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Address by  
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7 & 8 May 2003

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## **Cultural Policy and Audiovisual Trade**

### **THE CULTURAL AND AUDIOVISUAL INDUSTRIES**

This evening I will briefly outline some key issues about the status of culture, and specifically audiovisual services, in relation to Australia's trade negotiations as a member of the World Trade Organisation (WTO) and also with the United States about a potential Free Trade Agreement (FTA).

On behalf of the AFC I would like to thank you for attending this evening and taking an interest in this topic which is of major significance to Australia generally.

There has been much conjecture and public debate about the implications for the audiovisual and broader cultural sector. Tonight I will outline the key facts and indicate what is at stake for our sector.

The AFC is arguing for explicit recognition in trade agreements of the special status of culture because our cultural industries have always depended on Government support delivered via a matrix of regulation and direct and in-direct subsidy, and will always do so.

*Government support for Australia's audiovisual industries through regulation and subsidy exists solely because they deliver cultural outcomes.*

In short, those policies deliver Australian stories and Australian faces on Australian screens.

For almost thirty years successive Australian Governments have been committed to policies that recognise that Australia as a modern, cohesive and developing country needs to understand itself, to express itself, to capture its constantly evolving identity, and to communicate this to Australians and the rest of the world through the most popular and accessible form of cultural expression – film and television.

Australian films and Australian television programs project an Australian identity to the world.

Australian film and television has played a central role over the past thirty years in establishing an international profile for our country and our culture. It is an industry of national importance and has been one of the great ambassadors for this country around the world.

The core driver for our creative industries is the film and television industry. It is a breeding ground, it provides a frame of reference, a point of inspiration for those who contribute in the areas of ideas, innovation and creative solutions, who fan out, influence, engage and contribute to the areas of visual and digital design, communications and information systems and technology, marketing and promotion. All essential ingredients and contributors to a modern, effective, efficient, developing and globally competitive service-based economy and society.

*Measures of support for Australian film and television industry.*

To recap, the following are our current direct and indirect subsidy and regulation measures:

- Direct subsidy through the Australian Film Commission, the Film Finance Corporation, Film Australia and the Australian Children's Television Foundation;
- Indirect support through taxation concessions for investment in feature films, television miniseries and documentaries;
- Australian content rules for free-to-air commercial television and pay television;
- Regulation of temporary entry of non-Australian residents into the Australian entertainment industry;
- International co-production arrangements;
- Rules governing foreign ownership of media;
- Cross-media ownership rules;
- Funding for national broadcasters: ABC and SBS;
- Direct support for training through the Australian Film, Television and Radio School; and
- Support for preservation of Australia's audiovisual culture through ScreenSound, the national film and sound archive.

These support measures for the audiovisual sector are similar to those operating in most developed nations.

So why are these mechanisms necessary? Why can't the audiovisual sector – and the film and television industry in particular – stand on its own two feet?

It is important to make the point that there are only two nations in the world that do not have mechanisms in place for supporting a local film and television

industry. They are India and the US. Everywhere else, a local film and television industry exists in the context of a range of local content regulations and direct or indirect subsidy.

These interventions are required to deal with market failure. This is the reality for Australian audiovisual productions:

**Television** – in the US and UK, the costs of production are substantially or fully recovered from the domestic market.

US or UK television product is sold into the Australian market at a fraction of the real costs of production.

A US US\$1m per hour series, fully financed out of the US market, can be sold to an Australian broadcaster for A\$30,000–A\$100,000 per hour.

An Australian A\$400,000–A\$500,000 per hour series will be pre-sold to an Australian broadcaster for \$250,000 per hour and deficit funded against potential overseas sales by the Australian production company.

**Feature films** – around 250 films are released into the Australian market each year, of which around 70% are from the US, 10% are Australian, and the rest are from the UK, Europe, Asia or elsewhere.

The average budget of US studio films is over A\$100 million.

The average budget of Australian films is around A\$5 million.

For a country our size, the profile of the Australian industry and the depth of talent that it produces is quite disproportionate to the population and the size of the industry. Australia certainly boxes above its weight.

But in the absence of regulation and subsidy, Australia's industry, its ability to continue to produce and disseminate Australian film and television and the ability of Australian audiences to have access to minimum levels of Australian content, would be severely affected. In addition, our ability to attract foreign co-production and production would be diminished.

## **CULTURE AND TRADE**

We believe that cultural policy measures can co-exist with trade disciplines  
Trade liberalisation is not deregulation.

Australia's measures designed to deliver on its cultural policy objectives in audiovisual are transparent, modest, targeted, do not exclude foreign material, and still leave Australia significantly open to international trade.

Australian audiovisual trade is firmly located in the global economy.

That Australian broadcasters and their audiences welcome foreign programs is vividly demonstrated by Mediametrie's 'New on the Air' survey of 2002.

