4TH EDITION

The Media & Communications in Australia

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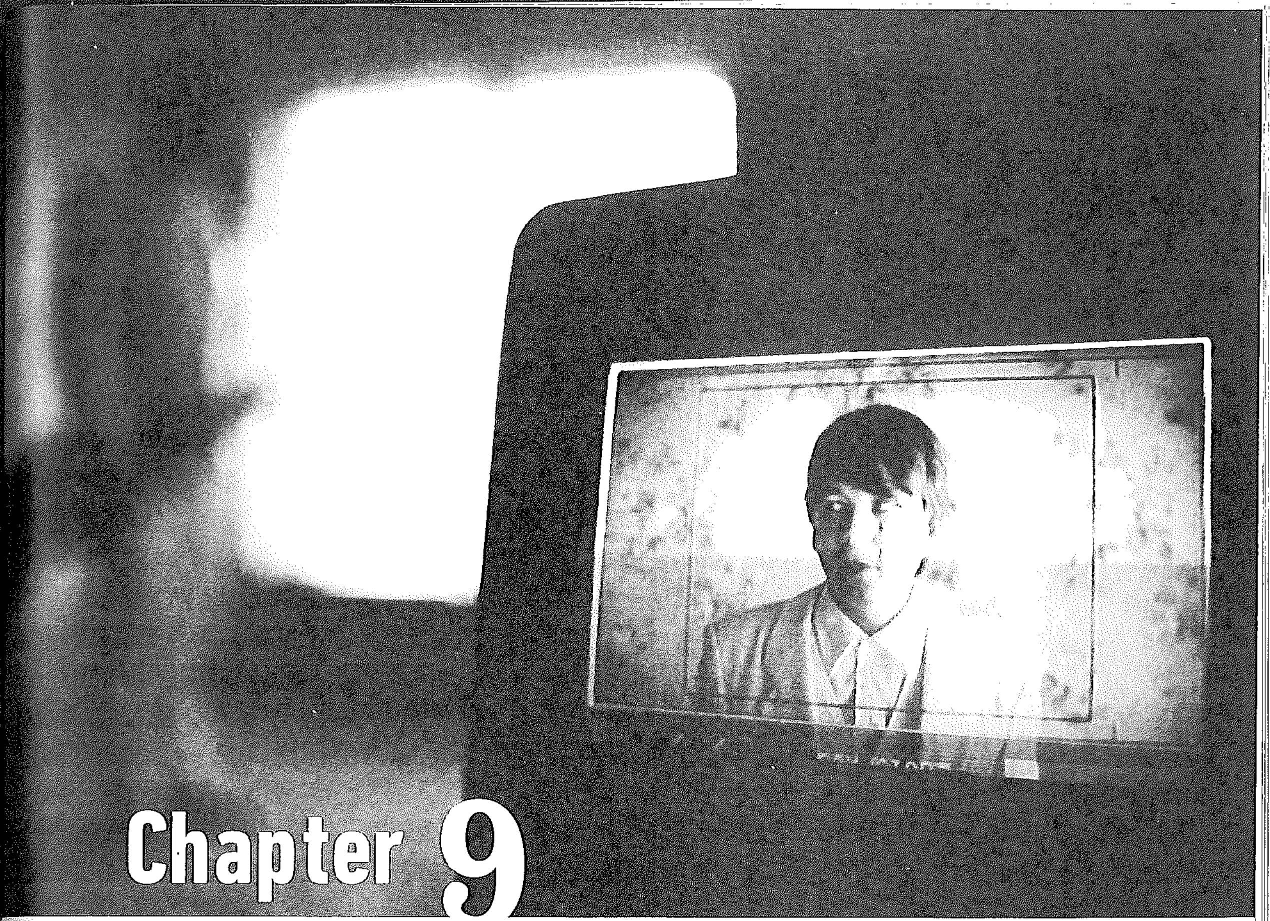

Chapter 9

FILM, VIDEO, DVD AND ONLINE DELIVERY

DEB VERHOEVEN

The road to writing about the contemporary cinema in Australia is pitted with deep, hollow ruts formed from industrial and critical conventions, training and preconception. Take for example the title of this chapter. It describes a well-worn but now largely by-passed film distribution itinerary, from large public screens to smaller domestic ones through a series of consecutive release 'windows'. However, the path from production to the audience is no longer so well signposted. 'Film' is now, categorically, an anachronistic term that has become completely stripped of the value it may have once held as a material description of industry practice. So very little celluloid is now used in production or exhibition that supply companies once considered the stalwarts of global cinema enterprise and infrastructure, such as Kodak, are financially bankrupt or obsolete. Similarly both 'video' and 'DVD' are no longer dominant or even prominent methods for delivering content to audiences. And so we are left with 'online delivery', a description of content distribution as a form of commercial exchange that does not distinguish cinema from any other type of business.

The history of critical assessments of the Australian film industry has tended to dwell on how the 'Australian' in 'Australian cinema' can or should be *distinguished*, both in the sense of how it can be differentiated from other national cinemas and how it contributes to abiding discourses of Australian excellence and 'goodness'. Given widespread technological disruptions, we may now need to examine how the 'cinema' itself is distinguishable as both an industry and as a social experience. In this context, perhaps the greatest challenge for writing about the contemporary Australian cinema is to understand it as an embedded (rather than distinct) industry, involved in or supplementary to other (national) cinemas, other industrial practices and other commercial exchanges.

GOVERNMENT AND CINEMA FROM THE 1970s TO THE 2000s

Many of the arguments for a production industry in Australia were founded on a reaction to the perception that Australian exhibition outlets were dominated by foreign, and particularly American, product. So when cultural policies for the film industry were eventually realised, they were careful to emphasise the role a local film production industry would play in promoting a national cultural vision. Films funded by the government would be required to demonstrate 'significant Australian content', evident in crew composition, subject-matter and setting.

