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**OzeCulture: Taking the Next Step– Sydney**

**Paying Your Way - digital content and industry development**

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I have been asked to speak this morning about the area of broadband content, and more specifically to outline the AFC's approach and intentions in regard to our Broadband Content Fund - the \$2.1m over three years provided to us by Senator Alston to foster and stimulate the development of broadband content.

I should state from the beginning that we have taken the term "broadband" to really only signify a certain level of bandwidth. It is a term that goes to the speed and quantity of the delivery of information. Its significance lies in the potential it offers to deliver at high speed quality text, graphics, audio and video signals along with a high level of interactivity. Of course the other great advantage and consumer hook offered by broadband is the "always on" factor - no more competing with the children for the use of the telephone and no more waiting for the modem based dial up.

The take up of broadband within Australia remains limited to date, well behind a country such as Canada which due to the evolution of its television system has been well cabled for many years. However, bandwidth remains a fundamental element in any sophisticated and well developed communications system and without such a system Australia's ability to engage at a cultural, political and commercial level with the rest of the world will be limited. If other developed nations are moving internally and across borders via a system of multi-lane freeways, while Australia puddles along on single lane roads, the ability to engage in the international exchange of ideas, people, goods and services will be severely hampered. There is accordingly an economic imperative behind the government's commitment to the development of broadband.

My aim today is to outline to you the thinking behind the AFC's broadband production initiative and indicate to you why I believe this economic imperative will only be realised if there is strategic federal government intervention both by way of policy and funding initiatives which are inclusive of Australia's cultural resources and creative communities.

And by way of leading into that, I want to take a few minutes to briefly explain to you the role and the scope of the work of the AFC, and position the AFC in relation to this area of broadband content creation.

There are some within the interactive media area and within the traditional film and television area who question the appropriateness of the AFC taking a leading role in the funding of interactive media and broadband content. I want to address these concerns, not least because in my opinion they actually reflect an unwillingness on the part of both of these quite separate communities to think through the broader cultural and industry development policy implications

associated with the developments occurring at a global level in the production and distribution of screen based content.

But firstly, some background to the Australian Film Commission.

The AFC is the Federal Government's film development agency. With an annual budget in the vicinity of \$20m our role is to develop projects, people and the industry itself. We do this through a range of funding programs aimed at assisting the writing of scripts, the professional development of individual practitioners, and more broadly a range of industry development programs from film festivals, to publications to data collection, analysis and policy work.

The origins of the AFC lie in the commitment from successive Australian governments to the development of the Australian film industry. We came into being as a Federal Government statutory authority over twenty five years ago with a brief to support the development of Australian films and Australian filmmakers. The reasons were entirely cultural - film is a means by which individuals and nations develop a sense of identity and an understanding of themselves, and a means by which they communicate to each other and to the rest of the world. Filmmakers and the films they make play a central role in our culture and contribute to the character and the cohesiveness of our nation as well as project us onto the world stage.

The arguments about how our industry is best supported, how big it should be, and the mechanisms by which government support is delivered have been energetically debated before and since the inception of the AFC. However, the importance of the Australian film and television industry, the contribution it makes to our culture, the ongoing need for government support through funding and regulation, are for the most part accepted by government and by Australians generally.

And while it is true that the primary reason for government intervention in the industry - through the AFC, other agencies and regulatory arrangements - remains cultural, our industry has changed dramatically over the past 25 years, and the AFC and government policy settings have had to change as well - sometimes in the capacity of a leader and with purposeful structural intervention, other times as a result of industry or government pressure. The most important change we have seen in recent years has occurred as a result of a growing understanding that we operate locally and globally not just in a cultural context but also in an industrial context and an international trade context. As a result, increasingly we have had to develop an understanding of the interplay between cultural imperatives and the development of an industry which delivers these cultural outcomes.

Most recently and most starkly, we have seen Australia's indigenous film and television industry provide the basis for the development and expansion of a foreign production sector. Our highly productive crews, our infrastructure, our international reputation all arise out of a successful indigenous industry which has only developed through continuing federal government direct and indirect support provided to the film and television industry for over 25 years. And then, in catch up mode, we have seen the federal government very quickly draw foreign production into its remit and

into government policy and provide for the first time industry assistance to the foreign production sector as part of its overall film industry funding measures.

So where does interactive media and the production of content specifically designed for broadband services sit in all this then?

