

MINUTES OF EVIDENCE
TAKEN BEFORE
THE PUBLIC ACCOUNTS COMMITTEE

At Sydney on **Friday, 27 March 1987.**

The Committee met at 9.30 a.m.

PRESENT

Mr J.H.MURRAY (Chairman)

Mr C. M. FISHER

Mr P.M. SMILES

Dr A. J. REFSHAUGE

Mr A.P. WALSH

PAUL HENRY RIOMFALVY, Chairman, New South Wales Film Corporation,
[REDACTED],
sworn and examined; and

DANIEL PATRICK COLLINS, Marketing and Sales Executive, New South
Wales Film Corporation, [REDACTED]
[REDACTED] sworn and examined; and

JENNIFER
MARGARET WOODS, General Manager, New South Wales Film Corporation,
[REDACTED], sworn and
examined; and

JAMES YOUNG HENDERSON, Accountant, New South Wales Film Corporation,
[REDACTED], sworn and examined; and

LYNDON JAMES SAYER-JONES, Solicitor, New South Wales Film Corporation,
[REDACTED], affirmed and examined:

CHAIRMAN: Did you receive a summons issued under my hand to
attend before this Committee?--A. (ALL WITNESSES) Yes.

Q. The Committee received a submission from the Corporation. I
am wondering if you wish to elaborate on any of the earlier corresponden
you forwarded through or would you prefer us to elicit information
throughout the inquiry?--A. (Mr. Riomfalvy) With your permission,
Mr. Chairman, I would just like to make a short statement, if I may.
I was very disturbed this morning to read an alleged statement from
the Committee in the Sydney Morning Herald which stated amongst
other things, that the Corporation - and the headline was that
the Corporation is in debt. This is true but the Corporation is in
debt to the Treasury Corporation as a consequence of Government
policy because instead of Commonwealth allocation we received loans
for years and years; therefore, obviously we are in debt to the
Treasury Corporation. There are no other debts. The Corporation
has no other debts as of today except what we owe the Corporation.

I also read that it was suggested that the Auditor-General
had continuing problems with the Corporation. That is incorrect.
Every year we had the Red Line Report. The Auditor-General said
that the Corporation was run during the year to his satisfaction.
The Red Line Report for the past year is due to come out next week.
As a matter of fact, perhaps I should report here that the representative
of the Auditor-General is present. It is true there is a new arrangement
for the Corporation from 1 July and that was the consequence of many
many years of representation which I made to Norman Oakes first, then
to Percy Allen and before Normal Oakes resigned, and now he got this
new job, he has adjusted this matter.

I also would like to comment on the overseas promotional
activities. Well, it is true^{it} was around \$800,000, perhaps even more
but I have add to this that that was in the budget that was approved
by Parliament, so we have not overstepped our authority. As a matter
of fact, we were \$800,000 less in our actual expenses than the budget
was last year. I also would like to add that apart from the \$800,000
less, in consequence of our overseas activities as of 17 March,
we have nearly US\$700,000 in banks in America and to show our support
to the Government, we bank with the StateBank in New York where I think
we have \$300,000. The rest is with the Bank of America and also
when we are talking about the interest which was paid by the Corporation,
it was always paid either to the Treasury Corporation or to the GIO,
so it remained within the Government system.

Mr. Chairman, that was a very damaging statement this morning. I had a call from Clayton Utz who are our outside lawyers. We were just about to go out to put out a prospectus for investment in our new movie, Emerald City and I just hope that the investment community will not think that we are like the City Council and the Government is trying to do any action which is not the case. I believe that we are one of the best, the most properly run organizations in New South Wales, as far as a statutory authority is concerned, and I just would like to repeat that I hope at the end of this hearing you will find the opportunity to correct some of the statements, provided, of course, it is correctly reported. Thank you, Mr. Chairman.

CHAIRMAN: Thank you. I would respond and correct one matter. This is not a Government Committee. This is a Committee of the New South Wales Parliament and it is an all party committee. It does not echo Government policy at all but basically we follow the Auditor-Generals's directions. I would refer you to page 320 of this years Auditor-General's Report. In the last paragraph it said in part:

Including the effect of an increase of \$210,501 in interest payments, the addition to accumulated deficiency of \$1.79 million was \$645,844 lower than 1984/85. The continued erosion of the founding capital of the Corporation has resulted from operations not generating sufficient return from investment in films to service borrowings which in turn are covered by Government guarantee. Negotiations with the New South Wales Treasury concerning the Corporation's debt liability and referred to in my previous report remain unresolved.

Now there were other statements similar to that within the report and as a consequence of that, the members of the Committee felt that it was incumbent upon them to bring you to give evidence before this Committee to see if those matters had been resolved or whether they are still in abeyance.

I might say those areas that you referred to, the members will be asking more detailed questions and obviously the response we elicit from you will determine the content of our report. I think you should be clear that this Committee has made no decision whatsoever. All we have done is looked at the Auditor-General's Report and that report gives us some measure of concern. As a consequence, we have brought you to a public forum so that you can present a case on behalf of the Corporation. I might just start the questioning and in terms of the questioning, any member or any witness can take it upon themselves to answer the questions if they feel they have expertise in that area. I might just ask first of all that the Chairman may give the Corporation's decision making processes, first of all in terms of policy formulation, the granting of loans, investment in films and script development grants. I might reiterate on that. What I would like you to present to the Committee is the decision making process that your Corporation involves itself in, first of all in terms of policy formulation?--A. Well our policy is that we have not got any because todays policies are tomorrows disasters in the entertainment business. It is very difficult to lay down the law on Monday, and read something in Tuesday mornings papers, or the Variety newspaper which contradicts our policy. Our policy is we get together every morning, these people you can see around here, and discuss the events of the previous day, what we are going to do today. Basically the Corporation's policy, if there is one, is to make sure that the Australian film industry will continue, despite

the difficulties caused by taxation laws and some other matters.

In regard to the decisions on script and project development - - -

Q. That is policy formulation. Now what about the granting of loans? What is the decision making process of the Corporation?--A. Granting of loans to whom, to producers?

Q. Well, you have loans that you grant to producers, loans to other film corporations and any other area that you have been involved with in terms of loans?--A. Right. I would just like to bring that under the same. The loans and script project development and equity investments are all decisions of the Board which relate to a particular project.

Q. In other words, loans are a decision of the Board?--A. Right.

Q. Investment in films, a Board decision?--A. That is right.

Q. Script development grants?--A. Board decision.

Q. That just gives us a bit of an overview. I might ask Dr. Refshaug who is the member for Marrickville, to continue the questioning.

DR. REFSHAUGE: When you say you do not have any policy, presumably you are making decisions every day if you are meeting every day. Who is involved in actually making those decisions?--A. Well, it depends on whether it is financial or production. I make the decision and I see the people present here. I have an open door policy. Anybody can walk into my office. They all have open doors and we have a monthly formal Board meeting. I also see the third Board member, Damien Stapleton from time to time, usually at the weekend.

CHAIRMAN: You see who?--A. Damien Stapleton who is another Board member.

Q. You might tell us how many there are on the Board?--A. Three.

Q. That is yourself?--A. Jenny and Damien Stapleton. Of course, you know, sometimes you have to make decisions on the spot which we always make and I believe with the exception of course that we cannot be clairvoyants, not every investment you make is successful and as a matter of fact I just bumped into the former chairman of the Committee Bob Carr who said to me I should mention to you people that a good example or a bad example of decision making is that when it was offered to me, I did not take My Fair Lady, the stage production, because I thought it was too Jewish. So it means that probably I am not the best judge of projects but we have, of course, outside readers who give their opinions and we have our Danny Collins and Bob Lewis in Los Angeles, how they see the marketing problems connected with the project. That is about all I can say, Doctor.

DR. REFSHAUGE: Can I ask, is really the decision making process, you get advice from as wide a range, including your internal staff and then you make the decision. The decision rests with you?--A. Except on investment projects but the day to day business, yes, I do.

Q. So that is except for the granting of loans, investments and script development grants?--A. Correct, equity investment, everything connected with film investment in all stages is discussed and determined by the Board.

Q. You say the Board meets once a month?--A. Once a month formally and there are informal meetings between myself and Stapleton, I put him in the picture as to what is going on.

CHAIRMAN: Why would you only deal with Stapleton and not with Ms Woods?--A. Well, I see Jenny every day. She sits next to me.

DR. REFSHAUGE: Whereabouts do you have your Board meetings?--A. At my office.

Q. At the Corporation?--A. Yes.

Q. Does the Board have any other role as opposed to just making decisions on those investments?--A. Well, the Board has a wide range of conversation about how business is, how business is going to be. Our main concern at the moment, of course, is the taxation situation because that could be a deciding factor whether we will remain, whether the Australian film industry will stay where it is or improve and as that being the main worry, that is a discussion. I speak to Stapleton every day on the phone and all these people present, I am speaking to two or three times a day.

Q. You keep on talking about the Australian film industry, but you are the New South Wales Film Corporation. Do you see that as being your main interest, as the Australian film industry or do you restrict yourself to New South Wales films?--A. Well, Doctor, we cannot make New South Wales films. We can only make Australian films. So obviously the way we look at it is the film industry in general and of course the majority of film makers are in New South Wales but we could not possibly lay down the law. For instance, I give you an example. If de Laurentias really sets up the studio in Queensland, then he has to use New South Wales and Victorian people. You cannot say, only Queensland, only Victorian or only New South Wales. Sometimes we even have to bring back Australian actors from overseas. As a matter of fact I can proudly say that no film in the last years we made was any foreign actors employed because we are a very chauvenistic organization as far as the film industry is concerned. We believe that the tax payer is paying us to make Australian films with Australians, unfortunately no longer for Australians because when we started in 1977 the films cost about half a million, \$700,000 so we were very happy if we had a successful run in Australia. Well, that is over unless we get into the American market which is really the beginning of the end, we just cannot exist.

Regarding the policy, our policy, just reflecting what the Chairman said that we want to make Australian films, we are not going into the paranoia as some film makers do; they put the steering wheel from one side to the other side of the car so that Americans should be familiar how things are happening. We make Australian films and it works and it will work in the future. Four of our films won all the awards in the Australian film industry awards and we attended eight awards, so we got 50 percent of them. They were successful. Some were successful overseas and we have to unfortunately take into consideration that we are not making films only for Australia, let alone New South Wales.

Q. Why should you exist then as a New South Wales Corporation if you are looking really at Australian films and we have an Australian body to do that?--A. Because there is no such thing as New South Wales films, only Australian films. Our Act provides that we are to look after the Australian film industry. It does not say

New South Wales. As a matter of fact, I have not got a copy of the Act here, but it says that all our powers and functions we can exercise in New South Wales or elsewhere.

Q. You said that there is a policy to employ only Australian actors. Is that a policy or is that not a policy?--A. I would say that is a notional policy really. Let me put it this way, if the feds go back on their promises on either the film bank or the present LOBA legislation and films will not be made by tax payers money, then we might change our attitude. We also might change our attitude if there is a genuine reason to employ a non Australian. Some of the producers which we would not work with, they put in Americans into Australian films where it has no significance whatsoever; there is no justification for an American to be there. I sincerely hope we will never reach that stage that we have to do that.

Q. Can I just come back to the definition of policy. You say you have not, as a matter of policy, employed anybody else apart from Australian actors, but you say you have no policy. Whose policy is it? Is it yours, the Commissions, the Board's decision or is it a general feeling that is so universal you have not made a decision?--A. It is very universal in our Corporation that probably that is a policy, yes. As I said to the Chairman, our policy is to make Australian films and by Australian films. We understand that unless we are forced to act otherwise, we should keep it Australian as much as possible.

MR. SMILES: I wonder if I might ask two brief questions on policy. First, within the Board, what delegation if any is there in the making or devolution of policy? Do the other two Board members delegate to you from time to time or do you delegate to one or other of the Board members?--A. No, we do not. There is no delegation. There are financial delegations to a certain extent but not policy delegation, no.

Q. And financial delegation, how does that work?--A. (Mr. Sayer-Jones) There is a delegation recorded in the Board minutes allowing the Chairman, the General Manager too and I think the Financial Controller to make decisions up to \$25,000 I think is the figure.

(Mr. Henderson) That is right.

(Mr. Riomfalvy) \$35,000 and it is not investment.

(Mr. Sayer-Jones) Purchases of photocopying machines and that sort of thing. It is intended to facilitate reasonable business day to day activities but the reality is, decisions with respect to equity investment, loans, script developments are Board decisions.

Q. That particular decision was taken when?--A. I think it is seven years old. It has not been increased.

(Mr. Henderson) It has not essentially changed for some years. The names were changed in 1984 to keep everything up to date.

Q. The other thing I would like to ask about policy, both general and specific with regard to loans and investment in films and script development, what contact, if any, does the Board have with the Minister in those areas?--A. (Mr. Riomfalvy) None.

Q. Given that, what contact, if any, does the Board have with the Minister anyway?--A. In what way do you mean?

Q. I am asking you, in what way, what contact?--A. If the Minister asks any question, we answer the question but otherwise I do not see much - I will, of course, constantly liaise with the Premiers Department on practically all matters, but not decisions of the Board. You see, I talk regularly to the Premiers Department, the Auditor-General and the Treasury on matters of finance but no on decisions on what films we invest in. That is purely and solely our responsibility. As a matter of fact, if I am not wrong, there is a provision in the Act on the Ministerial directions.

(Mr. Sayer-Jones) A decision of the Corporation to actually produce a film itself would require the Minister's consent.

(Mr. Riomfalvy) That is not what I am referring to. What I am saying is if the Minister gives a direction to the Corporation, then he has to table in Parliament what the direction is etc. but we never had any. As a matter of fact, in the ten or eleven years I have been there, I do not think I have ever been approached by a minister or a member of Parliament to do or not to do anything.

Q. So is your contact, the Board's contact with the Minister purely through your annual report and financial statements to the Auditor-General, copies of which go to the Premiers Department? --A. I talked from time to time to the former Premier and the present Premier but not on a formal basis.

DR. REFSHAUGE: Are you saying you only need the Minister's approval to produce a film? The Act actually says the Corporation shall not undertake the making of a film, not being a short film or a documentary film except with the prior approval of the Minister. What do you interpret as the making of the film?--A. What we meant when we put that - actually I worked on this legislation with the Parliamentary Draughtsman. What we wanted to prevent, that the Corporation should start to make films which they like and not to give an opportunity to the film making community to come to us. We, of course, invest, so we are partners. We look after the selling of the films but when it comes to the making, we either let the producer make it under our strict supervision indeed, or we act as - how would you call it, Jenny?

(Ms Woods) I would say a co-producer really.

Q. So as a co-producer, you do not see that you are making them? --A. (Mr. Riomfalvy) No, because somebody comes - we do not initiate films. The producer comes to us and says we would like to make this film, so we will say to them, "We will raise the money from the investment committee." Our producers, unfortunately are \$2.00 companies because we do not have the sort of de Laurentias and MGM Paramount type set up here. What happens, every producer for every film makes a new proprietary company and that prevents if something goes wrong with another film, and producers make a new film, there should be no claims from anybody, from the previous films, on the credit of the new films.

MR. SMILES: Mr. Sayer-Jones, as the Corporation's legal adviser, are you happy with that interpretation?--A. (Mr. Sayer-Jones) The legal structure is that the production company which as Mr. Riomfalvy said, is a proprietary limited company, invariably in our structures that we offer to the public makes the film. The Copyright Act would deem that production company, if there was no other prior arrangement, to own the copyright in the film. It is the producer, the maker of the film. The way in which offerings are made to raise money to make the film, however, involves an arrangement whereby there is a vesting, an assignment of the copyright upon the completion of the film in the investors that contribute moneys to the film. The Corporation invariably covers the so called non deductible items which are the items not eligible for LORA. This is a system employed throughout Australia, the South Australian Film Corporation, the Australian Film Commission, all the state film bodies and other organizations do this to facilitate an attractive offer to raise moneys. About the legal structure, Mr. Riomfalvy is correct in saying that the producer makes the film. Our co-producerial role, if you can call it that, is a supervisory one which involves us in intensively monitoring the financial transactions because, as you can imagine, there are millions of dollars involved. It goes to a trust account in Canberra. These \$2 companies are protected in so much as the whole financing of the picture plus the guarantee of its completion are supported by moneys already in the trust account in Canberra which is actually controlled by the Federal Government. There is never a problem with respect to the film actually physically being made. We always insist that an auditor is involved. But our supervisory role which is like the co-producer's role is in the sense of maintaining strict financial control in the way the money is expended, the way the accounts are audited and, of course, the disbursement of any revenue that is generated from the films, exploitation, so I am happy with what has been said.

DR. REFSHAUGE: Mr. Riomfalvy, I do not understand the process of how the decision is made to invest in a film. Could you take an hypothetical film. What is the process in the beginning, from your initial involvement, whether it be informal or formal, to the auspices of the formal process of the Corporation to make a decision?--A. (Mr. Riomfalvy) I could give you this answer, but as Jenny is responsible for this, probably it would be better if she did.

(Ms Woods) Initially anyone could come to us. It could be a producer, it could be a writer or a director. They need not be attached. They can be by themselves, or can already be formed into a group. They would meet with me or with our project co-ordinator, discuss their project, leave the material, whatever they have there, the treatment, an outline, sometimes it is still in their heads. We read it. We have outside readers. We then discuss it between us. We then might - - -

Q. Who is us?--A. The project co-ordinator and I. We then would talk to them about putting in a development budget -- a first stage development budget. We would discuss if it was a producer, which writer they would use, whether they knew certain people or we knew the people they wanted to use, whatever. Sometimes they already know exactly what they are going to do with it. When all this formation is assembled, the papers are sent to the Board prior to the meeting. The Board therefore has all the readerships, all

the reports, the application and the development budget from the people. We have career backgrounds of all the people who are going to be involved, be it one or three or whatever. When it hits the Board meeting, we discuss it, all of us together, Paul, Damien and I and a decision is made at that point. They are then informed the next day.

Q. Do you have any criteria to work out, apart from your own expertise, what projects should be invested in and which ones should not?--A. It is a subjective judgment no matter how you look at it. We take advice at a later stage when we are getting close to thinking may be the script is ready for production, take advice from both our marketing people here and overseas. We have all the later drafts re-read. We have budgets done. Sometimes a project could be commercial. A low budget is not going to be as commercial as a big budget because of the nature of the subject matter. In the end it is a subjective judgment and you cannot get away from that.

Q. Do you have any criteria where you say you are not involved in this area, you are not involved in that area or we are involved or this is the type of thing we should be looking at; is there any criteria that has been determined as to what should or should not be involved?--A. You cannot make criteria. I mean, the economic times play a part in what the audiences go and see. Different films, different sorts of films come up and last for a little while. When you are developing something, you are looking two years down the track before it is going to be in the cinemas. In a way you are trying to predict what is going to happen. You cannot absolutely know it. You can know sometimes that certain sorts of films have not been successful or Australia has not been particularly good at doing them, so you know you are taking a risk or you should not do it or you have to be very careful with its budget and who is involved in it if you think you want to do it.

