Australia and Convergence – Highway or Byway

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Today, I want to look at convergence: culture and policy in the digital age from the perspective of Australian content creators. My premise is that convergence and digitisation should inform, enrich and empower Australian citizens and contribute to the economic growth of the nation.

How is Australia placed to ensure these outcomes? and how will Australian audio-visual content creators contribute to them?

The European Commission Green Paper on the regulatory impact of convergence published in December 1997 describes the introduction of digital technology as allowing:

· a substantially higher capacity for traditional and new services to be transported over the same networks; and

· the use of integrated consumer devices for purposes such as telephony, television or personal computing.

Examples of new convergent services which have emerged in recent years include Web TV, webcasting of radio and television programming on the internet, email and internet access via digital television decoders and mobile telephones and use of the internet for voice telephony.

Some of the specific developments that we are more familiar with in Australia include:

· the scheduled introduction of digital broadcasting in 2001 (which includes a move to HDTV promising a television viewing experience of cinema quality) providing a further platform for 'multichannelling' and new interactive services;

· the rise of the internet and the mushrooming of services accessed through the World Wide Web;

- the establishment of e-commerce - in relatively early stages in Australia; and

- the use of digital technology in filmmaking.

Great promises are held out for the impact of digital technology. The European Commission's Green Paper forecasts an expansion in the overall information market, economic growth, employment and "opportunities to enhance the quality of citizen's lives, by increasing consumer choice and promoting cultural diversity" (p7).

The President of the European Commission, Jacques Santer in a speech at the European Audiovisual Conference in April of this year saw digital technology providing more numerous audiovisual products and services with a consequent rise in demand for audiovisual content. This expansion presents enormous opportunities and challenges for the industries concerned and for society as a whole.

Despite the hype, there can be no doubt we are in the process of very significant change. What will be the impact on Australian content creators and screen industries? How do we maintain a significant Australian presence in the new digital media?

Given the scale of the economic and cultural consequences, there will continue to be significant contests in the policy debates surrounding new technologies. In Australia, we have seen this most recently in the debate about the introduction of digital television.

The European Commission, in a further paper entitled The Unknown Factors of Convergence provides a useful summary of two opposing views on the effects of convergence - what it terms the 'maximalists' and 'minimalists'.

The maximalists' position is that most current regulation dates from a time when distinctions between sectors were clear and regulation had a national focus. They argue convergence will increasingly blur these distinctions and as services become international on the internet model, national regulation will become increasingly inappropriate.

The minimalist point of view holds that convergence will have a more limited impact and that media policy should actively promote social, cultural and ethical values whatever technology is used for delivering services. It favours two sets of rules, one for economic aspects and another for service content, in order to guarantee efficiency and quality.

This is a variation of the regulate/deregulate paradigm which has been a feature of broadcasting and media policy in Australia for some years.

Chris Spurgeon in her introduction to the papers from last year's Cultural Crossroads Conference talks of the pressing need for internationally consistent approaches to media and communications regulation given that "the long established ability of national governments to control entry to these markets has rapidly declined" and we have heard Richard Collins refer to this in his keynote address to us this morning.

Another dichotomy in the debate surrounding convergence is whether it will result in greater consumer choice and diversity of product or just more of the same. Will it bring about a shifting in the position of the consumer – what Negroponte calls the transformation from couch potato to couch commando.

Those who fear it will merely deliver more of the same point to the smaller number of increasingly powerful global information companies arguing that much which leads to real diversity such as local content regulation, and other mechanisms which support different voices is in danger of being lost.

For content makers a similar question arises – whether the capital costs required to ensure high quality digital delivery expected by consumers are so high as to lead to a further concentration of existing audio-visual content markets; or, whether the technologies themselves offer inherent opportunities for less concentrated and wider markets by reducing the heavy capital and labour costs associated with producing audio-visual content.

Will content regulation be too difficult as the boundaries between nations are dissolved? And will it no longer be necessary as a means of delivering diversity to the consumer?

