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To The House Standing Committee on Communications and the Arts:

My name is , I am a first time producer and wannabe director.

A few years ago I registered . The I authored was well received; based on the strength of the feedback we concluded it was a commercially viable product and entered into the Australian Film industry. Feature film funding of was secured based on:

1) Faith in me, as a successful business person with a track history of understanding and mitigating risk;
2) The strength of the product.

Any investment however was contingent on my ability to secure grants from Screen NSW and Screen Australia to reduce financial risk, and to this extent it has been a catastrophic failure for which these Agencies should be ashamed. We may only be a minnow, but we maybe the canary in the cage for the future of the Australian Film industry, and a guide to determining the catalyst for its significant underperformance.

I do not entirely blame the Agencies for the plight of the industry, they should have been granted full autonomy and supported by protection mechanism; they cannot however escape responsibility. If our business heads overseas because of their refusal to acknowledge and develop the opportunity then they're a liability, becoming the antitheist of their charter. What I will show you is in my opinion inexcusable behavior from those charged with growing, supporting and protecting a frail industry however in part this maybe because of their 'tick-box' mentality or draconian rules they have no power to avoid. As I see it rules and criteria have been established which pass the decision making process to distributors that have leveraged this power to the detriment of producers who are forced 'cap in hand' to sell off their rights at concept stage.

As a business minded creative its clear the industry needs more protection and assistance. In the global community we're invaded by an endless supply of big budget and high profile US actor alternatives that dominate box offices. This will never change, and without language barriers the numbers show most Australians would opt for the less risky US or UK alternative when purchasing their $10 -$45 tickets. So to the rest of the world rarely invests in Australian work, we're collectively considered purveyors of 'B-grade drongo tales,' sure some buck the trend but the numbers tell the tale and cannot be refuted.

The movie 'Babadook' was the litmus test for local cinema, but it went by without analysis, recognition or change, it appears as though the gatekeeper put their head in the sand. Nobody bothered to ask, how an internationally successful, critically acclaimed movie bombed in Australia? Nor, more importantly considered any changes to make sure this does not take place again.

Why did it bomb? Because there is no protection in place in Australian Cinemas, meaning without change there will never be another 'slow burn' success like 'Kenny' solely because if the movie does not charge out of the gates its replaced with the next marvel /Disney or other franchise installment. This means the success of movie's is entirely dependent on expensive advertisement campaigns,

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rather than the quality of the product. A visit to any cinema or review of movie screening pages will leave little doubt as to who controls the advertising space, and thus Australian takings.

There are only two protection levers the government can pull:

1) Force cinemas to show a percentage of their screenings with current Australian films. This will de-risk distribution and encourage investment.
2) Force cinemas to offer price alternatives for Australian films. I.E $10 tickets instead of $15 tickets.

Both of these would require subsidisation by the federal government, allowing cinemas to recoup losses which can be quantified and regulated using average screen takings per cinema. There is no alternative, however it's no easy win as cinemas will rightly argue against these changes in order to protect their own extinction in a time of powerful disruptors.

Without installing protection the government must recognise any investment in Australian Film production is entirely investment driven and in its current form is extremely risky and full of obstacles. This is where we come in; we recognise this risk and will not investment without financial support. We've played no role in the demise of the Australian Film industry and will not enter it, even with a great product, if Agencies do not reduce the risk.

From our perspective the fact we're prepared to bankroll should be enough to attest to our belief in the product and our capability of delivering on its production. This partnered with an agencies 'expert' evaluation of the product and oversight on the budget should be enough for partnership and grants. However, at present determination of quality has been passed across to distributors with Agencies passing off accountability; which is unacceptable. This practice is predatory and forces producers to sell off to distributors rather than have them compete, as has been dictated to us , which we refuse to do!

With only 12 feature films hitting cinemas each year; three – four of which comes from NSW I am flabbergasted as to how staff at both agencies are too busy to foster a relationship with us. Which begs me to question as we walk away, are they developers or running an exclusive private club?

We're not a 'pie in the sky' proposal; we have a great product and enough funds to cover production costs. This is all it should take, and Agencies should be proactive to ensure opportunities such as this are incubated or risk loss.

Yet, we've faced nothing but refusal which led us to investigate alternatives, both interstate and overseas that has now developed into a possible US based production. For us, like all money looking to enter into the industry, the use of US actors and their social media pull and legion of fans is without doubt capable of off-setting additional exposures created by currency, restricted financial support and foreign partnerships. This is our status quo, and like all investments it comes down to upside versus down side; in this case what is our net entry point versus potential sales.

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Option 1 – QUAPE ONLY
$1,500,000 budget cash flow
38% QUAPE $570,000
Net Exposure $930,000
Estimated Box office takings to recoup investment $5M v's Average low budget Australian Box Office takings $1.25-$1.5M
Decision – NO; go to US or do not invest.
Why ?

1) Without protection in place, even with a superior product a $1m entry point inclusive of additional expected costs is too risky.
2) The $1m entry point is too close to the US entry point, which is a far less risky investment from a financial recoupment perspective.