Q. In a way you have a criteria of success; you want to make a success of the film?--A. Well obviously.

Q. How do you assess that? Is that box office?--A. It is box office and it can also be, I think, integrity. Films that have integrity do tend even if they are not a smash hit, keep going on and on. There are many different markets from cinema to television to video in every country and slowly - they might recoup their money more slowly, but if they have integrity, they tend to still work.

Q. Have you made decisions not to invest in television movies or mini series?--A. (Mr. Riomfalvy) Well we made the decision previously because we believed that the television stations are not putting money into mini series because we felt it is the job really of the television stations out of their enormous profits to finance tele movies and mini series and also we were the only corporation in Australia who constantly do not do feature films. The others went into other movies as well. Now it is a different picture. The television stations are not doing as well as they did. The threat of withdrawing liquor advertising will further develop into that reaction, that they might not be able to finance mini series. I do not think we will ever have the money to finance mini series. What we might do is finance project developments and then try to sell it to the television stations.

Q. Did you ever have a policy not to invest in television?--A. Yes.

six months Sydney, six months Melbourne, three months Brisbane, Adelaide and Perth. That is very good. It immediately went out on to video cassette release through a major company with good results and it has just recently been sold to television. So in Australia we have every reason for confidence and our confidence was proven to be correct. In the United States it is still in distribution and it looks good. In Europe it is still to go into release. You never know. It is foolish and I have been in the marketing of films for many years, to say you know what an audience will do. I cannot predict that. But let us say the distributor with world wide distribution outlets was confident enough to pay good money to buy the picture and put it into distribution using their moneys to spend on advertising and promoting the picture.

DR REFSHAUGE: Yet, Ms Woods, you are confident that Princess Kate will be a success?--A. (Ms Woods) Well yes, for a start if you get 60 percent back you are already half way home.

Q. When did the Childrens Foundation approach the Corporation for support?--A. On that project?

Q. Yes?--A. I think they did approach us before and our policy changed and we said we liked the project very much but we were not investing in television.

Q. What were they asking for at this stage?--A. The same thing, the one project, \$140,000 non deductibles on Princess Kate.

Q. When did they come back to you?--A. They came back about - we went back to them after we changed our policy. It was our first. We thought, right, let us go back to them.

Q. You made a policy or you have been following a policy for many years not to get into television films. That was reinforced at the end of last year?--A. No, the beginning of last year. I do not think it was the end of last year.

Q. Do you know when it was?--A. I think it was the beginning. I do not think we had any reinforcement of not going into television. We have been discussing it off and on for about 4 or 5 months. We finally made our decision to go into television somewhere around the beginning of February, I think.

Q. Can you tell us at a later date when you exactly made that decision?--A. I am sure.

Q. When did you then go to see the Childrens Television Foundation?--A. (Mr. Riomfalvy) I spoke to Pat Edgar on this and I said - you see we had done it before. Actually though we do not go into television but we did one for Pat Edgar, Winners. When the result of Winners was announced and there was a gathering, I said to Pat, "Now look, we will come in to your next one because it is worthwhile putting in an application."

Q. How long ago was Winners?--A. Two years ago?

(Ms Woods) I think three to four years ago.

Q. Although you had a policy not to do television for many years, you were prepared to back one producer?--A. We did do another

television thing about seven or eight years ago. From time to time we have flirted with it to see if we thought the exercise was going to be worthwhile. The very first one we did was not so we did not touch anything else for another two or three years. Then we did the Winners series which after a long period of time has become successful. Times have changed, as Mr. Riomfalvy was saying earlier, in terms of the stations and Australian content or drama content on the stations. So that we have revised that policy anyway.

CHAIRMAN: You should be a bit more precise in your answers because you told the members in answer to a question that you had a policy that you did not invest in that industry and now you have told us you have over the last five to seven years invested on two occasions. If you are going to answer the questions, please be precise.

DR. REFSHAUGE: How many times has the Board formally discussed this Childrens Television Foundation project?--A. This particular one, twice.

Q. What were those two times?--A. Well the first time when we said no because we were not investing in television and the second time we said yes because we now are.

Q. Those decisions are recorded?--A. Both decisions are recorded, yes.

Q. Do you know what the date was of either of those?--A. I cannot tell you the date of either of those because I cannot remember. There have been at least five meetings in the last two or three months.

Q. You have not discussed that since then?--A. There is nothing to discuss since.

(Mr. Riomfalvy) Mr. Chairman, may I ask through you, the doctor a question?

CHAIRMAN: Yes?--A. It appears to me, Doctor, that something bothers you about this. Why do you not ask us what is the problem and then we will answer because you are asking questions which it is hard to understand but if you feel there is some problem with this, please ask and we will answer.

DR. REFSHAUGE: I think it really comes down to the decision making process of the Board and I am trying to understand how you work and how your decisions get made. This is a particularly recent example and as you say, there has been Board decision changes, significant change as far as the industry would be concerned. I want to work out how that has happened and at what stage it is happening, who is involved and when those decisions are made and when those announcements are made?--A. We discussed this in the past six months that probably we should look into television but the childrens television is entirely different. That is a sort of commitment one has got to make. We do not believe in making films just for the sake of making films but when we went into Winners we felt that all governments were supporting it. Actually, our Government was I think instrumental in starting it so we went into that particular project and then when we realised that Winners could be a success and that was an interesting project specially with writers like David Williamson, we felt we should go into it. I honestly do not remember any

details. I can assure you that the decision making process was normal.

Q. It is just that you are assuring us but I only have your assurance of a memory that it happened within the last few months. I want to be a bit more specific about when it happened, what day, who was present, what was the actual decision made, when was the decision changed, what was the new decision?--A. I will give you a ring and I will let you know. I will have to look at it.

CHAIRMAN: You cannot give an individual member a ring. Any evidence you give to the Committee you give on oath or you give it as a written statement?--A. I will write to you, Mr. Chairman on the details of that. I really do not remember. I know we went into it. I cannot remember the circumstances.

DR. REFSHAUGE: But you are sure the Board made the decision before you publicly announced it?--A. No, I do not think so.

Q. So you are saying you publicly announced you would do it before you had the Board's decision?--A. Yes, I suppose so. I cannot remember but it could easily happen. I do that from time to time when I feel an announcement should be made. I went back to the Board. I said, "Well let us invest in that" and they had written a formal letter to Jenny and that is where we started.

Q. Why did you effectively ignore the Board then?--A. I did not ignore the Board. I think it was a good opportunity to have a bit of publicity.

MR. SMILES: Did the Board delegate that right to you formally?--A. No.

Q. Informally?--A. No, it did not.

Q. Perhaps you could help me. What is the use of the Board?--A. Mr. Smiles, I think you are making it a bit difficult. The Board has obviously an important role. If I make a decision which I feel is good for the Corporation, I went back to the Board, discussed it with them and I think we passed a resolution. We did not hand out any money before there was a Board resolution.

Q. I accept that you have not handed out any money, but by your public statement you have committed to the Board a decision that they have not been a party to. Is that an appropriate way to run your Board?--A. I believe so in this case; I do.

Q. Does your attitude to the Board stem from the manner in which the Corporation was founded as an informal liaison within one week between the previous Premier and one of his staff and yourself?--A. I do not quite understand the question.

Q. I will repeat it. Does your attitude to the Board, particularly as revealed in the last five minutes, stem from the way in which the Corporation was founded which was fundamentally a decision taken in one week between the previous Premier of New South Wales, one member of his staff, namely Mr. Dale, and yourself?--A. No, it is not the case. I tell you how the Corporation started. I happened to be in Melbourne. I had a phone call from Brian Dale and he asked if I would be interested to be the chairman of an interim film commission. I said I would be, who are the other members?

He told me Damien Stapleton and Mike Thornhill. Then it was an interim film commission set up and it took us six or seven months to make a report to the Government and that report was considered and supported by your party, Mr. Smiles. Mr. Mason, I think, was the Leader of the Opposition then, who very strongly supported the Corporation. He believed that our Act which we presented to the Government was appropriate and it took six or seven ^{months} to start. In about September we had our first meeting. We presented our report - I cannot remember but it was enacted on 1 July. I do not quite understand your question on the one week period.

Q. I asked that question because it is a commonly accepted folklore, one might say, within the Australian film industry, that that is how the Corporation came into existence, notwithstanding the formalities that had to be complied with thereafter?--A. I disagree with you, or not with you, sorry, but with the folklore.

DR. REFSHAUGE: Are you saying you are getting involved with producing a film of the play Emerald City which is going to be a joint venture with the Australian Film Commission?--A. No, they are investors.

Q. When was that decision made to enter into that?--A. This year.

(Ms Woods) We could have all these dates if we had knowledge that you wanted them.

Q. We did actually ask for the minutes which would help us to have all of those dates?--A. (Mr. Sayer-Jones) We made a submission that we did not feel that they should be submitted and the Committee did not come back to us.

(Mr. Riomfalvy) The Emerald City decision was made at the Board meeting.

CHAIRMAN: It would circumvent a lot of our questions because it is normal that we get as much detail from an organization as possible and obviously we do not have to then elicit certain information in the public forum. I know there are a number of other matters which the Committee might like to exercise its mind on that the minutes could overcome that difficulty. It is up to you to decide?--A. The Corporation wishes to cooperate with the Committee. It is just that as submitted you you, Mr. Chairman, it was felt that the submission of minutes was not a proper document to submit to the Committee because it was not a financial account. As I say, that was put to you on Monday last.

Q. Well that was your prerogative but to elicit this information a lot of it does deal with financial matters as you have indicated in your earlier questioning. Do you want us to continue the verbal questioning in that or we will adjourn those areas.

MR. SMILES: We would have to remind you that the request was made by the Public Accounts Committee in a letter to you dated 16 March and your response dated 20 March included this third paragraph:

The copy of minutes requested from 1 January, 1986 to 26 February, 1987 are not enclosed. The Board minutes

are not financial records and it is considered therefore that they are not documents which should be provided to the Committee.

Given that statement, are you now prepared to assist us with those minutes?--A. (Mr. Riomfalvy) We will give you the relevant minutes to the childrens TV thing and the David Williamson play.

Q. Thank you.

CHAIRMAN: But not the full contents of the minutes?--A. If you have any particular other project, please let me know and we will present it. We were advised that Board minutes are not considered as financial documents.

Q. It does hamper the Committee's deliberations if we fail to have access to them?--A. Well if it does, you will have the minutes. What is the last thing we want to do, to hamper your proceedings and also may I speak to Mr. Smiles?

Q. Sure?--A. I think your perception of my role as Chairman is absolutely wrong. I think that I am an excellent chairman. I think our Corporation is a very successful and good corporation and with the few whingers who did not get any funding from us, you will not find many people who would complain about the Corporation. I have a few thoughts about what you said. I have a feeling that the folklore, you were misinformed of the folklore because I had no part. It was not my idea there was going to be a film corporation. I knew it was an election promise but there was no decision. Everything went as far as I can remember properly.

MR. SMILES: I thank you for those comments and I thank you for the offer to assist the Committee with the appropriate minutes.

CHAIRMAN: I might ask Mr. Fisher to look at some of the objectives of the Corporation and I would say as soon as morning tea arrives we will adjourn.

MR. SMILES: Just one brief question; you mentioned you have been advised that the minutes were not financial documents. Could you tell the Committee who advised you that that was the case?--A. (Mr. Sayer-Jones) We looked at it. The Chairman and I, and I looked at the Public Finance and Audit Act and the extent to which the Committee can ask for records. I took the view and it was my advice to the Chairman that minutes, because they incorporate matters other than financial matters and are essentially decisions on a board to board basis of what projects should be proceeded with and whatever, were not financial records and on that basis that submission was made in the letter you have just read from.

Q. I have no argument with your argument, Mr. Sayer-Jones. In asking this question I am not implying that I do but just one other question, was any other advice received from any other source by the Corporation with regard to documentation?--A. (Mr. Riomfalvy) Yes, I had some private advice but I do not think that should really be revealed because I think I am entitled that natural justice - I am entitled to ask people around but I will tell you what, if you feel that it will help the Committee, I will send along six copies for each member.

CHAIRMAN: One copy.

MR. SMILES: The problem we have here, of course, is what is the nature of private? If it is from a senior member of the Public Service or from a Government Minister to you in your position on the Corporation one could argue that that is not private. If it is from a personal friend who is not a servant of the State, then of course one could argue that it is private, so I thank you for your offer.

MR. FISHER: Mr. Riomfalvy, your 10th annual report reads that the main objective of the Corporation is to help foster the development of the Australian film industry as a source of motion pictures of high quality and commercial appeal?--A. What page is this?

Q. On page 3. It would seem to me with few exceptions, Corporation films have not yet had commercial appeal. Why do you think that this is and what are the ingredients required to give commercial appeal?--A. Mr. Fisher it is very difficult. As we said before, the industry we are in is not a sort of industry you are really sure what you are doing. I can assure you and I assure the Committee that it is our intention and was always our intention and will be to try to invest in successful movies. Whether they are or not, of course, the public decides finally but I do not quite understand. You are saying we are not investing in successful films?

Q. No, I am saying that the object of the Corporation is to produce and assist - - -?--A. Motion pictures of high quality and commercial appeal.

Q. You have said in answer to Mr. Smiles a moment ago that you felt the Corporation was very successful. In the document which you provided to the Committee on 2 March, you list the number of films in which you have invested and of 10.148 million invested, the net returns amount to 2.8 million. On that basis I am just wondering whether your statement as very successful, how does that line up with the objects of high quality and commercial appeal?--A. Well what I feel we have done for the film industry more than any other corporation or commission is that we established a very important principle and that is that our films can be sold overseas and work on television. The fact that not every film was successful or only some of them, I cannot remember, I do not have the documents, I think we established a very high profile for the Australian film industry specially in North America and I am not suffering from a delusion of grandeur but I think that the Australian film industry reached that the acknowledgement is there, sort of with the highlight of Crocodile Dundee. We were very instrumental in that. We had the first Australian Film Festival in New York, I think in 1978 or 1979 and Mr Collins can tell us, and we sort of prepared the ground for the future success, what the film industry has now achieved. We are a service organization. We would never be able to make profit, because we have certain commitments which cannot be measured with box office returns or successes. When I am talking about commercial appeal we have many movies. You see the American average is about one out of seven films succeeds. I suppose we reach that sort of quota. That is the American quota.

(Mr. Collins) Statistics in this business do not mean a

great deal because every film is a unique property. Let me say something about commerciality which is a very misunderstood term in my opinion.

CHAIRMAN: Can we come back to you?--A. Certainly.

SHORT ADJOURNMENT

CHAIRMAN: I will declare the meeting open. The Chairman has indicated he wants to make a statement. I will ask you to make that statement now, please?--A. (Mr. Riomfalvi) Mr. Chairman, I just wanted to say I had a feeling that I come out here like Hitler or Stalin, just pushing people around and making announcements. That is not the case. Sometimes there are occasions when I make announcements. Perhaps once or twice I did it in the last five years but we have never ever come into any commitment without the Board's approval. So probably I have done something which is all right if you are the chairman of 20th Century Fox. Perhaps it does not work in a Government operated atmosphere but I would like to make it quite clear that we have made no commitments of any kind without discussing with the Board informally and formally. I just thought, because somebody suggested to me these people think you are an autocrat. Well I am not. Sometimes I am but I have to be. In our business, you know, it is the sort of business you have to make decisions. You have to tell people what to do and in this way, yes, I am an autocrat but I would never ever commit a breach of the Act by committing ourselves. I did not go and have a handshake to anybody and say, "You get \$100,000." I said "I believe we should be in it. I will talk to the Board." I thought I would bring that matter to your attention, Mr. Smiles.

MR. SMILES: Thank you.

CHAIRMAN: Mr. Collins, you were explaining to Mr. Fisher about the marketing procedures?--A. (Mr. Collins) If we can just refresh our memories.

MR. FISHER: On the commercial appeal?--A. We are talking about motion pictures here. We are talking about what is the nature of motion pictures and what is the nature of commerciality as it is commonly understood, pertaining to motion pictures. If it is of interest to the Committee, I was about to say a few words on those matters.

CHAIRMAN: We want a bit of background?--A. In this world and probably even in this room there are characters and we know what characters are. They are people with unique or particular ways of behaving and of thinking and their lives become stories, the stories that they happen to live. In the area of drama and in the area of motion pictures, quality pictures, integrity pictures as Jenny mentioned, are ones which reflect those stories up on the screen. They work from a commercial point of view because audiences can identify and recognize the characters or the story which is being present. If we go back through our catalogue of pictures, there are a number of clear cut commercial successes which fall into those categories; My Brilliant Career, Newsfront, Careful. he might hear you. We discussed Bliss earlier. Bliss fell into that category of telling a unique story about a particular character. So Commerciality is a function of can an audience recognize the characters that appear in the story and does the

story mean anything to them in their own lives. These are very difficult areas to get when your opening position for evaluation is that someone walks in the door describing themselves as a writer and says, "here read this, I am just telling a great story here which should be a motion picture." Our opening position at the Corporation is that we are talking to an individual who has written a ten page outline or a 50 page treatment which purports to be a story out of life reflecting the characters that do exist in life. The old quote from Shakespeare which says there is many a slip betwixt cup and lip is certainly the case in the development, in the production and in the distribution and exhibition of motion pictures. That is the business that we are in. That is the business that we have a responsibility to the Government to develop the industry about and the only way that industry lives is through commercial success. Now we do what we believe to be correct and we do in my opinion that task very well and that becomes the nature of motion pictures and commercialism as it applies to the motion picture industry. It is very different from any other industry you may care to analyse in my opinion.

MR FISHER: Then could I ask the next question in the context of the Division 10A of the Income Tax Assessment Act. Do you think the objectives of developing films with commercial appeal and high quality has conflicted over the last few years with the desire to obtain private investment in films?--A. (Mr. Riomfalvy) I just did not get the end of the question.

Q. In the last few years, Division 10A of the Income Tax - - -?
--A. The effect of 10BA on film making?

Q. Yes and has your decision to invest in films of high quality been influenced by your objects of the Board or by your desire to obtain private investment?--A. Right. Now first of all, as you know the 10BA concession does not apply to us because we are not tax payers. We normally pay what they call the non deductibles because that was the wisdom of the Federal Treasury that certain items cannot be considered,

CHAIRMAN: You mean you fund those non deductibles?--A. Sometimes they are, yes. Well you see that is what the investors want us to put in, the non deductibles, otherwise the film will not be made. To your question, if I understand correct, Mr. Fisher, is that we never disregard high quality just a case of rushing to a film because the investors like it. I do not think it ever happened that we went into a film because the investors queued up. What we did, we made a decision that film will not be a disgrace to the Corporation. It will most likely be successful. Then we turn to the investors, but I can assure you and assure the Committee that we have not forgotten our idea of high quality just to invest for the sake of investment.

