

# **SUBMISSION TO THE REVIEW OF AUSTRALIAN GOVERNMENT FILM FUNDING SUPPORT - ISSUES PAPER MONDAY 7TH AUGUST, 2006**

*Comment is sought on:*

- *the key challenges facing the Australian film and television production sector;*
- *whether there are impediments to investing in Australian film production;*
- *whether the industry can do more to increase its competitiveness, both in the marketplace and as a vehicle for investment; and*
- *whether the industry is suitably responsive to audience demand.*
- *whether the current Government objectives for the film sector are appropriate;*
- *the areas where Government support is most needed or appropriate;*
- *the appropriateness of the current balance of support between genres and platforms; and*
- *the best way to maintain overall consistency in Government support programs with the general principles outlined above.*
- *the effectiveness of direct and indirect funding;*
- *the relative strengths and weaknesses of direct and indirect support mechanisms;*
- *whether the existing balance between these support mechanisms used by the Australian Government is still appropriate and effective; and*
- *if not, what a more appropriate balance might be.*
- *whether tax incentives are still an effective and appropriate mechanism;*
- *the appropriateness of the current 10BA/10B schemes;*
- *whether a tax incentive for producers should be considered instead of a tax incentive for investors;*
- *the criteria which should apply for Australian participation in any incentive scheme; and*
- *any other models that might be effective in encouraging private investment.*
- *whether current agency functions and structures are appropriate;*
- *whether the 'many doors' approach is the most effective; whether it should continue to apply, and if so, to what extent;*
- *ways of making support for script development and production more effective;*
- *the most appropriate way of treating specific formats such as drama, documentary or children's programming;*
- *whether different mechanisms are needed for productions supported solely for cultural or national significance reasons, compared to projects with higher commercial potential;*
- *whether there is an adequate focus on the commercial prospects of projects;*
- *whether support should be directed or redirected to other areas, to improve effectiveness in, for example, distribution, marketing, new platforms or formats;*
- *ways of using Government support to leverage greater income from other sources;*
- and
- *whether past success should be rated more highly than it now is as a funding eligibility criterion.*

To quote from the "Issues Paper":

The last decade has been difficult for Australian films. (Page 4)

The Australian film production industry is made up mainly of a large number of small

firms with low profitability. (Page 6)

There is also considerable debate about the degree to which the film industry is

genuinely responsive to audience demand. (Page 10)

My submission concerns quite a few (though not all) of the above points on which comment is sought.

First of all, I will introduce myself and give a brief background.

My name is David Knaggs and I am an independent filmmaker (Writer/Director/Producer). I started in corporate video seven years ago and have progressed through short films, TV commercials (for country television), have made two pilots for TV shows and am currently wrapping up production (only one more day's shooting to go as I write this) on my debut feature film called "Love Match". Love Match is being shot on a High Definition format (not film).

I'll now make my first points:

a/ It is my firm belief that the ONLY chance the Australian Film Industry has of resurrecting itself is through Digital Cinema.

b/ It's not 1975 any more. The AFC model no longer works. There needs to be a Digital Cinema model instead.

But for the industry to resurrect itself (or perhaps to create itself properly for the first time), it needs to straighten out its sore points. These points, uncorrected, have driven this industry into a state of non-existence (which is why investors have no confidence in it):

1/ A feature film is the most expensive art form on the planet.

2/ The correct target of any art form is people, not critics and certainly not other people in the industry (the inner sanctum). The correct target is people.

3/ Although it's obvious that the only way to sustain such an expensive art form and be viable is to in fact communicate that art to people (rather than the inner sanctum), this gets continually violated. This is because filmmakers get "educated" into doing it by the following means:

a) when a filmmaker makes a short film, he/she can't just show it to people. It first must be submitted to a Panel. The films that are then shown are only the ones that the panel likes. Therefore a filmmaker has to then aim his short at what he/she thinks the panel will like or it won't get shown.

b) when a filmmaker tries to get funding from a government funding body, he/she again must tailor the project to what the people on the funding body will like. Statistically (box office figures), this is not the same as the audience.

4/ Methods of distribution and exhibition: This is currently geared around 35mm film and is way too expensive for this market. I have been told that a print copy (35mm) of a feature film costs about \$2,000. If this is true, then getting a movie onto 500 screens would cost a million dollars. And that's not even taking into account the advertising costs. All of the multiplexes (Hoyts

and Village) are still operating with 35 mm film projectors. The only theatres that I know of in Melbourne with Digital Cinema quality projectors are ACMI and one at the Jam Factory. It is quite clear that distributing feature films in a digital (HD) format will be much more economically viable (cheaper) so the real problem is getting the local cinemas to convert to digital projection.

An analogy (historical) for this would be back when cinemas would only show silent movies, even after sound equipment had been developed. Because of the expense of conversion to sound, cinema owners preferred to keep their cinemas silent. But after "The Jazz Singer" was a smash hit and the public demand was proven, all of the cinemas installed sound systems.

Recently in the USA, very few cinemas were converting to digital projection - until the major Hollywood studios agreed to subsidize (pay) for their digital conversion. Now a great many are converting.

This is not the case in Australia (currently).

### **Recommendations that might stimulate rapid expansion of the film industry:**

1. Maintain and increase tax incentives for investors such as 10BA. Investors will come back to the industry once more filmmakers decide to communicate to the audience (rather than to funding bodies, critics and the Inner Circle).
2. The government should get out of the film industry. Remove that "artificial crutch" and leave the main elements - filmmakers, investors, distributors, exhibitors and the audience - to find each other and sort things out. The strongest film industry in the world is the US film industry (Hollywood). That model doesn't need or want government funding bodies. But it does get tax incentives. I think the "government in the film industry (AFC)" was a good thing and very much needed - back in 1974. But it doesn't work today. I believe the government's efforts should be directed instead into stimulating the proliferation (production, distribution and exhibition) of Digital Cinema. And here's how to do it.
3. Spend a large chunk (or all) of that \$160 million (as listed on page 9 of the Issues Paper) on getting all Australian cinemas to convert to digital exhibition (in the same manner that the Hollywood studios are subsidizing the cinemas in the US). This makes it possible for a local filmmaker to shoot a feature in HD and simply bring it to the audience. My part of Australia (Melbourne) is very culturally rich and blessed with an abundance of terrific actors (most of whom have to moonlight as waiters and receptionists, etc. due to the non-viability of the industry) plus excellent cinematographers, make-up artists, etc., etc. With the new generation of HD cameras (some cost less than \$10,000 now) plus the fact that all post-production can be done (if it needs to be) on a Macintosh computer with software (Final Cut Studio) that costs less than \$2,000, all of the elements are there for an absolute explosion of

Australian film-making - IF THE CINEMAS ARE EQUIPPED TO PROJECT DIGITAL FEATURE FILMS.

4. (Conditional) If it takes a while to convert the cinemas to digital, then an interim solution might be to subsidize the cost of doing a film transfer for currently completed digital movies, so that they can be brought to a broader audience in the meantime. But the only criteria used for this should be the audience, i.e. get in some test audiences to ACMI (which has digital projection) and play the movies to these audiences and determine from audience response which films are "worthy" of a film transfer. But if you're thinking about getting a panel to "judge" which ones they like as the criteria, then forget I even mentioned it!

Yours sincerely,

David Knaggs

Executive Director  
Impact Pictures