear that Australia has a very active television industry. Two to three times as much is spent on over 700 hours of television drama per year as is spent on feature films and many producers work in both mediums.

We produce very high quality adult and children's drama, and documentary, that sells widely around the world, with buyers often viewing it as an alternative to expensive US fare.

[I would like to now show you a compilation tape of four Australian films you might recognise from the 1990s.]

GOVERNMENT SUPPORT OF THE FILM INDUSTRY

How much does the government spend directly to support Australian filmmaking?

The Australian Government recognises the benefits of having a local film and television production industry. For the financial year that starts on 1st July they will be channelling A\$115m (US\$69m) into the industry via five organisations.

Some of this money goes into training and the professional development of our filmmakers but over half goes towards the production of features, short-form adult television drama, children's television and documentary. These are all expensive and therefore risky genres.

The government does not support lifestyle and general entertainment programs, gameshows, series drama, or news and current affairs, except indirectly via the

two public broadcasters. The ABC and SBS get almost A\$800m (US\$480m) per year for their services.

The motivation for all this expenditure, first and foremost, is cultural. It is all about seeing Australian faces and hearing Australian voices on our big and small screens. Culture is at the heart of a properly functioning society and is one of the elements that makes societies unique.

The government also recognises that there are flow-on benefits from this expenditure. The production industry earns export dollars from the sale of its films and television programs and, without a strong local industry, big budget offshore projects would not be using Australia as a location. Film and television also boosts tourism, which is very important to the Australian economy.

Are there indirect ways in which the government supports Australian production?

Direct financial assistance is only half of the picture. There are also rules and regulations imposed on television networks, as well as tax incentives to encourage Australians to consider investing in film and television.

Since 1961, local content rules have applied to the three commercial networks, Networks Seven, Nine and Ten. Currently, between 6pm and midnight, 55% of what the networks screen must be Australian programming. This is called a transmission quota. As well, the networks must broadcast a certain amount of new children's and adult drama, and documentary.

I cannot underestimate how important these rules are to our local producers -- and audiences. Just because money is available from various government agencies to fund some local programs does not mean that the networks will agree to buy local programs. Commercial television is a cost-driven business and it is much less expensive to buy the latest successful US show than to take a risk on untried Australian drama.

Rules also apply to those pay television channels which predominantly screen drama. Each of them must spend 10% of their total annual programming budget on new Australian material.

The other major way in which the government assists the industry is through tax legislation. Under a division of the Tax Act called 10BA, investors who decide to support films and television drama can claim a 100% tax deduction on that expenditure.

Several years ago two companies were given licences under a pilot program called the Film Licensed Investment Company Scheme, or FLICs for short. Like 10BA, investors could use the FLICs to reduce how much they have to pay in taxes. The FLICs support a portfolio of films and television and have some level of expertise in the business. It is not yet known whether the scheme will continue.

As I mentioned, there is also a new incentive to attract more big budget offshore production. It is available to local producers but they generally don't work with budgets big enough to qualify. Put simply, if a producer spends A\$15-50m (US\$9-30m) in Australia making a film, he or she can claim 12.5% of that expenditure back, providing it represents at least 70% of the budget.

Once a film spends more than A\$50m (US\$30m) in Australia, the 70% condition no longer applies. It would be rare for a foreign film to be entirely produced in Australia, so the rough rule of thumb is that the incentive – it's called a "tax offset" -- saves about 10% of the budget.

Direct government assistance and tax concessions are also available to official co-productions between Australia and other countries. Co-productions are treated just like an Australian film or television program when it comes to accessing money and meeting local content quotas.

Co-production treaties and other government-to-government arrangements exist with nine countries: Canada, the UK, France, Germany, New Zealand, Italy, Vietnam, Israel & Ireland.

What Federal Government agencies now exist and what does each of them do?

The Federal Government this next year will provide a total of A\$115m (US\$69m) to five organisations, each with a very specific function.

- The Film Finance Corporation will receive about A\$60m (US\$36.3m) to pay for the production of features, short-form television drama such as mini-series and telemovies, and documentary. All these projects will be made by independent producers not affiliated to a broadcaster or a cinema distribution or exhibition company.
- The Australian Film Commission will receive about A\$23m (US\$13.8m) to be spent on the development of film, television and multimedia projects and on other ways of enhancing the skills and success of independent producers, directors and writers.
- The Australian Film, TV & Radio School will receive nearly A\$19.5m (US\$11.7m) for training at a professional level.

