



REVIEW OF AUSTRALIAN GOVERNMENT FILM FUNDING SUPPORT

**DEPARTMENT OF COMMUNICATIONS, INFORMATION TECHNOLOGY
AND THE ARTS**

**SPECIAL BROADCASTING SERVICE
AUGUST 2006**



SBS thanks the Department of Communications, Information Technology and the Arts for the opportunity to make a submission into the Review of Australian Government Film Funding Support.

EXECUTIVE SUMMARY

In response to the two main issues addressed in the Department's discussion paper SBS believes that:

- present incentive arrangements do not adequately encourage private investment in television and film production; and
- current administrative arrangements between funding agencies have the potential to, and often do, cause disruptions that hinder the efforts of broadcasters and producers to get quality Australian content to air.

For SBS, this has the potential to inhibit our ability to meet our Charter obligations and grow our audience.

The first of these issues was alluded to in the Government's 2004 Election Policy, which noted that Australian "...actors, directors and post-production crews are internationally renowned" but "...feature film and television production... is in decline and private investment in the sector is at low levels."

To reverse this trend and build a sustainable, culturally relevant and diverse industry, there is a need for investment incentives and effective support mechanisms which strengthen the independent production sector and encourage direct links between producers and audiences. The SBS model of commissioning for broadcast through SBS Independent (SBSi) represents an efficient and effective mechanism to achieve these objectives. Measures that streamline and improve the operation of that model should be supported.

Specifically, SBS believes policy should be targeted at two areas:

- **Growth in the production industry.** SBS supports an expansion of the Refundable Tax Offset Scheme (the "Offset") to improve conditions for investment through indirect funding. Sustainable production levels also require stronger relationships between commissioning and production. The development of Australian filmmakers' track records as regular suppliers of quality content would increase international co-productions and sales.
- **Growth in audiences for Australian content.** The generation of audience loyalty for quality film and television content requires greater consistency of scheduling and more direct measurement of relevance and appeal. A stronger link between the production sector, broadcasters and audiences would enable clear assessment of these factors and generate more responsive commissioning and production decisions.

The current industry support model, with an emphasis on direct funding distributed through a number of funding agencies, creates serious obstacles for broadcasters and producers of film and television content:

- sources of funding are fragmented, requiring filmmakers to spend inordinate amounts of time trying to put together funding from multiple agencies;
- the agendas or selection criteria of different agencies may differ between each other and from that of the broadcaster so a project may not proceed to production even where the broadcaster has agreed to commission the work and has a specific need in its schedule.



The result may be that even where a broadcaster with a strong track record for commissioning quality product supports a production and it has international production funding, it still may not get financed. Long term, this exacerbates producers' difficulties in obtaining international finance and private sector investment.

Just as importantly for SBS, our ability to schedule programs is hostage to the decision making processes (not least timing of funding rounds) of various agencies. SBS believes that critical to growing audiences is our ability to commission streams of quality Australian content that create a coherent whole. SBS is best placed to make the decisions necessary to achieve this because of its direct relationships to producers, the market and audiences.

THE SBS INDEPENDENT MODEL

SBSi has proved an extremely successful model for delivering a combination of cultural and economic objectives. SBSi is unique in the funding landscape because it is both directly connected to audiences and commissions all production from the independent sector. It is arguably the best existing mechanism in Australia for delivering government funds to the Australian film, television and digital media industries.

SBSi commissioned programs are developed to deliver to the SBS Charter. This means the work selected for production provides audiences with diversity and a rich and complex reflection of Australia. In order to achieve this, producers must focus on and engage with the needs of the audience. At the same time the strength of the independent sector is vital to the success of Australian production for SBS television and digital media.

Funding channelled through SBSi is highly targeted because it allows for an expansion of SBS rights acquisitions for the immediate benefit of Australian audiences of the existing SBS channel, on a new digital multichannel, on the web and other emerging platforms. SBSi has demonstrated how funding can be delivered to production companies through licence fees and equity investments to underpin production which engages Australian and international audiences.

