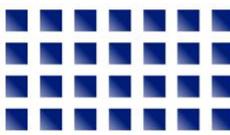




Submission in response to Media Reform Green Paper

May 23, 2021



 australia
new zealand
screen
association

anzsa.film



Executive Summary

ANZSA appreciates the opportunity to respond to the Media Reform Green Paper “Modernising television regulation in Australia”. Our members are active participants in the Australian screen industry, from the creation of content; to investing in production companies, physical infrastructure and post-production services, to the distribution of content into Australian cinemas, home entertainment retail, licencing to free-to-air and Pay TV providers as well as operating direct to consumer VOD businesses. Our members have contributed to the Australian screen industry for nearly 100 years.

The screen industry sector’s contribution to Australia’s GDP has increased by 15% between 2012-13 and 2017-18, with Production and Home Entertainment the best performing sectors. Expert international screen consultancy Olsberg SPI notes that this growth is evidence of the sector’s ‘quick and efficient response to the disruption caused by the internet’. The performance of the production sector specifically is noteworthy (+31% in GVA) given that it was achieved without a significant contribution from international productions in Australia. How much bigger the opportunity is becoming clearer when looking at the prior year (FY16/17) which would have seen GVA contribution of the production sector grow by 113.8% - more than four times faster.

Australia was on track for another record year of investment for the Australian industry in 2019-20, with a total of \$868 million worth of production in the pipeline. This would have comfortably surpassed 2018-19’s record of \$768 million. However, the COVID-19 pandemic caused widespread disruption for the Australian screen industry. Production was shuttered. Cinemas shut. The Australian box office ended the year down \$827 million (67 per cent), the lack of new product triggering a further \$115 million decline in physical and digital home entertainment. In total, \$934 million vanished in the transactional area, making this the hardest hit area by far. While audiences flocked to commercial broadcasters and Pay TV, they could not capitalise on their increase in viewership due to weaknesses in the advertising market. VOD services experienced robust growth in viewership and were able to capitalise on this thanks to their high value subscription consumer propositions.

In addition to the successful JobKeeper initiative, the Government made a series of announcements to assist the screen industry through the COVID-19 pandemic. In particular, ANZSA welcomes:

- The Temporary Interruption Fund,
- Additional funding allocated in the 2020-21 budget for Screen Australia and the Australian Children’s Television Foundation,
- Structural changes to the Producer Offsets, including raising the offset for TV to 30 per cent and the recent decision to maintain the feature film offset at 40 per cent,
- Additional allocation of funding to the Location Incentive program,
- Supporting Cinemas Retention Endurance and Enhancement of Neighbourhoods Fund, and
- Australian and children’s drama quota forbearance for commercial broadcasters.

Due to the Government’s deft handling of the pandemic, the local industry is rebounding strongly. When strong films are shown, audiences are flocking to the cinema and the advertising market has rebounded strongly for commercial broadcasters. VOD services, on the other hand, may face growth challenges as

people start venturing out to out-of-home entertainment options. The pandemic appears to have brought forward the moment people signed up for VOD services, and existing services may start to see subscriber numbers plateau, especially in mature markets like Australia.

Screen production has also rebounded strongly with nearly all of the \$325m of production that was halted by the pandemic either completed or resumed. New, much better, problems are emerging – the industry is nearing capacity. There is an opportunity to get more people employed and trained up in this sector as global demand for screen content - from Australia and all around the world - is going from strength to strength.

The internet has enabled new ways of distributing content which have accrued benefits for both consumers and producers. Firstly, more of every dollar spent by a consumer can be spent on the creation of content, and a more diverse array of content can be supported. Secondly, VOD services have also improved the ability of Australian stories to find global audiences and - through that - global funding. The latest Screen Australia Drama Report shows this with 43% of total investment in Australian stories coming from overseas sources (as compared to just 29% in 2015/16), Australian producers have benefited from the combined effect of these two trends; the fact that Australian producers were on track to reach \$868 million in total production spend attests to that – this would have represented a doubling of the funds invested in 2014/15 (the year the first streaming services launched in Australia). An international study by Frontier Economics demonstrates that the investment by VOD services in Australia is proportional to investments in other countries relative to the VOD subscriber base in each country.

