

# Australian Film/TV/Screen industry review

## Executive summary & principles

### 1. Value and Status of Film/TV/Screen industry

The value of the Australian Film/TV/Screen industry to the culture, and to the economy, of Australia has been **dramatically underestimated**. This industry already provides us with some of our most successful exports, and it plays a unique and invaluable role in Education, Culture, Tourism and many other aspects of our lives – and of our economy.

### 2. Greater funding

A significant increase in government financial support for this industry is:

- a) **justified** by the unrivalled value of this industry to Australia; and
- b) **essential** in a landscape where our international competitors continue to receive, and have for many years been receiving, massive subsidies from their own governments (albeit often hidden or indirect, as in the case of the BBC's licence fee).

### 3. Less Government

Governments are not the most efficient users of funds. On the contrary, governments use money where the private sector can generate it.

The focus of industry **funding and policy should shift from within government to the private sector and to industry associations**, where money will be used more cost-effectively. This alone will assist the industry in demonstrating its true value to the community and to government.

### 4. Greater flexibility & diversity in government funding

Over the years, the funding guidelines of government agencies have become increasingly complex, bureaucratic, and prescriptive. They do not meet the requirements, or the ever-changing diversity, of this industry – and they do not create the best possible economic (or cultural) outcomes.

It is important to take a step back from the status quo and to look at what the filmmakers of today (and tomorrow) actually need to become more successful, rather than trying to fit filmmakers into the somewhat arbitrary bureaucratic categories and funding rounds that have developed over the years.

### 5. Greater focus on Australian private sector & economics of the industry

A higher proportion of government funds should reach the coalface, namely the industry practitioners who are turning that investment into an end product. **The basis of a sustainable industry is independent, private sector Australian companies that create and, ideally, own intellectual property** – i.e. the rights to exploit films, TV programmes and other products. These can be the nuclei that help establish an industry for the long term.

## 6. **Greater focus on industry associations**

Industry associations, built up from the grass roots, represent the best source of advice and, often, the best and most cost-effective way of achieving outcomes, such as increased employment, better training etc.

Unlike government agencies, these associations typically have representation in all States and Territories and are therefore often best placed to provide roles that various government agencies are at present attempting to provide.

## 7. **Protection of Australian culture**

Australian television currently has the highest proportion of overseas programming of any developed nation – by a long way. We have a right, if not a duty, to protect Australian culture – and this has nothing to do with free trade.

**We now have one final window of opportunity over the next 5 years**, before predominantly overseas-based internet/mobile TV becomes dominant, to build up a viable Australian industry that will create Australian content for Australian screens.

## 8. **Legitimate industry protection**

Government should enforce legislation that protects the rights of Australians to do work in Australia and that prohibits the “dumping” of overseas products on the Australian marketplace at prices vastly below the realistic cost of production.

Currently over 90% of overseas documentary and wildlife film-makers that visit Australia, generating several million dollars’ worth of products for their own countries, work here unlawfully and take their profits overseas.

## 9. **Shift from institutional to industry training**

The best training is “on the job”. There should be a shift in the use of training funds from institutionalised courses (e.g. AFTRS) to incentives for private sector companies and productions to employ trainees, and to industry associations (which tend to be better represented throughout Australia) that can better provide and choose well-tailored local courses and training opportunities.

## 10. **Caution with positive discrimination**

Government subsidies are essential if this industry is to compete in an industry which is international. But subsidies can also be a dangerous thing – creating an unbalanced industry domestically. Whilst the film & TV industry, and the creative sector in general, offer great employment opportunities for indigenous Australians, for instance, the industry and the indigenous sector may not be best served by quarantining funds in a wide range of government agencies as at present.

## 11. **‘Whole of Australia’ approach**

There needs to be a shift from Sydney-centric policies and ideologies to a ‘whole of Australia’ approach, including the much-neglected regions of Australia.