SBSi is appropriately resourced to work with the independent sector to combine licence fees and equity investments with indirect support mechanisms, such as an expansion of the Offset. Because SBSi is experienced at partnering with international players there would be a natural fit with the needs of producers seeking to use the Offset model. In addition, SBSi is poised to work with producers to begin exploiting new sources of licence income from emerging digital platforms.

SBS particularly favours the Offset model as it focuses support on the economic growth of the independent sector which now produces 100 percent of all Australian content for SBS (excluding News and Sport). It delivers the benefit to producers empowering them to negotiate the most effective arrangements with investors, distributors and broadcasters. The Offset model favours audiences because the producer will focus on the needs of the market rather than the needs of funding bodies. The unique relationship between SBSi as a commissioner and the broadcaster, SBS, ensures that the SBSi commissioning process works in the interest of building Australian audiences

CONTEXT

The Special Broadcasting Service, as a national public broadcaster with a Charter to 'provide multilingual and multicultural radio and television services that inform, educate and entertain all Australians and, in doing so, reflect Australia's multicultural society', is a natural home and access point for national audiences of for high quality, diverse Australian content.

SBS Independent is the commissioning arm of SBS. Since 1994, SBSi has commissioned almost 1200 hours of high quality first run drama, documentary, animation and feature films shown on SBS Television, with many more currently in production. To date, these programs have won over 600 national and international awards. In 2005-06 SBSi commissioned 267.5 hours of drama, feature films, documentaries and entertainment programs exclusively from the independent sector. SBS Independent plays a key role in supporting the development and growth of Australia's film and television production industry. SBSi commissions ongoing Australian documentary and factual entertainment strands as core business and afford these strands a high priority for promotion and publicity. It has over twenty hours of quality high end drama in production at the time of writing.

CHALLENGES FACING THE AUSTRALIAN FILM AND TELEVISION PRODUCTION SECTOR

Growth in the film and television production sector needs to be developed through the following:

Investment conditions

- *Improved investment conditions through an expanded Refundable Tax Offset*

Investment in production under the existing 10BA and 10B provisions is minimal and diminishing. SBS supports the expansion of the Offset because it focuses support on the producer, eliminates the funding bodies as intermediaries and exposes the producer directly to the market. SBSi already works with producers to secure international co-production and finance partners. This model creates much greater certainty for the producer with regard to financing and for SBS with regard to delivery and scheduling.

Certainty for production sector and broadcasters

- *Clear, efficient processes and clear criteria for direct funding*

Uncertainty for producers directly impacts on SBS's ability to offer attractive scheduling to its audience. Currently producers may do everything 'right' – secure an Australian broadcaster, secure significant international partners, meet guidelines, meet deadlines – and still be denied the final twenty percent of direct funding as the case study below shows.

Case Study 1 - Three hour documentary series: *World of Colours*

World of Colours is an Australian \$3.3 million 'blue chip' documentary series. The financing package comprises ten international broadcasters, a major French production company, two distributors, and two Australian and two international funding agencies. The series has been in development since early 2004 and was commissioned by SBS in September 2005. Broadcaster commitments are based on the expectation that the series will be delivered in late 2007 and in many cases broadcasters have already scheduled the series. The Producer has secured more than 50% of the budget from international sources.

World of Colours was submitted to the FFC in June 2006 requiring just 20% of the budget but was not selected for financing because there were insufficient funds available in that round. It must now be submitted to the FFC in September. The Australian and French producers have invested hundreds of thousands of dollars in development and pre-production in order to stay on schedule. The Australian producer's company will be in jeopardy if the project is not financed in September. The co-production partners are exposed and SBS cannot plan a schedule around this high impact series with any certainty.

Sustainability

- *Longer term planning – putting in place the conditions for long-term growth for independent producers and therefore Australian content*

Drama: Quality drama production levels in Australia currently do not achieve the critical mass which would allow for sustainability, economic growth and cultural relevance. The total number of hours produced needs to be increased.