How are Australian content makers meeting these challenges and how are they placed to compete globally and domestically as Australia introduces further differentiated and multichannel broadcasting through pay and digital services and an increasingly interactive internet?

In attempting to provide some answers to these questions I will look at some of the current strengths and weaknesses of traditional audio-visual content in Australia – that is, film and television programs, as well as the use of digital technology in film and television production and briefly at the position of Australian content designed for new media services combining digitised text, data, audio and still (but increasingly moving), visual content distributed via CD-ROM or the internet.

Film and Television

The 1997 Review of Commonwealth Assistance to the Film Industry in Australia conducted for the Government by David Gonski identified three developments which created both potential threats and potential opportunities for the Australian film and television industry:

· the increasing level of international trade in audio-visual products and global strategies to liberalise national and international trade;

· new technologies which change the way film and television programs are produced, the manner in which the program is delivered to its audience and, increasingly, the type of program produced such as those using multimedia platforms; and

· the convergence of technologies being accompanied by greater vertical and horizontal integration of companies, creating increasingly dominant global communications and media companies which have considerable power in the industry (p15).

The Australian film and television industry by any measure has enjoyed considerable success in recent years. Locally produced television programs are among the top rating programs on Australian television. Australian feature films now explore a range of subject matter with maturity, continuing to provide opportunities for a new generation of exciting and talented filmmakers.

Feature films, documentaries and children's drama are regularly selected to screen at international festivals. For example, in 1997 144 Australian feature films were selected for screening at 72 international festivals, winning 56 awards.

Confidence in Australian filmmaking and the quality of its technical skills by the international market is evident from the continued production of foreign films in Australia highlighted by the recent announcement that George Lucas will shoot his remaining two Star Wars prequels in Australia, the investment in infrastructure in the studio complexes in Brisbane, Sydney and shortly Melbourne and continued foreign investment in the production of Australian films and television programs. Australian directors, cinematographers and actors enjoy an increasingly strong international profile. Just as the Empire comes to us, so we go to it!

Interest in Australian adult and children's television programming from overseas markets continues to increase. Export revenue from the licensing of Australian television programs has risen 133% over the last 3 years. *Neighbours*

has screened for the past 10 years on the BBC; between them, *Neighbours* and *Home and Away* have sold to 120 countries; *Water Rats* to 169; *Murder Call* to 100 and *Blue Heelers* to 76.

The most recent National Production Survey of independently produced feature film and television drama conducted by the Australian Film Commission and released in October provides further evidence of growth.

The value of Australian productions was the highest on record at $421 million. This comprised $166 million for 38 feature films and $255 million for 43 television dramas produced by the independent production sector. We need to note however that the feature film figures were boosted by the big budget, *Babe, Pig in the City*. The value of Australian independent television drama continued to rise, increasing by 57% over the last three years.

However, while there are a number of positive signs there is certainly no reason to be complacent and to feel reassured that screen practitioners are well placed to share in the content opportunities promised by the digital revolution.

One area of concern is the lack of opportunities for Australian filmmakers to work with higher budgets. The AFC's recent National Production Survey revealed a record eighteen feature films were made for less than $1 million, the remainder (excluding *Babe, Pig in the City*) were all under $6 million.

This is not to take away from the achievements of low budget films such as *Love and Other Catastrophes* and *The Castle*. However, for the overall viability of the Australian industry there needs to be more diversity in the production slate-and filmmakers need the opportunities and flexibility which higher budgets can provide.

This is symptomatic of the issue that has bedevilled our industry from its beginnings and will undoubtedly continue to do so as it grapples with converging delivery systems – adequate finance to support a local production industry.

While the Government has reaffirmed its support for the film and television industry following the Gonski report, funding has nevertheless declined in recent years.

The Government will soon begin a pilot scheme for tax concessions to investors in the film industry by means of concessional investment in Film Licensed Investment Companies or FLICs. The initial purchasers of shares in a FLIC will access an up front tax deduction of 100%. The

scheme allows up to a maximum of $40 million to be raised over two financial years. However the impact of this is uncertain as the industry is generally agreed that 100% concession does not provide sufficient incentive for it to compete for the available investment capital.