MR. FISHER: What then do you believe has been the effect on the industry and on the film corporation of the reduction in the concession available on that 10A division?--A. Disastrous, Mr. Fisher, because we do not have an investment community in this country. You have that in America. To a certain extent you have it in England and in Europe but you see if I have a friend who blows \$50,000 every Saturday at Randwick, he would not put in \$10,000 into a film. We just do not have that sort of educated investment community. That is what we are trying to sort of educate because with the 120/20 as it is at the moment, if it will stay, it is really not a good proposition for an investor. That is why the Government is

now thinking about setting up a film bank and forgetting about LOBA. Now whether it will work or not, I do not know. We obviously support the film bank as long as they do not want us to put any money in to it. I can tell you, gentlemen, that the disappearance of the 150/50 is really disastrous for the industry. On the otherhand, just looking from the right point of view, it might create an investment community which would mean that all the producers, including us will just disappear from the earth and there will be a commercial film industry. However, we have to be very careful because de Laurentias and the others will come. We do not know what sort of film they want to make. It is a big difference to make an Australian film or a film made by Australians because an Australian film is a film that we make and although we are very conscious of the employment situation and we know we have an overgrown industry - 2 or 3 years ago we made 30, 32 films, that is all over. There are a lot of young people who still think they are in the industry, but unfortunately they are not because there will not be enough work. However, I can assure the Committee that we will not go into any project just for the sake of making films.

Q. Have you developed any strategies in view of that changed tax situation?--A. Well, that is again, I must say, a policy situation. Every day we hear different things from the feds. One day they say there is going to be a bank and the next day there is not going to be a bank and the LOBA will stay until the transition period. For instance, the LOBA cannot be just said, now on 15 August, or whenever is the next budget, LOBA finishes and the bank starts. People do not realise. They have to go through a lot of paraphernalia to set up; they have to go first to the Cabinet and then to Caucus and then to Parliament and the Parliamentary draughtsman, then you have to find all the people who will sit in the bank. That could take a year. That is absolutely insane to think that that is going to happen tomorrow. Therefore, it is very difficult to plan. I wish we could plan. We just have to watch the papers every morning.

Q. How many films have been made since the new tax arrangements? --A. The 120, not many. The 133 was, you know, you can swallow that but when it comes to 120 it is very difficult.

Q. When you say not many, can you give us some indication of the relativity of that answer?--A. No.

(Mr. Sayer-Jones) Can I just answer that? I just wanted to make a specific comment. You referred to returns of our films and so forth. I think it is very important to mention that the Corporation is still a young organization. We only recently celebrated our tenth birthday. In judging films returns, you have to realize as Mr. Riomfalvi said, they have a long life and it is not as if in the first year after release the film generates whatever it will return. What has happened since the incorporation of the Corporation is that new technologies such as the video disk, cable television are starting to come in, satellite television, new technology which means new forms of revenue, in all our films there is a lot of life. We are still getting substantial returns, for example, for films like My Brilliant Career which was one of the earliest ones, a very successful profitable film. Early films like Newsfront, My Brilliant Career are possibly nearing the end of their effective commercial life, but a large bulk of our catalogue is still ready for release. Indeed there are films that we have made that have not even been released on the domestic market but on the returns that have happened with LOBA, you have a situation where I think in 1984/85 the amount of money raised for the production budget was about

\$185,000 - sorry, 1983/84 was \$185,000. It went down to \$156,000, \$156 million, sorry. The projection by the Australian Film Commission is that 120/20 is going to have the effect of maybe reducing the levels of investment to about 100,000,000 so it has been going down.

Q. Going back to the earlier part of your answer, do you not depreciate films in three years?--A. (Mr. Henderson) Yes, all films. All the investment in any film is written off in three years. Technically it is what, a half in the first year, a third in the second year and a sixth in the third year.

Q. Even though you have them in a film bank that you are talking about, their costs is still shown on your books?--A. No. It depends what you mean on the books. The cost, in any investment in the film is written off after three years and would not show up in the books after that date. Any income from then on will appear.

Q. Will continue to be shown?--A. Yes.

Q. Getting back then to Mr Riomfalvy's answer, when you said the effect of the income tax change has been disastrous, do you think that the Australian film industry has a future in this changed climate?--A. (Mr. Riomfalvy) Mr. Fisher, under oath I have to say that I really do not know, but as an entrepreneur, I think it is a lovely rosy future.

Q. In the context of that answer, clearly the New South Wales Film Corporation has in your view a considerable future?--A. Well we are an essential organization, a service organization because if the 120 stays, we have to provide the non deductibles but the most important part of our function is, which will never be taken by the de Laurentias or the New World people who are coming here, is development. In development you spend \$1 million a year; you have about 100 projects and probably one or two will come up. The Americans would not pay that so therefore there is room for the Film Corporation and also the other matter is that producers do not have organization to sell. To sell films you need an organization. You just cannot take the reels under your arm, go to Los Angeles and wait for a miracle. Therefore, I think the role of the Corporation is that it certainly will be essential unless the Government decides all together that that is not our business.

Q. Can I then ask you have obviously some conflict in the general aims and objectives of the Corporation in that on the one hand you must have an entrepreneurial role to make as much money as you can with the investment that you have made - do you not consider a role also of the Corporation would be to assist the fledgling script writers, producers and the younger ones?--A. Yes, we do that.

Q. That is not spelt out at all in your aims and objectives, is it?
A. I do not think it is spelt out. I cannot remember, but we definitely encourage them. As a matter of fact, now you bring this matter up, we have in the last ten years brought up more young people who had no previous experience or record than anybody else. I am starting with Newsfront. Bob Ellis was a known writer but not a well known writer. David Elphick Phil Norris, Margaret Fink, Gillian Armstrong, Carl Schultz,, all these people we brought up and I think we have done an enormous service to the film industry in that way. We took the risk with Judy Davis. That was a terrible fight with Actors Equity over that and we had the courage to put

Judy Davis into a film which cost us \$800,000. Today it would be \$4,500,000. I think we have done and we continue to do that. We are great supporters, for instance of the Writers Guild. We always support their seminars. I think we contributed to Angela Wells, the secretary, to go overseas for a conference. We definitely are very interested and most supportive of young talent.

Q. Yet in your tenth annual report which I would have thought would be somewhat of a milestone, there is no mention of the achievement of the Corporation in terms of assisting the younger members of our film producing, film making, script writing sections of the community, is there?--A. I will take your advice and you will see there will be two pages of praise next year; instead of my picture there will be some young person's picture.

MR. SMILES: Forgive me asking, but is that a Board decision?--A. Well I will tell them this afternoon.

MR. FISHER: Can I come to some other financial matters and perhaps Mr. Henderson may want to answer these. Under an agreement reached with Treasury, the Film Corporation as of 1 July, 1986 is to be financed through consolidated funds rather than through borrowings. What impact have these changes had on your operations and how will the new arrangements affect the future of the Corporation?--A. (Mr. Henderson) If you are talking purely in terms of financial results, it is obviously going to improve them enormously because it means we no longer have to carry the interest as part of our costs. It is purely a bookkeeping change in that regard. In future, of course, it means instead of us showing that our revenue was say X million dollars and quite separately it is not revenue, and loans of Y million dollars, the whole amount from Treasury will be shown as revenue. This is really bookkeeping arrangements. It obviously will vastly improve the chances of getting a positive operating surplus.

Q. I understand the changes also involve a ceiling being placed by Treasury on the annual allocation available for investment?--A. Well, in a sense that is true, but in a sense that has always been true because, of course, every time we put in a budget we have to say this is the amount we are proposing for investment next year.

Q. That will have the effect of reducing the amounts that the Corporation can have as an investor in films?--A. Not dramatically because the figure for next year is in fact much the same as for this year. It is somewhat less than last year. It is less than it has been in previous years and more than in others. It is not a dramatic change. I am talking in terms of the proposed budget for this year as distinct from one which we do not have yet, of course.

Q. Mr. Riomfalvi, the legislation establishing the Film Corporation envisaged one of the functions of the Corporation as encouraging proper keeping of films in archives in Australia. How does the Film Corporation carry out this function and what funds are provided for the purpose?--A. (Mr. Riomfalvi) Well no funds at all because this has now become a federal responsibility. What we do, we provide a copy of our movies to the archives but it would be a very expensive exercise for us to do it and there is now a film archive in Canberra. We could not possibly set up one for New South Wales. It would be an enormous cost because to keep it and maintain the material we would need staff.

Q. The legislation also makes provision for the establishment of a private sector advisory council to assist and advise the Corporation. Has this been done?--A. No, it has not been done because that was done prior to the LOBA commencement at that stage. We believe that the only way to raise money will be to call in some big industries and people like - in those days there were no Holmes a Court, but that type of Alan Bond and the others but when the new legislation was brought down on the LOBA we realised there was no need for this because the investors will either come or they will not. It was my idea and it just died.

Q. You are confident there is no real role for that under the new changes in taxation?--A. If the tax changes are as bad as I think they might be, then we have to come back to this idea but when I thought of it it was a lovely idea but when I worked out and I thought if we have Antico as a chairman, then Abeles will not invest or we have the Westpac, then the Nationals will not talk to us - not the National Party - the National Bank. I can assure you, Mr. Fisher, that if it comes to a problem with investment, yes we will resurrect the programme.

CHAIRMAN: Could I follow that investment process through with Mr. Henderson. As I understand it your budget is somewhere between four and five million. How much of that will be invested in films this year or in this budget year?--A. In the current year?

Q. In the current year?--A. In the last 12 months we slowed down. Actually we are at the moment quite flush with funds because until it is clarified what happens to the tax legislation, we are not prepared to go - you see, some people still believe in this dream world that - - -

Q. How much money are you going to invest?--A. We do not know.

(Mr. Henderson) The budget for 1985/86 covers any money we put in. There is one figure only covering the production and marketing of films. The figure for 1985/86 is \$2.262,000.

Q. And the rest of the money runs the Corporation?--A. No, just a minimum; script and project development takes up a fair slice of it.

Q. Your budget for the 1986/87 year, that is where you say you will have a surplus or do you say you still have a surplus from the 1985/86 budget?--A. (Mr. Riomfalvy) I might add to this a very important - - -

Q. Where is the surplus, in the present budget or in the future budget?--A. The next two or three months will tell the tale. We are committed to Emerald City at this stage. I am not sure whether we are going to any other product but that might as a matter of fact use up whatever is left for this year. Apart from the money we have committed for Touch the Sun and Emerald City, we have for this year at present another \$330,000 which we could commit possibly for something else.

Q. You are not going to have an end of year spend up?--A. We never do that. One thing Mr. Henderson forgot, we pay 1.2 million to the Treasury for interest. That is the most painful.

Q. But that is not out of your investment budget of two and a quarter ^{millio}

That comes from the four or five ^{million.} We are just dealing with the investment figures. You have a projected budget next year and Treasury has indicated to you that it will be a similar allocation. In a projected budget, that is the 1986/87 year, what is your figure for investments?--A. (Mr Henderson) \$1,690,000. That is production and marketing. It is always put together as a single figure.

Q. So that is a fair drop then, about half a million dollars less projected than the previous year?--A. Yes.

Q. Is that as Mr. Fisher indicated because of the uncertainty in the investment market or is that decision being made for other reasons?--A. (Mr. Riomfalvy) What decision, Mr. Chairman?

Q. Well, you are going to reduce your investment from two and a quarter million in the present budget to the next budget down to 1.6 million. That reduction has been brought about through what forces?--A. By Treasury decision.

(Mr. Henderson) We just cannot have as much money next year.

Q. But you are still going to get \$4,000,000 to \$5,000,000 are you not?--A. Yes.

Q. You are going to get the same budget next year as you have this year?--A. No, we are not. I am sorry, I understood your question as relating purely to the investment production and marketing. The reduction is something in the range of about one million dollars, an overall reduction in the budget of about one million dollars so there is obviously going to be cut backs elsewhere.

Q. Part of that brings about a reduction in your investment in the marketing sector?--A. Yes.

Q. The last question, you are having difficulty disposing of the two and a quarter million component of your budget in terms of investment this year. You say at this stage you have \$335,000 in that investment sector still uncommitted. Do you think you will have a similar situation this time next year with your \$1,690,000?--A. (Mr. Riomfalvy) It depends on what the legislation will bring either in the mini budget or in August next year. We are subject really to the federal government decision on that. The other solution could be if we really reached that stage, that the investment community would be shaky, then we will do what we did in the seventies and early eighties, do films with other corporations, like with the Australian Film Commission and bring in a distributor.

Q. You will actually produce film yourself?--A. No, the producer will. We will not produce it. We will ensure the financial structure.

Q. You will fund the whole of the project?--A. No, we fund the whole of the project but not from our funds. We will go and get some from the Australian Film Commission.

Q. That is right, you will fund the whole of the project in coordination with the Australian Film Commission?--A. Plus distributors Hoyts or Greater Union.

Q. What is the difference between that system and what applies at the moment?--A. Because they do not invest any more. They do not

invest in LOBA distributors. Very rarely they do. The old system was that you went to My Brilliant Career. We have got the money. We had some and there was some small private investment and Greater Union but they do not invest. As a matter of fact, they are less and less interested in investing unless there will be some change; we do not know. I think at the moment all these questions really will be clarified in the next three to six months once we know what the tax legislation will provide. It puts the entire industry in a sort of waiting position except the very rich producers who get their moneys from overseas.

Q. Does the industry know that you have got money to spend at the moment out of your investment budget? Is it known around the traps?
--A. I do not know. We do not tell everybody anything. That is the last thing. As far as that is concerned we are trying to be a very confidential secret organization. We do not like to draw attention that we have money because then we will be inundated. We have a lot of useless applications anyhow and if word gets around that we have surplus funds, you know, there would be no end to it.

(Mr. Sayer-Jones) There is an enormous body of material that is being developed in second, third and fourth draft stages. It is being evaluated all the time. We are in the situation where it is the end of March but there are still months to go where decisions may be made. We have made a commitment with respect to Emerald City which will use a certain number of funds but other projects we have on stream that are being developed. Now we are open to all applications and we get a tremendous number of script and project developments. We do not broadcast that we have a specific sum of money. It is not as if we give it away, but we know we have a certain capacity and the Board makes decisions with respect to projects. If it turns out that a project is ready to be developed, there may be another decision in the near future. It is going to depend on what is ready and what proves to be commercially viable in terms of scripts. I mean, there are lots of drafts in a late stage that are being developed right at the moment.

Q. You feel confident that the \$335,000 will be disposed of?
--A. (Ms Woods) No, I do not think we can say that, but certainly there are at least six projects coming up to the Board in the next month to two months that are going to be asking for production funding and that are ready. Whether we decide to go in to them or not, I cannot say. I cannot say it will be absolutely but there are a number of projects that are ready that we could choose to go into if we wanted to.

Q. There is a surplus. That goes back to consolidated revenue?
--A. (Mr. Riomfalvy) No, it does not. It will be taken off next year.

Q. Somebody says it does not and somebody says it does?
--A. Well what happens is that whatever surplus we have in the year, the Treasury will take it off from our allocation. It does not go. We do not pay it into consolidated revenue. The Treasurer just takes it off from whatever is due to us.

Q. Well it really does?
--A. (Mr. Henderson) It is the same thing. We tell them at the beginning of each year how much money we have, what our budget is and they just work it out. Obviously they take the budget, subtract the amount we have at the start and that is where we go.

DR. REFSHAUGE: The easiest way of getting rid of a small amount of money left over would be to send it over to Mr. Collins for marketing of something. If you find \$100,000 left at the end of May, why do you not ring up Danny and say, "Here is some dough, market Bliss again"?--A. (Mr. Riomfalvy) No.

Q. What would stop you doing that?--A. Because whatever funds are allocated for Bliss marketing has run out. We do not have any more and there is - - -

Q. But what I am saying is if you have this investment and marketing money at the moment, \$300,000 left and you go into a few productions and you might end up with \$50,000 or \$100,000 left which you are not going to get rid of. As you say, you have spent your money on Bliss. Why not hand it over more? What is the check and balances to make sure that at that stage you do not just hand it over to make sure you do not send any back to Treasury as opposed to making a reasonable decision on priority, what is the decision process on that?--A. First of all, as you can see every year we hand back a lot to the Treasury because every year we are under, between half a million and one million dollars. We do not do the sort of thing like the Department of Main Roads building a bridge on 29 June.

Q. They do not have to send their money back?--A. I do not know what they do but there is no practical way to say to Collins, "here is \$100,000, sell Bliss." What can he do?

Q. I am sure he has a thousand ideas?--A. No, I do not think - you see Bliss is already earning money and whatever comes back we use but there is no more need to sell the movie.

(Mr. Sayer-Jones) The marketing budgets are fixed and if moneys are needed, properly needed for marketing, they will be utilised, but we do not invent false expenditure requirements. We do not say we are going to do something if we do not think it is going to have proper commercial results.

Q. You know that. I am asking you how am I going to know that. What procedures do you have to ensure that it is not or to guarantee that you are not using as much money at the end of the year on things like marketing which are not really priorities?--A. (Mr. Riomfalvy) Because you can look up the last ten years and you will see that we never disposed of money just because the money was there. That is not our way of running a business. In any case, Bliss, for instance is the responsibility of New World to spend the money on.

Q. I just took that as an example?--A. No, we do not do that.

MR. FISHER: Can I just go back to a question I asked a moment ago about the private sector advisory council. Your response to that was essentially one of it being not necessary under the changed tax situation. Would you not consider that it would have a role in terms of advising the Corporation in terms of types of films which other people would consider that an investment would be desirable? --A. No, I do not think so. I think it would be very dangerous because once investors - I mean we have investors come along and say, "Well why don't you paint that car green. Why is it red?" The private sector advisory council idea was to raise private investment not to ask their advice on what sort of films we should make because there is nothing more dangerous than having

an amateur, really a few business men saying, "I like that; my wife thought of that." That would not work very satisfactorily.

Q. Can I now come to another section which perhaps being a farmer we like to have smaller governments and I am not expecting a great deal of success in this section, but as you know Australia has funded the Film Commission and each government has film bodies in Tasmania, in Queensland, Victoria and South Australia. Do you not think that this proliferation of government film bodies is conducive to the development and promotion of the Australian film industry?

--A. First of all Tasmania has been privatised by Mr. Gray. There is no film corporation there. The advantage of the industry to producers and writers having more than one organization is that if an organization would say, "We are not funding you", another organization might. For instance, in the case of My Brilliant Career, it was knocked back by another organization and the film came to us and we have done it. On the other hand, we knock back some projects which they went to Victoria, went to the federals and they have done it. I think it would be what the industry calls - this is the main argument with the bank. They say it will be a one window industry which means you can only go to that broker as we are called by the film makers. So you cannot have the opportunity to put your proposition to more than one person like in America. Star Wars was with all the majors and they knocked it back until somebody made it. I think it is very essential for the film industry if there is Government funding that there should be more than one organization.