- Film Australia will receive A\$10m (US\$6m) to pay for documentary and educational programs made in partnership with the independent sector, and programs that record Australian life and history.
- And, finally, the Australia Children's Television Foundation will receive A\$2.5m (US\$1.5m) for children's programming.

In addition, SBS Independent, the production arm of broadcaster SBS, which commissions material from the independent sector, will receive nearly A\$9m (US\$5.4m) this coming year.

The government also funds ScreenSound Australia, which acquires, preserves and provides access to our screen and sound heritage.

In addition, since 2001, the government has tipped a small amount of money into AusFILM, which has responsibility for attracting offshore production to Australia, and into FIBRE, an industry organisation which is helping post-production companies access affordable telecommunications bandwidth.

When did the Australian Government start providing assistance?

Australia is believed to have made one of the first full-length films and that was back in 1906. In the next 20 years about 150 features were produced. Then, in the late 1920s, the industry collapsed and for the next 40 years very few films were made.

By the late 1960s, driven by an increasing sense of nationalism, prominent citizens began to lobby government to support the arts. The Australian Council for the Arts was subsequently established. Its primary focus was opera, ballet and other stage-based arts, but it also successfully put forward a series of recommendations for the formation of a film industry.

The government established the Australian Film Development Corporation in 1970, thus beginning over 30 years of direct production subsidies. That organisation later became the Australian Film Commission. Two film schools and a number of state-funded government agencies were also established during that decade.

All this activity led to what we call the renaissance of the Australian film industry. The films that dominated at that time included dramas that explored our history such as *Picnic At Hanging Rock* and *Breaker Morant*, and rather

crass comedies with lots of exposed body parts such as the *Barry McKenzie* and *Alvin Purple* films.

Many of the directors that emerged then are now still working internationally including Bruce Beresford, Fred Schepisi, Peter Weir and Gillian Armstrong.

A substantial shift occurred in 1981 when very generous tax concessions were introduced. Suddenly private investors were throwing money at production and the result was some of our biggest hits ever, including *Crocodile Dundee* and *The Man From Snowy River*. But money was spent so fast and in such an uncontrollable way that the concessions were wound back until they were no longer very attractive. Production slowed.

In 1988 the government decided to introduce the Film Finance Corporation, which became the principal mechanism for funding features. And it remains so. It helps fund between 10 and 13 feature films in any one year. Since its birth it has supplied just over half the money for 160 features worth A\$760m (US\$456m). Very few of those films have returned a profit. But remember, the primary reason for government subsidies is cultural.

The Commercial Television Production Fund, which had a three-year life, and SBS Independent, were established in 1994. Then in 1997 the two-year pilot

FLICs scheme was set up with the aim of again trying to capture private investors.

In 2001, at the time the government introduced the new 12.5% tax offset, it also announced an increase in the level of subsidy flowing to the local industry. Between then and 2005/6 the government agencies will see their funding increase by 25%.

[Let's look at a short tape made several years ago to celebrate 100 years of Australian filmmaking]

A film industry is not something that can be created overnight. It has taken three decades of consistent government funding to create what we have in Australia.

Those Australian filmmakers and actors that have broken out onto the world stage learned their craft and gained their confidence first in the local Australian film industry. There is a clear connection between their success, the assistance provided to the industry by government, and how proud Australians feel of their film and television programs. *The Piano*, *Babe*, *Shine* and *Moulin Rouge* were among the contenders for Academy Awards in the years they were made.

THE ROLE OF THE AUSTRALIAN FILM COMMISSION

What is the core function of the Australian Film Commission?

The work of the Australian Film Commission – which I'm going to call the AFC from now on – is central to the health and success of the Australian industry.

The AFC is Australia's development agency and it has a wide brief. It assists with the development of people, scripts, projects and the industry itself. Development in all its forms is the foundation of our industry, but primary are the filmmakers because it is the filmmakers who generate films, not the other way around.

The AFC funds some production because the best way for people to learn is to get experience on the job. One of the challenges of a small industry with limited funding is to give people the opportunity to practice their craft. Decisions to support production are made on the basis that the productions will help the professional development of the filmmakers.

Our aim is to build on the skills that our producers, directors and writers already have, so that they are better able to recognise and produce good scripts,

package projects, access international finance and, ultimately, produce better quality projects that suit the channels of distribution available to them.

How is the Australian Film Commission structured?

The AFC is based in Sydney and, to properly fulfil its national brief, also has offices in Melbourne and Brisbane.

Just over half of the funding is allocated to the Film Development Branch because that is our core function. We also have an industry and cultural development branch, a marketing unit, and a policy research and information unit.

