

## **Australia's film industry: size, scale and benefits**

### **Introduction**

2.1 This chapter deals with the following terms of reference:

- the current size and scale of Australia's film, animation, special effects and electronic games industries (term of reference (a)); and
- the economic, social and cultural benefits of these industries (term of reference (b))

as they relate to the film industry. Australia's electronic games industry—size, scale and benefits—is addressed in Chapter 3.

2.2 In examining the size and scale of Australia's film industry (which is defined below), this chapter considers:

- production (across television, feature film, television commercials, animation, documentary, children's television, special effects and post production); and then
- distribution (beginning at paragraph 2.110).

The chapter then addresses the economic, social and cultural benefits of the film industry (beginning at paragraph 2.153).

2.3 Australia's film, animation, special effects and electronic games industries are part of a larger creative industries grouping: 'Creative Digital

Industries'.<sup>1</sup> This recognises the core element in these industries: creative, and the dominant technological base: 'digital'. Apart from the production and distribution of film and television programs, and electronic games, this sector includes:

- the evolution of film and television programs into digital and interactive TV, interactive and online games;
- re-usable electronic education content;
- marketing and supplying the holdings of museums, galleries and libraries in digital form, so that they can be used as factors of production;
- the internet based publishing of music, text, films and games; and
- development and marketing of software and online services that create digital media and visual effects or help manage and publish them.<sup>2</sup>

2.4 The last time comprehensive figures were collected—2000—Australia's film, animation, special effects and electronic games industries were shown to make a significant contribution to the economy.

Table 2.1 Australia's film, animation, special effects and electronic games industries, 1999-2000

Sector	Revenues (million)	Employment
Film and video production	1,473.8	15,195
Film and video distribution	-	1,426
Film industry exhibition	1,046.1	9,282
Free-to air television services	3,865	15,855 <sup>3</sup>
Subscription television	910.9	-
Video (wholesale and retail)	998	11,034
Electronic games software and hardware	794	700 [2003 estimated]
Totals	9,087.8	53,492

Source *Electronic game employment: The Allen Consulting Group, Game industry development strategy, October 2003, p. 13; Film industry: Australian Film Commission (AFC), Get the Picture (on line), 'Service Industries Survey, to 2000', downloaded 22 January 2004 from: <http://www.afc.gov.au/gtp/oesummary.html>; 'Key statistics for the Australian film and video production industry', downloaded 22 January 2004 from <http://www.afc.gov.au/gtp/mpkeystats.html>; and submission no. 58.*

1 P. Higgs & T. Kennedy, *From Cottages to Corporations: Building global industry from Australian creativity*, Creative Industries Cluster Study, Stage Three, Department of Communications, Information Technology and the Arts, 12 December 2003, p. 6.

2 *ibid.*

3 Including public radio and public and private television.

2.5 These industries have a high potential for integration: skills and creativity in one area can be adapted and used to support another.<sup>4</sup> Culturally and economically these industries matter and the effects flow on to other core areas: education, health and defence.<sup>5</sup> According to Higgs and Kennedy, the broad creative digital industries foster national identity, societal cohesion and they are employers:

...there are 15,000 organisations in the sectors that make up the Creative Digital Industry and these employ almost 100,000 people. Adding the other interdependent traditional creative and cultural sectors brings the total employment to over 211,000 people.<sup>6</sup>

2.6 Globally, the creative entertainment and media industries are growing constantly.<sup>7</sup> PricewaterhouseCoopers predicts a compound annual growth rate of 4.8 per cent per year between 2003 and 2007. In 2002 the creative entertainment and media industries were estimated to be worth some \$2.1 trillion worldwide and likely to grow to \$2.7 trillion by 2007.<sup>8</sup> In 2002, Australia was ranked, in terms of:

- the number of feature films produced: twentieth;<sup>9</sup>
- total box office revenues: eleventh;<sup>10</sup>
- production investment in feature films: thirteenth;<sup>11</sup>
- the total number of films released: fifteenth;
- the number of domestic films released: sixteenth;<sup>12</sup>
- the total number of cinema screens: twelfth;<sup>13</sup>
- the total number of cinema admissions: thirteenth;<sup>14</sup> and

4 P. Higgs & T. Kennedy, op. cit., p. 7.

5 *ibid.*, pp. 13–14.

6 *ibid.*, p. 16.

7 PricewaterhouseCoopers, *Australian media and entertainment outlook: 2003–2007*, Sydney, 2003, p. 4. The media and entertainment industries in this study include the core elements of Australia's film, animation, special effects and electronic games industries.

8 *ibid.*, p. 3.

9 AFC, *Get the Picture Online*, 'Number of feature films produced in Australia and other countries, 1997–2002', <http://www.afc.gov.au/gtp/acompfilms.html>, viewed 23 January 2004.

10 AFC, *Get the Picture Online*, 'Total box office revenues in Australia and selected countries, 1999–2002', <http://www.afc.gov.au/gtp/acompboxoffice.html> viewed 23 January 2004.

11 AFC, *Get the Picture Online*, 'Top 20 countries ranked by production investment in feature films', viewed 23 January 2004 at: <http://www.afc.gov.au/gtp/acompinvestment.html>.

12 AFC, *Get the Picture Online*, 'Number of films released in Australia and selected countries, 1998–2002', viewed 23 January 2004 at: <http://www.afc.gov.au/gtp/acomprelease.html>.

13 AFC, *Get the Picture Online*, 'Number of cinema screens in Australia and selected countries, 1989, 1997–2002', viewed 23 January 2004 at: <http://www.afc.gov.au/gtp/acompscreens.html>.

- the number of admissions per capita: third.<sup>15</sup>

2.7 Australia has a strong domestic market in creative digital industry products and a technologically literate workforce that can seize existing and emerging opportunities. To see the opportunities in perspective and ascertain the policy prescriptions that are required, it is necessary to assess the size and scale of Australia's film, animation, special effects and electronic games industries.

## Australia's film industry

2.8 The term 'film industry' has a wider meaning than the motion picture industry, as exemplified by Hollywood. The Screen Producers' Association of Australia (SPAA) suggested the industry:

... encompasses the production of feature films, television drama and non-fiction television programming, documentaries, television commercials as well as corporate/educational training and short film production. It includes companies that are undertaking their own production, those providing production services to other companies and companies that are providing postproduction and related technical services.<sup>16</sup>

2.9 For the purposes of this inquiry, the Committee considers as the 'film industry', all those related media (except interactive media) that produce audio-visual products or content, and deliver via: the cinema, free-to-air, cable, satellite, subscription and pay-to-view television, pre-recorded video tapes, and DVD. The film industry comprises the:

- motion picture industry, which produces 'feature' films for cinema exhibition and television broadcast;
- television program production industry that produces television programs, such as dramas;
- documentary sector that produces documentaries for exhibition in cinemas or broadcast on television;

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14 AFC, *Get the Picture Online*, 'Number of cinema admissions in Australia and selected countries, 1989, 1991, 1998-2002', <http://www.afc.gov.au/gtp/acompadmissions.html>, viewed 23 January 2004.

15 AFC, *Get the Picture Online*, 'Number of cinema admissions per capita in Australia and selected countries, 1991, 1997-1999, 2001, 2002', viewed 23 January 2004 from: <http://www.afc.gov.au/gtp/acompadmitper.html>.

16 SPAA, submission no. 33, p. 4.

- children's program industry;
  - animation sector; and
  - special (including visual) effects and post production industry.
- 2.10 The film industry comprises production and distribution. Between them these two elements deliver audio-visual products to content consumers: cinema patrons and television viewers, video and DVD hirers and purchasers. As SPAA noted, 'The production industry creates the product that is used by those [distribution] sectors to generate revenue'.<sup>17</sup>

## Production

- 2.11 The Australian Film Commission's (AFC) *National Survey of feature film and TV drama production 2002-03* estimates that feature films and TV drama represent about a third of all audiovisual production in Australia. (Other elements include documentaries, commercials, music videos, corporate videos and sport, news and current affairs production for television.)
- 2.12 In 2002-03, for the first time in eight years, feature film and TV drama production dropped in Australia; total expenditure fell from \$663 to \$513 million.<sup>18</sup> This was largely due to a drop in foreign television production.<sup>19</sup> In evidence, the Committee heard that this decrease was due to Australia not being sufficiently competitive on cost, which was related to other countries offering greater financial incentives.<sup>20</sup> As noted later in the report, the Government has addressed this issue by extending the 12.5 per cent refundable tax offset for film production to high budget television series in the 2004 Budget.

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17 *ibid.*

18 AFC, *National survey of feature film and TV drama production 2000-03*, p. 1, viewed 20 April 2004 at <http://www.afc.gov.au/downloads/pubs/nps.pdf>.

19 Mr K. Dalton, AFC, *Transcript of Evidence*, 4 September 2003, p. 59.

20 Mr J. Lee, Cutting Edge Post, *Transcript of Evidence*, 25 July 2003, pp. 17-18.

## Recommendation 1

- 2.13 The Committee recommends that the Australian Government articulate its commitment towards the industries examined in this inquiry through a policy statement.**

### Television production

- 2.14 In 2002 more than 99% of Australian households had one or more televisions, and 61 per cent had two or more.<sup>21</sup> The free to air broadcasters and subscription channels all produce television drama (including single programs, mini-series, series, telemovies, and children's drama).

### Australian Broadcasting Corporation

- 2.15 The Australian Broadcasting Corporation (ABC) funds and produces programs, engages in co-productions<sup>22</sup> and commissions programs and fosters production initiatives. It has been a leader in the production and co-production of high quality Australian drama and works to develop relationships with independent producers and production companies to foster such productions. Recent examples include the telemovies *The Road From Coorain* and *Secret Bridesmaids Business* and two drama series, *Grass Roots* and *MDA*.<sup>23</sup>
- 2.16 Most of the ABC's television drama is co-produced, due to rising production costs and the ABC's available funds. The ABC submits that the need to use 'deficit financing' (due to the growing gap between licence fees and decreasing overseas sales on the one hand and production costs on the other), severely limits the opportunity for high-end television drama production. Particularly affected are high-cost television drama, mini-series and telemovies.<sup>24</sup>

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21 AFC, *Get the Picture Online*, 'Proportion of Australian homes with television sets, metropolitan markets 1997-2002', viewed 5 April 2004 at <http://www.afc.gov.au/gtp/wftsvvviewstvs.html>.

22 ABC, *Annual Report, 2002-03*, p. 61 and the ABC, submission no. 22, p. 3.

23 ABC, Submission no. 22, p. 3

24 *ibid.* The ABC, with the SAFC, launched the *4 Minute Wonders* initiative in 2002. This was a cross-media project, connecting radio, television and broadband Internet. It was also intended to connect people aspiring to work in the audio visual industries: for example, the music industry with filmmakers, animators, designers. In addition to the involvement of the SAFC, the ABC said that Film Victoria has committed \$360,000 to a Victorian version of *4 Minute Wonders*.

## Special Broadcasting Service

- 2.17 The Special Broadcasting Service (SBS) has also taken an active role in production. SBS regards this role as critical:
- ... both as a commissioner of new material and as a hub of training and developing new talent in the industry, experimenting with new production processes and providing a platform on which these things can be developed.<sup>25</sup>
- 2.18 In its 2002-03 *Annual Report*, SBS stated that its production commissioning arm, SBSi, had commissioned, through the Special Production Fund, 29 hours of drama—either as one-off programs or as series.<sup>26</sup> In 2002-03, it commissioned 92.5 hours of programs and provided for broadcast 44.5 hours of documentary, animation and drama. It commissioned 17.5 hours of indigenous programs and 6.5 hours were transmitted.<sup>27</sup> SBSi has commissioned more than 650 hours of feature films, drama series, animation, single documentaries and documentary series from independent Australian filmmakers.<sup>28</sup>
- 2.19 SBSi maintains funding and creative alliances with all federal and state film and television agencies. At the federal level, it operates Accords and co-financing arrangements with the Film Finance Corporation Australia Ltd (FFC) and has collaborated with the AFC on a number of projects.<sup>29</sup>

## Commercial and subscription television

- 2.20 Commercial television and subscription television undertake productions of various types—prompted by regulatory requirements and the commercial imperative of ensuring that the programs rate (and attract viewers and advertising revenue).
- 2.21 As a condition of their broadcasting licences, commercial television stations must comply with certain Australian content and children's programming standards. These standards prescribe an overall transmission quota (a minimum 55 per cent Australian content broadcast between 6 am and midnight), and minimum quotas for specific types of programs such as drama, documentaries and children's programs. Regulation ensures production of Australian content, either directly, by the broadcaster undertaking the production themselves, or by the

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25 SBS, submission no. 66, p. 2.

