

## **Patterns of Production and Policy: The Australian Film Industry in the 1990s**

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This paper offers an overview of the Australian film industry in the 1990s and attempts to track the shifts in policy that have affected patterns of film production. The primary focus of this article is on Australian feature films, although the associated television production industry is also discussed.

### **The Current Climate for Film Production in Australia**

It could be said that currently the Australian film industry is enjoying a degree of maturity and success that compares favourably with other non-Hollywood film locus's of film production such as France, India, Canada and the UK. Internationally, the film industry is dominated by the Hollywood players, particularly in the US domestic market, but also throughout the world. One example of the Australian industry's current accomplishment is the critical and commercial success of *Shine* (1995), a film which won a host of both national and international awards including an Academy Award for Best Actor, Geoffrey Rush. The film, which cost just over A\$6 million to produce, has grossed over A\$64 million Australian dollars (April 1997 figure) at the international box office. It was the subject of a fierce dispute to acquire US distribution rights at the 1996 Sundance Film Festival, and is now regarded internationally as a model of accomplishment.

The industry's success is perhaps the culmination of the experience gained since the industry's rebirth during the 1970s, and the steady

development of all aspects of film production. Before *Shine*, the Australian film industry has enjoyed other notable successes, either at the box office, critically or both with such films as *Muriel's Wedding* (1994), *Adventures of Priscilla – Queen of the Desert* (1994), *The Piano* (1993), *Strictly Ballroom* (1992), *Babe* (1995), and *Green Card* (1991). The latter two films are particularly of note in the current context in view of the involvement of American studios. *Love and Other Catastrophes*, directed by Emma-Kate Croghan, was also notable in securing a sale to Miramax for distribution in the US in the order of A\$1 million, virtually double its budget. By way of contrast, *Shine* is an example of a film which was produced with funding from the Australian Film Finance Corporation (FFC) in conjunction with local funding, with international sales agent Pandora having rights to market the film throughout the world outside Australia, and Ronin Films, a local distributor, having domestic distribution rights. The film was developed with assistance from the Australian Film Commission, the South Australian Film Corporation and Film Victoria, and illustrates a successful partnership between private and public sectors.

Since the seventies, it has been consistently recognised that government has a crucial role to play in supporting the film industry. It has been repeatedly argued that some degree of subsidy is required if Australians wish to see Australian culture on their screens. Despite the domestic and international successes of some recent Australian films, this argument is as valid today as it was in 1970. The Howard Liberal Government, brought into office in 1996 ending 13 years of Labor rule, presides over film policy at the national level. In line with the Howard government's general economic philosophy, federal policy on film can be characterised as encouraging the free play of market forces while reducing the involvement and size of government funding to the industry.

Shortly after taking office the federal government initiated a review of film policy which culminated in a report titled: Review of Commonwealth Assistance to the Film Industry written by David Gonski (hereafter referred to as the Gonski report). One of the Gonski report's main recommendations, the development of FLICS (Film Licensed Investment Scheme) as a source of film funding, **is yet to be implemented**, although a revised version of the scheme is due to become a reality in 1999 (discussed later in this paper). Despite this review, some sectors are still under the microscope; the Department of Communications and The Arts (DOCA) have just begun another review of screen culture. The Gonski report recommended that the AFC reallocate funds from screen culture to other core activities and to script development but the current government did not implement this, particularly due to lobbying by the group formed for this purpose, the Australian Screen Culture Industry Association (ASCIA).

In general, the Federal Government has not dismantled the policy set by its predecessor under Creative Nation in 1994, as was initially feared. However there has been a consistent reduction in funding allocations to film bodies, particularly the AFC. In the past the AFC has been a source of funding for low budget features and script development but at present doesn't seem to have the resources to maintain this role (the effects of which will only become apparent in the years ahead. The national broadcaster, the ABC, has also been cut and this has drastically reduced the amount of quality television drama being produced locally.

Overall, exhibition is currently doing well, with domestic box office grosses continuing at high levels, although many Australian releases do poorly – the most notable recent failure is the film *Oscar and Lucinda*,

which despite its A\$20 million budget and the support of Fox Searchlight, a subsidiary of Fox in the US, only took around A\$1 million domestically. This film also fared badly in the international market. Currently, all government-funded film bodies rely for part of their funding on returns from previous investments, and returns from *Shine* will top up the resources of the Australian Film Finance Corporation. However, the industry will perhaps soon require a break out film like a *Shine* or a *Muriel's Wedding* to keep money flowing into the coffers of the FFC and the State funding bodies.

One development in the Australian industry over the past several years has been the gradual infiltration of overseas interest, particularly from the US. Several international distributors have offices in Australia and actively seek participation in new Australian films, including Miramax and Fox Searchlight. Fox Studios recently opened in Sydney, and Queensland continues to function as an offshore Hollywood backlot, with a number of films being shot at the Warner Brothers/Village Roadshow Movieworld studios. On the critical front, Rolf de Heer's recent film *Dance Me To My Song* was invited to screen in competition at the 1998 Cannes Film Festival, and Ana Kokkinos' *Head On* was screened in Director's Fortnight. This festival in particular has come to play an important role for the marketing success of films in Australia.

To conclude, the current position of Australian film production is broadly market driven, with a number of players in production, distribution and exhibition successfully surviving and thriving in the marketplace. Government policy appears to recognise that the economics of film production require significant government underpinning and support, and much of the infrastructure established by the previous Labor government, and earlier governments as well, remains in operation. But in many areas funding has been reduced, in

some cases significantly. Competition for both government support and marketplace interest amongst new and established filmmakers has perhaps never been more intense. The influence of overseas involvement in film production is yet to be determined, and the effect of cutbacks particularly on film development are yet to make themselves felt. And there are other significant issues troubling the industry looming on the horizon, including the decision by the High Court of Australia to allow New Zealand production to count as Australian production in television quotas, and the fight for Australian scriptwriters for their moral rights.