Crucially, it was also decided that film funding should be managed by government as a special domain of policy. This decision was the product of a 1968 report by the Interim Film Committee of the Australia Council for the Arts. The report recommended the establishment of government support in three key areas: the creation of a film development funding agency; the establishment of an experimental film fund; and the formation of a national film school.

As a direct result of these recommendations, the modern era of film bureaucracy began with the busy establishment of a wide array of institutions (and an equally dizzying proliferation of acronyms) to broker the relationship between industry and government. The first 'corp' off the rank in 1970 was the Australian Film Development Corporation (AFDC—later reconstituted as the Australian Film Commission in 1975), set up with $1 million at its disposal. Honouring the Australia Council's advice, the government also established an Experimental Film and Television Fund (EFTF) the same year. And the final arm of the council's recommendations, a national film school, was realised in 1973 with the advent of the Australian Film and Television School (now, with the addition of radio production to its curriculum, known as AFTRS).

By the 1980s, the idea of government-supported film production was popularly assumed to the extent that the very idea of the film industry was synonymous with the production of films. Films funded by government seemed to have developed a 'house style'—referred to by Dermody and Jacka (1987), for instance, as the 'AFC genre'. The government, however, decided to experiment with the level of its support by increasing tax subsidies for investors willing to back film-production activity. This initiative became known as '10BA' after the section of the *Taxation Act* that outlined the extent of the investment benefits. The results were immediate and extraordinary in their scale.

More than 400 feature films and documentaries were made in the eight years to 1988 (the comparative boom of the silent period, between 1906 and 1928, produced 150 films). Many of these films were never intended to be seen by an audience and were simply produced for the benefit of accountants. Wages in the industry inflated rapidly as film productions tied themselves to the financial year and competed for cast and crew. On the upside, many films that might have struggled to find financial backers were supported by investors with little concern for the outcome. And, somewhat surprisingly, those films that were released during this period achieved successful box-office statistics for Australian cinema that have not been repeated since.

Recognising the difficulty in regulating the output of films financed under the 10BA tax concessions, the government proposed that another funding agency be established: the Film Finance Corporation (FFC), which would invest in commercial films with guaranteed distribution (pre-sales) and then recoup profits for later disbursement to new projects. From its inception in 1988 to its closure 20 years later in 2008, the FFC invested more than $2.58 billion into more than 1000 films. However, the FFC's success at supporting profitable films was questionable, with only a handful of funded films returning significant monies despite the FFC's practice of ensuring itself a position of 'privileged recoupment' in which its own investment was returned ahead of those of other financiers. The evident disappointments in the FFC's performance led to a comprehensive overhaul of government support to the sector in 2008. From this reconsideration, a new government entity, Screen Australia, was formed from the merger of the Australian Film Commission, the Film Finance Corporation and the documentary production entity Film Australia. Like its predecessors, Screen Australia was expected to fulfil twin aspirations for the Australian film industry—balancing demands for better commercial performance against expectations for quality and culturally significant content.

Table 9.1 Key industry data 2008–12

	2008	2009	2010	2011	2012
Cinema admissions	84.6 m	90.7 m	92 m	85 m	85.9 m
Cinema screens	1980	1989	1996	1991	1995
Average ticket price	$11.17	$11.99	$12.26	$12.87	$13.10
Gross box office	$945.4 m	$108.7 m	$1132.8 m	$1093.8 m	$1125.5 m
Domestic share box office	3.8% ($35.5 m)	5% ($54.8 m)	4.5% ($50.6 m)	3.9% ($42.9 m)	4.3% ($47.9m)
Total films released theatrically (new releases)	301	347	326 (US releases under 50%. First time in 27 years)	342 (US still under 50%)	421 (42% from US)
Australian films released theatrically	32 (11%)	44	29	36 (11%)	43 (7.8%)
Top Australian film at box office	*Australia* ($26.9 m)	*Mao's Last Dancer* ($14.9 m)	*Tomorrow, When the War Began* ($13.4 m)	*Red Dog* ($21.3 m)	*The Sapphires* ($14.4 m)

Source: MPDAA.

GOVERNMENT AND CINEMA, 2000s–2010s

At the beginning of the 1970s, it was the perception of foreign dominance of Australia's audio-visual industries that prompted calls for greater government involvement in local film production activities. At the end of the 1990s, it would be fair to say that international interests remained influential in the Australian film industry, but that international involvement was considered to be neither wholly negative nor antithetical to government support. By the beginning of the 2010s, government policy rested on the idea that the fortunes of major Australian productions are largely reliant on international participation in the industry. Foreign production (a project originated, developed and controlled by non-Australians) and international co-production (in which creative control is shared between Australian and foreign partners) are increasingly occurring in Australia and are responsible for substantial employment of support personnel and the dramatic expansion of the post-production industries.

