

Comments on Screen Australia's Enterprise Funding: Program Review & Future Options
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Submitted by David Gurney 30-01-2014
dgurney@blue-rocket.com.au | 0419-666 883

General Comments

Firstly, as a disclaimer, these comments represent my personal views as an active practitioner and do not necessarily reflect the position of Blue Rocket Productions Pty Ltd or its affiliated companies.

The review of Screen Australia's Enterprise Program is timely and welcomed. However, I found the review document to be concerning in that it doesn't adhere to professional standards of measuring business growth, sustainability and success. It would be unlikely to stand up to scrutiny from any corporate accounting firm or management consultancy. As a result, it is difficult to consider that the document offers a rigorous examination of the Enterprise Program and its effects upon both the recipients and the non-recipients of funding.

In particular, the indicators and parameters that have been applied to the sustainability and profitability of the enterprise recipients are in my mind, vague and questionable. The bar is set so low that it would be highly unlikely that any of the companies that received the funding boost could fail to meet those standards.

The report also suggests that the Enterprise Program produces a significantly better result than that which is statistically plausible when compared to a benchmark such as The Principle of Factor Sparsity (Pareto's Principle). That there is such a wide disparity between the claimed success of the Enterprise Program and the Pareto benchmark implies that the methodology behind the measures of the Enterprise Program could benefit from closer scrutiny.

Further, the report does not take into account the impact of the Enterprise Program upon the broader industry. Deliberately or otherwise, smaller non-enterprise companies are now placed at a severe disadvantage to the companies funded under the program. Many small companies are already grappling with immense transformation within the global media environment. By placing them at a strategic disadvantage to their competitors is in effect a double whammy. Small companies are collectively the largest employers in the Australian screen industry and are the hotbeds of creativity, diversity and innovation, hallmarks of the Australian screen industry from the outset. Small companies are also able to respond more rapidly to market trends than larger corporations and with the right funding mechanisms could be very effective. Additionally, smaller companies can hibernate during lean times whereas larger entities are unable to do so and their burn rate of cash makes them extremely vulnerable. For these reasons, the smaller companies provide an immensely valuable safety net and underpinning to the broader industry.

While there is a place for larger companies, it should not be at the expense of the smaller companies. Statistical probability implies that the enterprise companies collectively will perform no better or worse than the broader industry in the long term. It is also too early to accurately measure the success or otherwise of the Enterprise Program recipients, particularly those whose fortunes now depend upon the success of their foreign shareholders.

Tweaks

In tweaking the model for the Enterprise Program, my suggestion is that the emphasis should be upon sustainability rather than continued growth. The pond is too small to sustain endless growth and a robust and right-sized company would have better long term benefits for everybody.

The attraction of commercial investment is for most companies, unlikely. Unlike say the US, venture capital is not something that is inherent in the Australian business psyche and even if it was, the ROI on media companies would seldom fit the profile. I suggest that attraction of commercial investment is not a prerequisite for funding at this stage.

Openness to unique proposals and flexibility would be a welcome variation to the existing model. Each company is unique and they should be assessed upon their own merits rather than forcing them to fit into a rigid mould.

Diversity of program slate should not necessarily be a prerequisite to funding. While there may be some advantages to having more than one tent pole it often comes at the cost of ruining the brand. In the long term, individual brands will do better if they are clearly identifiable within the market, ie. Ford doesn't sell baked beans or manufacture beachwear.

Funding allocation is probably appropriate given the overall limited funding available through the agency. Until such times as the sector is better funded, the amount should remain at similar proportions in my view.

From the research that I have undertaken, the broader industry does not feel any animosity towards the enterprise recipients but feels that they are being disadvantaged by the agency. This plays out in all aspects of the agency's funding programs from travel through to production. A possible remedy to this specific issue would be to ensure that all companies are treated equally by the agency and that aside from the enterprise funding, no additional advantage is given exclusively to the enterprise recipients. It could also be beneficial for Screen Australia to seek some high level expertise from a more rigorous consulting firm such as Accenture, IBM Global, or PwC.

On a broader level, the success of the Australian screen industry may benefit from a change in spend levels to development, production and marketing. While the Australian industry is renowned for the quality of its production, development and marketing have consistently been extremely underfunded and our overall success may be improved if that can be changed.

Attached to these comments is a document I wrote on this specific subject in 2013 as a component of the Masters in Screen Arts and Business course at AFTRS.

Feral Producing

Independent Television Producing in a
Changing Media Landscape and Beyond
the Walled Garden of Screen Australia's
Enterprise Program

David Gurney

Feral Producing

*Independent Television Producing in a Changing Media Landscape and Beyond
the Walled Garden of Screen Australia's Enterprise Program*

by

David Gurney

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Introduction

"This is happening because the age of television is ending, just as the age of printed textbooks and user manuals is ending, as the age of the hand loom and the wheelwright and the scribe ended before them. It is a hard change to live through, and those who are only skilled to work in the world of television will inevitably fear it, just as print-only journalists fear the online future."

Thompson (2009)

This document is written from a particular perspective, that of a mid-career independent television producer. It is an observation and an exploration of the strategies that are deployed by Australian independent television producers to sustain their businesses and succeed in the face of two significant external disruptors. These are happening *to* the producers and not being directly caused *by* them except perhaps more remotely and over time, through the collective inaction of the industry. The first disruptor is the changing media environment and the second is an artifact of Screen Australia's Enterprise Program which has been operational since 2009.

I have selected these two external disruptors for a number of reasons. One is a global phenomenon that has evolved and continues to evolve over a time span well beyond the working lives of any producer. The second is a considerably smaller disruptor that is localised within the Australian industry, the flow on effects of Screen Australia's *policy de jour* of favouring a small number of larger, so-called enterprise structures. Superficially these two areas may seem at first to be unrelated. However, it is my intention to demonstrate that in combination these factors are highly significant. Their effect is holistic and will continue to have a very profound impact upon the entire industry and in particular on the independent production subsector.

In spite of the different scale and scope of these industrial changes, this thesis suggests not only that both strongly impact on the production ecology but that in combination they are significantly altering the production environment for independent television producers.

Each of these disruptive influences is too significant to be ignored. The towering storm front of change was gathering momentum by the early 1960's, long before most people in today's media industry had even begun their careers let alone had any awareness of the profound impact of those early developments. Now, sixty years later, there is no sign whatsoever that the storm of change is abating. And while it is unlikely that Screen Australia's Enterprise Program will still be gathering momentum in sixty years from now, the effects of the current scheme will reverberate throughout the media industry for a considerable time. For those independent television producers who are not, for whatever reason, beneficiaries of Screen Australia's Enterprise Program, the operating environment has irrevocably changed.

In seeking to understand the issues explored in this thesis, I have conducted a survey of a selection of independent Australian television producers who are not recipients of funding from Screen Australia's Enterprise Program. My purpose is not to attempt any critique of the success or otherwise of the Program in its own terms. Nor am I attempting to provide any critique of the methodology that Screen Australia has applied to their selection criteria. Of particular interest to me, however, are the downstream effects of the scheme on the independent television producers who are non-recipients. They now operate in an environment in which a select number of producers, possibly direct competitors, have been given a financial boost of a scale that is potentially greater than the combined total profits that the non-recipient producer will earn in their entire working careers.

The non-recipient television producers are in effect locked outside the funding walled garden and left to go feral, even perish.

The effects of these combined external disruptors are interesting. If we look to nature we see that feral animals have a tendency to adapt. Faced with the threat of extinction they usually exhibit an extremely high level of adaptability and resourcefulness. Some of course may perish but the ones that survive adapt to a landscape that unprepared for them. The question is, how is it to be for Australia's independent television producers – collateral damage of a government agency's policy decision or honed into an independent survivor?

In writing this, I have focused my attention upon television producers rather than broadening it to film and interactive producers. There were two reasons for this. Firstly, the television industry has been relatively stable for a very long time. Even through years of rapid development and immense technological change, the television industry has remained a foundation stone in an increasingly tumultuous media environment. However, in recent years, the broadcast environment has become increasingly disrupted and is now being shaken to its roots. Secondly, there was a time constraint. Being primarily a television producer I did not have the reach needed to gain meaningful insights into the other media sub-sectors within the time frame available.

Of course the outlook is not entirely negative; new opportunities emerge and new success stories are created. Invariably however, discussion on the topic of industry transformation prompts a cautious response. Industry practitioners are more inclined to express concern about the sobering aspects of the transformation: the driverless-express-train of technological change; the internet offering a plethora of alternative entertainment options that are rapidly eroding traditional strongholds of business; shorter recoupment windows (read that as *shorter product life cycles*); declining ad revenues; and competition not only from afar but from new and unexpected quarters.

Document Structure

From the outset I wanted to be able to assemble an accurate representation of the typical overall environment in which the independent television producer is operating. In order to do that it was necessary to understand the external influences and the regulatory frameworks that significantly affected them and influenced their businesses to a degree that they were perhaps forced to do things differently. Therefore, I have divided this section into three components in order to cover the combined effects:

- The Environment;
- Screen Australia's Enterprise Program; and
- The Feral Producer.

The final part of the document includes the results of the micro survey.

The Changing Media Landscape

"I must have been delirious - for I even sought amusement in speculating upon the relative velocities of their several descents toward the foam below."

Poe (1841)

The Australian independent television producer operates in a changing media landscape. In part, the change is cultural, as our audiences shift their media practices from that of a primarily consumption mode to a participatory mode. That shift in itself is driven by facilitating technologies. And technologically, media is simultaneously diversifying and compounding, a curious metamorphosis that creates an extremely complex environment in which to conduct business.

This poses numerous and significant challenges to the independent television producer. In order to appreciate the current position I believe it is necessary to understand the depth, scale and duration of the antecedents of the current situation. The transformational changes to the industry are not sudden manifestations; they have developed over time and compounded upon earlier innovations. Many of these have been brewing on the horizon of the television landscape and within the periphery of our vision for many years, sometimes decades.

The Illusion of a Special Place

The early ground-breaking work by organisations like Xerox PARC laid the foundations of today's visual interface-centric media, long before it appeared to have any relevance to the broadcast industry. It was those early developments that would allow future companies like Microsoft, Google and Apple to become not simply facilitators, but complete environments in their own right, that could be easily accessible to the person-in-the-street. For example, the most prolific personal computer environments are those of Microsoft and Apple. Currently Microsoft has 90.81% and Apple has 7.54% market share of the desktop computer operating systems or environments. Netmarketshare (2013)

The respective interfaces are in effect, shopfronts for their underpinning environments, extremely complex systems that manifest themselves to users simply and logically via proprietary and graphical user interfaces (GUI's). Both Microsoft's and Apple's GUI is an evolutionary development of the GUI that appeared on Xerox PARC's Alto computer, released in 1973. The environment is a method of storing, organising, packaging, delivering and controlling disparate content, and today's personal computer is capable of delivering a broad content spectrum. The holistic effect of the environmental packaging and control systems blurs the boundaries between the content itself and the delivery environment to such an extent that the user is for the most part, unable to distinguish the difference between the two. Postrell (2004) argues that humans are not only visual and tactile, but utilise form to communicate and infer meaning from familiar aesthetic elements.

The line between device and environment is even further blurred with devices such as smartphones and tablets. Far more than a desktop computer, these devices are extremely tactile and personal. The user is further given the illusion of a special place through marketing strategies that seek to establish points of differentiation between the two systems which provide near identical functions. The end result for the user is that the content seems to belong intrinsically within the environment. In some cases, the line between delivery environment and content become even further blurred. Examples of this include Apple Inc., a computer company that has become a mobile phone manufacturer and music distributor; Google Inc., a search engine company that has become a complete environment, a mobile phone manufacturer, and a distributor of media content to a global audience; and Microsoft, a software company that has become a game console manufacturer, a mobile phone manufacturer, and a global distributor of film, television and music content.

"Environments are invisible. Their ground rules, pervasive structure, and overall patterns elude easy perception."

McLuhan and Fiore (1967:84-85)

The Tangled Web

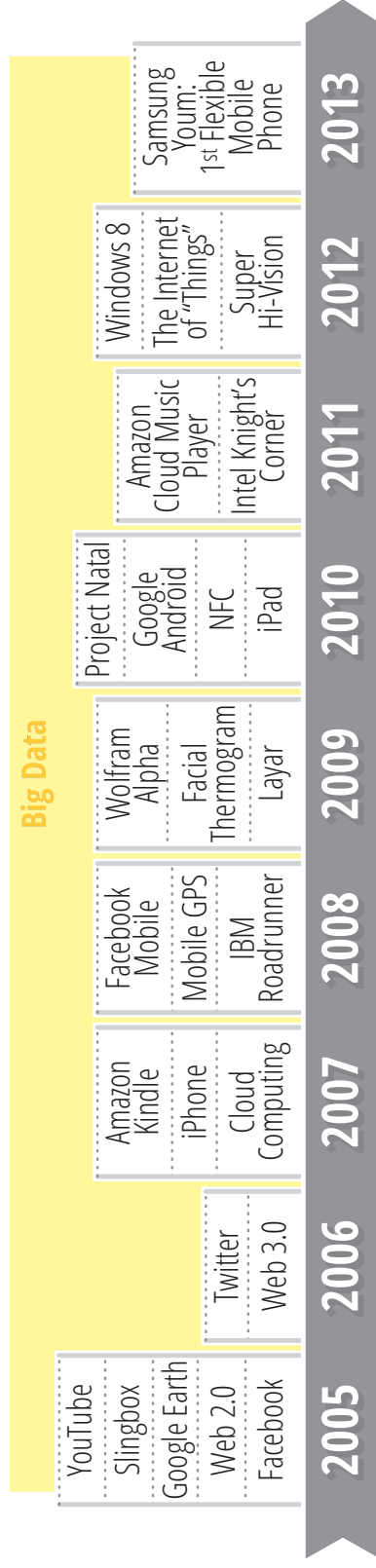
The internet became accessible to the person-in-the-street in 1993. Although the first web browser was invented in 1990 by Sir Tim Berners-Lee, it was the introduction of *Mosaic* (later renamed *Netscape*) and *Internet Explorer*, which resulted in the subsequent explosion in web use. According to Negroponte (1995), the adoption of the early web browser Mosaic grew at 11% per week between February and December 1993. The World Wide Web was born. It was the public debut of a massively disruptive technology and one of the moments on the convergence timeline that the transformation of media, rapidly increased in velocity. And it certainly wasn't background noise. The impact of this technology has touched almost every part of daily life and its effects continue to be felt strongly within the media industries.

Convergence

Since ISP's began to emerge in the late 1980's and early 1990's we have been on a trajectory of so-called *convergence*. Although *convergence* as a phenomenon was first defined by Fidler (1997), it is clear that an enormous amount of groundwork had already been laid by a great many people. The roots of convergence and the media landscape as we know it today stretch back long before the term was coined. Its evolution appears to be an almost organic interdependence, reminiscent of a Jackson Pollock painting. Layer upon layer of independent innovations and evolutions have continued to build up, intertwined and interconnected to give us today's infinitely complex and dynamic ecosystem. It is a complex and global symbiosis. New technologies are like technological adverbs, transforming the meaning and application of previous innovations.