This is the only option available to us at present as the Agencies have snubbed us.

Option 2 – QUAPE plus Agency support
Agency Support via $350,000 grant and expert assistance.
Net Exposure - $580,000
Estimated box office takings to recoup investment $2.5M v's Average low budget Australian Box Office takings of $1.25-$1.5M
Decision – Invest
Why ?

1) We believe we have a superior product capable of beating the average, and
2) As investors if we cannot make money on a 60-65% subsidy we should not be investing in any industry

Information provided in Option 3 is a mix of two viable offers, it's very close to what we're entertaining as an alternative, but it's not exact as this is proprietary information we cannot share.

Option 3 – US Production
US Production alternatives (Georgia and NY)
Governors rebate 30% on below the line (excluding Cast)
Effective standard rebate 15% (additional incentives offered by governor's office to poach our business approx. $150,000 AUS; conditional upon $1.5M spend in state)
Budget in AUS $2,300,000
Equity forgone (20 -40%)
Points payable to actors 12%
Net Exposure $1.1M (before distribution payments)
Estimated Box office takings to recoup investment (subject to distribution but could be $0) but lets say $5M which is a minimal US cinema taking,
Social Media Reach of seven ensembles cast – Average 3.5M with top 12M
Potential Box Office taking using US cast - <$10M poor $10-$20M – good $20- $40M good $40 - $60M Excellent , above $60M Unbelievable.

By giving away some of our equity and control we can secure distribution at any stage up to point of sale rather than at concept, production partners are touting this will be a guaranteed profit position. Plus the upside in the US market is huge all of which will be very difficult to achieve with an Australian production. Two separate US based producers want this production; one has offered to buy out the rights at script, which I've refused so the question remains: Why won't Screen Australian and Screen NSW meet with me?

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The Australian Film industry was at its height, and completely robust when the 10B ATO scheme encouraged investors to flood in. I appreciate it eventually came at too high a cost to Australian Tax payers as business were able to avoid $1.20 in tax for every $1 spent. However it is clear that the removal of this and its replacement of subsidy via a combination of QUAPE and Agency funding have not worked as Australian cinematic releases have dwindled from over 30 to around 10; putting the industry on life support.

Ignoring protection mandates at cinemas which may not be available, any change for the better can only come about by further reduction in risk via financial support offered to investors.

This can only come about two ways:

1) In partnership with an empowered agency focused on promoting film via support and grants, or
2) Doing away with Agencies and using the savings to increase:
    a. QUAPE to 50%. or
    b. Automatically allowing (subject to criteria) additional:
        i. Grants up to $500K but limited to 25% of budget
        ii. Equity Investment over 500K but limited to 20% of budget

In the case of point one, which is my preference Screen Australia would need to be able to make decisions to enter into investment opportunities subject to the producer's performance and the quality of the product rather than leaving evaluation up to distributors. Using strict budgeting tools (meaning films are not just being created to pay for directors or actors inflated fees) Screen Australia could enter into staged investment agreements, taking away the selling of rights under duress and preferential treatment of Agency staff. This would not be hard to design and would eventually complement the QUAPE system which is a finished product rebate.

My proposal would be limited to films with budgets under $5M; it's the growth in these films which will restore the industry, and strengthen its core by boosting work opportunities for critical cast and crew development.

As an example let's say I go to Screen Australia with a $1.5M proposal which is $1.2M in production and $300K in post. Imagine they're not allowed to ignore me, but have to engage me or risk losing their jobs; but before this you need to design a framework in which they can perform. Such as:

1) Producers submit a completed script, budget and pay a non-refundable $5,000 application fee. This is a deterrent to non-viable options and to cover some administration costs. If you don't have $5,000 then you don't have any chance of funding a feature or backers who believe in the product.

2) Is the film budget approved by Screen Australia?
    a. NO - Producer must comply with budget rules or be advised certain costs will be excluded from rebate if they're maintained. I.E you want to pay cast member A $1m out of a $2M budget, when only 15% is allowed then the other $850,000 is excluded from all rebates.

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  b. YES - move forward.

3) Has the producer proven it's capable of sourcing the funds?
    a. NO - Require a distribution guarantee.
    b. YES - move forward.

4) Does Screen Australia believe the Script Needs work:
    a. NO, move forward
    b. YES, enter into a staged funding agreement.

The staged funding agreement should allow for 20% of costs recoupable up to an approved maximum of $30,000 or 2% of the budget. At this point the producer must source the script editor then send its proposal to Screen Australia for approval with validation on pricing and expertise:

1) If the editor is approved Screen Australia agree to rebate the producer on proof or payment/work for 20% of costs up to a maximum $6,000;
2) If the editor is not approved, the producer must source an alternate editor or argue its validity further. If this cannot be resolved a bottom floor rebate of 12.5% should be instituted on completion of script rework and payment by producer.
3) If the producer wishes to pay the editor above the capped limits they must do so at their own costs. i.e a $40,000 payment at this stage will only still require a $6,000 investment by Screen Australia.

