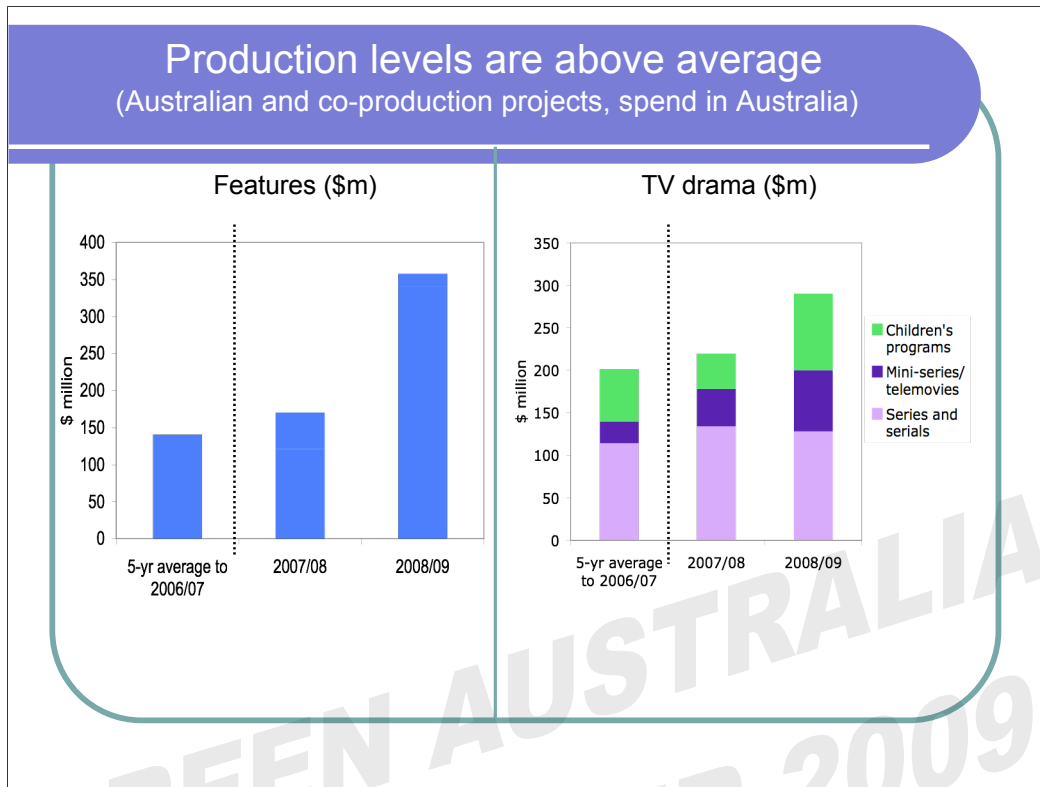


SPAA conference 2009
Ruth Harley in conversation with Antony I Ginnane, 20 November 2009
SUPPORTING SLIDES



SLIDE 1

- Budget expenditure in Australia by features is above the 5 year average (National Drama Survey data). We know that this includes 2 big films - Guardians and Happy Feet 2 but even if you take those out, we are trending up
- Production expenditure by this year's TV drama slate is up, largely because of increased spending in children's TV. Mini-series slate is highest on record ie since 1990.

Final certificates

(to 23 Oct 2009)

<i>Type of production</i>	<i>Number</i>	<i>Value of Offset (A\$m)</i>
Documentary	46 (51%)	\$7.14m (6%)
Feature	19 (21%)	\$91.27m (74%)
TV/Other	25 (28%)	\$25.07m (20%)
TOTAL	90	\$123.48m

SLIDE 2

- 90 final certificates issued to 17 November, \$123 million cost to government.

- \$91 million has gone to features, supporting 19 films.

- \$7 million has gone to 46 documentaries, and

- \$25 million to 25 TV projects.

- Note that around half the certificates are for documentaries, but features account for just under three-quarters of the cost

- Reflects higher rebate for features, as well as higher budgets.

The Offset is accrued to Government after a film has completed, so the costs for the 09/10 slate, and quite a lot of the 08/09 slate, are yet to appear in these figures.

The NDS estimates that the Offset would deliver around \$150-160m in Government support to the titles included in the 2008/09 drama survey, assuming all eligible titles eventually access it when completed. Most of this estimate (around \$115-120m) refers to feature films.

Offset → sustainable businesses?