Significant Convergence Milestones

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Flew (2007) describes convergence as a phenomenon involving the interconnection of information and communication systems, computer networks and media content. Flew argues that *Convergence* is a direct consequence of the digitisation of content and the popularisation of the internet, enabling entirely new forms of content to emerge. The five major elements of media convergence are technological, industrial, social, textual, and political. The focus within this thesis is upon the elements of technological and industrial. Although these can be viewed as disparate elements they maintain an intense symbiotic relationship, a virtuous cycle of development and exploitation. The technological advances are driven by industrial demand for increased profitability, greater efficiencies and attempting to maintain a competitive and marketing advantage.

IPTV

In 1995 Precept Software (now owned by Cisco Systems) released an internet video product named *IP/TV*. It was a multicast backbone compatible with Microsoft Windows and Unix operating environments and has become the underpinning technology of today's so-called converged media landscape. Also at that time Microsoft was touring the world presenting working demonstrations of their interpretation of IPTV and a startling vision of the compound media landscape in which we find ourselves today.

"IPTV is defined as the secure and reliable delivery to subscribers of entertainment video and related services. These services may include, for example, Live TV, Video On Demand (VOD) and Interactive TV (iTV). These services are delivered across an access agnostic, packet switched network that employs the IP protocol to transport the audio, video and control signals. In contrast to video over the public Internet, with IPTV deployments, network security and performance are tightly managed to ensure a superior entertainment experience, resulting in a compelling business environment for content providers, advertisers and customers alike."

IPTV, Wikipedia (2013)

IPTV represents the nexus of convergence, the complete melding of traditional broadcast with internet and communication technologies. It is operational proof that convergence has occurred.

I attended an AIMIA conference in Melbourne in 1996 where Microsoft was demonstrating a working model of IPTV, complete with clickable video, non-linear and interactive functionality, and side channelling. Up until that time, clickable video was something of a holy grail for interactive media producers and when it was casually unveiled and fully working as merely one of numerous features of Microsoft's IPTV platform, the room erupted into pandemonium. Their end-to-end IPTV model was supported by integrated product placement with e-commerce side channelling, complete with fulfilment and tracking systems. I sat stunned in the audience and a number of thoughts occurred to me. Firstly, there was no way that Melbourne was the first place that Microsoft chose to share their brilliant plan with everyone. It was probably city number 400. Secondly, if they were in Melbourne in 1996 demonstrating such a deeply integrated and advanced product set, *when* did they first start thinking about it? It made me suddenly fearful of how far behind the curve the Australian industry was.

Kingston Communications, a regional UK telco, launched the world's first IPTV service, Kingston Interactive Television (KIT) in 1999. This was rapidly followed by numerous channels worldwide as the IPTV industry exploded. In Q1 and Q2, 2006, Alcatel installed 5 million IPTV set top boxes (STB's) in homes in Texas alone. In 2007 TPG became the first Australian ISP to launch an IPTV but even in the 2013 Australian marketplace, IPTV is only just starting to gain real velocity, 17 years after Microsoft's demonstration in Melbourne. This is a clear indicator of the adoption time-scale, particularly within a micro market like Australia and it surely begs the question: *What are companies like Microsoft thinking about today?* If we knew the answer to that we would gain an understanding of where we as an industry are positioned on the thought leadership gradient.

The *Doctor Who* Effect

Historically, technological change has challenged established media economies. It is possible that cinema operators in Australia may have heard distant alarm bells as far back 1956 with the commencement of broadcasting by TCN 9 (Channel Nine). However, television's only feasible operating model of appointment viewing had barely gained a foothold within the Australian entertainment marketplace when it also was challenged by an emerging technology in 1958 with the introduction of Phillip's laser disc. By the time the first commercially available VCR (the Philips N1500) hit the marketplace in 1976, the era of time shifted entertainment had established a firm foothold and the golden age of television was indisputably facing what would emerge to be a significant threat. For a number of years, television audiences have been migrating from appointment viewing (traditional linear television programming) towards a variety of time shifted entertainment options. Like *Doctor Who* (1963-2013), content can now be experienced anywhere and at any time.

Advertisers Get the Drift

The impact of these changes is becoming increasingly apparent in the television industry and large scale transformations are continuing to occur within the broadcasting model. Concurrently, advertising spend is increasingly shifting online where results are accurately measurable through the extraction of metadata rather than the ad hoc *advertise-blindly-and-hope-for-the-best* strategy that has been the trademark of television marketing strategies since their inception. According to Windrowski et al (2011a), internet advertising in Australia is projected to grow at an average of 13.5% p.a. between 2011 and 2015 whereas television advertising has a projected average growth of only 2.3% p.a. during the same period.

"Half the money I spend on advertising is wasted; the trouble is I don't know which half"

Wanamaker (1838-1922).

The television industry has hi-jacked John Wanamaker's joke. However, borrowed or otherwise, the joke is no longer quite so amusing because advertisers now have a viable alternative in the internet, and they are embracing it.

The Commoditisation of Content

The emergence of new technologies, often seemingly remote and disconnected from the media sector, challenges an industry that has remained resistant to change for almost seventy years. Empowered audiences are making and 'broadcasting' their own programs with little or no concern with financial reward. These *nouveau producers* seek only the endorsement of an audience and will go to extraordinary lengths to achieve that. 100 hours of video are uploaded to YouTube every minute and the 6 billion videos viewed each month on YouTube are testimony to the popularity of 'DIY' content. *YouTube Press Room* (2013)

Everyone has become a Visconti and content has become commoditised.

"Never underestimate the power of a million amateurs with the keys to the factory"

Anderson (2006:58)

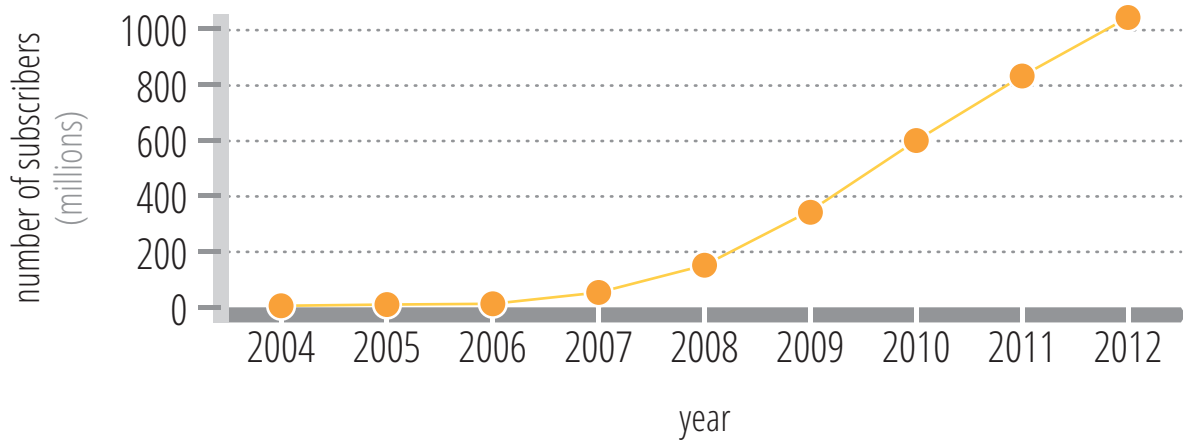
Getting Social

Social Media is a significant and current driver of convergent media. The term *Social Media* defines the underpinning technologies and services that facilitate engagement in communication, whether it is one-to-one, one-to-multiple, or multiple-to-multiple. Rheingold (2012), argues that social media makes it possible for everyone in the network to simultaneously be a producer, distributor and consumer of content.

Audiences worldwide are significantly changing their content consumption habits, as they embrace, for the time being at least, a superficially more socially oriented content model but practically, an egotistical one. The chart (below) depicts the rise in popularity of Facebook which now claims to have over 1.11 billion subscribers who access their account each month.

//// Growth of Facebook Subscribers

Data Source: Facebook



"We are suddenly to have things and people declare their being totally." McLuhan (1964)

Media Snacking

Facebook now claims to receive more daily hits than Google as its own business model increasingly assimilates search functionality. Different modes of media consumption are adopted and adapted on the fly by tech savvy audiences. Television is going through its own metamorphosis from its origins as a clearly identifiable stand-alone medium into a media that is integrated within an expanding array of content consumption choices. Audiences now routinely expect 'enhanced television services' such as viewing on demand, time-shifting and so-called *Catch-up TV*. These services are increasingly being facilitated by 'follow me' technologies that accommodate viewers' habits of watching part of a program on one device and then continuing to watch the same program on a different device, sometimes in a different location. It is the trend towards *media snacking* – bite sized consumption of content anywhere and everywhere that increasingly contributes to audiences under 25 years of age feeling a high level of discontent with the traditional TV offering. We are in the era of the train stop episode. According to Windrowski et al (2011b), the number of Australians who consume video online increased from 41% to 60% between 2009 and 2010. PwC estimates

that online, as an entertainment delivery platform, within, will increasingly account for a greater percentage of personal entertainment time within the Australian market, with a projected increase from 7% p.a. in 2011 to 11% p.a. by 2016.

Shaky Ground

Few industry practitioners or commentators would disagree that the film and television industry is embroiled in an immense and ongoing transformation, the repercussions of which are felt in every subsector. New and connected technologies are putting the industry under considerable and increasing pressure at almost every level and from almost every angle. Production and delivery methodologies that have been stable foundations of the industry are now faltering – unreliable and crumbling. The knock-on effect for the industry is significant with declining revenues and declining employment opportunities. The Second Australian Producer Survey 2012 demonstrates both a decline in full-time employment for television producers and an increasing number of micro production companies reverting to sole trader status. The survey also reports a significant decline in television production across all segments, most notably, a 13% decline in drama production from 2011 to 2012.

ARC CCI (2012:28)

New formats and delivery platforms are appearing, but many vanish almost immediately. Profits seem increasingly elusive and audiences increasingly fickle and transient. What was once a relatively stable industry has become a foaming sea of change, littered with the wrecks of companies, new and old. One possible remedy to this may be the global adoption of HTML5, a relatively low-overhead, platform agnostic solution, as an underpinning technology for content delivery. Although in its infancy, the technology is already proving very promising.

These far reaching changes are applying pressure upon the television production industry from every angle. Within this turbulent environment there are both advantages and disadvantages for the producer.

Big Data

Today's media is omnipresent, engaging, sometimes interactive and increasingly hard wired into Big Data. The term *Big Data*, coined by Mashey (1998), describes a collection of data sets so massive and complex that it is not practical to process using standard database applications and system architecture. For large enterprise, the utilisation of Big Data is an economic imperative and the mining of Big Data is essential for maximising profits. Big Data is a key reason why Facebook, Google, Bing, Twitter and a plethora of other service providers are willing to give away their services for free. In addition to bombarding users with targeted advertising, they are mining valuable data on a scale that has previously never been possible. For the producer, Big Data is the new 'cool' because it can facilitate a deep understanding of our audiences and their media consumption habits. This is a toolset that has never previously been available and may be advantageous in the development of future projects.

Old New Media

It is unconvincing for producers to refer to *new media* or to argue that they never saw it coming. However, being aware of change on the periphery of your field of vision and being well positioned to exploit opportunities afforded by such changes are two different things entirely. Most producers have for some time at least, been aware of the threats and opportunities afforded by emerging technologies. There is an expectation from the market that content will be delivered on multiplatform and in fact, an extended content strategy is a prerequisite for presenting projects to the Australian Broadcasting Commission. But the cottage industry makeup of the Australian industry and piecemeal nature of production work within the Australian market leave little wriggle room for producers to respond to these changes and market requirements. Independent producers tend to operate in one of two modes. They are either scrambling frantically to get a new project off the ground or, if they succeed in getting a project up, they are busy undertaking the role of producer on their project. This leaves precious little time or resources to devote to exploring new technologies or blue sky products.

The Slide Rule Effect

Some technologies evolve gradually and others are replaced by a completely new technology that has no apparent connection with the technology that it is displacing except perhaps that it performs a similar task. This makes the task of predicting which direction to follow or which technology to pursue, all the more challenging. Many new and significant developments are occurring at the periphery of our vision at best, while others appear with little or no warning whatsoever. The latter often has the effect of sideswiping an existing technology, either writing it off completely or bashing it into a new shape and position.

"A new medium is never an addition to an old one, nor does it leave the old one in peace. It never ceases to oppress the older media until it finds new shapes and positions for them."

McLuhan and Zingrone, (1997)

As an example of technological evolution, let's consider the thermionic valve, sometimes referred to as an electron tube. This device is used to control electrical current in a vacuum sealed tube. In its simplest form it is the incandescent light bulb but the slightly more complex variants allow it to be used to process signal, act as an amplifier, or a number of other functions. Among other applications, it was a standard component of communication devices including televisions and radios, for many years. The thermionic valve evolved over time into the transistor, and then into the integrated circuit. Years of research and development can be traced to follow a clear progression of the evolution of thermionic valve technology into the modern day integrated circuit (*chip*), with one innovation building upon or improving upon a previous development. Each innovation made things smaller, cheaper, faster, better, or all of those things and today's integrated circuit sits atop more than 100 years of concerted research and development. Even though there is scarcely any technical similarity and certainly no visual similarity, between a thermionic valve and a modern integrated circuit, they are from the same electronic family of components and share the electronic equivalent of the same DNA.

However, while the thermionic valve has passed on its electronic DNA, the same cannot be said of the slide rule. Not that long ago, every single person that had to perform any kind of mathematical work, had a slide rule. Its use and operation was taught in schools and endless tasks were performed with these amazing devices. In the increasingly technological era of Post-World War II, when everything from construction to aerospace was booming, the slide rule manufacturers must have felt comfortable and reassured of a long and prosperous future. They may not have even been particularly concerned when in 1964, Sony Corporation released the world's first transistorized desktop calculator. According to Ball and Flamm (1996), the unit was not particularly profitable and Sony Corporation eventually abandoned that market. The early electronic calculators were incredibly expensive and it's easy to understand how slide rule manufacturers of the day might have ignored those early warning signs of catastrophic change. But by the early 1970's Sharp, Sanyo, Texas Instruments and Canon, among others were rushing to manufacture increasingly smaller pocket calculators. Ball and Flamm (1996)

Within six years of the introduction of the first cumbersome transistorized desktop calculator, the lid was being nailed shut on the coffin for slide rule manufacturers. While there is still a niche market for slide rules, it has, in a relatively short period of time, gone from a booming business to servicing a tiny niche of enthusiasts.

I believe that an equivalent of the Slide Rule Effect has occurred within the Australia film and television industry. The warning signs of major changes to the media landscape have been in place for a long time – so long in fact that for most producers, the signs have been there since the beginning of their careers. The ITC (Information Technology and Communications) industry has been developing concurrently with the film and television industry, albeit at a much more rapid pace, but its development trajectory set it on a collision course with the film and television industry among numerous other industries that have been affected by the new technologies. Unlike the pocket calculator or the integrated circuit, the ITC sector is not a single product or service, but an almost infinite variety of products and services. As a result there has been no distinct collision point or integration point. We cannot point

to a particular date and say that was the day that convergence happened. Instead, for the film and television industry, it has been more like flying blindly into the asteroid belt. We experience countless collisions with different sized objects, and seldom does the size of the object have much bearing upon its true significance or the impact, and sometimes damage, that it will cause.

Not all of the collisions have been disastrous and in many cases, new technologies have been adopted and successfully integrated into the industry. One example of an adopted group of technologies is digital image manipulation, which has facilitated the growth of many new and highly specialised jobs within film and television. Another example is non-linear editing, which has revolutionised the entire post production process.

