



Australian Government



NATIONAL CULTURAL POLICY SUBMISSION

OCTOBER 2011

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1 INTRODUCTION

Screen Australia is the national funding agency for screen production, charged with the development, support and promotion of a highly creative, innovative and commercially sustainable Australian screen sector.

As part of its leadership objectives, Screen Australia plays an important role in providing authoritative research and strategic analysis. This includes examining factors that influence the production and consumption of Australian content and the role of the Australian screen production sector in delivering the Government's cultural objectives.

Screen Australia provides the following information as part of the Australian Government's call for submissions to inform the design of the National Cultural Policy (NCP) announced by the Minister for the Arts, the Hon Simon Crean MP, on 11 August 2011.¹

The stated intention of the NCP discussion paper is to address the current and future challenges facing Australia's cultural activities, products and services across three areas:

- **Core arts:** individual or collective activities by professionals and hobbyists in areas such as dance, opera, theatre, literature, music, visual arts and craft.
- **Creative industries:** the commercial manufacturing and distribution of cultural product in areas such as film and television production, broadcasting, electronic games, architecture, design and fashion, publishing, media and advertising.
- **Cultural heritage:** services provided by cultural institutions such as galleries, libraries, archives and museums in metropolitan, regional and remote areas.

Screen Australia is well positioned to provide information not only about the screen sector's contribution to the creative industries but also about where and how the sector intersects with core arts activities and cultural heritage services.

The screen sector's tangible and intangible outcomes are explored in **Section 2** while **Section 3** provides future funding options to Government to meet the current challenges in a climate of converging technologies. These options link to the following goals identified in the NCP discussion paper:

Goal 1: To ensure that what the Government supports — and how this support is provided — reflects the diversity of a 21st century Australia, and protects and supports Indigenous culture.

Goal 2: To encourage the use of emerging technologies and new ideas that support the development of new artworks and the creative industries, and that enable more people to access and participate in arts and culture.

Goal 3: To support excellence and world class endeavour, and strengthen the role that the arts play in telling Australian stories both here and overseas.

Goal 4: To increase and strengthen the capacity of the arts to contribute to our society and economy.

¹Australian Government (<http://culture.arts.gov.au/>)

This submission continues the themes discussed in two reports published by Screen Australia in 2011 underpinning the agency's exploration of technological convergence and its effect on audience participation in screen-based activities: *Convergence 2011: Australian Content State of Play* (August 2011) and *Beyond the Box Office: Understanding Audiences in a Multi-screen World* (April 2011).

The NCP provides a platform to embrace the synergies between new modes of communication and their influence on artistic expression and Screen Australia welcomes the opportunity to contribute to this important debate.

1.1 Executive summary

MEASURING CULTURAL VALUE

Defining the creative industries

In today's information economy, knowledge and creativity are fast becoming powerful engines driving economic growth, with the creative industries lying at the crossroads between the arts, business and technology.

The creative industries harness a range of creative and business skills for commercial production purposes, and may include large-scale industrial functions for manufacturing and distribution through the use of support materials and communications technologies. Creative industries include film and television production, broadcasting, electronic games, architecture, design and fashion, publishing, media and advertising.

Participation in the creation of screen content

Across the creative industries there were 486,790 people in the creative workforce in 2006. This workforce is split into specialist occupations that produce creative goods and services, such as photographers, scriptwriters and so on, and those who work in supporting roles such as sales and administration.

Based on this analysis of Census data, the film, television and radio segment of the creative industries accounts for approximately 7 per cent of the creative workforce, representing 33,026 people. In addition, estimates indicate a further 280,000 people involved in the creation of screen content on an unpaid basis in 2007.

Participation in the consumption of screen content

In a decade of major technological change, participation in a broad range of screen-based activities has grown. The overwhelming trend of the last five years has been the addition of new screen activities to old ones, with established distribution access points proving to be resilient.

Early adopters are driving change and free-to-air television has the most to lose. Aside from being typically younger, these people tend to be also innovative, interested in technology and want to experience life, believing they can 'have it all'. They have the highest participation rates across most screen activities, yet they are less likely to be watching free-to-air television than they were five years ago.

There are more screens delivering more content in more ways and audiences are embracing these new experiences. Consumer desire for a diverse media diet presents opportunities for growing market demand but there are also challenges in meeting this demand for screen stories, in an increasingly fragmented environment.

The economic contribution of Australian screen storytelling

Estimates of the economic value of gross product for the creative industries have been in excess of \$30 billion dollars in recent years. The film and television industry still accounts for the majority of this value, with income derived from the creation and consumption of film and television screen content in 2009/10 at

\$20.2 billion. In particular, production of feature films, television drama and documentaries generated \$709 million worth of investment in 2009/10, including \$124 million in overseas finance.

Importance of screen stories to Australians

A survey of Australians aged 14 years and over shows that 91 per cent of people believed that it was quite important or very important that Australia had a film and television industry that produces local content. This compares with just 1 per cent who stated that it was not important at all.

Asked about ten benefits for having a local film and television industry that produces Australian stories, the benefit most commonly cited as the most important was to 'make sure that Australian culture isn't overwhelmed by American culture on account of the amount of movies and TV series that Hollywood produces' (21 per cent of participants).

FUTURE FUNDING OPTIONS

New business models for the production of screen content need to be explored, as do new avenues of access. Unless the right supporting framework is established, Australia may languish behind other countries in fostering a vibrant screen production sector that can tap into the unique potential of the online medium. Good public policy requires a fiscally responsible investment from government to balance this need.

The National Cultural Policy offers an opportunity to crystallise thinking around current and future challenges, providing not just short-term solutions but meaningful changes to the supporting structures of core arts, cultural heritage and creative industries that will continue to have an effect in the decades to come.

For the screen sector, initiatives are proposed across two areas:

- initiatives to support innovative content creation,
- sector building initiatives.

The Online Production Fund, particularly focused on **innovative content creation**, would provide funding for interactive and linear narrative content projects that are released online, demonstrating the cultural benefits of high-speed internet access. It would build on a growing array of projects that have moved into this space, including:

- feature film and television content using a digital distribution strategy
- immersive narrative projects such as interactive documentaries
- browser-based interactive entertainment
- mobile and tablet applications.

The Interactive Entertainment (Games) Offset addresses both **innovative content creation** and **sector development**. It proposes alterations to the existing Producer Offset to include interactive components for drama and documentary content, while also introducing an offset for stand-alone games. Overall these initiatives will assist Australian interactive entertainment developers to become more cost competitive with other foreign territories, and retain control of intellectual property.

Screen Australia has worked with PricewaterhouseCoopers to model the economic outcomes of these initiatives. This modelling indicates that together, they will enable more than \$44.3 million of additional investment per year, of which around \$30.3 million will come from overseas investors. In a challenging economic climate for the interactive entertainment industry, this is a significant injection of foreign money.

Indigenous Step-up is an important **sector building initiative**. This large-scale national training and job placement program would assist in building skills and creating employment opportunities for Indigenous people wishing to develop careers in the media industry. The initiative would be rolled out over three years in a partnership between Screen Australia and industry body Media RING (Reconciliation Industry Network Group), with major direct funding from the Department of Education, Employment and Workplace Relations (DEEWR).

National Cultural Policy goals

These initiatives are linked to the goals outlined in the NCP discussion paper:

- Taken together, they reflect the diversity of Australian screen culture as set out in goal one.
- The suite of proposed innovative content creation initiatives aim on the one hand to encourage the use of emerging technologies and on the other to support excellence in telling Australian stories here and overseas (goals two and three). Through assisting Australian interactive entertainment developers to retain control of intellectual property, the Interactive Entertainment (Games) Offset will also strengthen the capacity of the sector (goal four).
- The Indigenous training and job placement initiative ties to goals one and four, not only protecting and projecting Australia's unique Indigenous voice but also capitalising on the growing popularity of Indigenous stories and storytelling to strengthen the capacity of the sector.

2 MEASURING CULTURAL VALUE

The social dividend that comes from a vibrant creative community is a fundamental component of the digital economy.

Cultural activities, products and services deliver both tangible and intangible outcomes. They are able to challenge and confirm beliefs, entertain and inform, and offer unique ways to reflect ourselves as well as respond to and understand others.

If we are to measure their cultural value we must factor in not only the financial contribution they make to the economy but also acknowledge, and to the best of our ability quantify, the myriad of ways they influence our sense of social belonging and national identity.

This section will define the creative industries and look at the number of people participating in the creation and consumption of screen content. It will then specifically look at the contribution that narrative-based content – Australian stories – make to the Australian economy while also offering new research findings about what aspects of these stories are most valued by Australians.

2.1 Defining the creative industries

To understand the role of the screen sector within the broader cultural ecology, we must first explain what is meant by the ‘creative industries’.

As defined within the context of the NCP discussion paper, creative industries ‘harness a range of creative and business skills for commercial production purposes, and may include large-scale industrial functions for manufacturing and distribution through the use of support materials and communications technologies. Creative industries include film and television production, broadcasting, electronic games, architecture, design and fashion, publishing, media and advertising’.²

The origins of the term ‘creative industries’ as a descriptor for cultural products and services date back to 1994, attributed to the Australian Government’s cultural policy of the time, *Creative Nation*. As a concept, ‘creative industries’ are an updated view of the ‘cultural industries’, which for many decades carried connotations of ‘culture’ as high art taking precedence over the value of popular culture.