The failure to achieve critical mass with regard to both the total hours produced and the viability of long run drama negatively impacts:

- economic sustainability for the independent sector;
- SBS's ability to schedule long running drama to build audience loyalty; and
- Australia's capacity to sustain creative talent and technical personnel.

Documentary: Documentary production needs to be developed at the high quality (more expensive, longer running series eg *The Colony, Divorce Stories, Who Do You Think You Are*) to ensure significant, ongoing production levels. Such output is required to establish Australian producers' international reputations as regular suppliers of quality product. Fragmentation of funding and other obstacles need to be resolved to provide greater economic viability for smaller producers.

Development of content for new platforms

- *Drivers for digital uptake*

In order to increase multi-platform production and production specifically developed for emerging platforms, there needs to be a stronger, more agile and dynamic industry. Producers need to be upskilled to identify opportunities for the development of multi-platform productions relevant to emerging audiences. These skills can be developed through collaboration with broadcasters who are actively engaging with opportunities on new platforms, such as digital and online pilots. For SBS, these are not optional extras – they are now crucial to its delivery of content to audiences and its role as a public broadcaster.

International coproductions and overseas sales

- *Substantial, distinctive content that will attract audiences in overseas markets.*

SBS commissions drama which is of interest to overseas buyers because it is distinctive. However the number of episodes which can be funded under the current system is generally too few to fulfil overseas programmers' needs – they are looking for three or four seasons of thirteen parts in preference to one season of six parts. The current funding arrangement limits Australian independent producers' capacity to market their drama overseas. In addition short runs contribute to the problem of sustainability because there is not the critical mass of production to make economies of scale available to producers.



Challenges specific to SBS

In working with the independent production sector to develop content to meet Charter obligations and deliver to its schedule, SBS faces serious limitations due to the rigidity and convoluted processes of the current system. SBSi currently works with producers to apply for federal funds allocated through other agencies with different sets of criteria, a process of 'artificial leveraging' as production budgets are ultimately pieced together from the same overall pool of Government funds. The impact of this system is that SBS has little power to commission productions without being second guessed by agencies far less connected to audience demand and outcomes.

Success and sustainability: the SBSi model

The SBSi model has worked extremely well. SBS is committed to increasing the number of hours of Australian production on screen, and despite the obstacles is doing so. However it is held back by its inability to offer sufficient licence fees to guarantee that production occurs in sufficient volume to satisfy the SBS's needs or those of overseas investors.

In the case of documentary production, broadcasters offer a much lower proportion of budgets to producers than is available to their international counterparts. However any increase in SBSi licence fees means dropping the number of hours delivered to SBS. SBS needs more hours not less. It would willingly be able to accommodate double the number of factual hours into its schedule.

For drama the proportion of budgets offered by SBSi as pre-sale is more workable, however the budgets are low by international standards. And the total amount of drama delivered, whilst significantly higher in recent years, is only a tiny fraction of the available hours in the television schedule.

With additional funding, SBSi would be able to offer up to 65% of drama and documentary production budgets as a licence fee. Together with an expanded Offset, this increase to SBSi would allow producers to finance production swiftly and with certainty. This would create an environment where SBS could:

- commission significantly higher volumes of production;
- develop sustainable practices through long-term planning; and
- tailor content and schedules to better deliver on the SBS Charter.

If a greater portion of direct funding were allocated to SBSi, it would be highly motivated to work with the producer to secure international participation, because the more funds that flow from these sources, the more work SBSi can deliver for broadcast. This would constitute genuine leverage by growing the net amounts available to Australian producers as opposed to the artificial leverage of funding through multiple government agencies. Unlike the funding agencies, SBS is also a buyer in the international market with strong existing relationships with other broadcasters, distributors and producers, and so is well placed to support Australian producers' international sales.