The AFC has been funding interactive media projects since 1991. In the early '90s the focus was on encouraging filmmakers to participate in interactive, non-linear narrative, CD-ROM-based work. With the advent of funding through Creative Nation in 1994/95 there was a shift in funding from filmmakers to dedicated multimedia practitioners and a general perception that "there's money in multimedia". Initially the AFC's interactive programs under the Creative Nation funding supported the development of projects in the "arts and entertainment" areas that were likely to find support in the marketplace. But with both domestic and international markets for interactive work proving elusive, and with organisations such as the Australian Multimedia Enterprise (AME) and Cinemedia handling the supposedly more commercial multimedia projects, the AFC's focus became primarily on experimentation and innovation, albeit with an Australian cultural imperative.

By 1998 AME had been sold off and the Australia Council had launched the New Media Arts Fund for the funding of art-based CD-ROMs, multimedia installations, and artists in residence. The AFC was perceived as supporting "art" projects only, broadly demarcated from the Australia Council's programs by a requirement that projects be "screen-based".

This perception of a primarily "art" focus was still evident in 2001 when the AFC decided to review its role in the interactive media area and as a consequence, its funding programs. The demand for the AFC's traditional "art"-based content was virtually non-existent outside of a very limited festival and gallery context. There was little evidence of the existence of possible audiences for the work or even of other practitioners working similar territory. Instead, it was clear to the AFC that increasingly, the emphasis with regard to interactive content was very much on e-commerce, corporate communications, education and training, and entertainment. Content was also being developed primarily for multiplatform delivery with a particular focus on on-line delivery.

It was against this background that in 2001 the AFC announced major changes to its interactive funding programs. Firstly, our Documentary Online initiative funded four projects that were designed to explore the online environment in challenging and original ways. Secondly, new funding programs were announced which concentrated on development, which encouraged the formation of teams rather than the sole practitioner-as-artist model, and which allowed for the first time the funding of both educational material and games.

This is an extremely brief history of the AFC's previous involvement in interactive media and it certainly doesn't do justice to some of the highly creative and internationally recognised work produced over the years with AFC assistance. But I mention it all because it is important to note that we have been there since the beginning, we have

been making significant contributions and interventions at both a creative and at a policy and industry development level. And while I can't speak for the original rationale back in the early nineties to extend the AFC's brief to cover interactive media, with hindsight it was quite prescient. However, in 2002, the rationale for the AFC to take a leading role in the development and funding of interactive media and more particularly of broadband content is far more obvious, but also more pressing.

It is no longer possible to think of the film and television industry, the interactive digital media industry, and the electronic and computer games industry as separate entities. They are increasingly convergent with regard to , ownership structures and delivery mechanisms and have become inter-related aspects of an overall screen-based content creation industry. This is arguably now the biggest industry in the world, surpassing even arms, and growing at an unprecedented rate.

First and foremost, the AFC is committed to ensuring that Australian audiences and users groups have access to a range of Australian content in these areas. However, beyond this cultural imperative, with its established film and television industry and its expanding interactive digital media industry, Australia is particularly well-placed to consolidate its position as a provider of content to the international market and to build an export based industry.

The Australian film and television industry is a success story in terms of cultural and commercial outcomes. As an industry we produce film and television programs which are valued by local audiences and which on the basis of television ratings and box office results are also very popular. We export our programs internationally with modest success and we export our creative talent at an alarming rate, all of which results in the international profile of Australia's film and television industry being substantial and quite disproportionate to the size of the industry and our population. More recently, and resulting from the success of the local industry, we are exporting our services by way of building a foreign production sector.

It is important though to remember that this success has resulted from over twenty five years of federal government policy development and intervention. Intervention by way of direct and indirect funding alongside of the regulation of our local television system. As a result we have a world class and internationally recognised film and television industry. Its history and the development of its mix of public sector funding institutions and private sector production and distribution entities, as well as its creative development, project management, financing, marketing and distribution methodologies, all provide a framework and a series of models to build on as we attempt to grow an Australian digital content and interactive media sector.

So against this background, it made absolute sense to us that when Senator Alston decided to provide some funding to the area of content for Australia's developing broadband services, he would look to the AFC to manage the project. And it was against this background, and building on an earlier extensive round of consultation that late last year, meetings were held with a select but broadly representative group of interested parties in the broadband and digital interactive media areas. These parties included individual content producers, broadband portal operators, broadcasters, industry

associations, cultural organisations and educational organisations.

In the course of wide-ranging discussions a number of significant areas of concern and points of interest emerged, often repeated by a number of interviewees. These can be summarised as follows:

1. Production Funding: There is an urgent need for production funding in the digital interactive media area. While elsewhere in the world, particularly in Canada and the UK, government, broadcasters, telcos and various private foundations are combining to provide funding for digital interactive content, minimal funds are available in Australia.

2. Multiple Platforming: Content creators across the screen-based content creation industries increasingly need to publish to multiple platforms. They therefore need to consider multi-platform uses from the outset of development. "Create once, publish many times." True multi-platforming implies variation in content, not the same content over a range of delivery systems.

