Australian Content in New Media

15 October 2001

Session 1 – *The Challenge*

1.   AFC Perspective and Experience

This contribution is from the perspective and experience, primarily, of the Australian Film Commission. The AFC has been funding the creation of Australian content for new media for about ten years. From that perspective we have some general and some specific observations about this area.

First, a little of the AFC's history in this area because it explains how we reached where we are today.

The AFC funds content as part of its remit to deliver on the Federal Government's cultural objectives – to create opportunities for Australians to produce a diverse slate of projects in the world's most accessible and powerful creative media, reflecting the diversity of ideas and points of view that contribute to Australian cultural identity.

The AFC has both a cultural and industry development role to play in the interactive media area.

We began funding this area in 1991. In the early '90s the focus was on encouraging filmmakers to participate in interactive, non-linear narrative, CD-ROM based work. Funding in 1994/5 through the Creative Nation program saw a shift from funding filmmakers to funding dedicated multimedia practitioners along with the adoption of a general perspective that "there's money in multimedia".

Initially, Creative Nation funding was applied towards 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 AME and Cinemedia handling the supposedly more commercial multimedia projects, the AFC's focus – to avoid duplication – turned primarily to works of experimentation and innovation, albeit with an Australian cultural perspective.

By 2000 we decided that our policy in this area was unclear and of questionable relevance with a continuing "art" focus. So we did what all good agencies did – we initiated an internal review and process of consultation with our client base. The starting point was the then current interactive digital media environment and its implications for the AFC.

In a nutshell, that review by Chris Warner led to a significant change in our funding approach to the area and not just a change in the name to Digital Interactive Media.

Chris found there had been changes in audience and distribution systems that had fundamental implications for content and in particular the continued delivery of Australian cultural content.

As a result of the changes made this year, the AFC now funds this content alongside its existing film and television programs in recognition of the converged screen-based, content creation industry (arguably the biggest industry in the world).

To make the best strategic use of the available funds, the AFC's new programs (which are set out in our published guidelines so I won't go into detail here) are devoted to staged development of content. On a go-forward basis, we no longer fund production and we focus exclusively on the development of content rather than the technology that delivers that content.

Importantly, we fund works in the entertainment, education and arts sectors. These include interactive dramas, documentaries, animations and experimental projects as well as "immersive rich-content" electronic and computer games and innovative education projects providing professional development outcomes. We don't fund projects in the area of corporate communications, training or e-commerce nor reference or database works. We believe they are well supported elsewhere.

We don't try to predict the dominance of any one delivery platform in a volatile and rapidly changing area, but support the very early development of a range of projects across delivery platforms.

We share the view of others that, while broadband internet connection is at an early state in Australia with limited numbers of households currently connected to broadband, we should keep an open mind on the media that will attract the audience.

As an example of the work we are supporting in this area in June this year we announced the four projects selected for the AFC/ABC on-line documentary initiative in which the AFC partnered with the ABC to fund and produce four new documentaries for broadcast on the Internet.

The documentaries will be produced for web streaming and hosting on ABC ONLINE. The AFC/ABC Documentary Online Initiative was established to encourage exciting and adventurous projects that exploit the possibilities of the Internet and challenge conventional documentary forms. What was of particular interest to us was that the successful applicants (from a field of 116) comprised both experienced documentary producers and new filmmakers.

In addition to the recently announced increase in our base funding to extend the current development programs for projects and practitioners, the AFC has also been given an additional fund for the development of new innovative broadband content – the Broadband Content Fund. That was announced on 31 August.

The Fund has been established in recognition of the role of content in driving broadband take-up with the objective of enabling Australian practitioners to produce local product to compete against work produced overseas.

At the same time, the Minister for Communications, Information Technology & the Arts, Senator Alston, announced a study to be undertaken by the Department and the National Office for the Information Economy (NOIE) on the subject of clusters in the creative digital industries. The Creative Industries Clusters Study will review Australia's strengths and capabilities in producing digital content and applications, and look at ways creative industries can form strategic alliances and develop new business models.

The AFC's CEO, Kim Dalton, is among those overseeing this project. The results of that study will be useful in determining how we apply the available funding through the Broadband Content Fund.

The first instalment of the Broadband Content Fund will be received next year beginning 1 July 2002 so we have started the process of thinking through how to achieve the desired outcomes with that Fund. One strong possibility is to seek appropriate partners to co-invest in development. I will outline our early thinking on that a little later.

As part of our contribution to debate and information collection and dissemination in the area, we have supported the report released today – **Broadband Media in Australia –** *Tales from the Frontier*, by Marion Jacka.