26 SBS *Annual Report 2002–2003*, p. 19.

27 *ibid.*, p. 16.

28 SBS, submission no. 66, p. 1.

29 SBS, *Annual Report 2002–2003*, p. 16. The projects include five 10-minute dramas on indigenous themes, a number of 50 minute dramas, and a number of animation projects.

broadcaster commissioning productions or purchasing productions from independent producers.<sup>30</sup>

- 2.22 Subscription television channel operators which provide a subscription television drama service are required to spend 10 per cent of their total program expenditure on new eligible drama. Any shortfall in the channel provider's expenditure in one financial year must be made up in the next. New eligible drama programs are defined according to the Australian Content Standard for commercial television and include programs that are Australian, Australian/New Zealand, New Zealand or an official Australian co-production.<sup>31</sup>
- 2.23 According to the FFC, subscription television has become a significant investor in Australian feature film and TV drama production since the introduction of the program budget expenditure requirement.<sup>32</sup> The AFC reports that subscription channels spent \$21 million on new Australian drama in 2001–02.<sup>33</sup>

#### Television drama production value

- 2.24 Total expenditure on television drama production<sup>34</sup> in 2002–03 was reported to be \$281 million, \$40 million below the previous financial year. The number of productions rose from 49 to 54 but broadcast hours produced fell from 765 to 701. The AFC attributed the fall to the dramatic decline in co-productions that were made primarily for the international market.<sup>35</sup>
- 2.25 The level of local television drama production remained steady over the two years, with 38 productions in each year. The value of production rose from \$212 million to \$222 million, the number of hours produced has fallen from 782 hours in 2000–01, to 657 in 2001–02 and 638 in 2002–03.<sup>36</sup>

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30 See the ABA internet site, 'Content regulation: Content standard', at: <http://www.aba.gov.au/tv/content/ozcont/std/index.htm#5>.

31 See the ABA internet site, 'Content regulation: Pay TV drama expenditure', at: [http://www.aba.gov.au/tv/content/ozcont/paytv\\_expend/index.htm](http://www.aba.gov.au/tv/content/ozcont/paytv_expend/index.htm).

32 FFC, submission no. 70, p. 8. The FFC noted the Australian Broadcasting Authority's (ABA) review of the regulation (discussed later in the chapter) and awaited any consequent government amendment to the regulation. The FFC also noted a decision is awaited on whether documentary channels should meet a similar local content requirement.

33 AFC, *Get the Picture Online*, 'Fast facts: pay TV', viewed 21 January 2004 at <http://www.afc.gov.au/gtp/wptvfast.html#Raj30695>. As at June 2003, pay television had 1.5 million subscribers and reached 21% of households.

34 This includes productions for the domestic market only, co-productions and productions for foreign markets.

35 AFC, *National survey of feature film and TV drama production 2002-03*, p. 3. The document is available at <http://www.afc.gov.au/downloads/pubs/nps.pdf>.

36 AFC, *National survey of feature film and TV drama production 2002-03*, p. 3.



- 2.26 Local 'in house' production by the free-to-air broadcasters fell in 2002–03, to five titles, or 170 hours of drama production, valued at \$24 million.<sup>37</sup>
- 2.27 In 2002–03, there were 19 series made for adults, compared to 20 in each of the preceding two financial years. Total production value amounted to \$121 million, a fall of \$15 million over the preceding year.<sup>38</sup>
- 2.28 Mini series for adults now appear popular with producers. In 2002–03, four titles were produced (compared to none in the previous year), with a total production value of \$23 million.<sup>39</sup>
- 2.29 In 2002–03, four Australian telemovies were produced, half the number from the previous financial year. Production value fell from \$18 million to \$10 million.<sup>40</sup>
- 2.30 Co-productions have fallen in number and value. Productions worth \$12 million were undertaken in 2002–03, down from \$83 million in the preceding financial year.<sup>41</sup>
- 2.31 Foreign television drama production in Australia rose in value and amount in 2002–03 over the preceding financial year. Budgets for foreign productions amounted to some \$92 million of which \$56 million was spent in Australia.<sup>42</sup> All up, this represented 20 per cent of the total television drama expenditure in Australia in 2002–03, up from 10 per cent or \$31 million in the preceding financial year.<sup>43</sup>

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37 *ibid.* In 2001–02 the free-to-air broadcasters made six productions, or 232 hours of programs, valued at \$43 million.

38 *ibid.* The AFC also reports the total hours produced fell to 525, from 561 in 2001–02 and 639 in 2000–01. This may be accounted for, in part, by networks producing high-budget drama series that contained fewer episodes.

39 *ibid.* This was the highest number produced since 1995–96 and the highest value since 1989–90. In 2001–02 none were produced.

40 *ibid.*

41 *ibid.*, p. 4. In 2001–02 there were four productions, with 54 hours of programs produced; in 2002–03, one production, amounting to two hours.

42 *ibid.*

43 *ibid.* No foreign series or serials were made in Australia in 2002–03, eight telemovies amounting to eight hours of program were made (seven US; one German), along with two mini-series (one US; one Japanese), amounting to 10 hours. As well, two foreign children productions were made (a second series and a mini-series, both for the BBC), involving 10 hours.

Table 2.2 Television drama production, 2002–2003

Genre	No. titles	No. hours	Value <sup>44</sup>	Av. cost p/hr <sup>45</sup>
Australian adult series	19	525	\$121m	\$0.230m
Australian adult mini-series	4	14	\$23m	\$1.722m
Australian adult telemovies	4	6	\$10m	\$1.610m
Australian children's programs	11	94	\$68m <sup>46</sup>	\$0.722m
Co-productions—adult	1	2	n.p. <sup>47</sup>	n.p.
Co-productions—children's programs	3	33	n.p.	n.p.
Foreign telemovies	8	15	\$35m <sup>48</sup>	\$2.33m
Foreign mini-series	2	5	\$15m <sup>49</sup>	\$3.0m
Foreign children's programs	2	10	\$6m <sup>50</sup>	\$0.60m

Source AFC, *National survey of feature film and TV drama production 2002-03*, pp. 3–5. Average cost per hour for foreign productions, committee secretariat calculation.

### Funding of television drama production

- 2.32 Public sources, such as the ABC, SBS and the FFC, contributed 28 per cent of funding in 2002-03. In 2002-03, there was an increase in funding from the ABC and FFC. Funding from the state film and television agencies has been gradually increasing and investment from the SBS remained steady.<sup>51</sup>
- 2.33 Funding increased from foreign sources in 2002-03, with \$37 million invested in 19 titles. Children's titles accounted for most foreign investment (53 per cent), still well below the levels of 1999–2001, according to the AFC.<sup>52</sup>
- 2.34 The Australian film and television industry contributed 49 per cent of the television drama budgets in 2002-03 compared to 52 per cent the previous year. Overall, finance from this sector amounted to \$108.1 million for 27 titles, and the largest contribution was made by the commercial free-to-air broadcasters, which together contributed some \$94.1 million.<sup>53</sup>

44 Value of spend in Australia.

45 In Australia.

46 \$60 million spent in Australia.

47 'n.p.' = not available for publication for confidentiality reasons, but included in totals where relevant.

48 \$59 million total budget.

49 \$26 million total budget.

50 \$7 million total budget.

51 AFC, *National survey of feature film and TV drama production 2002-03*, p. 6.

52 *ibid.*

53 *ibid.*

- 2.35 The subscription television networks' investment in Australian television drama production appeared modest: \$3,900,000 in ten titles,<sup>54</sup> an average of \$390,000 per title compared with \$4,000,000 per title by the Australian film and television industry overall. Finance from production and distribution companies rose to \$10,000,000 for 10 titles, compared to \$6,000,000 in 25 titles in the preceding financial year.<sup>55</sup>
- 2.36 The AFC reports that investment in television drama from private sources fell to \$13.9 million for three titles.<sup>56</sup>

Table 2.3 Finance sources, Australian television drama production, 2002–2003

Source	Amount	Per cent / budget	No. programs
Australian public sources <sup>57</sup>	\$62.6m	28 per cent	25
Australian film and television industry <sup>58</sup>	\$108.1m	49 percent	27
Australian private investors <sup>59</sup>	\$13.9m	6%	3
Foreign sources	\$36.9m	17%	19

Source: AFC, *National survey of feature film and TV drama production 2002-03*, p. 6.

## Feature film production

- 2.37 There were 1,975 businesses involved in the film and video production industry in 1999–2000, according to the Australian Bureau of Statistics (ABS). Industry income was \$1,474 million for 1999–2000<sup>60</sup> and film and video production businesses employed 15,195 people. In June 2000, more than 80 per cent of these businesses employed four people or less, while 25 companies employed more than 100 people.<sup>61</sup>

54 *ibid.*

55 *ibid.*

56 Compared to \$27.8 million on five titles in 2001–02. AFC, *National survey of feature film and TV drama production 2002-03*, p. 6. The high level of investment in the earlier year could be accounted for by two relatively high-budget series financed through the Macquarie Nine Film and Television Investment Fund.

57 Federal and state agencies and funding bodies, the ABC and SBS.

58 Mainly Australian commercial free-to-air broadcasters and subscription channels, and Australian-based television production and distribution companies.

59 Private investment sources, including FLICS.

60 ABS, *Film and video production and distribution 1999-2000* (cat. No. 8679.0), reported in AFC, *Get the Picture Online*, 'Production industry', <http://www.afc.gov.au/gtp/mpprofile.html>.

61 According to ABS Services Industries Surveys, conducted in June 2000.

- 2.38 This makes it clear that the industry is made up primarily of small to medium enterprises. Indeed, FFC referred to the film production sector as a 'cottage industry with producers valiantly developing scripts on minute budgets and having little or nothing to sustain them between films'.<sup>62</sup>
- 2.39 All states have studio facilities that can be used for production. The major studios are in New South Wales, Victoria and Queensland. AusFilm lists six studio complexes operated by member organisations: four in Sydney and one each in Melbourne and the Gold Coast.<sup>63</sup>

#### Recent feature film production

- 2.40 The number and range of film budgets has narrowed in recent years. In 2002–03, 19 Australian feature films were made, compared to 30 in the previous year. In 2002–03 the value of production was \$49 million, compared to \$131 million in the preceding financial year.<sup>64</sup>
- 2.41 The total spent on feature film production in Australia in 2002–03 was reported by the AFC to be \$232 million, compared to \$342 million in the preceding financial year. From the total budget (\$398 million) of feature films produced, \$166 million was not spent in Australia.<sup>65</sup>
- 2.42 In 2002–03 the value of co-productions was \$14 million, down \$14 million from the year before. Budgets for the two co-productions in 2002–03 totalled \$22 million, of which \$14.08 million was spent in Australia.<sup>66</sup>
- 2.43 Five foreign features were filmed in Australia in 2002–03, two fewer than the preceding year. Total spending was \$169 million, a decline of \$16 million over the preceding year.<sup>67</sup>

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62 FFC, submission no. 70, pp. 4 and 8.

63 AusFilm, *The 2004 Ausfilm guide to feature film, TC and TVC production in Australia*, Sydney: AusFilm, 2004, pp. 37–38. Mrs J. McCrombie, South Australian Film Commission, said that there are all up 18 film studios in Australia; see *Transcript of Evidence*, 30 September 2003, p. 14.

64 AFC, *National survey of feature film and TV drama production 2002–03*, p. 2. No Australian features had budgets over \$10 million and only one film had a budget in the \$6–10 million range. Fewer films were made for less than \$1 million, with seven being produced, in contrast to ten the preceding financial year.

65 *ibid.*

66 *ibid.*, p. 3. In the preceding financial year, co-produced features had total budgets of \$39 million, of which \$28.08 million was spent in Australia.