To date, pressure for internationalisation of the domestic industry has come about as a direct result of trade agreements, federal and state policy initiatives offering substantial incentives to producers and the relative value of the Australian dollar. For example, the Australia–United States Free Trade Agreement (AUSFTA), signed in 2004, includes a range of provisions restricting Australia's capacity to regulate local audio-visual content. At an even more local level, state film agencies in New South Wales, Queensland and Victoria have pursued foreign or 'runaway' film productions with a vengeance, and have enthusiastically subsidised studio facilities specifically designed to attract big-budget foreign film and TV projects such as *I, Frankenstein* (Victoria, 2013), *The Great Gatsby* (New South Wales, 2013) and *Sanctum* (Queensland, 2011). Queensland, New South Wales and South Australia also offer payroll tax exemptions, while Victoria and Western Australia offer grants and project funding to foreign producers. Their efforts have been underlined by federally regulated refundable tax offsets geared specifically to supporting to attracting foreign (offshore) productions to Australia. The principal policy mechanism for delivering this outcome is the location offset. In order to qualify, productions are required to spend a minimum of $15

Table 9.2 Feature film industry summary

	2007–08	2008–09	2009–10	2010–11	2011–12
Australian feature films produced	39	38	42	21	28
Australian films budget spent in Australia	$172 m	$368 m	$273 m	$89 m	$296 m
Co-productions	3	2	5	4	4
Co-production budget spent in Australia	$37 m	$25 m	$53 m	$67 m	$44 m
Foreign features made in Australia	22	13	11	14	20
Foreign features budget spent in Australia	$118 m	$21 m	$180 m	$31 m	$41 m
No. of offset features	19	24	30	15	28

Source: Screen Australia.

million in Australia in return for a 16.5 per cent tax rebate. A further extension of the location offset was announced in 2013 to accommodate the continued high value of the Australian dollar and as an effect of a one-off payment to *Wolverine* which lifted the rebate for that film to something more in the order of a 30 per cent rebate. Of equal interest is the post-production digital and video (PDV) offset, which has enticed foreign films such as *Ted* (2012), *The Hunger Games* (2012) and *The Avengers* (2012) to use Australian companies for their post-production work.

Adding to the value of Australian production, several prominent Australian producers and directors have brought international finance to Australia by basing their films here, including George Miller (*Happy Feet Two*, 2011, Warner Bros), Baz Luhrmann (*The Great Gatsby*, 2013, Warner Bros) and Hugh Jackman (*Wolverine*, 2013, Fox). From the mid-2000s, a range of internationally successful 'marquee name' actors also began signing up with Australian projects in what was hoped would be a boon for domestic and international box office. Recent examples of this trend include Robert Pattinson (*The Rover*, 2013), Ethan Hawke (*Daybreakers*, 2010), Willem Dafoe (*Daybreakers* and *The Hunter*, 2011) Chris O'Dowd (*The Sapphires*, 2012), Charlotte Rampling (*The Eye of the Storm*, 2011) and Robert de Niro and Clive Owen (*Killer Elite*, 2011). Major internationally recognised Australian stars continue to return home to work: Nicole Kidman (*The Railway Man, 2013*), Guy Pearce (*The Rover*), Ryan Kwanten (*Not Suitable for Children*, 2012), Toni Collette (*Mental*, 2012 and *Defiant*, 2013), and Mia Wasikowska (*Tracks*, 2013). The picture is one of a fluid industry joining a global film economy at a structural level rather than simply in terms of narrative or thematic choices.

BOX 9.1: STRUCTURAL ISSUES IN THE EARLY 2010s

- Eligibility eased for the Producer Offset in 2011–12, meaning all feature films in that year were offset titles
- Average increase in feature film budgets over the past five years, with more features made in the over-$6 million category
- Increasing concessions and incentives to filmmakers by all levels of government
- Increased confidence in private finance as the impact of the GFC eases
- Industry revenue has marginally declined on average in recent years but is expected to rise
- Impact of multi-channel digital free-to-air and pay TV is raising demand for local product
- Australian industry continues to be a key beneficiary of Hollywood cost-cutting. During the 2000s, Australia received an estimated 5–6 per cent of the value of Hollywood's offshore film production spend. About 33 per cent of all Hollywood film production now occurs overseas.

- Cinema screens have moved from city centres (73, 'a historic low') to the suburbs (1111, 56 per cent of screens), which contributed 62 per cent of the gross box office.

Summary of international shifts in the 2010s

- Revenues earned by US studios are in free-fall. Pre-tax profits of the five studios controlled by large media conglomerates (Disney, Universal, Paramount, Twentieth Century Fox and Warner Bros) fell by around 40 per cent between 2007 and 2011.
- Many films intended for wide international release are adopting plus-sized budgets, increasing the risk of catastrophic failure. In 2009 there were five films budgeted at more than $200 million. In 2010, there were six and in 2012, there were eight.
- Rapidly declining popularity of DVD sales (down 36 per cent since they peaked in 2004) but compensated for by online video.
- Increasing popularity of prestige television, with some episodes now costing US$5–6 million an hour
- Decreasing output. Between 2006 and 2012, the six big studios cut the number of films they made by 14–54 per cent.
- Intensified demand for film product from new digital services such as Netflix and Amazon's Prime (streaming movie rental services). Netflix now accounts for one-third of all internet traffic in the United States.
- Proliferation of consumer devices. Americans own around 560 million internet-connected devices, such as games consoles, tablets, smartphones and laptops (approximately 2.7 per person).
- Development of cloud-based rights management (such as 'UltraViolet') rather than ownership as a retail model.
- Emergence of China as the second largest film market after the United States (taking over from Japan). The number of cinema screens in China doubled in the five years to 2012.

The role of the government in promoting national film production occurs in a variety of ways. The foremost methods, and the easiest to track, are direct production subsidies and tax incentives. The most significant organisation in this regard is the federal agency Screen Australia, which usually works in conjunction with various state film offices. The proportion of film finance tied to federal and state government funding has averaged 13 per cent since the introduction of the producer offset in 2007, with 8 per cent coming from private investors over this period (*Red Dog*, for example, was substantially financed by the mining industry), 28 per cent from the producer offset itself, 9 per cent from the film and TV industry (from distributors for example) and 42 per cent from foreign investors.