The term has since been given greater prominence. It was embraced by the UK Government in 1998 when setting up their *Creative Industries Mapping Study*³ and has also been adopted by the United Nations in reports such as their 2004 publication *Creative Industries and Development*.⁴

² Australian Government, ‘National Cultural Policy Discussion Paper, August 2011 (<http://culture.arts.gov.au/discussion-paper>)

³ United Nations, ‘Creative Economy, December 2010 (<http://www.unctad.org/Templates/webflyer.asp?docid=14229&intItemID=5763&lang=1&mode=downloads>)

⁴ United Nations Conference on Trade Development, ‘Creative Industries and Development’, June 2004 (http://www.unctad.org/en/docs/tdxibpd13_en.pdf)

The United Nations states that in today's information economy, knowledge and creativity are fast becoming powerful engines driving economic growth with the creative industries lying at the crossroads between the arts, business and technology.

They further suggest that the creative industries convey ideas, symbols and a way of life, giving them a social value that is not easily captured by market price. These characteristics imply that competitive market forces will not by themselves lead to an efficient supply of cultural products and services, and that various forms of institutional coordination, including through government intervention, will be required in order to produce a sufficient amount of cultural goods and services.

2.2 Participation in the creation of screen content

In Australia, the creative workforce was comprehensively mapped in 2007 via an Australian Research Council Linkage Project, drawing on work that began in the UK. The project was administered by Queensland University of Technology in partnership with the Australian Government's Department of Communications, Information Technology and the Arts and the Australian Film Commission (a predecessor of Screen Australia).⁵

The aim of this analysis was to map the size, scope, structure and tangible economic value of creative industries in Australia. In the process, it developed new definitions and methodologies for identifying and examining the creative industries, the creative workforce and creative activity, and drew on Census data from the Australian Bureau of Statistics (ABS) to provide a picture of creative employment across the Australian economy.

The workforce was split into specialist occupations that produce creative goods and services, such as photographers, scriptwriters, etc, and those who work in supporting roles such as sales, administration, etc, across six industry segments:

- Film, television and radio
- Software and interactive content
- Music and performing arts
- Advertising and marketing
- Writing, publishing and print media
- Architecture, design and visual arts

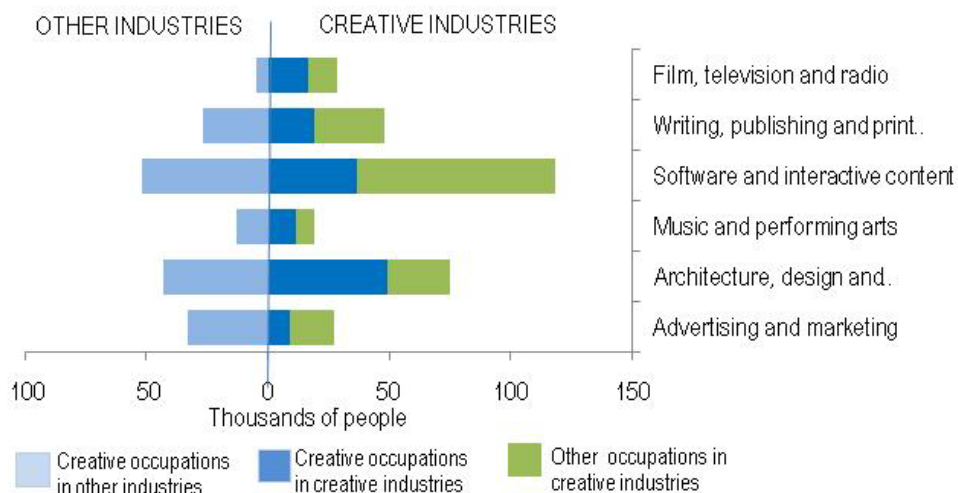
People in creative occupations who work in other industries, such as photographers working in real estate, are also part of the picture.

According to this analysis, there were 486,790 people in the creative workforce across the six creative segments in 2006. The largest of these segments, software and interactive content, accounted for 35 per cent of the creative workforce, followed by architecture, design and visual arts (24 per cent) and writing, publishing and print media (15 per cent).

⁵ Centre of Excellence for Creative Industries and Innovation (<http://www.cci.edu.au/publications/creative-industries-mapping-where-have-we-come-and-where-are-we-going>)

The film, television and radio segment represented 33,026 people (7 per cent). Of these people, 20,980 were in specialist film, television and radio occupations – film and video editors, for example, or directors of photography – and employed either in one of the six creative industries (16,452 people) or in another industry (4,528 people). The remaining 12,046 people were employed by film, television and radio businesses or service providers in a business support, rather than creative, role.

Employment in the creative workforce, 2006



	Specialist creative occupations in other industries ²	Employment in creative industries			TOTAL
		Specialist creative occupations ²	Other occupations ³	Total creative industries	
Film, television & radio	4,528	16,452	12,046	28,498	33,026
Writing, publishing & print media	26,745	19,224	28,608	47,832	74,577
Software & interactive content	51,673	36,366	81,623	117,989	169,662
Music & performing arts	12,838	11,290	7,619	18,909	31,747
Architecture, design & visual arts	42,892	49,508	25,597	75,105	117,997
Advertising & marketing	32,784	9,088	17,909	26,997	59,781
Total creative workforce	171,460	141,928	173,402	315,330	486,790

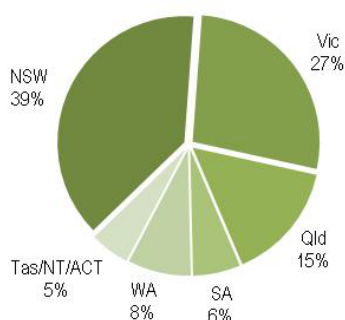
Source: Analysis by Centre of Excellence for Creative Industries and Innovation (CCI) using unpublished data from the Australian Bureau of Statistics (ABS), Census of Population and Housing, 2006.

Notes:

1. Includes all creative workforce segments used for classifying occupations. See for definitions: <http://www.screenaustralia.gov.au/research/statistics/archempwfdef.asp>
2. Specialist creative occupations are a selection of occupations that produce creative goods or services. They may be participants at any stage of the production process but it is the involvement of such people primarily in creative functions (rather than, for example, retail sales) that distinguishes them.
3. Other occupations are defined as those working in support roles for creative industries, such as management or sales.

Around two-thirds of all people employed in the creative workforce in 2006 were located in NSW and Victoria. In the largest industry segment – software and interactive content – 68 per cent of the workforce was employed in these two states. This pattern is replicated across the remaining segments, with NSW and Victoria combined accounting for 62–70 per cent of each segment’s workforce. In all segments, NSW accounted for the largest number of people employed and Northern Territory the smallest.

Employment in the creative workforce, by state, 2006



	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust.
Number									
Film, TV and radio	14,917	7,637	4,973	1,818	1,981	590	367	743	33,026
Software and Inter. content	67,300	48,418	21,961	9,222	12,231	1,569	636	8,325	169,662
Music and performing arts	11,817	8,322	5,651	2,100	2,511	493	289	564	31,747
Advertising and marketing	24,850	17,286	8,980	3,122	3,884	630	247	782	59,781
Writing, pub. and print media	27,324	18,846	11,395	5,038	7,031	1,695	594	2,654	74,577
Arch., design and visual arts	40,075	33,147	20,983	7,202	10,732	2,147	833	2,878	117,997
Total	186,283	133,656	73,943	28,502	38,370	7,124	2,966	15,946	486,790
Proportion									
Film, TV and radio	45%	23%	15%	6%	6%	2%	1%	2%	100%
Software and inter. content	40%	29%	13%	5%	7%	1%	<1%	5%	100%
Music and performing arts	37%	26%	18%	7%	8%	2%	1%	2%	100%
Advertising and marketing	42%	29%	15%	5%	6%	1%	<1%	1%	100%
Writing, pub. and print media	37%	25%	15%	7%	9%	2%	1%	4%	100%
Arch., design and visual arts	34%	28%	18%	6%	9%	2%	1%	2%	100%
Total	38%	27%	15%	6%	8%	1%	1%	3%	100%

Source: Analysis by Centre of Excellence for Creative Industries and Innovation (CCI) using unpublished data from the Australian Bureau of Statistics (ABS), Census of Population and Housing, 2006.

Notes:

Includes all creative workforce segments used for classifying occupations. See for definitions: <http://www.screenaustralia.gov.au/research/statistics/archempwfdef.asp>

Beyond paid employment, a broader view of the number of Australians involved in the creation of cultural activities, products and services is available in the ABS publication, *Work in Selected Culture and Leisure Activities*, last released in 2007.⁶

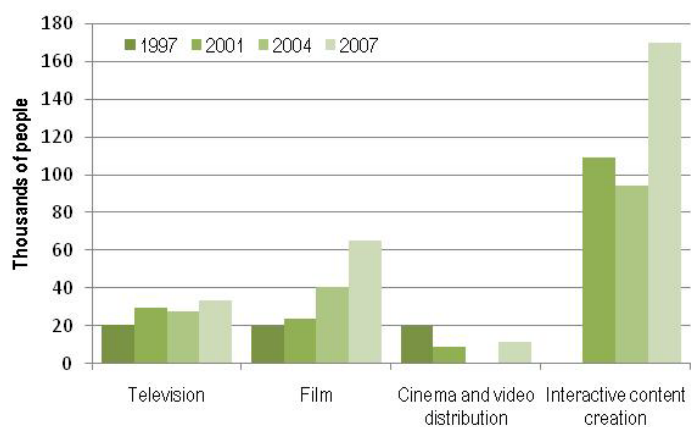
According to the ABS, during the 12 months to April 2007, an estimated 3.5 million people aged 15 years and over were involved in some form of paid or unpaid work in cultural activities ranging from art and craft to writing and museums.