Heavy-handed intervention as contemplated in the Green Paper could trigger unintended consequences to the detriment of the local screen industry ecosystem and Australian consumers. With Australia's screen industry almost at capacity, any additional artificial demand for content would only serve to increase costs for all participants – including consumers – and could risk the viability of regulated and unregulated VOD services in Australia. Furthermore, it would be more expensive for commercial broadcasters to discharge their obligations, thus achieving the opposite of what the Green Paper set out to achieve. The proposed regulation would distort the market between VOD services that invest heavily in premium screen content and UGC services that don't. It could cause the number of buyers for screen producers to be reduced, as services may elect to leave the market – or more likely – new services may choose not to enter the market but license their content to an already existing streaming service or broadcaster, thus affecting the effective functioning of the market, to the detriment of consumer choice and value. It could also create an imbalance within the VOD sector given that the Green Paper contemplates regulating some VOD services but not others. An unintended consequence of over-regulating this industry is that it can ultimately harm those it seeks to serve. Indeed, Frontier Economics research shows a strong correlation between increased regulatory burdens and reduced audiovisual exports.

Given the demonstrated trend of strong investment in the Australian screen eco-system by VOD services, the booming local production sector, the industry's capacity constraints and the risk of unintended consequences, we consider that no interventions on VOD services are necessary and it is too soon to contemplate regulating, if at all, in the manner outlined in the Green Paper.

In summary, this is because:

- a. the market recovery from COVID-19 amongst all screen industry ecosystem sectors is very encouraging,
- b. VOD services are engaging with local production and investing significantly without being required to do so because it is in their commercial interest to do so,
- c. the effect of the structural increase to the Producer Offset TV to 30% is yet to be determined (and we expect it to be a significant boost), and
- d. the risks of unintended consequences, adverse outcomes and perverse incentives are too great.

We recommend that any further Government consideration of our industry be guided by the following principles:

- a. *Putting Australian consumers at the centre* – today's Australian consumers have access to not only Australian content, but international content, in an easy manner and at a price point never seen before. VOD services include content in their library because consumers want to have diversity of choice. VOD services are incentivised to offer consumers options and the means to find the content that they want to see.
- b. *Understanding the business* – the Government should consider each streaming service at an individual level with a view to understanding how they produce content, design their underlying business model and the entertainment choices that they are providing to consumers. While the Government is gathering data, ANZSA members are willing to assist the Government in further understanding the various business models and the fast pace of evolution.
- c. *Understanding the market* – while the Green Paper is understandably focussed on the Australian market, there is now a global market for talent and content that deserves attention and is likewise constantly evolving. ANZSA is willing to assist the Government in understanding this global market. Further, the Government should develop flexible ways which will allow participants to support Australia's policy goals. What is needed is a contemporary approach which maximises the benefits for creators, culture, and which promotes content made by, about Australians or in Australia, for both the Australian and global markets.
- d. *Focusing on quality* – Australian consumers demand quality content. The Government has made sensible and forward-thinking structural reforms of the Producer Offsets that will assist the production of quality content. Further consideration to a focus on quality could encompass growing creative capacity in Australia through infrastructure investment and development of innovative technology as well as developing creative excellence and providing opportunities to local crew through training and skills development.

ANZSA thanks the Government for the opportunity to provide comments and we look forward to participating in future consultations. We believe that, with the right regulatory balance, the Australian screen industry is well placed to succeed and grow.

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About us

- 1 This submission is made on behalf of the Australia New Zealand Screen Association (ANZSA). ANZSA's core mission is to advance the business and art of filmmaking, increasing its enjoyment around the world. We seek to protect and promote the safe and legal consumption of movie and TV content across all platforms. Our members are proud participants and contributors of the film and television industry in Australia that contributed \$9.2 billion to the Australian economy and supported an estimated 54,818 FTE workers in 2017-18¹, and include Walt Disney Studios Motion Pictures Australia; Fetch TV; Netflix Inc; Motion Picture Association; Paramount Pictures Australia; Sony Pictures Releasing International Corporation; Universal International Films, Inc.; Village Roadshow Limited² and Warner Bros. Pictures International, a division of Warner Bros. Entertainment Inc.