Certainly, the introduction of the offset incentives in July 2007 has generated an immediate fillip to private investment levels in Australian film, as well as attracting offshore projects. The producer offset is available to producers of projects with 'significant Australian content' or official co-productions. Replacing the 10BA tax concessions, the scheme was adjusted in 2011 after initial success and significant pressure from film industry lobbyists for its expansion. In 2012, all eligible Australian feature films relied on the producer offset to structure their finances. Rebates are accessed via the production company's tax return once a film is completed, and are worth 40 per cent of the Australian film's expenditure. The long lead time for feature films means that we are really only just beginning to see the impact of the offset on the performance of Australian film (for example, in terms of box office).

The second principal form of government intervention is content regulation, which is applied to television broadcasting in Australia either in terms of hours of broadcast (free-to-air TV) or minimum expenditure (subscription or pay TV). The AUSFTA restricts the government's flexibility in adjusting these amounts in the future or changing the mode of regulation for pay TV. As we move rapidly towards a more technologically convergent and globalised dissemination of content, traditional cultural measures such as the regulation of content standards will become increasingly difficult to control. Furthermore, the FTA exempts new media from local content rules altogether. It will be at this point that the government-funded television networks the ABC and SBS will stand to take a more influential role in the fortunes of the domestic industry. This is particularly true given that direct government funding to film agencies has stagnated for some time, failing to keep pace with rising industry costs. Instead, government has increasingly sought to find strategies to promote private investment in the industry.

NON-GOVERNMENT PRODUCTION: CROWDSOURCE FUNDING

The emergence of small-scale private funding platforms such as Kickstarter (founded in 2009), IndieGoGo (2008) and the Australian-based Pozible (2010) has been a major development for independent and low-budget filmmakers who do not meet the minimum budget threshold for the producer offset. These sites offer opportunities for members of the public to financially support creative projects. The objective is to raise a nominated funding target within a self-stipulated time limit. This is an all-or-nothing opportunity (if the target isn't realised within the timeframe, then the pledged funds are not released to the filmmakers). In addition to providing an unprecedented funding opportunity, these sites also provide useful ways for creating audiences for unrealised works during the development and production process as well as providing a new platform for film promotion (a deeper form of 'onset' marketing).

The Australian-based crowdsource funding website Pozible.com has had a significant impact on screen content funding since it started in 2010. In the first eighteen

months, around $2.47 million has been pledged to screen projects, with $2.21 million collected across 330 projects. More than 21 000 individual donors have backed screen projects via the site. Screen content on Pozible mainly takes the form of short films and web-based videos, which represent the largest funding category of Pozible ahead of music. But bigger projects are beginning to emerge as contenders for crowdsource funding. Perhaps the best-known Australian feature to use crowd funding is *Iron Sky* (2012), with an Australian company a co-production partner. David Barker's new feature, *The Second Coming*, raised $76 585 in six weeks and used incentives to entice donors included signed film posters, digital downloads of the completed film, DVDs and making of books, an acknowledgement in the credits and, for a particularly significant ($15 000) donation, an associate producer credit.

Crowdsource funding opportunities are important to producers because they help to fill budget holes, although they rarely cover the entire cost of production. Very few projects relying on crowdsource funding achieve targets higher than $100 000. In 2012, the government agency ScreenWest undertook a $250 000 matched funding program with Pozible in which the agency committed to provide funding at a 3:1 ratio (for every dollar raised the government would provide three dollars capped at $50 000). Within a couple of days, ScreenWest had expended its entire budget on the first six projects to meet the target. Projects funded included a digital documentary (*Punjab to Perth*), fiction shorts (*Tango Underpants*), stop-motion animation (*Edison: Adventures in Power*) and an iPad app (for *The Golden Triangles*).

DISCOURSES OF AUSTRALIAN CINEMA

Boom and bust in early Australian cinema

Generally speaking, both Australian policy-makers and film historians have focused on the production context as the defining feature of the national cinema, relying on a narrative that prefers the surety of the quantifiable. As a result, Australian film history is typically divided into periods defined by numerical standards in terms of film production —periods of boom and bust. Despite vividly capturing the sense of impermanence and fragility, there are many issues raised by the 'boom and bust' story of Australian cinema. First, when considered in an international context, the conventional version of booming and busted years misconstrues a type of global significance to the Australian cinema where perhaps none is deserved. So, although by Australian standards a large number of films were made in the early years of the cinema, or in the early 1980s, the influence of these films—especially outside Australia—is negligible. On the other hand, the period after World War II—typically described as one of drought or bust—was a time during which international interest in the Australian

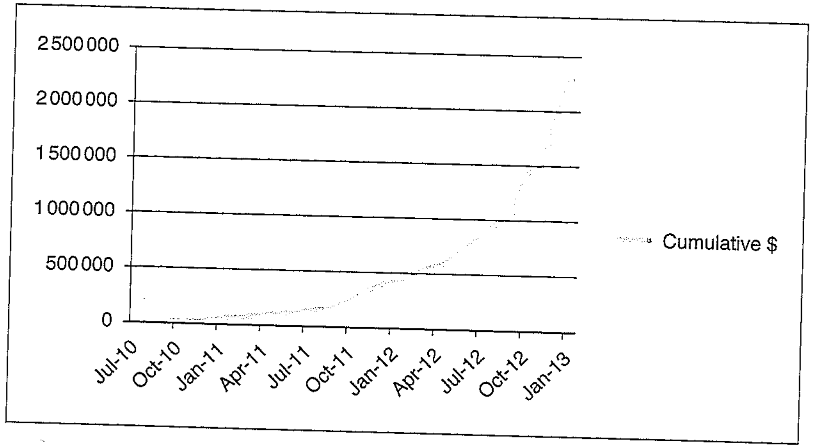

Figure 9.1 Screen project pledges to pozible.com
Source: Pozible.com.

cinema was high (Molloy 1990). The English Ealing Studios were particularly active in the late 1940s and early 1950s, producing some five feature films in Australia over thirteen years, including the popular epic *The Overlanders* (Harry Watt, 1946). The US studios Warner Bros and Twentieth Century Fox produced *The Sundowners* (Fred Zinneman, 1960) and *Kangaroo* (Lewis Milestone, 1952) respectively, with Hollywood stars (Robert Mitchum, Deborah Kerr and Maureen O'Hara, among others) taking the roles of intrepid Australians.