The industry and cultural development branch supports seminars and conferences, publications and awards events, festivals, and local and overseas screenings. These events develop the general public's interest in film and aid filmmakers to become more skilled.

The marketing unit ensures Australia is represented at key festivals and markets, partly by assisting filmmakers to present their work. It is the point of contact for delegations visiting Australia from abroad, festival programmers and other international VIPs.

I've been throwing various statistics at you about how many films Australia makes, who pays for them, and what level of success they have at cinemas. We devote resources to gathering such information because without an accurate picture of the environment in which filmmakers work, we have no hope of devising appropriate and effective support programs.

What are the different sorts of assistance available under the development branch?

There are about 20 different “strands” of funding that people can apply for but you will all fall asleep if I go through them one by one. In very general terms, most of the strands provide funding either for development or for production of individual projects. Full program details and guidelines are available on our website, which is at www.afc.gov.au .

The different strands of funding can be grouped into eight program categories.

They are:

- Feature films
- Short features of 45 to 55 minutes
- Short films
- Documentaries
- Animation
- Interactive digital media, and

- Television

Decisions are made not just on the strength and originality of the idea and/or the script but also on the creative ambition behind it and the anticipated outcome for the applicant. Again, it is about developing the skills of people because this is what will help the industry grow.

Even our most successful producers find it difficult to survive between projects, and the AFC spends A\$1.3m (US\$780,000), or up to A\$70,000 (US\$42,000) per individual producer, writer, writer/director or director, for what we call “general development investment”.

These applicants have to have a slate of two or more projects in development to be eligible. The money can be used to for a range of purposes including options on books, fees for writers and script editors, and costs associated with financing projects including overseas travel. This type of funding builds on and fully exploits the judgement and experience of key creatives, and gives them more autonomy.

The AFC also has special programs to support the work of indigenous filmmakers and, to prepare the industry for the future landscape, for digital interactive and broadband projects.

What paths are available to people wanting to develop feature films?

There are four strands of funding available for the development of full-length feature film scripts and there is a total of A\$1.3m (US\$780,000m) in this pot of money.

The idea behind all these programs is to get scripts to a stage where they are good enough to present to potential financiers and/or to attract market interest. The aim is always to choose the strongest original ideas, the best dramatic storytelling, and the creative team able to convert their passion into a successful film.

Does the AFC fund any feature film production?

The AFC has A\$1.9m (US\$1.14m) for producing features and short features. The maximum available is A\$800,000 (US\$480,000) per project. Obviously, our capacity to support many projects is extremely limited. This is also very little money to stretch to 90 minutes. Not surprisingly, we encourage applicants to come to us with co-financiers.

What are the principles that underlie why the AFC acts as it does?

We recognise that there are many ways to develop projects. These include sole-writer draft-by-draft funding, team-based development, workshopping with actors, or using digital video.

The bulk of our resources go to people with proven ability, but with a smaller population to draw on than our main rivals, we also do not want anyone with talent to slip through the net. Writers without credits can be funded by teaming up with an experienced producer or by concentrating on short features. The AFC funds short features as they provide a good transition from a short to a feature film.

Based on its own recent research, the AFC strongly encourages the formation of teams. It has also started putting more of its resources into fewer projects and recently launched an intensive script development initiative. These principles underpin the current program structure.

What are the main challenges that face the AFC?

The biggest single challenge is to distribute the money in a way that properly meets the needs of filmmakers and the markets that they have to serve to be successful. We are trying to build the skills of filmmakers so they last a lifetime. Even if we get all that right we must manage the high demand for limited resources.

State government agencies also put money into project development but we are by far the biggest source of financing. According to the latest available figures, the AFC receives from five to 20 times more applications than it supports. That is a lot of pressure.

Also, the level of development investment in Australian films is very low compared to UK and European films. Resources are stretched very thinly and, with development being the riskiest part of the business, this is almost an impossible problem to fix.

IN SUMMARY

This industry is an extremely tough business and, given the dominance of Hollywood, it is not plausible for small countries such as Taiwan and Australia to expect their industries to be profitable.

The industry heavily relies on the funding it gets from government and always has, but it is unreasonable to expect this assistance to just keep increasing. There is a dire need for us to find additional funding if we are to grow as an industry.

But having a culture of our own is crucial to us. Wise governments know the benefits of providing funding. The ripple effect can be immense from what is, in real dollar terms, a modest outlay.

Filmmaking and film development is not an exact science. I hope I have given you a taste of how the Australian Government supports our industry, how my own organisation operates, and the sorts of issues we are facing.

I look forward to learning more about what happens here in Taiwan and thank you very much for inviting me to speak.

[the end]