Q. You really have to develop the Australian film industry as such and we have a number of different organizations all with that principle object. What mechanism exists to prevent overlapping in the type of funding of script writers, project development, all of which may be undertaken by different states? There must be some mechanism to ensure there is no duplication?--A. Well you know, there is a sort of secret society. We know who is putting an application to whom and it is only really the federals and the Victorians because South Australia is a different Corporation. They are a film production company. They make their own films. You cannot go to them. We invested, for instance in The Club and two of the South Australian films. They make their own films. Now we know - it is a very small industry. We know very well if somebody applies for funding, we know whether that person has already gone to another organization, not only by knowing it on the grape vine, but we ask them and there is no overlapping, especially there are certain types of people who come to us who would not go to the other organizations because they feel that probably it is more in our line to do that sort of thing than some of the others.

Q. So there is no way that a grant can be given by your Corporation to a person that might otherwise have received a grant from another organization from another state?--A. For the same project?

Q. Yes?--A. No, unless we do it jointly, unless we say to the AFC, "Look, that costs \$100,000, you take half and we will take half." That is the only way it could happen.

Q. Tell me then, you have mentioned that Tasmania has been privatised, that South Australia has an organization which actually makes films, how do the other organizations differ from New South Wales?--A. Well, let me tell you first of all the South Australian Film Corporation was set up by Dunstan and that is an artificial film industry because there was no film industry ever

in South Australia. I must also raise my hat to the South Australians. I believe they are the best film corporation in Australia. They have a fantastic organization. They make very good films. The other difference is that the Victorians are very parochial. They want to make Victorian films about Victorians by Victorian people. It does not work in a 16 million people - California has 25 million people. The Queensland - well, I really do not know what they do. The federal body has enormous responsibilities which I do not believe they should have. They have so called cultural responsibilities. They do Film Australis. If I would be running the federals I would have long ago given back half of it to the Government. They should look after it because they have an enormous responsibility, womens groups, aboriginals, migrants, that and that. It does not work in the film industry. Cannot make a film for migrants or women. You make a film and if it happens to be a migrant or a woman, then good luck. But the Australian Film Commission under this federal direction they had under the coalition and under the present Government when Mr. Ellicott was the Minister, that was the same policy of-McVeigh from your party had the same policy as the present Minister, that they have what they call cultural commitments. We do not support the underground film makers. We believe it is a profession. That is one of the basic differences between us and the others, that we believe that this is a business and this is a profession and we do not believe that films should be made of whatever happened to Joe Blow at the Vietnam demonstration etc. So we like to make films which we hope are saleable.

Q. So essentially what you are saying is that the New South Wales Corporation is the only one with a truly Australian outlook?

--A. I would not like to say that really because my great friends Philip Adams and Kim Williams are going to kill me off, but the truth of the matter is that since they took over the AFC, despite the silly reports that they will be abolished etc., they have done a very great contribution to the industry. They actually do not do what we do. They do not get involved with the process of selling for instance. They do not sell any more. They used to have a selling organization in Los Angeles, London but it is all finito.

CHAIRMAN: Are you saying their overseas office in Los Angeles has been disbanded?--A. There is one fellow there.

(Mr. Collins) Their office in Los Angeles which they have had for approximately - it was in New York and it was transferred out to Los Angeles about eight years ago, has been wound down from the stage of having an Australian operator/manager of a certain status to just running as a secretarial service available to producers and other Australians going through Los Angeles, needing facilities.

Q. They are not a marketing enterprise?--A. They are not in marketing. They are not in sales. They never have been. The only Australian film organization that are seriously in marketing and sales is the New South Wales Film Corporation. That has been the case for ten years and it remains the case. We at the New South Wales Film Corporation are extremely proud of our record in this particular area.

MR. FISHER: I notice you have cooperated with other states in investment of films such as Dimboola, The Angry Shot, Tim, Cathy's Child. How many films has the New South Wales Film Corporation invested in that have been projects of other film bodies?

--A. (Mr. Henderson) It was in one of the submissions. You just have to look at the films with asterisks. You have to go through the list and work it out.

CHAIRMAN: Australia now?--A. (Ms. Woods) No, I am just going through it. I will call them out. The Club, Cathy's Child, Dimboola, Last of the Knucklemen, Money Movers, The Odd Angry Shot, Picture Show Man, Tim and I think that is it.

Q. Not Shadow Effects?--A. No, Shaddow Effects was not.

Q. That gives us eight then.

MR. FISHER: In those films that you have invested, would New South Wales have been the major investor?--A. Not in all of them, no. Newsfront is also one. The AFC were a minor investment in Newsfront.

Q. On what basis are decisions made to invest in - - -?--A. All of those films belong to an era before LOBA. So that that was when we were finding direct investment by a distributor or a television station, another Government body and us. That is how you got your budget. Since LOBA we have not been involved with another corporation in investment because the private investment will take up all the money except this non deductible component. It is usually low enough that one body can do it. You do not need two.

Q. So LOBA has been the principal factor which constricts your decision to invest in films being produced or funded by other organizations?--A. Well I suppose so, yes. We could go to another government body in terms of getting part of an advance guarantee against sales but they would not be directly investing in the film.

Q. You see a very real advantage to New South Wales in cooperating with other states in making grants to those films?--A. Well I see it as an advantage to the film makers.

Q. More than to New South Wales?--A. Well yes, because this availability of not having only one avenue of funding because given the decision making is a valued judgment, then different people are going to see commercial and quality values in different projects. Not everyone is going to agree. So I see it more as an advantage to film makers. The minute we have to contract down and just co-fund each other, then the number of productions will drop significantly.

Q. The Corporation also gives grants and loans to individuals and companies for projects developed or produced under the auspices of other government film bodies. Could you give me details of these in a similar format to the investment details that you have provided?--A. I do not understand the question.

Q. You have also given grants to individuals other than other film corporations?--A. The money has never gone to the film corporations. It goes into the film so all those investments I read out that have been co-funded, the money has gone into the film makers. It has not gone to the corporation except in the case of South Australia because they are the producing body.

CHAIRMAN: If you have a joint venture like that, who gets first call on the returns?--A. They are usually not joint ventures. One or other body has the major investment. Therefore it becomes the

major investor which will administer the funds and administer the returns. Returns are usually pro rata with private investment.

MR. FISHER: In overseas film festivals, Victoria, South Australia, the Commonwealth and New South Wales Film Corporations are all represented at those film festivals. Would it not be more cost effective if there was some arrangement by only one or two being represented?--A. Mr. Riomfalvy) Well there is - - -

(Mr. Collins) I can probably best answer this question. The Australian Film Commission, the Victorian Film Corporation, South Australian Film Corporation, the other bodies as I mentioned earlier, they are not involved in selling product. They are not involved in marketing and sales. They are involved in promotion of their organizations and promotion of the product that their organizations might make but they do not directly sell that product into distribution in the various territories around the world. Our approach to film festivals is that we do not have involvement in film festivals. We attend various film markets that occur in different parts of the world each year. At those markets we sell direct into distribution. We are in the business of making distribution deals for our product to earn income for our investors, so that they might come back to us and invest with us again. Let us put something into perspective. Mr. Chairman, today a film costs a minimum of \$2½ million to make so our \$300,000 that may be left in the production element of our accounts certainly cannot make a picture. Going back ten years, a film could be made for \$500,000; now lowest price, \$2½ million. So we have to be able to get other forms of investment to make any pictures at all. We have to be able to bring in the private sector and we utilize the tax shelter arrangements that do exist to bring in that private sector. When we make our pictures, we then sell our pictures into distributor here in Australia and then we attend the various markets around the world and sell them into distribution in the foreign territories. No other organization does that and our approach to that is our own marketing and sales energies and there will be no real benefit to us to involve with other organizations who are not doing the same task in our foreign sales operations. In fact quite recently we have offered to the other organizations to represent also their product and sell their product on their behalf, so that they might like to join with us in our initiatives overseas selling product.

Q. I notice that last year Film Victoria and South Australia pooled resources and had joint representation at the Cannes Film Festival? --A. Pooled resources for attendance purposes but not to be in business. For example, when they attend these events, they attend and observe what is going on. They note what kind of trends are going on in different markets. They look to see what sort of product is selling, what audiences are demanding around the world, remembering that this is the entertainment business and that audience tastes and preferences are constantly in change. When we attend these events we do not go along to observe what is going on although that is part of what we do. We go along with a more specific purpose, to sell our pictures into distribution, to conclude arrangements which generate income back to the Corporation which we in turn distribute back to our investors which in turn gives our investors hopefully the sort of experience that they need to come back and invest with us a second time. With pictures costing \$2½ million today to make as opposed to \$500,000 ten years ago, we have to have investors coming in with us. We have to give the people who invest with us a good experience if they are ever going to come back and invest

in the entertainment industry again. Our charter is to foster the development of the film industry in Australia. The only way we can do that is to create a successful investment climate. It is a difficult task but it is one we pursue with great zeal and energy.

Q. Fair enough. Thank you, Mr. Collins. Can I now change the subject a little bit and come on to some personal details.

DR. REFSHAUGE: Just before we do, I have a couple of questions. Ms Woods, the films that you mentioned before when you went through the list, were they the only ones that have had any other government film corporation commissions investment in or are there other ones that have not been listed that also have?--A. (Mr. Henderson) That is the complete list of films we have had anything to do with ever.

(Ms Woods) I am working off my memory but that is all of them.

CHAIRMAN: You have had no investment since 30 June, 1986?--A. (Mr. Henderson) Well that is the complete list. No, sorry - - -

(Ms Woods) I am not quite understanding what you say.

Q. That list you have, do you understand they are the films you have invested in that are completed?--A. Yes.

Q. Up to June, 1986? It does not cover anything after June 1986? --A. No, well most money, in fact nearly all private sector money is raised between March and June in each financial year. There is no point in us making an investment on 1 July, 1987 because we will not be able to raise the money until, starting now to next month from the private sector. The investment would just sit in our books. Hence we have made two investment offers in the past 2 months. If my memory is not serving me rightly then maybe there is one other film.

DR. REFSHAUGE: I do not know why but I thought the Journalist might have been one that had but I have no information?--A. (Mr. Collins) That may have had other government investment?

Q. Yes?--A. I can confirm that it did not have investment of other government bodies. I believe from memory that one of the distribution companies Roadshow, was associated with the development and investment in that picture.

Q. So basically those eight have and the rest do not?--A. (Ms Woods) Plus Newsfront which I do not think I called out.

MR. SMILES: I have one general question and that is while I understand through your detailed explanation the nature of the Australian film industry, it concerns me a little, and in asking this question I am in no way implying criticism of you, but in the nature of things, it concerns me that the Corporation has been set up with whatever powers it has but fundamentally funded by the tax payer of New South Wales and I get left, on examining the materials that you supplied, the articles written in various publications and our comments this morning, I get left with one basic question: What does New South Wales film producers get out of the Corporation's existence? --A. (Mr. Riomfalvy) Well, one important thing is to keep the film industry in New South Wales because the bulk of the film industry is still in New South Wales, despite the fact that there

are studios in Adelaide and in Victoria. I think that most of our - I really cannot tell you, but most of our producers are from Sydney and I think that the tax payers of New South Wales are getting a very good deal out of how we distribute the funds to different film makers. If you have any particular project which you want enlightenment on, how did it happen and why we had some non New South Wales commitment, please ask.

Q. No, in fairness to you, I do not have a specific concern. It is more a general overview where your Corporation has obviously been assertive in reaching out to assist the Australian film industry and that may be a very valued thing, but my concern is it is being funded by the New South Wales tax payer so in essence there is a little worry in the back of my mind and I make this as a statement, not as a - - --A. Of course, yes.

Q. That we in New South Wales are funding other states' activities to enhance an Australian film industry?--A. Well, first of all if I may say employment wise, we are very conscious of employment. That is a very important factor in our consideration. As I explained to the Committee before, unfortunately we reached the state that there are too many people in the film industry and some of them unfortunately are in for a surprise very soon. But I think we give a very good turn for the New South Wales tax payers because I really cannot tell you any more than I have. But if you have any specific - I do not think that any of these matters that we were involved in has any reason why it should not be involved with any other organization. It was just our attitude from the very beginning that we really cannot be that parochial and say now south of Albury or north of the border we are not investing. Our investment community is also, I must add, which brings money to New South Wales that we have an enormous investment coming from Western Australia, despite the fact that they have a film council there. We have a quite big investment for Queensland as well, so we created bringing funding into New South Wales from other states. I would say, I am not sure, but would you not say that one third of our investors are from interstate?

(Mr. Sayer-Jones) Yes, I think that is right. The other thing undoubtedly is the vast bulk of script development moneys and I think if you analyse it you would have to analyse it I suppose, moneys that went into films do go to New South Wales. That is undoubtedly the case.

(Ms Woods) That is true. Even one of our investments with South Australian Film Corporation that they shot up here and film shooting outside the state still come back here for post production, pre production laboratory facilities, hirer of equipment, the car hire, all of that. Still three quarters of the industry is still here, even if you have to go to the desert to get a particular location.

CHAIRMAN: I am not satisfied with your response in terms of Mr. Smiles questioning. Let us go back through the LOBA system. Has there been two changes or one change to that taxation?--A.

(Mr. Sayer-Jones) Three changes.

Q. So you first had 150 percent?--A. And 50 percent exemption. Then it went to 133/33 and recently it became 120/20.

Q. There have been two changes?--A. Yes.

Q. As I understand it, when you had 150 and 133, you were involved in joint ventures?--A. (Ms Woods) I do not think so.

Q. 150 you had joint ventures?--A. No, I do not think so.

(Mr. Riomfalvy) Which one?

Q. Well let us go through each of these. Money Movies?--A. (Mr. Collins) Pre 150.

Q. Every one of those with an asterisk?--A. All the ones with asterisks are films that were made in the period prior to June 1981 which was the time of the introduction of the LOBA tax shelter.

Q. That is all I want to know. Now in other words, since the change of the taxation laws, you have gone out of joint ventures. Have you been less successful?--A. No, we have not gone out of joint ventures. Instead of joint venturing with the public sector organizations, we use private sector finance to joint venture and produce our films.

Q. I mean joint venture with other state corporations. That is what I am talking about?--A. Each of those state corporations have all done the same thing that we have done.

Q. I am not worried about them. I am just worried about your policy. So you now have a policy where you do not have a joint investment with another state corporation?--A. (Mr. Riomfalvy) Well we do. Emerald City, for instance.

(Mr. Collins) There has been no need.

Q. I am only making the statement on the information you have given us. You said you do not invest in joint ventures. Now you tell me you are going back to joint ventures?--A. (Mr. Riomfalvy) It is not a joint venture. They invest with us.

(Ms Woods) But it is not straight investment as I was saying to Mr. Fisher earlier. It is that they may be come in on part of an advance guarantee against future sales. They are not investors in the picture. They will not receive a percentage return. They will only receive that advance guarantee back as we make the sales.

(Mr. Sayer-Jones) They are not investors in the copyright as we are but they contribute and we did this, for example, in our film, The More Things Change, with the AFC they came in with a certain proportion of the distribution of advance guarantee and they have a right pro rata with us to recoup that distribution guarantee from returns rather than from the film. So there has been support in that way from other government organizations in so much as they have contributed to the distribution of advance guarantee but not the budget investment.

Q. That is the point I want to make. The thrust of Mr. Smiles questioning was the New South Wales tax payers money is going to your Corporation and in the past up until 1980 or 1981 you were using that for the benefit of Corporations outside of New South Wales. Since the taxation changes with one exception, Emerald City - - ?--A. (Ms Woods) Emerald City is not going to be an investment. It is going to be part of an advance guarantee.

Q. Since then you have not gone into a joint venture with other state corporations and yet you have been successful?--A. Yes.

Q. Would it not be reasonable to maintain that policy?--A. Can I just say one thing, Mr. Chairman. The money that we invested prior to LOBA in joint ventures with other corporations was not going to the benefit of the Corporation. It was going to the producer. In a number of those films the producer was a Sydney person, the film was a New South Wales film or a film made by New South Wales people in New South Wales. It was not going to the AFC or going to Victoria. It has happened we have shot outside the state.

Q. Well South Australia, you had 26 percent?--A. Two films, yes but Money Movies was shot here with New South Wales people, crew, cast and locations.

Q. What about Stir?--A. Stir, there is no other government body involved in Stir. However, the only gaol we could get to shoot in was in South Australia but it is a New South Wales picture.

Q. Can I ask that you go through your records and if there are any exemptions since that 1980/81 period, you might - -?--A, Exemptions to what?

Q. To the joint project philosophy?--A. Since 1981?

Q. Yes. There is no need to give us that information now. Could I take you through your investments and returns in terms of those films where there has been 100 percent equity from the Corporation. The first one I have here is Maybe This Time and there has been no net return on that. The Night Prowler, 100 percent investment, there has been no return on that. Stir, which was an equity of 77 percent, there was no return on that. Australia Now, well I mean up until that date?--A. (Mr. Sayer-Jones) Mr. Chairman, I just want to reiterate my previous comments about confidentiality of that information if that is accepted by you.

Q. Yes. Australia Now, you had 100 percent investment. You have had returns on that. Cross Talk was in the previous record, nil return. What I want to find out is this, in those areas where you have had a major investment, you have probably had the least amount of success. Is there a philosophy behind that?--A. Mr. Riomfalvy) No, it is just bad luck.

(Mr. Collins) Is there a philosophy behind this. In a film there are three discrete stages. There is the development stage when a producer comes in to see us and he wishes to make a particular picture; we get involved in the writing of the script; putting together of the director and the casting which is the project development stage and then there is the production stage when the film actually gets made. Now our belief is during that development stage with those ideas, each one of those titles you mentioned, when it came to us as an idea, the idea had inherent merit. The idea was developed. The idea was eventually produced into a film. Then when it comes to selling that film into distribution, you have to interest distributors, both in Australia and overseas to put up their money and to take real risks in promotion and advertising that film to the public to come along and see. Now in the entertainment business, the public is the unknown. What their tastes and preferences are are unknown. Regardless of the inherent merits of a picture, sometimes they do not turn out. They do not want to know about

particular stories, even though you believe good reason exists for them to be interesting. Often there are two cries when this occurs. The cry from the producer is that the distributor never promoted, never advertised, never got the film properly in front of the public so they knew it was there so that they could come along. The distributor usually says the public were not interested in the picture. In the examples that you quoted where the returns were not there, they are examples of films which ultimately the public chose not to see. That is the nature of the entertainment business. That is one of the facts of life that we do live with and that we continue to live with. From our point of view and in hindsight would we make the same decisions that we made at the time, probably, because we believed in them at the time. If the same projects come along in 1987 as opposed to 1977, then the market is different, circumstances are different and you may not support the same sort of project but the belief was at that time there was a market for this kind of material.

Q. Was there any relationship between the type of film or the method of production or did they have some special uniqueness that you should put the 100 percent up there?--A. In terms of the level of investment in the project?

