



PUBLIC SUBMISSION

SUPPORTING AUSTRALIAN
STORIES ON OUR SCREENS
- OPTIONS PAPER

ARENAMEDIA SUBMISSION

WITH

FELIX MEDIA

SCARLETT PICTURES

FINE CUT FILMS

TRANSMISSION FILMS

AIDA

CARVER FILMS

SAVAGE FILMS

STRANGER THAN FICTION FILMS

BROWN CABS

NOISE AND LIGHT

DRAGONET FILMS

BLACKOUT PRODUCTIONS

FRACTAL FILMS

TYPECAST ENTERTAINMENT

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INTRODUCTION

Thank you for the opportunity to respond to the Australian Government's SUPPORTING AUSTRALIAN STORIES ON OUR SCREENS – OPTIONS PAPER authored by Screen Australia and the Australian Communications and Media Authority (ACMA).¹

Arenamedia² is an independent screen production company with offices in Melbourne, Sydney and Perth. We bring together a diverse range of screen practitioners, and have achieved critical and commercial success for our work at the highest level. Some of our productions include the family film PAPER PLANES, Bangarra Dance Theatre's first feature film SPEAR, the political thriller BALIBO, the innovative compendium film based on Tim Winton's THE TURNING and more recently the adaptation of Jane Harper's best seller THE DRY.³

Our films are driven by an ambition to tell important Australian stories with a social and political value, that connect with audiences locally and globally, and embrace cultural representation and diversity.

For this response to the Options Paper, we have gathered feedback from our creative team, partners and key screen businesses, including:

Felix Media – the producing team behind Angelica Mesiti's Venice Biennale work ASSEMBLY in 2019, and exceptional works of cinema from Jane Campion, Vincent Ward and Sarah Watt.

Scarlett Pictures – a champion of Indigenous cinema including Warwick Thornton's SAMSON AND DELILAH.

Transmission Films – a major independent Australian theatrical distributor behind massive successes such as LION and RIDE LIKE A GIRL.

Fine Cut Films – an industry leader in film finance with over 20 years' experience in successfully raising private investment for Australian films.

AIDA – the Australian Independent Distributors Association whose members release more than 70% of Australian films and documentaries into our cinemas.

Stranger Than Fiction Films – well known for their renowned feature documentaries, including MOUNTAIN with the Australian Chamber Orchestra.

Successful screen production companies that include Savage Films, Carver Films, Brown Cabs, Dragonet Films, Noise and Light, Blackout Productions, Fractal Films and Typecast Entertainment.

These companies and our other signatories to this submission have created and distributed works of film, documentary and television that have been huge commercial successes, employed large numbers of Australian creatives and crew, and made a significant contribution to Australia's cultural representation on our screens.

Our submission addresses five key areas: Culture, Innovation, Cinema, Regulation of Streaming Platforms, and Children's Content. Where relevant we have provided additional information and resources to support our observations and proposals.

1 <https://www.communications.gov.au/have-your-say/supporting-australian-stories-our-screens-options-paper>

2 <http://www.arenamedia.com.au/>

3 <https://www.if.com.au/collaborations-are-driving-growth-for-robert-connollys-arenamedia/>

1. CULTURE

Maintaining Australian voices and stories on our screens requires critical government intervention and support, particularly in the areas of drama, documentary and children's programming. Without this support and regulatory framework, Australian stories would be greatly reduced and in some cases eliminated from our screens.

Screen Australia's comprehensive report and discussion paper HEARTS AND MINDS⁴ is a detailed look at how local screen stories capture the hearts and minds of Australians. It identifies the quantifiable benefit of our stories to Australian audiences, who strongly affirmed that they want to relate to, learn from and find representation in our own screen stories.

The Options Paper sets out in detail the reasoning for supporting our national screen industries. We support these representations and arguments, especially the fundamental importance of a regulatory framework to ensure that the industry is truly sustainable, so that future generations are represented on our screens.

With this in mind, Arenamedia feels strongly that of the proposed options for consideration, Model 4, Deregulation, should be dismissed completely. As outlined in the Options Paper, the screen industries provide considerable economic benefits on a significant scale. The removal of regulation would mean the removal of Australian stories from our screens, with massive damage to our national identity, self value and international profile.

2. INNOVATION

The Australian Government's 2017 report AUSTRALIA 2030: PROSPERITY THROUGH INNOVATION⁵ provides a robust framework and assessment of the critical need for innovation in Australian industries looking to the future. Innovation, says the report, *"thrives in a culture that is not afraid of risk-taking, promotes the value of experimenting, is adaptable and rewards enterprise."*

The screen industry is no different to any other industry in its need to be driven by a strategy for innovation and change in order to survive and prosper. In the last 25 years we have seen the arrival of the DVD, driving an expansion in Home Entertainment; the introduction of Pay Television; the digital delivery of films in cinemas, creating alternative content opportunities; digital downloads through iTunes and other platforms; the arrival of streaming and massive take-up of SVOD platforms, reaching into almost every home in Australia; and the impact of new players in social media and technology that now create screen content.