Part 1 - Introduction

- 2 Since 1926, our members have a track record of contributing to the Australian screen industry. Our members' support for Australian stories extends across the screen industry supply chains, from investments in and ownership of Australian production companies like Matchbox and Playmaker, to investment in the production and distribution of Australian stories, as well as investments in physical screen industry infrastructure (e.g. sound stages) and post-production services.³ Our members also take an active role in the distribution eco-system, from distribution into Australian cinemas and home entertainment stores, to licensing content to free-to-air TV,⁴ Pay-TV (where they also operate their own branded channels) and all online distribution models (ranging from download-to-own to transactional and subscription video on demand). Now, they also operate a number of direct-to-consumer streaming subscription video-on-demand (SVOD) businesses.
- 3 Our members acknowledge the important role the Government has played in the success of the Australian screen industry. The Australian Government provides significant funding for our industry, for which we are very grateful. It is worth highlighting the benefits the screen sector brings to the tourism sector; Australian content draws around 230,000 international tourists to Australia each year, driving an estimated \$725 million in tourism expenditure.⁵
- 4 It is worth noting that this consultation has its genesis in a recommendation made by the Australian Competition and Consumer Commission (ACCC) in its Digital Platforms Inquiry to harmonise media

¹ Olsberg SPI, *Study on the Economic Contribution of the Motion Picture and Television Industry in Australia*, <https://anzsa.film/wp-content/uploads/2020/02/Study-on-the-Economic-Contribution-of-the-Motion-Picture-and-Television-Industry-in-Australia_Final-Report.pdf>

² Village Roadshow Limited will express its views on content obligations in its own submission.

³ The Media Reform Green Paper focusses on production and distribution of content but does not consider the broader screen industry ecosystem. Appendix 2 outlines the limitations of data as presented in the Options Paper.

⁴ Network Ten is now also owned by the parent company of one of our members.

⁵ Screen Australia, *Screen Currency, Valuing our screen industry*, 2016, <<https://www.screenaustralia.gov.au/getmedia/1b1312e5-89ad-4f02-abad-dae601b739/ScreenCurrency-SA-Report.pdf>>

regulation.⁶ Harmonisation of media regulation is a noble goal as siloed regulation does not promote competition on a level playing field. Indeed, the current regulatory environment for local content may be outdated, lead to unintended consequences, and there have been many reviews over the past decades into these issues. Impediments to reform include the complex, overlapping and technical implications of current policy settings as well as the significant differences between online and offline markets for content and individual sectors therein.

- 5 We note that the Green Paper provides little justification for the proposed significant regulatory interventions on VOD services other than stating that SVOD services are “popular, but provide limited Australian content”. This justification is limited in that it only assesses the proportion of Australian content in the Australian catalogues of selected VOD services. The analysis does not consider the proportion of Australian content in the VOD catalogues in other countries. The analysis also fails to recognise that many of the VOD services are global services that commission and produce content around the world, and Australian consumers want to access this global smorgasbord of content.⁷
- 6 Further, this analysis is unlikely to meet the test set out in the Australia-United States Free Trade Agreement that requires a determination by the Australian Government that Australian audiovisual content is not “readily available” to Australians and Australians are being “unreasonably denied access” to Australian content. We note further that if the Government makes this determination, the regulation must be the minimum necessary, be no more trade restrictive than necessary and not be unreasonably burdensome.
- 7 The Green Paper asserts that the commissioning of Australian content by VOD Services is low by international standards. However, the Green Paper focusses solely on available data on the quantity of Netflix’s commissioning.⁸ It does not take into account the many titles in which Netflix has co-invested with local broadcasters, what the investment level is (cost of production can and does vary by production and country), the ‘natural’ interest in local stories for each country, how well content from each country attracts viewers outside its own borders, Australia’s population compared with other markets, the capacity issues outlined below, other VOD services (particularly those that are newer to the market vs. Netflix, which launched in Australia in 2015) and the effect of the COVID-19 pandemic. The Green Paper also asserts that Australian content on these selected VOD services “tends to be older”. There is no evidence provided for this claim.
- 8 A report by Frontier Economics⁹ demonstrates that – in fact – Australia sits in the normal range for originals produced by VOD services relative to the number of subscribers. The countries that overperform generally have built a deserved reputation for significant interest beyond their own borders or have a lower cost-base.