From that brief perspective, I have attempted to describe our current approach by categorising it into three parts, although they are interconnected.   They are:

1. Australian content
2. what Australian content should we be supporting?
3. what will be the business models?

I will say a few words about each of those parts.

2.   Australian Content

My starting point is that we should have Australian content in new media. It is not hard to ensure that we have it – we need to decide that we want it and discuss and put in place the mechanisms to do that, and that includes appropriate funding and funding models.

We should devote as much time, care and attention to the material that will flow through the broadband connections as we spend on the connections themselves. Audiences remember what they experienced, not only or always the service on which it was experienced.

In this area of screen-based activity we do take on board what we know and learn from our activities as the Federal Government's key development agency for the film and television industry. Regulation and encouragement for carriage of Australian content in some form may be required. Some of the models that have worked and not worked in other areas will be valuable in this consideration. In a perfect marketplace there is no need for regulation and quotas and subsidy, but this is not a perfect market and we need to ensure there is Australian content available for audiences to choose.

Because content is expensive, it is cheaper to use content that has been created for another market and recouped some of its costs if not all of the costs from that market. Given those marketplace imperatives, we believe the carriage of Australian content could be a victim to the cost structures of the creation of content.

I know others will speak knowledgeably about regulatory issues so I will leave that for a later session.

3. What Content Will Audiences Want?

We begin with the view that content for digital media – interactive and non-interactive – is vital for the successful take-up of these new services and that content-rich services will be important in the new environment, even though widespread consumer take-up of broadband will be slower than predicted.

In the UK and Canada government and industry are shifting their focus to content and the view is widespread that lack of content has overtaken supply as the main barrier to growth of high-speed broadband services. There is a call for a more balanced approach to these issues. The Canadian view is that the future of media rests in a high bandwidth environment where interactivity prevails – characterised by a proliferation of devices for the delivery of content anywhere, any time, on demand – and where consumers and users will themselves contribute to the creation of the content.

There is also a greater focus on understanding how people are actually using new media, especially interactive media.

3.1 What will the content be?

The **Broadband Report** predicts that, *at least in the early stages, the major broadband portals will be similar in terms of content to their narrowband counterparts — they will provide a mix of information and entertainment. Overseas developments and local trends suggest that most broadband content delivered to the computer will be in the form of short films, animations, music videos, magazine-style entertainment material, sports, news and finance, albeit with rich media formats providing a more satisfying, television-like experience. There is considerable interest in repurposed television content, magazine-style entertainment material, and webcasting of festivals and live events.*

In relation to interactive services, the Report finds that:

Overseas experience shows that games and game shows are successfully drawing viewers. The other genres that lend themselves fairly readily to interactivity are news, sports, reality television, lifestyle and entertainment programming. Experiments continue with drama, while interactive 'soaps' are predicted to be viable, it is widely acknowledged that the genre is not well suited to interactivity.
Entertainment content includes short films and animations, and material specifically developed or repurposed for the broadband environment. While some dedicated sites are proving viable, the trend is for content to be syndicated to major networks.

The main applications in terms of program content are gaming, game shows, interactive sports and news, with enhanced programming also applied to some other genres such as lifestyle programs and documentaries.

At the moment there is a minimal amount of content that is stand-alone, original, distinctive and peculiar to broadband. Virtually all the examples that were sourced for the Report were examples of re-purposing, re-packaging, re-delivery of existing material, be it informational or for the most part entertainment based. But is this repurposing of traditional media properties occurring through the lack of available funding for new innovative content?

A few weeks ago the Sydney Morning Herald reported a study declaring "applications that are uniquely popular among the broadband community remain elusive" and that McKinsey & Co announced the PC is not about to become the favoured home entertainment device after all. What is popular with broadband users was reported to be the same old boring email, instant messaging and web browsing that dial up users use; they like the content of the Internet as it is. Other key issues for users are security and the important "value-adds" that will help users find what they want when they want.

Much available content seems to be broadcasters enhancing or extending brands or services. For the Excites (if it is still with us) or AOLs it's about aggregation of existing services and content (AOL Time Warner says it all). Service providers will seek out content supply for good commercial reasons. Examples include Telefonica's purchase of Endemol Entertainment.

The Beyond Online/Telstra channels, that were announced last week would seem to be a way of taking existing copyright material and, with the addition of some new material for the purposes of packaging or providing a contemporary context, making it available in a non-linear mode.

While this repurposing and multi platform use of material requires skill and creativity, there appears to be little or nothing that is new in form or content.

The BBC announced last Wednesday its most ambitious interactive television project to date, offering a full service across all three digital platforms for its new documentary series, *Walking with Beasts*, the sequel to the highly successful *Walking with Dinosaurs*. The series will allow SkyDigital, TIV Digital and cable digital users to access different versions of the interactive service. The interactive features that can be accessed include an alternative commentary, extra facts and figures that will pop up in message boxes during a program and an option giving access to a behind the scenes documentary showing how the program was made.