If there is to be any positive discrimination, it should arguably be towards the regions (i.e. outside Sydney, Brisbane/Gold Coast and Melbourne), which have been ignored by most of the major government agencies for many decades.

## 12. Use of tax incentives

While tax incentives may play a significant role in assisting our domestic industry, they **should not be the primary focus of either industry or government**. The Australian industry will only attract significant investment once it is perceived to be more economically viable by potential investors.

## 13. Whole of government approach

The film/TV/screen industry touches almost every Government department in one way or another: from government departments requiring corporate videos, to health and education videos, to the role of films and TV programmes in tourism marketing or in education.

**Additional funding for this industry should come from all portfolios that benefit from its products** – and most notably from the substantial budget designated for marketing Australia overseas. This is what this industry can do like no other – creating products that not only promote Australia to the largest possible overseas audiences, but that get overseas countries to pay for most, if not all, of the marketing!

## 14. Beware of government funds being used to compete with industry

**At all costs, government must avoid competing with industry**. And the danger of providing funds to government agencies, without a whole of government approach, is that they will inevitably do just that.

One of the most important aspects of a whole of government approach is for the tourism sector to be more closely aligned with the film and television industry. It is this industry, along with other media, that create the products upon which Tourism relies for its marketing. Yet **one of the major policies of Tourism Australia, through its infamous Visiting Journalists Program, is to subsidise overseas journalists, photographers and filmmakers to come to Australia to do work that can and should be done by Australians!** The budget allocated to these subsidies, including the employment of overseas government agents to attract overseas media personnel, runs into millions of dollars.

If these same funds were directed towards Australian media personnel, those with access to the same international markets and far more experience of the Australian subjects they are depicting, the results would be better for Tourism, better for the Film and Television Industry, and better for Australia.

# Australian Film/TV/Screen industry review

## Main Report

### 1. Value and Status of Film/TV/Screen industry

The value of the Australian Film/TV/Screen industry to the culture, and to the economy, of Australia has been **dramatically underestimated**. This industry already provides us with some of our most successful exports, and it plays a unique and invaluable role in Education, Culture, Tourism and many other aspects of our lives – and of our economy.

#### **Education:**

More of the education received by our children in the most formative years of their lives (i.e. pre-school) comes from television than from our education system. What we show on television today is having a major impact on the minds of Australia's next generation.

#### **Culture:**

Film and television play a critical role in recording our history and in preserving our cultures. Already they provide some of the primary documentary material of elements of aboriginal cultures that have otherwise disappeared. And they provide our only moving record of the life and times of Australia. Such records have no price.

#### **International status & identity:**

Through the international broadcast and screenings of our films and television programmes, this industry plays a major role in creating the status, identity and profile of Australia on the international stage. This lays the groundwork for any Australian company wishing to do business with the world; it paves the way for our exporters by creating an impression, and an understanding, of Australia throughout the world.

#### **Exports:**

Though rarely reaching the government radar, this industry already provides Australia with some of its most successful exports.

No other sector of our economy can create high value, fully value-added products that are exported to over 50 countries, and that can be made in every region, and potentially every community, in Australia.

#### **Tourism:**

The value of this industry to tourism is measured not in millions, but in billions of dollars. Using the methodology of our own tourism industry, which calculates the cost of advertising in equivalent media (e.g. in prime time on a premier international channel), the value of our industry in marketing terms exceeds \$1 billion each year.

As just one example, a single film about the wildlife and landscape of Uluru, one of our major tourist attractions, can reach an audience of over 100 million in over 60

countries, and generate substantial print media publicity in each of these countries. To reach the same audience (albeit less effectively) through the advertising conventionally employed by the tourism industry would cost in excess of \$250 million.

**The creative sector:**

Gone are the days when the pastoral sector was the driving force of our economy, and the days when the industrial sector dominates our economy are numbered. It is the creative sector of our economy which can create the most valuable commodities (patents, copyright, intellectual property etc.), and become the biggest development driver, of the 21<sup>st</sup> century.