"When faced with a totally new situation, we tend always to attach ourselves to the objects, to the flavour of the most recent past. We look at the present through a rear-view mirror"

McLuhan and Fiore (1967:74-75)

To add complexity to the business environment, the challenge for the independent television producer is trying to differentiate between which new technologies and practices, if any, are real and enduring, and which ones are simply buzzwords or previously established technologies repackaged into some company's brand and then passed off as something new and innovative.

The numerous attempts to categorise the infinitely various permutations of media have resulted in the widespread adoption of effectively meaningless buzzwords. Words like *multimedia*, *hypermedia*, *interactive media*, *transmedia*, *crossplatform*, and *multiplatform* appear with authority, each apparently imbued with characteristics that differentiate them from one another.

For example, *Apps*, the current buzzword for *application* or *executable file* is a prime example of the hype surrounding mobile technology. The term suggests something new, when in reality an application or executable file has been the established convention for as long as microprocessors have been in existence.

While this may appear trivial, the challenges are real. Firstly, a move into any form of interactive production or multiplatform delivery requires both an understanding of the new sector and an expansion of the producer's business model from linear content production to include software development. This is neither a simple nor necessarily a logical step. A producer who is under-resourced technologically can easily have their energies and financial resources diverted along a seemingly worthwhile pathway that is either lacking in substance or never gained enough traction to become properly established in the first place.

Why platform differentiation is a significant and very real challenge is that content and the delivery technologies are increasingly interwoven to the point where they are almost inseparable. Without massive resources the producer needs to commit to a platform and concentrate on that particular one. In many cases, content and technology are deliberately bundled into an inseparable package. Examples of this include walled-gardening of content by companies like Sony, LG, Samsung, Apple and telecommunications companies who attempt to force audiences to remain within their sphere of influence by offering a portfolio of media content that is exclusive to their platform or service. Inoperability is a deliberate characteristic of their marketing strategies. If you aren't part of their world you simply can't enjoy the experience.

Another example of this is to consider content which depends upon a current technology as a critical experiential component of the delivery mechanism. Touch screen PC's, tablets, and Smartphones provide an enabling technology at low cost to consumers that facilitate a whole raft of media content. Therefore the experience of the content is wholly dependent upon the current benchmark of technology, the touch interface. The device and the content are entwined in a symbiotic relationship. The content cannot be appreciated and experienced the same way without the enabling technology, and the enabling technology is essentially

pointless without the content. We fully associate the look, weight, feel and responsiveness of the device with the content we are experiencing and vice versa. A badly developed piece of software makes the device feel unbearable to use.

Smartphones and tablet devices as commercial products have now been on the market for over a decade (Ericsson R380 Symbian Smartphone released in 2000; Microsoft Tablet PC released in 2001) and the two form factors are well established. The enormous size of the tablet and smartphone markets would suggest that they should be exploited and content should be extended into those environments. This, for the independent producer is easier said than done because of a number of factors which impact to a greater or lesser degree upon their ability to successfully enter these so-called *new* markets.

Burning Platforms

The continuous cycle of change, an ancillary product of the accelerated development in our media world has been the diminishing product life expectancies of new content delivery platforms. On the one hand, the television producer is faced with increasingly less attractive terms in broadcast licences, accompanied by audience expectations of multiplatform and socialised content. These factors encourage producers to seek revenues from alternative media delivery platforms. But on the other hand, the revenues from those alternative and emerging delivery systems are elusive at best. The global trend is the move towards mobility and most alternative delivery mechanisms now involve a combination of mobile device and social media to varying degrees.

Here are some examples of diminishing product life cycles within mobile platforms:

Mobile manufacturer HTC was founded in 1997, long before Samsung or Apple were making smartphones. In addition to manufacturing their own products they manufactured mobile products for a variety of other brands like Palm and HP. Despite a history of innovation and excellent products, HTC is struggling. In the second half of 2011, HTC lost an incredible USD\$27 billion, or more than 75 percent of its market capitalisation. Tsai (2012)

RIM (Research in Motion), like Apple, manufacture devices that cosset the user in the manufacturer's exclusive ecosystem. They entered the smartphone business after Microsoft but before Apple. The Blackberry didn't offer the depth of business functionality than was available from Microsoft's mobile platform at that time, but it quickly became dominant, particularly in the US and Europe, commanding a stranglehold on the business user market. The primary factor for its rapid establishment was the BBM messaging application. At that time, the US mobile market was stifled because it was not possible to send a text message between different carrier networks and Blackberry's BBM was the only way to communicate by text. Within RIM's ecosystem is a suite of apps and many companies existed solely to develop for RIM's ecosystem. However, within the last couple of years, the surge in market share from Android and Apple predominantly and more recently Windows Mobile has eroded RIM's position in the market to an almost irrelevant level. This was caused by corporate customers wanting to use their personal mobile phones at work because they didn't want to have to carry two devices.

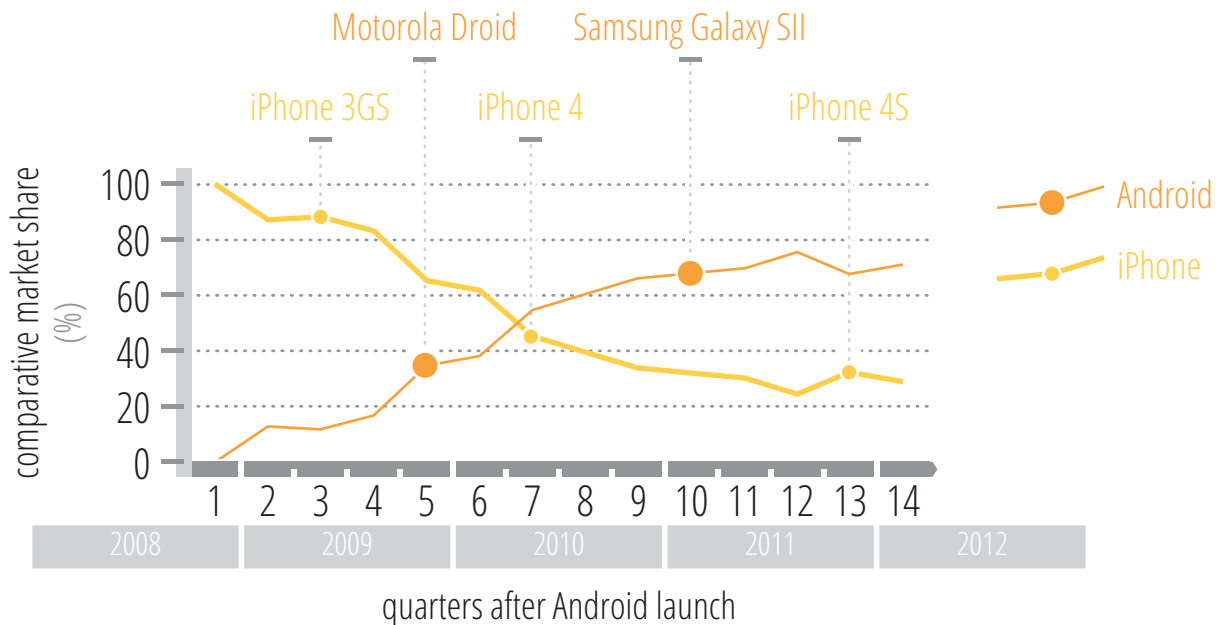
In September 2013, Blackberry announced that they were giving away their best product for free, the BBM messaging services client, to rival mobile platforms in an attempt to attract customers back to their own platform. Kelion, BBC (2013)

Apple's iPhone was first released in June 2007 and sales of the subsequent 3G model peaked in December 2009. At that time according to Singh (2013), Apple had around 50% of the smartphone market. At that time everyone in the mobile business was either developing iPhone apps or planning to do so. Companies were founded with the sole purpose of developing iPhone apps. But today, in the span of less than four years, Apple's share of the smartphone market has fallen to less than 12%. The following chart depicts two rival mobile platforms and demonstrates the short period of time in which one dominates the other.



iPhone vs Android Smartphone Market Share

Data source: *tech-thoughts.net*



In other examples, Microsoft was in the smartphone space ahead of most, with their first Windows Mobile released in 2000 yet has struggled to ever gain more than 11% of the market. Sony Ericsson too, have manufactured excellent smartphones and developed their own ecosystem but never gained more than about 4% market share. Before those companies, Palm had an excellent pocket device (Pilot) with a suite of apps and it has now completely disappeared. Even earlier was British manufacturer Psion, with the world's first pocket computer in 1984. And perhaps most astonishing of all is Nokia who for around two decades held the lion's share of the mobile market including the smartphone market, but in recent years have lost market share to competitors who entered the market many years after they did.

In 2012 Samsung overtook Apple as the world's largest smartphone manufacturer – but for how long will Samsung remain dominant against other contenders? In 2013, there are large Chinese manufacturers like Lenovo, Huawei and ZTE that have Samsung firmly locked in their sights. All of these platforms, their unique combinations of physical products and the

environments they facilitate have been excellent, useable and well supported, delivering a great user experience. Yet despite that, they not only fail but the timeframe in which they fail gets increasingly shorter with each new flavour of device.

For the producer it is not a matter of determining which burning platform to cling to but more about finding a way to rapidly exploit each platform without such a significant commitment that it is impossible to separate from them as they begin to crumble. To service these various delivery platforms, is no trivial pursuit either because there is considerable variety of formats that need to be accommodated within any brand's product offering. Too complex and expensive for any content producer to deal with, the formatting is handled by specialised companies that require either payment or a share of the gross revenues from any content sales in order to provide their services.

Broadcasters and the Changing Media Landscape

There has been no consistent way in which broadcasters worldwide have responded to the changing media environment. Faced with an ever expanding array of options and choices this creates uncertainty for them as well, and failures on the scale at which they operate are catastrophic. Even developments based upon widely adopted and globally accepted standards have fallen by the wayside as another technology gains a foothold and surpasses the previous one. An example of this was ITV (interactive television). The BBC was one of many broadcasters that embraced ITV and invested heavily in the technology. But it was a stillborn technology, and IPTV (internet protocol television) was well established and gaining ground before audiences had adopted the technologies that would allow them to experience ITV.

While some broadcasters have forged strategic alliances and moved forward (eg. Nine MSN), there is a tendency with others to include a range of defensive strategies in their approach to content licencing until such times as they can see a clear way forward. These defensive strategies include:

- netting off – broadcasters pay less for programming in anticipation of producers deriving revenues from secondary rights exploitation (eg. online, mobile etc.);

- wholesale bundling - bundling interactive and mobile media rights into the primary deal rather than only those that form an integral part of the broadcast of the program;
- warehousing - the non-exploitation of secondary rights acquired by broadcasters;
- lengthy holdbacks – imposing excessive holdback periods within the primary television licence and/or applying onerous terms and conditions relating to the broadcaster varying or waiving the holdback period;

The Business Side of Convergence

The Changing Media Landscape extends beyond the utilisation of emerging and/or different technologies to reach and engage with our audiences. A significant aspect to the changed technologies is that they allow us to conduct our businesses in a completely different manner to the way in which it would have been conducted ten or fifteen years ago. These functional technologies have insinuated themselves into our business environment to such a point that they have become totally integrated. Like other business practitioners in almost every industry, producers have been quick to adopt these enabling technologies. To my mind it is a little surprising that we have so rapidly accepted and adopted the *back office* components of the changing media landscape but have been slow to adapt to the ones that connect us with our audiences. Some examples of these technologies include:

- enterprise grade communication tools (eg. Cisco Unified Communications, Cisco Telepresence, Microsoft LYNC);
- online project management and collaboration tools (eg. Basecamp, Microsoft Sharepoint);
- domestic grade communication tools (eg. Skype, Facetime, Gotomeeting); and
- mobile communication apps (eg. Blackberry BBM, WhatsApp);
- server to desktop to mobile synchronisation (eg. IBM Lotus Notes, Microsoft Exchange);
- micro scale cloud based data storage and sharing (eg. Dropbox, Skydrive, Hightail, iCloud, Google Drive, Sugarsync);

- enterprise scale cloud backup solutions (eg. Symantic.cloud, Nirvanix, ADrive, RISC Cloud); and,
- cloud based creative and administrative solutions (eg. Adobe Creative Cloud, Microsoft Office 365, Autodesk FBX)

These technologies have fundamentally changed the way in which we are conducting our businesses. Producers are able to conduct international business more cost effectively and efficiently and their businesses are less reliant upon physical facilities and resources that may be vulnerable.

In summary of this section, the environment in which independent television producers are operating is characterised by sustained transformation and instability. There is a market expectation of a diverse and participatory content offering but the establishment of viable financial models frequently proves to be unreliable. There is an economic imperative for producers to be continually transforming their own business practices and methodologies in order to keep pace with the change occurring around them.

Screen Australia's Enterprise Program and its Impact Upon Independent Television Producers

"If the industry is to survive it is not just the producers who have to think differently and move faster, it is also the government agencies."

Independent television producer, 2 September 2013;

"..out of touch with market place, old boys network, arrogant..." Independent television producer, 6 September 2013;

"The State and national film funding bodies have become irrelevant to me as they haven't managed to keep up with the way the media landscape is changing."

Independent television producer, 2 September 2013;

At the same time as producers are dealing with significant technical and audience disruption, the attempt by government agencies to intervene in the struggling marketplace has introduced another set of disrupters. It has been long acknowledged by industry practitioners and screen agencies alike that the Australian film and television industry is in character, far more *cottage* than *industry*, and heavily over-serviced. Producers have traditionally been project focused and their businesses operate in successive cycles of feast and famine, with little opportunity to break free of the constraints that are inherent within such a system. From that standpoint it is justifiable that a different business model is necessary if the collective industry is to achieve anything resembling sustainability and ideally, profitability. This widely perceived need for industry practitioners to behave in a more businesslike manner, and the work by Jonathan Olsberg's UK based organisation, O-Spi, contributed to the formulation of SAEP. While the scheme may be a boost to recipient businesses and a lifeline at a time of complex environmental uncertainty, to many non-recipients it has been

perceived as an indirect form of culling. The non-recipients are to a greater degree locked out of the Screen Australia funding walled garden and at a casual estimation, may appear to be at a severe disadvantage to the select few companies that have been 'chosen'.

SAEP is by Screen Australia's definition, "...committed to assisting in the development and creation of viable screen businesses." Screen Australia (2013:1)

Funding of up to \$350,000 p.a. for three years is available to companies or consortiums that meet certain criteria. The funding is comprised of part grant and part recoupable loan in proportions that are variable depending upon the nature of the submission. SAEP is particularly focused upon the *new*, new opportunities, new revenue streams, new partnerships and alliances and, "...encouraging development, production and marketing strategies which address new opportunities in the digital and online realm".