### **The Historical Context**

The current situation of Australian film production must be viewed in the context of recent film history stemming from the renaissance of the industry in the 1970s, a history that has been well documented elsewhere. Although Australian film production began strongly at the turn of the century, it declined until there was little feature activity from the 1930s until the late 1960s. Throughout the 1960s lobby groups argued for government financial support until, in 1970, the Gorton government established the federally funded Australian Film Development Corporation (AFDC). This body was later re-established with wider powers as the Australian Film Commission (AFC) in 1975. Between 1972 and 1978 state funded government agencies were established in every state<sup>1</sup> (which, with the exception of Tasmania, continue to function).

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<sup>1</sup> The current state funding agencies for film and television in Australia consist of : Cinemedia (Film Victoria and the State Film Centre of Victoria merged to become Cinemedia in 1997); New South Wales Film And Television Office (NSWFTO), Northern Territory Department of Asian Relations, Trade & Industry (mainly promotes the Territory as a location); Pacific Film & TV Commission (PFTC is now an amalgamation of Film Queensland, Film Events Queensland); Screen West (formerly The WA Film Council), South Australian Film Corporation (SAFC) and in Tasmania there isn't a

From the 1970s there has been a recognition of the pivotal role of government in fostering and regulating the development of Australian film and television. Historically the Australian Film Industry has been federally funded by a bigger budgeted mainstream and less well-funded minor organisation, as Tom O'Regan describes:

In the 1970s there was the mainstream Australian Film Development Corporation and the minor stream Experimental Film Fund; from the mid-1970s to the mid 1980s there was the mainstream Industry Branch and the minor stream Creative Development Branch of the AFC; since 1988 the division has been represented by the Australian Film Finance Corporation and the AFC.<sup>2</sup>

Within the AFC there are various schemes which have particular targets, such as the Women's Film Fund, the Indigenous Film Branch and funding for New Media, documentary and short film production. As the Gonski report found, the Commonwealth currently plays a dominant role in support of the industry with state/territory funding being under 15 per cent of the Commonwealth total. However, state organisations have supported different levels of participation. With the local 'independent' sector, 'Young Filmmakers' or 'New Writers' funds, and through mentor programs or 'Producer Support' packages. Sometimes this has led to their direct investment in film and television produced in these sectors.

The AFC in particular also supports the production of short films, experimental films and documentaries. This support has been reduced over the past few years as a result in a reduction in the AFC's budget. In 1997 a cap of A\$50,000 per short film project was established, in

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"Film Office" but Arts Tasmania facilitate film development in that state. Note that All Australian screen organisations are networked at 'Screen Network Australia' at : [www.sna.net.au](http://www.sna.net.au)

<sup>2</sup> Tom O'Regan, *Australian National Cinema*, London and New York, Routledge, 1996, p.15.

order to spread financial assistance as widely as possible. Short films are viewed as an important part of film production in their own right, as well as a means for recent film graduates and other filmmakers, writers, actors and crew members to hone their craft.

The AFC also supports development and production of documentaries. However, this area has also been reduced due to funding reductions and they only fund projects which have received interest from a broadcaster (the state funding bodies are generally more lenient in this regard). The number of documentaries that are made each year in Australia is declining as a result of budget reductions by the two main broadcasters that screen such films - the ABC and SBS. The ABC has reduced the budget it will support for one-hour documentaries, and is now commissioning fewer films. One significant effect of these budgetary reductions is the number of documentaries that originate on 16mm film. Currently it is very difficult to justify the cost of shooting on film, unless the project is an international co-production. Correspondingly, the Australian Film Institute (AFI) has recently changed the rules regarding the eligibility of documentaries into its annual AFI Awards, allowing video-originated documentaries to be eligible for competition. The categories of 'Best Television Documentary' and 'Best Documentary Film' have been replaced by 'Best Documentary' and 'Best Achievement in Direction of a Documentary'.<sup>3</sup> SBS TV Independent plays a significant role for the documentary sector. In 1994, SBS TV Independent was granted A\$13 million over four years to commission factual and fictional programming from Australian independent producers. The 1997-98 accord program between SBS TV Independent and the FFC selected ten documentaries for production.

The establishment of the AFC and state funding agencies coupled with the introduction of tax concessions later in 1970s, caused major growth in the Australian film industry. In 1978 tax laws under section 10B of the Tax Assessment Act were redrafted, to allow film investment to be written off over two years, allowing investors considerable savings on their tax bills. Initially the scheme attracted little attention; the provision seemed insufficiently generous to attract the desired level of private investment, until a significantly more generous scheme was introduced in 1980, known subsequently as '10BA'. This act caused an explosion in film production (and the number people working in the industry). Under 10BA investors in film and certain types of television programs could claim a \$150 tax deduction for every \$100 spent and every \$50 earned on the investment was exempt from tax. However, these concessions were gradually wound back following criticism that it was a finance-tax driven characterised by inflated budgets and rorts. Deductions were reduced from 120/20 to 100 per cent, with no tax shelter for returns.