With additional funds flowing into the independent sector stimulated by the Offset, SBS envisages direct agency funding would be increasingly applied to innovation, experimentation and the development of content for new digital platforms. As an end user, SBS is keen to partner in this development to address the current lack of industry experience and expertise and to ensure the delivery of content to SBS's new platforms.

INDUSTRY RESPONSIVENESS TO AUDIENCE DEMAND

Audiences are seeking greater engagement through media. In order to provide this, industry must develop and build the following.

Quality Australian content to grow and retain audiences

- *Engaging audiences/creating markets for Australian content*

Audience loyalty for Australian content, broadcasters and new platforms can be cultivated through the development of distinctive, high-quality substantial drama and documentary series that build strong positive audience identification.

In order to deliver culturally relevant and engaging content for Australian audiences, there is a need to immediately increase the production of work which targets the gap in what is currently available to those audiences. SBS has identified these gaps as:

- consistently scheduled, long run drama programs;
- high quality shorter run drama productions
- a greater volume of factual content; and
- high quality, themed documentary series.

In drama, SBSi aims to commission an additional 40 hours of long and short run drama per year, creating audience awareness that SBS is a destination for innovative Australian drama. In documentary, SBSi aims to commission themed series of between two and thirteen episodes from larger production companies, scheduled in topical seasons with one-off programs contributed by smaller producers.

Relevance and appeal

- *Engaging, local content*

In order to develop Australian content which is relevant and appealing to Australian audiences, there needs to be a strong relationship between the funding decision makers, the production sector and audiences for the content.

SBS is well-placed to assess the appeal of content as it has daily engagement with audiences, measured minute by minute. SBS has built audiences for Australian factual content to four times their previous numbers by committing to regular slots for such content. The audience appetite is undoubtedly there, however the obstacles to delivering this sort of programs are immense.

Case Study 2 - A documentary season on contemporary Australian Muslim life

SBS decided to commission a 4-6 hour documentary season on contemporary Australian Muslim life for broadcast in the second half of 2007. Two films dealing with different aspects of the aftermath of the Cronulla riot have been in development since February 2006. Both were commissioned by SBS prior to submission to the FFC in June 2006. *Race for the Beach* secured an international pre-sale from the prestigious BBC2 'This World' international current affairs strand. *Race for the Beach* was financed on July 19, but the other program, *After Cronulla* missed out as the FFC decided that the project did not qualify as a documentary under FFC guidelines. It must now be resubmitted to the FFC in September with no certainty of the outcome.

Meanwhile SBS Commissioning Editors are talking to independent producers to develop other documentaries for the season. However these other documentaries will be subjected to the same uncertain financing corridors. To be relevant, the Cronulla documentaries must go to air while the story is still current. In these circumstances a high-profile documentary season cannot be planned with certainty.



Building Audiences for Australian content

The 2006 *Connecting Diversity: Paradoxes of Multicultural Australia* study revealed that younger Australian audiences consider cultural diversity to be a mainstream in Australian society, engage critically with media content and are seeking better engagement with media content. SBS Charter content challenges stereotypes and engages with social issues in creative ways in order to reflect contemporary Australian diversity. SBS also has a direct responsive relationship to audiences developed through:

- audience measurement conducted on a minute-by-minute basis
- regular qualitative research conducted on audience attitudes and engagement with particular types of content.

In order to attract and engage audiences with its Australian content, SBSi aims to commission programs of an international standard, on a par with the best world programming which is regularly shown on SBS and schedule these in consistent, well-promoted branded series.

GOVERNMENT SUPPORT

Building a Strong Independent Production Sector

SBS believes that Government funding is most appropriate when it results in a direct relationship between the production sector and audiences. In Australia, as in most countries, those audiences are primarily television audiences. Strengthening the economic position of independent producers should be a priority. Instead of funding project development and production through agencies that are one step removed from audiences SBS recommends a model which allows producers to engage directly with broadcasters and private investors. This would require higher licence fees from broadcasters and increased incentives for investment in the sector.

