



**Strategic Review December 2012  
ISSUES PAPER**

**Purpose of the Review**

The South Australian Film Corporation is currently undertaking a review of its program priorities, and is seeking industry feedback that will inform its future strategic approach.

The SAFC remains committed to the core objectives outlined in its 2012 Strategic Plan, however changes in the broad economic, production and political landscape mean that the agency must make key strategic decisions about the manner in which it seeks to fulfill these objectives.

In particular, the SAFC is seeking industry views in regards to the SAFC's program priorities, business practices, and terms of trade.

**Process**

The SAFC will conduct stakeholder consultations over the next two months focusing on the strategic principles and proposals outlined by SAFC management, with written submissions due by 8 February 2013. This consultation will inform its strategic direction as it drafts a new set of programs and terms of trade.

The SAFC will then seek further industry feedback regarding the detail of this new suite of programs, prior to them being implemented in July 2013.

**Background**

The SAFC has recently undergone a major transition, having moved to new purpose built premises at the Adelaide Studios. These studios, which include not only state-of-the-art production infrastructure but a building that will act as a hub for the local sector, not only provide an incredible opportunity for the local industry but represent a once in a generation opportunity for the organization to rethink and reposition.

At the same time the SAFC has had an overall reduction in the funding it receives from Government in order to support production and development, which will undoubtedly have an ongoing impact on its business in the longer term. In particular, the decision to not renew the Film SA program represents a reduction of \$1.24M per year, which translates as a reduction of at least 20-25% of the SAFC's annual program and investment funding compared to 2010/11.

The SAFC has taken short term measures – trimming internal administration costs and streamlining processes where possible – that have allowed it to largely carry on business as usual during this time of transition, and as a result has a strong slate of production scheduled for the next 12 months. However, in the longer term, it is clear that the organisation faces constraints on its business that need to be taken into account in its strategic planning. The SAFC is aware that if it simply continues operating business under existing settings, that there will undoubtedly be greater demand on the SAFC than will be able to be met within its finite resources.

Given these developments, the SAFC is assessing both the programs that it runs, as well as the way it runs them, in order to maximise the impact of its limited funds in the future.

## 2012 Mission

The 2012 Strategic Plan sets out the following purpose for the South Australian Film Corporation:

*To empower the South Australian screen production industry to achieve success*

When it began implementing this strategic plan in 2008, the SAFC made a number of key strategic decisions based on this mission statement, which have since informed the programs that it has run and its ways of doing business.

In broad terms, the SAFC has sought to be:

- pro-South Australian in its philosophy;
- primarily focused on the key creative nexus of producers, directors and writers; and
- activist, responsive and innovative in its approach.

In terms of philosophy the organisation has focused on activities, programs and projects that it has judged will in some way contribute to the overall growth and development of the South Australian industry, and has developed terms of trade that provide clear and demonstrable advantages to South Australian production companies. For example, through schemes such as the Producer Equity Scheme (PES), which provides unique revenue benefits to local producers, the SAFC has supported both established companies – by encouraging non-SA filmmakers seeking to shoot in the state to partner up with them – as well as fostering emerging South Australian practitioners.

The SAFC's focus of support has been primarily on the key creative nexus of producers, directors and writers – or in other words those who are developing, financing, and producing content – placing particular priority on the development of local production companies. The SAFC has clearly articulated its view that the long term success of the local SA industry will be based on the growth and development of local production companies – both those established companies transitioning to the new Offset landscape, as well as those newer companies that have emerged in South Australia in recent times.

The SAFC has taken the view – notwithstanding the continuing importance of the local crew base to the success of the SA industry and the need to maximize SA crew opportunities on production and post-production taking place in the state – that its role is not to dictate the nature of production, but rather should be to empower local producers to respond and react to changes in technology, budgeting and production methodology.

Finally, in terms of its mode, the SAFC recognised that it needed to be both activist in its approach, and to be as responsive and innovative as possible in what was a time of significant change – given that the federal Producer Offset had only been recently introduced.

Most particularly the SAFC identified the need to build the production base in the state, beyond the small number of credited producers based in Adelaide. The SAFC recognized that it could not afford to be passive if it wanted a new generation of film practitioners to have the opportunity to showcase its talent. The clearest example of the SAFC's approach in this regard is FilmLab, which was a specific intervention in the emerging development space, providing craft and skills development, and production opportunities for filmmaking teams with track records but who had yet to make the transition from shorter to longer forms.