The research shows that unpaid involvement in the production and distribution of screen content rose significantly over the preceding decade. Within each discrete area of television and film production and interactive content creation, the volume has increased, rising overall from 60,000 people in 1997 to 280,000 in 2007.

Of these sectors, interactive content creation – incorporating activities such as the design of websites, computer games and other interactive software – is the most significant contributor to unpaid involvement in screen-related activities. Audiovisual content plays an increasing role in this area of activity, given the exponential growth in video sharing through web-based platforms like YouTube, increasing online distribution options and greater integration of video capability into devices like smartphones.

⁶ Australian Bureau of Statistics, 'Work in Selected Culture/Leisure Activities', December 2007 (<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6281.0Main+Features1Apr%202007?OpenDocument>)

Involvement in selected unpaid cultural and leisure activities, 1997-2007



	1997	2001	2004	2007
Television	20,400	29,600	27,500	33,600
Film	20,100	24,000	40,300	64,900
Cinema and video distribution	20,100	8,700	13,600	11,700
Interactive content creation	–	109,300	94,500	170,100
Total	60,600	171,600	175,900	280,300

Source: Australian Bureau of Statistics, Work in Selected Culture/Leisure Activities (cat. no. 6281.0), 1997, 2001, 2004, 2007.

2.3 Participation in the consumption of screen content

Analysing screen media participation rates – the proportion of people who consume screen content across a variety of distribution access points – can provide insights into how the proliferation of new platforms and communications devices is affecting consumption patterns.

If we first look at out-of-home participation, figures published by the ABS in *Attendance at Selected Cultural Venues and Events*, show going to the movies is still Australians' most popular cultural activity in 2009/10.⁷ Nationally, 86 per cent of people had attended at least one cultural venue or event (i.e. libraries, museums, performing arts activities, etc) in the previous 12 months, with over two thirds, 67 per cent, of Australians aged 15 years and over attending the cinema.

However, most screen content is consumed within the home or on personal mobile devices as opposed to in venues like a cinema. Screen Australia's report *Beyond the Box Office: Understanding Audiences in a Multi-screen World*, published in April 2011, looked more broadly at this consumption.⁸

Screen Australia compiled statistics from a range of sources, including Roy Morgan's Single Source data covering the five years to September 2010, to comprehensively map the screen media participation of 18.1 million people in Australia aged 14 years and above.

The participation rates cover all forms of screen content consumption, including the established distribution points of cinema, rental or purchase of DVD or Blu-ray video, console gaming, free-to-air television and subscription television, as well as the emerging platforms of social media and online video.

This analysis not only identifies what platforms can be used to build audience awareness, but also what modes of access can best serve the creative vision by delivering the right experience to the right audience. The report found that in a decade of major technological change, participation in a broad range of screen-based activities has grown. The overwhelming trend of the last five years has been the addition of new screen activities to old ones, with established distribution access points proving to be resilient.

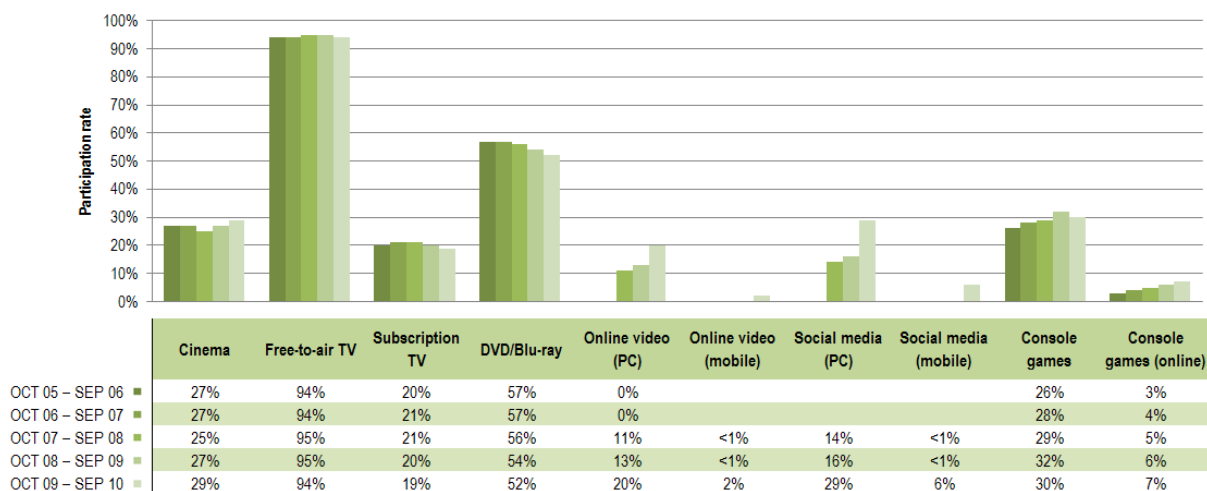
There are more screens delivering more content in more ways and audiences are embracing these new experiences. Consumer desire for a diverse media diet presents opportunities for growing market demand but in an increasingly fragmented environment, there are also challenges in meeting this demand.

In an environment where screen media have never been more ubiquitous, efforts are also being made to ensure that content is being made for, and is broadly accessible to, Australia's diverse population. Digital multi-channelling is providing increased options for free-to-air television viewing, for example; and the government's support for feature film captioning and audio description technology is providing enhanced cinema experiences for people with visual or hearing impairment.

⁷ Australian Bureau of Statistics, 'Attendance at Selected Cultural Venues and Events, Australia, 2009-10', December 2010 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/4114.0>)

⁸ Screen Australia, 'Beyond the Box Office: Understanding Audience in a Multi-screen World', April 2011 (http://www.screenaustralia.gov.au/research/beyond_box_office.aspx)

Participation rates for screen media, 2006-2010



Source: Compiled by Screen Australia using Roy Morgan Single Source

Television remains the leading method of viewing screen content, at over three hours on average per day. In 2010, 96 per cent of people indicated that they had watched a television program in the preceding week, similar to the rate for the last five years. Free-to-air and subscription services have each remained steady with participation rates of 94 per cent and 19 per cent respectively.

Cinema participation has grown slightly over the last five years when looking at shorter time period to that of the ABS, with the proportion of people attending in the preceding four weeks rising by almost 2 percentage points to 29 per cent in 2010. Console gaming achieved stronger growth; with those ever playing a console up by 4 percentage points to 30 per cent.

Watching video on DVD or Blu-ray remains an activity regularly undertaken by the majority of the population but is the only access point to record a decline in the last five years. The proportion of people renting or purchasing video in the preceding three months has fallen gradually by 5 percentage points to 52 per cent.

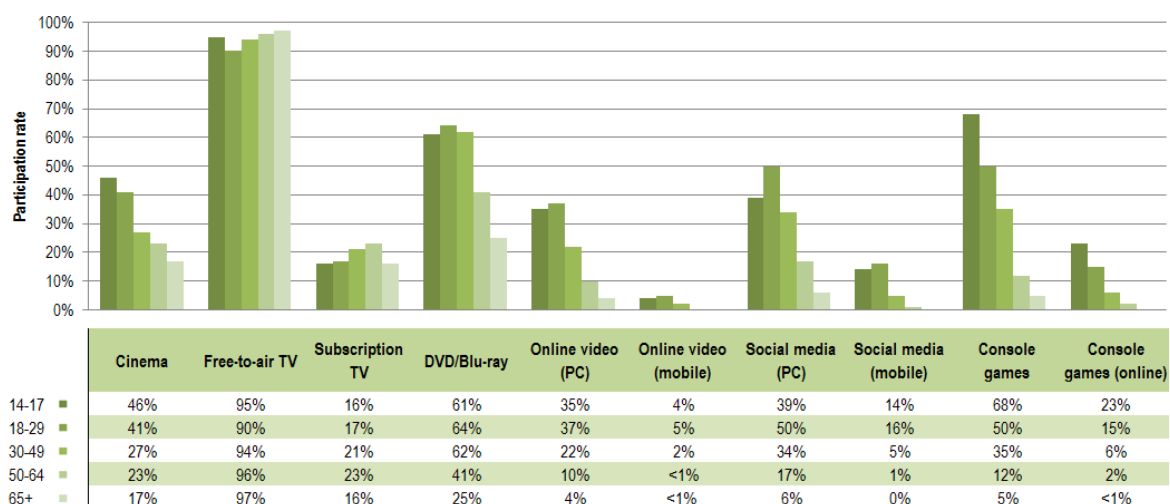
However, the dominance of traditional forms of access should not be taken for granted. Fuelled by an increasing number of people accessing the internet through high-speed connections and the roll out of the high-speed broadband infrastructure, there is growing capability and interest in viewing long-form video online. YouTube, for example, has reacted to this by extending clip lengths, and all major free-to-air and subscription broadcasters have recently launched web-based catch-up and on-demand services.

This has contributed to the increasing number of people who have downloaded or streamed video online,⁹ doubling in just three years. In 2010, 20 per cent of people had used a computer to watch video online and 2 per cent had done so using a mobile.

This is the strongest demographic factor affecting screen media consumption, with younger people more likely to have above-average participation rates in most activities. As the viewers get older it is unlikely that they will reduce the number of screens in their media diet, becoming dependent on portability.

⁹ Downloaded clips, podcasts, television programs or feature-length movies, or streamed television or video via mobile phone/personal computer.

Participation rates for screen media by age group, 2010



Source: Compiled by Screen Australia using Roy Morgan *Single Source*.