Diversity and Cultural Value

The Government's cultural objectives for the film industry, of ensuring a 'rich variety of high quality film, television and other audio-visual productions' and maintaining an emphasis on work that is 'culturally significant' are well served by the approach of SBSi. SBSi has a commitment to commissioning a diversity of content, styles, perspectives and formats, all of which deliver on the SBS Charter.

DIRECT FUNDING

Direct support is a crucial part of Government policy for film and television however the existing arrangements have created considerable obstacles to the further development of the industry. SBS believes that direct funding should have as its primary objective the expansion of film, television and digital media offerings to the Australian public.

Issues facing broadcasters and producers

There are currently a range of obstacles in accessing direct funding which limit the effectiveness of funding in the sustaining the industry. These include:

Fragmentation of the domestic financing system

The domestic financing system is highly fragmented. It comprises numerous funding and production agencies at both State and Federal government level, each typically contributing no more than 15 - 60% of any production budget. Within one agency there may be several programs relating to different stages of development.

Domestic investors in SBSi productions include the Film Finance Corporation, the Australian Film Commission, Film Australia, the NSW Film and Television office, Film Victoria, Pacific Film and Television Commission, ScreenWest, Screen Tasmania, and the South Australian Film Corporation.

No single funding organisation can effectively commission quality television drama or documentary of any scale. For the vast majority of production, a pre-sale is required to trigger agency funding. However, a pre-sale does not ensure agency funding.

At the most basic level the need to put together multiple agency funding consumes inordinate amounts of independent producers' time which should be spent on the production. This problem flows through the industry. Productive time is disabled and squandered as key creative personnel try to keep themselves available for 'blue chip' projects throughout the months of uncertainty resulting primarily from the fragmented funding process.

Competing agendas between funding agencies

While they share some common broad intentions, the agencies (and the programs within them) have multiple criteria and agendas. When these criteria are not compatible with each other they can cause projects to become distorted for the sake of raising the budget.

Although SBSi is usually the first to make an offer on a future SBS production, the producer carries the risk until the financing package is in place, at which time SBS and the other parties contract with the producer. On the basis of an offer from SBS, producers can spend months or even years approaching investors both in Australia and overseas, but may ultimately not be able to finance the production because they are deemed not to meet the criteria of one or more investment agencies.

Agency development funding is disconnected from commissioning processes

The agencies develop projects independent of the broadcasters' commissioning intentions. This is seen by some as a "many doors" approach. SBS believes this is often an unproductive use of government funds.. If the market has no intention of commissioning the developed project, there should be question as to whether it should be funded in the first place. This is not to say that there is no place for development of innovative or speculative content. However, this should be limited and in general it would be better if broadcasters' intentions were a primary consideration in funding decisions. SBS believes that broadcasters should determine their own development priorities as they are closest to the market/audience.

Case Study 3 - The disconnection between commissioning and funding

SBSi may partner in the development of project which may attract the interest of Film Australia. Film Australia then requires that all rights (included SBS's rights) be assigned to them. In one recent instance, a project went through eighteen months of development (Film Australia's choice of development path, not necessarily the producer's nor SBSi's) and then Film Australia decided not to proceed and returned the project back to the producer with an initial bill heading for \$70K. So a project SBSi has identified it wants to commission and, in this example, did commission, has been held up for a very long period of time and then massively financially burdened.

Funding decision dates

Each Australian funding agency operates its own project assessment and approval process with application rounds occurring as infrequently as once, twice, or four times a year, with decisions taking ten weeks or more to be finalised.

Production development: Typically once SBS expresses interest in seeing a production idea developed the producer must then approach one or more agency to finance or co-finance development with SBS.

Production: Once SBS decides to commission a project and makes a licence fee offer to the producer (typically 10-50% of the production costs), the producer must then approach two or more funding agencies in order to finance the production. Producers with higher budget productions with overseas market potential face even more complex financing models, typically involving up to ten international broadcasters, international financing agencies, sales agents or distributors, an Australian broadcaster and two or three Australian government agencies.