Q. No, just in terms of the type of film themselves?--A. Well I think the first one, Cross Talk, the first one on the first page - Maybe This Time is a love story, a story of a woman who has just gone past the age of 30 who has had a number of unsuccessful romantic relationships with men. She lives and works in the world of politics and Parliament House in Canberra and she has come to the stage in her life where she says "Enough is enough, I am not going to be the object of men and their lust and their greed any further. I am going to assert myself and I am going to find some kind of happiness in this life." That is Maybe This Time. It is a good story. It is a story made at a time when women as a group were changing their definition of themselves and asserting themselves and we believed that this particular picture had a market. It was written by Bob Ellis, one of the foremost writers in the community and it starred Judy Morris who is a very important actress, but for whatever reason it just did not work. It did not work, not because of some deficiency in the picture, but because of the taste and preferences of the audiences.

Q. What about The Night Prowler? A. The Night Prowler has great elements. It is written by Patrick White who is Australia's only Nobel Prize winning author. It is directed by Jim Sharman who directed the Rocky Horror Show, which is a cult picture, a phenonema all around the world and it is a psychological thriller. It worked very well in my opinion but in terms when presented to an audience, they did not want to know. They were not interested in that particular Patrick White tale. But from our point of view it represents great Australian talent. Patrick White and Jim Sharman.

Q. Cross Talk?--A. Cross Talk was a computer thriller. There was a time a few years ago when pictures about computers and their impact on society and the effect on the lives of the individuals in society was becoming interesting to the community at large. There had been a picture called War Games which was very successful. This particular picture, Cross Talk, is a variation on a Hitchcock film called Rear Window. In Rear Window it is the story of a little boy who sees a murder and when he goes to report the murder to the authorities, nobody will believe him because he is a little boy.

In Cross Talk we had a story where a computer sees a murder and attempts to report the existence of this murder to its inventor, to its manufacturer, but the individual will not believe it because it is a computer an inanimate object. It is a computer thriller. It works. But audiences for whatever reason did not turn out to see it, did not want to know about it.

Q. So there is no real thread or - - -?--A. We are constantly looking at the market and looking at what possibly can work, what does not work, making judgments about that. As Jenny said, always our judgments have to be subjective because that is the nature of this business. They are informed. They are based upon the talented individuals, whether they are writers, directors, actors and actresses and sometimes the work. The example I said was Bliss earlier, that it played for six months in Sydney and Melbourne and three months in the other capitals. That was an example of something that did work. My Brilliant Career worked. Newsfront worked. Careful he Might Hear you worked. Various ones worked; some do not. It is the entertainment business. It is high risk and you just never know.

MR. FISHER: You blame the audiences - - -?--A. Sorry, never blame the audience; love the audience.

(Mr. Riomfalvy) Look, it is our fault, not the audience because they buy the tickets.

Q. That was not really the point I was getting at. But that was the expression I think you used, that it had no audience appeal? --A. (Mr. Collins) Yes, taste and preferences had changed.

Q. How many film distributors are there in New South Wales?--A. There are three major distribution companies, Hoyts, Great Union and Roadshow and then there is probably 20 odd minor companies that do not have screens and if you sell your picture to a company that does not have screens available to it for exhibition because the major distributors also own the screens in New South Wales and elsewhere in Australia, so we look to distribute firstly to the major distributors and if you go down our list you will find virtually every one of our pictures has been sold to the three major distributors.

Q. We have very few picture theatres left in country areas of New South Wales?--A. There are reasons for that.

Q. One of the reasons for that is the two or three film distributors, I think would often be unreasonable in terms of the charges that were being made on those few country film theatres?--A. That is true. In the present, the real reason is the advent of the video cassette industry. What has happened out in country areas where there is not much television to be received other than the ABC, the home video business has really boomed. People have video cassette recorders and they rent the films in their houses and they have no real interest in going back to the cinema. Those towns that did have cinemas and those cinemas are now quite run down and they were also in a way not getting from their point of view probably access to all the major pictures that they wanted to get access to. But the video business is really responsible for the decline in the cinema business in the country areas of New South Wales and elsewhere in Australia. But it is a constantly changing thing. Five years ago there was no video industry or no appreciable video industry

and in five years time it may well be people are sick of watching films on the small screen in their own house and they want to go out again and they want to go to the cinema.

(Mr. Riomfalvy) They do in America. As a matter of fact there are about 200 new cinemas built last year in America and we always believe that they do not do anything for love. They do it for money so they must know something we do not know. As a matter of fact, here the distributors are starting to build cinemas again but first they are going into the outer suburbs. I think Hoyts is having an enormous one - - -

(Mr. Collins) Hoyts have a building programme in place at the moment. Greater Union just opened a new four screen complex in George Street as you may be aware, and Roadshow are building around Australia at the moment.

Q. Is there sufficient competition amongst the three major distributors?--A. They are very competitive in and between themselves for product and for audiences.

Q. In other words you are saying there is no collusion?--A. No, I do not believe so.

Q. Can I come to an examination of the caucus structure and staffing of the Film Corporation. I notice on the annual report that you, Mr. Riomfalvy, hold the position of Chairman of the Board and also have day to day responsibility for marketing and sales, finance and accounting, the legal department, investment in the Government documentary division. Ms Jenny Woods, as general manager also reports to you as Chairman. Do you hold the position of Chief Executive as prescribed under the Film Corporation Act? --A. No, but I am acting as a Chief Executive. We do not have one.

Q. This information may be available in the Government Gazette, I am not too sure, but as you know all members of Parliament, their remuneration and allowances are disclosed in the Gazette. Could you give the Committee details of the remuneration and benefits you receive as Chairman, as Acting Chief Executive Officer and include the fees and allowances which may be included in that salary?--A. (Mr. Riomfalvy) Well actually my salary is determined by a tribunal. I do not know who does that. I just get a letter from the Department. My remuneration is lower than the General Manager. I get altogether about \$50,000.

(Mr. Henderson) It is more like \$48,000.

(Mr. Riomfalvy) And no allowances because I am basically not full time. You see our Act does not discriminate between a full time and part time director. I am there full time as a matter of fact more than full time and I get about \$48,000.

Q. I understand from the Act, however, that it does not provide for the Chief Executive Officer and the Chairman to be held by the same person. Would that be your understanding?--A. (Mr. Sayer-Jones) What was that question, I am sorry, Mr. Fisher?

Q. I understand from the Act that the positions of Chief Executive Officer and Chairman should not be held by the same person?--A. I do not have the Act before me but I do not know that that is the case. The selection of a Chief Executive is a

discretionary thing in the Act. The Board may appoint a Chief Executive. There has not been a formal appointment of the Chief Executive, so I suppose the simple answer to the question is if there has not been a formal appointment of Chief Executive, the question is not relevant in the sense that one does not exist in those formal terms. I cannot answer that question as to whether there is a positive prohibition of a chairman being Chief Executive. That may be the case. I would have to look at the Act.

Q. That was my understand of it?--A. The selection of a Chief Executive as such is an optional thing. I am not sure what the section is in the Act, but I am afraid I just do not have the opportunity to look at the Act.

(Mr. Riomfalvy) I do not have the title of Chief Executive. But wherever I am, I am always the Chief Executive, I make that sure.

Q. I gathered that from your earlier answers.

MR. SMILES: How long have you been Acting Chief Executive?--A. Since the start of the Corporation.

Q. Mr. Henderson, is any of the \$48,000 salary package associated with that acting role?--A. (Mr. Henderson) No, it is simply given to the Director of the New South Wales Film Corporation.

MR. FISHER: You have a Board of Directors of three people. Clearly from your earlier answers, most of the decisions are made primarily by yourself. Have there been instances of conflict between the other members of the Board?--A. (Mr. Riomfalvy) Sometimes, yes, we do. You mean conflict of what nature, not agreeing what projects we should do?

Q. Yes?--A. Yes, it happens quite often.

Q. That would be recorded, of course, if it is the case?--A. Well no, the majority of Directors are recorded, what the decision is. If the Director wants his objection to be recorded, we will do it but the majority decisions are recorded as the decisions.

Q. Mr. Henderson might be able to help me. The Film Corporation Act makes provision for employment of special officers under contract. Could you give me some indication of how many employees of the Corporation are employed in this way? There is provision under the Act for the Corporation to - - -?--A. (Mr. Henderson) You mean who of us are officially employed under an annual contract? Practically all of the senior executives.

Q. All the senior executives are employed under an annual contract?
A. Yes.

CHAIRMAN: A 12 months termination?--A. (Mr. Riomfalvy) Sometimes 12 months, sometimes 2 years. The way we work is that nobody - my tenure expires in two years time in July. Nobody is employed beyond that period. Every executive is on a contract basis so let us say if the Corporation is coming to an end, the Government will not be loaded with any employees.

MR. FISHER: The annual report does not give any details of the - you say all the executive officers - it does not give details of that. Could you supply to the Committee the name, position, salary and a copy of the contract of those senior executives?--A. Yes.

Q. The Corporation also employs a number of consultants. Could you give me some indication of the names of those consultants that are currently employed and the duties in terms of their employment?--A. We will supply the same to you with the fee, whatever they are receiving, what they do. I think that would be better if we can put that down in writing and supply that to you early next week.

CHAIRMAN: For 1984/85 and 1985/86 financial years?--A. Yes.

MR. FISHER: Are consultants normally employed on an hourly or an annual - - ?--A. Annual fee basis.

Q. What would be the normal payment or remuneration for a consultant?--A. (Mr. Henderson) Well ^{Matthews} Music is \$15,000 - about \$10,000 - - -

(Mr. Riomfalvy) \$10,000 to \$15,000.

Q. What is the normal procedures for the Corporation in hiring consultants? Are tenders called?--A. No, we never call tenders. We will pick people we believe can do the job. It is very difficult to call a tender for a music consultant. There are not many.

Q. You would not receive a number of quotes?--A. No.

MR SMILES: Would you calculate the consultants remuneration on an hourly basis?--A. No I think on a bulk basis for what we believe they will contribute to whatever we ask them.

Q. That is the task?--A. Yes. We will know but we cannot do it on an hourly basis because we would be like the lawyers. We just have a bulk fee paid to them and they have to be available.

MR. FISHER: How many reports would the Corporation have received from consultants since 30 June, 1986?--A. They are not reports. There is no written - - -

(Ms Woods) I do not have written reports from the music consultants. I do from the publishing consultants and they are 3 monthly.

Q. So their performance is simply judged on a verbal basis on the advice given to you?--A. Well I have only mentioned two. They are the only two I am talking about. One reports verbally; the other reports written.

(Mr. Sayer-Jones) There are physical tasks that have to be done. I mean, for example, music consultant, it is like a retainer basis obviously. Sometimes only recently we had a problem with some music on a particular film and the consultant spent effectively two full days from early in the morning to late at night plus being rung at home; did a tremendous amount of work involving his secretarial services and so forth to help us. It is like a retainer basis so it is impossible to know what the contingencies are other than to say I think the Corporation assesses the fee on a fairly modest basis and we believe we get value for money. I am sure that is the case.

Q. When you say we believe, how do you assess?--A. I do not make that assessment. I suppose I should not have said that. I just know the amount of time the music consultant and I have a lot do with, puts in a tremendous number of hours in providing service to the Corporation.

Q. The effectiveness of consultants must surely be a value judgment. Who does that?--A. (Ms Woods) It depends who they are dealing with. We only have I think two or three consultants. The music man has to do a lot of meeting with producers, talking to them about their music on an individual production. He is - he therefore has to go away, it does not happen physically with us watching all the time. He has to go away, read the script, talk to the producer, try and influence the director, make suggestions. Then at a later stage he is involved in all the contracting and paying for rights of individual music on the production. That cannot be evaluated in any one persons terms. It crosses a number of areas.

Q. As General Manager, could you give me an indication of how many staff are employed by the Corporation?--A. I think we have 18 or 19 people.

(Mr. Henderson) 19 in Sydney, 3 full timers overseas and 3 people on very very part time basis.

Q. Could you advise the Committee with a list of the current staff, the positions they hold, their salary and any fees and allowances?

CHAIRMAN: Where are the three overseas; this will be the Los Angeles office?--A. (Mr. Riomfalvy) We have a part time person in London but he is a public servant and he really works for the Government but he does our work as well. We do not pay him. We pay the Government.

MR. FISHER: None of those current staff are employed on a consultancy basis - I am sorry, on a contract basis?--A. Overseas?

Q. No, your current Film Corporation; are any of them employed as consultants?--A. No, not consultants, They have a year to year contract, whatever their job is.

Q. Any vacant positions which occur, are they publicly advertised?--A. No. Well it has not occurred recently, but no, not for executives. For instance we got Jim's services through advertising and Lyndon. Yes, we do sometimes.

Q. So you have separate interview committees, depending on the position being sought?--A. Yes.

Q. So you would normally just simply look around for a person that you might feel would fill that position?--A. Yes, especially when it comes to film people. It is not very easy to get them because they all want to be on the field. They want to be film makers and also we cannot offer that sort of money that the film production can.

CHAIRMAN: I think we might have an adjournment now and return at 2.00 pm.

LUNCHEON ADJOURNMENT

UPON RESUMING AT 2.10 PM

CHAIRMAN: Before the luncheon adjournment, Mr. Fisher was proceeding with questions. He might like to continue.

MR. FISHER: Thank you, Mr. Chairman. I have almost finished. Just one small section I would like to pursue very briefly if I could. Could I ask Mr. Collins whether you have been associated with any script or film projects personally?--A. (Mr. Collins) In the past ten years I was involved with the production of the film, Galipoli on a personal basis. I was in partnership with the producer of that picture and the credit that I have on that particular picture is assistant to the producer. I have an executive producer credit on a film called Monkey Group which was produced in 1981. I own rights to various film projects, books, primarily that have been published in Australia and elsewhere. One is called Tracks, a book written by a woman named Robyn Davidson. This film has not yet been produced. It is in various stages of development. We have been looking to get it developed for many years but not successfully. I own rights to a book called, I Will Plead Insanity, which is a comedy written by a Melbourne barrister. This film is looking to get produced but is not yet produced. Generally I am always looking to see what is going out there, what possibilities do exist.

Q. As marketing manager, do you feel there is any conflict of interest?--A. Not at all. I am not marketing those pictures because they are not yet pictures. I am marketing the pictures of the New South Wales Film Corporation which are productions and until you have got a picture, there is nothing to market, so I do not see a conflict there between material, literary material in which I have an interest and pictures which have been made and are looking to be sold into distribution in Australia and elsewhere in the world.

Q. Mr. Riomfalvy, would any of the other members of the executive be involved in any way in terms of grants which have been made to projects of the Corporation?--A. (Mr. Riomfalvy) No, but I would like to stress a very important point. We are the only Government body in Australia where members of the Board are not receiving any grant. Everywhere else they do and I take great objection to that. That is why we organize in a way that our people who are on the Board cannot make any application to us. In any, Victoria, Commonwealth, Queensland they can. They cannot in New South Wales. The last time we had this controversy was with Michael Thornhill, but of course, he registered his interest with the Premiers Department. I still did not like it. I do not think that really it should happen but the Act allows that. You can do it if you declare your interest but as far as we are concerned, it is out.

Q. No past members?--A. Yes, Michael Thornhill in The Journalist, yes, but that was legal. We registered with the Minister. I was very unhappy about it but when the Corporation was founded that was part of the legislation. I did not realize the pitfalls then but of course it is going on everywhere now in Australia except New South Wales.

Q. The Act provides for a pecuniary interest ^{register} does it not?
--A. Yes.

Q. Is one kept?--A. Mr Quinnell is keeping that.

Q. That would apply - none of the witnesses here this afternoon would have received any grant?--A. (Mr. Henderson) No.

Q. A pecuniary interest register would be kept for all members here, for all the witnesses?--A. (Mr. Riomfalvy) I do not know that. I think it is only for the directors. There is no reference in the Act that non directors who are employees, there is no reference to that in the Act but I can tell you I take a very dim view on that. I am not very popular about that, but that is how I feel.

Q. Thank you very much.

MR. SMILES: I wonder if I could just follow some questions Mr. Fisher asked and seek clarification. Mr. Collins, you responded to Mr. Fisher with regard to some analysis of your activities in the film industry and mentioned to us that that was comfortable with you because it was not associated with your marketing role with the Corporation. I wonder if I could ask, of those films you mentioned, were they as projects presented to the Corporation script assistance?--A. (Mr. Collins) Of the projects that I mentioned, the first one, Galipoli goes back to before I worked with the Film Corporation. The second one, Monkey Grip, goes back to before I was ever employed by the Film Corporation. The acquisition of the rights to the film Tracks, goes back to prior to my employment with the Film Corporation. At the time of my engagement as a marketing consultant to the Film Corporation, written into my contract was an understanding that I did control the rights to this particular book and that I may, depending upon my own desires look to pursue the development of that project during the currency of my employment. In the initial stages of my employment at Film Corporation, I acquired the rights to the fourth book, I Will Plead Insanity. More recently when the Corporation was looking for a project, a comedy in the light of the Crocodile Dundees and in light of the market place looking for comedies; this is a comedy. I offered it to the Corporation for development. An amount of money was voted to control of the Corporation, not into my control but into the control of the Corporation to look to prepare from this book two first draft scripts. Those two scripts have been written and at the moment the Corporation is uncertain as to whether it wishes to proceed any further with that project. From a personal point of view, let me say very clearly, have I received any personal benefit from such circumstances, the answer is categorically no.

CHAIRMAN: What about potential benefits?--A. Well potential benefit, I mean I have had investment in this other project, Tracks, now for six years. I have outlaid a considerable amount of money from a personal point of view and received no benefit. That thing should be different in relation to - this other project is speculative. Potentially everything is possible. Potentially nothing is impossible.

MR. SMILES: Mr. Collins, just in regard to that, how much money was allocated by the Corporation to those projects?--A. To the first one, nothing. To the project, Tracks, there has been no moneys allocated to the project. No development made by the Corporation of that project. To the second one, there was an amount of \$30,000 allocated to the development of the project of which I believe \$10,000 has actually been spent.

(Mr. Sayer-Jones) That is right.

(Mr. Collins) And that \$10,000 was divided into two amounts of \$5,000 to two writers, both of which were commissioned to prepare first draft screen play based on the book and those screen plays were delivered to me, I believe in late February and it is now late March and there has been no further development with that project.

(Mr. Sayer-Jones) Because I drew up the contract for this and I am aware of the minute, the Board expressed in its minute a great concern that there would be no conflict of interest, specifically because Mr. Collins did have the rights to I Will Plead Insanity. The structure was totally different to normal script development where the producer or applicant has an interest, a propriety interest in the script that is to be developed and in this case the Corporation owns 100 percent of the screen plays that have been developed. Mr. Collins has no contractual right whatsoever to access or to take those screen plays. So it is up to the Corporation to make a decision on that. If I am not incorrect, the minutes will reveal that the Board made a point that that structure was to deliberately avoid any conflict of interest and the screen plays are owned by the New South Wales Corporation. Mr. Collins is correct. Only \$10,000 to my knowledge has been expended.

(Mr. Collins) As opposed to an appropriation or an allocation of \$30,000.