Screen Australia (2013:1)

Super-Size Me

There is evidence in support of the position that the Australian television industry is substantially a cottage industry. The Second Australian Screen Producer's Survey 2012 found that 87% of television producers worked in companies of less than four people, and 40% of the industry were sole traders. ARC CCI (2012:39). This type of business is what the Australian Bureau of Statistics (ABS) classifies as 'micro businesses', meaning an actively trading business that employs 0 – 4 people. Small business is described as actively trading and with between 5 - 19 employees. The ABS classification of medium and large enterprise business would exclude the majority of Australian television production companies including the recipients of SAEP. Medium sized businesses are defined by ABS as having between 20-199 employees and large businesses and employing 200 or more people. ABS (2011:3). Data from The Second Australian Screen Producer's Survey 2012, indicates that only 13% of Australia's television companies would qualify to fit in the ABS category of *small business* or larger. ARC CCI (2012:39)

Being a recipient of SAEP does not necessarily catapult screen businesses into the category that the ABS defines as 'Enterprise', but it does attempt to develop companies that are larger and more sustainable than the industry's median, the tendency to remain within the micro business category. The transition from micro business to something larger is achieved through a three year funding program for the selected companies that is comprised of part grant and part loan. Recipient companies are also in pole position for Screen Australia's production funding, and placed substantially ahead of non-recipient companies in that respect. This of course is a logical position for Screen Australia to take because it would be ludicrous to fund a company on one hand, and then deprive them of a pathway to production on the other.

My concerns regarding the effect that SAEP will have on independent producers whose business does not fit Screen Australia's current prescribed corporate 'right-size' have been reinforced by discussions with various producers. Not everybody wants to be *big*, and big does not always work because, although there are benefits of scale, it is much more difficult to sustain in lean times.

"As it doesn't support single companies, I haven't applied to the Enterprise Scheme. Amalgamating with another company in a small community, where options are minimised, is difficult."

Independent television producer, 31 August 2013

While there is little apparent malice towards the recipients, there is a particular concern within the industry of the extent to which non SAEP recipients are disadvantaged against the SAEP recipients in competition for Screen Australia development and production funding. This is perceived as being in addition to the advantages the SAEP companies receive directly through the SAEP funding itself and imposes an additional constraint upon an already challenged business environment.

However, there are varying opinions. Anni Browning from Film Finances Inc. argues that the television market in Australia has always been constrained in some form because the commercial networks will rarely commission programming from someone they don't know; this is also true of the ABC and SBS although to a lesser extent. "This creates an almost defacto enterprise system with the commercial networks. The ones who got the shows up were the big production companies, the equivalent of the enterprise companies," Browning said.

"The problem lies not with the Enterprise Program but with the closure of all other forms of producer support and the creation of an uneven playing field for producers who are not recipients of the Enterprise Program. Very difficult to maintain business overheads over the long development periods."

Independent film and television producer, 26 August 2013

For some producers, the establishment of enterprise companies has created opportunities for them to collaborate and form worthwhile strategic alliances.

"Enterprise has been great for us as it created companies that were big enough to get our projects made in co-pro that weren't mega indy's. The competition has been an issue, but we found a way around it. That's capitalism. If you want to get a project made, there are now more doors than ever."

Independent film and television producer, 2 September 2013

"Enterprise, especially in television, has resulted in really dynamic production companies crowing and building up in-house creative and corporate knowledge from more in development with more staff and more going into production. I wish I could have attached myself to a company like that when I was younger."

Independent film and television producer, 2 September 2013

The scheme has been in place since 2009 and continues to be operational. Taken prima facie, the question is one of survival for the *feral producers*, those outside of SAEP who have been left 'in the wild'. The *feral producers* collectively provide a breadth and diversity of programming, and significant employment in the industry. For them and the industry at large, the impacts of SAEP are arguably of considerable concern.

"Same old, same old. There is an inner sanctum and the rest of us are the outliers. If you want to be in the mainstream game, it is very tough. If you are looking to new markets and ways of making content, it is a challenge and there is little advantage in going to the funding bodies.

Independent television producer, 16 September 2013

"Bureaucracies are unable to accommodate and support real innovation." Independent television producer, 16 September 2013

How the Changing Media Landscape contributed to the development of Screen Australia's Enterprise Program

The competitive global environment the media landscape as we currently understand it, has evolved over time and has been impacted by a range of factors: technical, social, political and economic. Arguably the single biggest controller of this evolutionary process has been consumer choice, 'the market' itself. Easily swayed into making dubious choices through its inability to differentiate between genuine innovation and marketing, the buying public have been the determinants of our technological future.

This evolutionary process and the market influence have resulted in the commoditisation of many processes that were previously esoteric. An example that is of direct relevance to the television industry is video editing. Prior to the introduction of non-linear video editing systems by companies like CMX Systems (1971), Ediflex (1983), Quantel (1985) and a plethora of increasingly lower cost products since, video editing required the use of extremely expensive hardware and facilities. The price barrier alone was high enough to prohibit many would be producers from gaining access and creating content. An example

of this was the *Chyron* (manufactured by US based System Resources Corporation), an early title generator that was capable of storing six loadable fonts. In Australia, the Chyron system (without fonts) cost around \$250,000 and each font had to be purchased individually for an additional \$3,500 for a single style and single point size. To increase each point size cost an additional \$3,500 as did a bold or italic version for each point size. It was such an esoteric piece of equipment that the fastest IC's available were used and had to be hand selected in order to ensure they were capable of doing the job. The *Chyron* was considered even too expensive even for some broadcasters. Chyron Corporation (Wikipedia)

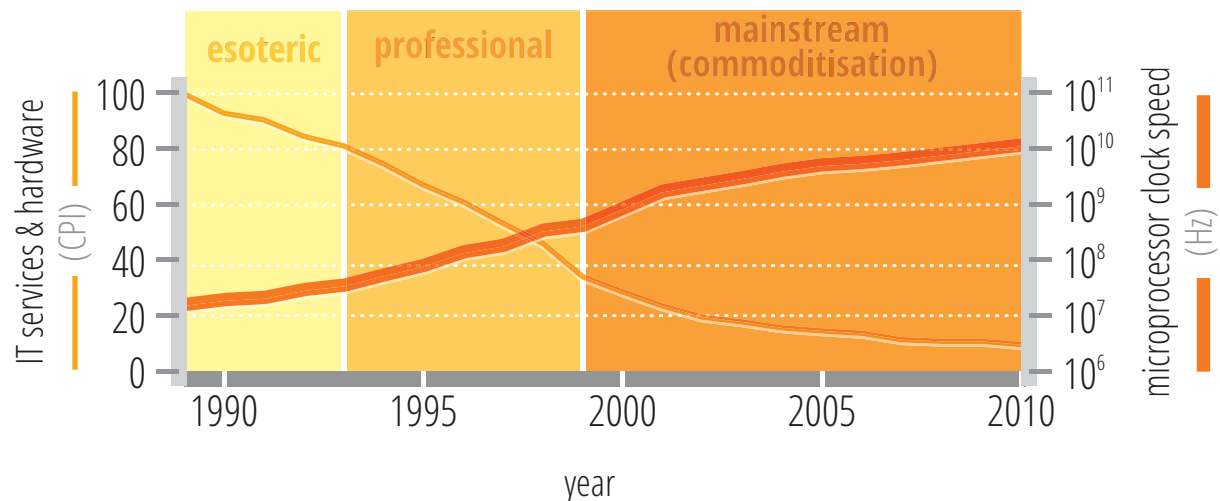
Non-linear editing systems were rapidly developing concurrently with the booming personal computer industry. There was a crossover point around 1995 which caused a shift in technologies and skill sets from esoteric to commodity within a ten year period.

Although the development and evolution of non-linear video editing occurred over many years, the rapid devaluation of that sector of the industry began in 1988 with Avid's debut of Avid/1 at the NAB (National Association of Broadcasters) Convention to 1999. It was an expensive and technologically esoteric system, and was adopted initially at the very high end of the professional industry. In 1994 Avid introduced OMF – *Open Media Framework*, which was to become a global standard. By that time, Avid's technology had advanced significantly to the point that it was possible to edit full length feature films using their systems but only three feature films had been completed using Avid at that time. By 1995 however, more than 50 feature films had been completed using Avid systems and non-linear video editing had migrated from being esoteric to the professional market. In 1996, the Oscar for Best Editing was awarded to Walter Murch for *The English Patient*, which he edited using an Avid system. Avid Technology (Wikipedia)

Within a very short space of time after that, almost any computer was powerful enough to handle video editing and many systems came with a software bundle that included at least a rudimentary video editing toolset. In 1998 Macromedia debuted Final Cut for Windows and Apple and the NAB Convention. That same year, Apple purchased Final Cut and rebranded

it as Final Cut Pro, releasing it as a mainstream product. In a very short space of time video editing moved from being esoteric to a commodity. Video editing and film making of sorts, is now in everybody's hands. Final Cut Pro (Wikipedia)

Commoditisation of Video Editing Data Sources: Jerry (2009), Kurzweil (2013)



A consequence of the trend toward consumer grade products and their associated practices, which might be seen as forms of vernacular creativity, Burgess (2007:28) is the development of an over-serviced industry. Over time the level of media training and film making activity has increased to such an extent that competition within the media industries is exacerbated. This level of over-servicing has occurred concurrently with the transformation of media delivery from appointment viewing via a fixed position device to mobile content and the seemingly endless choice offered by the alternative media channels. Without taking into consideration the long term economic viability of expanded multi-channelling it could be argued that over-servicing is actually necessary given the near insatiable growth in demand for content. The inherent problem with the addition of multiple channels is market fragmentation. The total pool of available production funds remains the same size as it was with a smaller number of channels but it has to be shared between the multiple channels, each with a fractional audience size and coinciding fractional revenue stream. In many new channels this has resulted in a devaluing of production skills to such an extent that it has

caused a change in the production economy. The production processes are increasingly undervalued by some broadcasters. An example of this is ABC's aggregation of a wide spectrum of media rights under the primary licence without paying any additional licence fee. Retransmission on ABC's iView does not generate any additional revenue for the producer.

Content itself had become commoditised at about the same time that the tools to manufacture content became accessible to everybody. The result for the professional production sector is a dramatic increase in the number of producers vying for a small handful of broadcast slots. For the broadcasters this has become a buyers' market. They can pick and choose from an almost endless choice of programs, producers and directors. So in the context of these developments which have resulted in a heavily over-serviced industry it is unsurprising that Screen Australia as the federal screen agency has adopted an enterprise funding model in an attempt to change the scale and nature of the industry. In effect, the changing media landscape was a significant instrument in the formation of SAEP.

The Feral Producer

The Australian independent television producer is, in my view, precariously positioned but not without opportunities. The market in which they operate is defined by a number of increasingly indistinguishable players. Industry convergence means that *Heritage Media* is mashed into the increasingly convoluted and sometimes competing, and sometimes indistinguishable media environments of online and mobile. Companies are attempting to operate within an environment that is in a near permanent state of transformation. While the current rhetoric emphasises a shift from traditional media delivery mechanisms to an increasingly platform agnostic and integrated delivery environment, there is no certainty that any delivery technology will endure long enough to justify the required ramp up in skills and resources.

Larger players in the television arena are sometimes better positioned to resolve their uneasy relationship with the foaming sea of change through acquisition strategies, investing within their own structures, or by forming powerful strategic partnerships. An example of an acquisition strategy is Beyond International Limited's subsidiary BeyondD acquiring digital marketing company, Q Ltd. Internal restructuring for efficient market penetration, such as Warner Brothers' establishment of their own mobile content division to 'mine' and develop mobile content from their own rich catalogue of linear programming is an example of internal investment by a large organisation. Strategic partnerships are prevalent at this scale with examples such as Microsoft and Sky, Nine MSN, and YahooSeven. Some large corporations have multiple mega-scale relationships running simultaneously. An example of this is Telstra which has concurrent complex relationships with Accenture, Microsoft, Foxtel, numerous broadcasters and many others. Independent television producers seldom have the financial wherewithal, the scale, or an attractive enough 'dowry' to present as an appealing proposition for a really significant prospective strategic partner. Interestingly, the convergent industrial environment is one in which there is a proliferation of organisational types, many of whom are not traditional content providers; they're telecommunications companies and software developers.

The solution for the independent producer seems simple enough at a superficial level:

Audiences have an expectation that they should be able to experience whatever content they want via multiple delivery devices and channels, therefore the content producers must provide their content in that way if they want to reach the audience.

The availability of multiple delivery platforms potentially facilitates this. The often exaggerated 'death' of traditional broadcast driven economic structures is a frequently discussed topic but the question is to what the extent it genuinely constrains the current financial structure of the industry? Anni Browning from Film Finances Inc. says "I'm not convinced the television market has changed that much yet and I don't think it will for a long time yet. There'll be increasing diversity but it's not a big money concern because the alternative platforms just don't have the paying audience yet."

For a producer to address the market demand for differentiated content versions, requires a paradigm significant shift in the producer's business model if it is to be carried out with any serious intent. An entirely new skill set is required and even more complex a requirement is an understanding of an entirely different market segment that overlaps but does not perfectly match the producer's existing market for linear content. Addressing the need for new skill sets is perhaps the area of least concern because the skills are in abundance and finding the right people is straightforward providing you know what it is that you require. However, the key considerations are:

- levels of digital media literacy;
- awareness and understanding of the target market and delivery environment;
- necessary skills to develop the product;
- available time to research and develop the product; and
- levels of capital to finance the R&D, development and marketing.

Understanding the new market is challenging, with formal innovation driven by content, audience and industry expectations. Not all linear programs translate easily or even at all, to other delivery formats. It is seldom a matter of simply taking the linear content

and publishing it for delivery via different devices. Some linear programming may not be particularly well suited to different forms of delivery. This may be a direct result of the program content or a characteristic of the audience the program attracts. For example, the BBC did not develop an X-Box version of *The Vicar of Dibley*.

Audience expectations, which are themselves shifting in response to emerging technologies and media experiences, are also a critical factor. Some audiences have come to expect multi-platform, interactive content options while others are fundamentally resistant. For example, the children's television market may enthusiastically embrace an online game associated with a television series. However, numerous attempts to develop interactive narratives based on drama series have produced mixed results at best. The audiences that *do* have an expectation that their media will be delivered on multiplatform, often seek a quite different experience to the linear one. In some cases they may anticipate a deep level of immersion or engagement. In other cases, it may be an expectation of deep information, or the opposite – a fun game for example. So the challenge in delivering content in the multiplatform environment becomes considerably more complex than simply allowing the audience to move freely from one platform to another with cognitive ease. And it is not solved by simply making linear content available on a mobile device. There needs to be an associative coherence between platforms. Ideally, each iteration needs to enhance the user's experience rather than using one channel simply as a primer for another, or creating the illusion of remembering by maintaining a persistent presence on every possible platform.

While it is typical to emphasise the flexibility and ease of digital production, for the media producer the production process has arguably become significantly fragmented in the face of technological change. With hundreds of competing platforms and manufacturers offering suites of almost-but-not-quite similar delivery mechanisms the technological aspects of production are fundamentally uncertain. Similarly from a business perspective the emergence of walled garden content, complex deal structures and vaporous revenue streams

add to the complexity of production. The tagline for Anderson's book, *The Long Tail*, was "How endless choice is creating unlimited demand", Anderson (2006) but it could just as well have been "How endless choice is creating endless uncertainty and indecision."

Feral Economics

The pressing concern with any multiplatform or interactive project is how to finance content delivery to multiple formats when there is little clarity around a revenue model. Within the Australian market, there is precious little funding available from any source for an independent television producer to attempt to address this audience requirement. For example, if the producer is dealing with the ABC Australia, there is little if any opportunity to earn revenue from the multiplatform component of the deal. ABC's retention of rights and control over the alternative delivery channels and products limits the producer's opportunities substantially. This is an example of what is called *wholesale bundling* by the ABC.