In this light, the AFC/ABC on-line documentary initiative can be seen as a real attempt to mark out a new form and a new consumer experience.

Some useful points can be made about a phenomenon like *Big Brother*. At Southern Star we took the view that the website, the choice of live footage streamed live 24 hours from the house, telephony, are radically different products from the terrestrial television program, which is a nightly program edited six nights a week and a live program on Sundays. While it can be experienced in a narrowband environment, *Big Brother* is a multi platform program and that is a crucial factor in its success. By multi platform we mean that the various platforms are not alternatives – they are additional services to access when you feel like it. Each medium that *Big Brother* uses offers a different way of communicating and connecting with the audience; they are complementary, with each medium having its strengths and weaknesses and being exploited for what it does best.

Overall, we found from our experience and research that: the interactive experience did not detract from the television experience, live streaming media is extremely compelling content in this context; streaming is a developing technology with a developing audience; and, integration of the website and streams and management of user expectations was essential.

It is a strong brand name with loyal customers.

Another example we are aware of is the Austar drama series, *Fat Cow Motel*, and this is also mentioned in the Broadband Report.

3.2   What should the AFC fund in this environment and how should it be funded?

This situation poses challenges to the AFC. Because interactive content markets are uncertain and development of content is high risk (like all R&D), should we use our (very limited) funds to support the development and creation of new and original program types? Should we fund creative repurposing – or only multi platform content? And multi platform content that can be applied to additional platforms without undue incremental cost?

The cost of development and production of material across platforms may also mean that multi platform potential is an important criterion of successful content in the short term.

But, as systems develop and audience take-up grows, stand-alone material could develop as content creators gain expertise in production and audience understanding and as enduring business models emerge.

If we believe that broadband will become a way of enhancing and repurposing existing material and services, then Australian material and services should not be left out in the cold due to lack of resources.

Are children's and (innovative) education (distance and online learning) areas where there is a strong cultural imperative to develop the capacity to produce distinctively Australian content and where we know there are audiences for local Australian material?

If we don't plan for them, what opportunities are to be provided to Australian children to go beyond the free to air or pay tv broadcast of our mandated children's drama and other children's programming?

Should the AFC assist local producers to develop broadband web-based enhancements to the children's drama programs already being produced? Will broadcasters provide additional funds to develop, produce, brand and publish the enhanced program material and environment which will be necessary if this material is to continue to compete with US services and programming and provide our children with an equivalent level and depth of experience?

The same can of course be said of documentary where (like the example of the BBC's *Walking with Beasts*) increasingly complex and diverse broadband web-based related material will be produced and made available by the larger overseas broadcasters.

At the moment the Australian documentary producer barely has the funds to produce the linear program and doesn't even get out of the starting blocks on the broadband and web front.

Another option proposed in Canada is the provision of resources to conduct research to ensure a reasonable chance of success of interactive content prior to development.

Whether repurposed, multi platform or original for a platform(s), we believe content with audience and user appeal will be creatively driven. Ideas are always central to content and it is no different here. The AFC delivers on its cultural remit by supporting the marketplace of creativity; culture is audience and creator driven. New services should be embraced as another mechanism with potential to deliver cultural messages to communities that may not otherwise be as exposed to these expressions. For that reason we believe these new services are important to our cultural diversity and expression.

It is also important that, as a funding agency, the AFC highlights to screen-based practitioners the opportunities new services offer for the creation of alternatives in content.

We can do this by participating in the debate, and gaining a better understanding of the nature of the content and the methods of delivery. We need to both increase broadband content development and support Australian competitiveness.

It is possible that new services, multichannelling and interactivity make high-risk, high-concept approaches, especially on television, more possible and perhaps more necessary. With increasing choices it might be that those service providers who provide content that takes bigger risks will create the successes of tomorrow – they will stand out and fire the public imagination. And that is where ideas come in. Audiences will seek out the good ideas, the content they want to see, irrespective of where it is.

The dilemma here for a funding agency such as the AFC will be to define the territory to support that which would otherwise not be supported. Clearly there are commercial drivers for reality television product to provide the web/broadband enhancement. Similarly, in the area of sport we expect there will be funds available to ensure creative and innovative developments for expanded services, programs, and formats. We don't believe there is an expectation that subsidy funds would be used to simply enhance or build bigger and better web sites, valuable as they may be both in terms of content and professional development opportunities.

However, we will be looking to fund work that will be structurally connected with a potential audience – pushing the envelope, attempting to discover the new forms, etc, but always with an audience in mind and taking account of the different platforms.