2. **Greater funding**

A significant increase in government financial support for this industry is:

- a) **justified** by the unrivalled value of this industry to Australia; and
- b) **essential** in a landscape where our international competitors continue to receive, and have for many years been receiving, massive subsidies from their own governments (albeit often hidden or indirect, as in the case of the BBC's licence fee).

With the imminent, further globalisation of television, and its diversification on the internet, **now is a critical time** to invest fully in this industry if it – and our culture – is to have a significant place on the screens (digital cinema, traditional TV, mobile TV & the internet etc.) of the future.

This industry is already an international industry. And because Australia is predominantly Anglo-Saxon, it is uniquely exposed to two of the largest and best-developed markets in the world, namely those of the UK and the USA – countries that can justify expensive productions solely for their domestic markets and can therefore afford to sell these to Australia at minimal, and unrealistic, prices.

Forget the idea of “free trade”. **Free trade does not operate in this industry.** There is no level playing field.

This industry is not dominated by market forces, where international purchases are all considered equally based on the quality and cost of products; we're not talking about Australian, or American, consumers being given the choice of buying home-grown or imported bananas. In this industry, a few commissioning editors, broadcasters, or cinema chains determine the choice of what to buy for an entire nation. And these broadcasters have so many products available from their own country – not to mention an intrinsic level of nationalism that won't even allow an American President to wear a suit that comes from Italy – that the choices made inevitably and comprehensively favour their local products – irrespective of any Free Trade deal.

Similarly, Australian, let alone international, cinema chains are so dominated by the Hollywood machine, and by Hollywood marketing budgets, that few Australian films are given a real chance to make it on the big screen.

It is, ironically, precisely because this industry is thought of as non-essential, unlike health or farming, that it requires government intervention if it is to exist at all. Though subsidies are inherently problematic, this industry needs them if it is to have any hope of competing with long-established, well-funded and government-supported international players.

**Why should the government be involved in funding the Australian film and television industry?**

**Because the cost of this industry not being able to compete in the international market-place is simply too high:**

The cost of failure is nothing short of the demise of the Australian film and television industry (becoming, at best, a service industry for overseas interests); the wholesale replacement of Australian culture with that from the US and UK in one of the most important educational media for our children; and the loss of our ability to tell our own stories and to create our own marketing, in the most sustainable way possible, for our tourism sector.

**3. Less Government**

Governments are not the most efficient users of funds. On the contrary, governments use money where the private sector can generate it.

The focus of industry funding and policy should shift from within government to the private sector and to industry associations, where money will be used more cost-effectively. This alone will assist the industry in demonstrating its true value to the community and to government.

One option for reducing the proportion of funds spent on government bureaucracy is to streamline, or even merge, existing organizations. The idea of a reduction in the number of agencies raises several concerns within industry:

- i) the potential for a reduction in the overall level of funding;
- ii) the reduction in the number of opportunities for funding (“one door” instead of two or more);
- iii) the potential for creating an even more expensive and unwieldy super-agency.

Each of these issues, however, can be divorced from the question of whether or not, for instance, the FFC and AFC should be merged.

The importance of increasing overall levels of funding has been argued elsewhere in this paper.

Industry concerns about having just one opportunity, “one door”, for funding may not necessarily be best addressed by maintaining the status quo – by maintaining two separate bureaucracies (“two doors”). There is no reason, in principle, why one single agency could not, in fact, provide increased funding opportunities with, for instance,

multiple funding rounds, multiple industry-based assessment panels, more flexible and less prescriptive funding guidelines etc.

As for the issue of a super-agency, if this paper's proposed shift from funding spent within government to funding being better targeted at the industry itself is adopted, there is no reason why a single agency need be any larger than any of the existing ones. A single, streamlined agency could become an efficient conduit of funds to where they can be used most cost-effectively.