Even the Producer Offset and PDV tax incentives are insufficient to make the inclusion of interactive or multiplatform components viable given existing production budgets. So in fairness to the independent television producer, finding the time and particularly the capital to meet the challenges of the changing media environment are particularly difficult. If the capital were available, then the resources (staff and facilities) could be acquired. The recurring question for which there is no definitive answer is: Where do you find the capital? The way the industry performs financially may well provide at least part of the answer why this is a particularly vexing question.

According to ANZ Bank's Industry Analyser, a free online business tool, Australian media businesses earn an average of 1% net profit. ANZ Bank Online, Industry Analyser (2013)

If we use that figure as a benchmark, it is easy to appreciate the scale of the challenge facing the independent television producer in financing any aspect of their business whether it be essential or speculative. In order to have the available capital to sustain a business, let alone contribute to a speculative media project, the turnover needs to be substantial.

For the sake of simplicity let's examine a single and typical capital purchase of the type that could be made by an independent television producer at any time during the course of running their business or undertaking a project. The hypothetical purchase is a midrange notebook computer at a purchase price of \$4,000, excluding GST. If we apply the assumptions of ANZ Bank's Analyser for this industry to this hypothetical capital purchase, it is immediately clear that the independent television producer would need to turnover at least \$400,000 in order to have enough spare capital to purchase that single device.

Another sobering aspect to capital expenditure is that the rapid evolution of the core industry technologies frequently requires producers to turnover equipment and software before they have been fully depreciated.

When we apply ANZ Bank's Industry Analyser to the development of products for the multiplatform environment, the numbers change alarmingly. The average cost of developing a modest smartphone app for the Android or Apple environments is about \$38,750 according to Nazmul (2010). In order to have the spare capital to finance the development of such an app, the producer needs to turnover at least \$3.87m and be prepared to allocate the entire profits to that single speculative venture. A bigger commitment by the producer to service the market's changing media requirements would require a massive turnover. Even a very modest development studio would require a producer, at least one developer, a designer and minimal administration. The annual running cost could easily be \$500,000 per annum. In order to have a spare \$500,000 for a more serious attempt at penetrating the app market, the producer would need to be turning over at least \$50.0m per annum from other activities. How many independent Australian producers are operating at that level of churn?

If we consider that the average gross return from any smartphone app on any platform is only \$700, it begs the question of *why bother?* The answer lies partly in the sheer size of the app market – a \$12.4Bn market, albeit an extremely congested one. It is a blue sky industry and a market in which enormous revenues can be earned. According to Empson (2013), the app market across the five major platforms has continued to grow through 2012 and looks

set to continue the trend in 2013. However, the market growth has been accompanied by a 27% average drop in revenue per app. It is also worth noting that just 25 developers account for half of the revenue in the App Store and Google Play.

Applying ANZ Bank's Industry Analyser to the cost of applying for SAEP demonstrates that it is no trivial endeavour. A typical SAEP application takes 2 people about 4 weeks to complete so the development budget looks roughly like this:

Wages (allow \$1,500pw each) 2 people × 4 weeks ...	\$12,000
Fringes and entitlements	\$ 2,400
Office overheads and expenses	\$ 3,600
Accounting (allow)	\$ 5,000
Total:	\$23,000

Upon receipt of \$500,000 of SAEP funding, the \$23,000 represents less than 5%, no more than a brokerage fee, and a completely justifiable expense. However, for an unsuccessful recipient, if we take ANZ Bank's Industry Analyser into consideration, it will take a turnover \$2.3m to return the company to a displacement nil position. Even smaller funding applications, such as development funding applications to state agencies require substantial turnover by the applicant company in order to cover their cost. It could be argued that some of these costs would have been incurred by the production company regardless of what their activity was. Ignoring the opportunity cost, even if a 90% discount factor were to be applied to the required turnover, it is still a very significant amount for a micro business or small business to accommodate.

Stargazing

When we look ahead of the current state of our media industry to the rising technological stars, we are already observing the explosive growth of NFC (near field communications) and second generation augmented reality systems like *Layar*, and Nokia's *City Lens* that deliver real-world relevant experiences. Even further ahead, gestural computing and learning

analytics are already looming in the periphery of our vision. One example is Microsoft's Project Natal which was first made public in 2010, and from which the gestural capabilities of the Xbox Connect have developed. Another example is Intel's 3D Gesture Control System. These ground-breaking technologies provide opportunities for producers to develop new and interesting forms of interactivity and to enhance the engagement they have with their audiences.

Why The Changing Media Landscape and Screen Australia's Enterprise Program deliver a holistic impact upon the independent television producer

Screen Australia as the Federal Government Agency charged with the development of Australian media production across multiple screens acknowledges its central role in supporting the industry to adapt to a changing media environment. Government support is essential if the market failure, flowing from the small size of the domestic market, in digital content production is to be addressed. The inability of producers to attract private equity funding as a result of the hyper-conservative characteristic and relative size of the Australian market undermines the establishment of an Australian interactive media sector. Screen Australia's response to this situation, as evidenced by SAEP, is to concentrate its funding efforts on supporting a select number of producers. Screen Australia's decisions around support for companies producing interactive media will have a profound effect on the development (or not) of a viable interactive media production sector in this country.

The Australian Productivity Commission lists ten common reasons for business failure within Australia. Bickerdyke et al (2000). These causes are generic but when applied to the independent television subsector many of them can be matched directly to either the producers' response to the environment (changing media landscape), or the downstream effect of policy (SAEP), or both.

The Independent Producers Business Failure and Influencing Disruptor Matrix

Reason for Business Failure	Disruptor 1: Changing Media Landscape	Disruptor 2: SAEP
Lack of financial planning and review.		The small television production company does not have the financial resources or the time to address these issues.
Over-dependence on specific individuals in the business.	This could be influenced equally by either disruptor. Within the small production company, the producer's role is stretched to encompass what would be a number of roles in a larger, better funded company. This can encompass both managerial and content development roles and is a symptom of being under resourced.	
Owners concentrating on the technical, rather than the strategic work at hand.	This could be influenced equally by either disruptor.	
Inadequate capitalisation.	Responding to the changing environment requires rapid and continual access to capital.	Reduced funding contributes directly to this reason for business failure.
Lack of management systems.		The small television production company does not have the financial resources or the time to address these issues.
Lack of vision, purpose, or principles.	The lack of vision could be attributed in part to an inability to determine the best way to move forward in the tumultuous environment.	
Poor market segmentation and/or strategy.	As above, market positioning requires skill and this in turn requires resourcing.	
Failure to establish and/or communicate company goals.	Indecision caused by complex environment.	
Competition or lack of market knowledge.	The independent television producer does not have the time or the financial ability to get their heads around the increasingly complex environment in which they are required to operate. Many of these are also now in direct competition with recipients of the Enterprise Program.	
Absence of standard quality program.	This is an issue that can be influenced by both the environment and the Enterprise Program. Complex standards across multiple platforms require equally complex controls at a technical and delivery level. Without the resources to implement these, a standard quality program is not achievable.	

Gone Feral

"For I know that after my departing shall grievous wolves enter in among you, not sparing the flock."

Bible, Acts - Verse 29.

There are a number of questions that arise in the context of the external influences upon the independent television producer. What has happened to those producers who are outside the protective custodianship of Screen Australia? Have they for the most part either perished or in the process of exiting the industry? Or have they gone feral? In nature, the feral animal becomes a resourceful survivor. Feral cats and dogs quickly adapt to become the top predators and it is possible that natural systems will come into play within the media environment.

The *feral producer* is no longer shackled by bureaucratic guidelines. They have no requirement to bend their projects to fit into predetermined funding criteria or attempt to marry agency requirements with those of the commissioning broadcaster. They no longer have to enter competitive funding rounds and wait months for the results and even longer for the funding to materialise. Could it be that the wall gardened producers – the recipients of SAEP will become increasingly reliant upon such funding models, like bloated cattle with access to too much grain? And conversely, is it possible that the feral producers are becoming increasingly wolf-like, aggressive and more resourceful?

"Who makes himself a sheep will be eaten by the wolves." Proverb

Industry Perspectives

It was in seeking gain a better understanding of the current position for the independent television producer that I sought to get the perspectives of a cross section of independent television producers who are not recipients of SAEP. While some crucial data on the state of independent production can be extracted from the Second Australian Producer Survey 2012, ARC CCI (2012), this study does not drill down to consider the impact of specific funding initiatives such as the SA Enterprise Scheme. By conducting a micro-survey this research attempts to critically consider the impacts of the scheme within the context of a changing media environment at the level of the production company. While there has been a lot of discussion about the impact of Screen Australia's Enterprise Scheme, non-recipients have not been considered. This research therefore makes a significant contribution to building a holistic picture of the impact of this scheme.

A survey of 21 independent television producers was conducted during August and September 2013. 48 producers were invited by email to participate. Of those, 24 responded and 21 (44%) completed the survey.

Data collection and analysis methodology

After formulating the questions, I interviewed a small number of producers face-to-face in order to determine the ease or difficulty with which they answered the questions. I also interviewed other industry people who were not producers but who had experience across the entire industry and in dealing with producers of all genres. This allowed me to further refine the questions and to ensure a greater level of clarity. The refined questions were then integrated into an online survey form. As a one-off survey it was not viable to utilise online survey tools such as *Survey Monkey* because of the limitations and financial constraints of those systems. Survey Monkey, like other online survey services, offers a free survey platform but it is constrained to a maximum of ten questions and does not offer any analytical tools to support the platform. There are a number of paid option tiers available but these required a minimum two year subscription and the cost ran into thousands of dollars. The solution that I opted to use was a free survey platform offered by Google. While this required more

development than other services, there was no cost involved and their survey platform included a set of advanced analytical tools that enabled me to rapidly extract data from the survey participants' responses. However, one significant flaw that I discovered in the Google system was the inclusion of phantom data. When I first established the survey I conducted a number of tests, then I deleted the results before I released the 'live' version. The analytics however, included the test data even though it had been deleted and in order to formulate an accurate data set it was necessary to manually extrapolate the data and reassemble it using Microsoft Excel.

Once the survey was developed and setup within the Google platform, it was a straightforward process to notify the participants from within the platform. This offered a secure environment for participants to contribute their data. One of the key advantages of the platform was that it also offered an option of enabling the data to remain 'live' until the lockdown date. This meant that the participants had the flexibility to complete their survey incrementally if they wished. They also had the option of being able to revisit their responses at a later stage and make further changes or additions. The addition of the 'live' data facility to the survey allowed the participants to give more considered responses, rather than simply rushing through the survey and then submitting it without the ability to revise their responses or make further additions.

In the lead up to the survey I spent considerable time trying to determine the best approach to obtaining information about the impact of the scheme on independent producers. The industry is one in which accurate data is scarce, with surveys and statistics often many years out of date. To compound this issue, there is some reluctance among producers and the screen agencies to be completely open with their data, since this information is perceived as providing companies and organisations with a strategic advantage that they are loathed to share. The perspective sought in this research can be described as 'medium resolution' in that it sits somewhere between industry-wide statistical analysis and micro-level case study research. At this scale it is possible to explore not only how the disrupters are affecting individual production companies but attitudes and likely future directions for producers.

With respect to the changing media landscape I wanted to gain an understanding of the implications of industrial change and the extent that they felt able to address changing market requirements. I also wanted to reveal in broad terms, the challenges they were facing in dealing with sectoral change.

Surveying potential competitors

Being an independent television producer and attempting to conduct a survey of independent television producers arguably creates a complication for this research since I am effectively in competition with the people that I was wanting to interview. There is not a lot of collaboration between Australian independent television producers, and in fact, it is a fiercely competitive space. There are far fewer broadcast slots available than there are producers to fill them. A significant decrease in Australian television production across all segments was highlighted in *The Second Australian Producer Survey 2012*. ARC CCI (2012:28). Given the information sought in this research project I was effectively asking competitors to divulge their business strategies. From the outset it seemed logical to assume that many of the potential survey participants may to some degree be reluctant to share their experiences and expertise too readily. There seemed to be no better approach to dealing with any potential issues than a straightforward approach. However, while I have no insight into the reaction from those that didn't participate, the 44% of invitees that did respond were very open and forthcoming.

Seeking a balanced perspective

In order to be able to get as accurate an industry sample as possible, it was necessary to survey a wide spectrum of television producers. This meant that the survey sample had to take a variety of factors into consideration:

- the producers /production company could not currently be a recipient of SAEP;
- the producer/production company had to be potentially eligible to be a recipient of Screen Australia's Enterprise Program, for example not so large that it could not qualify or produce a type of programming that prevented it from being eligible;

- the size of the independent production company – in order to represent the full spectrum of independent television producers, the sample had to include the widest possible range of company sizes;
- the experience of the producer – in order to represent the full spectrum of independent television producers, the sample had to include a range of producers with experience ranging from minimal to very experienced.

Maintaining a neutrality of the questioning framework

In designing the survey I attempted to assert no influence upon the survey participants apart from the framework of the survey itself. To do that required designing the survey in such a way that the participant could respond to each survey point equally in either a positive or negative way without the question itself generating any perception that a particular answer was being sought. The attempt to achieve this is in itself, almost completely futile because the very fact that there is a survey of a particular subject implies that there is some underlying issue. However, if a neutral position wasn't the starting point it would be an impossible task to extract meaningful results from the survey questions.

Avoiding the policy framework behind SAEP

It was important from the outset that this exploration did not devolve into a critique of SAEP, the policies that led to its formulation, the recipients, or the outcomes. To conduct any meaningful research into that area would require substantial access to commercial-in-confidence information and from the position of a producer who could potentially be in competition with those companies, it was highly unlikely that I would be able to gain meaningful access to the necessary data. I was interested primarily in the side effects of the scheme.

It is now over three years since the scheme was implemented and enough time has passed to be able to observe the side effects.

Anonymity

An overwhelming majority of participants in the survey opted to remain anonymous. As a result, any quotes from questions inviting extended answers are not attributed to any respondent. This is a small industry and producers, wary of “biting the hand that feeds”, may perceive that it could cause friction between themselves and Screen Australia.

Micro Survey Transcription and Analytics

Invitations: 48 | 100%

Response Rate: 21 | 44%

0% results are not represented on most graphs, to ensure legibility

Due to rounding variations, some graphs may total more or less than 100%

The following section is a combination of the survey with the results included with each question.