Local Content Regulation

In addition, the production industry's major support mechanism for over forty years, local content regulation on commercial television is currently under considerable pressure. This comes about as a result of a legal challenge to the validity of the content standard by New Zealand producers.

The case is a classic one of the conflict between international trade liberalisation and national cultural policy objectives.

New Zealand producers based their challenge on the provisions of the Services Protocol to the Closer Economic Relations Treaty (CER) between Australia and New Zealand and s160(d) of the Broadcasting Services Act which requires the regulator, the Australian Broadcasting Authority (ABA) to carry out its functions having regard to <u>any</u> international agreements to which Australia is a party.

The Australian High Court ruled in New Zealand's favour earlier this year finding that the ABA's obligations in relation to international treaties took precedence over the cultural objectives of the Broadcasting Services Act to provide Australian audiences with minimum levels of Australian programming.

Industry concern centres around Australian networks finding it extremely attractive to fill at least some of their quota obligations with New Zealand programs, which sell into Australia at secondary market prices. This will reduce the diversity of Australian product available to Australian audiences and impact significantly on Australia's production sector.

Having bowed to trade pressure from New Zealand, the cultural rationale for content regulation is undermined making it even more difficult for Australia to sustain the argument in favour of content regulation in future international trade forums such as the next WTO round to commence in 2000.

Australia's Television Broadcasting Services (Digital Conversion) Act provides for existing Australian content requirements to be carried over to the new digital services. At present, this will mean New Zealand programs will continue to be considered Australian in the digital age.

The problem flows on to pay television. Currently, predominantly drama channels are required to spend at least 10% of program expenditure on Australian drama. Because the obligation applies to licensees and not to channel providers who purchase programming, the requirement is in effect only voluntary. Information on actual expenditure is limited to a specific period and 11 drama channels. However, this revealed total spending on new Australian drama in the period ending 30 June 1996 was $1.74 million representing an aggregate spend of 7% rather than the required 10%.

The Government announced it would legislate to make the 10% expenditure requirement enforceable but this is currently on hold pending the resolution of the new content standard for free-to-air services.

Again, the way is open for fairly minimal Australian content requirements to be weakened by the ability to count New Zealand programming as Australian. With New Zealand programs already screening on some drama services, these channel providers would not even have to change their program schedules to meet the Australian expenditure requirement for pay television. In these new circumstances the proposed amendments to make the current local content rules for pay television enforceable may result in Australian program finance being diverted to New Zealand (or New Zealand based) productions. As the test for pay television is an expenditure test, it would be possible to satisfy it with one or two high-budget New Zealand programs.

Pay television is Australia's first experience of multichannelling and can provide useful lessons for the future of local content regulation - the requirement for local content only applies to drama channels, the level of local content is low and the providers argue that as they are not profitable any more onerous requirements are not possible, which is accepted by the regulator.

I now want to outline the extent to which digital technology is impacting on film and television production and briefly touch on some of the major issues for the interactive media industry in Australia.

Digital Technology in Production

A comprehensive study of the use of digital technology in film is presented by Scott McQuire (for the Communications Law Centre) in 'Crossing the Digital Threshold', published jointly by the Australian Film Commission and the Key Centre for Cultural and Media Policy in June 1997 as part of its Screen Industry Culture and Policy Research Series.

While acknowledging there is a certain amount of hype surrounding the impact of digital technology on film, McQuire compares it to the introduction of synchronised sound in film in the 1920s'.

He finds digital technology already affects many aspects of cinematic production and is rapidly beginning to affect methods of distribution and modes of exhibition. Cinematic production has seen the impact of digital technology in sound, picture editing and digital imaging, the direct manipulation of two dimensional and three dimensional imagery using high powered computers. Computer generated imagery includes repair work such as fixing scratched images, digital compositing of additional picture elements, and most radically, the modelling, rendering and animation of cinema quality images.