67 *ibid.*

Table 2.4 Feature film production summary, 2002-03

	Number made	Value	Spend in Australia
Australian	19	\$49m	\$49m
Co-production	2	\$22m	\$14m
Foreign	5	\$327m	\$169m
All productions	26	\$398m	\$232m

Source AFC, *National survey of feature film and TV drama production 2002-03*, p. 2.

### Funding of feature films

- 2.44 Funding sources for feature films produced in Australia in 2002-03 were mixed. Of the 19 Australian feature films made, six were funded substantially by public funds. Foremost was the FFC, with a mixture of state agencies and SBSi.<sup>68</sup>
- 2.45 In 1998, 'runaway' production—US film and television made outside the USA—was estimated to be worth a total of US\$1.7–2.8 billion. Australia secured US\$118 million of this.<sup>69</sup>

### Television commercial production

- 2.46 Television commercials play an important role in the Australian film and television production industry. They reflect the national identity and help sustain the infrastructure on which film and TV production is based:

... commercials use exactly the same equipment, facilities and, most of the time, the same practitioners as the feature film industry and the TV industry. Because it is basically a freelance industry, this is particularly important for technicians and so on who cannot earn a living all year round from working just on feature films or on television series. It is awfully important, both in training terms and in economic terms, for there to be a spread of work across all the available areas.<sup>70</sup>

68 *ibid.* The FFC also invested in the two co-productions. Another two of the 19 were substantially funded by Macquarie Nine Film and Television Investment Fund, with additional funding from the FFC, as well as other public and private sources.

69 AFC, *Get the Picture Online*, 'Feature film production', viewed 22 January 2004 at <http://www.afc.gov.au/gtp/mpfeatures.html>. This indicates, the AFC states, Australia garnered between four to seven per cent of the US runaway production that year.

70 Mr D. Muir (private capacity), *Transcript of Evidence*, 28 August 2003, p. 53. See also AFC, *Get the Picture Online*, 'Production of television commercials', viewed 22 January 2004 at <http://www.afc.gov.au/gtp/mpads.html>.

- 2.47 Until the early 1990s, content regulation prevented foreign made television commercials being screened on Australian free-to-air commercial television. The Australian Content in Advertising standard (TPS 23) requires that Australian-produced commercials comprise at least 80 per cent of advertising time between 6 am and midnight. It follows that up to 20 per cent of advertising air time can now be used for foreign commercials. In 2000 foreign commercials averaged 7.4 per cent of all advertising on the Nine network, 10.6 per cent on Seven and 10.5 on Ten.<sup>71</sup>
- 2.48 Figures on television commercial production were last collected for 1999–2000.<sup>72</sup> 318 businesses were involved in the production and sale of television commercials,<sup>73</sup> with income of \$186 million; the production cost of television commercials was just below \$243 million.<sup>74</sup>

### Animation production

- 2.49 ‘Animation’ refers to a range of techniques in which each frame of a film (or videotape or other capture medium) is generated individually, so that when projected in sequence the film or tape generates the illusion of movement. Each frame can be generated by a computer, by photographing a drawn image, ‘cell-type animation’, or by making small progressive changes to a model or scene (‘stop motion’ which includes ‘pixilation’ and ‘claymation’).<sup>75</sup>
- 2.50 Local animator Adam Elliot recently gave Australian animation international recognition with an Academy Award this year for his production *Harvie Krumpet*.
- 2.51 Generating a film using any animation technique can be very labour-intensive, although the development of computer animation has increased the speed of production.<sup>76</sup> Moreover, the very labour intensive components of animation production may be sent off-shore where labour costs are lower:

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71 AFC, *Get the Picture Online*, ‘Production of television commercials’, viewed 22 January 2004 at <http://www.afc.gov.au/gtp/mpads.html>.

72 ABS, op. cit., p. 8.

73 ABS, op. cit., p. 9.

74 \$48 million of this was attributed to television industry businesses and \$194.9 to other businesses. Of the total production costs, \$35.0 million worth was produced for markets abroad. ABS, op. cit., p. 13.

75 Anon, ‘Animation’, viewed 17 January 2004 at <http://www.wordiq.com/cgi-bin/knowledge/lookup.cgi?title=Animation>. Clay and puppet animators move inanimate objects incrementally before a camera and shoot them frame by frame (claymation). Pixilation animators shoot ‘live’ objects—usually, people—frame by frame.

76 AFC, submission no. 58, p. 7.

...for cost-saving reasons certain repetitive and non-creative aspects of the animation process are sub-contracted to overseas facilities in locations such as China, Hong Kong and the Philippines.<sup>77</sup>

- 2.52 However, according to the AFC, technological change is reducing the need for this. To sustain this, and to remain competitive, the animation industry requires continuous capital investment in technology. This is also true of post-production.<sup>78</sup>
- 2.53 Few detailed statistics are available on the animation industry in Australia. *Get the Picture* contains only general information, and recent detailed data on employment and expenditure does not appear to be collected. As a result, devising specific policy development for the industry and identification of market opportunities is difficult.
- 2.54 Animation production in Australia has involved a range of film genres: feature films, television series, short films, television commercials and electronic games. Between 1990 and 2002 a little over \$300 million was spent on animation production and official co-productions in Australia.<sup>79</sup>

**Table 2.5 Production and co-production of animated features and TV drama 1990-1991 to 2001-2002**

	Animated Features		TV drama (mini-series, series and serials)	
	1990s	2000-2001 to 2001-2002	1990s	2000-2001 to 2001-2002
No. produced	3	0	38	11
Duration	240 minutes	0	337 hours	100 hours
Production value	\$19 million	0	\$215 million	\$68 million

Source Australian Film Commission, submission no. 58, appendix 2.

- 2.55 It is not known what income the animation industry generates. However, Yoram Gross-EM.TV stated that one of its products generated \$10 million in the period 1992–1999 from merchandising alone.<sup>80</sup> It is likely that the Australian animation industry derives much of its income from exports and co-productions, with only modest support from licence regulations

77 Yoram Gross-EM.TV, submission no. 63, p. 5.

78 AFC, submission no. 58, p. 7.

79 These figures and those in the following table are likely to fall short of the actual level of activity because they exclude foreign titles, titles post-produced only in Australia and animation of commercials and components of programs. AFC, *Get the Picture Online*, viewed 17 January 2004 at <http://www.afc.gov.au/gtp/mpanimationsummary.html>.

80 Yoram Gross-EM.TV, submission no. 63, p. 6.

and subventions from public funds.<sup>81</sup> For example, the Australian animation industry had to be export-oriented, Yoram Gross-EM.TV testified, when describing the need for public support for Australian animations products. Australia's population of 20 million does not provide an economic base to cover the cost of production, of either animation or traditional films:

... when an American producer produces in the United States, he can cover most of his costs from the United States. If a French company produces in France, they can cover most of the costs in their country. It is the same with Germany and, of course, Japan.

In Australia, with 20 million people, we cover only 15 to 20 per cent of the cost of a production in Australia. We need to cover the rest from the rest of the world.<sup>82</sup>

- 2.56 Walt Disney Animation Australia produces only for export.<sup>83</sup> Mr Tim Brooke-Hunt stated that the Australian animation industry has a successful export record:

Animation is an often-overlooked part Australia's film and TV industry which has successfully exported uniquely Australian stories to children around the world - eg: *Blinky Bill* (Yoram Gross), *The Silver Brumby* (Media World), *Dot and The Kangaroo* (Yoram Gross), *Old Tom* (Yoram Gross).<sup>84</sup>

- 2.57 The number of employees is not known, however, animation production houses are said to be characterised by the need for a more highly skilled and more permanent work force than other forms of production.<sup>85</sup>

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81 Mr G. Watson, Yoram Gross-EM.TV, *Transcript of Evidence*, 5 September 2003, p. 3 and Mr T. Brooke-Hunt, Pacific Vision, *Transcript of Evidence*, 5 September 2003, p. 30. A number of witnesses mentioned the financial involvement of the FFC in their projects, and the importance of the Children's Television Standards, which create a 'market' for Australian-produced children's programs. This is because commercial broadcasters are required to screen the Australian children's programs when, due to cost, the commercial broadcasters would not. (See Mrs B O'Mahoney, Australian Children's Television Foundation, *Transcript of Evidence*, 27 August 2003, p. 41.) The other regulatory support, which provide mandatory standards for children's television are the Australian Content Standards. See: <http://www.aba.gov.au/tv/content/ozcont/index.htm>.

82 Mrs S. Gross, Yoram Gross-EM.TV, *Transcript of Evidence*, 5 September 2003, pp. 1-2.

83 K. Aveyard, 'Australian animated drama production', *Get the Picture*, viewed 17 January 2004 at <http://www.afc.gov.au/gtp/mpanimation.html>.

84 Pacific Vision, submission no. 51, p. 1.

85 AFC, submission no. 58, p. 7. The AFC also stated that the largest foreign animation company with an Australian operation, Walt Disney Animation Australia, employs over 200 people, working on projects that originate from its headquarters in the USA.



- 2.58 Yoram Gross-EM.TV stated that the studio had sixty-one full-time employees, and that between ten and thirty freelance independent contractors were usually engaged to provide services for a single production. These contractors include scriptwriters, character designers, storyboard artists, layout artists, composers and musicians.<sup>86</sup>

## Documentary production

- 2.59 An ongoing issue in assessing the size and scale of the various elements of Australia's film industry is the absence of detailed systematic information. The AFC's *Get the Picture* provides an invaluable source but there appear to be gaps in the information, including on the documentary sector:

Statistics about documentary production and exhibition in Australia are limited and fragmented due to the limited regulation of documentary on television services. The ABA and the AFC both collect data, as do the commercial television networks and the subscription [television] industry group, ASTRA. Film Australia and the FFC also have data on documentaries produced or funded by government bodies. The ABC has recently changed its reporting structure so that documentary is no longer reported on as a separate category, but is reported on through genre and subject headings.

Therefore there is a limit to what reliable and comparable data is available to assess the size of the documentary sector in Australia.<sup>87</sup>

- 2.60 Use of such data as is collected may not be straightforward: the AFC noted a discrepancy between data it issued and the ABS' data.<sup>88</sup>
- 2.61 The documentary industry has two facets: the independent sector and the 'in house' sector, where the broadcaster is the sole producer. Independent production companies in Australia made almost 1000 hours of documentaries (766 titles, valued at \$245 million) between 1996-97 and

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86 Submission no. 63, p. 5. Yoram Gross-EM.TV also indicated that ancillary service businesses such as audio studios, post-production services and the like are used during the animation production process. Yoram Gross estimated that up to 150 Australians are employed across the eighteen-month cycle of each animated series. On average the studio commences a new project every six months and it has the capacity to keep in production up to four projects at any one time.

87 Film Australia, submission no. 82, p. 12.

88 AFC, *Get the Picture Online*, 'About the data', viewed 20 January 2004 from <http://www.afc.gov.au/gtp/mpdocosabout.html>. The AFC noted the differences are likely to be due to definitional differences, for example, the possible inclusion in the ABS figures of magazine-style documentaries, which the AFC and ABA exclude. Also, for documentaries, AFC calculates using the exact program rather than rounding to a commercial hour (or half).

- 2001-02. In the same period inhouse production of documentaries by Australian commercial and public broadcasters amounted to 623 hours.<sup>89</sup>
- 2.62 During the period 1995-96 to 1999-2000, some 195 documentaries were produced 'in house' with expenditure of \$48 million. It is not clear how many people work in the documentary industry but these figures suggest there may be a relatively stable workforce producing documentaries at a steady rate. The figures also reveal most documentary production is conducted independently.<sup>90</sup>
- 2.63 The AFC reports that from the 1990s to 2002, eight animated documentaries were made, totalling 3.9 hours<sup>91</sup> and most production is conducted by NSW-based companies, followed by companies in Victoria. It also reports that between 1996-97 and 1999-2000, most companies made one or two titles, while 16 made five or more.<sup>92</sup>
- 2.64 Development funding for documentaries is provided via the AFC, Film Australia and state film and television agencies, principally the NSW Film and Television Office, Film Victoria and Screenwest.<sup>93</sup> In 2001-02, according to Film Australia, the total direct investment available through the 'Commonwealth Film Program' was \$15.8 million which was split between the federal agencies, Film Australia, the FFC and the AFC. Some \$6.9 million was provided by Film Australia through the National Interest Program and \$7.2 million was provided by the FFC. This does not include finance from the ABC and SBS or finance raised and claimed under Division 10BA of the *Income Tax Assessment Act*.<sup>94</sup>

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89 AFC, *Get the Picture Online*, 'What Australians are making—documentary production', viewed 17 April 2004 at <http://www.afc.gov.au/GTP/mpdocos.html>.

