

**A submission on Enterprise Funding:
Program Review & Future Options, 6th December 2013**

Submitted by: James Henry, Industry consultant and practitioner.

Formerly North American representative for the Australian Film Commission New York & Los Angeles 1971 –1981, Director of Marketing & Distribution South Australian Film Corporation 1981 – 1987, Australian representative for London Weekend Television and Channel 4 UK 1987 – 1991, Senior Vice President International Distribution, Grundy Worldwide 1991–1997, General Manager International Operations, Pearson Television International, UK 1998.

Scope:

This submission intends to address one aspect of the Enterprise Program with reference to the need for Australian production enterprises to operate as part of the international industry world-wide rather than as foreigners isolated by distance and opportunity.

Overview:

Statistically, it appears that Screen Australia's Enterprise Funding Program has been a significant success. Strong growth among the targeted companies is evident. Of course, this is a highly selective program as it must be, as there are limited SA resources. I acknowledge there is a need to spend those resources carefully and in the direction that will produce the best results. I believe that has been achieved.

This program has been of benefit to a select group and it is obvious there are other production companies large and small that have not been successful in sharing in this support. The larger companies: Southern Star, Freemantle (inc. Grundy), and Beyond International (to mention the most obvious) have either long ago achieved a level of critical mass and sustainability and/or are part of large overseas corporations so as they are sustained as part of an integrated structure. The smaller companies – the cottage one or two person operations – should always be under consideration for support if they can demonstrate a body of work, or the potential for growth, that deserves funding. Such support (while risky) allows the best of them to move from small to relatively large and creates forward movement.

There are three streams of industry activity: made for cinema films on one hand, television production in all its forms and thirdly on-line digital and gaming. The differences between the latter is increasing blurred as technology advances and audience appetite for cross-platform such as smart TV and greater use of hand-held devices develop.

It is tempting to refer to on-line and gaming to be the "digital" industry when this is misleading, as all entertainment production and delivery today is digital, from cinema screen to personal device both in production and delivery. Perhaps "Large Screen" and "Small Screen" is more appropriate.

Referring to the statistical results and profiles of funded companies, it appears that most of the growth has been in the small screen area: It has been heartening to see the amount of good television drama and factual content that has been produced in recent years. This television work is selling well overseas both as finished programmes and formats. It seems the majority of those doing this good work are recipients of enterprise funding. On the other hand, large screen production in Australia has been substantially disappointing in local audience support and overseas distribution results. I feel it is inappropriate to attempt to discuss the reasons for that here, other than to say small screen – in all its forms - is the growth industry of greatest potential for sustainable Australian content producers.

This submission is about a change of priority:

In this submission I would like to focus on one particular area of the industry I see as being one of our greatest “truths”: the tyranny of distance. I would like to build a case for special emphasis to make Australian producers international.

Having spent over 25 years working overseas in key markets distributing Australian content, from pioneering the entry of Australian films and Television into North America, to arranging pre-sales and setting up co-ventures and co-productions throughout Europe, I understand the advantage of being a local in the market.

I have found the business of the international industry both large and small screen is based on local familiarity which comes from personal relationships. The entertainment industry tends to be led by men and women of big personality who make their decisions on suppliers with whom they are comfortable. Some think it is all about the material, but in reality it is about the people. For example: I have found that Broadcasting Networks in particular prefer to work with people they know and trust, as do production companies. This is part of the corporate ethos, risk and human nature. We work in what has always been a “people business.”

It is obvious that Australian production businesses in whatever format or genre, cannot be sustained by the Australian domestic market. It is absolutely true that to be a sustainable small or large screen producer you must be effective overseas, and that means being known and well regarded in multiple markets.

Reg Grundy’s phenomenal and unprecedented success in worldwide small screen entertainment was due to Grundy’s own maxim: “be local to be global” The Grundy network of 15 -20 offices in key centres around the world, each sustained ongoing operations with local key staff, a significant reason for their success. Reg employed the best, trusted people of good connections in local markets. I was privileged to have played a role in that extraordinary company, and experienced first hand its achievements.

As English speaking producers of entertainment Australians reside at the furthest point from the major English language markets. Overseas travel from a base in Australia, while always necessary, is both expensive and time consuming, particularly for key executives.

Producers in New York, Los Angeles and London have a significant advantage: they mix with, socialise with and are physically part of the local scene. They are first to know the opportunities, the trends of what is “hot”. This tribal street-wise knowledge reflects in their ability to grasp the opportunities and produce for the markets. Because they are known, they are trusted and are always available. Australian developing enterprises do not enjoy this advantage. Yet being on the other side of the world, they are competitors for the same screen time.

In Appendix 2 Profiles of funded companies, I noted that some producers are well on the road to being international, among them:

- Essential Media & Entertainment with a US/Canadian subsidiary,
- Hoodlum with an office in Los Angeles and a strategic adviser in the UK,
- Hopscotch - acquired by Entertainment One – and Lakeshore Entertainment became a key part of the group with international reach,
- Matchbox Pictures became part of NBC Universal taking them to a new level.

In summary:

1. Companies that have become global or are taking steps in this direction are among the best performing in Australia.
2. If long-term sustainability is to be achieved, growing Australian production companies need to operate in the largest English language markets in the world.

I submit a first step in this process is to establish representation and involvement with the key English language markets overseas. An office in London and/or Los Angeles., with a small staff of reputable, knowledgeable people developing projects, reporting market intelligence, networking with the decision makers, and making the Corporate brand known is essential to development.

In the past, co-operative overseas representation was the norm.

The Australian Film Commission maintained overseas offices in London and New York and Los Angeles in the 1970s – 80's that were of assistance to many producers of that time. Today Ausfilm works hard at representing the industry and arranging good outcomes for a wide range of clients.

However, having personally managed the overseas offices for the AFC, I believe we have learned that every production company is different, with needs for a particular market profile and specific outcomes. There is healthy competition between them, as it should be, but a co-operative agency representation, while better than no overseas base at all, does not provide the bespoke focussed development, business confidentiality and market edge that competitive growing businesses need.

What is needed, I propose, is a re-allocation of the Enterprise funding to provide an additional \$250,000 PA for three years to six production companies specifically to facilitate establishing operations in key overseas markets. This will require \$1.5 million per annum, \$4.5 million over three years. There may be some mitigation available from the Export Market Development Grant Scheme, but even without that it is a worthy initiative in the right direction.

No doubt this is a change in emphasis, but I submit it is an appropriate one moving forward, to promote growth and an international outlook.

Thank you for your consideration

James Henry
10th December 2013