As a result of this system, it usually takes a producer a year or more just to finance a relatively simple production. Complex productions with numerous international players may take two or three years to finance.

Every Australian program that SBSi commissions is subject to the fragmentation of the domestic financing system, protracted funding deadlines, and competing funding criteria. This state of affairs creates great uncertainty for SBS as a broadcaster. It is very difficult to commission for the schedule or to commission themes of topical interest to the Australian audience because the financing corridors are extremely slow and the outcomes are uncertain.

Case Study 4 - *Wedding Sari Showdown* sequel episodes

Wedding Sari Showdown was an award winning, critically acclaimed half hour documentary by a first time filmmaker that screened on *Inside Australia* in 2006. SBS decided to commission two sequel episodes based on time critical events, with a total production budget of \$250,000. Although the production is currently being filmed, the Producer's financing corridor involves four applications to two agencies, with the last agency decision not due until 15 December 2006, four months before the Producer is due to deliver the completed programs to SBS.

Wedding Sari Showdown Sequel Funding Application decision dates:

AFC Time Critical Funding: 28 July 2006

Film Victoria Production Investment: 29 August 2006

Film Victoria Production Investment: 28 November 2006

AFC Production Investment: 15 December 2006

In order to assist the Producer SBS will offer a small production advance and provide a staggered payment schedule on the contract, so that the first episode will be cash flowed before the second episode is financed. However neither SBS nor the producer has any certainty that the series will ultimately be financed by the other agencies.

'Many doors' leading nowhere

SBSi does not agree that the current system actually offers many doors to producers. Rather we see that it offers fragmentation, prevarication and inefficiency. The experience of independent producers is that without a broadcaster's involvement they cannot trigger significant production funding, however the failure of any one agency to participate can thwart production. This is a negative model and certainly does not provide 'many doors' to successful production, distribution or delivery to an audience. Many producers are forced to develop and cash flow their own productions because of the fragmented funding system, yet they are generally disallowed (by the same funding bodies) from taking the sort of risk reward that such action would generate in other industries. Consolidation of funding arrangements would remove much of the pressure to take such risks or alternatively may allow it to be properly rewarded.

A Unified Agency

For television drama and factual programming SBSi supports the formation of a unified agency to continue to perform many of the cultural and industry development programs currently supported by the AFC. A small proportion of funds should be set aside within the unified agency for experimentation and innovation.

SBSi supports the on-going direct funding of feature films through an FFC style qualitative assessment process. This is a flexible mechanism that combines assessment by industry professional with the need for some marketplace commitments. This mechanism should be maintained for feature films with production budgets up to \$8 million.



SBS is concerned that restructuring the funding bodies and introducing an Offset at exactly the same time will cause massive disruption in an industry that is currently not robust. The expansion of Offset would have to be assessed for effectiveness before any substantial cuts to direct funding.

INDIRECT FUNDING

The Refundable Tax Offset and the SBSi model

The 2004 Government election policy noted the Governments' commitment to the Offset including its extension to television series and serials. The Offset scheme currently provides a rebate of 12.5 per cent of eligible film production costs in cases where qualifying Australian expenditure exceeds \$15 million. SBS strongly supports the expansion of the Offset model. Extending the Offset option to increase investment in the independent production sector would empower producers and effectively build indirect funding into the industry. It would allow for more flexibility and sustainable development of the production sector overall.

The balance between support mechanisms needs to be shifted in favour of audiences. SBS believes this will be best achieved by a model that favours a more direct relationship between filmmakers and the market. This direct relationship will occur if there is an appropriate adjustment to SBSi's ability to offer licence fees that dovetail with the Offset level. Government funds re-directed to SBSi will be funding rights acquisitions for Australian audiences and increasing the diversity of programming available to Australian audiences.