This period was also a time of intense activity for those with a passion for watching cinema. The film society and festival movement prospered in the immediate post-war years, importing non-Hollywood films and publishing reviews and debates around their exhibition. By 1958, the screen culture movement had expanded to include a new national body, the Australian Film Institute (AFI). This organisation, which operates Australia's annual film industry awards, participated in the successful campaign for greater government support for film production.

The two industries, 1975–90

Dermody and Jacka (1987) argue that the history of Australian cinema production between the mid-1970s and the mid-1980s was marked by patterns of tension between the dual roles of art and commerce and by the ways in which the changing interaction between these two antithetical aspirations for a local cinema affected the nature of the films funded. For Dermody and Jacka, these competing understandings of what the

industry should or could be were best described as Industry 1 and Industry 2, which referred to 'discourses of nationalism' and 'discourses of commercialism' respectively (Dermody and Jacka 1987, p. 197). Table 9.3 sets out the main features of each of the two discourses.

Table 9.3 Two discourses of Australian film

Industry 1	Industry 2
Socially concerned	Social concern is not the business of film; entertainment is
Search for an Australian identity	Australia is part of the international scene; national identity is equivalent to xenophobia
Leftish Labor	No pointed political affiliation but could be Liberal voters
Modestly budgeted films for local audiences	Big-budget films for an international audience
Didactic films, films with social purpose	Anti-message films; they are 'audience downers' or 'social engineering'
Interested in other arts, literate, middle-class	Anti-snobbery, anti-art, middlebrow
Film literate or film buffery	Anti-art film
Anti-monopolistic values; champions of independence	Pro-Hollywood: 'they do it bigger and better—we can learn from them'
In favour of government regulation of the industry	For the 'free market'
Against cultural imperialism	'Cultural imperialism? Never heard of it!'
Cultural and political benefits for film not necessarily quantifiable	'Bums on seats' and box-office dollars are all that count

In Dermody and Jacka's schema, Industry 1 incorporates 'AFC genre' films such as *My Brilliant Career* or *Breaker Morant*, as well as more subversive or experimental films like *Palm Beach* or *Pure Shit*. Although the AFC has long been superseded as a production force in the Australian cinema, it is possible to identify recent exemplars of Industry 1—films such as *The Eye of the Storm* (2011) and *Tracks* (2013), films focused on identifiably local themes and delivered to Australian art-house audiences.

In contradistinction, Dermody and Jacka's Industry 2 describes filmmakers who wanted a profitable local industry modelled on Hollywood—in other words, film producers who opted for a more scalable, industrialised and streamlined approach to filmmaking. An exemplary producer identified by Dermody and Jacka within this group is Anthony Ginnane, producer of thrillers such as *Patrick* (1977) and science fiction films such as *The Time Guardians* (1986) (Dermody and Jacka 1988b, pp. 30–6). These filmmakers were seen as explicitly seeking audiences beyond the geographical bounds of Australia. Increasingly, it is possible to identify many contemporary examples of internationally and commercially oriented genre production in Australia. Similarly, there is an increasing trend for some very large Australian companies to finance wholly offshore production with no evident connection to an Australian 'national agenda'. The international output of Village Roadshow Pictures (for example, *Gangster Squad* or the Will Smith vehicle *I am Legend*) and the global television slate of Beyond Productions (*Mythbusters*) are notable examples, as is the international investment activity of Omnilab, a major Sydney-based post-production company that also produces films and co-finances productions both in Australia and abroad, including *Killer Elite* (2013).

Industry 3

By the end of the 1990s, it might just have been possible to point to a third industry in addition to Dermody and Jacka's two-industry model. Industry 3 is actually hinted at by Jacka (1997, p. 88), and comprises films and filmmakers happily embedded in *both* the local and global, where niche does not simply mean domestic or art-house and where global does not simply mean overseas or commercial. Industry 3 typically comprises films initiated by Australians wanting to work with large budgets, international resources, high-profile actors, and local content or personnel, and shooting either in Australia or offshore, or combining the two. Good examples of these productions would be Jane Campion's festival screening/premium TV drama *Top of the Lake* (2013) (an Australian/UK co-production), Baz Luhrmann's *The Great Gatsby* (Warner Bros, 2013), Alex Proyas' *Knowing* and George Miller's *Happy Feet* series (Warner Bros). They might also include 'smaller' films such as Cate Shortland's *Lore* (funded by European and Australian investors) or Pauline Chan's pioneering Australian-Chinese co-production *33 Postcards*. The influence of these 'Australian-international' productions can also be seen in a film like *Mad Max: Fury Road* (2013), an Australian-produced drama shot almost entirely in Africa.

Jane Campion and Baz Luhrmann have been exemplary figures for this emergent international-Australian industry—transnational filmmakers capable of working anywhere, sourcing finance globally but unwilling to compromise their artistic independence and interest in pursuing an antipodean perspective. Campion has been an especially important figure in the development of these 'crossover' films. Her highly successful film *The Piano* was perhaps the first of the 'artbusters' (an art-house blockbuster). Using big-name Hollywood stars to widen her audience

(cleverly reducing one of them to muteness in order to escape accusations of lack of authenticity), Campion reconceived conventional art film production, distribution and exhibition practices.