Independent Television Producer Short Survey 2013

Introduction

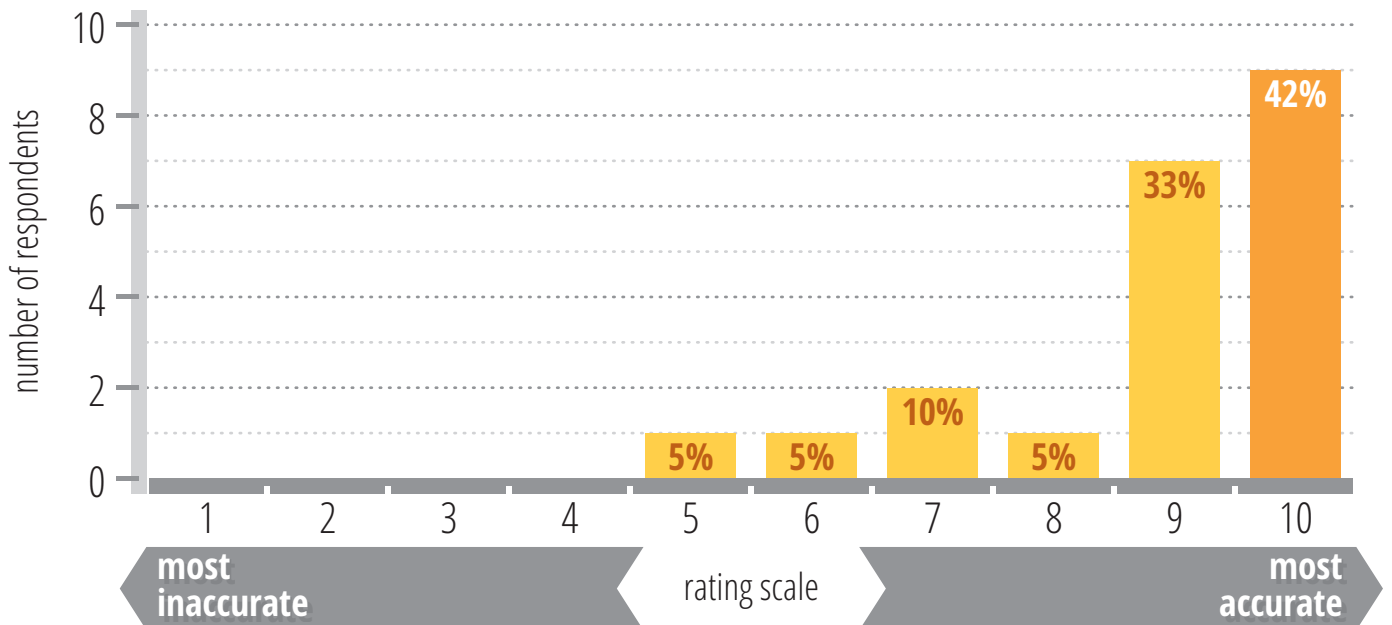
This short survey (19 quick questions) comprises part of my investigation into the way independent Australian producers are responding and adapting to (a) the changing media environment; and (b) the implications of Screen Australia's Enterprise Program. Both of these external factors have the potential to significantly impact upon the businesses of independent producers. The collated data is intended to provide a snapshot of the current state of play for the independent producer. Your responses will remain completely anonymous unless you opt to have your name associated with any comments.

Part 1: The Changing Media Landscape:

This section deals specifically with the impact of change within the media environment. This encompasses the impact of changing delivery platforms and methodologies, sustainability of traditional media delivery systems, and changes to financing and revenue models. For the sake of this survey, the term “Interactive Media” encompasses non-linear content, mobile content, so-called new media, so-called transmedia, multiplatform delivery, so-called “360 content” and the plethora of other buzz words and phrases that are used to describe the complex mix of products and services that now fall under your responsibility as “Deliverables”.

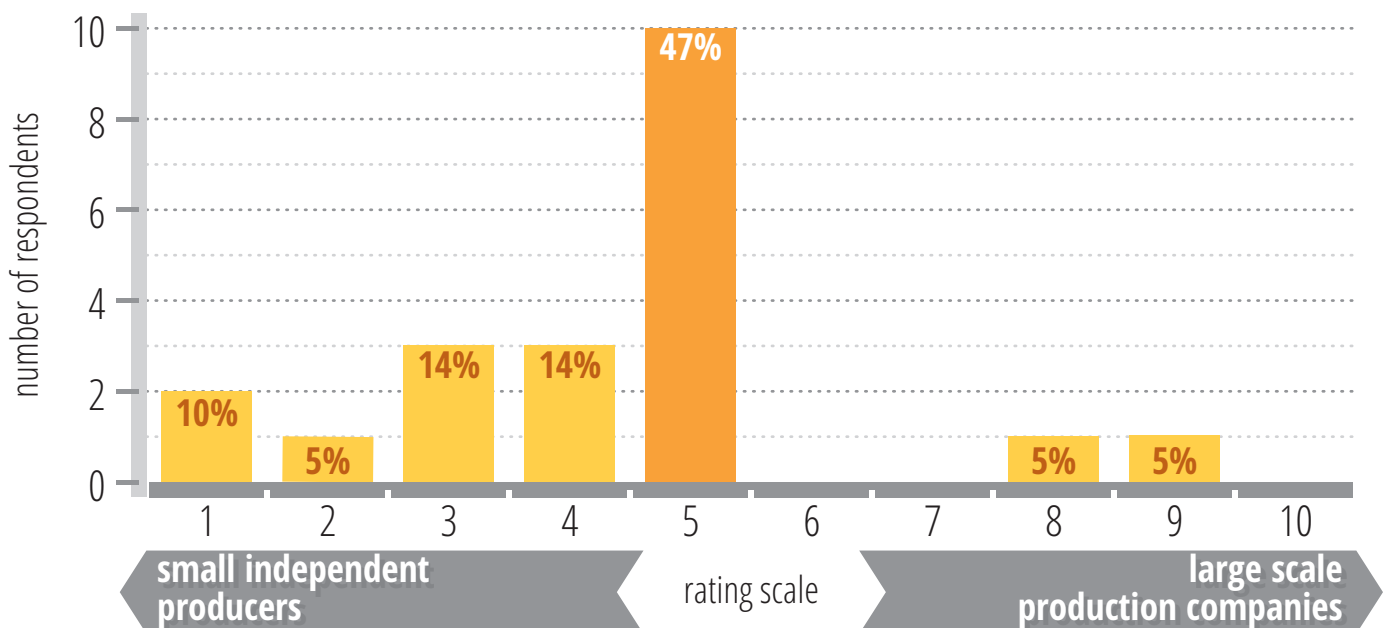
1.1

Rate this statement for accuracy: *The media industry is undergoing a massive transformation at almost every level.*



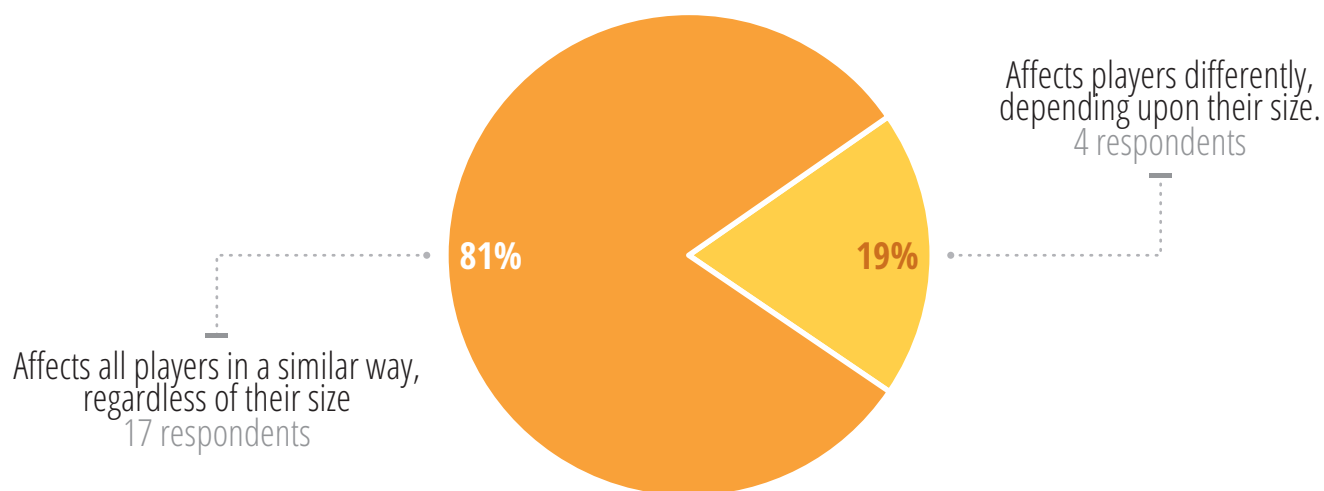
1.2

Rate where you think the industry's transformation has the biggest impact:



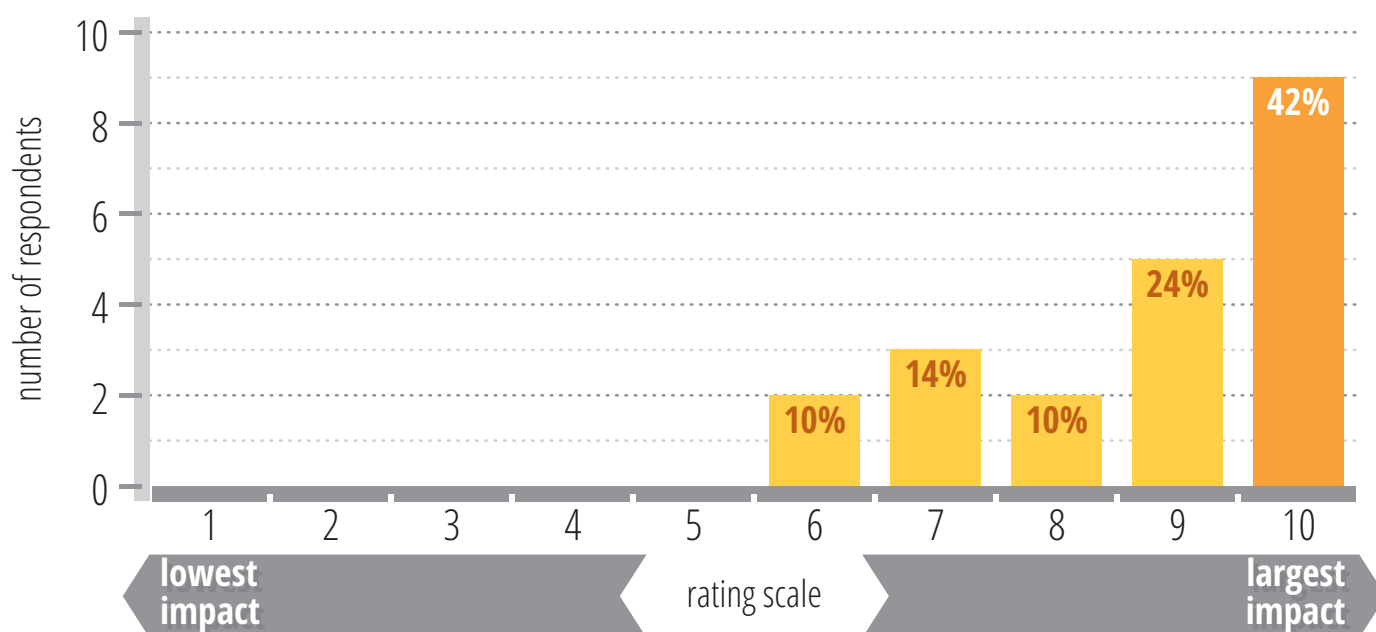
1.3

Do you think the changing media environment affects small and large players in a similar way or that it affects players differently depending upon their size?



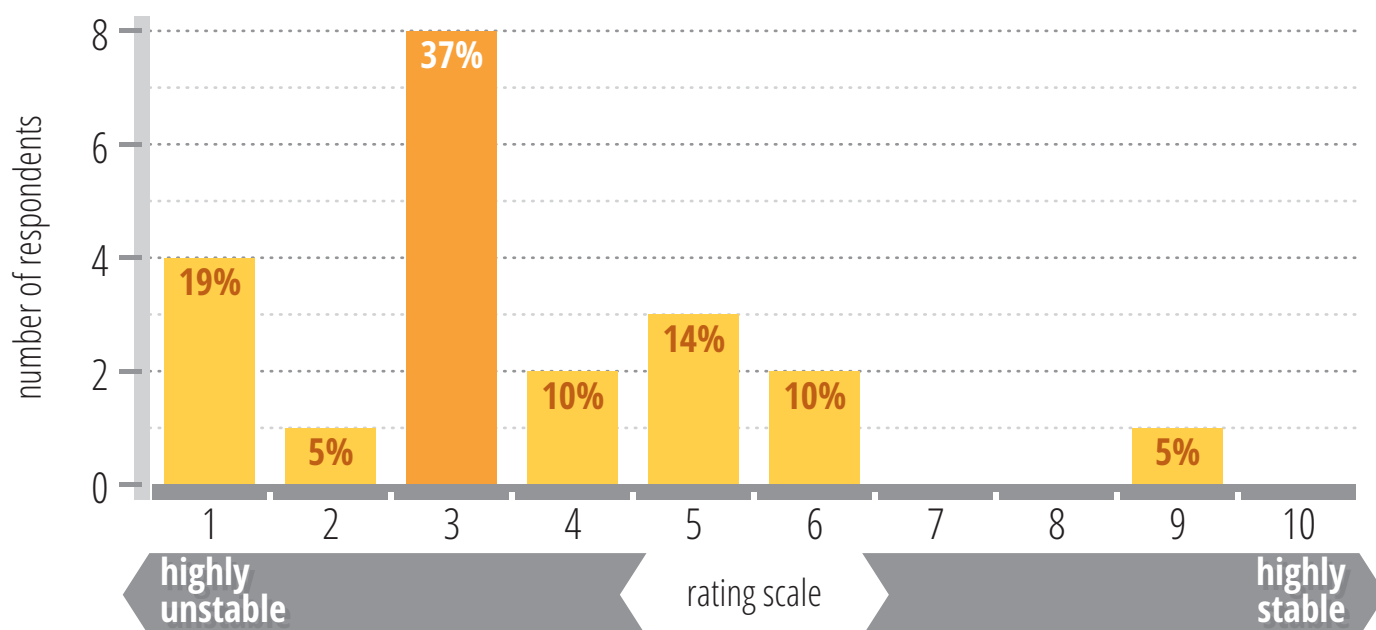
1.4

Rate the level of impact you think that the transformation of the media landscape has upon independent producers:



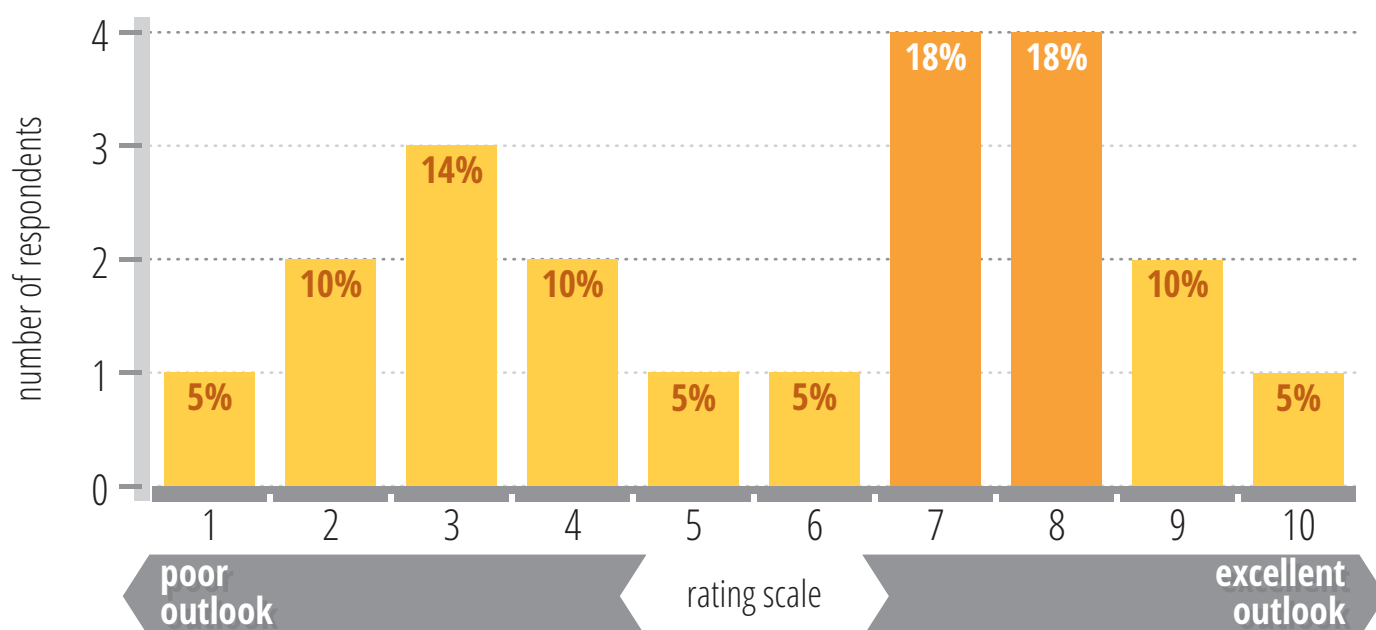
1.5

Rate the stability of business models within the current media landscape:



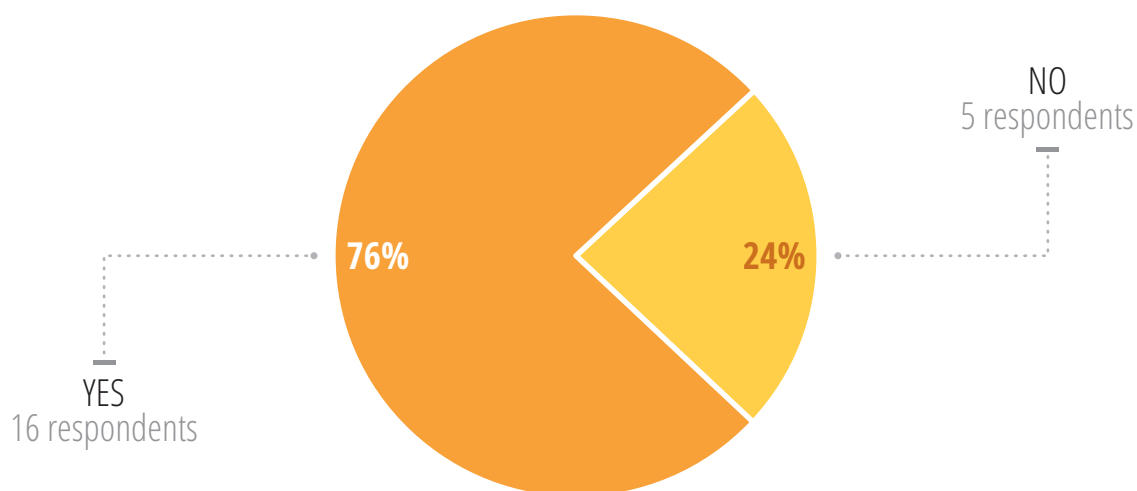
1.6

Rate what you perceive the long term outlook for your business in the changing media landscape:



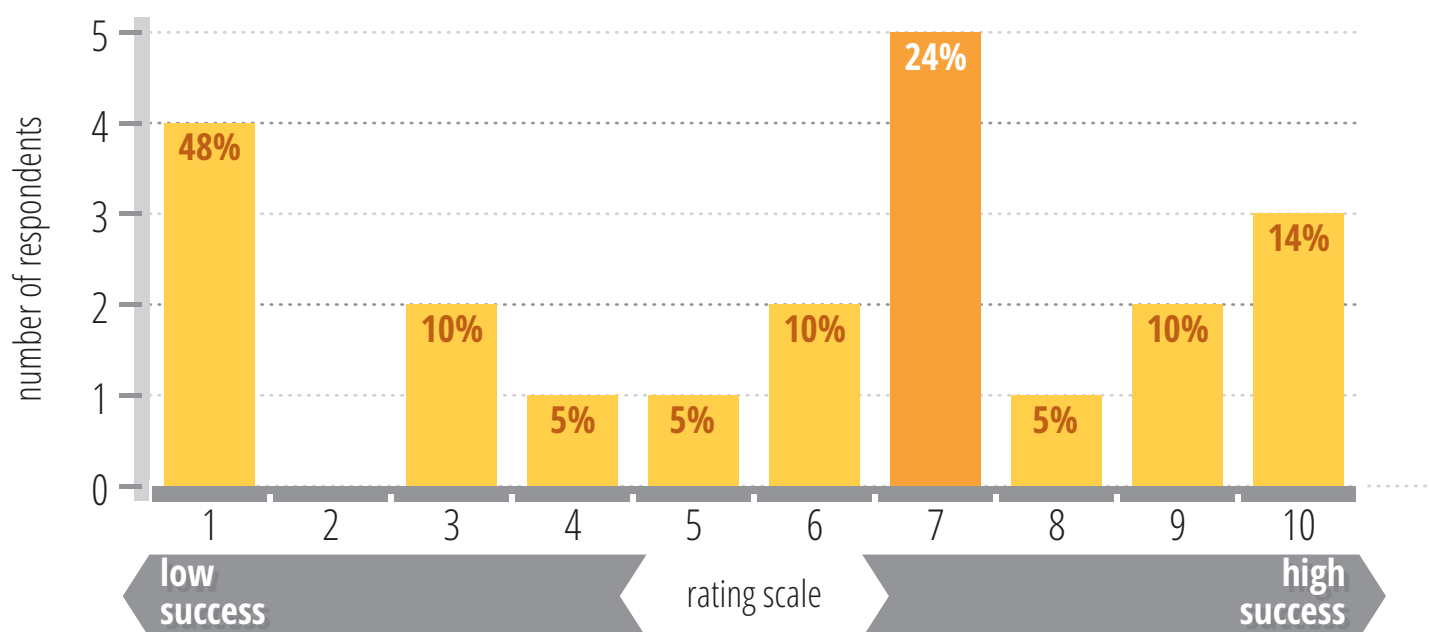
1.7

Is your company currently active or intending to be active in the development and production of Interactive Media?

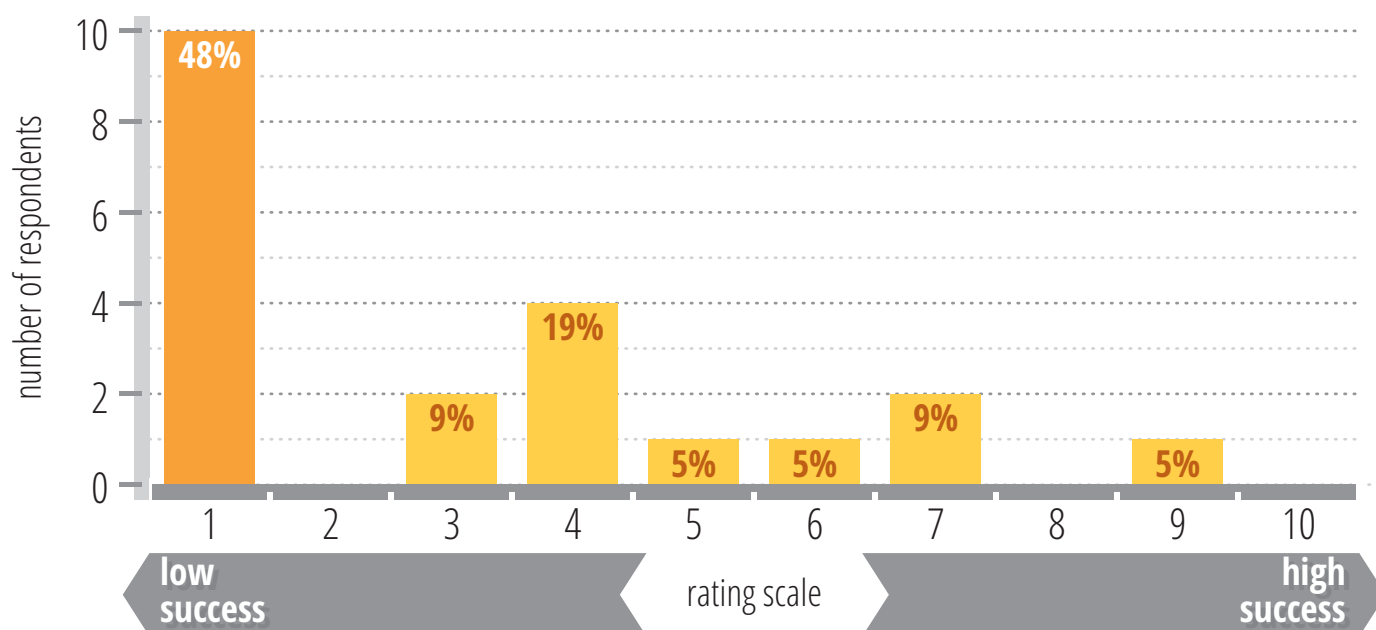


1.9

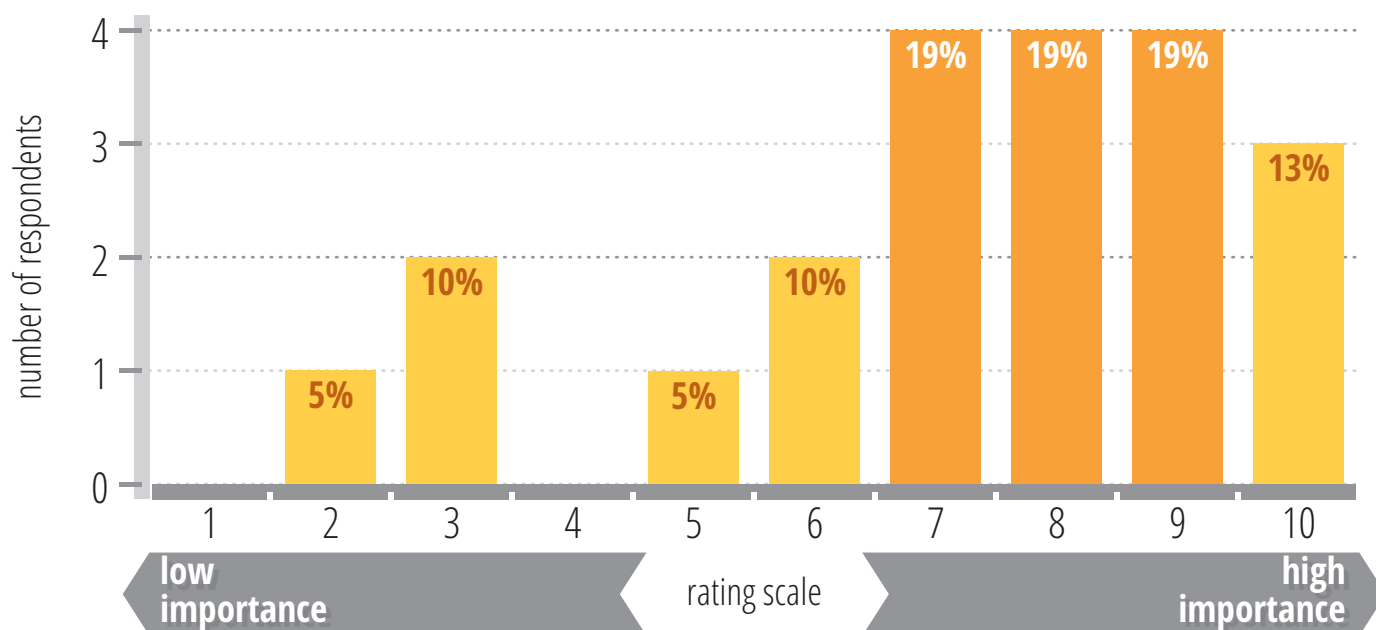
Rate the level of success with which you have been able to adapt your productions to incorporate Interactive Media:



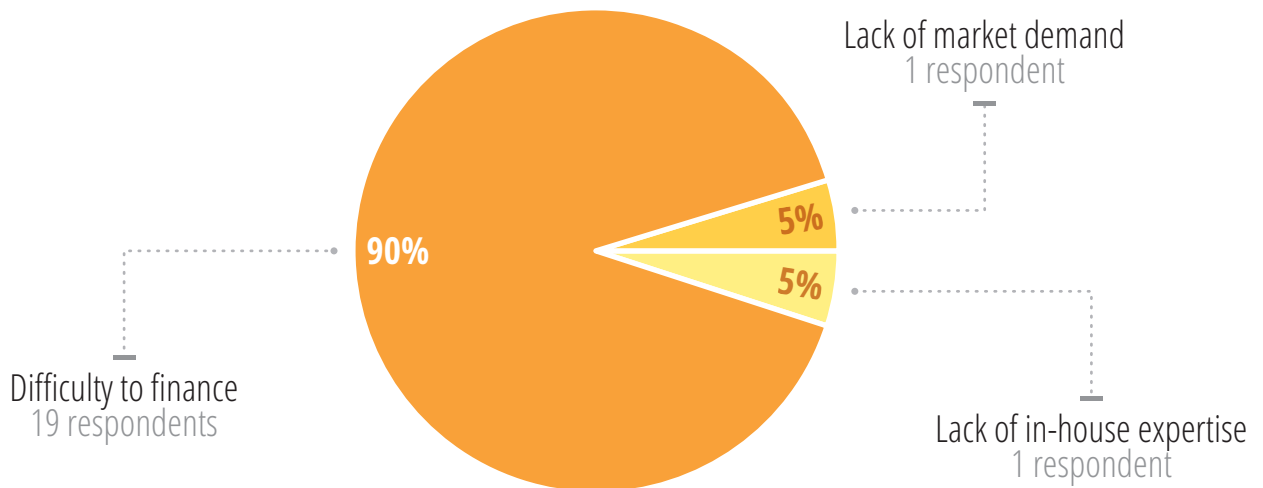
1.10 Rate the level of financial success that your exploitation of Interactive Media has brought to your business:



1.11 Rate the level of importance you place on social media in your business strategy:



1.12 What do you perceive as the single biggest challenge for your business in producing Interactive Media?



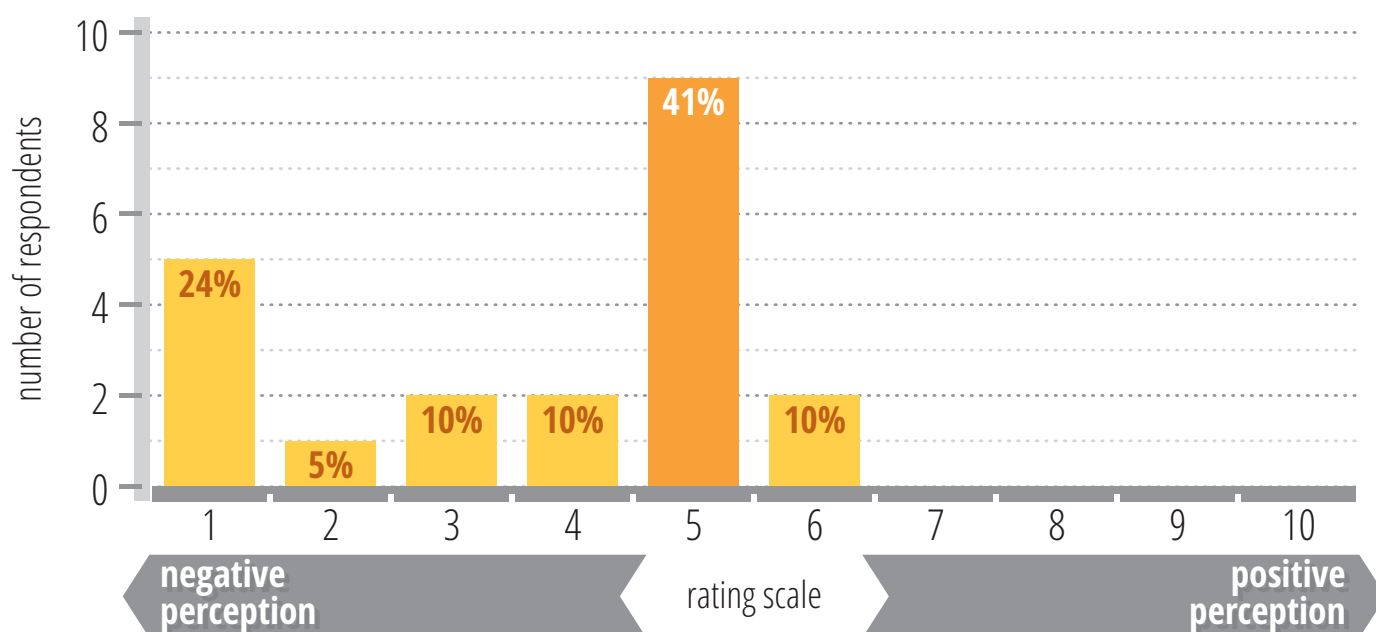
1.13 In 50 words or less, please describe any other challenges facing independent television producers, whether they relate to the changing media landscape or some other issue.