#### 4. **Greater flexibility & diversity in government funding**

Over the years, the funding guidelines of government agencies have become increasingly complex, bureaucratic, and prescriptive. They do not meet the requirements, or the ever-changing diversity, of this industry – and they do not create the best possible economic (or cultural) outcomes.

It is important to take a step back from the status quo and to look at what the filmmakers of today (and tomorrow) actually need to become more successful, rather than trying to fit filmmakers into the somewhat arbitrary bureaucratic categories and funding rounds that have developed over the years.

In an extreme solution, **individual projects/companies could apply for funding in a far less structured way, requesting funding in a variety of forms – from equity investment to cash-flow loans or even grants (where the returns to government could be measured, for instance, in export earnings or tourism marketing value).**

The timing of funding rounds could also be freed up to allow individuals to submit projects at the best time for those projects. A single agency might, for instance, be able to set up more industry-based panels (for peer assessment) to meet more regularly to assess such projects on an ongoing basis.

Decisions could be based on both the financial returns and the cultural value of a project. And there should be a greater focus on the track records of participants as a reward for past successes, and a guide to future success. No criterion, such as existing sales of a film, should be treated as an absolute essential in this more flexible model.

Whilst this less-structured approach may be anathema to a government agency, it may actually be in the best interests of the industry. It might, for instance, help shift industry focus from drama features to a 'whole of industry' approach. And it might help increase the focus on economically-viable projects, without reducing funding for less commercially successful films.

Cash-flow loans, for instance, could help an increasing number of companies become sustainable, by enabling them to hold on to long-term rights and income that they'd otherwise have to give away – usually to overseas broadcasters/investors. Yet these same funds, once returned in full to the government agency, could then be recycled to help fund less economic projects in future.

The current view, by contrast, tends to be that economically-viable projects should

not receive any funding precisely because they are viable; they shouldn't take funding away from projects that need it!

## 5. **Greater focus on Australian private sector & economics of the industry**

A higher proportion of government funds should reach the coalface, namely the industry practitioners who are turning that investment into an end product. **The basis of a sustainable industry is independent, private sector Australian companies that create and, ideally, own intellectual property** – i.e. the rights to exploit films, TV programmes and other products. These can be the nuclei that help establish an industry for the long term.

Making funds available to companies and that are not tied to a specific project, for instance, can free them from the endless bureaucracy of project-by-project assessment and can enable them to retain the rights to projects that will help turn them from being government-dependent to being independent and sustainable. A shift towards up-front funding for companies with a proven track record could help transform dozens of small Australian companies into economically-viable units.

Providing funding direct to broadcasters is not the solution here either. The health of the Australian industry is not a focus of Australian broadcasters, whose broadcasting decisions are dominated by pricing and audience appeal, rather than any strategy to assist the development of the local industry.

If economically-viable companies and projects are looked after, then greater funds will be available for those that are less economically viable.

## 6. **Greater focus on industry associations**

Industry associations, built up from the grass roots, represent the best source of advice and, often, the best and most cost-effective way of achieving outcomes, such as increased employment, better training etc.

Unlike government agencies, these associations typically have representation in all States and Territories and are therefore often best placed to provide roles that various government agencies are at present attempting to provide.

Some funding should be directed towards supporting appropriate industry associations, including but not limited to the Australian Cinematographers Society, the Australian Screen Directors Association, the Association of Australian Screen Editors, the Australian Writers Guild, and the Australian Screen Council. This would empower these associations to work more effectively for the good of their members and for the benefit of the entire economy, and it would limit the drain of experienced filmmakers into partly administrative roles.

## 7. **Protection of Australian culture**

Australian television currently has the highest proportion of overseas programming of any developed nation – by a long way. We have a right, if not a duty, to protect

Australian culture – and this has nothing to do with free trade.

