

# **Review of Australian Government Film Funding Support**

Submission by Pru Donovan - Producer and Film Accountant

## Key Issues

What does the Australian film industry need to do to increase its chances of success and sustainability?

Please allow me to preface my comments by saying that my interest and passion is in the feature film industry, therefore most if not all of my comments are aimed to address issues I believe may assist in encouraging the success and sustainability of the independent feature film production sector.

## **The Key Challenges facing the Australian film and television production sector.**

I believe the key challenge facing the feature film production sector is:

How do we make and market films which are economically and culturally viable?
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### **Comment:**

Films which are culturally viable may not be economically viable and vice versa. I believe we need to recognize this and change our attitudes to funding based on whether a film is considered part of our “cultural” fabric and aimed at training our creative talent for distribution at film festivals around the world or whether it is a “commercial” film aimed fairly and squarely for distribution in the world market.

Let’s simplify and streamline the rules for everyone.

Films which are considered “cultural” because they are uniquely Australian should receive production funding and nurture, whether they are documentary, shorts or low budget training feature films (E.g. to \$2 million).

Films which are considered “commercial” should also be assisted and nurtured in various ways and should be considered “Australian” under 10BA whether they “look” Australian or not, providing there is Australian creative control and the production of the film provides economic benefits for the Australian community including a majority of employment of Australian residents on the film.

Let’s free up the creative process and allow scriptwriters to envision films and tell stories that have substantial commercial elements in them such as larger visual effects and stunts and period costumes and all the things that interest a wide audience.

My belief is that the current funding rules ask the industry to make “little” films and this is the very reason we are not making films that attract a world audience. Why does a drama have to be set in Australia and look Australian? Documentaries don’t have to be set in Australia under 10BA. Why do feature films?

If we want to make commercial films, we need to be able to tell commercial stories, ones with suspense and excitement and wonderful visual elements. New Zealand has shown us the way and we should be taking note.

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If we truly want to revive our industry we need to start making films for the general public not just for film festival audiences.

Once we start achieving that, the distribution industry will begin to trust Australian film-makers to deliver a more viable product to market and it will be the beginning of the possibility of moving the Australian film industry out of its continuing “infant industry” status.

My view is that if the budget for the film supports the possibility of a truly commercial film, i.e. \$10million - \$50 million, which has a proper budget for art department, costumes, visual effects, stunts, and world class actors then that film has a greater chance of making its money back in the world market.

My suggestion is to:

1. Free up the definition of what is an “Australian film” under 10BA and
2. Include marketing costs under the definition of deductible “production costs” (let’s say with a maximum spend) to maximize the possibility that the film can actually be taken to market by the producer, which might be more effective than EMDG grants. Some of our films never see the light of day overseas because when they are made, the producer has no money left to market the film and needs to focus on getting their next film off the ground.

### **How can Government objectives best be met?.**

Current Government objectives appropriate?
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#### **Comment:**

We would all like the industry to be able to stand on its own two feet.

Currently government objectives appear to favor the making of low-budget “art” films.

While this was an appropriate objective in years gone by, unfortunately the market has changed with the closing of art cinemas and we need to find where the audience for Australian films has gone.

If our films are only finding audiences at film festivals, then we need to encourage film-makers to also make films for a wider public. Yes, festival awards can assist with sales and marketing, but do we know whether awards increase the actual box-office for a film? Does it make the wider public choose to see the film, or rather can it detract from the film? Could perhaps the wider public see an award winning film as a “worthy intellectual” exercise rather than a fun or exciting or “cool” experience??

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Let's do the numbers, and respond accordingly to support the making of more "commercial" films on larger budgets, and be very wary of simply funding bigger budget "art" films. "Art" films are a great way for new film-makers to learn their craft, but they also need to be encouraged to make films that not only express their view of the world but also seek to truly entertain the wider public.

I believe Australians would love to see our industry embrace the idea of making films that are less about victims and more about excitement, suspense and wonder.

Given the Government is offering large amounts of public tax offset money to overseas productions to make big budget films and TV series here, then the Australian industry should similarly be encouraged to make large budget films. We effectively make big films for them. Why can't we make them for ourselves and create a viable export market for films made by Australians?

And clearly, if we want to compete with New Zealand for "runaway" productions in any significant way, we are going to have to look at changing the tax offset to a grant.

Areas of support?
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### **Comment:**

Many independent film producers take five to ten years to develop a feature film script, and then it takes up to three to five years to raise the money, get it made and then market it.

All this time, they have no income.

The truth is, there are no business models that work effectively to make an independent feature film production company viable unless you are making at least one film per year or have a continuing source of alternative income. E.g. An ongoing television series, a distribution company association, or some other vocational income e.g. a small studio.

What this means is that some form of assistance is required from the beginning to the end of the process for independent producers making feature films.

### **What balance should be struck between direct and indirect funding?**

#### **Comment:**

Because of the independent nature of the feature film industry, to maintain a certain level of independent production, direct funding is required when indirect funding fails.

### **What options are there for stimulating growth in private investment?**

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Tax incentives and 10BA appropriate?

**Comment:**

The question here is: Why would anyone invest in an Australian film if there are other tax deduction alternatives which have a higher chance of return on the original investment?

In other words, what kind of private investors do we want to invest in films?

If it's just for a tax deduction, then the deduction needs to be competitive with other alternative deductions.