3. Broadcasters and Portals: Broadband portals and broadcasters want to get cross-platform content working, particularly in kids and youth.

4. Kids and Youth: Cultural and educational aspects will drive the next generation of digital content producers. The growth areas for increase in broadband and digital interactive media use are kids and youth. Kids material is often games-based and interactive. Distinctly Australian cultural content is needed.

5. Educational Applications: Much of the interactivity in current educational multimedia is meaningless or retrograde from an educational point of view. Educational institutions are looking to develop good learning materials for Australian schools and are looking for partnerships. An on-line education curriculum content industry has the potential to be a significant export industry.

6. Overseas: The UK is positioning itself to be the world leader in educational software. A key aim is to marry the processes involved in creating successful games products (entertainment) with the needs of discovery-based learning (education). They are looking for partnerships around the world to do cuttingedge projects.

7. Industry Education: Many Australian interactive media content creators are unaware of developments overseas and the implications for their own practice. There is also a need to alert traditional film and television producers to the emergence of a broader screen-based content creation industry.

8. The Broadband Content Fund: The BCF should only support material that is guaranteed an appropriate distribution outlet, will attract an appropriate user group, and that showcases the potential of broadband digital interactive content.

We also wanted to identify the key players or groups of players operating in the digital content and broadband area. The overwhelming impression of the state of digital content production in Australia is of an arena undergoing constant change, with very few established players, agreed standards or viable business plans, and a consequent high churn rate of ideas, predictions, grand plans and potential or actual practitioners.

Within this context it is possible to identify four groupings that to some extent are operating independently within the broadband arena.

Firstly, the new media practitioners are an emerging but growing community with their remit constantly evolving, but having to deal with a young industry characterised by continual and rapid change in markets, technology and revenue streams. Some practitioners are finding viable business plans or niches, others are going under.

Secondly, traditional film and television practitioners are a well-established and highly-skilled community with both an industrial and cultural remit, but having to deal with the shrinking or complete disappearance of traditional production models and revenue streams. Some practitioners are adapting to the challenges of new media and cross-platforming, others are floundering or leaving the industry. Thirdly, on-line education curriculum content creators are an emerging but growing community with an educational and cultural remit, and the potential for significant export earnings. Typically practitioners are more skilled in the pedagogical than the creative and "entertainment" aspects of content creation.

And finally, the broadband delivery operators who are a small and highly financially-exposed community wrestling with the "push or pull" nature of broadband take-up and seeking viable business plans. Those with deep pockets (and often cross-media ownership) still seek the "killer app" in the form of attractive content, others are falling by the wayside.

The AFC believes there exists an opportunity to position the Broadband Content Fund as part of what could be an overall strategy to bring together elements of these four existing communities to form a strong and export oriented on-line content creation industry. It is this goal that has guided the formulation of the Broadband Production Initiative. Unfortunately, I cannot today provide you with the details of the fund as this will be the responsibility of the Minister for the Arts on June 5th when he launches the first of the AFC's documentary on line projects and announces the Broadband Production Initiative. However, I can at least indicate the underlying principles which informed its design.

Firstly, we believe it is essential that we bring together the traditional film and television practitioner communities with the digital interactive media practitioner community. The Initiative will fund a limited number of adequately resourced projects which will allow teams of practitioners to work together to produce what we are confident will be landmark projects.

Secondly, we believe that the take up of broadband within the broader public and in the average household

environment will be driven by children and youth and a growing interest in on-line educational material. The Initiative will focus on projects which are designed for this market. And thirdly, we believe it is essential that completed projects reach appropriate user groups and audiences. With this in mind we have ensured that the projects will be published by a broadband provider.

Detailed guidelines for the Broadband Production Initiative will be available on June 5th along with the timetable for seeking applications. We have also released details of a national broadband seminar program. This will involve a series of seminars held around the country that will allow film and television and interactive media practitioners to find out more about the Broadband Initiative and to view and discuss work which is being done in Australia and internationally. We hope it will also offer the opportunity for practitioners from these two separate areas of screen content production to network and begin to discover areas of common interest.

There is no doubt that Australia is falling behind in this area of interactive digital content production whether it be web based material produced for purely cultural purposes, enhancements to our existing broadcast services, or material designed specifically for broadband delivery. I have just had the opportunity to visit both Canada and the UK and the level of activity in both countries, the cohesive policy focus coming from government, and of course the level of funding available leaves Australia in all respects in the shade. In both countries there is a firm belief that, as for film and television, distinctive local content is important. However, perhaps even more importantly, there is on the one hand a belief in the capacity of both countries to participate at a global level in what is becoming a major area of economic activity and on the other hand an acceptance that in order to do so significant intervention and funding will be necessary on the part of government.