The phasing out of tax concessions created considerable disturbance within the industry in the mid-1980s, and calls for alternative funding mechanisms echoed throughout the industry. In 1988, after much deliberation and consultation, the Australian Film Finance Corporation (AFFC<sup>4</sup>) was established, with an annual grant from the Commonwealth for investment in features, telemovies, miniseries and documentaries. The sums of money involved were, and remain, considerable: the 1997-98 budget is A\$48.01 million (A\$48.5 m in 1996-97 and A\$50 m in 1995-96). This level of investment suggested something of the AFFC's intended role, namely to function as a sort of film bank, offering loans at preferential rates and enjoying the right of 'with

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<sup>4</sup> FFC is now known as



profit' participation in the projects invested in. Applicants to the AFFC were required to demonstrate market potential: theoretically if a project's producers can demonstrate sufficient market interest – say a pre-sale of around 35% for a feature film, depending on its budget, then the FFC will provide the other 65% of the budget as a recoupable investment. Questions of national 'interest' and 'quality' are inscribed in the AFFC's brief: there are a number of requirements, including eligibility under 10BA, which places Australian content requirements on proposed projects. It was intended that the FFC would fund commercially viable films, and it was hoped that these films would return enough of their investment to become at least partly self-sustaining. At April 1997, the FFC had funded 111 feature films, of which only five have gone into profit. Those five are *Strictly Ballroom*, *Muriel's Wedding*, *Green Card*, *Adventures of Priscilla-Queen of the Desert* and *Shine*. (*Babe* and *The Piano* did not utilise FFC funds).

The FFC was set up with largely commercial aims, unlike other government bodies, Susan Dermody and Elizabeth Jacka have said of the FFC that "The announcement of the Corporation was made purely in financial terms; there was little or no debate about the cultural and aesthetic consequence of the system it was replacing and no statement of what government subsidisation of a film and media industry is supposed to achieve".<sup>5</sup>

### **The Role of Governments**

Successive governments have supported the importance of the portrayal of Australian stories, themes and culture on cinema and television screens. It has been cultural objectives rather than the economic objectives driving government support. Government

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<sup>5</sup> Susan Dermody & Elizabeth Jacka, *The Imaginary Industry: Australian Film in the late '80s*, Australian Film, Television & Radio School, Sydney, 1988, p. 20.

assistance (from all sectors) has historically been critical to construction and evolution of the industry to the level of expertise, quality and success it has achieved to date.

One of the most significant elements of Australian film history has been the involvement of government support. Jock Given wrote in *Filmnews* that:

Every living Australian Prime Minister has run a government that did something for Australian film. Gorton's started federal assistance to the industry, Whitlam's increased it and reorganised it, Fraser's introduced 10BA, Hawke's established the Film Finance Corporation. Keating's government has delivered Creative Nation, an expansive, expensive statement of cultural policy announced in October, 1994.<sup>6</sup>

The significance of 'Creative Nation' was that it was a commitment to the importance of cultural policy from the top level of government (a recognition of culture as a political factor), and it provided continued direct funding to support production of Australian films, and help to stabilize the industry, as part of a creative infrastructure deemed important to the definition of an Australian public media sphere. Keating's intervention had a distinctly symbolic air about it: the arts were represented at Cabinet level for the first time since the Whitlam government; a vision for the next ten years of national policy development was established; a joining of arts and communications in one federal government portfolio was achieved: and there was attention to 'culture industries' in general.<sup>7</sup> A key focus of 'Creative Nation' was on 'new media', indicating a conceptual shift to new forms of information packaging and presentation, although this was done in

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<sup>6</sup> Jock Given, 'Creating the Nation - Is This A Film Policy?', *Filmnews*, Vol. 25, No. 1, 1995, p.6.

<sup>7</sup> For detail see: Stuart Cunningham, 'Willing Wonkers at the Policy Factories', *Media Information Australia*, No. 73, 1994, p.4.

addition to traditional forms of film support. The 'Creative Nation' investment in new media gave additional funding for this purpose (over four years) to the AFC (A\$5.25 million), AFTRS (A\$950,000) as well as investing A\$84 million in the Australian Multimedia Enterprise, Cooperative Multimedia Centres, a series of National Multimedia Forums and the Australian on CD program. This trend was also echoed by State Governments, for example, in Victoria the Liberal Government headed by Jeff Kennett currently invests A\$13 million in supporting the development of new multimedia and Alan Stockdale became the first Minister for Multimedia establishing a new department called Multimedia Victoria, and the Multimedia 21 Fund which provides project development for and investment in multimedia.

More recent political developments may well have softened the financial and critical edge of the 'Creative Nation' initiative. The John Howard-led Liberal/National Coalition came to power in March 1996 with an agenda to cut government spending in almost all areas. This government, for example, reviewed the ABC and cut funding (by A\$65 million reduction in 1996-1998 budgets), and reviewed commonwealth assistance to the film industry. The ensuing Gonski Report recommended that current levels of assistance were adequate (and did not recommend any increase), but devised tax incentives (FLICs) intended to help close an anticipated gap between income and expenditure, which are discussed later in this paper. The Commercial Television Production Fund (CTPF) was a major casualty of the Federal Government's 1998 Budget, which slashed the fund. In May 1998, the Australian Writers' Guild's executive director Sue McCreddie described the cuts in the following way: "This CTPF cut contributes to a 25

percent reduction in development and production funding to the industry since the Coalition came to power in March 1996".<sup>8</sup>

Reviews did help to provide a clearer statistical picture of the state of the industry in the later years of the decade. The Gonski report found that in 1994-95 only 20 per cent (e.g. 4) of the films made in that year were made without Federal funding, and that only one in ten feature films usually return their original investment. In 1997, direct federal funding for Australia's film and television industry was set at the level of A\$115 million (in direct funding in the 1997/98 Budget). The only increases given by the current federal government have been to Film Australia; other areas have been maintained with the exception of the AFC and the Commercial Television Fund. In the 1997/98 Budget the Australian Film Finance Corporation funding was cut slightly at A\$48.01 million for 1997/98 to 2000/1; the AFC was cut (following sum years of cuts), receiving A\$29.7 million (but this included almost A\$15 million for the Australian Commercial Television Production Fund which was a reduction by A\$5 million on previous years and funding was subsequently lost in 1998); the National Interest Program, managed by Film Australia was maintained at current levels (A\$ 46.4 million for another two years until 1998/99) and in November of 1997, the government extended this support for Film Australia to 2003 and extended support for the National Interest Program; the Australian Children's Television Foundation was maintained at currently levels (A\$2.3 million) and levels of funding for The National Film and Sound Archive and The Australian, Film Television and Radio School were maintained. Support for SBS

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<sup>8</sup> Sue McCreadie quoted in Tracey Prisk, 'Budget scraps CTPF', *Encore*, Vol.16. No 7, 1998, p. 1.