90 Film Australia, submission no. 82, p. 13.

91 AFC, *Get the Picture Online*, 'Production of Australian animated documentaries...', viewed 20 January 2004 at <http://www.afc.gov.au/gtp/mpanimationdocos.html>. They were produced by the ABC Natural History Unit (*Once upon Australia*), Film Australia (*Muttaborrasaurus: Life in Gondwana* and *Human Contraptions*), and Animation Works (*Callahan: He Won't Get Far on Foot*).

92 Between them, these 16 companies produced 255 hours of documentaries, and over the four-year period, this figure accounted for 36 per cent of the total hours produced. AFC, *Get the Picture Online*, 'documentary production', downloaded 20 January 2004 from <http://www.afc.gov.au/gtp/mpdocos.html>.

93 Film Australia, submission no. 82, p. 12 and AFC, *Get the Picture Online*, 'Funding for documentary development and production...', downloaded 20 January 2004 from <http://www.afc.gov.au/gtp/mpdocosgovtfund.html>.

94 Film Australia, submission no. 82, p. 12. When the contributions of the state film and television agencies are added the figure rises to \$17.3 million, according to AFC, *Get the Picture Online*, 'Funding for documentary development and production...', viewed 20 January 2004 at <http://www.afc.gov.au/gtp/mpdocosgovtfund.html>.

## Film Australia

2.65 The public institution whose primary focus is to promote Australian documentary production is Film Australia, a federally-owned film production and distribution company. Its mission is:

...the creation of an audio-visual record of Australian life through the commissioning, distribution and management of programs which deal with matters of national interest to Australia or illustrate and interpret aspects of Australian life.<sup>95</sup>

2.66 Under contract with the Australian Government, Film Australia is funded to devise, produce and distribute National Interest Program productions; it acts as the executive producer of such programs. In addition to this role, Film Australia also provides a world-wide distribution service and a film and television production facility in Sydney.<sup>96</sup>

## Australian Broadcasting Corporation

2.67 The ABC sees its role as 'central... in maintaining and developing a television documentary culture in Australia'.<sup>97</sup> It fosters strong and effective linkages between ABC Television and independent documentary makers. Over the past decade the ABC has produced more than 600 documentaries with the independent sector and is one of the primary outlets for Australian documentaries. It provides two weekly one hour slots: *The Big Picture* and *True Stories*; and a half-hour series in the weekly timeslot, *Reality Bites*. Specialist science, religion, arts and indigenous documentaries are also produced, for example, *Catalyst*, *Compass*, *Sunday Afternoon Arts* and *Message Stick*.<sup>98</sup>

2.68 The ABC also produces *Australian Story*, a program that combines biography, documentary and current affairs. This half-hour program airs weekly and has won Walkley awards for excellence in journalism and cinematography.<sup>99</sup>

2.69 The ABC has operated documentary program Accords with the FFC and Film Australia since the beginning of the 1990s. Under these Accords, the ABC must acquire up to twenty-four hours of independently produced programs annually. The ABC pre-purchases these programs for a broadcast licence fee of one third the total production cost. Pre-purchases may also be mediated through a FFC funding mechanism, the non-

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95 Film Australia, submission no. 82, p. 6.

96 *ibid.*, p. 7.

97 ABC, submission no. 22, p. 4.

98 *ibid.*, pp. 4 & 5.

99 See <http://www.abc.net.au/austory/aboutus.htm>

Accord, whereby a further ten hours of documentaries are acquired when the project can attract additional investment, often in overseas television pre-sale or distribution guarantee, in addition to the local television pre-sale offered by the ABC.<sup>100</sup>

...the Accord arrangements have led to the production and broadcast of a diverse range of innovative and award-winning documentaries including *Cunnamulla*, *A Wedding in Ramallah*, *Family Foibles*, *Losing Layla*, *DIY Law*, and *A Message From Moree*.<sup>101</sup>

- 2.70 The ABC has also established international linkages and devised co-productions with the Canadian Broadcasting Corporation.<sup>102</sup> Figures for the ABC investments in documentary production, in house, with independents or in co-production, do not appear to be available.

### Special Broadcasting Service

- 2.71 Through SBSi—its commissioning arm—SBS has supported Australian documentary makers by commissioning programs (26.5 hours) through a special production fund allocated by the Federal Government. This is outsourced totally to the independent production sector.<sup>103</sup> Under the SBSi general production fund, 33 hours of documentaries were commissioned.<sup>104</sup>

### Commercial television

- 2.72 The ABA requires free-to-air commercial television broadcasters to screen a minimum of 20 hours of new Australian documentary programs each year. This level was reviewed in 2001–02 by the ABA and it considered lifting the level to 26 hours. However, the Authority decided to retain the existing requirement. Despite the requirement, Film Australia said, the expenditure on documentaries of the free-to-air commercial television broadcasters had halved between 1996–97 and 2000–01.<sup>105</sup> Figures have not been provided on recent expenditure on documentary production by free-to-air commercial television broadcasters.

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100 ABC, submission no. 22, p. 4.

101 *ibid.*

102 *ibid.*, p. 5.

103 SBS, submission no. 66, p. 1. 26.5 hours were commissioned under the special production fund.

104 Some involved Accord funding arrangements with the FFC. As well, SBSi commissions programs, but they may involve presale arrangements with other, mostly international, broadcasters. Altogether the two funds commissioned a total of 59.5 hours of documentaries by SBSi during 2002–03: *SBS Annual Report, 2002–03*, pp. 18–19.

105 Film Australia, submission no. 82, p. 15.

## Subscription television

- 2.73 Subscription television drama channels must meet certain minimum expenditure requirements for Australian drama. Unlike the requirements facing commercial free-to-air television and subscription television drama channels, there are no minimum hours (or program expenditure) for Australian made documentaries on subscription television documentary channels.<sup>106</sup> The subscription television industry maintains that it does broadcast such Australian documentary programs but Film Australia stated that reliable statistics are not available.<sup>107</sup>
- 2.74 The ABA has been reviewing Australian content on subscription television (at the request of the Minister for Communications, Information Technology and the Arts, and reported to him in 2003). The outcomes of the review are awaited. The ABA discussion paper, inviting submissions to the review, noted the need for information on the amount, range and nature of Australian content on subscription TV, including documentary programs, which are seen as particularly important in terms of culture.<sup>108</sup>

## Recommendation 2

- 2.75 **The Committee recommends that the Minister for Communications, Information Technology and the Arts release the Australian Broadcasting Authority's report on Australian content in subscription television to facilitate further debate on Australian content.**
- 2.76 The submission from the Australian Subscription Television and Radio Association (ASTRA) to the ABA review states that 'expenditure and broadcast hours are commercial in confidence'.<sup>109</sup> Nevertheless, ASTRA listed in its submission Australian documentary programs titles for 2001–02, 19 in total, across 5 channels.<sup>110</sup> It seems that all 19 programs were produced 'in house'<sup>111</sup> and that ten were new.<sup>112</sup>

106 *ibid.*, p. 8.

107 *ibid.*, p. 15. The Committee has not been provided with figures on investment by subscription television channels in new Australian documentaries. ASTRA's submission was silent on this.

108 *ibid.* The ABA paper is available at [http://www.aba.gov.au/tv/investigations/projects/review\\_subsTV/index.htm](http://www.aba.gov.au/tv/investigations/projects/review_subsTV/index.htm), see p. 33.

109 ASTRA, *Australian content on subscription TV, 2003*, submission to the review of Australian content on subscription television, p. 50.

110 *ibid.*, table 6: Australian documentary programming, p. 82.

111 Which is defined in the ASTRA submission as an 'Australian Program specifically commissioned or produced by the business operation completing this [the ASTRA] survey.'

2.77 While expenditure levels on production ‘in house’ and acquisition from independent producers of Australian documentaries is not available, the Chief Executive Officer of Film Australia discussed acquisition of independent programs:

Pay TV channels in Australia tend to buy documentaries after they are produced, which is not helpful in terms of financing production. ... So a program that can cost somewhere between \$350,000 and \$500,000 to produce an hour’s worth of documentary might sell to a pay TV station for anywhere between \$1,200 and \$2,000.<sup>113</sup>

2.78 Film Australia stated that the subscription television documentary channels rate in the top 10 and top 20 subscription services.<sup>114</sup> However, in its submission to the ABA review, Film Australia stated that in 2002 the five subscription documentary channels listed had acquired from Film Australia just 17.45 hours of programming. A survey of subscription television in 1999 revealed levels of Australian content as low as 2.4 percent to 5.2 per cent of the total hours broadcast from 1997–99.<sup>115</sup>

2.79 Film Australia’s submission to this inquiry was forthright:

Australian Pay TV documentary channels remain unregulated, broadcast limited amounts of Australian programming, commission negligible amounts and pay licence fees that represent a small fraction of the cost of production.<sup>116</sup>

2.80 In recognition of the substantial cultural benefits of documentaries, the Committee makes the following recommendation.

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ASTRA defined ‘new’ as ‘Australian Programs where the whole or a substantial part of the program has not previously been televised in Australia or New Zealand on a broadcasting service at any time before the expenditure on the programming is incurred,’ op. cit., p. 39.

112 The figures were calculated by comparing titles in table 6: Australian documentary programming, with the titles listed in table 4: New Australian programs– in house. See ASTRA, op. cit., table 6: Australian documentary programming, p. 82.

113 Ms S. Connolly, Film Australia, *Transcript of Evidence*, 26 November 2003, p. 2.

114 Film Australia, submission no. 82, p. 15. In its submission to the ABA Review of Australian content on subscription television, Film Australia noted its experience of pay tv acquisitions as being erratic and providing low returns, February 2003, p. 5.

115 Film Australia submission to the ABA Review of Australian content on subscription television, p.4, viewed 10 April 2004 at [http://www.aba.gov.au/tv/investigations/projects/review\\_subsTV/pdf/FilmAust.pdf](http://www.aba.gov.au/tv/investigations/projects/review_subsTV/pdf/FilmAust.pdf).

116 Film Australia, submission no. 82, p. 19.

### Recommendation 3

- 2.81 **The Committee recommends that, in making any future decisions about subscription television, the Australian Government should make one of its prime considerations the cultural impact of minimum broadcasting requirements for documentaries.**

#### Children's television production

- 2.82 Although the AFC publishes some information about children's television production, in general, scant information is available as to employment generated, revenue accrued, foreign sales or the sorts of production that are popular. This is surprising given that children's television is regarded as the most successful genre financially.<sup>117</sup>
- 2.83 Children's television programs are produced by program makers and producers, such as Yoram Gross-EM.TV, producers such as Pacific Vision, the two public broadcasters (ABC, SBS), commercial free-to-air television and subscription television. The other major player is the Australian Children's Television Foundation (ACTF).
- 2.84 The ACTF is a national non-profit organisation, created to encourage development, production, and distribution of high quality television programs, films and other audiovisual media for children.<sup>118</sup> It receives allocations from each state and territory and the Australian Parliament provides an appropriation of about \$2.3 million per annum. The ACTF described its activities:
- The funding we receive allows us to develop and identify programs that we want to produce, but we raise the production budgets in the same way any independent producer would. That may be private funding, it may be private investment under 10BA, it may be FFC funding and it will also be a combination of presale and licence fees.<sup>119</sup>
- 2.85 The ACTF testified that the ABC, Channels Seven and Ten have acquired programs from the Foundation, but Nine has yet to do so.<sup>120</sup>
- 2.86 In recent years, the total production value of TV drama made for children, particularly mini-series, has increased. In the first half of the 1990s it averaged \$47.7 million per year. Between 1995-96 and 1999-2000, it

117 Mr T. Brooke-Hunt, Pacific Vision, *Transcript of Evidence*, 5 September 2003, p. 31.

118 ACTF, viewed 20 January 2004 at [http://www.actf.com.au/about\\_us/aboutus\\_frameset.htm](http://www.actf.com.au/about_us/aboutus_frameset.htm).