Which brings me to some concluding remarks because I wanted to briefly reflect upon what lies ahead for the film and television community, the interactive digital content production area, and for government. And I wanted to couch these comments in the form of defining what I see as a series of challenges which will need to be met by these players, including government, if Australia is to be a serious player in this growing area of cultural expression and output, entertainment, education, communications and commerce.

Firstly then, the challenge to the film and television industry is for it to engage with the new forms of production and distribution of content and the associated increasing importance of designing content for multi-platform exploitation. In a local context where television licence fees are low and it is difficult to raise the requisite production funds, it is understandable that producers first and foremost have to focus on getting their television programs financed and produced. However, as documentaries, children's television series, game shows and lifestyle programs are increasingly delivered internationally with integrated web and interactive components, Australian produced programs will become less attractive and less competitive both overseas and locally in the absence of a more integrated approach. However, in addition film and television producers need to be aware that while their traditional area of operation is at best a no growth area, the area of digital interactive content production is potentially a major growth area. The opportunities for diversifying their activities and expanding what for most producers is a very narrow base

to their business model may be considerable.

The corollary to this is the challenge facing the interactive digital content producers - and it is quite simply how to form a productive relationship with the film and television community and gain from its creative, financing and policy expertise and experience. For all its strengths and its energy, the interactive digital community is rooted primarily in a fee-for-service business model and its base is in technological understanding and innovation. Its weaknesses lie in the area of creative skills - the ability to tell stories, to understand narrative structure, to understand the nature of character development. In the area of financing - rights management issues, deal structures and co-financing and co-production arrangements, models for exploiting copyright ownership. And finally, in the area of policy - systems and the associated rationales for the delivery of government funding, the interplay between cultural outcomes and industry support mechanisms, the role of government in establishing the conditions for viable business models. There is no doubt that the film and television industry has been a great success story in terms of its creative and cultural outcomes, its entrepreneurial ability at a local and international level, and the extent and depth of its policy work. These are all areas of skills and expertise which complement the technology base of the interactive digital community.

And finally, and perhaps most importantly, the challenges for government. I believe there are two, although they are absolutely interrelated and interdependent.

Firstly, there is a need on the part of government to formally and fully recognise the growing cultural significance of the internet as a means of communication, information, education and entertainment and in response commit to ensuring that Australians have the opportunity to choose some level of Australian content. In announcing the Broadband Development Fund Senator Alston stated: "The widespread takeup of broadband in Australia will be driven largely by the creation of content that is relevant to people's lives and enhances their cultural experiences ... The local development of high quality content is also crucial in ensuring that Australia's character is maintained and reflected in the global digital environment."

This commitment to Australian content on the internet and on new broadband services must become a tenet of government policy in the same way that policy is spelt out in regard to film and television. There must be a policy statement and framework and on the basis of this a discussion needs to ensue as to how this Australian content is to be delivered.

The second challenge to government is the need to recognise that the production of digital content is a growth industry on a global level. If Australia is to participate, if it is to be a supplier of content rather than merely a consumer, if it is going to develop a productive and sophisticated creative and technical infrastructure and a skills base capable of servicing international content providers, then the government must have a coherent industry development policy. It cannot stand back and expect viable business models to emerge while governments in countries such as the UK and Canada are aggressively creating these business models through a series of targeted interventions.

It is instructive again to look at the history of the growth of the film and television industry. Prior to the nineteen seventies there was a very limited level of amount of local drama production for television and virtually no feature film production. During the seventies a series of interventions was made by the federal government firstly to support the development and production of feature films. These were both taxation based and direct funding measures. In the mid seventies quotas were introduced to ensure minimum levels of Australian drama was screened by commercial broadcasters.

Twenty five years later the most popular television programs in Australia are Australian, our feature films perform well in the domestic market and are much valued by Australian audiences. Internationally Australia is recognised as having a film and television industry that is culturally distinctive, highly productive and successful in both commercial and critical terms. From almost a standing start, thirty years on we are exporting our programs and our talent as well as exporting services in the form of hundreds of millions of dollars of foreign production annually.

The Australian film and television industry is an undeniable success story in terms of both cultural and commercial outcomes. However, in the context of a discussion about interactive digital media, it is important to remind our present government that the success is as a result of significant and strategic federal government intervention, primarily in order to achieve cultural outcomes. In my opinion we are at a point now where the same bold and decisive leadership is required from the federal government if Australia is not to be left behind forlornly watching others in the world as they build their screen content industries and become major players locally and globally in the supply of commercially exploitable interactive applications and culturally distinctive educational and entertainment material.

Thankyou.

Kim Dalton.

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