The last remaining threshold is the digital actor and the digital backlot, although many filmmakers question the desirability and possibility of this becoming the future of film making, doubting that digital actors could ever create the same psychological and emotional bonds of identification that flesh and blood actors sustain.

The technology also now allows for the 'filmless film'.

So what is the relevance of this to Australian filmmakers?

Ten percent of the student output of the Australian Film Television and Radio School is now completely digital and between 30 - 40% has some digital components.

Two years ago the Australian Film Commission introduced an initiative it called Guerilla Docs - this funds television documentaries shot on digital cameras. The initiative was specifically designed to increase the skills of documentary filmmakers in the use of digital technology and encourage the return of observational filmmaking to which this technology is particularly suited. The first of these, Graham Chase's portrait of Graeme Campbell, *Maverick with a Mobile* was screened on the ABC last year. We have also recently supported a short drama film to be shot digitally in order to explore the technical and aesthetic advantages and limitations of digital technology for drama.

However, the reality is that Australian films are unlikely to be able to compete with Hollywood blockbusters using very expensive special effects. According to a report in the Sydney Morning Herald of 7 November, half the $120 million budget for each of the two Star Wars prequels is set aside for special effects which will be done at Lucas' companies in San Francisco.

Australia already has considerable digital expertise located in companies such as Animal logic, D-film and Complete Post. However, McQuire suggests there is some reticence about exploring digital effects in the Australian industry which he relates to the conception of digital imaging as creating blockbuster effects.

But digital effects can also be used to provide low cost solutions to practical and aesthetic problems which arise for all filmmakers and it is this type of use which is likely to be most relevant to Australian screen practitioners. After viewing the initial footage of the fight scene in Romeo and Juliet, Baz Luhrman decided he needed to alter the sky to enhance the dramatic action. Complete Post provided a digital storm for him with spectacular results.

Another predictable outcome of the increased availability and familiarity with digital technology is the rise of 'garage productions' - so-called no budget films. Sophisticated digital techniques are available not just to high end production houses but also to low-end PC users. This raises questions like: Will the availability of convincing special effects on PCs enable medium to low budget filmmakers to tap into the effects-driven market? Will this be a way for the business of Australian filmmaking to become more viable?

McQuire sounds a note of caution, pointing out that historically the increased availability of cheap domestic film and video cameras has not erased the line between studio production on the one hand and independent or domestic production on the other. McQuire suggests even if low budget filmmakers can generate quality digital special effects it will still be difficult to compete with big budget films.

Further, a major problem for low budget producers lies not simply in the making of the film, but also its marketing and distribution.

The transition to digital opens up new prospects for Australian post-production houses to work on films shot elsewhere. So, in the development of the storm sequence for Romeo and Juliet there was communication via videofax between the post-production team in Melbourne and the director and editor in the US.

However, McQuire concludes that while post production companies such as Animal logic and Complete Post are gaining international reputations by virtue of their involvement in high profile films such as Romeo and Juliet, the process is slow. It is interesting to note that the digital effects for *Babe* were carried out in the US whereas the effects for the sequel *Babe: Pig in the City* were shared between the UK, US and Australia.

McQuire observes that Australia has been at the forefront of both hardware and software developments in the digital domain. Three of the industry standards were initiated here. However, they have since moved offshore. Peter Doyle one of the developers of the Cineon intermediate workstation which was bought by Kodak puts this down to the lack of investment infrastructure in Australia.

Interactive media

Gil Appleton, writing in The Media In Australia in 1997 describes new media as the prototypical convergent industry - enhancing its assemblage of traditional media with interactive capacity.

Are Australian content makers in a position to take advantage of the growth in new media and the rise in prominence of the internet, especially the World Wide Web?

Great promises were held out for Australia to benefit from the new media. The 1994 Commerce in Content report suggested that the domestic multimedia market alone could yield $2-$3 billion by the end of the decade with exports as high as $200 million by 1997-98.