119 Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 40.

120 *ibid.*, p. 42.

averaged \$79.6 million per year. Over the decade, 1990-2000, 126 children's drama programs were produced, worth \$636 million. Of these programs, 106 titles were Australian, eleven were co-productions and nine were foreign titles.<sup>121</sup>

- 2.87 Between July 2000 and June 2003, 33 Australian children's TV drama programs have been made. In addition, there were five co-productions and three foreign titles. Total production value was \$258 million.<sup>122</sup>
- 2.88 Most of the Australian programs or co-productions are either series or mini-series.<sup>123</sup> During the 1990s, eight children's telemovies were made, worth \$12 million. In the three years following July 2000, on average 11 Australian titles were produced, with an average budget of \$6.2 million per title. From July 2000 to June 2003, the AFC reports, only two children's telemovies were produced.<sup>124</sup>
- 2.89 Production of children's television programs is fostered by regulations that require commercial broadcasters to broadcast a certain number of hours of programs that meet specific criteria, as well as financial and other support from public sources.<sup>125</sup> In this mix of public funding and mandated acquisition, public funds continue to be a significant source of finance for Australian children's TV drama programs, according to the AFC. The AFC, the AFC stated, funded 15 of the 33 titles produced in the three years since 2000-01.<sup>126</sup> Other public sources include the public broadcasters SBS and the ABC, the Australian Children's Television Foundation (ACTF), and state film and television agencies.
- 2.90 The ABC was one of the first producers of children's programs, with such programs as *Playschool*. The ABC's focus in children's programming is on innovative programs of a high standard that maintain non-commercial values, and reach different target groups in accordance with their needs,

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121 AFC, *Get the Picture Online*, 'Number, total production value and hours of drama programs for children (series, mini-series and telemovies) shot 1990-91—2002-03', viewed 11 May 2004 at <http://www.afc.gov.au/gtp/mpkidstvsummary.html>.

122 *ibid.*

123 The AFC reports that the average budget in 2002, per title, rose from about \$3.0 million during the 1980s to \$5.8 million during the 1990s., *Get the Picture Online*, 'Number of Australian mini-series for children produced...', viewed 19 January 2004 at <http://www.afc.gov.au/gtp/mpkidstv1980.html>.

124 AFC, *Get the Picture Online*, 'Number, total production value and hours of drama programs for children (series, mini-series and telemovies) shot 1990-91—2002-03', *loc. cit.*

125 See <http://www.aba.gov.au/tv/content/childtv/index.htm> for further information.

126 AFC, *Get the Picture Online*, 'Drama production for children', viewed 11 May 2004 at <http://www.afc.gov.au/gtp/mpkidstv.html>.



age and level of maturity, using a range of genres, from pre-school animation to teen dramas.<sup>127</sup>

- 2.91 The ABC is active in acquiring programs and participating in productions.<sup>128</sup> However, the ACTF pointed out that while the ABC was one of the ACTF's most interested customers, the Corporation suggests to industry organisations that it is constrained in the extent of its commissioning activities by the availability of funds.<sup>129</sup>
- 2.92 Just under a third of the finance for Australian children's TV drama between 1995-96 and 1999-2000 came from government sources, mainly the FFC. It funded 20 of the 53 drama programs made for children during this time. The SBS, the ABC, the ACTF, the Commercial Television Production Fund and state government agencies also contributed. Australian production and distribution companies contributed 22 per cent, commercial broadcasters 13 per cent, and foreign sources contributed 33 per cent of finance.<sup>130</sup>
- 2.93 According to the AFC, almost all the production budget of Australian children's television drama programs is spent in Australia. In 2002-03, 16 children's television drama productions spent \$77m or 77 per cent of their budgets in Australia. The portion spent abroad was largely spent by animated productions which sent the less creative and more time-intensive elements of the production off-shore where labour costs are lower.<sup>131</sup>
- 2.94 In 2002-03, the production value and hours of Australian children's programs increased, as did the average per hour cost.

Table 2.6 Australian children's television program production, 2001- 2003

Year	No	Hours	Value	Spent in Australia	Average per hour cost
2001-02	10	85	\$58 m	\$53 m	\$0.686m
2002-03	11	94	\$68 m	\$60 m	\$0.722m

Source AFC, *National survey of feature film and TV drama production, 2002-03*, 2003.

127 ABC, submission no. 22, p. 3.

128 Mr T. Burns, ABC, *Transcript of Evidence*, 27 August 2003, p. 1.

129 Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 44.

130 AFC, *Get the Picture Online*, 'Drama production for children', viewed 17 April 2004 at <http://www.afc.gov.au/gtp/mpkidstv.html>.

131 AFC, *Get the Picture Online*, 'Number, total production value and hours of drama programs for children (series, mini-series and telemovies) shot 1990-91—2002-03', viewed 21 May 2004 at <http://www.afc.gov.au/gtp/mpkidstvsummary.html>

- 2.95 Of the 11 children's productions made in 2002-03, six were live action and involved a budget of \$48.6 million of which \$45 million was spent in Australia. Five animated programs were produced, amounting to 29 hours, and worth \$19 million, of which \$15 million was spent in Australia.<sup>132</sup>
- 2.96 The AFC reports that the number of co-produced children's programs increased from one each in 2000-01 and 2001-02 to three in 2002-03. Two of the co-productions were made with Canada and one with France. In addition, in 2002-03, one foreign series and one mini-series for children were produced. These had a total budget of \$7 million of which \$6 million was spent in Australia.<sup>133</sup>
- 2.97 Australian children's television production is also successful internationally. The ACTF said that international sales of children's television product was crucial to the ongoing operation of the Australian children's television production sector:
- ... we are completely dependent on an international market to be sustainable and that the international market, over the last few years, has really been very slow. There has been a downturn in advertising revenues across the world and there has been a slowing down of buying product. There is also a reaction to American content in Europe which, as a by-product, has affected Australian producers, because Europe is a very strong market for our product.<sup>134</sup>
- 2.98 The ACTF linked the creation of internationally successful programs with public investment and the operation of the Children's Television Standards and the Australian Content Standards:
- The children's drama quota has been in place for 21 years now. There is a huge wealth of wonderful programs that have been produced over that time, with significant government subsidy and support through investment through the Film Finance Corporation, 10BA investment or whatever. Often the commercial broadcasters screen things once or twice and then they will be out of their licence period. They are often sold around the world. We

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132 AFC, *Get the Picture Online*, 'Drama production for children', viewed 20 April 2004 at <http://www.afc.gov.au/gtp/mpkidstv.html> and AFC, *National Survey of feature film and TV drama production, 2002-03*, 2003, p. 3.

133 AFC, *National Survey of feature film and TV drama production, 2002-03*, 2003, p. 4.

134 Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 39.

have hundreds of hours in our catalogue being sold around the world, but they are not actually on air.<sup>135</sup>

- 2.99 The ACTF reports that it has sold titles it controls in some 100 countries.<sup>136</sup> However, the FFC was cautious about the future:

Unlike adult drama, children's drama continues to attract interest from overseas buyers, although such opportunities are diminishing as overseas markets continue to gear up their own producers.<sup>137</sup>

### Special effects and post production

- 2.100 Apart from image acquisition using the traditional motion picture or digital camera, the film industry also relies on image, sound and scene manipulation or creation. This is the special effects and post-production component of the film industry. The Committee interprets 'special effects' broadly to include image manipulation or creation—what is also called 'digital production'. This includes computer animation, visual effects and computer generated imagery.<sup>138</sup>

- 2.101 Another element in film production is 'post production'. SPAA stated:

Post-production refers to the stage of production from the completion of image acquisition through to the striking of a release print or the creation of master videotape. It involves processes such as image and sound editing, special visual effects, music synchronization, colour grading and printing.<sup>139</sup>

- 2.102 Information about the size and scale of the special effects and post production industry is limited. There is no disaggregated data, for example, in the AFC's *Get the Picture*.

- 2.103 The number of special effects and post-production houses operating in Australia does not appear to be published anywhere. AusFilm lists 12 in its publication, *The 2004 AusFilm Guide*. These enterprises are members of AusFilm. The Australian Media Facilities Directory<sup>140</sup> lists 33 enterprises.

135 *ibid.*, p. 46.

136 ACTF, *Annual Report 2002-03*, p. 25.

137 FFC, submission no. 70, p. 11. See ACTF, *Annual Report 2002-03*, p. 25.

138 Animal Logic, submission no. 83, p. 2.

139 SPAA, submission no. 33, p. 4.

140 <http://www.amfd.com.au>; using the search term: 'special effects'.

- 2.104 The Committee has not received information on the likely number of people employed in this sector. However, the AFC stated that post-production companies are characterised by the need for a permanent skilled work force and a continuous investment in new technology. The conversion to digital television was a case in point as it has required investment in new technology to service the demands of broadcasters.<sup>141</sup>
- 2.105 The AFC considers the Australian special effects and post-production sector is world-class and highly sophisticated with state-of-the-art facilities. The sector provides services for visual effects and post-production for feature films, television and commercials. Australian special effects and post production houses have contributed to such films as *The Matrix*, *The Matrix Reloaded*, *Mission Impossible 2*, and *Babe*. Australian special effects companies have received Oscars as well as Oscar nominations. The AFC stated that in 1999-2000 the value of the post-production sector was \$263 million, from \$103 million in 1993-94.<sup>142</sup>
- 2.106 The lack of readily available information on this sector may result from it being seen as a component in film projects based in Australia, rather than a potentially independent industry that can—and does—attract projects on its own account.
- 2.107 The AFC made the point:
- Australia stands at the forefront of technological innovation in post-production and is capitalising on that internationally through the development of export markets. For example, part of the digital effects market leader Animal Logic's business is servicing the needs of clients in Japan and North America undertaking television commercial production in and for those markets. Asian feature filmmakers have also been attracted to Australia by the quality of the work that Australian firms undertake.<sup>143</sup>
- 2.108 The Committee inspected special effects and post production facilities in Queensland and Sydney. Each enterprise reinforced the view that this sector is fast becoming an independent component of the film industry, securing work on its own account, often internationally,<sup>144</sup> independently, of a specific film project in Australia. It is, essentially, a fee-for-service

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141 AFC, submission no. 58, p. 8.

142 *ibid.*

143 *ibid.*, p. 14. See also Animal Logic, submission no. 83, p. 2.

144 Cutting Edge Post, submission no. 20, p. 2. Cutting Edge Post told the Committee that some 40% of its work was international in origin; Sydney-based digital production house, Animal Logic, stated in its supplementary submission (submission 102, p. 2) that around 90% of its work came from abroad.

industry, although, as Animal Logic pointed out, it develops its own proprietary products that are commercialised.<sup>145</sup>

- 2.109 The information available on the special effects and post-production sector in this country contrasts with that available on the same sector in the UK. In November 2003, the UK Film Council published the report of a study it had commissioned: *Post-production in the UK*. This was a detailed and comprehensive analysis of the UK post-production industry which included developing a list of issues for consideration, such as promoting the sector internationally.<sup>146</sup>

## Distribution

- 2.110 The film industry distribution system comprises film distributors, the cinema exhibition industry (the 'box office'), free-to-air and subscription television, video and DVD hire and video and DVD purchase. Like production, distribution has its peaks and troughs.

### Cinema distribution

- 2.111 The past decade has, generally, been a growth period for cinema. The number of patrons has increased steadily in most years, as has the box office and gross receipts (box office plus other income). There has been a fall in the number of businesses in the industry but the number of screens has continued to rise.<sup>147</sup>
- 2.112 Cinema patrons spent \$844.8 million on admissions in 2002, some \$32.4 million more than in 2001. The gross box office has grown by 277 per cent since 1988, however, the rise in admissions has not been as large, increasing 147 per cent. The growth in revenue in 2002 over 2001 was due to increases in cinema ticket price rather than the number of admissions.<sup>148</sup> In 2002, there were 92.5 million admissions, or nearly five per person, compared to 43 million admissions in 1990.<sup>149</sup>

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145 Mr Z. Nalbandian, Animal Logic, *Transcript of Evidence*, 4 September 2003, p. 2.