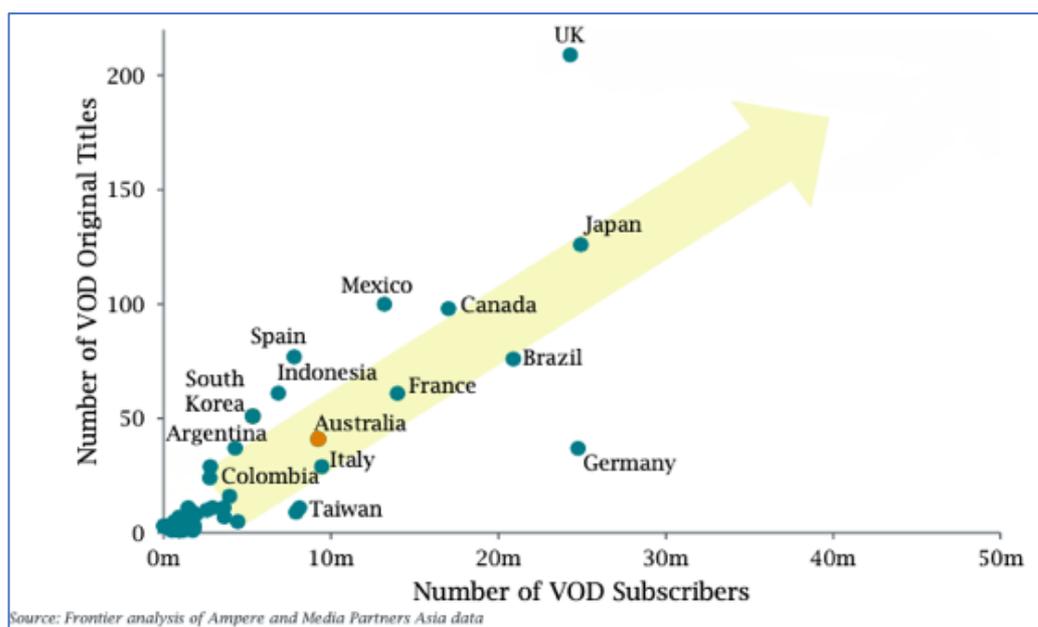
⁶ The Digital Platforms Inquiry was focused on assessing the power of Google and Facebook in the advertising market and genesis of the inquiry was a deal made with crossbench senators in 2017 to relax cross-media ownership laws.

⁷ See paragraph 77.c in Appendix 3 for details.

⁸ Media Reform Green Paper, page 34.

⁹ *The Economic Impact of Video-On-Demand Services in Korea*, Frontier Economics, 30 April 2021, <<https://www.mpa-apac.org/wp-content/uploads/2021/05/KR-Frontier-The-Economic-Impact-of-VOD-in-Korea-30.04.pdf>>

Figure 1. Relationship between DTC subscribers and Country-specific DTC ‘Original’ titles



- 9 The Green Paper notes that the market is evolving, and free-to-air television is being challenged by social media such as Facebook and YouTube, as well as VOD services. It is problematic that these two groups are lumped together. Services such as Facebook and YouTube compete with free-to-air television for attention from viewers and for investment from advertisers. These services are found by the ACCC to possess substantial market power. Subscription video-on-demand services (SVOD services), on the other hand, only compete for attention from viewers, but not for investment from advertisers.¹⁰ Furthermore, the ACCC – correctly¹¹ -- has not made any findings about substantial market power for these VOD services.
- 10 The Green Paper also notes that it is seeking to implement the Government’s policies on harmonising media regulation. However, the Green Paper specifically excludes user generated content from the scope of the proposed VOD regulation, as well as BVOD services or SVOD services owned by entities subject to content obligations for other parts of their business. This undermines principles of harmonisation and competition on a level playing field. Furthermore, the indicative investment obligation of five per cent of total revenue for SVOD/AVOD services mentioned in the Media reform Green Paper would not deliver a harmonised approach with Pay TV, whose obligations are to invest five per cent of their programming expenditure on drama content only – clearly a lower regulatory burden than the one proposed for VOD services.
- 11 The Green Paper states that the current regulatory framework seeks public policy outcomes from traditional broadcasters, despite their “increasingly tenuous financial position” and on the other hand,