The early days of multimedia were accompanied by considerable hype from various quarters. At the most extreme end this included suggestions that with its possibilities of interactivity it would displace passive mediums such as broadcast television.

Rather than replacing existing media, interactive media has developed as a complementary new media with significant educational and economic potential as well as entertainment value.

Australia has embraced the new media and rapidly developed significant multimedia skills. The Australian Film Commission's 1998 Australian interactive multimedia catalogue lists over 450 Australian multimedia projects in development or completed since 1 January 1996. Most of these are available on CD ROM - some are also available on the internet.

However, the problems facing practitioners in interactive media are similar to those of their colleagues in traditional media - few sources of finance and difficulties distributing product in an international market dominated by giant corporations such as Sega, Nintendo and Sony.

In the AFC's forthcoming 5th edition of its biennial publication Get the Picture - Essential data on Australian film, television, video and new media, Rachel Dixon in discussing interactive media in Australia provides the following analysis:

- Although there are 3.7 million CD-ROM drives in Australia (1.7 million of these are in the home) an increase of more than 300% since 1995, lack of finance for local developers, poor distribution channels and dominance of those channels by foreign (especially US) product, present significant obstacles to the developer aiming at the retail market in Australia.

- In 1996/97 Australia exported $10.9 million worth of 'other CDs' which includes interactive CDs and CD-ROMs and imported $87.3 million worth.

- Australia has one of the highest levels of adoption of the Internet in the world. Between 3 and 5 million Australians use the internet depending on the research cited. This suggests a strong demand for content. However Internet traffic across the Pacific indicates that the majority of the content viewed on the World Wide Web is not Australian.

- In terms of web publishing, few, if any Australian web sites aimed at the general public are making money. It appears that gambling, pornography, specialist business resources and e-commerce offer potential for growth, but the outlook for content development in other fields looks gloomy.

This lack of finance is seen as a major issue by the industry's representative, the Australian Interactive Multimedia Industry Association (AIMIA) which has raised concern about the lack of money to develop the prototypes necessary to obtain support from publishers. AIMIA argues the industry needs concept funds and advice and support for business planning and market research.

In lobbying for a $6 million fund to support the development of Australian content, AIMIA has argued that "there is a conspicuous absence of support for the Australian content on which the international success of our information industries will ultimately depend." (Computer games are the exception and continue to attract private sector investment because of the potential for high returns if the title is a hit.)

So, to some key policy issues for the future

- The question of whether there will be greater concentration or the opening up of new spaces for new players as we move to digital transmission needs to be further publicly discussed.

- In the short term, strong and innovative regulators will be required to ensure Australian audiences diversity of choice and access to domestic programming.

- One way of ensuring diversity as Jock Given argues in the Death of Broadcasting, is to ensure broadcasters retain a place in the digital future along with telecommunications, cable and computer companies. Further, we should retain the current broad mix of broadcasting institutions: commercial broadcasters, national broadcasters and non-profit community broadcasters and the mix of institutions should be given opportunities to develop their activities in the digital age. In support of this approach he argues that different types of organisations with different ways of conceptualising their audiences are an important means of delivering real choice to audiences.

- While multichannel broadcasting can create new opportunities for content creators it is likely that competitive pressures from program purchasers will result in pressure to source content as cheaply as possible.

- Our screen industries have now matured to the stage where a range of subject matter is explored and where distinct and diverse images of Australia are projected nationally and internationally. Governments will need to restate the importance of domestic cultural and economic activity and act to foster it in order that Australia's screen production industry can capitalise on its current position.

- We need to constantly rethink and refine the way we frame our arguments for cultural policies and be prepared to revisit the issue of what is Australian as production, financing and distribution changes impact on this concept.

- The role of the audio-visual industry forms a major part of the current debate on convergence in Europe. The Australian government has indicated it will undertake a review of convergence prior to the introduction of digital broadcasting in 2001. Australian cultural industries need to ensure these issues form a central part of the policy debate in Australia.

A key issue for this debate is the question of how to ensure Australian audiences diversity of choice and access to domestic programming in the long term.