Early adopters are driving change and free-to-air television has the most to lose. Aside from being typically younger, these people tend to be also innovative, interested in technology and want to experience life, believing they can ‘have it all’. They have the highest participation rates across most screen activities, yet they are less likely to be watching free-to-air television than they were five years ago.

Participation is not just on the rise, but so too is time spent watching online video. Analysis compiled by Frost & Sullivan shows that 11 billion internet videos will be watched by Australians in 2011. This will result in 10.2 hours of online video watched on average each month per person.¹⁰

Screen content, particularly narrative storytelling, is accessible via many distribution points. In the case of feature films, viewings at cinemas account for less than one in ten viewings.¹¹

Although success-breeds-success from one distribution point to the next, given these shifts in participation it is not surprising storytellers are looking at new distribution techniques that don’t necessarily place cinema at the head of the release cycle.

A recent example is the Australian feature film *The Tunnel*, which premiered worldwide, for free, on file sharing sites including BitTorrent before its release on DVD, Foxtel’s Showtime Network and ABC’s iView. It is now slated for a North American theatrical release in 2011. To date the film has achieved over 2 million downloads worldwide.¹²

Downloads, box office, ratings, unit sales and website hits are all means by which one can measure audience participation. In most cases this directly leads to economic outcomes. But this is only part of screen content’s value. Many people may value cultural product even if they choose not to consume it themselves. This is harder to quantify, yet is vital to understanding the goals of the NCP.

¹⁰ David Ramli, Viewers switch on internet TV’, Australian Financial Review, 19 September 2011

¹¹ Screen Australia, ‘Beyond the Box Office: Understanding Audience in a Multi-screen World’, April 2011 (http://www.screenaustralia.gov.au/research/beyond_box_office.aspx)

¹² *Encore*, ‘First Australian film to be distributed and promoted legally via BitTorrent’, October 2011

2.4 The economic contribution of Australian screen storytelling

For more than 100 years Australian stories have been created by the film, and then television, industry. In the last 30 years the screen sector has broadened to incorporate a growing interactive entertainment industry that is exploring new forms of artistic expression and storytelling. This is accelerating through the enhanced interactivity and broadcasting power offered by high-speed broadband.

Estimates of the economic value of gross product for the creative industries have been in excess of \$30 billion dollars in recent years.¹³ The film and television industry still accounts for the majority of this value, with analysis released in 2011 by the Australian Federation Against Copyright Theft showing that income derived from the creation and consumption of film and television screen content in 2009/10 was \$20.2 billion.¹⁴

As published in *Convergence 2011: Australian Content State of Play*, Screen Australia compiled additional analysis in August 2011 looking specifically at narrative screen content (feature films, television drama and documentaries). This activity generated \$709 million worth of investment in 2009/10,¹⁵ which includes \$124 million in overseas finance.

Economic modelling indicates that this level of investment in drama and documentary production positively contributes \$331 million to the Australian economy via gross domestic product (GDP) annually, taking into account the direct and indirect impacts of production activity on the overall economy.

To contextualise these figures it is important to note that drama is generally the most expensive form of content to make, followed by documentaries. They are a riskier proposition, involving significant upfront costs that may or may not be fully recovered in the marketplace.

As well as being relatively expensive types of production, Australian screen stories must compete with the substantial output of the US industry – the most wide-reaching and economically powerful in the world with a positive trade surplus of US\$11.7 billion.

Such high levels of production output from the US and its relatively low pricing result in a lopsided marketplace for content whereby it is significantly cheaper to purchase and distribute foreign feature films and television programs. For example, more than 70 per cent of the commercial free-to-air broadcasters' drama expenditure relates to foreign drama and around 90 per cent of all feature films released in cinemas are foreign.

These factors, combined with the fact that narrative content is perceived to be the most culturally valuable form of programming, have been the traditional rationale for government incentives and obligations to ensure that Australian drama, children's drama and documentaries remain available to Australians.

¹³ Enterprise Connect and the Creative Industries Innovation Centre, 'Creative Industries Economic Analysis', June 2009 (www.enterpriseconnect.gov.au)

¹⁴ Access Economics, 'Film & TV Industry Contributes \$6.1 Billion to Australian Economy', August 2011 (http://www.afact.org.au/index.php/news/film_and_tv_industry_contributes_6.1_billion_to_australian_economy)

¹⁵ Screen Australia, 'Convergence 2011: Australian Content State of Play', August 2011 (http://www.screenaustralia.gov.au/research/convergence_stateofplay.aspx)

Australia's production of narrative screen stories is underpinned by three levers of government support:

- direct funding
- tax incentives
- regulation.

In recent years, the indirect levers of incentives and regulation have provided additional assistance through such initiatives as new tax rebates to stimulate local and foreign production, and the easing of television regulation that has effectively reduced the licence fees payable by commercial broadcasters. However, direct funding still accounts for the majority of support, be it via federal and state agencies (Screen Australia, Screen NSW, Film Victoria, etc), or allocations to the public and community broadcasters (ABC, SBS, NITV, etc).

There is no doubt that government support plays a key role in the production of screen stories, but what is also clear is that, perhaps unlike many other cultural activities, Australian screen storytelling is able to convert nearly half of total annual investment from all sources into a positive contribution to GDP, due in part to the foreign finance that such activity attracts.

In real terms, the cost to the Federal and State Governments for their direct (screen agencies and public broadcasters) and indirect (tax offsets) investment in feature films and narrative television programs was approximately \$288 million in 2009/10. This works out to just \$12.68 per capita.¹⁶

Consumer spending and other income derived from the distribution of content provides additional context to the health of the entire screen sector, with revenues forecast to continue their rise.¹⁷

In 2010 revenue for commercial free-to-air television was \$3.5 billion; \$2.8 billion for subscription television. After rebounding from falls in advertising revenue in 2008 and 2009, commercial free-to-air is forecast to grow by 2.3 per cent in the next five years while subscription television has slightly stronger predictions with a projected 5.1 per cent growth in advertising and consumer spending revenues.¹⁸

Cinema, physical video and console gaming were the only other sectors to surpass the \$1 billion mark in 2010, achieving revenues of \$1.5 billion, \$2.3 billion and \$1.1 billion respectively. Cinema and console gaming are expected to grow around 5.5 per cent by 2015 and growth in physical video is forecast at 3.2 per cent despite signs of slowing in wholesale shipments.¹⁹

Stored media delivery systems through internet-based technology, like online video and online/mobile gaming, are looking at double-digit growth. However, they are doing so from a much smaller base than mature sectors like commercial free-to-air television, which stands to amass more revenue over the five years than any other sector.²⁰

¹⁶ Ibid.

¹⁷ PricewaterhouseCoopers, 'Outlook: Australian entertainment and media, 2011-15', August 2011 (<http://www.pwc.com.au/industry/entertainment-media/publications/outlook/index.htm>)

¹⁸ Ibid

¹⁹ PricewaterhouseCoopers, 'Outlook: Australian entertainment and media, 2011-15', August 2011 (<http://www.pwc.com.au/industry/entertainment-media/publications/outlook/index.htm>)

²⁰ Ibid

2.5 Importance of screen stories to Australians

In the last three years, Australian television programs have accounted for all spots on the annual list of top 20 titles in five-city metro areas. Notably, *Packed to the Rafters* has been the highest-rating drama during this time, attracting approximately 2 million viewers on average per episode.²¹

For feature films, Screen Australia's 2011 *Beyond the Box Office* analysis of cumulative viewings shows that locally-produced films released 2007–09 have been viewed by Australians over 100 million times across the whole first release lifecycle from cinema, to DVD/Blu-ray video, free-to-air and subscription television.²²

Indicators such as these can provide useful quantitative information about Australians' consumption of their own screen stories. However, the more qualitative aspects – how they feel about these stories – are typically less easy to measure.

To better understand these less tangible aspects, Screen Australia commissioned original research as part of this submission. It asked Australians about the importance they placed on Australian narrative screen content – feature films, television dramas and documentaries.

This topic has been explored on several occasions over the last few decades, most recently by one of Screen Australia's predecessor agencies, the Film Finance Corporation, in research released in 2008.²³ But in that case, and with most others, the research focused on discrete components of the screen sector.

Screen Australia's new analysis, compiled in collaboration with Auspoll, takes a wider look at the perceived value of Australian screen storytelling in an increasingly converged distribution environment, one in which consumption occurs across multiple screens.

The research was broken into qualitative and quantitative phases with focus groups occurring in August 2011 followed by an online survey conducted 7-13 October 2011. It surveyed 1,002 people over 14 years old, weighted to be representative of the population in terms of age, gender and residential location.²⁴

Overall, 91 per cent of people believed that it was quite important or very important that Australia had a film and television industry that produces local content. This compares with just 1 per cent who stated that it was not important at all.

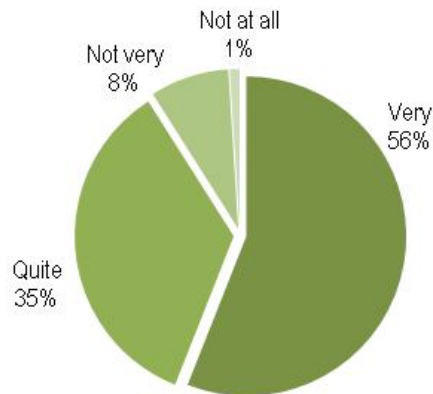
²¹ Compiled by Screen Australia from OzTAM data; 5-city metro
(<http://www.screenaustralia.gov.au/research/statistics/wftvtopdrama.asp>)

²² Screen Australia, 'Beyond the Box Office: Understanding Audience in a Multi-screen World', April 2011
(http://www.screenaustralia.gov.au/research/beyond_box_office.aspx)

²³ Bergent Research on behalf of the Australian Film Finance Corporation, 'Maximising the Appeal of Australian Movies with Australian Audiences', June 2008

²⁴ This sample size of 1,002 Australian residents is associated with a margin of error of +/- 3.1 per cent at the 95 per cent confidence interval. This means that for a result of 50 per cent, we can be 95 per cent confident that the actual result is between 46.9 per cent and 53.1 per cent.