146 UK Film Council, *Post-production in the UK*, pp. 45–46, viewed 23 January 2004 at <http://www.ukfilmcouncil.org.uk/filmindustry/postprod>.

147 AFC, *Get the Picture Online*, Sandy George, 'Trends in cinema going', downloaded 14 January 2004 from: <http://www.afc.gov.au/gtp/wcessaytrends.html>. Data for earlier years is taken from: Australian Film Commission, *Get the Picture*, 6 ed., Sydney: Australian Film Commission, 2002, pp. 135–176.

148 AFC, *Get the Picture Online*, 'Numbers of Australian cinema admissions and gross box office, 1976-2002', viewed 14 January 2004 at <http://www.afc.gov.au/GTP/wcboadmission.html>.

149 *ibid.*

- 2.113 The increase in cinema attendance is most noticeable amongst older age groups. In 2002, 57 per cent of Australians aged 50 and over went to the cinema at least once, compared to 29 per cent in 1986. Since 1994 cinema-goers aged over 50 have been attending more frequently than those aged 35–49. In 2002, nearly 90 per cent of Australia’s 14 to 24-year-olds went to the cinema, an average of 10.2 times each.<sup>150</sup>
- 2.114 When last audited, in 2000, there were 173 businesses engaged in the exhibition industry, compared to 460 businesses in 1979–80. In 1988 there were 712 screens, while at the end of 2002 there were 1,872 screens. At the end of June 2000, there were 173 businesses in the industry, operating 326 cinema sites and 17 drive-in sites. The number of cinema sites has remained largely unchanged since 1994, the number of screens increased considerably, and drive-in sites fell from 41 in 1994.<sup>151</sup>
- 2.115 At the end of June 2000, eight local businesses, each with an income of \$8 million or more, dominated the cinema industry. Between them, these employed 68 per cent of people in the industry, controlled 70 per cent of screens, gained 80 per cent of gross income, attracted 74 per cent of paid admissions and 86 per cent of the industry operating profit, before tax. The industry recorded an operating profit before tax of \$113 million in 1999–2000, a drop of six per cent on 1996–97.<sup>152</sup>
- 2.116 At the end of June 2000, 9,282 people were employed in the motion picture exhibition industry.<sup>153</sup>
- 2.117 Admissions are reported to have fallen in 2003 from 92.5 million (gross box office \$844.8 million) to 89.8 million (gross box office \$865.8m).<sup>154</sup> Australian cinema is dominated by big-budget productions made in the US. In 2003, US-produced motion pictures accounted for 66 per cent of all

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150 AFC, *Get the Picture Online*, ‘Percentage of people in various age groups who had been to the cinema in the previous 12 months, and average number of visits, 1974–2002’, viewed 14 January 2004 at <http://www.afc.gov.au/gtp/wcimagepattern.html>.

151 AFC, *Get the Picture Online*, ‘Overview of the exhibition industry’, viewed 14 January 2004 at <http://www.afc.gov.au/GTP/wcovsummary.html>.

152 *ibid.*

153 This represented an increase of 20 percent since June 1997. Casual and part-time employees accounted for 81 percent of the labour force, some 7,492 people; 13 per cent or 1,196 people were permanent full-time employees; and permanent part-time employees made up six percent or 534 of employees. At the end of June 2000, women accounted for 56 per cent of employees or 5,162 in the industry, which was unchanged since 1997. Of all female employees, 84 per cent worked casually, compared to 77 per cent of male employees, AFC, *Get the Picture Online* ‘Overview of the exhibition industry’, viewed 14 January 2004 at <http://www.afc.gov.au/GTP/wcovsummary.html>.

154 AFC, *Get the Picture Online*, ‘Numbers of Australian cinema admissions and gross box office, 1976–2003’, viewed 2 May 2004 at <http://www.afc.gov.au/gtp/wcboadmission.html>.

pictures screened, while Australian pictures accounted for 8.5 per cent. France provided 4 per cent while the UK produced 9 per cent.<sup>155</sup>

Table 2.7 Comparative box office performance, Australian vs foreign films, 2002

Origin	No of films	Per cent of films released	Per cent of box office	Average box office
Australia	22	8.5%	5.1%	\$1.7m
United States (mainly studio)	170	65.6%	83.2%	\$3.6m
United Kingdom	24	9.3%	10.4%	\$3.2m
Other (mainly Europe & Asia)	43	16.6%	1.2%	\$211,246
Total	259			

Source Compiled from: Australian Film Commission, *Australian films: 2002 box office share*. Downloaded 7 January 2004 from: [http://www.afc.gov.au/downloads/policies/boxoffice02\\_bg.pdf](http://www.afc.gov.au/downloads/policies/boxoffice02_bg.pdf).

### 2003: A bleak year for Australian cinema?

- 2.118 Many commentators considered 2003 a bleak year for Australian films and suggested there is a crisis in the film and television industry.<sup>156</sup> At the time of finalising this report, many final figures for Australian films have not been released. News reports suggest that in 2003 the Australian box office is likely to have improved over 2002 by about 2%, taking the total to about \$860.8 million. Of this, Australian films are reported to have taken about 3.7 per cent, or approximately \$31.8 million, for 20 titles.<sup>157</sup>
- 2.119 If these reports are accurate, 2003 would be the worst result since 1999, when Australian films took three per cent of the box office, and down from 7.8 per cent in 2001 and 4.9 percent in 2002.<sup>158</sup>
- 2.120 On 27 December 2003, the *Sydney Morning Herald* published a list of top-grossing Australian films in 2003, and a list of the top twenty grossing films in 2003. No Australian films appeared in the top 20.

155 AFC, *Get the Picture Online*, 'Numbers of Australian and overseas films screened in Australian cinemas, 1984-2003', viewed 2 May 2004, <http://www.afc.gov.au/gtp/wcfilmxcountry.html>.

156 See G. Maddox, 'Film industry hits eight-year low', *Sydney Morning Herald*, 18 November 2003; S. Hall, 'Oz films hard to swallow', *Sydney Morning Herald*, 8 November 2003; V. Roach, 'Have Aussie film-makers lost the plot', *Daily Telegraph*, 22 August 2003; D. Dale, 'Dramatic tension', *Sydney Morning Herald*, 31 October 2003. See also, Ambience Entertainment et al, submission no. 100, p. 15, Cr J. Grew, Gold Coast City Council, *Transcript of Evidence*, 25 July 2003, p. 3, and Mr J. Lee, Cutting Edge Post, *Transcript of Evidence*, 25 July 2003, p. 16.

157 D. Groves, 'The incredible shrinking AUD', *Variety.com*, 4 January 2004, viewed 14 January 2004 at <http://www.variety.com/article/VR1117897714?categoryid=13>.

158 AFC, *Australian films: 2002 box office share*, viewed 7 January 2004 at [http://www.afc.gov.au/downloads/policies/boxoffice02\\_bg.pdf](http://www.afc.gov.au/downloads/policies/boxoffice02_bg.pdf).

**Table 2.8** 'The Aussie flicks Australians didn't mind' in 2003

<b>Film</b>	<b>Box Office Receipts</b>
Ned Kelly	\$8.5m
Japanese Story	\$4m
Fat Pizza	\$3.5m
Bad Eggs	\$2.5m
Gettin' Square	\$2m

Source David Dale, 'Why the little fish made a big splash', *Sydney Morning Herald*, 27 December, 2003. Downloaded 27 December 2003 from: <http://www.smh.com.au/articles/2003/12/26/1072308673130.html>

**Table 2.9** The films Australians watched in 2003: the top 20

<b>Film</b>	<b>Box Office Receipts</b>
Finding Nemo	\$37 million
The Matrix Reloaded	\$33.5m
The Two Towers	\$30m
Pirates of the Caribbean	\$25m
Bruce Almighty	\$20.5m
Chicago	\$19m
Terminator 3	\$19m
Charlie's Angels: Full Throttle	\$19m
The Matrix Revolutions	\$18m
X-Men 2	\$16.5m
8 Mile	\$16.5m
The Return of the King	\$16m (est.)
Catch Me If You Can	\$15m
Daddy Day Care	\$15m
Two Weeks Notice	\$15m
2 Fast 2 Furious	\$14m
American Pie: The Wedding	\$13m
Johnny English	\$12.5m
The Italian Job	\$11m
How to Lose a Guy in 10 Days	\$11m

Source David Dale, 'Why the little fish made a big splash', *Sydney Morning Herald*, 27 December 2003, viewed 27 December 2003 at <http://www.smh.com.au/articles/2003/12/26/1072308673130.html>.

## Video and DVD

2.121 In 2002, 89 per cent of Australian homes had at least one video cassette recorder, while 27 per cent had two or more. Australians have adopted DVD technology quickly. In 1998, just 4,521 units were sold. In 2000, 129,203 were sold, rising to 903,284 in 2002. The dramatic increase followed a large price reduction from an average price of \$1,229 in 1998, to \$343 in 2002. The dramatic fall in price of DVD players, and the



availability of DVD programs resulted in 24 per cent of Australian homes having at least one player by 2002.<sup>159</sup> By January 2004, 64 per cent of Australia homes were reported to have a DVD player.<sup>160</sup>

2.122 The spread of VCRs and then DVDs into Australian homes has created a video content sale and hire industry. The following table shows a dramatic increase in DVD content sales in recent years.

Table 2.10 Retail sales of videotapes vs DVD discs, 2000-02

Year	Retail Videotape sales [units]	Value	Retail DVD sales [units]	Value
2000	8.6m	\$174m	1.4m	\$49m
2001	9.1m	\$174m	4.3m	\$141m
2002	8.5m	\$155m	13.3m	\$398m

Source *Get the Picture the Picture*, 6 ed., p. 179 and *Get the Picture (online)*, viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wvfast.html#Raj46228>

2.123 Wholesale sales of video content rose substantially between 2001 and 2002, to the extent that wholesale sales of video products represent a market almost as big as the box office.

Table 2.11 Comparison of wholesale videotape and DVD disc sales with box office takings

Year	VHS tape sales	DVD sales	Combined	Box office
2001	346.9m	243.1m	590.0m	812.4
2002	323.3m	502.7m	826.0m	844.8

Source *Combined from: Get the Picture (online), 'Numbers of Australian cinema admissions and gross box office, 1976-2002' and 'Fast Facts: Video industry' (downloaded 15 January 2004 from <http://www.afc.gov.au/gtp/wcboadmission.html> and <http://www.afc.gov.au/gtp/wvfast.html#Raj46228>).*

2.124 Over the past few years, distributors' income from the sales of VHS tapes and DVD discs for sale to consumers has overtaken revenue from the sale of video product for rental and, within this segment, DVD products outstrip the sale of VHS tapes. Consumers are becoming collectors of content, rather than remaining only pay-per-view customers of video hire outlets.<sup>161</sup>

159 AFC, *Get the Picture Online*, 'Retail sales of DVD players, 1999-2002', viewed 23 January 2004 at <http://www.afc.gov.au/gtp/wvauvdvd.html>.

160 S. Meacham, 'Digital boom puts us all in the picture', *Sydney Morning Herald*, 23 January 2004, viewed at <http://www.smh.com.au/articles/2004/01/22/1074732532686.html>.

161 S. Meacham, 'Digital boom puts us all in the picture', loc. cit.

Table 2.12 Comparison: video content distributors revenue from sale for retail vs sale for hire

Year	VHS sell-through for retail sale	VHS for rental to video hire outlets	DVD sell-through for retail sale	DVD for rental to video hire outlets	Total
2001	\$169.7m	\$177.2m	\$207.6m	\$35.5m	\$590.0m
2002	\$192.4m	\$130.9m	\$405.4m	\$97.3m	\$826.0m

Source *Get the Picture*, 'Revenue to distributors from wholesale sales of video product, 1990–2002', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/vvwsrevenue.html>.