The screen industries will continue to innovate and we will certainly see changes in the years ahead that we are unable to contemplate today. As Steve Jobs famously observed, the jobs where our children find employment in the future don't even exist today, and this has been well and truly demonstrated with the arrival of streaming services, social media giants and web design and marketing engines, creating a wide range of new careers and content formats, and significant employment.

Looking to the future, there is already disruption that will further change the way screen content is created and consumed. The massive inroads made by TikTok have challenged the notion that technology giants will be driven by English-speaking nations, primarily the US; short-form narrative content is being delivered

4 <https://www.screenaustralia.gov.au/fact-finders/reports-and-key-issues/reports-and-discussion-papers/hearts-and-minds>

5 <https://www.industry.gov.au/data-and-publications/australia-2030-prosperity-through-innovation>

on platforms such as Snapchat; streaming services are investing in US cinema chains and technology centres to exhibit and sell their products; and vertically integrated companies such as Amazon are makers, distributors and retailers. How will Australians be guaranteed Australian voices and stories on these and other platforms and more, on formats and technology as yet unimagined?

The value we place on this necessary innovation, keeping an eye to the future, was the key reason Arenamedia opposed elements of the Australia-United States Free Trade Agreement, that specifically sought to exclude regulatory support for future technologies. We note that the Options Paper references this Free Trade Agreement stating that *“Any proposed changes to Australian content support arrangements would need to be considered with respect to their feasibility under these agreements.”* It would be an interesting exercise to list the technologies, platforms and content providers active when the Free Trade Agreement was signed.

With this in mind, it is critical that any revised regulatory framework for the Australian screen industries looks to the future, keeping an open mind to advances and change: not only allowing a flexibility to support these advances but also encouraging the spirit of innovation required to make sure Australia is a leading player in the future.

While the Options Paper addresses the current status quo driven by the expanded role of SVOD players, it is our view that the future is an exciting and innovative world of new opportunities that must be incentivised with government support if we are to guarantee a place for Australian stories and companies who make those stories.

We propose that an INNOVATION FUND be considered, financed through a combination of increased Government support and revenue raised from the other content funds considered in the Options Paper and discussed further below.

This fund would be managed by Screen Australia, expanding their excellent work already in this space. It would be driven by an agenda to support new and emerging talent, diverse creative voices, and screen practitioners exploring innovative approaches to creating and distributing new work for Australian and global audiences.

Diversity would be a key guiding principle of this fund, addressing areas of our national storytelling that have been neglected on our screens and remain under-represented. With Australian screen stories increasingly reaching new international audiences, as SVOD services identify markets we have previously been unable to reach, there is an opportunity to capitalise on the strength of our multiculturalism, placing Australian screen practitioners at a unique advantage.

The Innovation Fund would be liberated from the market-based decision making that attempts to anticipate what is commercial. In our view, the reduction of real investment in new and innovative approaches to screen content has trapped our industry in what many describe as an attitude where “everyone wants to be the first person to do something second.” Creative industries must be driven by bold and ambitious work aspiring to excellence, diverse representation with a high-risk appetite that prioritises innovation and that reaches for both niche and wide audiences locally and globally.

This fund would fill a market gap, with Screen Australia best equipped to engage with the industry and creative practitioners in this way.

3. CINEMA

While the Options Paper is largely concerned with the regulatory framework for the many screens Australian audiences have at home or on portable personal devices, it does conflate cinema as one of those many screens.

As outlined in the Options Paper, the cinema industry is a significant economic force in the creative industries, bringing Australians together in huge numbers for shared experiences and social interaction on a large scale.

Significant changes through innovation are driving cinema exhibition into the future. US legislation that makes it difficult for exhibitors to acquire cinemas is in the process of being repealed, and the potential entry of new players including Apple, Netflix, Disney and Amazon will no doubt challenge established views of what the cinema experience is.⁶ Existing cinema chains in Australia provide significant employment, and are continuing to explore ways to use new technology to create event experiences that distinguish their offering from the home entertainment experience.

We also note the significant career escalation provided by Australian cinema to actors, directors and crew, who now dominate global cinema, and the subsequently massive cultural impact our most successful films have had on our national identity.

While options to reduce the Producer Offset to a flat rate may initially appear to be administratively efficient, it is our strong view that feature films and documentaries made for cinema release require a critical level of support in order to be viable, and any reduction would risk removing our stories from Australian cinemas completely.