The new raft of government offsets has further cemented the presence of this third industry in Australia. These incentives, specifically designed to increase the amount of private and international finance in the sector and lift budget levels, combined with an increase in official co-production treaties, point to a shift in the organisation of the contemporary industry away from previously intractable distinctions between government-supported national cinema and internationally oriented commercial film production.

Industry 4

As we enter a period of significant industrial disruption, a fourth industry model seems to be emerging. Industry 4 is characterised by the adoption of new methodologies for producing and distributing content afforded by the digitisation of the screen industries. If we think of screen producers as being located somewhere along an axis drawn between a strategic approach to producing work at one end and a tactical one at the other, then Industry 4 lines up more with a tactical approach. The distinction is adapted from Michel de Certeau's *The Practice of Everyday Life*. De Certeau aligned 'strategies' with powerful institutions that set norms and conventions (which he called 'producers') and 'tactics' with individuals ('consumers') who creatively negotiate these strategically defined environments looking for opportunities in the gaps and slips of conventional practices. Developing de Certeau's thinking for a contemporary, converged media ecology, it is now possible to argue that 'producers' can also work tactically (and conversely consumers might 'define' environments). A traditionally strategic approach to screen content production would typically involve working from a fixed location and within limited time-zones, paying local overheads and relying on existing funding structures such as government grants. A tactical approach would use data mining to identify audiences, rely on outsourcing labour, adopt a 24-hour work cycle and use an opportunistic approach to finance. A good example of a more tactical approach to film production in Australia is *The Tunnel* (2011). This film was simultaneously released in a limited number of cinemas in Australia, on pay TV and DVD in Australia and New Zealand, and legally online via <www.bittorrent.com> (a popular peer-to-peer exchange site). Within four days, the film had been downloaded by over 40 000 users and by the end of the first week nearly 100 000. By way of comparison, another Australian horror film released more traditionally in cinemas at around the same time, *The Reef*, was viewed by only 3800 patrons on its opening weekend. *The Tunnel* was financed in piecemeal fashion. Upfront, the producers offered single frames from the movie at one dollar apiece for sale to the public. On this basis, they raised around $40 000. Later, small donations were made by visitors to the bit-torrent site (mostly in the $12–15 range). Since its initial release, the movie has also been seen on ABC iView (a catch-up TV website) and is also available as an iTunes 'app' for $1.99 which gives purchasers a full-length version of the film plus extra features such as 'behind the scenes' video, a photo gallery and so on.

BOX 9.2: INDUSTRY 3 AND 4 CHARACTERISTICS

Industry 3

- Both international and national success
- Transnational actors and crew
- **Films:** Generically knowing and playful digital production technologies integrated with audiovisual industries
- **Audience:** Global niche audiences
- **Filmmakers:** Use both national and international locations; use both government and non-government funding

Industry 4

- **Content:**
  - Realised with the support of 'communities of interest' ('onset' marketing and crowd-sourcing) rather than defining audiences as external to the development process.
  - Realised via 'tactical' (under-the-radar) rather than 'strategic' approaches.
  - Sensitive and therefore scalable to audience interest.
  - Continue to realise funds through concurrent long-tail marketing strategies with a variety of pathways to audiences rather than a sequential series of exclusive release 'windows'.
- **Audiences:**
  - Participatory and invested as projects develop.
  - Defined by interest rather than geo-political allegiance.
- **Filmmakers**
  - 'Embedded creatives' in which content production skills are seen as transferable to other industries.
  - No particular interest in or concern about 'Australianness' or any nationality as a defining feature of on-screen content or production methodology.

DISTRIBUTION AND EXHIBITION

Each year, around a thousand films are submitted for classification in Australia. Of these, more than 300 films (over 400 in 2012) are released for the first time each year. These appear on almost 2000 screens dominated by four major exhibition chains, which deliver more than 70 per cent of the national box office and control over half of all cinema screens: Greater Union (479 screens) (incorporating Birch, Carroll and Coyle in Queensland); Hoyts (369 screens); Village (506 screens) and the US company Reading (160 screens). Mid-size cinema chains account for around 18 per cent of cinema screens and independent cinemas for more than 30 per cent. The vast majority of films (around 95 per cent) are handled by a small number of major international distributors that are in turn linked to local companies (for example, Orion, Twentieth Century Fox and Columbia Tri Star are linked to Hoyts and Warner Bros Entertainment is allied to Village Roadshow). There are many much smaller Australian distributors (more than 40) that compete for films on a one-by-one basis (Palace, Dendy and Icon, to name a few). Of these, Palace Films also operates some 85 screens. Some major players also operate venues overseas (with mixed results). Amalgamated Holdings, for example, operates cinemas in Germany and New Zealand, and Village Roadshow has cinemas in Singapore.

Films are now largely distributed and screened in digital format, which represents significant savings for distributors in terms of print, freight and storage costs. The change from film-based formats to digital formats has had an impact across the entire cinema industry value chain. Stock suppliers and film-processing entities all face a dim future, with mainstream 35mm projection projected to cease entirely in the US and other major markets by the end of 2014 and global cut-off likely soon afterwards. At its peak, global film distribution used approximately four billion metres of film a year. That amount began to decline sharply in 2010, and is now closer to 1.2 billion metres.

For the production studios, digital distribution offers the promise of easy access to global markets, irrespective of geographic distance. For the cinemas, there is the tantalising prospect of pristine Hollywood titles direct to a screen near you at the touch of a button and a fraction of the cost (no projectionist, minimal equipment maintenance). And, while this improved screen experience is mostly true, it is not entirely unknown for incorrect titles to be screened because the digital files provided to cinemas are unable to be unlocked until immediately prior to the scheduled session and can't be tested in the same way that film reels once were.