We have lost a great opportunity in recent decades – the chance to ensure that our chosen free-to-air broadcasters had a real obligation to help develop the Australian industry. Now, with the advent of internet and mobile TV, where every Australian will be able to choose to watch whatever they want, we will soon find ourselves in the situation where our own broadcasters (and cinema chains) have built up a desire to watch films and programmes from the UK and the USA, and where there is little demand for Australian products.

**We now have one final window of opportunity over the next 5 years**, before predominantly overseas-based internet/mobile TV becomes dominant, to build up a viable Australian industry that will create Australian content for Australian screens.

## **8. Legitimate industry protection**

Government should actively enforce legislation that protects the rights of Australians to do work in Australia and that prohibits the “dumping” of overseas products on the Australian marketplace at prices vastly below the realistic cost of production. Currently over 90% of overseas documentary and wildlife film-makers that visit Australia, generating several million dollars’ worth of products for their own countries, work here unlawfully and take their profits overseas.

Arguably no Australian industry enjoys less protection than the film and television industry – and few developed nations offer less protection to their film and television industries than does Australia.

We appear happy to allow overseas journalists and filmmakers to come here citing the principle of free speech or a free press. We appear content to allow our cinemas and our broadcasters to air predominantly overseas films and shows on the grounds of free trade or market forces. And we appear oblivious to the dozens of documentaries that are made about Australia each year, that generate millions of dollars for overseas countries and that, more often than not, are even sold back to us.

We are, however, ignoring some of the most fundamental principles of any economy:

- i) Dumping. Overseas programmes that, in some cases, may have cost one million dollars or more to make are being “dumped” on the Australian market-place for mere thousands. Customs legislation makes it clear that this practice is illegitimate. It would not be accepted in any other industry. Yet it has become a standard and accepted part of our industry. So long as Australian broadcasters can purchase overseas products at bargain basement prices, they have no incentive to purchase more expensive Australian products;
- ii) Visas. Over 90% of overseas documentary and wildlife film makers that visit Australia work here unlawfully. Most come here on visitor visas, some on inappropriate business visas. A mere handful obtain the correct 420 or 423 visas that are required for legitimate work in Australia.

As other developed nations tighten up on the enforcement of their own legislation – and a number of Australian celebrities and filmmakers have made the news for not being allowed entry to another country – Australia appears to be turning a blind eye to this entire issue.

These unlawful visitors are carrying out work that could and should be done by Australians. They are able to do so in most cases because they do not have an Australian employer; our industry is unusual in having this fundamental “loop-hole”. And these visitors are able to leave, sometimes after only a few weeks’ filming, with a product that can be worth one million dollars on the international market.

It is essential that we get such basic ground rules in place, as they are in almost every other Australian industry, if we are to create a viable film and television industry. If we cannot even make the films and programmes about our own country, the very films that can be economically-viable, that can generate substantial export income, and that can create viable film-making enterprises, then our industry is in serious trouble indeed.

#### 9. **Shift from institutional to industry training**

The best training is “on the job”. There should be a shift in the use of training funds from institutionalised courses (e.g. AFTRS) to incentives for private sector companies and productions to employ trainees, and to industry associations (which tend to be better represented throughout Australia) that can better provide and choose well-tailored local courses and training opportunities.

#### 10. **Caution with positive discrimination**

Government subsidies are essential if this industry is to compete in an industry which is international. But subsidies can also be a dangerous thing – creating an unbalanced industry domestically.

Whilst the film & TV industry, and the creative sector in general, offer great employment opportunities for indigenous Australians, for instance, the industry and the indigenous sector may not be best served by quarantining funds for their use in a wide range of government agencies as at present.

If the ultimate aim is to create the most sustainable industry, it is important to get the economics of the industry right first, e.g. through supporting economically-viable companies, and then to provide incentives for indigenous involvement – rather than to quarantine funds at the outset, thereby contributing to the overall unsustainability of the industry.