Although the Options Paper mentions that SVOD platforms are commissioning and acquiring feature films, it is our experience that, while this may be the case with select auteur filmmakers in other territories, Australia rarely sees any feature films commissioned directly. Certainly acquisition of films has happened, although the value of these purchases is modest compared to the budget, and provides a limited revenue model for the feature film industry currently. The Australian Free to Air TV channels have reduced their appetite for Australian films dramatically in recent years too, with SBS and the ABC only very occasionally acquiring feature films, at an extremely low purchase price. We mention this to indicate the difficult financing landscape for films on these platforms, relative to their clear interest in series drama, and the many different financing structures available to episodic forms of screen content.

Our observations are in no way dismissing the massive success of television drama and its audience reach, and the exceptional talent and output from Australia on these screens; we have been involved in some of these projects ourselves. Our concern is principally that there is a danger that changes to regulatory framework and support could have an inadvertent impact on Australian cinema, removing from our screens the Australian stories that have been such an important part of our national cultural identity.

Screen Australia has identified a very clear shift in the economic model for cinema in their excellent research summary CINEMA INDUSTRY TRENDS: 2019⁷, identifying that *"10 years ago there were 33% fewer*

6 <https://medium.com/swlh/prepare-for-the-death-rebirth-of-hollywood-f3853aacbee0>

7 <https://www.screenaustralia.gov.au/fact-finders/cinema/industry-trends>

films competing for similar numbers of screens and seats". While this can be considered a worrying, trend with individual box office for films reducing, we see this instead as a significant opportunity to screen a more diverse range of stories speaking to smaller and highly committed targeted audiences. The success of Australian feature documentaries in our cinemas is a terrific example of this. Box office comparisons between this new cinema landscape and film releases of the past are often inappropriately used to argue that feature film audiences are declining, but this fails to take into account the opportunities provided by this changing landscape and its more diverse viewing patterns.

The Producer Offset has provided massive support to the screen industries, particularly in the area of cinema, with huge results as outlined in Screen Australia's paper SKIN IN THE GAME: THE PRODUCER OFFSET 10 YEARS ON⁸. Effective as it has been, we propose some changes at this stage to adapt to the evolving landscape and viewing trends, and to guarantee future opportunities for the exhibition of screen content made for the cinema:

- A more flexible definition of theatrical intent and distribution plans for feature films under a \$5 million budget, supporting more innovative approaches to reaching Australian audiences in cinemas. There are already interesting hybrid release plans combining SVOD and cinema events that are pioneering new approaches, but are falling in a grey area when it comes to assessment for the Producer Offset. Clarity here would be a great motivator for innovation and would assist with an expanded audience reach through diverse content.
- A 10% uplift for screen content made for other platforms that finds a path to a cinema release. This will support the additional costs for release and delivery for these projects, and incentivise alternative content on our screens in cinemas.

4. REGULATION OF STREAMING PLATFORMS

We support the Options Paper's recommendations to introduce obligations that must be met by the various streaming services, recommending both a quota for the amount of Australian content and a necessary expenditure as a percentage of revenue. Arenamedia's sustainability and output has benefited directly over many years from the obligations met by Foxtel in an equivalent way, together with free to air TV network quotas, and it seems an ideal approach as detailed in Model 3 in the Options Paper.

We note that there are precedents for this in other countries and territories, where similar requirements have worked effectively and had a positive impact on audience size and the local industry. As discussed in INNOVATION above, this regulation must look to the future towards new and innovative platforms, and also consider the impact of existing platforms that are expanding their reach, envisaging drama and documentary content being delivered for example on TikTok, Snapchat and new platforms and technology not yet imagined. While it is yet to be seen whether Quibi will be a viable platform for short-form content, it is in itself evidence of the large-scale exploration of alternative forms of content creation and distribution. This regulation of domestic and internationally owned streaming services will be of significant benefit to Australian content, companies, and audiences.

⁸ <https://www.screenaustralia.gov.au/fact-finders/reports-and-key-issues/reports-and-discussion-papers/skin-in-the-game>

Model 3 envisages the possibility of a 10% Producer Offset uplift for projects of significant cultural merit, and while we support this as a strong incentive for our own Australian stories, we note that cultural assessment procedures will require industry consultation, and it has been historically challenging to find agreement on these. It would be our preference that the Producer Offset guidelines for this uplift be clear, and that they be automatic when reached rather than driven by a further discretionary Government assessment procedure. Screen practitioners have benefited from the Producer Offset's arms-length and robust decision-making processes in this regard.

It is critical that any increase in the Producer Offset is tied to the following obligations, ensuring that any taxpayer investment at this higher level in our Australian industry is in projects owned and controlled by Australians who will benefit from each project's success.