Q. Just with regards to this, Ms Woods, I have read in materials the Corporation supplied dated 4 January some press comment about a gentleman whom I understand is an employee of the Corporation - forgive me, I cannot find the note to give you the surname - who examines the 30 or 40 opportunities that are presented to the Corporation. I think the article said each week. When some one comes to the Corporation, is there a person that they see with their project prior to it then being considered in greater detail by yourself and/or the other members of the Board?--A. (Ms Woods) Yes, well there is a project coordinator. They could still see me or Paul or anyone else they chose to but there is a project coordinator.

Q. In the case of the projects we have been questioning Mr. Collins about, would those projects - - -?--A. (Mr. Collins) Project or projects; singular?

Q. Project, would that in the normal course of affairs go to that project coordinator before going to your desk as it were?--A. (Ms Woods) No, it did not. It came to my desk first and then went to him but he was involved in reading it, making a report and it followed the normal steps that every other project follows.

Q. Mr. Chairman, unless you or Mr. Fisher have further questions, I would like now to direct my questioning to the issue of entertainment.

CHAIRMAN: Yes.

MR. SMILES: Mr. Henderson, I wonder if you could help me, with regard annual expenditure by the Corporation on entertainment, does the Corporation purchase liquor for entertainment purposes?--A. (Mr. Henderson) Yes.

(Mr. Riomfalvy) I do not like overtime. There is no overtime in show business. You do your job and that is it.

Q. I would like to come back to Mr. Sayer-Jones' comment in a moment with regard to the overtime, but if I could just conclude with the question in this area to Mr. Henderson, the tenth anniversary public relations function, in your mind what did that cost?--A. (Mr. Henderson) Specific function that was held at the State Office Block; again I think \$3,000 or \$4,000. I would have to look it up, I am sorry.

(Mr. Riomfalvy) Once again it was held in the State Office Block and I suppose whatever benefit or profit was made, it went back to whoever was running the outfit, the Public Works or - - -

Q. Obviously there has been some aggregation involved but certainly the Committee had information presented to it that the celebration of the tenth anniversary of the Corporation would have entailed expenditure somewhere in the vicinity of \$50,000?--A. Well, Mr. Smiles, I am not very experienced in the public service or this, but I think we should have got copies of this evidence and we should know who made the evidence and what they said. I am not prepared to give any answers on this until you present to me the evidence of the people who actually made the charges because it is a complete prostitution of justice that I have to give answers to presumed figures and functions. I want to know - - -

CHAIRMAN: We might rephrase the question. How much would have been spent on that tenth anniversary celebration?--A. I do not know.

(Mr. Henderson) The point is the figure right or wrong, presumably it is all the advertising made throughout the world which is part of the public relations exercise concerning the fact of the tenth anniversary. It would include the costs of advertisements in Variety or Encore.

MR. SMILES: In fairness to you, Mr. Riomfalvy, I did say I presumed some aggregation?--A. (Mr. Riomfalvy) I just get very upset about whingers. As I said before, if people are coming to whinge to you, I want to know what they say and then I have the answers. We have advertised this morning in the Telegraph or the Herald or whatever for the Premier state, that sort of think you just have to do. I do not know, are you interested in more detail on that?

Q. I would appreciate that, thank you?--A. Certainly we will give you the advertising costs etc., but you must realize with the advertising we got some sort of editorial as well which is very helpful when you are looking for investors. I do not think we have done anything which is out of the normal.

(Mr. Collins) Mr. Chairman, the tenth anniversary was a marketing exercise. We are looking for investors to invest in our productions. We are looking for distribution companies, not only in Australia but also in Europe and America, in Asia to be involved in buying rights for our product and to distributing our product in particular territories. The tenth anniversary was an opportunity to show, as you probably saw the logo on the front of the annual report, an opportunity to show the entertainment industry which is full of fly by night operations, which are full of companies that are here today and gone tomorrow, which are full of people

that default on their bills, that have no integrity, no longevity, all around the world. We are looking to show that we have been around for ten years. We are a solid operation. We have been producing films for the past ten years. We have supplied you over the last four or five years with product, we will be around in the future and we will continue to supply you with product, you our clients. So very much the tenth anniversary was a marketing operation for films which cost \$2½ million to be produced in Australia which the Australian market at best can return one million and which we really do look to find another million and a half from the overseas markets for those films. I think very much it should be looked at in those terms and understood in those terms rather than the suggestion that I hear, rightly or wrongly, that it is some kind of impropriety.

(Mr. Riomfalvy) I think, Mr. Smiles, you should be most knowledgeable on this department in the Committee.

Q. I am not uncomfortable with that comment and in fairness to the Corporation I take on board Mr. Collins' comment. Yes, I do concede that the tenth anniversary is a major marketing exercise. Ms Woods, a moment ago Mr. Sayer-Jones made reference to and Mr. Riomfalvy may have also, the demands of the Committee impacting on overtime from your organization and I am very mindful of that because in your letter of 20 March signed, of course, by Mr. Riomfalvy from the Corporation, there is in the final paragraph this statement:

It would be no exaggeration to say that my accounting staff both executive and secretarial as well as the production, legal and marketing staff have been almost totally preoccupied in satisfying the Committee's requirements. The business of servicing, producing and marketing motion pictures has been made a second priority as a result.

Given your 19 staff, and the supposed skills and experience of the 5 of you here today, is it right for me, given my experience in business and 12 years as a management consultant to feel some concern that the request we made had such an impact on your organization?
--A. (Ms Woods) No, I do not think it is right. Mainly the development area was done largely by myself and my secretary. The other stuff was done by Jim and Lyndon. Given for the last 8 or 9 months we are having huge numbers of applications for script development, we had a Board meeting scheduled for next week which we had to put back because physically we cannot read all the stuff as well as do all this which had to be then, of course, double checked.

Q. This morning Mr. Sayer-Jones mentioned in response to a question that the Corporation exercises strict financial controls and it was with reference to coproduction for films, I would have thought strict financial controls would have necessitated the keeping of records that were easily accessed for basic information such as we requested. Why are those records not kept?--A. They are kept. That is where we withdrew all this information from.

(Mr. Henderson) This information is kept in the order roughly shown there. It is extremely difficult to cross check this against all the vouchers that are written out. There are hundreds. Since I presume the Committee would like its information to be accurate, it was necessary for us to spend all of last week getting out the original information and my cross checking all of it to see the appropriate voucher matches up with the records the General Manager keeps. The records are kept. It is in fact extremely difficult to make sure that this much information is in fact accurately presented here.

Q. I thank you for your concern.

CHAIRMAN: Would it not be accurately compiled there in the first place?--A. It was accurately compiled. We are making sure it gets to you accurately as well.

Q. It has been audited has it not?--A. Yes, of course it has.

Q. What is the necessity for double checking?--A. It has to be presented in a format like this which is convenient. It is kept in - the General Manager's assistant keeps a book in which all this information is presented.

(Ms Woods) It does not run in this order. The payments are not - each project does not just get a payment, a payment, a payment. I mean it runs back and forth. There are different Board minutes relating to different payments. Jim wanted to, and I think quite rightly, check it back against the vouchers because you did request who the money was paid to in each instance, whereas I have everything under project name in general, when a writer changes I will know that but Jim may have a different thing in his voucher if it is going to a company.

(Mr. Riomfalvy) I might be wrong, but I think, Mr. Smiles, we only had six days notice to prepare this.

MR. SMILES: I accept that?--A. And also we have a very small staff. Everybody has a couple of jobs. Guess who collects the mail every morning, who goes to the post office; I do. We do not employ people if we do not need them.

Q. Mr. Riomfalvy, as part of your job, the Committee would expect that you would have to entertain on an almost one to one basis and not for a moment in asking the questions that I am going to, am I implying that that duty is not a right and proper one for a person in your position. On average how many lunches a week would you attend which are paid for by the Film Corporation?--A. I really cannot tell you. I would say one or two or three. It depends on when and I can tell you that it does not please me because I am quite prepared to leave in my last will all my cholestral to the Public Accounts Committee because I am not necessarily enjoying all of this. I am a good drinker and I have a few drinks with people but I believe that you achieve much more at a dinner table than at a conference table. For instance, if we would have this gathering in my office with a few drinks, we would have finished by now all the information. Believe me, I am not going to have any luncheons or dinners, mainly luncheons - dinner is always with people - it does not give me - you know, I can do without it. I can do without travelling overseas. I do not enjoy to get with you in Bahrain and some other hideous places like Bombay. I do not enjoy this. I have to do it but if you feel, if the Government

feels it should not be done, I just have to be told but nobody told me about it.. Whatever we provide, Mr. Smiles whatever we do on this, we are not overstepping our budget.

Q. I would hope you are not. Doyou have a regular venue where you entertain?--A. Yes. We will go to - not regular but American Club ; I have no shares there. The Cosmopolitan restaurant; I have no shares there. Darcy's, I have no shares there either. Where else do we go?

(Ms Woods). Ejs.

(Mr. Riomfalvy) No, I cannot stand french food. They are the places we go. I tell you why, because if I go to a restaurant where they know me, I get a quick service so I can get away. So if the question applies, if somebody whinged to you that I have shares in these restaurants, I do not have shares in any restaurant.

Q. You will be pleased to know that has not been presented to the Committee. Mr. Henderson, could you estimate what the expenditure by Mr. Riomfalvy and such, entertainment, would average per week?--A. Mr. Henderson) The cost of two or three dinners presumably, whatever they cost. It obviously varies, depending on how many people he takes to the restaurant on each occasion

Q. What documentation do you require in your position?--A. Mr. Riomfalvy normally pays on a Corporation credit card.

(Mr. Riomfalvy) No I do not.

(Mr. Henderson) Sorry, private credit card. We have a form of private credit card on which the user of that particular credit card can claim reimbursement and you must state your name, where they had the meal, on what date, who were they with and the purpose of that meal.

Q. Are you satisfied that such documentation is sufficient for the Public Finance and Audit Act and according to Treasurers directions?--A. The auditors themselves have been perfectly satisfied with that arrangement for many years.

CHAIRMAN: How many people do in fact have Corporation credit cards? --A. In fact nobody is allowed in Australia to use the Corporation credit card. The system is we have special permission from the Auditor-General to do this because of the industry, that people use their private credit cards and we reimburse them.

Q. How many people would avail themselves of that facility?--A. Basically Mr. Riomfalvy, the Marketing Manager, Ms Woods does occasionally. Occasionally I think Lyndon may do it once or twice. I do it once every three years.

(Mr. Riomfalvy) I use my own credit card and I present it to Jim for reimbursement. We used to do it on Corporation credit card but I do not know when we put an end to it.

(Mr. Henderson) About two years ago.

Q. Why was that stopped?--A. There is in fact a treasury rule that says you are not allowed to use.

(Mr. Riomfalvy) I think since the new Public Finance Act there is some reference to that.

(Mr. Henderson) We can use them overseas.

(Mr. Riomfalvy) We can use them overseas.

MR. SMILES: Mr. Henderson, I wonder if I might ask of you in terms of that information, would it be possible without major disruption to the Corporation to extract expenditure totals for 2 or 3 months?--A. Could you express whose expenditure - mine.

(Mr. Henderson) Yes, that would be fairly easy.

(Mr. Riomfalvy) So let us set a date. What about if we do it from 1 December to 28 February? In March I was not home.

Q. I am not uncomfortable with that and perhaps a month - last July and I do that with total ignorance as to just how your seasonality is. I wonder if I could ask you, Mr. Henderson for some information with regard to air fares. To your knowledge, what do the Corporation spend on air fares with regard to staff and directors in 1985/86?--A. (Mr. Henderson) The cost of the Chairman going overseas once?

(Mr. Riomfalvy) It will be twice when I go to Cannes.

(Mr. Henderson) And the cost of trips by Mr. Collins overseas to various markets, the point being that part of those costs is reimbursed by the producers of those films.

(Mr. Collins) There are two considerations here. One is the cost to the Corporation and one is the cost to the individual pictures that are being sold. They are allocated between those two areas. I would have made three trips in 1985/86. In late October to Milan, in February to Los Angeles and in May to Cannes and on average in round figures it is \$5,000 in air fares so that would have been \$15,000 so we are probably looking \$25,000 or \$30,000 gross, and that is including Paul as well.

CHAIRMAN: No internal?--A. (Mr. Riomfalvy) Yes, we go to Canberra, Melbourne.

(Mr. Henderson) This would not add more than another \$2,000 to the whole thing. This is not a major expenditure.

MR. SMILES: What proportion would you hope - I concede there might be a drag in terms of the time involved, but what proportion would you hope to recoup from the producers?--A. (Mr. Collins) In terms of my own I allocate 50 percent to the Corporation and 50 percent to the individual pictures that might be up for sale on that particular occasion. For example, the first thing I went to in 1985/86 financial year would have been Milan at which we sold the film, Bliss, to New World pictures for a very large amount of money and my air fare would be allocated into that Bliss marketing budget or half of it would be. On that particular occasion there were two pictures actually being exposed for the first time, Short Changed and Bliss and it would have been allocated across the marketing budget of those two films. The next time was with the American film market there were some other new pictures that came on stream They would be allocated across the budgets, half to the Corporation, half to the individual marketing budgets. In other words, the picture itself bears half of the marketing costs and we as a service to the industry,

we the Corporation, provide the other half.

Q. With regard to officers travelling overseas, is it the Corporation's policy to have them travel first class, business class or economy?--A. Mr. Riomfalvy) We put in an application to the Premier and he determines it. What happens is that I travel first class. Danny travels business class. So when we go next May to Cannes, we have to meet in the toilets - - -

(Mr. Collins) And discuss our strategies to sell our pictures.

Q. Ms Woods, would it be possible for the Corporation to provide us with a list of all travel by Corporation employees?--A. (Ms Woods) It is easier for Mr. Henderson.

Q. Mr. Henderson, could I seek your assistance on behalf of the Committee for a list of all travel by Corporation employees in the 1985/86 year and the year to date, 1986/87?--A. (Mr. Henderson) Yes.

(Mr. Riomfalvy) It is very simple. There are quite a number of requests. Could we have another ten or twelve days to get all this that you are asking together?

CHAIRMAN: No problem?--A. Because before we go I think we had better recap these differences where you made notes, you made notes, what actually is required.

Q. The staff will liaise with you.

MR. SMILES: If I could trouble you to address your attention to obviously persons who travel, the duration of the visit, destination and cost?--A. (Mr. Henderson) Yes.

Q. Mr. Riomfalvy, with regard to your recent trip, what cities did you visit in your most recent trip?--A. (Mr. Riomfalvy) When are you talking about, just last week? I went to Los Angeles, New York and London.

Q. The purpose of your visit to each of those cities?--A. In Los Angeles there was the American film market plus to see some of our customers there plus reorganize certain procedures in our Los Angeles office. In New York I was only two days. We have seen some of our customers. I also visited the State Bank. I went to London and I spent only two working days. I was in the London Government office and we were preparing - sorry, I had some meetings with the BBC regarding our relations with them for the future and we prepared the Cannes Film Festival.

Q. When you went to the US, you were there in part for the American film markets?--A. Yes, at the end of the film market. It is no good for me to go to a film market. I am not a salesman. I just go there and sort of shake hands with the customers but I also must explain to you I was away for only two weeks out of which two days were travelling so I spent four days in LA, 2 in New York, 2 in London.

Q. What do you believe you achieved overall with that trip?--A. Only the future can tell, I do not know. I think it was very useful. I think people like to see me, like to talk to me.

(Mr. Collins) From the marketing point of view, when you are selling product to be able to have your Chairman appear and meet your clients and your customers and to give the seal of authority to your organization that you represent is a very good thing for present business relationships and certainly to build future relationships. I would argue that the Chairman needs to be seen at least once a year if it is possible.

CHAIRMAN: We might explore that at some other occasion. You have an overseas office and your involvement in marketing overseas and I do not think we have enough time this afternoon to fully explore that. I might suggest that 15 April we might come back here. Does that fit in with your itinerary, for a morning session only?
--A. (Mr. Riomfalvy) 15 April, the Wednesday, perfect.

Q. That will give you two or three weeks in which to prepare some of the answers to those questions and if we find there are further matters arising out of those, we can address them at that meeting as well.

MR. SMILES: I would appreciate if I could ask some questions on investments. Referring to the materials you provided to the Committee dated 2 March, 1987, if we focus on that list, Investment and Returns by Film, the television movies, Winners and the film project Kangaroo are not included. Did the corporation invest in these projects?--A. Winners not included?

(Ms. Woods) Kangaroo we did not invest in. We invested in the development. The picture was then made by someone else and we were bought out.

(Mr. Riomfalvy) We forgot about Winners.

(Mr. Henderson) That is a mistake.

(Mr. Sayer-Jones) We will supply that information to you.

Q. The equity investment in films according to the list supplied was \$10.1 million as at 30 June, 1986. Net return on investment was \$2.8 million. Without taking into account the opportunity costs on the funds invested, the Corporation effectively subsidised the film industry to the tune of \$7.3 million on investment alone.
--A. (Mr. Henderson) That is an overstatement. There are some films there which have not yet been released.

(Mr. Riomfalvy) And the film has a ten year ^{life} now I will just give you an example.

(Mr. Sayer-Jones) You could take films like *Going Sane*. The Place at the Coast, actually there are a large number of films that are not actually yet released or in any way exploited in the world market. We brought this problem up I remember in 1984. We had the film, *Careful He Might Hear You*. It was a ludicrously small amount and the reality was that hundreds and hundreds of thousands of US dollars were coming in and unfortunately you pick a date and then you use a percentage. It is absolutely misleading.

Q. Do we hear within that whole issue of integrity which I think Ms Woods referred to in the morning and while I am familiar with that concept, would you mind explaining how you see the integrity of a film and how the Corporation assesses integrity, given the need for a recognition of a longer term repayment?--A.

(Ms Woods) I do not know how to equate integrity with a longer term. I notice these figures finish at 30 June last year so there will still be further payments on a number of them that are not showing.

(Mr. Riomfalvy) Unfortunately, for instance, Dead End Drive-in it says no returns. We had quite a considerable return on that.

CHAIRMAN: No matter which cut off date you have, you will have that same answer. What you lose out between 30 June last year and 30 June this year, you have made up on the ratchet system the previous two or three years.

(Mr. Sayer-Jones) As time has gone on in the ten year span of the Corporation, the budget has increased with inflation. There is a very heavy ~~weighting~~ factor towards the bigger budget films that are the more recent films, not having been given an opportunity to show their real return. I suggest it is really very distorting when you say 10 point whatever million, return of 2.8. If, for example you had taken the first couple of years of our films, My Brilliant Career is one, I suggest to you that you would be way up. I mean, of a given return it would certainly be much more than 50 percent, even 60 percent. That is the trouble. The budgets have increased so dramatically that films, the more recent films distort those figures. So you probably have to have a very sophisticated ~~weighting~~ to come up with a logical or a rational evaluation of that. Those figures on the face of them might look bad, but in actual fact they are quite misleading. That is the trouble.