Other examples of the SAFC's activist approach include programs such as the Enterprise Scheme, PES, and the Documentary Innovation Fund. Beyond specific programs, this approach has also meant that the SAFC was the first Australian screen agency to invest in and cashflow a film using the Producer Offset; supported local producers to make films shot in locations as diverse as Iran and China; supported the early development of an online project which ultimately resulted in the television series *Danger 5*; and recently was the first agency to support a project (*Wastelander Panda*) originally financed via crowd sourcing.

## OUTCOMES

The key strategic drivers outlined in the SAFC's 2012 strategic plan included:

1. delivering innovative programs
2. positioning SA as a premium film location
3. introducing boutique filmmaking facilities;
4. fostering a healthy screen culture.
5. Operating with integrity and communicating openly; and
6. taking a bold approach to new opportunities

It has not been a straightforward transitional road over the past four years, with the normal production cycles disrupted by broader industry changes, as well as by the ongoing and unpredictable impacts of the global financial crisis. Further, the unforeseen cancellation and delays on some recent productions have also caused some difficulties for the local production sector, and in particular South Australian crews.

It is also the case that, while there have been some positive developments, it is a little too early to be able to fully assess the success of some of the programs that the SAFC has introduced as part of its new strategic approach, including FilmLab. FilmLab certainly put some early runs on the board with the festival success of *Shut Up Little Man!*, but this is the only film released so far (although it is worth noting that two other FilmLab films – *52 Tuesdays* and *Inner Demon* – have both recently wrapped shooting, *One Eyed Girl* is currently in production and another film has been greenlit to go into production in early 2013). It is also too early to fully assess the impact of other programs such as the SAFC's Enterprise scheme, and the Producer Equity Scheme, although some of the early indicators are encouraging.

Nonetheless, the SAFC can justifiably claim that it has delivered on its key strategic drivers. In particular, in regards to some of the key outcomes identified in the plan, it is demonstrable that compared to five years ago, South Australia has:

- a significantly increased number of credited producers, directors and writers residing in the state;
- seen an increase in the overall proportion of South Australian producers or co-producers attached to films on the SAFC production slate;
- emerging and established SA filmmakers who have been consistently gaining both critical and marketplace attention for their work across a variety of genres;
- a diverse range of production companies engaged in production across drama, documentary, animation and online production;
- constructed state of the art screen production facilities that can attract production and support locally generated projects, and provide an industry hub like no other in the country;
- built on its already strong reputation and awareness as a compelling production destination.

Furthermore, in terms of the SAFC itself, the Strategic Plan stated that the SAFC's vision was to be recognised as the most *dynamic* agency in the country. This goal is reflected in a number of the SAFC's business practices that it has adopted, or continued, over the past four years. For example, the SAFC:

- has continued to approve projects early in the financing cycle, compared to other state agencies;
- has managed a consistently quick turnaround on applications;

- has held Board approval meetings at regular intervals, and often held special meetings at short notice, to consider production investment applications;
- has worked to reduce levels of bureaucracy where possible in all of its processes.

## **CURRENT SITUATION**

### *Local Industry Landscape*

Compared to 2008, the local South Australian industry is remarkably robust, with a significant number of local production companies and practitioners working in a range of genres and gaining marketplace traction. While overall production levels have not been high over the past twelve months, there now exist within the state a great diversity of companies, from those working on low budget projects through to those working with Hollywood studios and others developing major international co-production deals. One encouraging indicator of the progress that the South Australian production industry has made over this time is the fact that four of the five marketplace (ie non-FilmLab) feature films supported by the SAFC over the next twelve months, are being produced or co-produced by South Australian production companies. This is a significant development.

South Australian companies have also made a number of recent forays into developing and producing longer form television, including drama, comedy and animation, but also recently in factual entertainment – and it is worth noting that none of these areas have been seen as a traditional area of SA strength.

There remain challenges for the industry, in terms of consistent production turnover, and in light of the broader challenges facing the industry, due to the high currency, as well as shifts in technology and audience behavior.

Despite these challenges, however, the view of the South Australian Film Corporation is that the local industry is showing demonstrable signs that it has matured – that it has transitioned from an emerging industry with a small number of production companies and practitioners with track records, to a more mature sector capable of engaging with the broader marketplace on its own terms. While it may not have reached its final destination, there appears little doubt that it has made serious progress along the path.

This is undoubtedly a positive development, and represents a great opportunity for the SAFC and the local sector as it suggests that the industry may be on the cusp of a transformational moment. However, it nonetheless creates a challenge for the SAFC, as it is almost certain that there is going to be increasing competition for its finite production and development funds among South Australian production companies.