At this point there is no QUAPE and Screen Australia has a maximum exposure of $3,750 - $6,000 but there has been a $30,000+ flow into the industry, even if the film is not made.

5) Does Screen Australia believe the script/budget is production worthy?
    a. NO - The partnership is terminated until it can be deemed acceptable for the 20% rebate OR at the producer's request Screen Australia enters into a reduced subsidy agreement of 12.5% payable on completion. Any producer willing to back themselves would be capable of going into production regardless of Screen Australia's assessment of content subject to rules specifying payments were made as per the approved budget. In this scenario I could ignore public service feedback/attitudes/preferences but be sure if I paid my actors & crew $1.2M using acceptable matrix of payments for each role, I would be receive payment of $150,000 prior to commencing the $300,000 editing.
    b. YES – Screen Australia enters into a 20% film production only agreement subject to approved budget, proof of funds and completion guarantees. This way the Producer can commit to production contracts and its make guarantees to its investors. This sees Screen Australia liable for $240K grant for a movie they believe in once it has completed filming.

At this point there is still no QUAPE, and an additional $1.2M has flowed into the industry and Screen Australia has a maximum exposure of (excluding editing):

A) $240,000 if they believe in the project,

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B) $150,000 if they do not believe in the project. This is not bad for a film they do not believe in, and is pretty much covered by GST, payroll tax and PAYE/Company tax.

6) Does Screen Australia believe the raw footage is worthy of editing?

a. NO – If a 20% partnership exists its terminated until it can be deemed acceptable OR at the producers request Screen Australia enters into a reduced subsidy agreement (12.5%) for approved editing costs. Any producer still willing to back themselves would be taking on additional risk by only receiving 12.5% of editing costs back, costs which Screen Australia regulates via rules with approved maximums or budget limitations say 20%:

   I. If the post provider and their under $300,000 contract is approved by Screen Australia, even though the content is not deemed worthy, Screen Australia agree to pay the producer 12.5% up to a maximum $37,500; once proof of payment is made and work verified as completed and reasonably priced.
   II. If the post providers terms are not approved the producer must source an alternate quote from a pool of approved post providers, which Screen Australia can use to cap its investment. (I.E a shoddy post provider quotes $240K , and approved post provider quotes $80K the 12.5% is applied to the $80K only)
   III. If the producer wishes to pay an approved post provider above the capped limits they must do so at their own costs. i.e a $400,000 payment at this stage will only require a $37,500 investment by Screen Australia or as mentioned above if the producers wishes to use an unapproved post provider and pays them $240K, Screen Australia will only require and investment of $10K.)

At this point there is still no QUAPE, and $1.5M plus has flowed into the industry and Screen Australia has a maximum exposure of:

A) $187,500 if they have never believed in the film
B) $277,500 if they believed in the film at production ; but determined it was not shot well and not worthy of editing subsidy at the high rate

This is not bad for a film Screen Australia has not approved for production or editing.

b. YES – Then screen Australia:

i) Pays the producer the 7.5% differential on film production costs of $1.2m because they have reviewed their stance on the commercialisation of the commodity
ii) Enters into a 20% editing costs agreement with the producers subject to approval of the supply contract, guarantee of completion, payment.

If Yes then the funding partnership is complete (excluding festival assistance) with payment of $300,000, and both Agency and Producer have worked together to complete a product they both believe in.

If NO then the producer has backed themselves, which should be encouraged in any ailing industry. However this scenario creates a position where personal opinion has varied and the producer has not been able to access the additional 7.5% ($112,500) in funding available to projects Screen Australia believed in. As such there should be as simple success rectification tool in place whereby the additional money will be repaid to the producer as a grant where:

1) The film takes 150% of its budget in Australian Box Office takings; or
2) The film takes 200% of its budget in Global Box Officer takings; or
3) The film receives one a few select international awards.

This only rewards success, but success will lead to reinvestment and a boon for the industry as whole with more quality products being offered especially in the under $5M budget flicks. I

You have to put a reasonable floor in (12.5%) and clawback to encourage believers to fly against the wind, hopefully to outstanding success ; at which point naysayers at Screen Australia should be accountable as they should for backing financial failures (beyond non-commercial considerations.)

Increased investment and change to Screen Australia's function is the only way to build the industry and stave off its slow progression towards death. I believe the two-tiered system is the best policy for Australian Tax payers and Industry participants alike. It should empower and invigorate agencies and overtime weed out those who don't fully comprehend their role or are playing favourites. This will lead to Investors, content creators and the industries support mechanism working together for the betterment of the industry as a whole.

Change is needed, and I hope it comes before we enter into contracts with our prospective US partners and see our business lost to the Australian film industry.

I hope this helps, and is seen as constructive criticism, rather than sour grapes. It's true I am appalled at the cold shouldering our production has received, I'm also confused considering the output of the agencies as to how this is possible and my frustration as an Australian taxpayer and industry participants that our business is driven overseas is clear. However, I have viable alternatives, and foremost nor are others sitting in my seat considering an investment in film but they are detrimental to the Australian Film industry; and this is why I believe both change and accountability is required.