The survey reported that US and UK television is dominated overwhelmingly by new *local* programming (98.5% and 95.7%, respectively).

Australia, in contrast, remains the key net *importer* of new programs in Australia:

- 63.4% of new shows in 2002 originated from outside the region.
- In terms of volume of new hours, almost 70% were non-local.
- 28% of new hours of output originated from non-US sources.

This compares to approximately 1.5% of new television programs being foreign-sourced in the US and 4.3% in the UK.

(SOURCE: EURODATA TV/ MEDIAMETRIE – New on the Air Survey 2002)

## **STANCE OF THE US IN THE WTO AND AUSTRALIA/US FREE TRADE AGREEMENT**

The US has made specific requests of Australia in relation to audiovisual services in the context of the GATS negotiations in the WTO and is expected to do so in relation to a free trade agreement with Australia, although negotiations have not yet reached that stage. The US has expounded the same core beliefs demonstrated in the Uruguay round: that audiovisual and cultural industries should be subject to GATS disciplines.

Making audiovisual services fully subject to WTO disciplines is the long-term objective of the US Government and US service industries.

This position is consistent with the priorities of the US Coalition of Services Industries for multilateral and bilateral trade set out in their Compendium recently presented to the US Trade Representative.

The US Coalition of Services is seeking full market access and national treatment for audiovisual production and distribution and for radio and television services.

It appears that the US focus in the WTO has shifted to seeking standstill commitments in audiovisual services, i.e. an agreement to keep existing cultural measures without any ability to alter these in the future. However, the Australian Government's present position remains opposed to standstill

commitments. The Australian position is to retain the right to determine, alter and potentially strengthen cultural regulation.

Australia's official position as expressed to the WTO's Council of Trade in Services in July 2001 is that:

"Australia remains committed to preserving our right to regulate audiovisual media to achieve our cultural and social objectives and to maintain the broad matrix of support measures for the audiovisual sector that underpin our cultural policy; including retaining the flexibility to introduce new measures in response to the rapidly changing nature of the sector."

## **NEW TECHNOLOGY AND E-COMMERCE**

Technological change creates new distribution channels and has an impact on trade.

The US has argued in the WTO that the nature of the sector has changed due to technological developments. Its case is that in a multi-media and multi-channel distribution environment the opportunities for the circulation of cultural products have been enhanced.

Unfortunately, the experience of the audiovisual sector in Australia has been different. More distribution channels has not always resulted in a corresponding increase in Australian product.

The argument about technological change also leads the US to the proposition that the existing classification of audiovisual services under the GATS needs to be reviewed.

Cultural goods and services such as books, video, DVD, music and downloadable films are now neutrally traded via e-commerce with few, if any, barriers.

However, these goods and services do not lose their cultural characteristics because of the means by which they are traded.

The desire to encourage free trade by e-commerce is being used by the US as another argument for nations to make commitments on audiovisual.

At a recent APEC meeting in Mexico, Australia declined to sign an US-sponsored statement on Trade and the Digital Economy.

The statement commits signatories to liberalise barriers to market access, foreign ownership, foreign investment and to accord national treatment.

The measures that Australia currently has in place to support its cultural policy for the audiovisual sector, do not represent any barriers to the development of e-commerce.

## THE WAY FORWARD

The AFC considers trade to be our highest priority in terms of policy issues. We believe a strong audiovisual sector is in the national interest. We believe support for our cultural industries and appropriate mechanisms to achieve their continued development is consistent with Australia's trade objectives and is not a barrier to free trade.

The AFC is devoting significant resources to maintaining our role as an influential participant in free trade negotiations. Here is a brief list of the steps we have taken and are taking to contribute to the debate and work towards positive outcomes for our audiovisual and other cultural industries:

- Maintaining close liaison with key government representatives to ensure the particular issues for culture remain at the forefront of the government's negotiating agenda;

Tonight, we appreciate the participation of Australia's Chief Negotiator for the US/Australia free trade agreement Stephen Deady [or Australia's Lead Negotiator for Services and Investment for the US/Australia free trade agreement, Dr. Milton Church];

- Ensuring AFC presence at all relevant trade meetings and events;

The AFC has been engaged in a wide range of trade events. As a member of Minister Vaile's WTO Advisory Panel, I will attend forthcoming WTO talks in Mexico and attended the Doha talks in 2001. We participate in the Trade in Services Roundtable convened by the Australian National University and actively raise the issue of culture at all trade-related meetings and events;

- Undertaking research on trade-related issues to further assist Australia's negotiators;
- Briefing relevant media on trade developments and publish articles and letters in the press and industry journals;
- Conducting industry briefings and other events and meetings to coincide with the trade negotiation timetable; and
- The establishment by the AFC of a new e-bulletin aimed at providing trade news relevant to audiovisual culture. If you would like to subscribe, the address is on the AFC website – [www.afc.gov.au](http://www.afc.gov.au).