Q. Will it be any difference if we used the figure for 1987? Do you think there will be any great variation in that ratio?
--A. (Mr. Collins) One simply asks for reason to apply in such a question. You are looking at a ten year period. In the pictures of the first part of the ten year period, they have been made for half a million dollars a piece or less. The pictures down the end of the ten year period are costing \$2½ million, \$3½ million each. Then you are adding them all up and you need to appreciate that those pictures that were made in the early part of the ten year period have been earning income theatrically as they were released into the cinemas, at a later date when video came along, on video, at a later date again on television, in markets that are developing around the world as satellites go up and new markets develop, and develop-new income arises and the pictures that are costing \$2½ million and more have only been alive for two or three years and they have not really generated their potential returns. When you sit down and do that sum and say you invested X and you have returned Y to date, there is a lot of unfair bias in the answer that will arise from that kind of a calculation. I think that should be taken into account.

MR. SMILES: I wonder if we could focus on the Corporations financial statements for the year ended 30 June, 1986 and I particularly refer to notes 9 and 11 where there is a reference to equity investment converted to loans receivable of \$81,000?
--A. (Mr. Henderson) That is Short Changed. The Corporation normally has very occasionally these days - they had loans to producers - the decision is made to lend the producer some money to make the film for whatever purpose. In this case it was decided to be loans produced. I merely record the fact that that was done. It was Short Changed, \$85,502.

(Mr. Collins) As I recall when we started shooting the

picture on 16 mm film and for reasons we changed it to a 35 mm.

(Ms. Woods) No, I think it might have been an overage.

(Mr. Sayer-Jones) It was an overage. One of the overages being the result that we had camera problems. There were 16 mm - it was a smaller gauge and there was a scratching problem and unfortunately it meant the schedule went over and there had to be a production debt provided for payment of that overage, of course.

(Ms Woods) From time to time we did give what is called in the industry completion guarantees. Outside companies also do them. In this instance we did. Consequently I did not realise that is what it was because I do not know how Jim expresses it but in film industry terms it is when a picture has an overrun then we put it up. We then also recoup it out of the returns at some point of the procedure.

Q. In fairness, we have just noticed this with regard to that production run. I would like to ask a few brief questions relating to an investment from the information provided to the Committee by the Corporation on 20 March. I did take the liberty of liaising with Mr. Henderson to refer to the material in the section, script and project development payments from 30 January 1982 to 28 February, 1987 and I referred Mr. Henderson this morning to a number of the pages thereafter, to acknowledge Mr. Sayer-Jones, and indeed Mr. Danny Collins' comments and concerns about the keeping of confidentiality for good marketing reasons this morning. Having done that, I wonder if I could seek explanation in the first instance from you, Mr. Henderson but perhaps your colleagues might be able to assist. When I look at the name of the project and the amounts payable and the dates, I feel some concern when, if we look at page one, the third project involves a two year span of some \$30,000. Then if we look further down, at page 2, the first project, a total of some \$54,000 with a five month span. There are other examples. In fact on page 2, the last project is a three and a half year span for one job and \$67,500 involved. Can you explain how one gets the variance in terms of time and the variance in terms of moneys allocated by the Corporation?--A. (Ms Woods) The projects are enormously different. Individual projects are going to vary hugely and you will find much greater discrepancies than the three you have just mentioned. Sometimes in certain circumstances a project is already partway developed when we get it. Therefore it will move along more speedily. In the case of the first one on page 2, it was asking us for money to get ready to go into production; hence the money was spent quickly. It got to a certain point. We then dropped out of it because it had not developed how we wanted it to. In the penultimate page 2 the writers changed a number of times. It was a book. The applicant had acquired an option on it. In fact it started with one producer and it moved to another. We were never convinced that there still was not something in it so the writers changed two or three different times and different applications were made for different writers to do work on it. The script development works like this all the time. In some of the larger areas it even becomes project development. We in fact do not separate it. It is called in our terms script and project development and project development will often involve research and preparation budgets, location surveys, casting, even workshops sometimes, work with a director, changing writers, preparing documents to go into the market place. It can cover all those sorts of items. Does that answer your question?

Q. Thank you. If I could refer now to page 4 which shows up a project of a different nature, it is the 9th and 10th projects. We have the one company with two jobs funded in part or in whole by the Corporation over a 12 month period?--A. It is the same project. They have changed names. I put all the names in so there would be no confusion.

(Mr. Sayer-Jones) You have a working title and the titles change.

Q. That has answered one of my problems. The other is is \$126,000 paid in 12 months for one project a fairly large investment and why would it be so large?--A. (Ms Woods) No.

Q. In relation to the other contribution?--A. No it is not large. At a certain point we made an investment offer in this project. Part of that money I would not normally show as script development but as they were paid out as those amounts, we then decided to go into the project. Those large sums of money were to mount the production. All of that money is then paid back to us and our money goes as a straight investment into the production. So where a picture results, you will get these abnormally high things and in some cases you will get it when the picture did not result because it fell over and did not get up.

Q. If we look at page 7, the last project?--A. That is exactly what I was referring to. We had decided to invest in this film. It was a very big budget. It did require trips overseas. It did involve some work in Poland including research. We had also hoped to secure pre sales in America and it looked like we might have got there. We did not. That is what happened there amongst nine drafts as well and budgeting and location surveys and presale trips and holding a director and a number of things. It was almost at pre-production.

Q. It does not sound as though it was your happiest experience?--A. It was not.

(Mr. Riomfalvy) That was a "please the wogs" project.

(Ms Woods) It is still a good project and someone might still come along and make it in which case we will get our money back.

(Mr. Riomfalvy) Someone connected with the production was so stupid. They went to Poland and wanted the Polish Government's permission to make the film there. It is unbelievable. Then the Poles kicked them out. They went to Hungary. The Hungarians said, "Look we would love to do that" because they hate the Poles "but we cannot afford it."

Q. I really wish that I could breach the agreement, as it were, I made with the Corporation and reveal for those attending the name of it and the company involved, given what you have just said. Thank you?--A. May I express my appreciation, Mr. Smiles to take our request in not giving the titles.

DR. REFSHAUGE: I was wondering if one of the witnesses could explain to me about the loans. I understand apart from making equity investments, the Corporation makes loans to film projects.

Could you explain the policy you have in regard to giving loans for film directors?--A. We do not give loans for productions.

(Mr. Sayer-Jones) I could give you one which was brought up, Short Changed, \$80,000. Now we put an equity investment in that which was, I think, about 13 percent of the budget representing the non deductibles. In doing that, you see it is all linked with - LOBA complicates it. Naturally it - even before LOBA there was a copyright problem. There is only 100 percent of copyright and you have to split the copyright up when you decide on the budget. In Short Change's position there was a fixed budget. We all, that is the investors, the Corporation, whoever invested in the picture got a certain fixed percentage of the copyright. We needed to put more money into that production because it had an overage, \$80,000, because of that camera problem I told you about. I think there were some other problems but that is I think one of the main sources of the overage. We could not put a further investment in the project because there is no more copyright to obtain so in that case it had to be a loan as provided for in the production deed as being an overage loan. It is paid back. In essence the recoupment structure is very similar. Legally you get the money back out of the proceeds of the picture in the same way. The differentiation between investment and loan was a direct result of the practical problem of only having 100 percent copyright. You could not suddenly, for example, dilute the copyright interest of all the investors because - I suppose theoretically you could have an arrangement for that, but the investors would not wear it for a moment, quite reasonably so. So the reason for a differentiation between a loan and investment in that case is for that reason.

Q. When do you get that money back, first up?--A. No, because investors insist on getting a certain percentage back, the overage and this is standard in the Australian film industry, is paid back like completion guarantor amounts are paid back. After 100 percent of the production cost is repaid and the marketing costs, but prior to net profits. So, for example, the investors are not sharing the so called blue sky or the profits of the film before you get paid back. We are always in priority to that. As a matter of fact, our overages, if there ever was one, always applied to completion guarantor amounts. There is some priority that we give but you cannot put it before the investors get 100 percent of their investment back because investors just would not accept that. It would be a very easy way I suppose to prejudice their position.

Q. What about production loans and marketing loans?--A. (Mr. Henders Marketing loans, every time we arrange to market a film, this is basically really a transfer to a marketing account which technically belongs to the producer but is in fact kept by us as a matter of convenience. The idea is that we lend the money to the film, to market it so it will not have problems with the producer saying that they do not want to spend money marketing the film.

(Mr. Collins) In practice you complete the picture. You have spent \$2½ million. You have a finished product but you have to sell that product both in Australia and overseas. You have to sell it to distributors. So it is very rare that we get involved in the expenses that a distributor would spend, like television advertising, newspaper ads, etc. the sort of costs necessary to sell to a distribution, making trailers and promotional reels and various things. So the Corporation makes a loan of an amount of

money agreed between myself and the producer of the film to an account which is controlled by the Corporation and the cheques are signed by myself and the producer in tandem to fund the kind of items that might be necessary like advertising in Variety, for example, to let people in the film world industry know when this picture is available, to fund the kind of expenses that are associated with selling the picture into distribution. They are called marketing loans. Each of the films which we control marketing rights on has such a loan or if indeed needs money, I can arrange for a loan from the Corporation and that loan is administered jointly between myself and the producer of the film

(Mr. Sayer-Jones) That does have a priority recoupment as per the Australian standard film practice.

Q. What is the policy about those sorts of loans? How do you work out how much money you are going to have for a marketing loan?--A. (Mr. Collins) Well you have to have a point of view about what can you do with the finished product in the first instance, potentially where can you sell this, who may it appeal to and how do you make your pitch so that you can get to that particular market; what do you have to produce. Usually in the last few years I would start up with \$100,000 voted into an account or access to \$100,000 worth of funds from the Corporation and I would vote a certain amount in. Then we would go forward and make all the different materials, prepare the advertising and posters etc. and in most cases I have drawn down, I would think, somewhere between \$40,000 and \$60,000 on the more recent ones. It is an educated guess as to what potential exists for each particular picture and how much you need to spend to effectively sell it into the markets that exist for the picture.

Q. The other producers are putting money in?--A. The other producers?

Q. Or the producer?--A. No, the producer of the picture - a loan is made by the Corporation into an account which is controlled by the producer of the picture and myself as an executive of the Corporation and then expended on the production of those materials necessary to sell the completed product into distribution.

Q. So the Corporation is the only marketer of films that are - - -?
--A. The Corporation controls sales and distribution rights for each picture that it actually finances the investment and production of.

Q. So whatever your investment is, you still have the sole responsibility for marketing?--A. Yes, that is a pre-condition on our way in to all the projects that we develop and whatever ends up being made into a film, our opening position is we control marketing.

CHAIRMAN: So the South Australian Film Corporation, even though you only put in, say, a quarter, you still market that?--A. No, that is an old example, but in relation to pictures where we have got a very minority position, for example, in one of those older films, the South Australian Film Corporation probably had better than 50 percent in the equity, this is pre 1981, pre LOBA situation, they would control marketing because we only had a minority position in the picture. But in all pictures where we have a majority position in terms of the investment and we develop the project ourselves, we control marketing as our opening position.

(Mr. Sayer-Jones) In consultation with the producer, of course.

DR. REFSHAUGE: You have two signatures on the cheque; it has to be?--A. (Mr. Collins) Yes, and that is not always straight forward So reason has to apply, good reason.

Q. What about production loans?--A. (Mr. Henderson) That is the same thing as we discussed before. For some reason or another, part of the cost of the production was financed by a production loan. You also find there are overage loans. Normally most of the production loans are fairly old. There is a system where, for some reason which I am not privy to, it was decided to finance the production partly by having a loan instead of putting in an investment. Distinct from that, in the earlier days was the overage loan which is a bit of overlapping in name here, unfortunate was a loan given where the film went over budget on which we charged - if you look back at these loans, most of them in 1980, what was then regarded as a penal rate of interest of 12 percent, the idea obviously was discouraging being over budget.

Q. So you do not have production loans now?--A. (Ms Woods) Unless you are going to advance guarantees.

(Mr. Sayer-Jones) No, you are thinking of advanced guarantees.

Q. What you have been calling production loans?--A. No.

CHAIRMAN: You should be precise with your terminology. I am not following it that closely?--A. Let me just ask Jim, you have not included the distribution balance against the - - -

(Mr. Henderson) I have not, no. There are four types of loans, marketing loans, production loans, overage loans on which we charge interest, and distribution guarantee loans which have to do with the fact we have given a guarantee to the investors in the films that they will get a certain amount of money back by a certain date and which we then, of course, aim to recover from actually selling the film.

DR. REFSHAUGE: So what actually happens to the money? You give them the money and you call it a loan?--A. (Mr. Sayer-Jones) If I can just explain the way this works, this is common practice in the Australian film industry. It is effectively like pre-sale. One of the great problems and our marketing experience has proven this and indeed Crocodile Dundee, not that we were involved in that but it is one of the classic examples of how that film would have succeeded had money-wise, the investors in that particular film had presold the picture and done a distribution deal at the time, they probably could have with Paul Hogen, they would have been able to do a deal with somebody. Had they done that before the picture was even made, they would have very probably compromised the blue sky, the profit potential of the film. Naturally it is a speculative thing. No one had an idea, even Paul Hogan, that the film was going to be as successful as it was, even in Australia. Consequently, instead of preselling the picture by doing a distribution deal so that you can provide, you can say to the investors, "We know that at a certain date you will receive a certain number of dollars, it will be a percentage of your investment", what we have done and the Australian Film Commission does this, Film Victoria does this,

various other bodies, indeed private bodies do this, is that they enter into an arrangement whereby they say to the investor on the one hand as at a particular date if the revenues derived from the film by its exploitation do not achieve a certain level, then we will top up the difference and we will have a right to recoup that difference, whatever it might be, be it 100 percent of whatever the guarantee is or usually less because the film does generate some income and we recoup that as an absolute priority out of all proceeds before there is any more distribution. So investors on the one hand know they will get their 50 percent or whatever which works for them with the LOBA. We know that we have a total charge in priority upon all revenues derived from the picture. That is the way it works.

Q. So it is a loan to the picture account basically?--A. Well it has been obviously in terminology seen as a loan, yes. It is almost really a sale in a way. The legal structure of it would be it is a pre-sale. You find it, of course, in the distribution guarantee, that we have not comprised its actual sale so that in the Crocodile Dundee example, we would have been in a position to do the deal that they could have done or they did do because they were not locked in. We can say here is the picture and when you have got something in on the screen, so to speak, it is easier to sell it than a script because necessarily a buyer would be extremely wary to pay top dollar for something that is only in script form because they have, I suppose quite reasonably to be very conservative.

Q. Which of those loans attract interest?--A. (Mr. Henderson) Normally only the overage loans. There are one or two little oddities. I think every film has a different contract. There is not a completely standard film contract. Normally overage loans, you will find one or two production loans for some obscure reason have interest and there is one marketing loan which in fact relates to actually selling the LP record of the film rather than the film itself. It was a very small loan in which we did charge interest and it is recoverable from the sale of the records as distinct from the film. It is a loan to the producer to obviously get the record moving.

(Mr. Sayer-Jones) The reason for not charging interest on the marketing, for example, is a direct commercial decision to be an incentive for investors to invest in a picture. One of the great concerns is always the level of costs that are thrown on to a picture before it starts to yield an income and for good reason to attract investors and to lower our underwriting and brokerage costs we have been able to offer the fact that it was interest free.

Q. But you have interest on the overage loans?--A. (Ms Woods) Yes.

Q. What is the interest on them?--A. We no longer do overages in that way. That was in the early days of the industry when there were no professional completion guarantee companies operating in this country. Now and in the last six or seven years where in the rare instance we have given, we give pretty well a completion guarantee. We charge a fee within the budget for that completion and we fit in with the commercial terms that would be offered by a completion guarantee company outside. We may take a lesser premium and they will not get a rebate which operates in the commercial field, so there is no interest. We recoup it after the investor has recouped their money and we have had our fee up front out of the budget of the picture for providing that facility. It is not an overage loan any more. It is a completion guarantee.

Q. What sort of group do you get the guarantee from?--A. Well we do it ourselves when we do and then there are three or four companies operating in this country whose whole reason to be is completion guarantees. That is all they do. Private investments throughout the world will not invest in a film unless they are guaranteed it will be finished. If the film is not finished there is no way they can get their money back because it cannot be sold.

Q. Where does the money actually come through as far as the completion guarantee?--A. (Mr. Sayer-Jones) If for example it rains for ten weeks in a row and it is an outside location picture, obviously the budget is thrown out completely. People are in hotels. The completion guarantor, whoever that may be, will pay that money and they get to recoup whatever that overage will eventually be from the returns from the picture but only after the investors have got their production costs back.

(Mr. Collins) It is a form of insurance to the investors in the picture which says no matter what, because in the production budget there is a fee which is the premium for the insurance and the insurance says to the investors, no matter what this project will be completed and should it rain for ten weeks in the middle of it, we, the insurance company, will put up the money necessary to complete the picture, so you can be assured there will be an end product which can be sold on which you will hopefully recoup your investment.

(Mr. Sayer-Jones) It is actually a statutory requirement to have one. The NCSC and the Corporate Affairs Commission for the scheme for the lower budget films actually make it a requirement and it is now a requirement, I believe, for the prospectus, big pictures as well.

Q. You charge interest on what you actually pay out if you had to pay out?--A. No.

(Ms Woods) Because we are getting the fee up front in the budget.

(Mr. Collins) We just pay an insurance premium. It is like taking out insurance. If you pay the premium, then you are covered and the premium is currently six percent of the - the commercial premium is six. (Ms Woods) We only charge 3 per cent.

Q. They have their actuarial studies to say they will not lose on that?--A. (Ms Woods) We do not do it on every film, only on some films.

(Mr. Sayer-Jones) There has to be a completion guarantee. In most of our films, in the last four years or so, they have been commercial guarantors.

(Ms Woods) We either use an outside one or we do it ourselves.

CHAIRMAN: When you are involved in that overage, do you, in association with that, have some say in the production schedules? --A. Sure.

(Mr. Sayer-Jones) Actually completion guarantors always have total control to take the picture off completely. You can theoretically eject the producer off the set. I mean that is the level of control.

Q. You actually set somebody from your staff out in the field?
--A. (Ms Woods) If we wanted to. If it started to go that badly, yes.

(Mr. Riomfalvy) You see, every time they draw a cheque, they have to come back and ask Jenny to sign the cheques so that is where the control is. We control every project we are involved with. We control it absolutely.

(Mr. Sayer-Jones) There are weekly reports that are obligations, daily reports. Jenny views rushes. If there are problems, sometimes she will be talking all day on a particular problem and, of course, other productions, things go much smoother.

DR. REFSHAUGE: Do you ever get any security on your own - - -?
--A. Well security is the picture and the value of the film.

Q. At what stage you get the money, is a certain security - - -?
--A. This is the risk that commercial organizations take. For a certain fee they calculate they can be profitable because not that many films go over. If they are well managed, it is not a high risk business. If it was, the fee would reflect it but the risk is that the film might not earn enough money to actually have you recoup whatever you might have gone over. That is the risk you take for the fee. It is a commercial decision.

Q. Who makes the approval about loans? Who decides whether and how much a loan should be?
--A. (Mr. Riomfalvy) The Board. That is a Board decision. That is a real Board decision.