Independent was continued. Tax concessions for the industry were maintained pending possible replacements.<sup>9</sup>

In November 1997 Senator Richard Alston announced that provisions under Divisions 10B and 10BA of the *Income Tax Investment Act 1936* for investment in Australian film and television production would be retained but a new pilot scheme - the Film Licensed Investment Scheme (FLIC) would be introduced. FLIC will provide a one hundred percent tax concession to investors in companies that are licensed to invest in a slate of film and television production. It is expected to raise concession capital of up to A\$20 million a year.

### **Australia and the Global Film Industry**

As in virtually all countries throughout the world, the Australian film distribution and exhibition industries are dominated by American product. To a lesser extent, American influences can now be felt in the production of Australian films as well. As the 1990s wore on, US film production companies appeared with greater frequency on Australian territory. Village Roadshow went into partnership with Warner Brothers some years ago to establish Movieworld in Queensland, a fun park and production studio. More recently, Fox Studios has opened its doors in Sydney, NSW. Many other US-based companies have representation in Australia now, notably Miramax (the distributors), Fox Icon and Fox Searchlight. Other companies seem set to follow their example.

The return of the Americans has come about for two main reasons. Firstly, there has been a recognition in Hollywood that while high-budget (e.g. \$100 million or more) films are needed to win high opening domestic box office grosses on opening, there has also been a

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<sup>9</sup> The AFC received federal funding of (not counting the Commercial Television Fund) A\$15.53 million in 1997-98, A\$16.71 million in 1996-97 and A\$20.5 million in 1995-96.

growing recognition that there is also a market for smaller films, which may build their revenues more slowly. Films like *The Full Monty* (1997) are cited as examples of low-budget films with no recognisable American stars that have grossed over \$200 million worldwide, making them more profitable than even the most successful block-busters in terms of returns on investment. This recognition has caused US distributors to seek out low-budget films that have the potential to break out into big box office successes. Accordingly, Miramax paid \$1 million for the rights to distribute *Love and Other Catastrophes* (19??), a film made in Australia by Emma-Kate Croghan, initially for a budget of A\$40,000, before gaining support from the Australian Film Commission for a reported additional A\$500,000.

The second reason for the American presence has been the globalisation of the film industry, manifest in this context by the recognition that there are film subsidies in non-US markets to be taken advantage of by productions which can qualify as 'domestic'. To access these subsidies, Hollywood studios have sought ways to form partnerships with 'offshore' producers and distributors, with a view to establishing an international base for motion picture financing. Some indication of why Hollywood might be interested in Australian projects as potential co-productions is suggested by Tino Balio when he noted that the "Studios chose this option mostly with 'unusual material' - which is to say a picture that was not a sequel, that did not have a major international star, or that did not have an 'unflinchingly high-concept'".<sup>10</sup>

On the domestic front, Australian films continue to be created by a large number of independent production houses or companies that

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<sup>10</sup> Tino Balio, 'Adjusting to the new global economy Hollywood in the 1990s', in Albert Moran (ed.), *Film Policy, International, national and regional perspectives*, Routledge, London, 1996, pp.33-34.

have minimal profitability. In the 1990s, some re-organisation of this traditionally fragmented sector became evident. A number of larger production companies such as Village Roadshow, Beyond Films and Southern Star attempted to put together various 'slates' of feature films, in the manner of some of the smaller Hollywood studios, and to market them as packages. It is noticeable these production companies are either also distributors and/or exhibitors, such as Village Roadshow, or also producers of television such as Beyond and Southern Star. Such diversification allows these companies to fund the development of a number of speculative film projects. This tendency seems set to continue beyond the 1990s.

There is therefore some justification for the Gonski report's claim in 1997 that an air of confidence now surrounds Australia's film and television industry. Overall the picture contrasts strongly with that of the fledgling industry of the 1970s, when for many years there was only one major Australian film distributor (Village Roadshow), and with the 1980s when rorts encouraged a plethora of films were financed under Division 10BA as tax write-offs, many of which were never even screened. In the 1990s, there is clearly a more stable and established atmosphere to the Australian film industry, and a more clearly defined mechanism via which government funding underpins the private sector, without leading to an over-inflation of production.

The industry continues to grow steadily. The Australian Bureau of statistics report, *Film and Video Production and Distribution (1995-97)* estimated the total audiovisual production in Australia as being worth A\$1.3 billion annually to the Australian economy. The Gonski report found that it employs more than 20,000 people and earns considerable revenue from export. The films themselves have altered considerably in quality and quantity since the 1970s. In the 1990s

Australia's annual pattern of production has been 20 to 35 films, mostly costing less than A\$4 million each. In the period 1988-96 Australia has produced an average of 26 features, 15 mini-series, 9 telemovies and 14 series or serials per year.<sup>11</sup> Despite these successes, it is recognised that the Australian film industry is small. Government support is still necessary, and without it, production output would shrink to a handful of films per year.