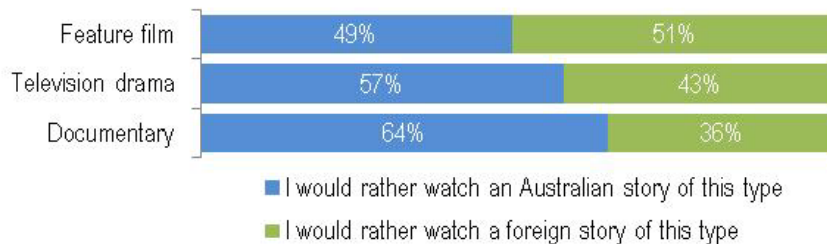
Importance of Australia having a local film and television industry that produces Australian stories, 2011



Source: Compiled by Auspoll on behalf of Screen Australia.

When asked to identify their preference between foreign and Australian content by type, 64 per cent of people said they would rather watch an Australian documentary over a foreign one; the preference for Australian content was 57 per cent for television drama and 49 per cent for feature films.

Preference for Australian versus foreign content, 2011



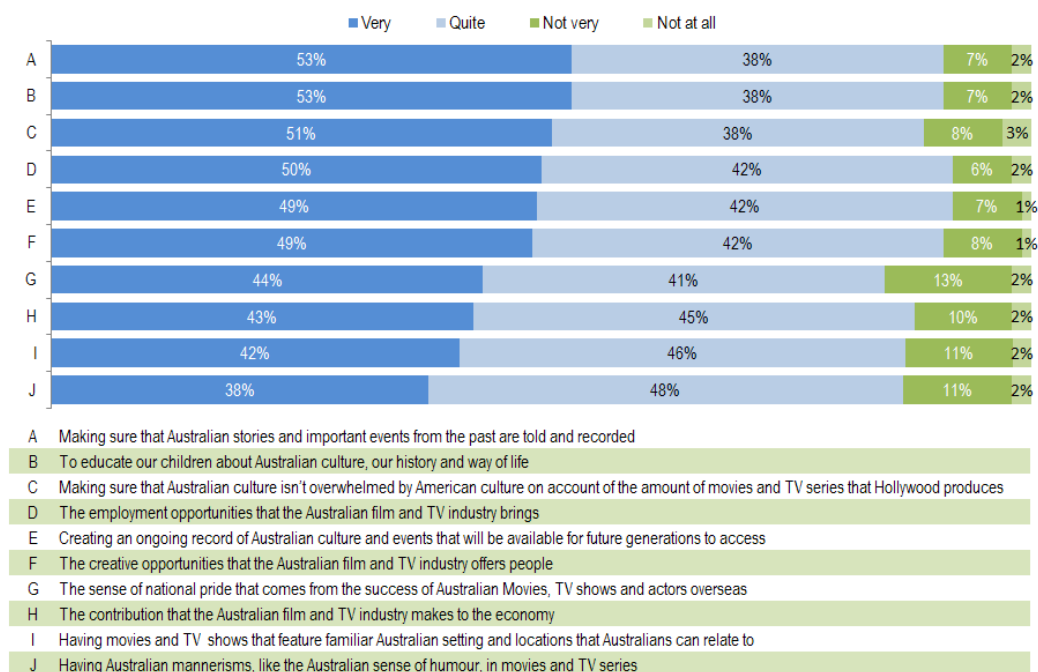
Source: Compiled by Auspoll on behalf of Screen Australia.

Respondents were also asked about ten benefits for having a local film and television industry that produces Australian stories. They were first asked to classify the benefits from very important to not important at all, and then asked to choose which one they felt was the single most important benefit.

Twenty-one per cent of people stated that the most important benefit of the film and television industry was to make sure that Australian culture isn't overwhelmed by American culture on account of the amount of movies and TV series that Hollywood produces.

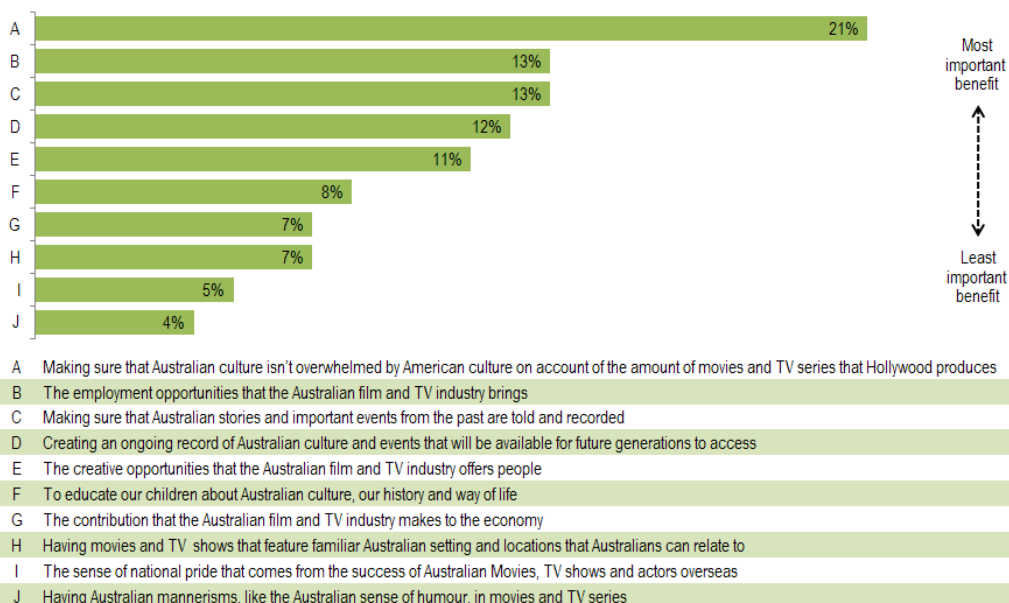
This was followed by recognition of the employment opportunities that the industry brings, as well as ensuring that Australia's stories and important events from the past are told and recorded, each nominated by 13 per cent of respondents.

Importance of perceived benefits gained from having an local film and television industry producing Australian stories, 2011



Source: Compiled by Auspoll on behalf of Screen Australia.

Most important benefits from having an Australian film and television industry producing Australian stories, 2011

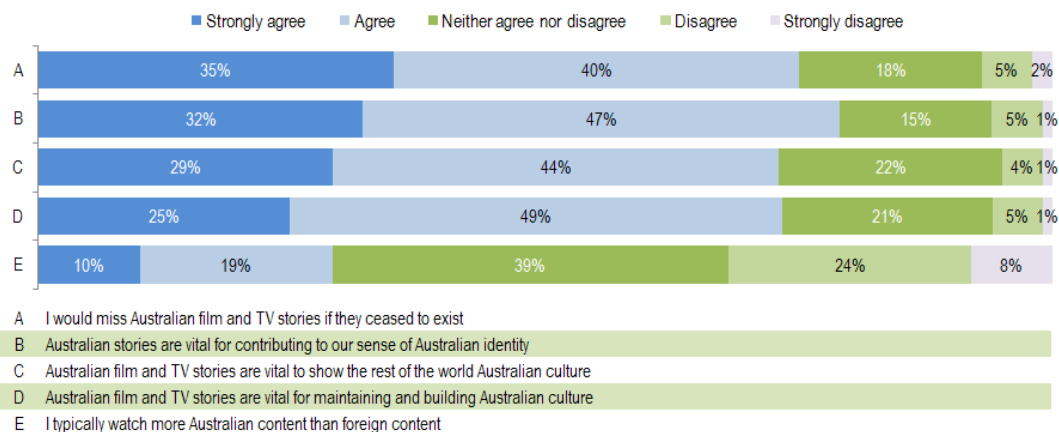


Source: Compiled by Auspoll on behalf of Screen Australia.

Lastly, respondents were asked to what extent they agreed with several attitudinal statements. 79 per cent of people agreed (32 per cent strongly) that Australian stories are vital for contributing to our sense of Australian national identity; while 75 per cent agreed (35 per cent strongly) that they would miss the Australian film and television industry if it ceased to exist.

The statement about which there was the most ambivalence, with 39 per cent neither agreeing nor disagreeing, was 'I typically want more Australian content than foreign content'.

Attitudes to an Australian film and television industry producing Australian stories, 2011



Source: Compiled by Auspoll on behalf of Screen Australia.

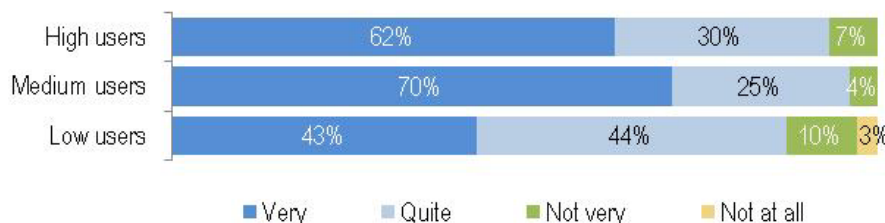
However, it should be noted that a person’s level of consumption does not necessarily bear a direct relationship to the importance a respondent places on Australian screen stories. As an economic concept, this is referred to as a ‘non-use value’, the value one ascribes to public goods independent of their use of that good.