Companies with multiple projects

(at least two projects certified - final and/or provisional - or in production):

- Production for TV (documentary and/or drama):
10 companies - 66 projects
- Feature production:
7 companies - 25 projects
- Mixed slates of features, TV drama and/or docs:
5 companies - 24 projects

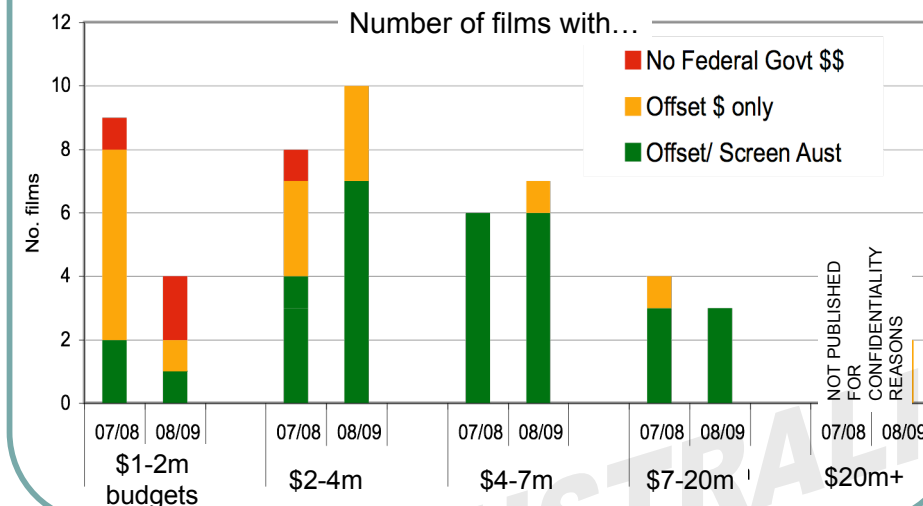
SLIDE 3

This is a loose tally by our Producer Offset Unit of production companies which have been issued with more than one certificate - final or provisional - as well as information from tracking production for the National Drama Survey.

There is a tendency for companies involved in production for TV to have more projects on the go than for features.

FEATURES

by budget range, 2007/08 & 2008/09*



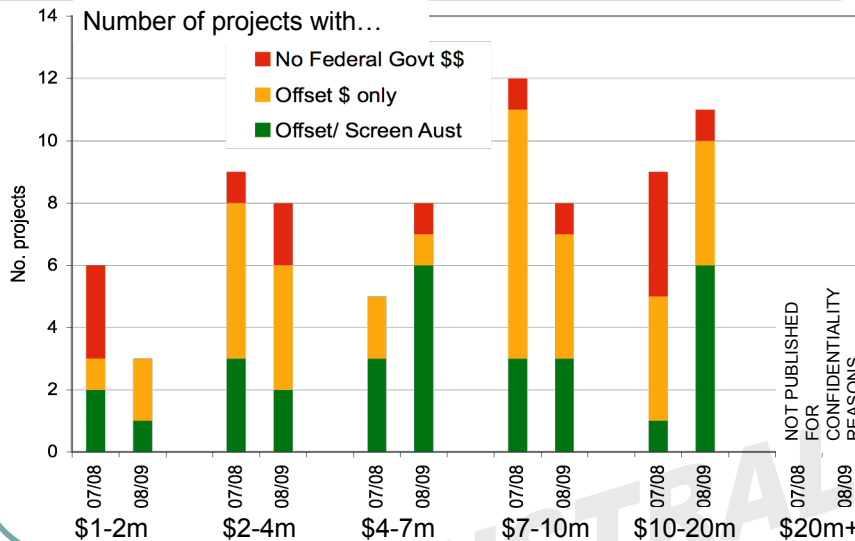
* National Drama Production Survey slates (ie starting principal photography in each year), cross-checked by Producer Offset Unit and aggregated results confirmed

SLIDE 4

- Yellow on the graph is projects which have Offset support only; green is projects which have Screen Australia investment, mostly in conjunction with the Offset.
- For features, offset works well for \$20 million + films.
- In the \$2-\$20m range, the Offset works but not on its own. Such projects appear to need Screen Aus investment in order to get up. As the NDS indicates, there is no domestic private investment going into projects. Therefore, there is nowhere to go for plug the gap than Screen Australia. These projects have also been hugely hurt by GFC and collapse of pre-sales and distribution guarantees. The last 5% of budget is still the toughest to raise
- There are very few films getting made in the \$2 - \$20 million budget range without Screen Australia support – this is our playing field.

TV DRAMA by budget range, 2007/08 & 2008/09*

Aust



* National Drama Production Survey slates (ie starting principal photography in each year), cross-checked by Producer Offset Unit and aggregated results confirmed

SLIDE 5

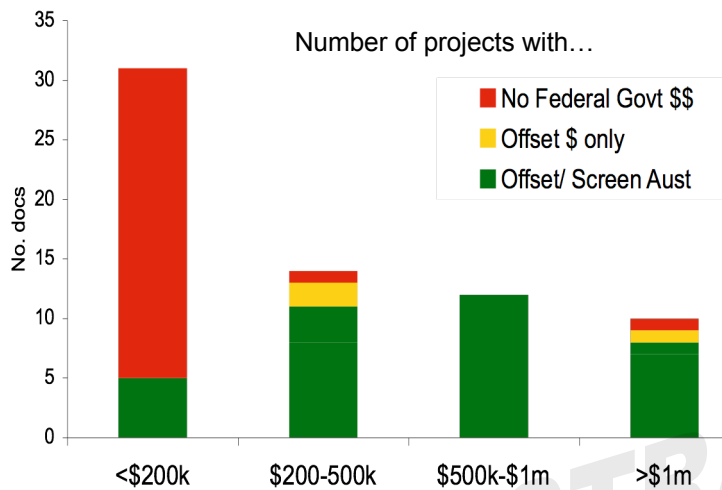
As you can see - lots more yellow than on the feature graph.

ie

More use of the Offset by itself than in features, across all budget ranges, although a significant number of titles also had Screen Australia money.

