



THE HON PETER GARRETT AM MP

MINISTER FOR THE ENVIRONMENT, HERITAGE AND THE ARTS

Opening of the Melbourne International Film Festival

Melbourne, Friday 25 July 2008

EMBARGOED UNTIL 6.30PM FRIDAY JULY 25

[CHECK AGAINST DELIVERY]

I would like to begin by acknowledging the traditional owners of this land, custodians past and present.

It's a great pleasure to be at the Melbourne International Film Festival with its rich history spanning over half a century, and to have the opportunity to speak directly to Australian film-makers.

Just a few weeks after Screen Australia opened its doors for business, what better time to discuss this "Brave New World" of Australian cinema than now.

As you have heard, the previous panel discussion paid close attention to the emerging role of the new agency and the Australian Screen Production Incentive, and in particular how film-makers can best utilise the new arrangements.

Movie-making, like its cousin in the music industry, can be an exacting business. When it works the commercial rewards can be great and the cultural contribution invaluable.

And right now we are living through one of the most exciting but challenging times for the Australian film industry.

Government's past and present have worked hard to put in place measures that provide the local industry with the capacity to reach audiences, develop stronger connections with the investment community and improve overall sustainability.

The Rudd Government comes to office having provided on-the-record support for the merger, the separation of the National Film and Sound Archive and recognition of the importance of the newly introduced Producer Offset.

Indeed this government came into office with a backdrop of underwhelming film activity; we were making fewer films and fewer people were watching them.

The Producer Offset

As this audience would well know, the Producer Offset is the key mechanism through which films and television programs which exhibit that somewhat elusive, but desirable quality of commercial appeal, can obtain government funding to leverage additional financial assistance from other investors and, critically, still retain equity interest in the finished product.

I'm pleased to advise that in these early stages of change, we're already starting to see positive signs.

By the end of the last financial year, the Film Finance Corporation issued 116 provisional certificates. These certificates added up to some \$824 million of Qualifying Australian Production Expenditure which equates to 47 feature films, 46 non-feature documentaries and a further 23 other projects such as adult and children's television programs.

While not all of those projects will eventuate, these figures represent a welcome increase in production numbers, and production expenditure, on film and television. Given that this is a time of transition the numbers look promising.

At the very least, they suggest that already the Producer Offset is achieving superior results compared to the old 10BA scheme.

Additionally these early figures put us in a better position than the United Kingdom when it moved to an indirect funding mechanism as its major source of government funding.

During its initial phase, investment in UK films dropped by 25 per cent and at least one of the major studios suffered a significant fall in operating profits.

We haven't witnessed anything close to film making Armageddon here, which I think points to our industry's resilience and strength in the face of change.

The Producer Offset was developed for two very important reasons: to build a more sustainable film and television industry and to grow levels of Australian production.

Screen Australia

Back in 2006 I floated the idea of a single government film agency.

Fast-forward more than two years, and following a change of government and, I hope, a change in thinking, Screen Australia is now up and running and the National Film and Sound Archive has achieved independence.

While we are still in a period of transition, the Government is ensuring decisions are made prudently and efficiently. As you would know we have announced what I believe to be a very strong Board with diversity of skills, experiences and knowledge.

I was especially pleased that Glen Boreham from IBM accepted the Government's invitation to chair the Board. He is armed with a strong business background, knowledge of emerging technologies and, importantly, a mandate for change.

And on the subject of change I want to extend my warm appreciation to Lyn Maddock, Screen Australia's Acting CEO, who has taken on the complex and crucial task of merging the agencies into a new body, not a mix of the three.

A decision on a permanent CEO will be taken soon and, like the appointment of the Board, I'm determined to get it right.

It's clear to me that if the industry is to survive, Screen Australia must be a major influence for change. It will need to be a very different organisation to the bodies it replaced.

And it's also clear to me that the film industry and those who work in it must also change, looking outward to the country and the world and enthusiastically reaching out to them on the screen.

As an agent for change I expect that Screen Australia will adopt a strategic and innovative approach to industry support. And I expect this support to balance cultural objectives while at the same time encouraging the growth of a more competitive and sustainable industry.

Shortly, I will be providing my *Statement of Expectations* to Screen Australia. This Statement is a public document outlining the Government's priorities for its agencies.