A more detailed definition of non-use value is in David Throsby’s paper from 2007, *The Value of Heritage*.²⁵ He talks about the valuation of non-use values ‘which are experienced by individuals but are not reflected in market processes since they are derived from those attributes of cultural heritage that are classifiable as non-rival and non-excludable public goods. Research in environmental and ecological economics over the last 20 years or so into demand for the non-market benefits of the natural environment has identified three categories’.

According to Throsby, ‘existence value’ is where people value cultural heritage simply because it exists, compared to ‘option value’, where they wish to preserve heritage items in order to leave open the option that they may consume services in the future. Finally, the ‘bequest value’ is where people wish to pass on heritage assets to future generations.

In the Screen Australia research, 87 per cent of respondents classified as ‘low users’ of Australian screen content still believed it was important to have a local film and television industry that produces Australian stories. In fact, 43 per cent of these people thought it was ‘very’ important.

How important it was to have an Australian film and television industry producing Australian stories, for high, medium and low consumers of Australian content, 2011



Source: Compiled by Auspoll on behalf of Screen Australia.

Notes:
 High users: watched an Australian screen story most days (17 per cent of respondents)
 Medium users: who watched once or twice a week (36 per cent)
 Low users: watched just a few times a month or less (46 per cent)

²⁵ David Throsby, ‘The Value of Heritage.’, October 2007

3 FUTURE FUNDING: CONTENT INNOVATION AND SECTOR BUILDING

The Australian Government has supported the development of a local screen production industry for more than 100 years. As noted in section 2.4, this support is broadly provided through the application of three policy levers: direct funding, incentives and regulation. Today, the mix of activities comprises:

- Direct funding of screen content through Screen Australia
- Funding of various screen bodies, festivals, publications and industry guild activities through Screen Australia
- Funding of the Australian Film, Television and Radio School as well as other education institutional funding and support
- Funding of Ausfilm and the Australian Children's Television Foundation
- Direct funding of screen-based projects relating to core arts activities and cultural heritage through the Australia Council and the National Film and Sound Archive
- Funding for, and/or provision of spectrum to, the ABC, SBS, NITV and community television broadcasters
- Provision of spectrum to the commercial television broadcasters
- Taxation incentives, in particular the Producer, Location and PDV Offsets
- Negotiation and administration of treaties and memoranda of understanding to establish and facilitate co-productions with other countries
- Regulation, especially the Australian Content Standard administered by the Australian Communication and Media Authority
- Immigration and visa regulation and administration for foreign cast and crew working in Australia
- Export incentives.

These various components remain vitally important in collectively influencing the environment in which screen content is created. However, the time is right to reassess the mix, in the context of the challenges and opportunities facing Australia's cultural product through the convergence of media devices around fast broadband.

New business models for production need to be explored as do new avenues of access. Unless the right supporting framework is established Australia may languish behind other countries in fostering a vibrant screen production sector that can tap into the unique potential of the online medium. Good public policy requires a fiscally responsible investment from government to balance this need.

The National Cultural Policy has an opportunity to crystallise thinking around current and future challenges, providing not just short-term solutions but meaningful changes to the supporting structures of core arts, cultural heritage and creative industries that will continue to have an effect in the decades to come.

For the screen sector, initiatives are proposed across two areas:

- initiatives to support innovative content creation,
- sector building initiatives.

An **Online Production Fund** is proposed, particularly focused on **innovative content creation**. It would provide funding for interactive and linear narrative content projects released online, demonstrating the cultural benefits of high-speed internet access.

An **Interactive Entertainment (Games) Offset** would address both **innovative content creation** and **sector development**. It proposes alterations to the existing Producer Offset to include interactive components for drama and documentary content, while also introducing an offset for stand-alone games. Through assisting Australian interactive entertainment developers to retain control of intellectual property, this initiative will also enhance the viability of the creative development aspects of the sector.

Indigenous Step-up is an important **sector building** initiative, offering job placement and training opportunities for Indigenous practitioners.

These initiatives are linked to the goals outlined in the NCP discussion paper:

- Taken together, they reflect the diversity of Australian screen culture as set out in **goal one**.
- The proposed innovative content creation initiatives aim on the one hand to encourage the use of emerging technologies and on the other to support excellence in telling Australian stories here and overseas (**goals two and three**) as well as strengthen the contribution of the interactive entertainment development to Australian society and the economy (**goal four**).
- The Indigenous training and job placement initiative ties to **goals one and four**, not only protecting and projecting Australia's unique Indigenous voice but also capitalising on the growing popularity of Indigenous stories and storytelling to strengthen the capacity of the sector.

3.1 Online Production Fund – *innovative content creation*

The Online Production Fund is an initiative seeking direct funding to support the production of premium original content for online delivery. The support is needed as there is currently little provision or access to Australian content on emerging media platforms at a time when participation in these distribution points is increasing.

This is not a new issue, having already been detailed in the 2009 report, *Australia's Digital Economy: Future Directions*, which stated that 'while content is a key driver of digital economy growth, technology has a disruptive effect on the entertainment and media industries. The array of entertainment options available is fragmenting the market and the trend to digital teaches viewers new habits. These challenges are being felt by the content industry globally and in Australia'.²⁶

The report continued: 'the popularity of the online content offerings of the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS) provides further examples of successful forays by Australian organisations into digital content. In 2008, the ABC had 49 million audio podcasts downloaded, another 18 million video podcasts were downloaded and an average of 2.3 million users a month visited its websites. Similarly, from the SBS website 887,000 radio and television programs were downloaded in 2007/08 and an average of 598,000 unique users per month visited the SBS websites.'

Rake was the highest rating Australian TV drama series screened on ABC in 2010, achieving a five-city metro average of 817,000. It premiered on iView five days prior to its release on ABC1. Each subsequent episode was uploaded to iView after its screening on TV, attracting a further 300,000 viewings.

This appetite is matched by the broader growth rates. As earlier mentioned, participation rates in online video have doubled in just three years, with almost one-in-three Australians over the age of 14 now viewing audiovisual content via the internet on a monthly basis.²⁷ Furthermore, new devices will drive this up even further; for example, PwC estimates that there will be 5.5 million Australians owning a tablet device such as an iPad by 2015.²⁸

Unless local content can keep in step with these consumer trends, Australia runs the risk of missing the cultural opportunities that online distribution can provide through new types of linear and interactive engagement and increased access to Australian content. Of paramount concern is the danger that Australia may become little more than a distribution outpost for foreign intellectual property.

The NCP is well positioned to deal with a changing telecommunications environment. Back in the 1990s, fuelled by speculation about the impact of

Dario Russo was offered a development deal with SBS after his student film **Italian Spiderman** attracted almost 10 million views on YouTube for its trailer and subsequent short episodes. His new project **Danger 5** is currently in production and will be screened on SBS ONE in early 2012, preceded by a short web series to build on his existing fan base.

²⁶ Australian Government, 'Australia's Digital Economy: Future Directions' 2009

²⁷ Screen Australia, 'Beyond the Box Office: Understanding Audience in a Multi-screen World', April 2011 (http://www.screenaustralia.gov.au/research/beyond_box_office.aspx)

²⁸ ProcewaterhouseCoopers, 'Australian Media and Entertainment Outlook: 2011-15', August 2011

the information superhighway, the government of the time introduced a number of multimedia initiatives as well as the Commercial Television Production Fund (CTPF).

The aim of the CTPF was twofold: on one hand it was aimed at giving 'Australians access to a wide range of high quality Australian programs... (providing the sector) with additional support during the onset of the new communications era.' On the other, it supported 'the development and marketing of multimedia applications of new or existing programs produced for television and providing incentives for the export of programs or applications.'²⁹

The CTPF delivered many positive outcomes for the production sector by funding the pilots and/or telemovies of several long-running series such as *Good Guys*, *Bad Guys*, *State Coroner* and *Medivac*. However, its intention of fostering closer links between multimedia components and television broadcasting proved to be ahead of its time. It took another decade for the internet to come into its own as a broadcasting platform through the pervasiveness of YouTube, and more recently, on-demand services like catch-up television.

Today it is possible for a video to attract millions of views through the likes of YouTube, but the revenue model is typically advertising supported with little or no up-front investment from the aggregator. Online delivery of premium content is limited in most cases to either unsustainable self-funded projects or as an ancillary distribution point for content primarily made for other screens.

As the Government develops and realises its ambitions for Australia's digital economy, the time is ripe for the National Cultural Policy to update the CTPF concept by considering a broader range of support strategies for online content made possible via the building of high-speed broadband infrastructure.

The coverage targets of the NBN are currently anticipated to be 93 per cent of Australian premises having access to a high-speed fibre network providing speeds of 100 megabits per second, with a capability to provide speeds of up to one gigabit per second.³⁰ According to reports, a 100Mbps broadband service is enough to download a music album in as little as 5 seconds, an hour-long TV show in about 30 seconds, and a high-definition movie in roughly 7 minutes, 25 seconds.³¹

According to the NBN Co's *Corporate Plan 2011-13*, entry level service on its fibre network will be 12Mbps, with incremental tiers up to 1,000Mbps, and future upgrades are likely to see even higher speeds and more competitive costs. In 2011-12, pricing for these services ranges from less than \$30 to \$150 per month.³²

The plan also states, that 'the main limiting factor in the early years of the NBN is expected to be the availability of applications that require high bandwidth. Without these applications, consumers have limited reasons for migrating to the speeds offered by the NBN, and price becomes the main factor in driving consumer choices. NBN Co's strategy is based on the expectation that as higher bandwidth becomes available, applications that take advantage of that bandwidth will be developed.'