### **Film Funding**

Federal governments in Australia have used a range of policy instruments since the 1970s to ensure that a diverse slate of productions are maintained - including direct funding, tax incentives and regulating the broadcast of Australian content. The Australian Film Finance Corporation remains the principal source of funding for local films. The AFFC is primarily commercially orientated, and considers 'deal' elements such as cast, crew, distribution, marketing, budget and script in assessing proposals for possible support. To fund projects, the AFFC require market interest (to a specified amount which varies depending on the budget of the film) in the form of either a presale or distribution guarantee, although having these elements in place does not automatically gain funding. Not surprisingly, the AFFC's funding decisions have often proved controversial. Investment by Australian distributors and exhibitors rarely provides the full costs to investors.

Support from non-AFFC sources has also become a significant force in the 1990s. In recent years, offshore companies including Miramax, PolyGram and Pandora, have been co-financing films as well as making advances against distribution. Offshore companies are, however, generally reluctant to invest in first-time directors, and much successful talent was certainly lured away during the decade. Curtis

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<sup>11</sup> Source: AFC web site: <http://www.afc.gov.au/resources/online/general/overview/afto1.html>



and Gray have written that “while Australia continues to lose its key talent to Hollywood, it is unlikely the industry will ever be self-funding”.<sup>12</sup> Many practitioners now divide their time between Australia, Europe and Hollywood: actors such as Russell Crowe, Toni Collette, Judy Davis, Nicole Kidman and Geoffrey Rush cinematographers such as John Seale, Dean Semler, Dion Beebe and Don McAlpine; directors such as Gillian Armstrong, Bruce Beresford, Jane Campion, Baz Luhrmann and George Miller and writers such as Laura Jones and Craig Pearce, all build significant careers outside Australia in the 1990s.

Achieving funding for a feature film in Australia has become increasingly complex and some films are made despite failing to attain money from the AFFC. An example is *The Boys* (1998), a low budget first feature from director Rowan Woods. Five years ago, *The Boys* probably would have been fully financed by the AFC, but since the cuts in government funding (already noted), the AFC have been unable to fully fund features.<sup>13</sup> The producers of *The Boys* applied to the FFC but were knocked back, and so had to pursue a very complicated financing package which involved investment from Axiom Films (an international sales agent), Footprint Films (a distribution company), The Globe Company (a local distributor), a private investor, Premium Movie Partnership (a pay TV investment company), AFC, SBS Independent and NSW Film and TV Office providing the cash flow facility. *The Boys* and other current films such as Ana Kokkino's *Head On* and Richard Flanagan's *The Sound of One Hand Clapping* are all part of what commentators suggest are parts of "a new wave of dark films

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13 The March 2, 1998 Newsletter of the Australian Writer's Guild reported that there is currently a crisis in development with the AFC having only 1.2 million dollars this financial year (most of which was committed by March 1998)

... taking over from the 'quirky comedy' "<sup>14</sup>, a label which has characterised many Australian films of the 1990s.

Australian filmmakers are not just concerned with box office or television ratings to establish their credentials, as academic Tom O'Regan points out, cultural imperatives persist:

The continuing survival of some forms of filmmaking can be, at times, due to successful lobbying of state agencies rather than any underlying economic characteristics of the film form or the overall political agenda of the government of the day<sup>15</sup>

and suggests that governments supporting national cinemas must still satisfy themselves that their support satisfies the potentially incompatible objectives of economic viability and cultural accreditation. This struggle clearly continued to face the Australian industry in the 1990s and seems likely to remain a problem given that, in the foreseeable future, it is unlikely that the industry will be self funding - especially the more independent or experimental areas which are culturally important but attract small audiences.

Statistical evidence adds complicating detail to the picture sketched in the above sections, which suggest real polarisation in terms of the output. The AFC's *National survey of feature film and Independent TV drama production 1996-97*, for example, revealed that in terms of production budgets, there were more films with budgets in the A\$3-6 million range than in any other year since the first survey (1988-89); in the years 1995-96, budgets increased by twelve percent (an increase of A\$62m on the previous year; the budgets of five of the Australia features made that year were greater than A\$6 million

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<sup>14</sup> Sandy George, 'Producers question genre debate', *Encore*, Vol.16, Issue 2, 1998, p. 12.

<sup>15</sup> Tom O'Regan, *op. cit.*, p.15.

compared with only two in the previous year.<sup>16</sup> At the same time a number of films in the under A\$1 million range is the highest recorded since 1991-92. Clearly the boom in low budget features was helped along by projects such as the AFC's Million Dollar Movies initiative, aimed at stimulating innovative work by new practitioners.<sup>17</sup>

In terms of where funding came from, 87 projects (features and television drama) were produced by the independent sector (34 were Australian features). Of these 87 projects, 38 per cent were mainly financed by Australian government sources (a decline on the previous year), 26 per cent were mainly financed by overseas investors (the same as the previous year) and 36 per cent were mainly financed by Australian commercial broadcasters and private investors (mainly production and distribution companies). In regard to monies involved in production during the 1996-1997 period, 39 films were produced worth a total of 249 million; the 34 Australian titles cost A\$130 million, and the five foreign titles cost A\$119 million.

### **Production: The influence of foreign players**

The Gonski report found that there has been a significant increase in the level of foreign investment in the film industry in Australia in the 1990s, and that this had occurred in three areas: production of foreign films in Australia, investment by foreign companies in infrastructure in Australia, and foreign investment in the production of Australian films. Interestingly, the penetration of foreign capital is largely seen positively in the report. Overseas investment is seen as confirming Australia's increasing international reputation and its considerable

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<sup>16</sup> The AFC's *National Survey of Feature Film and Independent Drama Production 1996-1997*, published with the AFC Information Update Newsletter, No.165, October, 1997, pp.2-3.