The 'red' on the graphs (no federal government money) would be formats not eligible for the Offset because they have exceeded 65 eps..

DOCUMENTARIES by budget range, 2008/09*



*Screen Australia Strategy & Research tracking, cross-checked by Producer Offset Unit and aggregated results confirmed

SLIDE 6

Very little yellow at all...

It seems obvious that, other than in the low-budget range, documentaries are not being made without Screen Australia support.

There are double transaction costs with having to apply through both doors and this is not efficient.

Really there are 2 options – increase the percentage of the Producer Offset or increase Screen Aus funding allocated to documentaries (ie increased appropriation if other formats are to be maintained).

Getting to 7-8%

Scenario:		1	2	3	2009 slate
Median box office (all films)		Historical spread + blockbuster	All films released <100 prints	Diversified slate	Films IN RELEASE
<i>No. films released</i>		29	29	29	44
Limited	\$0.1m	10	14	7	26*
Specialty	\$0.6m	13	15	10	13
Mainstream	\$2.3m	4	0	7	2
Wide	\$8.5m	1	0	4	2
Blockbuster	\$29.7m	1	0	1	1*
Total BO	\$1b	\$55.8m	\$9.8m	\$86.2m	\$53.4m
Aust. share		5.58%	0.98%	8.62%	5%

SLIDE 7

Exploring some scenarios

29 films is the average number of Aust titles released over the past 5 years.

Box office for each release strategy is the median result for ALL films in that 'market'.

'Limited release' defined as <20 prints; 'Specialty' as 20-99 prints; 'Mainstream' as 100-199 prints; 'Wide' as 200-399 prints; 'Blockbuster' as 400+ prints.

Assuming total box office of \$1billion...

Three scenarios for Aust films:

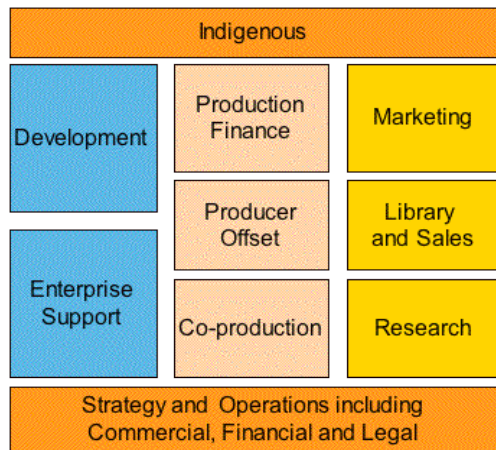
1. Historical spread - ie average for the last five years for each release strategy - plus one 'blockbuster' release (>400 prints) per year. Would get us 5.58% (note that without the blockbuster, it's only 2.6%)
2. All films released on less than 100 prints - an extreme example, just to illustrate the effect - less than 1%
3. A more diversified slate, with 12 films on more than 100 prints, including 4 on wide release (200-399 prints) and 1 blockbuster. Gets us to 8.6%.

There are obviously many other scenarios but the examples show how difficult it is to increase the overall share without films made for wider release strategies.

Final column shows the 2009 scenario - all films earning during the year. Includes two 2008 releases - *Celebrity: Dominic Dunne* and *Australia*.

Projected box office used for films currently in release, as well as *Bright Star* 26-31 December

Screen Australia's structure & vision



Audience engagement and creative story telling are at the heart of Screen Australia's vision.

Major drivers for 2009–2012 are to:

1. Grow demand for Australian content
2. Support the development of a more commercially sustainable Australian screen industry

SLIDE 8

Screen Australia aims to promote an environment where audiences demand more Australian content, where screen content contributes positively to the cultural fabric of Australian society, and where a commercially sustainable and creative screen production industry can flourish.

To do this, we have focused our programs - audience engagement, creative story-telling and business viability are all emphasised across the full range of activities Screen Australia offers. We have also forged partnerships and networks across the industry to minimise duplication and make the most of available resources.

Industry development is a long term game and Screen Australia certainly has a lot more to do, particularly in relation to streamlining processes and isolating further administration efficiencies.

Vision for the future

Screen Australia will be a lean, mean fighting machine working as part of a flourishing industry.

Many parts of the industry will no longer require Screen Australia support as the work we are doing now would have allowed the industry to develop scale and longevity.

All 20 businesses that have received support through the Enterprise program will have made great content and be sustainable business with strong track records.

The box office share will be improving on the five year average.

Screen Australia will have a specific role in providing subsidy support. With our declining appropriation we need to focus our role on providing support when we can really make a difference.

We will also be working to improve the quality of scripts and providing the industry with business support and market intelligence in relation to development, production investment and relationships with distributors.