With appropriate adjustment to the funds available for SBSi 'pre-sales' there would be fewer obstacles to the SBSi commissioning process, thus efficiently triggering significant production from the independent sector. This would create certainty, greater sustainability and would allow SBS to build audiences for Australian content.

It is not expected that significant changes to production budgets would result from the Offset. Most budgets already carry substantial costs in the form of legal fees for servicing agreements with multiple parties and FFC fees that would no longer be applicable. Producers may also be able to take advantage of a number of State based cash-flow facilities that are already operating – effectively allowing them to invest in the own productions without any of the abuses that occurred under 10BA.

SBS supports the Offset being expanded to allow access to Australian producers with projects with production budget minimums as follows:

- \$1 million for feature films
- \$500K per hour for television drama
- \$200K per hour for documentaries
- \$250K per hour for long run drama

SBS believes the Offset percentage of budget should be:

- 45% for feature films
- 35% for 'high-end' drama
- 35% for documentaries
- 20% for long run drama series

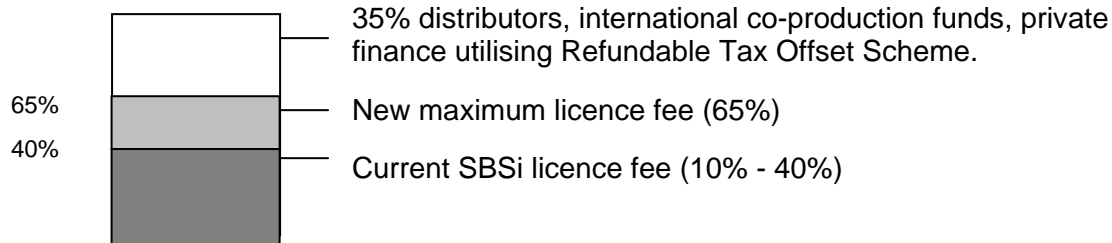
The current 10BA/10B schemes

SBS supports the continuing existence of the 10BA/10B schemes in their current tax-neutral forms for non-Offset productions until the Offset model is clearly stimulating substantial production.

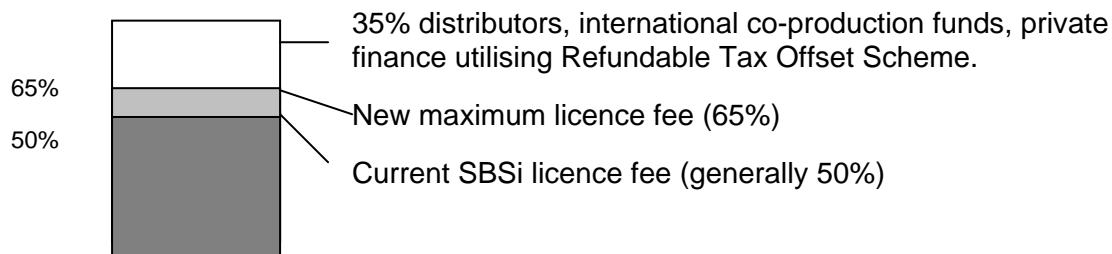
NEW COMMISSIONING EQUATION

The proposed model would allow SBSi to contribute licence fees in a range up to 65% of the budget as follows:

Factual Productions



Drama Productions



The 65% licence fee would be the maximum required to trigger production. SBSi has the expertise to accurately predict the particular presale level required for each production, taking into consideration international funding opportunities, State Government commitments and potential private investment.

Genres and platforms

The Offset model combined with SBSi’s commissioning practices will stimulate significant development across a range of genres.

SBS believes that there is room for stronger support of television drama, factual programming and also drama and factual programming specifically designed for multi-platform and emerging platform dissemination. As SBSi has increased the commissioning of Australian documentaries, the audience for this work has grown vigorously. There is now very strong demand for factual programming with audiences reaching four times the levels of recent years. There is clearly a ‘greater appetite’ than there are available funds. As has been proved with documentary, SBS expects audience demand for Australian drama to grow in response to more hours being aired. SBS has a track record of innovation with regard to work that expands and crosses traditional genre boundaries as well as pioneering new animation talent such Adam Elliot, director of the Oscar winning *Harvey Krumpet*.