- 2.125 There were 1,166 video hire outlets in Australia employing 11,615 people<sup>162</sup> and video hire enterprises earned \$595.2 million in 1999–2000, when data was last collected. Of this income, 83 per cent came from rental of videos, DVDs, video games and video-related goods. Australians hired 151.9 million video tapes and 1.3 million DVDs and 7.6 million games in 1999–2000.<sup>163</sup>
- 2.126 A compulsory video classification scheme began in 1984. The video content market is dominated by titles from the US (61.4 per cent in 2002), with titles from Australia at 11.5 per cent and the UK at 9.4 per cent.<sup>164</sup>

### Free-to-air television

- 2.127 As at 30 June 2000 there were 41 private sector television broadcasters, comprising 34 commercial free-to-air broadcasting businesses and seven pay television broadcasting businesses.<sup>165</sup>
- 2.128 Australians also have access to two high-quality free-to-air public broadcasters, the SBS and ABC. This diversity provides a range of choices in programs. Although the commercial-free to air broadcasters attract larger audiences than either of the public broadcasters, on average on any day, 20.1% of the audience is viewing a public broadcast.

162 66 per cent employees were casual workers. In June 2000 there were 18 per cent permanent full-time, 9 per cent permanent part-time employees and 7 per cent working proprietors and partners of unincorporated businesses: AFC *Get the Picture Online*, 'Key statistics on businesses in the video hire industry, 1999/2000' viewed 15 January 2004 at <http://www.afc.gov.au/gtp/vvkeystats.html> and 'Fast acts: Video industry', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/vvfast.html>.

163 AFC, *Get the Picture*, op. cit., pp. 178 and 184.

164 AFC, *Get the Picture Online*, 'Numbers of Australian and overseas video tapes and DVDs classified, by country of origin, 1984–1999–2000'; viewed 15 January 2004 at <http://www.afc.gov.au/gtp/vvprodxcountry.html>

165 ABS, *Year Book Australia 2003*, 'Service Industries, Film, video and television industries', p. 6, viewed 17 April 2004 at <http://www.abs.gov.au/Ausstats/abs%40.nsf/46d1bc47ac9d0c7bca256c470025ff87/5285c9b221ad76c2ca256cae001611d9!OpenDocument>

Table 2.13 National audience share, 2003

ABC	SBS	SEVEN	NINE	TEN
15.6%	4.5%	25.5%	31.1%	23.2%

Source Scott Ellis, 'We're glued to reality TV', *Sydney Morning Herald*, 1 December 2003.

2.129 By comparison with international public broadcasters, the ABC attracts a very large audience:

The CBC has a share of approximately eight per cent of the audience; in America PBS has a declining share, somewhat below two per cent; and BBC2 has a share of about 10 per cent. We currently have a share of about 16 to 17 per cent. Audiences in Australia definitely affirm their commitment to and their pleasure in what the ABC does. We perform very strongly.<sup>166</sup>

2.130 Each day, according to the AFC, the average Australian watches three hours and thirteen minutes of television. Each night one third of all Australians are viewing television between 6 pm and midnight. The peak viewing time is between 7 pm and 9 pm when almost two thirds of Australian households are viewing television. Within any given week, 94 per cent of the adult population will view television.<sup>167</sup>

#### Public broadcasters

2.131 Both public broadcasters devote considerable resources to fostering Australian content, across a diverse range of genres. Both broadcasters also have programs in place to encourage emerging program makers and the development of digital content.<sup>168</sup>

2.132 The ABC stated:

The ABC plays a major role in developing the Australian film, television and new media industry in terms of producing Australian content and in training personnel.<sup>169</sup>

2.133 In its submission the ABC set out its activities, not only as a broadcaster, but as an element of the Australian film industry.<sup>170</sup> It has long standing relationships with the federal film funding agencies: the AFC, Film

166 Ms S. Levy, ABC, *Transcript of Evidence*, 27 August 2003, p. 4.

167 AFC, *Get the Picture*, op. cit., p. 208.

168 ABC, submission no. 22, p. 5 and SBS, submission no. 66, p. 2.

169 ABC, submission no. 22, p. 2.

170 It operates as a major producer and co-producer with the independent film and television production sector and is a major purchaser of content from the Australian film industry through pre-purchasing and acquisition arrangements.

Finance Corporation Australia, Film Australia and ScreenSound Australia.<sup>171</sup>

- 2.134 In 2002–03 the ABC had 5,011 employees representing 4,321 effective full time employees. It received an appropriation of \$807.7 million in 2002–03 and received \$130 million from other sources.<sup>172</sup>
- 2.135 In 2002–03 between 6 am and midnight, 64 per cent of the network broadcast hours carried Australian programs, of which 47.1 per cent was first release. This rose to 73.1 per cent of total network broadcast time being Australian programs and 68.5 per cent first release Australian programs, 6 pm to midnight.<sup>173</sup> The genre share for Australian and foreign programs is shown in the following table.

**Table 2.14 ABC programs (24 hours), by genre and source, 2002-2003**

	Arts & Culture	Children's	Documentary	Drama	Movies
Australian	141 [first release]	85 [first release]	60 [first release]	31 [first release]	6 [first release]
	103 [repeat]	431 [repeat]	105 [repeat]	161 [repeat]	15 [repeat]
	Total 244	Total 517	Total 165	Total 192	Total 21
Foreign	54 [first release]	219 [first release]	165 [first release]	339 [first release]	30 [first release]
	36 [repeat]	1041 [repeat]	148 [repeat]	361 [repeat]	1155 [repeat]
	Total 90	Total 1260	Total 312	Total 700	Total 1185
Total	334	1777	477	892	1206

Source *ABC Annual Report, 2002-03, p. 167.*

- 2.136 The SBS, Australia's other national public broadcaster, employed 872 people in 2002-03, of which 440 were listed as directly employed in the television division and 44 in the new media division.<sup>174</sup> It had a total budget of \$174.238 million, of which \$137.452 million was an appropriation by Parliament.<sup>175</sup>
- 2.137 SBS states it broadcast more documentaries, screened more films and broadcast more programs of interest to Aboriginal and Torres Strait Islanders than any other Australian free-to-air network.<sup>176</sup> The share for

171 The ABC stated it works collaboratively with state film funding bodies; for example, the New South Wales Film and Television Office, Film Victoria, Pacific Film and Television Corporation, South Australian Film Corporation (SAFC), ScreenWest and Screen Tasmania, ABC, submission no. 22, p. 1.

172 ABC, *Annual Report, 2002-03*, pp. 39 and 186.

173 *ibid.*, p. 121.

174 SBS, *Annual Report, 2002-03*, p. 64.

175 *ibid.*, p. 97.

176 *ibid.*, pp. 12–14.

some categories of Australian and foreign programs is shown in the following table.

Table 2.15 SBS programs (hours broadcast), by genre and source (extracts), 2002-03

	Animation	Arts	Documentaries	Drama / Drama series	Features	Educational
Australian	24.11	11.08	214.48	11.21	19.64	108.82
Foreign	29.17	138.90	726.80	194.94	1,185.35	0.0

Source SBS, *Annual Report, 2002-2003*, p. 133.

### Commercial free-to-air broadcasters

- 2.138 Australia has three commercial free-to-air national networks: Seven, Nine and Ten. In 2000, commercial free-to-air stations were owned by eight companies, one of which was unlisted. In 2000, the commercial, free-to-air television industry employed a total of 7,807 people.<sup>177</sup>
- 2.139 The commercial free-to-air television industry generated advertising revenues of \$2,749 billion in 2001-02, of which \$2,149 billion was from the five metropolitan markets, while \$516 million was earned regionally. The total income for the free-to-air television industry was \$3.233 billion.<sup>178</sup>
- 2.140 The commercial free-to-air television industry spent \$1.007 billion acquiring programs in 2001-02, including, \$706.3 million on Australian programs and \$300.7 million on foreign programs.<sup>179</sup> Commercial broadcasters spent 13 per cent of local program expenditure on drama (which includes children's programs) and 57 per cent on all other programs. This contrasts with expenditure on foreign drama of 25 per cent of their program acquisition budgets on foreign drama production and 4 per cent on other genres.<sup>180</sup>

177 6,392 were full-time workers and 1,415 were part-time, AFC, *Get the Picture Online*, 'Numbers employed by free-to-air TV broadcasters, 1994-2000', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wftvisemployment.html>.

178 AFC, *Get the Picture Online*, 'Estimated revenues from various sources for free-to-air television services, 1996-97 and 2001-02', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wftvisrevenue.html>.

179 AFC, *Get the Picture Online*, 'Spending on programs of various types, local and imported, by commercial free-to-air services in Australia, 2001-02', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wftvprogexpenditure.html>.

180 AFC, *Get the Picture Online*, 'Proportion of spending on Australian and imported programs, drama and other, by commercial free-to-air services in Australia, 1990/91 to 2001/02, and proportion of hours broadcast, 1998', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wftvproghours.html>.

- 2.141 Total programming expenditure exceeded \$1 billion in 2001-02. Since 1996-97, spending on Australian programs has risen by 29 per cent. In the same period, spending on imported programs rose by 40 per cent. Drama programs account for most expenditure on imported programs, and expenditure has grown by 28 per cent since 1996-97. In the same period, spending on Australian drama has risen 56 per cent. Spending on imported programs other than drama doubled in 2001-02, to \$35 million. Commercial broadcasters' spending on Australian documentary programs has fallen by 57 per cent since 1996-17. In 2001-02 it fell below \$3 million.<sup>181</sup>

Table 2.16 Spending on programs of various types, local and imported, by commercial free-to-air services in Australia, 2001-02

	Drama	Documentary	Children's drama
Australian	\$114.7m	\$2.9m	\$13.5m
Foreign	\$255.9m	n.a.	n.a.

Source *Get the Picture (online)*, 'Spending on programs of various types, local and imported, by commercial free-to-air services in Australia, 1990-91 to 2001-02', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wftvprogexpenditure.html>.

- 2.142 As a condition of their broadcasting licences, commercial television stations must comply with certain Australian content and children's programming standards. The ABA's annual report evaluates broadcasters' compliance with content standards and indicates that all broadcasters complied with the legislation.<sup>182</sup>
- 2.143 Interestingly, broadcasters sometimes do exceed the minimums. The main example in 2002 was Channel Seven, which substantially exceeded the minimums in Australian drama and Australian documentary. However, in the case of children's programs, all broadcasters merely complied with the requirements.<sup>183</sup> The three national commercial networks in the metropolitan areas broadcast Australian content 59.36 per cent of the time, 6 am to midnight.<sup>184</sup>
- 2.144 The ABA compliance study shows the broadcast hours per annum of first-run Australian drama, documentary and children's programs.

181 AFC, *Get the Picture Online*, 'Spending on programs of various types, local and imported, by commercial free-to-air services in Australia, 2001-02', loc. cit.

182 ABA, 'Compliance with the Australian Content Standard: 2002', viewed 15 January 2004 at [http://www.aba.gov.au/tv/content/ozcont/compliance/Documents/compl\\_02.rtf](http://www.aba.gov.au/tv/content/ozcont/compliance/Documents/compl_02.rtf).

183 See Mrs J. Buckland, ACTF, *Transcript of Evidence*, 27 August 2003, p. 41.

184 ABA, 'Compliance with the Australian Content Standard: 2002' loc. cit. This is obtained by adding the percentage of broadcast time, 6 am to midnight, in which Australian programs are broadcast and averaging the figure over the number of stations.

Table 2.17 Average hours broadcast, Australian produced content, 2002

Network (av)	Seven	Nine	Ten	Content (p.a.)
Drama	240.6	106.3	168	514.9 <sup>185</sup>
Documentary	25.4	21.83	22	69.23
Children's	134.9	130.6	130.5	396

Source ABA, 'Compliance with the Australian Content Standard: 2002', viewed 15 January 2004 at [http://www.aba.gov.au/tv/content/ozcont/compliance/Documents/compl\\_02.rtf](http://www.aba.gov.au/tv/content/ozcont/compliance/Documents/compl_02.rtf).