²⁹ David Gonski 'Review of Commonwealth Assistance to the Film Industry', January 1997

³⁰ Australian Government, 'National Broadband Network: Progress Update', May 2011

³¹ CNET, '100Mbps broadband may be closer than you think' 8 March 2010 (http://news.cnet.com/8301-30686_3-10465098-266.html)

³² NBN Co, 'Corporate Plan 2011-13', December 2010

The NBN Co has identified audiovisual content as a key to these applications in the next five years. This ranges from over-the-top services and Internet Protocol Television (IPTV) services,³³ which they state will only be possible on networks that offer sustained speeds of 10–20Mbps. In the long term they see new products in development, such as Ultra High-definition video, that are expected to require speeds of more than 250Mbps.

The Online Production Fund would provide a launching pad for the screen sector to fully embrace the opportunities that fast broadband makes available. It would build on a growing array of projects that have moved into this space, including:

- feature film and television content using a digital distribution strategy
- immersive narrative projects such as interactive documentaries
- browser-based interactive entertainment
- mobile and tablet applications.

*To coincide with Network Ten's drama series **Offspring**, a series of 13 x 5 minute webisodes called **The Nurses** was released online for both seasons 1 and 2. Each episode of **The Nurses** follows characters from **Offspring**, providing additional content and further sub-plots.*

Recent examples of projects that fall within these areas are *Rake's* premiere on iView; the online series *The Nurses*, featuring characters from its companion program *Offspring*; interactive children's websites with activities and stories relating to *My Place* and *Dirtgirlworld*; and the Facebook documentary *Goa Hippy Tribe*.

The Fund will be targeted to projects in which the production company (and any associated first-release broadcaster or distributor) agrees to an exclusive online screening window, prior to release on other distribution points. The Fund will have the capacity to assist a wide range of content, from small-scale projects with limited marketplace attachment that may only ever be distributed online to others that follow traditional financing structures that will ultimately be released in cinema and on television or video.

Goa Hippy Tribe, an interactive documentary supported by SBS and Screen Australia, used Facebook as a release platform. Darius Devas documented his reunion with the people central to the *Goa Hippy Tribe* from the 1970s, posting video interviews that encouraged the formation of a highly engaged community. The Facebook page is still hosting 400 active monthly users with more than 20,000 fans.

Ultimately, the objective is that each project needs to explore potential business models, advancing the development of new distribution arrangements for content that are more in keeping with changes in audience expectation and demand. This will lead to a more sustainable screen production industry, delivering an increase in production activity, gross domestic product and employment.

Importantly, it will heighten the cultural impact of screen content through greater audience access and engagement with innovative and original content on emerging platforms. The Fund permits the creation of socialised content – screen stories that people can actively discuss and interact with in ways they are increasingly seeking and demanding. This is of particular significance for younger generations, who will take the accessibility of such content for granted.

³³ OTT is a general term for voice, video and data services delivered over a network and provided by an entity other than the operator of the network. OTT services are delivered 'over-the-top' of existing infrastructure and do not require business or technology affiliations with the host ISP or network operator. Examples include Skype and YouTube. OTT TV is defined as video content delivered to a television set and transported via IP unicast over an unmanaged network such as broadband internet, for example BigPond Movies viewed through Telstra T-Box. IPTV is defined as video content delivered to a television set and transported via IP multicast for linear channels and IP unicast for on demand content over an operator-managed network, for example Fetch TV and TransACT's TransTV.

For businesses, the Fund would provide an opportunity to test and develop new content and distribution models that harness the unique interactive components offered by the internet.

A BOLD APPROACH TO FUTURE FUNDING OF INNOVATIVE CONTENT

The dramatic technological changes which have occurred in the last decade have brought with them many challenges. At the forefront has been the need for content creators, distributors and broadcasters to grapple with new infrastructure, ranging from an increase in internet speeds and the power of online broadcasting to the implementation of free-to-air digital television multi-channelling.

While these changes have threatened existing business models, they have also given rise to opportunities beyond what many would have predicted. In just a short time the traditional boundaries between content and audience have blurred. Audience expectations have risen as a result, demanding social interaction around their stories, if not with the story itself.

However, the journey isn't complete. The screen sector is still in a transitional phase with targeted support needed to stimulate financing structures as these new business models are not yet fully matured.

The proposed Online Production Fund and Interactive Entertainment (Games) Offset are two areas that can benefit from immediate attention. In the longer term, there is a public cost involved in ensuring that Australian screen stories and the companies that create them will thrive in the years to come.

Australia is at a telecommunications crossroad with the impending restacking and sale of spectrum freed up by the move to digital television – producing a 'digital dividend' for the public purse. Although there is not yet a price on the digital dividend's yield, the commercial networks have suggested that the value of their analogue spectrum licences will be \$1–2 billion each.³⁴ Others have claimed that the dividend will be far greater than this, with many telecommunications companies already vying for the licences after restacking in 2013.

This presents an unparalleled opportunity for Government to offset costs associated with new innovative content creation. One option for Government to consider is the setting aside of a proportionally small amount of the proceeds from the digital dividend to establish a **Future Fund for Screen Content (FFSC)**.

The FFSC could be managed by a steering committee or panel of experts. The initial allocation of money would be invested with interest from these earnings used to support funding programs without shrinking the principal investment. Three to five year plans would be developed and programs adjusted in light of changing environments, and the fund would report annually.

³⁴ Annual reports and media articles

3.2 Interactive Entertainment (Games) Offset

– innovative content creation and sector development

The Interactive Entertainment (Games) Offset is an initiative with two components. The first is a broadening of the scope of the current Producer Offset to allow for expenditure on interactive entertainment components of otherwise eligible projects to qualify under the rebate, and the second is the introduction of new offsets to assist with the production of stand-alone games titles.

The need for this support was previously raised by Screen Australia in its *Submission to the Australian Government's 2010 Review of the Independent Screen Production Sector*³⁵ and is the subject of a new discussion paper by Screen Australia to be released at the Games Conference Asia-Pacific in November 2011.

Over the last few years a lack of private investment from local sources in interactive entertainment has remained an ongoing challenge due to the high level of risk and project-based nature of financing models. Because of this, developers have been reliant on foreign publishers as a source of finance, typically relinquishing their intellectual property in return for project funding or performing fee-for-service contract work.

Compounding this problem are external factors such as the strength of the Australian dollar and targeted government incentives offered by overseas territories, which mean the local industry is no longer cost competitive with hubs in Europe, the US and Canada. Furthermore, the console hardware cycle has reached a mature phase causing publishers to consolidate their development operations, choosing to develop fewer medium-budget titles in favour of existing high-budget franchises. Ultimately, this is leading to fewer packets of work being sent away from the main development hubs.

L.A. Noire, a crime console game released in 2011, was developed by Australian company Team Bondi. It relies heavily on narrative content for immersive gameplay and the strength of this narrative alone meant that L.A. Noire was the first game to be shown at the Tribeca Film Festival prior to its release.

As a result several major independent and foreign-owned studios in Australia have closed, unable to attract enough fee-for-service work or project funding. Without stimulation the industry faces a brain drain of skill practitioners to other territories and limited opportunities open to those emerging from tertiary education.

Some incentives are currently available to assist developers: from project support programs through film agencies such as Screen Australia and Film Victoria to relocation, product development and export programs at a State and Federal Government level. The leading incentive relates to research and development activities. A new iteration of the R&D Tax Incentive was passed by the Senate on 24 August 2011, with an added focus on small and medium enterprises.³⁶

³⁵ Screen Australia, 'Submission to the Australian Government's 2010 Review of the Independent Screen Production Sector', July 2010 (http://www.screenaustralia.gov.au/news_and_events/review2010.aspx)

³⁶ Australian Government, 'Crossbench support means new R&D Tax Credit will start on 1 July 2011', 15 June 2011

Broadly, the program takes a two-tiered approach:³⁷

- 45 per cent refundable R&D tax offset will be available for companies with a grouped turnover of less than \$20 million. This is equivalent to a benefit of 15 cents in the dollar, with a refund of up to 45 cents in the dollar if the company has a tax loss.
- 40 per cent non-refundable R&D tax offset will be available for companies with a group turnover of more than \$20 million. This is equivalent to a benefit of 10 cents in the dollar.

However, the R&D Tax Incentive is quite limited in the types of production expenditure that can be claimed. It does not provide a rebate against most local costs in the same ways as the Producer Offset does for film and television.

The first component of the proposed **Interactive Entertainment (Games) Offset** initiative could see the inclusion of interactive components relating to drama and documentary projects qualify under the production expenditure guidelines of the Producer Offset. This will enable production companies to explore a full range of interactive entertainment options, from large console games such as *Happy Feet Two* to a bundle of smaller projects for online access like *Asylum Exit Australia* or apps like *Bondi Rescue*.

This will ultimately offer a way to expand linear storytelling into more dynamic environments, leveraging these drama and documentary stories further by increasing their appeal among new audiences.

A second component of this initiative could be the introduction of a new offset for stand-alone interactive entertainment projects that are unrelated to drama and documentary titles. This initiative could support high-cost projects such as traditional console games and massively multiplayer online environments, as well as lower-cost downloadable titles that are emerging across consoles, smartphones, tablets and personal computers.