#### 11. **‘Whole of Australia’ approach**

There needs to be a shift from Sydney-centric policies and ideologies to a ‘whole of Australia’ approach, including the much-neglected regions of Australia.

If there is to be any positive discrimination, it should arguably be towards the regions (i.e. outside Sydney, Brisbane/Gold Coast and Melbourne), which have been ignored by most of the major government agencies for many decades.

## 12. Use of tax incentives

While tax incentives may play a significant role in assisting our domestic industry, they should not be the primary focus of either industry or government. The Australian industry will only attract significant investment once it is perceived to be more economically viable by potential investors.

Incentives that encourage overseas productions to come here can also play a valuable role in helping strengthen the local industry and sustain it between its own productions. It is critical, however, to have distinct policies for:

- i) productions which would otherwise not be filmed here and that we can attract with certain incentives (i.e. productions in which the “intellectual property” rests with an overseas entity, such as overseas feature films); and
- ii) those productions that rely on the intellectual and cultural property of Australia or on its natural resources (e.g. documentaries). In this latter case, it is Australians that should be value-adding to, and earning income from, the exploitation of these resources.

## 13. Whole of government approach

The film/TV/screen industry touches almost every Government department in one way or another: from government departments requiring corporate videos, to health and education videos, to the role of films and TV programmes in tourism marketing or in education.

**Additional funding for this industry should come from all portfolios that benefit from its products** – and most notably from the substantial budget designated for marketing Australia overseas. This is what this industry can do like no other – creating products that not only promote Australia to the largest possible overseas audiences, but that get overseas countries to pay for most, if not all, of the marketing!

## 14. Beware of government funds being used to compete with industry

**At all costs, the government must avoid competing with industry.** And the danger of providing funds to government agencies, without a well-considered whole of government approach, is that they will inevitably do just that.

The government should get out of film/TV production wherever this has the potential to compete with the private sector. The very real danger, for instance, of giving **Film Australia** substantial funding for a History series, as has happened recently, is that it will destroy the market for private sector companies that would have otherwise have generated funds for commercially identical films; government bureaucrats (albeit sometimes with industry advice) are in essence determining which films are made (at taxpayers expense), when this should and could in many cases be left to the market.

The **ABC** Natural History Unit presents an even clearer case. It has recently used government funds to pay the BBC to make a series about Australian wildlife – worth over \$10 million in the international marketplace – that would otherwise have been

made by Australian companies. The BBC is now earning \$10 million, derived entirely from Australia's natural resources, instead of Australians.

[Clearly there is an argument that support should be given to "important" films that would otherwise not be made. But it becomes a serious problem for the industry when government funds are used, albeit inadvertently in some instances, to undermine the very industry they seek to support].

**Ausfilm** represents another instance where great care needs to be exercised. Spending money to promote Australia as a location is of no benefit to the local film industry if it means that an overseas production simply comes over here with its own crew. Far better to use those funds to develop the local industry to the point where it can fully exploit its own locations and value-add to its own natural resources. Waiting around for overseas companies to visit us and, occasionally, employ a few Australians is no basis for a sustainable industry. You only have to look across the Tasman to see the impact on the entire national industry of one major production with significant local ownership (*Lord of the Rings*), relative to impact of the procession of overseas-owned productions that have visited Australia.

One of the most important aspects of a whole of government approach is for the tourism sector to be more closely aligned with the film and television industry. It is this industry, along with other media, that creates the products upon which Tourism relies for its marketing. Yet **one of the major policies of Tourism Australia, through its infamous Visiting Journalists Program, is to subsidise overseas journalists, photographers and filmmakers to come to Australia to do work that can and should be done by Australians!** The budget allocated to these subsidies, including the employment of overseas government agents to attract overseas media personnel, runs into millions of dollars.

If these same funds were directed towards Australian media personnel, those with access to the same international markets and far more experience of the Australian subjects they are depicting, the results would be better for Tourism, better for the Film and Television Industry, and better for Australia.