Cinemas are also responding to digitisation by lowering costs through staff reductions (most cinema chains now employ a very small number of roving projectionists where once there might have been several per cinema). Costs have also come down with the introduction of touch screen ticket machines and online booking systems. The use of online information systems has reduced the amount of advertising in local newspapers. Aside from this cost-cutting, digital distribution also offers opportunities for multi-trailer campaigns, more direct marketing, ease of subtitling and tailoring for the hearing impaired, and the possibility of content customisation such as multiple endings for films. Film releases are more easily scalable so that 'breakout' hits can quickly and easily be extended to additional screens. On the downside, there are enormous implications for the archiving of content, since there is no digital format that has yet matched the effectiveness of film as a preservation medium.

The prospect of a National Broadband Network (NBN) in Australia has raised industry expectations for the delivery of content over higher-speed terrestrial networks, although the global outlook continues to be based on the likelihood of satellite delivery. In March 2013, the US-based Digital Cinema Distribution Coalition (formed by AMC Theatres, Regal Entertainment Group, Cinemark Theatres, Universal Pictures and Warner Bros) reached agreements with most of the major studios to establish a cross-industry distribution service that will provide each chain with direct theatrical digital-delivery services across North America based on satellite technologies.

But not all the factors affecting film exhibition and distribution in Australia can be attributed to the impact of digitisation. Annual domestic box-office figures in Australia are greatly influenced by one big hit (*The Sapphires*, *Happy Feet*, *Australia* and so on—anything that can realise more than $10 million). Without the money generated by *Australia*, the 3.8 per cent local share of box-office in 2007–08 would have sunk to less than 1 per cent. Between 2003 and 2005, there was not even the one big hit—painfully pointing to the vulnerability of the local box office. In fact it would take a nostalgic return to 1996 to remember the halcyon days of Australian cinema returns.

A succession of significant changes to the distribution of films occurred in the sixteen or so years after 1996—changes that continue to run apace. In the comparable sixteen years prior to 1996, Australian films realised more than 8 per cent of the total Australian box office nine times. Since 1996, this has not occurred once (Jericho 2013). These statistics tell us a great deal about the significance of change in the Australian film market. So in 2001, when a record $63.4 million was earned by local features (*Moulin Rouge*, *Lantana*, *The Man Who Sued God* and *Crocodile Dundee in LA*), this amounted to only 7.8 per cent of the Australian box-office. One explanation for these anomalies lies in the number of screens and seats available to audiences. In 1986, when the first *Crocodile Dundee* was unleashed on the Australian public (taking

more than 21 per cent of the local box-office alone), there were 626 screens (for a total of 295 000 seats). By the time *Crocodile Dundee in LA* was released, there were nearly three times that number—1855 screens (463 000 seats). By 2012, this had risen again to 1995 screens. If *Crocodile Dundee* were to take as much money at the box office (even adjusted for 2012 ticket prices), it would only total around 9 per cent of the Australian box office (Jericho 2013). So today's success stories face a far loftier bar than previous high performers. This is because, even though Australia's total box office has been increasing, the actual number of tickets sold (admissions) has flatlined since the early 2000s. Furthermore, the average number of cinema attendances per film-goer has also declined (11.3 in 1996 compared with 6.8 in 2011) despite a big increase in the number of films released (280 in 1996, 342 in 2011). Between 2011 and 2012 the number of films obtaining a release climbed by 23 per cent (548 films reported box office, of which 421 screened for the first time in Australian cinema), a rate that was significantly out of proportion to the overall box office growth. Yet the number of local films getting a first release in 2012 slipped from 36 in 2011 to 27, the lowest figure in five years. All this makes for an unprecedented 'crowded market' in which all films—including Australian productions—struggle for attention.

Table 9.4 Digital screens, Australia

2006	2007	2008	2009	2010	2011	2012
27	30	54	311	452	704	1436 (72%)

Source: Screen Australia; MPDAA.

DVD

The vast majority of films seldom make a profit solely on their theatrical release. In the current environment, a film takes about 2.5 years to exploit the full range of possible distribution channels; however, as this chapter is being written, release windows are collapsing, distribution platforms are converging and devices for accessing films are fragmenting. In general, around 20 per cent of industry revenue is now derived from gross box-office receipts received from cinemas. In the past, the role of DVDs (and, before them, videos) in creating audiences for film titles could not be under-estimated, even if they relied on a successful theatrical season to create a 'cascade' of returns. The DVD industry was a critical component of the ways in which films were made, marketed and watched in Australia. In 2003, DVD and video sales in Australia outstripped cinema box office for the first time. In 2008, DVD retail sales exceeded $1.4 billion, easily eclipsing the year's cinema box office ($946 million). On the other hand—and to put this success in context—sales revenue from video games (hardware and software) well exceeded these figures ($1.96 billion in 2008). However, DVD rentals and sales began to decline in Australia from 2008 (despite the introduction of the relatively new higher definition Blu-ray format) before plummeting from 2009 onwards. This steep decline was not stemmed by lower prices, nor the emergence of self-serve rental kiosks in shopping centres and diminishing window between cinema and DVD release.

Table 9.5 Wholesale DVD sales

	2007	2008	2009	2010	2011
DVD wholesale revenue	1334 m	1385 m	1295 m	1176 m	1029 m
Blu-ray wholesale revenue	9.24 m	38.4 m	81.7 m	111.5 m	183.5 m
Combined DVD/Blu-ray and other retail revenue	1135 m	1166 m	1189 m	1142 m	1094 m

Source: The Australian Home Entertainment Distributors Association.