Levels could be scaled in the following manner:

- 30 per cent for projects that meet a \$500,000 threshold
- 20 per cent for projects that meet a \$200,000 threshold

Overall these initiatives will assist Australian interactive entertainment developers to become more cost competitive with other foreign territories, and retain control of intellectual property.

Companies involved in console game development will be able to continue attracting fee-for-service work as well as ready their skills base in

*As well as being shortlisted for the 2010 Academy Awards 'Best Short Animation' for The Cat Piano, **The People's Republic of Animation** provides stylised character animation to leading console game developers, publishers and advertising agencies. Their games work includes cinematics and trailers for Xbox 360, PS3 and Nintendo Wii for titles such as ModNation Racers, de Blob (1 and 2), and Transformers: Revenge of the Fallen. Earlier in 2011, they were partially acquired by Australian games studio **Halfbrick**. One of the aims was to strengthen their production capabilities and further develop IP across interactive and other entertainment platforms.*

*Games company **Firemint** was recently acquired by US games studio Electronic Arts (EA), bringing in substantial foreign investment into Australia. Despite this, Firemint remains Melbourne-based with Australian key creatives continuing to produce locally developed original IP. They are best known for the self-publishing original titles *Flight Control* and *Real Racing* on iPhone and iPad.*

³⁷ PricewaterhouseCoopers, 'New R&D Tax Incentive Program', August 2011

preparation for an upturn in the console market when new hardware is released in the next few years. Furthermore, these companies, plus an array of specialist developers, will have an incentive to explore new digital distribution alternatives with games of a smaller scale.

Australia is already a leader in the development of interactive content for mobile and tablet devices, with the likes of *Fruit Ninja*, *Flight Control* and *Spy Mouse* each achieving millions of downloads.

Like the projects targeted in the Online Production Fund, the Interactive Entertainment (Games) Offset will capitalise on the benefits of fast broadband and changing business models. It will enable not only stand-alone games to benefit from new revenue streams such as micro-transactions, but also enable a greater intersection with the film and television industry to similarly benefit from this socialisation of content.

Screen Australia has worked with PricewaterhouseCoopers to model the economic outcomes of these initiatives. This modelling indicates that together, they will enable more than \$44.3 million of additional investment per year, of which around \$30.3 million will come from overseas investors. In a challenging economic climate for the interactive entertainment industry, this is a significant injection of foreign money.

According to the modelling, the key impacts of the additional investment are:

- The long-run net impact of these initiatives is an increase to gross domestic product (GDP) of \$23 million per year.
- The net present value of the GDP increase, with a phased response from publishers and developers over the first five years is \$75.8 million.
- 383 new jobs will be created and sustained.

After years of developing licensed games for medium budget handheld console games, the Brisbane-based games company Halfbrick Studios has moved into primarily creating original IP for the mobile and digital distribution space, with a recent push towards the console Xbox Live Arcade Kinect. Halfbrick is best known for the original game Fruit Ninja created for iPhone and iPad but which has recently been released as Fruit Ninja Kinect.

It is important to remember that consumer spending is also on the rise, with double-digit growth forecast for online, mobile and tablet gaming over the next five years.³⁸

Furthermore, technologies driven by the development of interactive entertainment, such as 3D modelling, artificial intelligence, and the natural user interface, are all utilised in health and military fields among others. These indirect benefits derived from the screen sector must be considered when analysing the public cost of cultural products and services.

³⁸ PricewaterhouseCoopers, 'Australian Media and Entertainment Outlook: 2011-15', August 2011

3.3 Indigenous Step-up – *innovative training and employment program*

The Indigenous Step-up Initiative is a large-scale national training and job placement program to assist in building skills and creating employment opportunities for Indigenous people wishing to develop careers in the media industry. The initiative will be rolled out over three years in a partnership between Screen Australia and industry body Media RING (Reconciliation Industry Network Group), with major direct funding from the Department of Education, Employment and Workplace Relations (DEEWR).

The critical and marketplace success of recent cinema features *Bran Nue Dae* and *Samson and Delilah*, and television documentaries such as *First Australians* and *The Tall Man*, are the outcome of training and work opportunities fought for by a generation of Indigenous filmmakers who are now established in mid-career positions in the Australian screen industry. However, training opportunities for Indigenous screen practitioners have been in decline since the mid 1990s, particularly at entry level. This has occurred despite a large number of reviews and recommendations highlighting the issues. In illustration of the problem, a leading Indigenous production company recently noted that despite setting company targets for employment of Indigenous production crew and trainees, the company has difficulty meeting those targets from the small pool of available Indigenous practitioners. Without a concerted effort to reinstate training and employment opportunities across the country, the next generation of Indigenous screen practitioners cannot be developed.

The Australian Film Commission established the Indigenous Department in 1993 to develop strategies to proactively engage Indigenous Australians in the film and television industry, and to provide programs involving practical professional development coupled with production funding. After years of short drama and documentary projects, Warwick Thornton's Samson & Delilah was the first feature film funded through the Indigenous Department. It won the Camera d'Or at the 2009 Cannes Film festival and was selected as Australia's film for consideration for an Academy Award nomination in the Best Foreign Language Film category.

One of the particular challenges is to develop Indigenous producers so that economic as well as creative control can be maintained, enabling greater sustainability of Indigenous screen businesses. The statistics in Screen Australia's publication *The Black List* reveal a strong cohort of Indigenous writers and directors, but far fewer Indigenous producers. Screen Australia's Indigenous Department has been addressing the issue through the Indigenous Producers Initiative, introduced in 2007/08, which involves workshops, labs and internships. SBS and ABC have been working in this area through producer placement schemes, and state agencies and state screen resource organisations also have programs. However, there is a need for further initiatives which build on this work in providing pathways for the development of a wide range of media industry skills.

The report of the *Review of Australian Government Investment in the Indigenous Broadcasting and Media Sector* released this year further highlights the current lack of training and ongoing employment opportunities, particularly within the Indigenous broadcasting sector, which is largely located in regional and remote areas of Australia. Funding constraints in this sector have a direct impact on career development in the wider media sector, given that work experience and

on-the-job training in radio and video production at community level have in the past provided effective career pathways for many of today's successful Indigenous practitioners.

The industry group Media RING was set up in 2008 to 'drive practical measures to support and promote reconciliation in the media sector' and 'achieve this through developing and enhancing career opportunities for Indigenous people in the media'. The membership of Media RING reflects a cross-section of the Australian media industry, including broadcasters, peak industry bodies and guilds, screen agencies, resource organisations, major news groups, teaching institutions, and production companies. In early 2011, Media RING was engaged by DEEWR to develop a three-year Aboriginal and Torres Strait Islander employment strategy. Screen Australia has worked closely with Media RING to develop a multi-tiered program that has now received in-principle support from DEEWR, with indications of a substantial financial commitment in recognition of the Initiative's national, large-scale ambitions and likely long-term impact.

The Indigenous Step-up Initiative is a whole-of-industry response being undertaken as a partnership between Screen Australia and Media RING to address the lack of Indigenous participation in creative, technical and managerial roles in the screen sector. Screen Australia would act as the host agency for the program, taking particular responsibility for ensuring the program reaches out to regional and remote areas. Media RING members and other industry employers will participate by providing practical training and job placements. The program will encompass both entry-level participants and those already employed who wish to advance their careers by up-skilling in their chosen field. Employers will be encouraged to provide appropriate mentoring and cultural awareness training and support within their organisations to optimise outcomes for participants.

In many cases it will be important for Indigenous trainees to be placed together in groups to provide peer support, so there will be a need to identify clusters of potential participants around the country and place small groups within single organisations wherever possible. Traineeships should have the potential for institutional study where appropriate and therefore formalised involvement will be sought from educational institutions such as the Australian Film, Television and Radio School, and training organisations such as Metro Screen.

Training packages will be developed for both pre-employment and employment-based learning that respect and respond to the needs and aspirations of Indigenous participants and are matched to jobs within the mainstream industry as well as the independent production sector. For participants based in remote locations, training should not require long periods away from community: on-country training is considered ideal where possible. Screen Australia's national perspective and its existing wide network of Indigenous contacts will ensure that the program extends beyond a metropolitan focus.

Empowering Indigenous Australians to create their own screen content has the potential to reveal unique stories dealing with issues of culture, religion, family, politics and social relations. Many of these

Producer Darren Dale joined SBS in 1997. His career progressed within the broadcaster before moving into the independent production sector. He is credited as a production manager for various SBS programs and was associate producer on Headlines across Australia, an Indigenous news and information series. Since 2001, Darren has been a company director of Blackfella Films, Australia's premier Indigenous production company. He recently completed producing the landmark multi-platform history series First Australians and the critically acclaimed feature documentary The Tall Man.

stories lend themselves to development as popular entertainment. As well as relaying stories and messages to local and global audiences, Indigenous broadcasting and media assists in the creation of role models and the challenging of stereotypes. By increasing the numbers and skill levels of Indigenous practitioners in both community and mainstream media, the Step-up initiative will ultimately contribute to broadening the representation of Indigenous stories and raising the profile and status of the Indigenous peoples of this nation.

Importantly, the Step-up Initiative will contribute to the Government's 'Closing the Gap' policy objectives. This is a commitment by all Australian governments to improve the lives of Indigenous Australians, and in particular provide a better future for Indigenous children. By ensuring there are more Indigenous Australians behind the cameras while working also to increase on-screen visibility for Aborigines and Torres Strait Islanders, the Step-up Initiative will help build self-esteem and pride in Indigenous culture and thereby contribute to the health and well-being of Australia's Indigenous communities.