## Subscription television

- 2.145 Subscription television offers a range of television content to consumers for a fee. Services include movie, news, children's, documentary/education, entertainment/drama, sports, music, ethnic language, and pay per view event channels, as well as radio services and interactive television services. The channels are owned by more than 30 different media companies, 12 of which are Australian owned or based.<sup>186</sup>
- 2.146 Subscription television enterprises employed a total of 2,861 people in 1999-2000; 2,379 were full-time and 482 were casual employees. Total revenues for subscription television amounted to \$910 million, of which \$789.1 million was from subscriptions. The Australian Subscription Television Association (ASTRA) stated that over \$8 billion has been invested in subscription television infrastructure, capital, facilities, productions, licence fees and services since its inception.<sup>187</sup> Nevertheless, the AFC reports subscription television lost some \$675.8 million in 1999-2000—the last year for which results have been posted by the AFC—although certain channels made a profit in the 12 months to March 2001.<sup>188</sup>
- 2.147 Subscription television is available throughout Australia and, at June 2003, the three main pay TV operators, Foxtel, Optus Television and Austar, had 1.5 million subscribers out of a potential 7.1 million (or about 21 per cent) TV households.<sup>189</sup> Over 5 million Australians have access and a study in 2000 revealed that at any one time between 7 and 11 per cent of TV households are viewing.<sup>190</sup>

185 This amounts to 7.83 per cent of the time between 6 am and midnight.

186 ASTRA, submission no. 60, p. 2.

187 *ibid.*

188 AFC, *Get the Picture Online*, 'Pay television in Australia: Trends and issues', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wptvanalysis.html>.

189 AFC, *Get the Picture Online*, 'Pay TV subscriber numbers, total and by operator, 1995-2003', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wptvsubsxops.html>.

190 ASTRA, submission no. 60, p. 2. and AFC, *Get the Picture Online*, 'Pay TV's share of total viewing within homes with TVs, by day of the week, 2000', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wptvaudience.html>.

- 2.148 In the homes that do subscribe, non-free-to-air channels accounted for a little over half of total household television viewing as at the start of August 2003. The viewing share is spread across more than 40 channels, and the AFC reports that the top-rating subscription channel rarely records more than a 5 per cent share and most channels generally achieve less than 1.3 per cent. The typical subscription channel is a specialist narrowcast service. According to the AFC, subscription television is different—in terms of format and audience appeal—from any of the three commercial free-to-air channels and the ABC and SBS.<sup>191</sup>
- 2.149 As noted, since 1 July 1999, licence holders and channel providers of a subscription television service who provide a subscription TV drama service must spend 10 per cent of their total program expenditure on new Australian content and make up any shortfalls in the next financial year. In 2001-2002 expenditure by the 17 pay TV drama channels on new eligible Australian drama programs totalled \$21 million. This included investment in or payment of licence fees for a range of programs such as the drama series *White Collar Blue*; the features such as *The Missing*, *My Mother Frank* and the telemovie *Change of Heart*.<sup>192</sup>
- 2.150 The scheme was introduced because the former voluntary scheme applied only to program expenditure by pay TV licensees. In practice, the expenditure was made by channel providers. These entities were outside the scope of the legislation, and so they could not be forced to meet the expenditure requirement. Although the ABA encouraged expenditure on a voluntary basis few subscription TV entities met the 10 per cent spending requirement.<sup>193</sup>
- 2.151 The AFC referred to the ABA's consideration of two amendments to the conditions of licence for pay TV licence holders and channel providers. One would allow script development expenditure to count towards the 10 per cent expenditure requirement, even if the project did not proceed to production. A project would be eligible if it had Australian or New Zealand producers and writers. The second amendment would require a minimum budget expenditure on new documentary programming for subscription TV documentary channels.<sup>194</sup>

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191 AFC, *Get the Picture Online*, B. Peters, 'The free-to-air television industry in Australia: Trends and issues', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wftvanalysis.html>.

192 AFC, *Get the Picture Online*, 'Aggregate expenditure by pay TV drama services on new Australian drama, 1995/96-2001/02'; viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wptvexpenditure.html>.

193 AFC, *Get the Picture Online*, 'Australian content on pay TV', viewed 15 January 2004 at <http://www.afc.gov.au/gtp/wptvregulation.html>.

194 *ibid.*



2.152 ASTRA, the peak body for subscription television and narrowcast radio, stated its members:

... invest millions of dollars and broadcast thousands of hours each year of Australian film and television productions across all television genres ... As a consequence, ASTRA's members are responsible for:

- promoting and making available to Australian audiences a diverse range of broadcasting services through a variety of genres;
- facilitating the development of the Australian broadcasting and production industry through its own investment and productions (both "commissioned" and "in-house"); and
- continuing to develop and reflect the Australian identity, character and the broad diversity of Australian culture like no other broadcast medium through its targeted niche programming.<sup>195</sup>

## Film: the economic, social and cultural benefits

### Economic benefits

2.153 The economic benefits of the film industry are usually considered in straightforward terms: employment, foreign investment, export generated revenue, revenue generated domestically, and taxation. For example, the SBS stated that a recent ABS study found for every \$1 million invested, 37 full-time jobs were created.<sup>196</sup> Despite the film industry down-turn in 2002–03, there are significant economic benefits already accruing to the Australian community and many opportunities await:

Australia has an opportunity to transform its many creative cottage producers into world-class producers and exporters of creative content, applications and services. A vibrant Creative Digital Industry will shift Australia from being a net importer of over \$1 billion of content in 2000/2001 to being a potential net exporter of \$1.5 billion by 2010.

On the other hand if Australia fails to become a globally competitive exporter it is estimated that it will see its traditional and digital media balance of trade deficit blow out to over - \$3 billion by 2010.<sup>197</sup>

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195 ASTRA, submission no. 60, pp. 2-3.

196 SBS, submission no. 66, p. 6.

197 P. Higgs & T. Kennedy, *op. cit.*, p. 7.

2.154 However, the economic benefits of screen production go beyond the readily apparent, and may include:

- increased employment in the film, television and other related industries;
- increased demand for Australian goods through international exposure for Australia;
- increased awareness of Australian creative talent and abilities;
- increased foreign investment in Australia;
- increased exports of Australian products;
- increased tourism expenditure; and
- increase in Australia's skills base.<sup>198</sup>

2.155 A clear economic benefit is the development of tourism and raising Australia's profile internationally. A successful international film that features Australia acts as free advertising for the country.<sup>199</sup> For example, the *Lord of the Rings* has greatly enhanced New Zealand's profile. Given these synergies, the Committee considers that the film, communications and information technology agencies in this inquiry could work more with the tourism agencies. The possibilities here to 'break down the silos' are further discussed in the section on the Australian brand in Chapter 6.

2.156 In their report, Higgs and Kennedy detail other effects of the creative digital industries, to which film and electronic games are central:

The success of the Creative Digital Industry has significant flow-on effects for the wider economy including:

- creative industries (media, advertising, fashion, software, etc.)
- Digital Content users (health, education, defence, finance, tourism, transport, etc.)
- technical applications (information management, content delivery)

Establishing a Creative Digital Industry that is efficient in the design, production and commercialisation of information and intellectual property of other industries can enable substantial improvements in the efficiency in those other industries and sectors.<sup>200</sup>

2.157 Moreover, the economic effect of investment in the creative industries is much higher than any other sector, except education, Higgs and Kennedy report. They contend 'An investment by government to increase the level of demand and hence domestic production within the Creative Digital

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198 SPAA, submission no. 33, p. 3.

199 A point also made by Mr J. Lee, Cutting Edge Post, *Transcript of Evidence*, 25 July 2003, p. 15.

200 P. Higgs & T. Kennedy, op. cit., p. 13.

Industry will have a 23% higher positive impact on the overall economy than a similar investment in primary industry'<sup>201</sup> and:

... an increase of \$1M in demand for domestic films would flow through to increased production which would require additional purchases from accountants, carpenters, electrical suppliers, computer suppliers, real estate rental etc. that are not normally considered to be part of the film industry. Each new purchase increase can also trigger further purchases from their suppliers in a "flow on" effect.<sup>202</sup>

2.158 The film and electronic game industries create content, and content that is marketable generates ongoing income from control of its copyright. For example, Australia's copyright industries generated in 1999-2000, according to the Australian Interactive Media Industry Association (AIMIA), \$19.2 billion in industry gross domestic product—about 3% of Australia's gross domestic product.<sup>203</sup> Higgs and Kennedy observed:

... unlike coal and iron ore, creativity and its outputs are non-exhaustible resources. There is no limit to creativity and each output can be sold again and again to different people, in different markets, at different times. The "cost of goods" of satisfying each new customer may approach zero once the product has been "created".<sup>204</sup>

2.159 Technology, and a society's capacity to adopt it and adapt to it, is the 'hard' foundation of the 'Post Industrial' knowledge society. The film and electronic game industries are said to underpin the knowledge society. They provide one of the drivers whereby Australia can develop and retain the requisite skills-base and remain in the world economic scene by producing the knowledge (creative content and its products) which will be the commodity sold domestically and globally. The Film Industry Broadband Resources Enterprise (FIBRE) made it clear where the opportunities lie:

The knowledge and experience that resides within the creative industry sector is increasingly going to play a significant role in the management of communications of the future...

Communications throughout society are becoming faster, more intensive, and more image dependent. Film and television program makers and games developers have the skills to manage

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201 *ibid.*, p. 15.

202 *ibid.*

203 AIMIA, submission no. 42, p. 4.

204 P. Higgs & T. Kennedy, *op. cit.*, p. 7.

this trend to best advantage, to the general benefit of the country.<sup>205</sup>

## Social and cultural benefits

2.160 The fact that the creative industries sit at the centre of our national life and identity was referred to in many submissions. The government of South Australia put this view:

As well as making a substantial economic impact, these industries are vital to the development of Australia's identity, to the fabric of our evolving culture, and to the perception of Australia and Australians at an international level.<sup>206</sup>

2.161 The creative industries portray Australians to themselves and to others. They can foster unity and tolerance.<sup>207</sup> The Media Entertainment and Arts Alliance pointed cited the Universal Declaration on Cultural Diversity adopted by the 31st General Conference of UNESCO:

The advent of globalization brings in its wake the grave danger of the standardization of cultures and of the reduction of intellectual works to the level of commercial products.

Cultural diversity widens the range of options open to everyone, it is one of the roots of development, understood not simply in terms of economic growth, but also as a means to achieve a more satisfactory, intellectual, emotional, moral and spiritual existence.<sup>208</sup>

2.162 David Gonski, in his *Review of Commonwealth assistance to the film industry*, filled out these ideas:

Film and television productions are an integral part of Australian life. They expose us to others' dreams and visions, tell our stories, show us to ourselves and others and ensure that future generations can see into our lives as we have lived them. At the end of the 20th century, they have emerged as the most accessible of all cultural activities and a medium in which Australian creators are able to reach the world.

A vibrant Australian film and television industry can play a key role in:

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205 FIBRE, submission no. 50, p. 5.

206 Government of South Australia, submission no. 94.1, p. 3

207 NSW Film and Television Office, submission no. 56, p. 4 and SBS, submission no. 66, p. 5.

208 Media, Entertainment and Arts Alliance, submission no. 59, p. 4.

- defining and exploring what it is to be Australian;
- encouraging national maturity and independence through a developed awareness of self and the capacity to honestly appraise that self image;
- recognising and exploring our own diversity;
- promoting a more inquisitive, imaginative and thoughtful society;
- projecting the diverse images of Australia both nationally and internationally; and
- providing for current and future generations an historical record of contemporary issues and events that illustrate life in Australia.<sup>209</sup>

2.163 Successive Australian governments have supported Australia's film industry in order to advance cultural objectives and enrich the lives of Australians.<sup>210</sup> This is good public policy and especially important in an age of globalisation. The public policy task is to develop specific policy instruments that promote cultural objectives and foster these industries so that Australians are able to express their identity, enjoy their own culture, and also benefit from the opportunities that the cultural industries will offer in the future.

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209 D. Gonski, *Review of Commonwealth assistance to the film industry*, Canberra: Department of Communications, Information Technology and the Arts, 1997, p. 17. The report is available at [http://www.dcita.gov.au/download/0,2118,4\\_112676,00.doc](http://www.dcita.gov.au/download/0,2118,4_112676,00.doc).

210 *ibid.*