DEVELOPMENT AND SKILLS IN THE FILM INDUSTRY

Development

Supporting SBSi's ability to offer appropriate licence fees will underpin private investment and expand engagement with the international market. In this context producers should be able to marginally increase the overhead components of their budgets from less than 3% to around 10%. The current figure cripples independent producers and forces them back to the funding agencies for meagre development funds even after successful productions. A reasonable overhead will allow them to re-invest in the development of their own work - most probably co-funding it with an end user such as SBS. Producers will be able to seek a much clearer indication of the level of market/audience interest in their project before spending their own funds. Similarly, better resourced producers will be in a position to support apprentices.

Currently, funding bodies have something of a monopoly on the development of new talent. SBS consistently encourages producers to work with new talent and has devised numerous creative ways to support them whilst still delivering quality work to its audiences. Diversity of production companies as well as diversity of product would be served by further supporting producers to participate financially in developing their own slate and to support apprentices.

Cultural Value and Commercial Success

SBS strongly believes that cultural value and commercial success are not mutually exclusive. It is, however, important to acknowledge that the latter does not guarantee the former. Commercially sustainable models should be implemented in line with strong incentives for the development of diverse content which is of cultural benefit to Australia. SBSi commissions productions according to the SBS Charter and the Strategic Principles of SBSi. These set clear goals for reflection a range of contemporary voices in Australia film and media.

SBSi is also well placed to assist in the commercial success of projects both within Australia and overseas. SBSi employs a small group of commissioning editors – all of whom have worked professionally as writers, directors and producers of film and television. They are experienced in guiding filmmakers both creatively and commercially. Working alongside SBS Television and SBS Digital Media, they are acutely aware of the needs of the broadcaster and highly sensitive to audience demand. They can advocate for the needs of the network to the filmmakers and visa versa in a manner that strengthens both.

SBSi helps producers understand their Australian audiences. When considering new programs, commissioning editors predict the demographics of the audience, propose timeslots, consider the attractiveness of titles, look for marketing and publicity opportunities, consider classification, ratings, legal issues and a whole raft of other audience-based concerns. These issues are not theoretical in the way they might be for a funding agency – they are of utmost importance.

Commissioning editors regularly attend international markets where they work directly with the filmmakers helping them identify co-production partners. Success at these markets is extremely important for SBSi. Failing may mean a significant hole in the schedule, the collapse of a season, or the loss of a peak promotional opportunity for new work (for example during the SBS *FIFA World Cup* coverage).

SBS Television is also a buyer in the international market, with strong existing relationships with other broadcasters, distributors and producers, and so is well placed to support Australian producers with international sales.



SBSi AND THE RELATIONSHIP TO THE BROADCAST ENVIRONMENT

SBSi can contribute to production through pre-sales and investment in any proportion to the total budget. Commonly this is in a range from 10% - 100%. SBSi is perfectly positioned to target the exact amount of funds required to ensure production occurs. SBSi may offer a licence fee and investment amount which requires the producer to secure overseas funds. Whereas funding bodies tend to get tripped up by their own guidelines, SBSi is in a position to observe the market response to a project, determine the value of the project to the SBS audience and then adjust the commitment up or down accordingly. SBSi functions as an appropriate market force taking into account many factors including, for example, its previous commitment to development of the project. In the current multi-agency model, significant development funds committed by one agency are of no particular concern to another agency's production investment commitments.

SBS is an end user and SBSi is its supplier. SBSi is committed to identifying successful producers and rewarding and building on their success. This is an imperative for SBSi, as it is measured against the Charter and the performance of all its content with national Australian audiences. Building the applicability of resources in this environment would strengthen the industry by directly and straightforwardly engaging producers, audiences and the market.

**Special Broadcasting Service
August 2006**