The SAFC must therefore consider all of its programs, assets and priorities in order to best position the industry to take greatest advantage of this moment, and to continue to the next phase of the current journey.

## **SAFC STRATEGIC PLAN**

The immediate response to this analysis is that, in broad terms, the purpose of the SAFC as articulated in its 2012 Strategic Plan – “to empower the South Australian industry to achieve success” – remains as appropriate as ever.

Furthermore, the key strategic principles that have guided the SAFC’s approach over the past four years also remain relevant. In other words, despite the various changes to the landscape that it operates in, the SAFC should continue to:

- be pro-South Australian in philosophy;

- focus primarily on the development of South Australian producers, directors and writers, and in particular production companies;
- be both active in its approach as well responsive to opportunities

What is equally clear, however, is that while these principles remain appropriate at a headline level, the actions that sit below them are in need of serious review. It is at this strategic action level that the SAFC is seeking industry input.

## **SAFC STRATEGIC PROPOSALS**

In considering the immediate future, the SAFC has identified a number of specific realities that have informed its thinking about possible strategic directions. The key ones have been listed below:

1. Competition for SAFC funding in the short-medium term is likely to be high;
2. The agency cannot afford to be everything to everyone, and will have to make hard decisions about what areas it will support in the future;
3. In order to maximize dollars to industry development, the SAFC will need to maximize revenue streams from its assets on the one hand, and reduce internal administration costs by running less programs, and streamlining internal processes;
4. While development of projects and the industry is important, generating and attracting production must take greater priority, at least in the short term;
5. Development activities will need to be more targeted and projects seeking development support will need to be at a more advanced stage than previously;
6. The SAFC will need to be entrepreneurial in its packaging of equity, cashflow finance and studios in order to assist projects into production;
7. With the maturing of the industry in SA, the need to focus on the emerging sector has reduced as a priority;
8. The future growth of the industry will be based on SA producers increasing the level of financing accessed from sources other than the SAFC, for both development and production;

Based on these observations, the SAFC has drafted a number of strategic proposals regarding its current and future programs. These proposals have been deliberately kept broad at this stage, in order to both illustrate the direction of the SAFC's thinking, as well as to encourage full and frank industry discussion about issues of principle prior to the drafting of detailed program proposals and guidelines.

## **DEVELOPMENT PROGRAMS**

### **PROPOSAL 1: Shift emphasis away from speculative and emerging development and production programs**

The SAFC is proposing to no longer run programs that are at the speculative end of the financing spectrum. Programs that would cease would include the Emerging Writers Scheme and Short Film Development, while other non-marketplace schemes such as the Documentary Innovation Fund would be put on indefinite hold.

At the same time, the SAFC's existing project-by-project development programs would place greater emphasis on the requirement for marketplace attachments, and expect projects to be generally more advanced in terms of both script drafts and creative teams.

The FilmLab program would be temporarily discontinued, following the completion of the current slate of FilmLab films. However, importantly, the brand would be retained and the program could be adapted for future development opportunities in the emerging development space.

The only area/s that the SAFC may consider pursuing in the early/emerging development space in the short term would be those where there is a clear lack. One example would be indigenous production, which is an area that the SAFC has identified as a priority for the future, and where the SAFC is keen to engage more actively than it has in recent years. However, it is likely that the SAFC's activity in this area would most likely be in partnership with another industry body or bodies.

### **PROPOSAL 2: Partner with external organisation to undertake emerging development activities previously delivered by SAFC**

In order to free up internal resources, the SAFC would seek to partner with an external organisation to deliver those highest priority development and production programs that service the emerging sector. These activities could include activities such as short film production, new writers' schemes, attachments and mentoring programs.

The most obvious potential partner for these activities would be the Media Resource Centre, which already services this sector; however this would be a matter of negotiation.

The SAFC would agree to a certain level of funding with whichever organisation agreed to undertake these activities, and would agree on a clear program plan associated with this funding. This organisation would also be expected to be the first point of contact for new and emerging filmmakers, providing them with advice and information.

The SAFC would expect to be a partner in the decision making process regarding funding, particularly in regards to production initiatives such as Short Film.

### **PROPOSAL 3: Increased Focus on Producer Business Development Program**

Under this proposal, which represents a logical corollary of Proposal 1, the focus of SAFC development funding would shift emphasis of SAFC development funding away from speculative, project-by-project support to the development of the business of local production companies.