I will be asking Screen Australia to conduct a review of its existing programs by the end of the year against its new functions and responsibilities. This includes an examination of the most appropriate balance between support for development, production, marketing and distribution.

Some programs which may have worked well in the past may need to change, merge or, indeed, cease to exist.

Now change for change sake can be destructive, but equally, so can clinging to the old ways because we are reluctant to let go and try something new.

This industry is known and respected for its creativity and I'd like to see some of that creativity inspiring a new way to work.

The industry will of course have a voice in this review process so that its needs and aspirations can be clearly heard and so that its collective wisdom on these issues can be fully utilised.

Screen Australia will have to balance support for projects of cultural merit, with encouraging the growth of viable screen businesses and provide top up funding to projects which receive the Producer Offset.

I readily acknowledge that getting this balance right may warrant some tweaking over time.

With the introduction of the Producer Offset, we no longer have a funding model almost totally reliant on direct government funding.

If this new model is to work as intended, the Producer Offset must be the Government's primary funding mechanism. It is intended to be the first port of call for the many productions with commercial potential which previously would have had to plead to Government agencies for direct funding against a range of competitors.

To be specific for a moment:

Projects which can attract the Offset should first go to the marketplace to secure the remainder of their funding. The new indirect funding model is designed to be market-driven and to attract more private investment to the sector. Only through this mechanism can the capital base of the industry be developed and increased.

Top up of Offset projects from direct funding to Screen Australia should be capped based on clear criteria developed by Screen Australia taking into account cultural merit.

If a project requires 100% government funding then it was not intended to be covered by the Offset and should seek direct funding on the basis of cultural merit.

Above all I expect that Screen Australia will be innovative in its approach to funding priorities. It may be that less funding needs to go into production but a stronger emphasis is placed on development at the front end, and, marketing, distribution and exhibition at the back end; and my direct observation is that this is indeed the case.

The whole area of development funding is a somewhat vexed one.

Is a scattergun approach, based on supporting lots of individuals and one-off projects, the best way forward? Is there a way to support producers, producer groups or slates of projects as well as, or instead of, the individual project approach?

I expect Screen Australia to give very serious consideration to these questions and I know positive input and constructive suggestions from industry will be welcome.

As well as development, Screen Australia also needs to examine its role in the marketing and distribution arrangements for Australian films.

Here we ask: what is the best way to support producers in the selling of their products, both domestically and overseas?

One suggestion is that Screen Australia could use its considerable muscle and financial clout to help leverage better deals with distributors and/or exhibitors by co-investing, either selectively or across the board, with commercial distributors and exhibitors.

An alternative suggestion worthy of consideration is the concept of repayable distribution loans to a small number of distributors who agree to simultaneous release of an Australian film. This is a model employed with some success in Europe.

The mix of support mechanisms offered at Commonwealth and State levels, in combination with the Producer Offset, must be sufficiently dynamic and appropriate to ensure that the industry can grow and, critically, become more sustainable.

Screen Australia will have a continuing responsibility for the development of areas of particular public interest such as documentaries and children's programs, including continuing Film Australia's National Interest Program.

While national interest programs may be broader than just documentaries, I expect funding for documentaries to be at least maintained at current levels.

Screen Australia will also have an important role in supporting and promoting the work of emerging film makers and ensuring that Indigenous stories are told on Australian screens to Australian audiences.

This cultural mandate must be balanced against support for the development of commercially focussed screen businesses.

I expect significant funding will be devoted to sector capacity building and support for industry professionals willing to build businesses rather than continuing the often times ad hoc, project by project mindset.

I will be seeking from Screen Australia a public three year research and statistics plan to be developed in consultation with the Australian Film, Television and Radio School which also has key research responsibilities for the film industry. Preparation of the plan will involve industry, to ensure the outcomes are relevant to the sector's needs.

The research will need to include analysis of how the new funding model is working. I hope all industry participants will be prepared to provide data necessary to evaluate how well we are doing. This research will be an important basis for future reviews and will enable us to make any adjustments necessary to improve the functionality of the program.

Finally, Screen Australia continues to have important screen culture responsibilities which will need to be reviewed for relevance and effectiveness in light of the transfer of some screen culture functions to the National Film and Sound Archive.