<sup>17</sup> A good example of a film funded under this initiative is *Tangle* (written by John O'Brien, directed by Scot Patterson and produced by Nikki Roller); the film went into production at the end of 1998 with investment from SBS Independent and the Premium Movie Partnership and with Beyond international as the sales agent.

production infrastructure and talent. Examples of such investment are provided by *Dark City* (Alex Proyas, 1996) and Gillian Armstrong's film *Oscar and Lucinda* (which both received investment from Fox Searchlight), *The Piano* (funded largely by French money), and most conspicuously *The Adventures of Priscilla-Queen of the Desert* (whose A\$2.7m production budget came mostly from Polygram<sup>18</sup>). More concern is sometimes voiced over the growing control over the growing control over Australian 'plant' facilities by Australian practitioners. The production of foreign films in Australia increased conspicuously in the 1990s, and several international companies, such as Twentieth Century Fox (at its Fox Studios) and Warner Brothers (at its Warner-Roadshow Movieworld Studios), began to invest themselves in infrastructure. In November 1997, for example, Senator Richard Alston announced that the government recognised the growing importance of international partners in the developing the Australian industry, and the government stated that it will "work to reduce the barriers of overseas production in Australia".<sup>19</sup>

In fact, production surveys in the period suggested that contraction in the Hollywood industry at home was having some effect on the majors' offshore operations in countries such as Australia; during the 1990s fewer foreign features were shot in Australia than in the mid-decade years, but because more co-productions were financed, there was a higher level of investment than in previous years.<sup>20</sup> Financing during this period consisted of contributions from the private sector, (mainly production and distribution companies) having increased from A\$16 million (18 per cent) to A\$36 million (28 per cent) in 1996-

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<sup>18</sup> For an instructive account of the complexities of deal-making see Al Clark's *The Lavender Bus: How A Hit Movie Was Made and Sold*, Currency Press, Sydney, 1999.

<sup>19</sup> Senator Richard Alston, *Media Release*, Ministry for Communications and the Arts, 15 November, 1997, p. 2.

<sup>20</sup> See the AFC's *National Survey of Feature Film and Independent Drama Production 1996-1997*, published with the AFC Information Update Newsletter, No.165, October, 1997, pp.2-3.

1997. Of the 87 productions, 23 were majority-funded by overseas investors; there were 13 Australian productions worth A\$123 million and 10 foreign productions shot in Australia worth A\$143 million. In addition, six of the Australian productions (worth A\$68 million) were co-productions with foreign companies who contributed half the budget.

The increase in production by foreign companies in Australia is largely seen as attributable to production at the Warner Roadshow Movieworld Studios in Queensland. Although the facility is primarily geared towards producing programmes designed for the American market, its executive is keen to stress its value to the Australian industry. This has certainly given a significant boost to the level of production in that state, which now has the largest production output in Australia. It should be noted however that the production of foreign films in Australia provides very limited opportunities for Australian creative talent because they are essentially creatively, technically and financially controlled by overseas companies. As such, they have little impact on the Australia industry (except perhaps in some technical areas), or on those areas of output associated with concepts of 'national' cinema. In real terms, production is predominantly located in New South Wales and Victoria, the Gonski report found that 90 per cent of income was earned in these states.

New South Wales in particular competes seriously for overseas revenues with Queensland, and also recently welcomed overseas investment in plant facilities. On 2 May 1998 the Fox Studios opened offering state-of-the-art production and post-production facilities. Although offshore producers may use the studios, they have been established primarily to house Australian productions, and management anticipated two or three features will pass through the

premises this year. Aesthetic implications are anticipated in the Gonski report: "it may lead to a wider genre of studio based productions".<sup>21</sup> Fox Studios chief executive Kim Williams told *Encore* on May 6 that they had "pencil bookings until the year 2001".<sup>22</sup>

The next ten years promises considerable shifts in the present production sector, which seems poised for a new stage of development. A new production and exhibition development in Victoria is set to go with VIACOM Themed Entertainment Group (parent company of Paramount Pictures) as the tipped preferred developer of a \$350 million theme park, film complex and megaplex cinema due to be completed in late 2000 or early 2001. Local Victorian company, Crawford Productions, it is believed, will manage the production studios. In March 1998, Village Roadshow Pictures and Hoyts announced the formation of a joint company, the Village Roadshow Hoyts Film Production Partnership, through which they will produce one or two films a year for at least the next three years. Like other new players in the sector, the group announced an intention to produce 'mainly' Australian films although the first film to be produced would be *Disturbing Behaviour* (1998), in association with MGM Pictures: 'mainly' Australian is apparently compatible within their discourse with a focus on "commercial movies for a world wide audience".<sup>23</sup>

One of the most striking features of the production sector in the 1990s was its tendency to seek partnerships globally, and to lobby for legislation enabling international co-productions. A number of production 'treaties' were signed in the decade, and collaborations

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<sup>21</sup> David Gonski, *Review of Commonwealth Assistance to the Film Industry*, Australian Government, Australia, 1997, p. 18.

<sup>22</sup> Tracey Prisk, 'Fox site opens its doors', *Encore*, Vol.16, No.6,1998, p.1.

<sup>23</sup> Tracey Prisk, 'Village and Hoyts for joint venture', *Encore*, Vol.16, No.6, 1998, p.3.

with countries other than America became more and more conspicuous. In February 1998, for example, a government treaty to co-produce Irish/Australian films was signed, leading to the production of Barron Film's *Kings In Grass Castles*. In March 1998, a six million dollar Indian musical, Prem Aggan (*Heat of Love*), was shot in Sydney and Victoria using a thirty-five per cent Australian crew.