If we were making more commercially successful films, I believe more people would be likely to invest in them. Given that might be true, then the 10BA definition of what is an Australian film needs to be carefully revised to promote the making of more commercial films.

If we did that, and tested the market for three years, we would then be in a better position to assess whether 10BA is still viable.

The 10BA tax incentives are currently not available for companies who wish to provide product placement in the film because of the possibility that the film might be considered an advertisement.

Perhaps there should be clearer guidelines on this to enable large private company investment in films to assist in raising larger budgets for films.

Most film-makers don't want product placement in their films but if it was possible for films over a certain minimum budget to incorporate product placement, it would encourage more private investment in feature films.

Company marketing costs are tax deductible already so this is unlikely to open any Pandora's Box as large companies are more likely to redirect that expenditure away from other marketing programs.

Australian participation?

**Comment:**

Australian content participation needs to be relaxed and simplified. To encourage Australians to make "bigger" films, we need to allow feature film makers to expand their vision, adapt overseas stories and shoot overseas, just as we do with documentaries.

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I don't believe that if the 10BA and co-production content regulations were relaxed that Australians would stop making culturally significant films. The majority of Australian film-makers' love this country and want to reflect our opinions and attitudes to the world. Yes, there may be films made that don't look Australian, but does that really matter in the grand scheme of things if we can create a larger more sustainable industry, able to encompass both cultural and economic outcomes with films that find larger audiences both here and overseas?

Do Australians care if it doesn't look Australian? Who are we in the industry to decide that? From a box office point of view, Australian audiences appear happier to see "Lord of Rings" and "Harry Potter", so why shouldn't we be encouraging Australian film-makers to produce such films?

The criteria?
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### **Comment:**

Given that we want to embrace making more commercial films, then it's important to think about our films as being made by Australians rather than having an "Australian look or feel". This means the rules of "what is an Australian film" would need to be revised.

As the majority of scripts are developed via the AFC, then majority of projects will already have an Australian writer.

My suggestion for simplifying 10BA financing is to define an Australian film as follows:

- A film will qualify for tax concessions under 10BA if the project is substantially made by Australians i.e. has an Australian producer; employs a majority Australian cast and crew when the shoot is in Australia; or if shot outside Australia, post-production is done in Australia.

In other words, let Australians shoot overseas, and let them make films with ideas from anywhere in the world.

We need to consider allowing Australians to employ overseas directors if no Australian director can be found to make the film.

Even if you have a great script, there may be no director here that wants to do it because a lot of Australian directors develop their own projects or have a particular view on the kinds of film they wish to make.

If you can't find an experienced director who wants to do your film, then you are left with inexperienced directors and that means a good script may never be made because it's that much harder to finance a film without a good director or a name cast.

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There are already MEAA and government limits in place that limit bringing in overseas cast, so there's no need to incorporate any further cast limits in 10BA.

The requirements for co-productions could also be simplified.

### **What is the most appropriate model for direct Government support to the film industry? Is the current agency structure a model that is delivering the best possible outcomes?**

Many doors?

#### **Comment:**

I would have thought the majority of the industry is very happy with the many doors approach. Many doors for development and financing are definitely preferable because it encourages a wider range of potential projects.

There is no avoiding the fact that the choice of which films are made has a huge subjective component, thus the more people making those decisions the greater the possibility that something special will occur.

When someone writes a book, they can send it to 100 publishers and there are numerous instances of fantastic books that would never have been published if there was only one publisher.

The same logic applies to film scripts.

I think it's hard to argue successfully that only one or two people could possibly represent the diverse tastes and opinions of the general Australian film-going public.

Leveraging Government support?

#### **Comment:**

As mentioned above, the sustainable business model for a film production company requires a guaranteed stream of production to survive.

Other than the FLIC's and the FFC, the only other real alternative might be to aim to encourage the creation of some kind of studio-style company here in Australia. We now have some very real "star" cast in Australia who may also wish to be involved.

A major challenge for Australian films is getting distribution and exhibition because of the cost of marketing. (Please see my comments regarding the suggestion to incorporate a level of marketing expenses as deductible under 10BA).

Perhaps you could create a company that was a combination of a FLIC with distributor/exhibitor equity. This might have the potential to develop over the years

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into a studio style organization, a sustainable ongoing company with reducing Government support.

Perhaps the EMDG Board could become more commercially oriented in overseas distribution of packages of Australian films or team up with Australian distributors/exhibitors or perhaps the EMDG and FFC could amalgamate.

Also, why not introduce a program where private investors can match AFC script development funding in a script and get a tax deduction for that funding. In that way, it would encourage private investors to get involved from the beginning and assist producers at a crucial time.

Past success rated more highly as a funding eligibility criterion?
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### **Comment:**

If someone can demonstrate success over a number of projects over a number of years, even if some of their projects didn't find the market at the time, their experience means they are more likely to get a project off the ground and deliver a good outcome.

If someone has garnered many awards over time, they become a living national treasure, (e.g. Rolf De Heer). As an outstanding artist in their field, they need to be honored, acknowledged and supported by their community.

If an independent producer has made reasonable box-office from their films over a number of years, which means their films have found an audience, whether you like the films or whether they are culturally significant shouldn't matter, because that producer will have demonstrated a track record of successfully making films for the market.

Such producers also deserve acknowledgement and support because they've managed to do what only a handful of people have ever been able to successfully accomplish anywhere in the world.