Part 2: Screen Australia's Enterprise Program:

This section deals with the implications of Screen Australia's Enterprise Program for independent producers who are not recipients of the scheme.

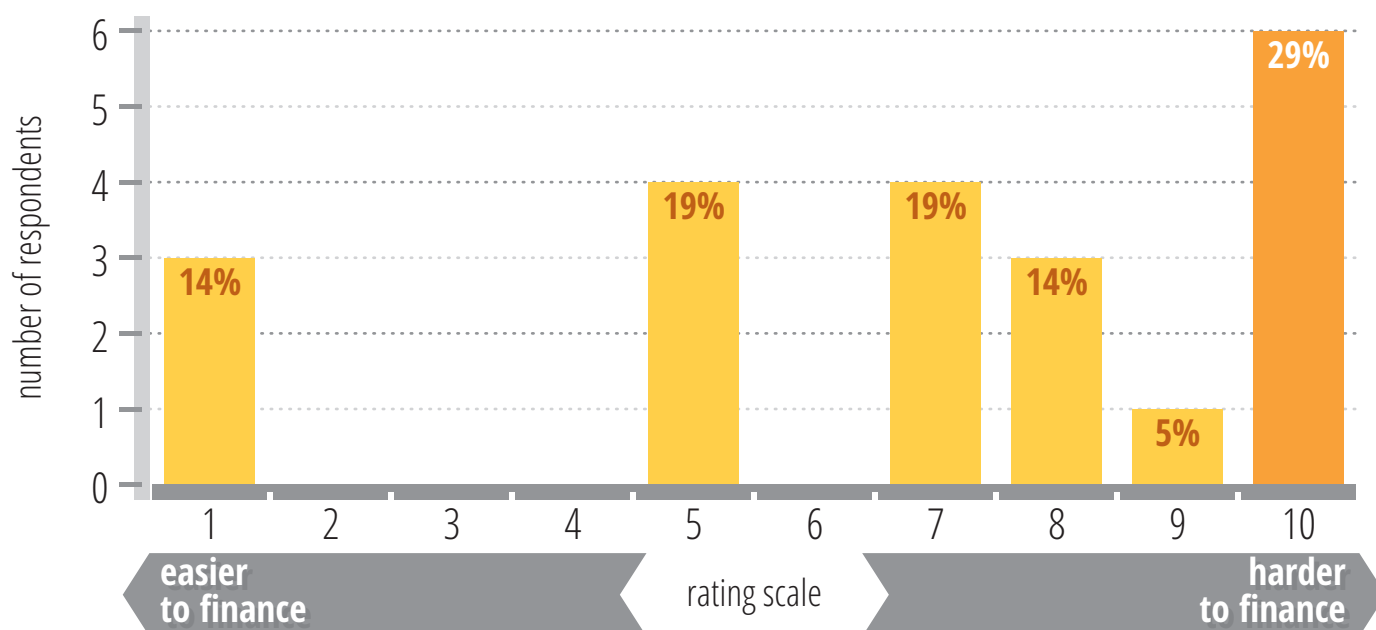
2.1

Rate how your company's exclusion from the Enterprise Scheme has affected your perception of the future your business:



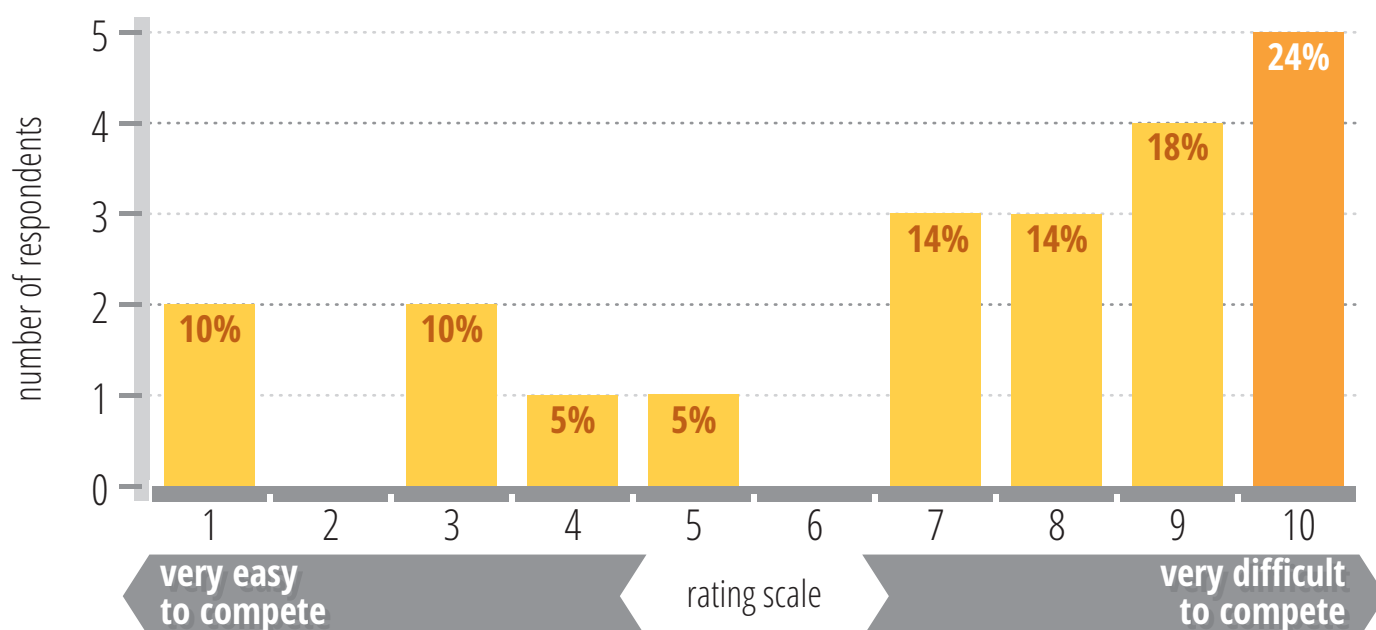
2.2

Rate the way that being a non-recipient of Enterprise Scheme funding has affected your ability to finance productions:



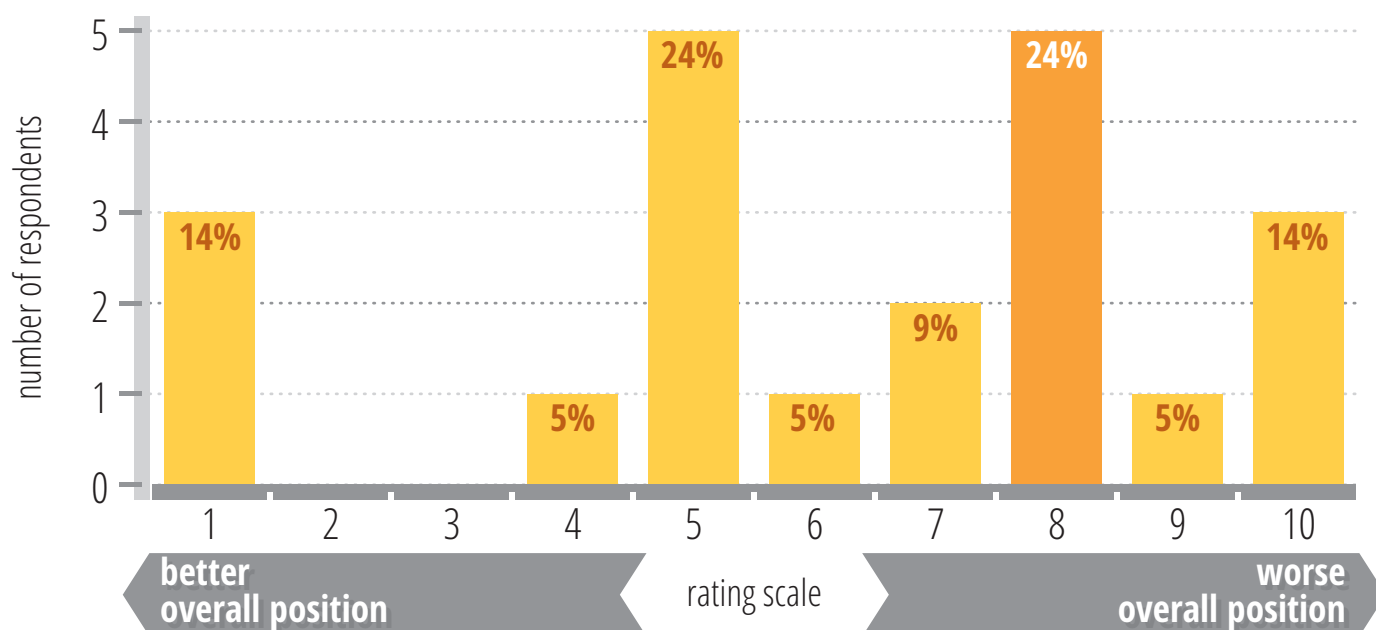
2.3

Rate how you perceive your company's ability to compete against Enterprise Scheme recipients:



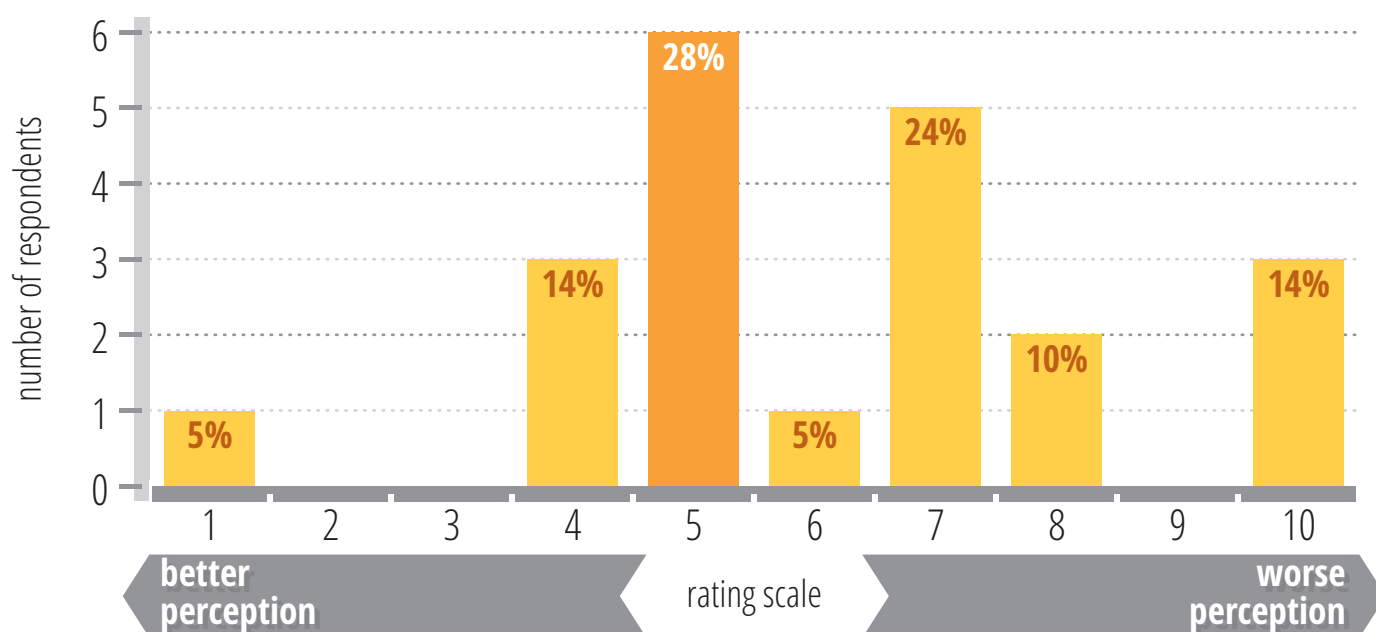
2.4

Rate you company's overall position for not being a recipient of Enterprise Scheme funding:



2.5

Rate how the Enterprise Scheme has affected your perception of Screen Australia:



2.26

In 50 words or less, please describe any other issues relating to Screen Australia that raise concerns for you as an independent television producer.

The remaining part of the survey dealt with permissions and data useage.

Conclusion

The survey confirms the anecdotal evidence that the changing media environment poses numerous and complex challenges to the *feral producer*. Of particular concern is the financing of alternative content versions and defining successful business models. On the one hand there is a market expectation for platform and experiential diversity within content themes but that is counteracted by a lack of preparedness by the market to pay for it. In the Australian market in particular, the broadcast funding does not extend significantly to multiplatform funding, even when the licence encompasses those rights.

The big frustration for the producer is that the new platforms, particularly the smartphone arena, have massively aggregated and homogenised the market which makes any one of the big three platforms a highly attractive marketplace. However unless you are developing very utilitarian apps, the revenue possibilities are vaporous at best. Entertainment content is the most difficult to monetise and like the feature film market, there are very few blockbusters. Additionally, the smartphone market is swamped in content. Even the new Windows 8 mobile platform is adding 362 apps per day to the store according to Wilhelm (2012). That means that any single day's addition is a far larger quantity of apps than even the most ardent enthusiast could ever use. The Android and iPhone stores are far more over-served and are now referred to as app graveyards by developers. In contrast to the homogenisation and massive size of the markets, is the slim chances of financial success and for any market entrant, this is daunting.

Despite the odds against success, a significant proportion of the *feral producers* are either actively engaged in the creation of platform and experientially diverse content or intend to do so. There is also a significant proportion of the sample group that place strategic importance in the utilisation of social media.

The impact of SAEP upon the *feral producers* has resulted in a significantly increased difficulty in the financing of broadcast productions and increased competition with SAEP recipients. Some producers have managed to exploit opportunities that have arisen as a

direct result of SAEP by forging strategic relationships with recipient companies. Interestingly and despite these knock-on effects of SAEP, almost half of the *feral producers* reported that the impact of SAEP didn't alter their perception of the future of their business.

While some people have chosen to exit, the feral producers that have continued to operate within the complex business environment that is continuously being reshaped by change have become increasingly resilient. It is my belief that these will become increasingly resourceful and will pose a serious threat to those inside the walled garden of SAEP.

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