### **Distribution**

In general Australian films are not produced in conjunction with large distribution and exhibition companies, as they are, for example, in the American industry. Where such an integrated system, such as the American one, might allow producers to share the risk of production costs across a slate of productions, the Australian system does not have this advantage and "relies on complex financial arrangements involving equity investment, the provision of presales and distribution guarantees and Government funding to raise financing for program production".<sup>24</sup> However, investment by Australian distributors and exhibitors rarely provides the full cost of production, and so very few Australian films were made in the 1990s without Government assistance. The Gonski report found that international presales and distribution guarantees are therefore crucial to assist in raising funds for production and maximising the potential for the program to return its costs to investors.

Marketing and distribution are heavily concentrated between three dominant distributors (Roadshow Film Distributors, Fox Columbia TriStar and United International Pictures) who have either ownership or contractual links to major US studios. Between 1989 and 1993, films distributed by these companies (in general American product) earned more than 96 per cent of the Australian box office. These companies

also handled all of the Australian product. In terms of exhibition, these three companies accounted for 46 per cent of all screens in Australia in 1995. Television also of course provides a crucial distribution outlet for Australian cinema. Commercial television is dominated by three commercial broadcasters (Channels Seven, Nine and Ten) and two national broadcasters (ABC and SBS). Cable television was introduced in 1995 with Galaxy satellite/MDS Services, Foxtel and Optus Vision but only a minority of Australians subscribe; in "September 1996 the proportion of households connected to pay TV was around six per cent".<sup>25</sup> Pay television may become a useful source of new financing, although there is still no effective quota legislation governing Australian content on these channels, although ten per cent of program expenditure for predominantly drama channels must be for new Australian drama.

The distribution and exhibition sector is soon to set up a voluntary code of conduct and a dispute settling system following an inquiry into the industry by the Australian Competition and Consumer Commission (ACCC). During 1998, the commission investigated the industry, following complaints regarding pricing and release policies from independent exhibitors. The ensuing report, 'The Cinema Industry', which documented the commission's investigation found that:

although there was no hard evidence of anti-competitive behaviour under Australia's Trade Practices Act, there was little doubt that independent exhibitors could be damaged by policies of distributors, which favoured the larger exhibitors.<sup>26</sup>

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<sup>24</sup> Gonski, *op.cit.*, p. 19.

<sup>25</sup> Rosemary Curtis & Cathy Gray (ed.), *Essential data on Australian film, television, video and new media*, 4th edition, Australian Film Commission, Sydney, 1996, p. 2.

<sup>26</sup> Tina Kaufman, 'High Court Decision Opens Door to NZ Television Programs', *Metro*, No.115, 1998, p.4.



Overseas distributors have had an increasing role to play in the 1990s in foreign investment in Australian independent films. The Gonski report found that this can be seen as a direct result of the success of Australia's niche product and:

The increased presence of overseas distributors in Australia (including Miramax) and their willingness to distribute and, in some cases, increase investment in Australian productions augurs well for the long-term exposure and profitability of Australian productions.<sup>27</sup>

One area not frequently discussed but which is performing well is video business. Video distributors earned A\$153 million wholesale revenue from sell-through titles, and A\$228 million from rental titles in 1995. It was estimated by the Australian Video Retailers Association (AVRA) that the video rental market was worth A\$705 million in 1995.

### **Exhibition**

The exhibition sector in Australia demonstrated consistent growth throughout the 1990s. The Australian Bureau of Statistics found that between 1979-1987 the motion picture experienced a major decline in terms of box office return for exhibition, but that by 1993-94 there was a recovery from this; a recovery which has continued on an upward trend through the 1990s.<sup>28</sup> Curtis and Gray found that

Australians paid out over a billion dollars to go to the movies in 1995; this represented 69 million admissions (a rise of two million, or 5 per cent over 1994)... The theatrical business has had eight consecutive years of growth and there's no sign of its abating. ... Good product, high-quality cinemas and affordability all contributed to growth, as did the increasing numbers of screens.<sup>29</sup>

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<sup>27</sup> Gonski, op.cit., p. 19.

<sup>28</sup> Source: Australian Council, *The Australian Council's compendium of arts statistics*, (Australia: Australia Council, 1996), p.72.

In 1995 The Village Roadshow/Greater Union/Warner Brothers joint venture announced it would spend A\$350 million to more than double its screen count to 525 in 1998. Hoyts also doubled its screens and US-based Reading Corporation announced they would add 150-200 screens to the Australian landscape in the next ten years. Conspicuous in the 1990s was the new visibility of the 'alternative' sector: arthouse or independent boutique cinemas were in fact so successful in Australia during the decade that mainstream interests began to bid for a corner of their markets. In 1994 Palace Pictures, a distributor and emerging cinema chain, went into partnership with Village (enabling it to get the pick of the product distributed through Village's distribution arm). Palace-Village then expanded in several states of Australia.