The SAFC would cease its Enterprise funding program, but would enhance its existing Producer Business Program, providing greater funding to successful companies. However, this funding would be accompanied by a greater expectation on these companies to take on greater responsibility for a range of development activities currently provided on a case-by-case basis by the SAFC. These include mentoring, script and talent development, and travel.

The SAFC would also expect to have a higher level of scrutiny and monitoring of the development of the business, as a key requirement of its enhanced funding.

#### **PROPOSAL 4: Increased SAFC engagement around the Producer Equity Scheme**

The SAFC is proposing a greater engagement between the SAFC and successful applicants for the Producer Equity Scheme, regarding the progress of their business.

The Producer Equity Scheme was developed as a mechanism in order to allow SA producers to access early recoupment from projects, thereby providing them a reward for commercial success which would help them build their businesses. It was also provided to act as an incentive for them to take to the marketplace in order for non-SA producers to partner with them on productions seeking to shoot in South Australia.

This remains an objective that the SAFC continues to support, however, the PES represents foregone potential revenue for the SAFC, and the agency needs to have a greater sense of the value that the PES provides as a means of business subsidy. This will allow the SAFC to consider the program in the longer term, and allow it to consider ongoing applications for PES support from companies who have accessed the scheme on more than one occasion.

#### ***PRODUCTION INVESTMENT***

#### **PROPOSAL 5: Introducing Platform Neutrality Across Programs**

Under the proposal the SAFC will eliminate the artificial and unnecessary platform silos that exist within its funding portfolios, and streamline its program offering.

Like many agencies, the SAFC has struggled to define a clear place for Digital Media funding, which has shifted between online, interactive programming, games and digital animation. It has sometimes been stand-alone, while at other times it has been an add-on to a traditional program. What this has created is an unhelpful silo at a time that content is converging.

The SAFC intends to remove these silos and create two streams of funding in its new guidelines – essentially between Fiction and non-Fiction – and making each of them platform neutral. Filmmakers can apply to make, for example, a documentary feature, TV series or online project – or a combination of all three – through the same program. A project could be a stand-alone interactive documentary, or an online extension of a TV comedy series.

Applicants would be eligible to apply under each stream, and will simply need to demonstrate that it can satisfy the usual SAFC stipulations regarding its finance plans, potential audience, and marketplace commitments.

#### **PROPOSAL 6: Outlining transparent set of Investment Program Incentives**

The SAFC is proposing to create a more transparent set of guidelines regarding project investment, that will be in line with the constraints on the SAFC's funding, but also build in additional stipulations and incentives based on the delivery of additional benefits to the SA industry – for example attachments, engagement of local crew and HODs.

Incentives would include incorporating new payroll arrangements, studio facilities and other assets as part of an integrated set of attractions to inter-state producers.

The SAFC would also seek to encourage co-productions between visiting productions and SA producers by applying the production benefits and advantages available to SA producers to co-production partnerships.

Generally, the SAFC will include at every point in these new guidelines, an advantageous position for SA producers in comparison to non-SA producers.

## **PROPOSAL 7: Actively Engaging with innovative financing models**

The SAFC will investigate options to engage with innovative financing and incentive arrangements, in order to explore means of increasing the pool of money available to the South Australian production industry.

The most obvious form of innovative financing in recent times is crowd funding. The SAFC has supported crowd funded projects on an ad-hoc basis; however there are further opportunities to explore how the SAFC can use crowd sourcing to make its development and production dollars go further.

The SAFC is also interested in exploring other models such as public-private partnerships, and engaging with regional councils in order to leverage its funding further.

## ***WAYS OF DOING BUSINESS***

### **PROPOSAL 8: Time of Application**

The SAFC will clearly state that projects will need to be at an advanced stage of financing prior to being able to be considered by its Board.

The SAFC has built a strong reputation by being willing to provide early support to projects, on the basis that early support can often help a project into production. However, the SAFC can no longer afford to have funding committed on a speculative basis and therefore will need to insist on projects applying at a more advanced stage of financing.

SAFC will also need to be more stringent in regards to the time allowed for commitment, which will not be able to exceed a certain period.

In line with the SAFC's guiding principles, SA companies will be given a more advantageous position in regards to both of these matters.

### **PROPOSAL 9: Administration Fees**

The SAFC will begin charging administration fees that reflect the cost to the organisation of undertaking and managing a project investment.

The SAFC has attempted for many to keep its administration fees for investment and other activities at a minimum. However, it can no longer afford to do so, and will be introducing administration fees that recover costs, particularly for non-SA generated projects.