CHAIRMAN: You mean a three person Board decision?
--A. Yes. As a matter of fact, that is one thing I do not really interfere in because I do not know enough about it. I interfere in a lot of things but not in that. It is really up to Jenny what she recommends and normally it works out.

DR. REFSHAUGE: Where is the initiation for a loan? Is that usually from the producers saying we need more money or - - -?
--A. You mean when they run out of money and they need - - -

Q. Well, for whatever reason, where does the usual initiation for wanting a loan come from?
--A. (Ms Woods) Since 1981 there is no such thing as an overage loan and asking for money. It does not happen. It is either a completion guarantee with us or outside. They do not come to us. We would know as the picture is progressing that they are not going to make it, they are already going over. We get weekly reports covering every category, so I am not sure what you mean about - - -

Q. You have a marketing loan and you have still a production loan?
--A. Well the marketing loan I think Danny has explained.

(Mr. Collins) What is the question about the marketing loan?

Q. Where does the initiation for the loan come from? That comes from you and the producer?
--A. Yes.

Q. And you put in a written submission?
--A. To the Board. Yes, I say to the Board that in relation to this new picture I want an approval to have access to a line of credit totalling, say \$100,000 and I will draw a new account which is jointly operated by me and

and the producer and expended in accordance with the following budget which I submit at the time of seeking the line of credit.

Q. What about the production loans?--A. (Ms Woods) No matter how it shows up to you, to us it is part of the investment so it still goes to a Board.

Q. That would be initiated by the producer?--A. Well, it is when we decide how much we are going to invest in the film and in what form.

CHAIRMAN: But they put a submission to you?--A. Yes, but often we come back and make a counter offer, like, "We will not give you that but we will give you this."

DR. REFSHAUGE: They would be initiating the submission?--A. Yes.

(Mr. Collins) I guess it is fair to comment that in a production a lot of money is spent very very quickly. Remember, it is a six or seven weeks shoot and you are spending maybe \$2 million in that period. Reality is if something goes out of control, you know very quickly and the procedures of submissions and deliberations and all those sort of things have to be done and dealt with very quickly. We have an executive to deal with those things on the spot. When these things do go out of control, you have to act quickly to circumvent major financial disaster. If you do not make the loan funds available when they are needed in the middle of a production. - - -

(Mr. Sayer-Jones) We, of course, insist that there be detail of a cash flow analysis of the picture before it commences shooting so that it is not a matter of "Oh my God, they are spending a lot." We know how much they are supposed to spend on day six and if they have spent more, it is actually documented as to how much they should spend. Obviously there are certain variations but if they are going wildly over the cash flow analysis, they are in problems. It is relatively unusual for that to happen. Our experience has been that - Jenny, I think that is right, we have had very few.

(Mr. Riomfalvy) You see all the money goes to Canberra and then we have to get releases by telex from time to time.

(Ms Woods) No, it is not a cash flow. It happens automatically. You have to advise Canberra by telex and it is deposited to whatever bank account the production company is using on a weekly basis and if they do not spend that amount of money, it has to be returned within ten days so you have to have very accurate cash flow arrangements.

Q. Have you ever given any loans where you do not have any recourse for recoupment?--A. (Mr. Sayer-Jones) There has always been recourse for recoupment against the picture.

Q. Therefore there have been no loans where you have not be able to - - ?--A. (Ms Woods) If the picture is a dud we do not get our money back.

(Mr. Henderson) It is always against the returns of the picture. If the film makes money, we make money.

(Mr. Sayer-Jones) There has always been provision for recoupment.

(Mr. Collins) There would be no recourse to a security but recourse to the picture itself as security to repay the loan. That is show business.

Q. There is no loan you have given where you will not get it back given if the picture makes - - -?--A. No.

(Mr. Sayer-Jones) That would be an extraordinary situation.

CHAIRMAN: What would be the largest amount that the Corporation has lost on a single film?--A. (Mr. Riomfalvy) Loss up to date because it takes about ten years before you can really say well that is it because we are getting still bits and pieces from even unsuccessful films.

(Mr. Collins) Technically the largest amount possible to lose is the production budget.

(Mr. Sayer-Jones) But even there, the Corporation would not stand to lose the production budget because the investors would have put a certain proportion of the budget in. There is always a contingent liability on a worse case in error, that is that a film cannot be sold in any territory for any purpose. I do not believe there is ever a film that we have produced that has ever been in that situation. If you look at it from that point of view and you could draw a figure, I suppose on the day they were finishing the principal photography, you could say, well distribution and advance guarantee would be X dollars; our investment would be a certain amount and I suppose we would be putting money in to market the picture and if not one dollar came in, then you could give a specific sum, but it is such an artificial thing because every product has a price, but there is always a certain amount of return.

Q. Let us say you ruled the books off today. Could you give me the answer to that question?--A. Our most recent film, the latest film we did was Place at the Coast. It has not been released. That was about \$2.1 million budget. We put a distribution guarantee of 40 percent and we put in about 13 percent of the budget. What would that be Jim? 40 percent - - -

(Mr. Henderson) Roughly speaking \$1.2 million plus marketing loan.

(Mr. Sayer-Jones) So there is 1.3 but that film has not even been released.

Q. It is probably an invalid example. Let us take something that has been produced for a period of, say, 2 years. Obviously you have got most of the moneys back in that time?--A. Well it is not the case.

Q. You have explained the overseas difficulties but in terms of the average it would be reasonable to say - - -?--A. (Mr. Riomfalvy) Yes, Good Bye Paradise would be, I think, though if you would release it now it would be a great success. It is about Joh Bjelke Petersen and Queensland. We did it too early in the piece and we are trying to release it now but that was - I am sorry, I hope I did not offend you.

MR. FISHER: No.

CHAIRMAN: What would your losses be on that?--A. (Mr. Henderson)

If you go up to the fourth film from the bottom you can see quite clearly there. You take the equity investment by us because this is pre LOBA stuff plus I think - - -

(Mr. Riomfalvy) Could we make a list of those for you for the next meeting because we might be giving you the wrong information.

(Mr. Henderson) We did get our money back on the marketing loans so I made an error there.

Q. Did you put in the 1.7 on that?--A. (Mr. Riomfalvy) Yes we did.

Q. And that is now being reissued?--A. (Mr. Collins) No. That film was made some years ago. It was released. It fell into the category of the conversation we had prior to lunch. But times change. Tastes change, preferences change out there in the community and as you are aware, there is this Queensland political phenonema occurring where things are interesting about the Premier in Queensland and the state of Queensland and possibly if you released a film which - Good Bye Paradise is a story of a revolution occurring in Queensland where Queensland secedes from the Commonwealth and sets up its own state and its own government and it takes on the mineral wealth and the oil wealth that exists out on the Great Barrier Reef. It is a military coup. Now you could not sell that film four years back but today possibly it has a market. Pual is may be a little more optomistic about that than I am but nevertheless I do not want to open this conversation up here.

MR. FISHER: I think that would go successfully if it was Welcome Paradise.

MR. SMILES: Mr. Chairman, I would like to chase up some aspects on loans if I may. Mr. Henderson, you might be able to help me. The concept of a non recourse loan, is that something you are familiar with?--A. (Mr. Henderson) You are way out of my depth.

(Mr. Sayer-Jones) What that means is non recourse to the producers house and his furniture. Our loans have always had recourse against the film and its profits but if the phrase non recourse is used, it means that it was not in the position for example if the picture did not do well, we could bankrupt the producer. There are good reasons for that, policy reasons. It is common in the film industry not to expect producers who are often of very modest means to have their personal assets at risk if the picture is not a success. It is more than obvious, I think, from today that film returns are a speculative business. Indeed, that is a statutory requirement too. The NCSC has seen fit to demand that the speculative nature of the film be brought to the investors knowledge. For that reason it seems quite wrong, indeed immoral to have loans that have a recourse against anything other than the films revenue potential itself. So non recourse does not mean there was not recourse to a source of recoupment. It only meant that there was not recourse to the producers personal assets.

Q. That is a continuing policy of the Corporation?--A. The Corporation is not making loans in that sense but I cannot imagine anybody, be it possibly some commercial organization but I cannot see how a statutory authority, and I would suggest to you the large financial film houses either would ever want to be in a position to punish, and that is what it would be, a producer

by taking his assets and it would probably in effect bankrupt most producers because you are talking about large sums of money by accessing their personal assets if a picture did not work.

Q. Mr. Henderson, of loans receivable transactions, there is \$617,900 written off as at 30 June, 1986. On paper a considerable proportion of the outstanding loans also look fairly irrecoverable if you look over a ten year period and take note of the comments made by Mr. Collins and others with regard to difficulties. What is the policy with regard to write-offs?--A. (Mr. Henderson) Each year we set aside a certain amount which is in the income statement explicitly described as a transfer to the provision for possible non repayment of loans receivable. Every two or three years, and this year will be one of those years, we will be consulting with the Auditor-General's representative on the situation with all these loans to decide which of them should now be written off if there is no hope of getting the money back and we will write them off completely.

Q. Are you comfortable with the provision of \$325,000 this year? --A. Provision for 1985/86. Provision for 1986/87 will be different, probably larger because we have more loans. If you have more debts you make more provision. Therefore we have a much bigger provision for this year and we will discuss with the auditors which we will in fact write off.

Q. Why would most of that \$600,000 be written off as at 30 June, 1984 and only \$5,000 odd since then?--A. Because that was the last date on which we had a general discussion with the Auditor-General about specifically which particular loans we would write off. The actual cost is carried every year by the fact we have a provision each year. Which particular loans, we do not go every single year and say what are we going to do.

Q. Are you professionally comfortable with that arrangement?--A. Yes, as long as - we wrote off in 1984. Since then we have been making further provisions and therefore as long as we keep making further provisions, I am comfortable with that, yes.

Q. Does that fit with the marketing challenge as faced by the Corporation?--A. (Mr. Collins) I think the marketing challenges and public finance and audit requirements are really two diametrically opposed situations and as we are discovering at this particular gathering today, it is more than true, equally true. Technology, advances in technology are not being taken into account, that is in satellite distribution systems, Television systems, the advent of video; it has really not been thought through thoroughly by the Public Finance and Audit Act. As new markets develop for older product, we are at the moment licensing a number of titles for eventualities that were not even conceivable ten years ago. I think Jim has got his set of requirements that he must conform to but from a marketing point of view, whenever an opportunity arises, I will exploit it.

CHAIRMAN: Even though it is written off, it is not dead?--A. From my point of view it is still alive and if there is something to exploit, I will move to exploit it.

(Mr. Henderson) But we do not tell everybody what exactly we wrote off.

(Mr. Collins) With everyone of those pictures, there are investors involved apart from the Corporation and any income that one can earn can be returned to those investors and we take our obligations in that regard quite seriously.

MR. SMILES: If we put aside definitions of the loans that we have talked about and we just look broadly at what the Corporation is doing, in my view you are faced with the challenge of providing a subsidy although it would be nice if the film makes money and you can get it back and you are provided with the challenge of providing an adequate seed, financing your seed capital if the project looks attractive. With that sort of challenge and given that you have now had ten years in operation, is it possible to make some general projections in your accounting procedures and your operational activities balancing between the subsidy and the seed capital concepts regardless of how they are named by way of loans?--A. We referred earlier to our tenth anniversary. One of the things, and I said earlier that our tenth anniversary was a marketing exercise to a large extent, one of the things that we basically announced on that occasion is that for the past ten years we have taken into consideration our obligations to the community of Australia, to New South Wales to make and develop projects which cater to all different kinds of groups which derive benefit from the tax payer in one form or another. We have made films about aborigines, women, men, we have made films about all manner of things but we have not set out and said we are making films about the market place, about what we perceive the market place to be. At the time of our tenth anniversary we said we were going to take a more commercial direction, we were going to look to provide the kind of product that the market place actually is seeking as opposed to looking at our constituency and satisfying the interests of our constituency, the tax payer. I think we are now heading down that track and I can see the possibility and in this industry everything is uncertain but I can see the possibility of us now making the kind of product which looks to recover its production costs and go into profit by the way we tailor make the films that we are designing. In the past we have not designed products specifically for the market place, more for the people who came to us. After doing that for ten years, to have a change in direction which was announced at the time of this anniversary, we still have not produced our first film since then. However, reason exists to think that we can now be commercial, possibly we can recover our outlays and make profit. Equally we may not be able to but if you are focussing on that, if by design you are looking to do that, you have a better chance than if you are not focussing on that.

(Mr. Sayer-Jones) If I may put a gloss on that, as Paul said this morning, the Corporation does have a service aspect to it, a very major one. Our Government documentary division produces short films, documentaries for Government departments and statutory authorities. The Corporation is a lodgement delegate for the low budget scheme to assist producers not to have to go through the agony of prospectus provisions and the enormous costs. It is an important procedure. It helps the industry. The Corporation is involved in assisting - you have mentioned seed money for script writers, assisting the various guilds, the writers, the actors equity, all those various things, investment seminars, so there is a service factor. If you combine that with the marketing activities that we are doing, I would submit there is a cultural profit that unfortunately does not show up on the balance sheet in the sense that in dollars and cents the Corporation

is being grossly underestimated because it is producing, not just a betterment of culture but it is producing a cultural profit, profit that is shared by people in the film industry and principally in New South Wales in the sense where we are helping other people, other producers in New South Wales because we are opening markets and as Paul said this morning, I think it is so true and I think it is generally admitted that the Corporation has done a tremendous amount in raising the level of awareness of Australian film that allowed the Crocodile Dundee to happen. We hope one day to have a Crocodile Dundee, and as Danny said, the whole thrust of the Corporations policy recently is to drive towards a very commercial product and to try and make sure we fill the cinemas and maximize profits for a particular film. There is an intangible profit, not a money profit that has to be seen as being earned every year by the Corporations activities both in New South Wales and Australia and in the world.

(Mr. Collins) Let me take that to a further point. We, in this country, are looking to derive future income for the welfare of the community at large through the tourist business. Now would argue that in the last ten years and the Australian films that have been produced and exhibited around the world, especially Europe and the United States are very much responsible for the level of awareness now available about Australia and very much responsible for this tourist boom that we can anticipate in the next two to five years. The film industry in the space of ten years has done as much as the Department of Foreign Affairs has been able to do since Federation in creating awareness about Australia overseas.

CHAIRMAN: We would all agree with that but our job is to make sure you have done it efficiently?--A. Our constituency is the tax payer of New South Wales and we trust they do benefit not only from our films but also from the tourist industry which is about to bloom in this state and in this country.

MR. SMILES: I appreciate both of you making that explanation but my concern fundamentally taking note of what you said is that are we looking at a situation where the ten years experience in subsidizing and providing seed capital for films aside from your comments, Mr. Sayer-Jones about the other activities of the Corporation, are we looking at a situation where the investment in time and money by the Corporation there has a use in, as all people in the entertainment industries do, being able to project cycles or are we looking at a situation where the change in direction that you have talked about by the Corporation to look at more commercial films will in fact entail such a significant change that much of the experience or learning of the last ten years will not in fact be appropriate for the fourthcoming ten years?--A. I would hope so. I would hope that that would certainly be our intention by design. Reality will be - - -

(Mr. Riomfalvy) The point is this, if I might say, I think I mentioned it before, we said to the Government they have to make up their minds are they in a sort of business that is not normal for a government to be in and that is the Australian Opera, the National Council of the Australian Opera - I know this paraphernalia we are going through regularly. If the government feels that there is an obligation and part of the governments job to take part in this business, I am afraid it might not sound very professional to the Committee but it is not we who have to follow the Government, but the Government has to come to the party and let us run in the way which we believe an entertainment organization should be run.

CHAIRMAN: Sure, but we are here to make sure that the Parliament understands how it is being run at the moment. That is our job. We are not here to make valued judgments on your professional judgment in terms of the quality of a film that you have loaned moneys on and we do not intend to do that but obviously we have to ask questions which may seem that we are heading in that direction. I can assure you that we are not?--A. I understand that. But what I am saying, Mr. Chairman, is our business is so unusual for many - from many other government business that certain liberties have to be given in our business. Still we have to account for every penny. We have to run it efficiently but what efficient is in the Department of Main Roads is not the same as efficient or rather what is efficient in our industry is not necessarily as it would be in any government department.

Q. Yes, but all witnesses who come to this Committee give us the same answer. They say "we have these peculiarities in our industry. We have this difficulty that nobody else experiences" and you are no different but we do have some experience in that area and we appreciate the difficulties - -?--A. They have most likely stolen my script then.

DR. REFSHAUGE: When did you actually make the decision to move much more towards commercial viability of the films that you would be making?--A. One of the reasons we decided - - -

Q. Not reasons. When was it made?--A. When we saw the writing on the wall about LOBA. We realize you will not get any more investors only for tax lurks. The investors of the future will be people who really want to make money so we have to forget - you know, I always say I hate to make significant films because if you make significant films, it means it will not succeed at the box office. It may be significant to a section of the community but it is not box office. We realize that LOBA is coming to an end. It does not matter when or how. If we want to succeed in the Australian film industry, we have to be absolutely commercial but not forgetting quality. I made a statement to the Variety when I was in Los Angeles and I said that exactly, that it is coming to an end that the Government might one day say well that is enough and we have to be prepared for that. What we would like to know and we are not blaming the Government here, but we would like the Federal Government to go back to a bipartisan basis and tell us what is happening to the tax concessions because if tax concession finishes and that is when and why we made the decision because with the tax concessions, you will be able to do one or two films which you feel is a film you really should make and that was one of Patrick White's films. Nothing is more difficult than to knock back - can I say something which is not published in the press?

Q. No, you cannot?--A. What I want to say is we knock back projects of world famous writers and that is not easy because this fellow is on the top of his profession; everybody knows him in the world; how do you come to say the product is not good enough. Unfortunately when you have to look for commercial judgments sometimes the very well known writers of this world just do not perform in 1984 like they performed in 1955. That is what it basically is. Those writers are personal friends of mine so I really do not want to name them and I have to tell that it is not a pleasant - that is when I have to have a few drinks at lunch when I am telling these people the home truth.

Q. Taking up your point about uniqueness and I think there is more in it than the Chairman may have indicated, I see you are trying to be quiet entrepreneurial in a public enterprise and personally I think we ought to have a lot more of that. What problems do you see exist by being entrepreneurial? What are the constraints in being entrepreneurial in a public enterprise and may be instead of answering it off the top of your head now, if each of you could give us some sort of answer to that at the next meeting and see if we can look more directly at the problems you are getting apart from coming to the Public Accounts Committee?--A. You want it in writing?

Q. No?--A. I am much better telling stories than writing.

CHAIRMAN: On 15 April we will resubmit that question to you as the first question on the agenda and we will also pursue the overseas activities in terms of the marketing and the overseas branch?--A. We will prepare for that. What else should we be prepared for?

DR. REFSHAUGE: We will send you a letter about the things we are particularly interested in.

CHAIRMAN: Ms Woods, and gentlemen, than you for your attendance.

AT 4.00 PM THE COMMITTEE ADJOURNED UNTIL
WEDNESDAY, 15 APRIL, 1987.