### **The Future**

The global environment for moving image products is rapidly changing at the end of the 1990s, and film production will be affected by increasing international trade and global strategies designed to liberalise/regulate that trade. The development of new technologies and the convergence of existing ones will certainly play a part in shaping the future of Australian cinema production. Current industry orthodoxy's seem to suggest that the future of Australian filmmaking lies in the contact zone between commercial formula and the idiosyncrasies of the indigenous. Policy discourse continues to insist that Australian film producers will never be able to compete with dominant producers, such as the USA, and that the way forward lies in the production of niche product – which is 'unusual' and of palpably 'high-quality'. The Gonski report found that:

The commercial distribution and exhibition of product will be increasingly decided by a small number of global information and

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<sup>29</sup> Curtis & Gray, *op. cit.*, p. 8.

entertainment companies, whose economic power and inter-relationships has the potential to 'squeeze out' product for a small, independent Australian industry.<sup>30</sup>

Tom O'Regan has argued that regulatory, commercial and technological changes within Australian media have fundamentally reconstructed the social and cultural agenda, encouraging corridors of information and a 'high communications policy' "in which a logic of spreading messages further in space and reducing costs of transmission dominate".<sup>31</sup> In recent times, the threats to cultural sovereignty which may come out of this climate have become more apparent. Project 'Blue Sky' has, for example, been received in Australia as a significant threat. In mid-1998 the decision by the High Court of Australia to allow New Zealand television programs to qualify as part of Australian local content rules was received by the Australian film and television industry with dismay. Under this legislation, an Australian content quota effectively supports the New Zealand Television (and film) industry. Industry lobbies have argued that this was against the spirit and intention of Australian content requirements and are currently lobbying for the reversal of the High Court decision, raising money for a fighting fund, described by *Encore* as a "war council".<sup>32</sup> Such rhetoric found numerous echoes in the 1990s, as globalised debate over the regulation/de-regulation of world trade impacted on nationally-based industries of all kinds in Australia.

In 1990, for example, Australia and other signatories to the General Agreement on Tariffs and Trade (GATT) began negotiating fifteen separate multilateral trade agreements. A key area for negotiation was

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<sup>30</sup> Gonski, op.cit., p.16.

<sup>31</sup> Tom O'Regan, 'Towards a High Communications Policy, Assessing Recent Changes', *Media Information Australia*, No. 58,1990, p.123.

<sup>32</sup> Tracey Prisk, 'War over Blue Sky', *Encore*, Vol. 16, No.9,1998, p.3.

“trade-in-services” which includes film and television. Australia’s limits on foreign ownership of broadcasting, Australian content, government financial support for production and marketing, and limitations on foreign content in television commercials all represent barriers to free trade, to those arguing for a de-regulation of ‘restrictive’ trade practices. To those concerned with the preservation/development of national screen practice, on the other hand, they represent crucial enabling mechanisms, which protect fragile systems of cultural difference.

The culturalists’ argument pitched for exemptions on culture have been discussed for decades, and is based on a fear of cultural imperialism from America and Britain. Those arguing against cultural protection claim that the maturation of audiences has meant that consumers want the widest choice and they say that “the least regulated cultural economy can best deliver this plethora of choice”.<sup>33</sup> As Cunningham explains, the maturation of audiences has led to the erosion of the idea that they need protection; globalising trends in carriage and content; microeconomic reform to encourage more competition and allocative efficiency, leading to the withdrawal of government from unnecessary, intrusive or irrational regulatory activity; and the ascendancy in theory of political, economic and cultural models that support and render these trends.<sup>34</sup>

The economic attack on the cultural mandate model is further evidenced by current trade liberalisation discussions. In Paris on February 16, 1998, the future of the Australian production industry was debated at the Organisation for Economic Co-operation and Development (OECD), in discussions on the Multilateral Agreement on

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<sup>33</sup> Stuart Cunningham, *Media Information Australia*, No. 63, 1992, p.35.

<sup>34</sup> *ibid*, p.34.

Investment (MAI). The MAI is designed to free restrictions on the international flow of investment capital, making it easier for global economic interests to challenge national control of finance and investment. What is of concern to the film and television industries in Australia, and other countries, is that 'barriers' to trade are being defined as including cultural and environmental laws which protect the cultural integrity of member countries. Unless Australia obtains an exemption for its cultural and broadcasting policies, it could be forced to open all its cultural assistance measures and media ownership laws to complete access by all OECD members. At one extreme, this could mean that the AFC or FFC will have to fund all those who are OECD members. Industry groups in Australia have, in the absence of government debate on the cultural impact of the treaty, have lobbied extensively for cultural sovereignty, and sent representatives to the GATT meetings. In the shadow of the 'Blue Sky' finding, this is seen by the industry as the most significant threat (industrially and culturally) to the Australian film and television industry to date.

## **Conclusion**

In conclusion, although the film industry appears relatively buoyant, it relies heavily on government support, and is likely to do so for the foreseeable future. Whilst state subsidy has effectively been shrinking, and the sources of film funding have been changing from the 1970s, when the AFC and state agencies invested in 90 per cent of the films, and contributed 60 per cent of the funds, it remains fundamental. Australian filmmakers have demonstrated their resourcefulness in seeking out new ways to fund film production, whilst overseas players have sought Australia out as both location and co-venturer, increasing capital turnover in the industry considerably in the 1990s. Perhaps the most significant feature of the decade was the maturation of

distributors, who came to play a much more significant role, and proved crucial in finessing some of the decade's most imaginative production deals. Yet despite cinemas opening everywhere and Australian's flocking to them in droves<sup>35</sup>, the future could be bleak for Australian productions if exemptions for culture are not made by OEDC members signing the Multilateral Agreement on Investment.

Undoubtedly, 'landmark' successes will determine production levels in the future, given that government bodies like the AFFC will increasingly need returns on their investments, in order to invest in new projects. As the 1990s drew towards their close, there were at least some signs that such successes were still possible; there was at least still some real sense that the Australian industry had a future.

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<sup>35</sup> Australians are still amongst the most frequent cinema-goers in the world. The AFC web site reports that in 1997 cinema admissions increased for the tenth consecutive year with 76 million paid admissions recorded at the box office. In 1997 the national box office was A\$584 million which accounts for an estimated A\$76 million admissions at a total of 1422 screens.