As to how we fund projects and teams, at this time we see this area as different from our professional development work in, say, short films or even documentaries where we will fund work in the absence of broadcaster or distributor. While our seed development program will continue (without third party attachments) there are differences in the broadband area – scarce information on audiences, what attracts them, what they are seeking, what makes them stay or return to a particular site, service or program.

Until we are more familiar with the distribution methodologies and potential audiences we may look for guidance from the marketplace and that means allocating some or all of our money to projects with guaranteed distribution, ie, an audience connection. We can then move to allow the space for creative teams to experiment and develop outside those immediate constraints.

This raises the question of a partnership/accord with a single publisher, or allowing applicants the opportunity to bring in their own publishing partners. None of this has been decided but an arrangement where some sort of publishing commitment with a financial contribution attached could be desirable.

Another issue for the AFC is diversity – to achieve diversity in new media content it will be important that public broadcasters have adequate resources and for the independent sector to be supported to develop innovative media content. Together with creativity, diversity will encourage the widespread take-up of well-designed systems, which will themselves promote ideas.

3.3 Who will create and who will fund the content?

The Broadband Report states that, currently:

Content is mainly sourced from established media players; the major media companies who have large amounts of content, who work across media, and who are better placed to bear the risks involved in revenue-sharing arrangements or low licence deals.

It is probably the case that the large investments in infrastructure initially required have limited the resources potentially available for content. The Broadband Report finds that: *While some areas, such as games and betting, are showing promising revenue returns, interactive television — and indeed digital television generally — is not yet profitable in Europe and the United States because of the considerable capital investment involved.*

Given the limited funding options for that elusive development or "seed" high risk dollar, our funding can have a powerful effect.

Risk taking and supporting innovative content requires partnerships between content creators/producers and service providers/broadcasters as well as content aggregators (packagers/distributors) to make "must see" content that reaches the screen and is found by the audience in a crowded marketplace.

If content creators are now also going to have to be capable of delivering content across a range of platforms they will have to be literate, up to date and competent with a range of new digital delivery systems, including the business models. How realistic this is for the individual produced or small-scale company is questionable.

Multi platform exploitation encourages alliances. Alliances may be the way to sit across the range of media to monetise the investment in content with, say, websites that send you back to the television through interactivity.

4.   What Will Be the Business Models?

The Broadband Report says:

It is unlikely that the market will sustain new players producing specifically for broadband in the foreseeable future. Content providers need to have another business model and work across media sectors, or need to tap into other areas such as website development carried out on a service basis.

The AFC won't be the definer of the business models but the development of those business models will be of major concern to the content creators we fund and to the type and nature of applications that we receive. They will have major implications for the content itself and our future funding base.

So far we have not come across anyone who said they had any sure answers. Austar said on Wednesday last week in the announcement of its move forward with interactive television that success would be achieved if the services reduced churn, reduced internal subscriber management costs and generated some revenue.

One major issue for producers will be multi platform use of material to provide avenues of recouping against existing investments in audiovisual material.

For the service producer, it is the development of a larger customer base. But, having attracted the customers, the telcos and the broadband suppliers then need to supply the content to retain the loyalty of their customers.

Some questions we have considered are: how these models will evolve – by alliances between key players in their respective sectors, new business ventures, new players in the form of content aggregators; and, what place advertising will have and in what form – television spots, banner ads, advertiser and sponsored supported content? We recognise that new players will include the owners of software and middleware for the new applications as well as broadcasters, broadband network operators and content producers.

For reliable business models there will need to be reliable methods of audience measuring and the need for effective distribution and market access for content.

The Broadband Report tell us there is a consensus that the business model for broadband Internet distribution and interactive television will be a combination of micro-transactions, subscriptions, pay-per-play and advertising.

There is a belief that people will pay if the content is compelling. If so, then it is clear that we will need our innovative content creators.

In summary, while we are moving forward with our existing funding programs and looking at the possibilities for the new fund, I would like to stress that we don't believe that we have the solutions or all the information and we don't believe that we are alone in this uncertainty. If there were obvious solutions to the questions we are asking, I am sure we would have found them or someone would have brought them to our attention.

However, we do believe that if the potential for content creation in the interactive digital media industry is realised and increased crossover with traditional film and television practice and practitioners is encouraged, then the interactive digital media industry has the potential to be a major plank in a much larger Australian screen-based content creation industry. This will benefit all Australians.

The recent restructure of our programs was a first step along this path. The new funding and Cluster Study will provide important opportunities to take the next steps in formulating a longer-term interactive digital media industry policy, one that will be informed by taking steps to bring the interactive digital media practitioner community together and encouraging other avenues for knowledge sharing.