We propose that:

- A majority copyright ownership resides with Australians.
- Majority creative control rests with Australian citizens or residents.
- There is an equitable recoupment and profit participation for Australian nationals or residents.

It is important to note that the key international players in the SVOD landscape have been increasingly acquiring 100% copyright, capturing revenue and maintaining full creative control on projects that they have financed. If these projects are to also benefit from this increased level of Australian Government support, whether through direct investment, tax offset and regulatory mechanisms, then the approach proposed above must apply.

5. CHILDREN'S CONTENT

It is critical that Australian stories be available to our children on all commercial platforms and also in our cinemas. Without this, a younger generation will grow up without coming to value our own national identity and representation on our screens. Arenamedia's PAPER PLANES came out at a time when the commonly held view was that Australian children's cinema could not compete against large-scale US studio films made by Pixar, Disney and Dreamworks. The success of our film was evidence of an under-served audience desperate for our own stories, and was driven also by parents concerned at the overwhelming volume in our cinemas of US-based content of less cultural relevance. It was interesting that even in the auditions for PAPER PLANES many young Australian kids defaulted to an American accent as soon as they started performing, evidence of their exposure and expectations of screen stories from the US.

It is our view that children's content should be supported as follows:

- All commercial content providers must meet obligations to support and screen Australian children's content, specifically new scripted content in its first release. We see no compelling argument why the Australian commercial networks should be relieved of these obligations, with equivalent obligations to be met by SVOD and emerging screen platforms.

- An increase in direct funding to both the ABC and ACTF, who have shown great leadership in this regard, creating work for children at the highest level and developing new and innovative paths to their audience.
- Increased funding to SBS to expand their limited options for children and reflect the diversity of these stories in the same way that SBS adult drama has done in such an exemplary manner.

We also see Australian screen stories for our children as a motivational force in inspiring a new generation of screen practitioners and creatives in our industry, clearly with significant economic value to Australia, as outlined in the Options Paper.

CONCLUSION

In summary, our position on the Options Paper is driven by the following considerations:

- Government support remains essential if we are to maintain Australian stories on our screens.
- Innovation will be the critical engine of our industry, driving the way we consume screen content in the future. It therefore needs to be incentivised and supported as part of a future-proof regulatory framework.
- New talent, diverse voices and creative and innovative risk-takers need to be supported through increased direct strategies and support.
- Australian feature films require specific and targeted support that should not be conflated into a generalised approach to all screen content.
- Existing and new platforms delivering screen content to Australia need to be regulated, and they need to meet obligations to support and invest in Australian stories.
- Diverse voices need to be supported in order to reflect a multiculturalism that is a unique advantage for our screen industry, but under-supported by commercial interests in existing platforms.
- Children's stories on our screens are essential
- Australian screen practitioners and companies must retain a majority share of copyright, an equitable revenue stream and a meaningful level of creative control in work that receives the proposed increased level of support from the Australian taxpayer.

We see an exciting future for our screen industries, driven by an innovative and creative spirit and an exceptional talent pool of Australian screen practitioners. The future will require us to take bold risks, value new talent and diverse voices, and support important Australian stories that would otherwise not be told if left to commercial justifications alone.

Government support has been an essential and critical reason the Screen industries have achieved such significant success to date, and we appreciate the opportunity to provide this feedback, to address the changes we are facing, and to look to the future of an industry so important to all Australians.

RECOMMENDATIONS

In considering the options and proposals in the Options Paper we propose:

- All existing platforms should be required to meet expenditure levels on local content as proposed in Model 3, or an equivalent investment based on a percentage of revenue.
- Increased levels of support must result in an equitable level of revenue share for Australian practitioners and companies, together with a share of copyright and meaningful creative control.
- An increase in the Producer Offset to 30% across all non-theatrical platforms, with a cultural uplift of 10% to a total of 40%.
- The Producer Offset for Australian qualifying feature films and documentaries released in cinemas to remain at 40%.
- Much greater flexibility in the definition of an Australian theatrical release in the Producer Offset guidelines, for films with a budget under \$5 million. This will reward innovative exploration of theatrical exhibition.
- The establishment of an Innovation Fund with increased direct support, run by Screen Australia to support new talent, diverse voices, and innovative endeavours in the screen industry. It is worth noting this direct strategy implemented 25 years ago in the Indigenous screen sector has created a significant and lasting impact for practitioners, companies and audiences.
- Increased direct investment in the ABC, SBS and ACTF, specifically to create children's content, but also to expand their capacity to support Australian stories driven by excellence, social and political relevance, and, most critically, diversity, for the benefit of all Australians.
- An expanded and continued obligation for all commercial content providers to create and screen content for Australian children.

Arenamedia and our broader team are very happy to offer any further assistance or feedback.

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