Rental kiosks (such as Hoyts Kiosks, formerly Oovie) are seen as a very small market player at the moment. Kiosks are based on a 'rent anywhere, return anywhere' ethos, and currently there are around 300 machines located in shopping centres across four states and with around 500 000 customers. The ageing start-up, Quickflix, has only secured 0.9 per cent of market share, with around 120 000 subscribers at the start of 2013 using both their postal and streaming services. Despite Quickflix reporting 68 per cent growth in online streaming (pay-per-view) and bundled users (unlimited access subscriptions) over the six months to December 2012, the company has struggled to realise profit and in 2012 it shed a third of its workforce, scaled back advertising and closed five of six of its DVD fulfilment centres. Quickflix offered new-release films for the first time in late 2012, but faces fierce competition from both major distributors such as Hoyts, which has announced its intention to provide movie streaming (with rewards for customers who return to cinemas) and catch-up TV services such as Foxtel, which has an exclusive contract with HBO for the right to broadcast its new dramas in Australia just hours after they have aired in the United States. Other competing online services include Sony Entertainment Network, FetchTV and BigPond Video, to name a few. In terms of content streaming, Quickflix and the Sony Entertainment Network are of particular interest because they are compatible with so many media devices such as new Sony televisions and Blu-ray players, as well as the PlayStation 3, computer browsers and some Android devices.

Table 9.6 DVD rental statistics

	2007	2008	2009	2010	2011
Rental wholesale	211.3 m	230.3 m	187.8 m	146.0 m	119.1 m
Rental wholesale units	13.1 m	11.8 m	11.1 m	7.5 m	6.4 m

Source: Australian Home Entertainment Distributors Association.

Despite less than ideal network speeds and access conditions, Australians are avid consumers of online content and the Australian video and music streaming market was valued at just under $200 million in 2012. According to the Australian Communications and Media Authority (ACMA), on average Australian internet subscribers watched an estimated 86 hours of catch-up TV viewing or 132 hours of YouTube videos in the 12 months to June 2011. During June 2011, online Australians viewed 19.2 billion pages of web content, compared with 18.5 billion in June 2010. Many international companies (such as Apple iTunes and the popular online movie site Hulu) attempt to restrict access to and/or charge higher prices for the same content in the Australian market. Many Australian consumers have become adept at using secure virtual private networks (VPNs) in order to access international online content provider services.

Table 9.7 Comparison of Australian online content devices and usage

	June 2010	June 2011
Household consumers with a mobile phone	14.9 m	15.8 m
Mobile wireless broadband subscribers	3.45 m	4.79 m
Mobile phone handset internet subscribers	6.78 m	9.68 m
Pay TV subscribers (households)	2.38 m	2.41 m
Australians with broadband at home	11.8 m	12.7 m
Australians streaming TV online	0.6 m	1.1 m
Australians downloading TV programs	0.8m	1.0 m

Source: ACMA.

CONCLUSION

In the late 1960s and early 1970s, the boom-or-bust narrative of Australian film history was used as the basis for arguments for a revitalised, government-sponsored Australian film production industry. The idea that a film production industry had once thrived but then been left to lapse gathered momentum. The history of Australian cinema, it was believed, was one of local initiative defeated by powerful commercial—especially American—interests and government disinterest. The legacy of these arguments is the still-constant sense of threat in the Australian film industry—as if government support for local film production, and with it the entire Australian cinema, could disappear without notice. And, in emphasising the production sector at the expense of other ways of approaching the national cinema (via the exhibition and distribution sectors—for example, in which Australian films constitute usually much less than 10 per cent of the annual box office)—policy-makers and academics have repeatedly defined the Australian cinema defensively, as a moment of cultural resistance against a dominant Hollywood 'other'. This has in large part created a disproportionate emphasis on cultural autonomy in the way we speak about the Australian cinema. By failing to understand how the Australian film industry is actively engaging and exchanging with international industries, we diminish the historical and economic importance of our relationship with American cinema, and we limit our ability to see our similarity to many other national cinemas in which American cinema also plays a key role.

However, recent changes to the expectations of government involvement in the sector, combined with the decreasing proportion of federal and state funding in film finance, indicate a national industry that is finally embracing its global and commercial possibilities. With this in mind, we can re-address the basic questions that have pestered Australian policy-makers since the advent of a government-subsidised film sector in the mid-1970s. Film industry policy-makers once invested in the idea of a national cinema simply so that we might 'tell our own stories', but Australian audiences have repeatedly shown that they are unwilling to 'hear' these stories despite an evident ardour for cinema consumption. However, new research by Screen Australia into contemporary Australian audience behaviour strongly suggests that Australian films enjoy far wider success on the myriad small screens that are now available to audiences for viewing screen content. Amidst spiralling industry disruptions, we need to address the very real impact of practices of disintermediation (the cutting out of the 'middleman'), and the remediation of titles to new formats and devices (the way content now flows to consumers in a variety of rapidly proliferating formats and the challenges for preserving legacy media in this context) on how we describe the Australian cinema. In particular, these developments draw attention to the historical influence, and new shape, of distribution as an industry practice that has frequently been overlooked in the focus on production as the sole measure of national endeavour.

FURTHER READING

Useful histories of the Australian film industry can be found in Shirley and Adams (1987), *Australian Cinema: The First Eighty Years*, or Pike and Cooper (1998), *Australian Film 1900–1977*. Scott Murray's (1995) *Australian Film 1978–1994* picks up where Pike and Cooper finish. Also useful for its thematic discussion and general information is Bertrand, McFarlane and Mayer (1999), *The Oxford Companion to Australian Film*. Detailed and current industry statistics are provided by the Australian Film Commission in its annual publication *Get the Picture*, which is regularly updated online (<www.afc.gov.au/gtp>). One of the most profound considerations of the cinema can be found in Tom O'Regan's (1996) ambitious *Australian National Cinema*, which adopts a variety of perspectives to give a sense of the cultural, economic and theoretical nuances of the local film industry.