The future of Australian film

To say the Australian film industry of the future is likely to be a very different one to the one we have now is to state the obvious.

The growing impact of digitisation and globalisation will have profound consequences for our local industry. The industry must be bold and confident; there is no room for timidity.

I have taken some time to set out where the Government wants to go through its key funding mechanisms but now I would like to turn to your role in this.

Let me say at the outset that I have great confidence in our producers, writers, directors, actors and technical crews to embrace this brave new world.

For our population size we continue to feature strongly on the world stage. The diaspora of around one million Australians now working abroad is populated by many new film creatives and this is all down to the conspicuous talent we have in the film industry.

We have directors, actors, DOPs and technicians all producing work at the highest levels; our documentaries and animations are achieving great recognition.

It was pleasing to see some hard, quantifiable research from the Film Finance Corporation a couple of months ago. Its research found that contrary to some opinions, Australian audiences are keen to see Australian films. What we lack, of course, are the very high budget films which can be produced by the US or the UK, although with such highly anticipated films such as *Australia* in the wings we all hope we can start to turn those results around – not that we want to put too much pressure on Mr Baz Luhrman and his team!

The number of businesses involved in the film sector continues to grow but, according to 2007 Australian Bureau of Statistics figures released earlier this week, 84 percent of Australian production companies employ four people or less. Only 1.2 per cent of companies have more than 50 staff.

And, between 1988 and 2004, 113 out of 150 directors supported by the Film Finance Corporation made only one film each – and only two directors made four films, while two others made five films.

These arrangements may provide a level of creative freedom for producers and directors that they may not have in a big production company, but they provide next to no capacity for growth and stability and plainly they haven't produced sufficient success.

All too often a culture of creative independence sits beside one of financial dependence, including a dependence on government.

We all know that, for a creative practitioner anywhere in the arts, the most desirable situation is to have both creative and financial independence.

The Producer Offset is one of the most generous incentives in the world. Through these incentives the Government sends a clear message to the industry.

First, you will be supported for developing productions which attract strong financial backing and are genuinely appealing to audiences.

Second, you will be rewarded for writing scripts which excite leading Australian producers, directors, cinematographers and actors to come back to Australia.

Third, the Australian Government has put robust and generous support mechanisms in place which allow you to build your businesses and realise long term ambitions for growth through developing slates of projects, rather than struggling from one project to the next.

To achieve this it's time for the industry to re-examine the way it does business so it can aspire not only to cultural independence but to new levels of financial independence too.

I would urge the industry to grasp the opportunities the Producer Offset provides. I expect there will need to be a level of consolidation in the industry – not necessarily more businesses, but larger ones – but this should be embraced, not resisted, because the global media and entertainment world is not one in which a cottage scale industry can expect to survive.

I know many producers are thoroughly excited by the potential which the Offset provides.

They are the ones who are seeking out new creative partnerships, embracing the potential of the digital world to reach into every home, using their imaginations to find new ways of engaging with audiences, and building real long-term relationships with the marketplace.

Of course the Government still has a very important role in supporting production in Australia through direct funding – and as I've indicated earlier, there is still a very strong safety net provided by Screen Australia's funding arm.

These changes to Government film support arrangements have been the most important in a generation. It will take time before their full effect can be assessed.

A rollcall of our film achievements reminds us of the industry's potential: from Ken Hall through to Reg Grundy; the works of Kennedy Miller; directors like Schepisi, Weir and Armstrong; the luminous screen talents of Cate Blanchett, Hugh Jackman and of course the ever present Jack Thompson.

We can summon any number of iconic screen moments that have moved us. With a vast and beautiful natural landscape, an undiminished reservoir of stories and storytellers, and of course a deep and vital indigenous culture – what a rich wellspring for work into the future.

So my challenge to you is to use these new arrangements to full advantage and ensure that audiences everywhere can experience the best Australia has to offer.

I'm confident you have the energy and capacity to confront this challenge. There's no better time, and whilst the by-line of this festival is that 'everyone's a critic', I'd like to think everyone's firstly a fan - I know I am - and us fans are ready for the next great wave of Australian film making.

I wish the industry well in that endeavour.

Thank you.