¹⁰ AVOD services do of course compete for investment from advertisers. The Green paper excludes both UGC services such as YouTube and TikTok as well as Broadcasting Video-on-Demand services from the proposed AVOD services definition for the purpose of the content obligation under consideration. That definition of AVOD returns a nascent sector as we will demonstrate in this submission. See Appendix 2, paragraph 77.b. for more details.

¹¹ NextTV recently reported that Netflix’ global video streaming market share had dropped from 29% to %, and Prime Video’s had dropped from 23% to 16%. Daniel Frankel, *Netflix Lost 31% of Its Market Share in 2020*, 5 April 2021, Next TV, <<https://www.nexttv.com/news/netflix-has-lost-31-of-market-share-in-one-year>>. Furthermore, appendix 4 of this submission clearly shows that even combined these VOD services do not represent a dominant share of the overall screen industry eco-system.

SVOD services face “no regulatory requirement to contribute to these public policy outcomes”.¹² These public policy outcomes are “making Australian stories available on our television screens”. Even though these stated public policy outcomes on traditional broadcasters were part of a regulatory *quid pro quo* for protected access to spectrum and protection from competition, as we demonstrate in this submission, VOD services are significantly contributing to these public policy outcomes by natural market forces and despite the lack of any requirement to do so.

- 12 The Green Paper presents a set of regulatory proposals in the European Union, France, Germany and Canada without offering a clear context. Appendix 3 sets out international approaches to regulating VOD services, and contextualises these decisions for Australia. It shows that most countries have not required VOD services to invest in local content (yet that investment is flowing freely) and those that have, generally do so at a level below the ‘natural interest’ in local content in that country.
- 13 This submission is in five parts. Part 2 outlines the state of the pre-COVID-19 market. Part 3 outlines the effect of COVID-19 on the market. Part 4 outlines some unintended consequences of significant regulatory interventions and issues for further consideration. Part 5 summarises our conclusions.
- 14 We note that our submission focusses solely on Chapter Six of the Green Paper but do want to express our support for the apportioning of part of the revenue generated by a spectrum auction resulting from the potential restacking of free-to-air signals to the production of content in Australia as discussed in Chapters Four and Five, should this prove to be feasible.

¹² Media Reform Green Paper, page 5.

Part 2 – Pre-COVID-19: efficiency gains in the distribution of screen content increase investment in screen production.

- 15 In our June 2020 submission in response to the *Supporting Australian Stories on our Screens* consultation we laid out the development of the overall screen content eco-system¹³, citing the Olsberg SPI *Study on the Economic Contribution of the Motion Picture and Television Industry in Australia* (the Study). The Study reviewed the changes in the Screen Industry between 2012-13 and 2017-18 across five sub-sectors (screen production, distribution, exhibition home entertainment and broadcasting) which found the following:
- a. The Australian screen industry generated gross value-add (GVA) of \$9.186 billion in 2017-18, representing a growth of 15 per cent from 2012-13.
 - b. Over the same period, employment dropped 6 per cent, with the Distribution and Home Entertainment sectors most affected with job decreases of 23 per cent and 35 per cent respectively, and Broadcast and Production the best performing sector with job increases of 10 per cent and 9 per cent respectively.
 - c. Across the screen industries, the value added per employee was up 23 per cent over the period, reflecting the efficiency of more streamlined distribution models, which has triggered economic benefits for consumers and producers alike. Olsberg SPI notes “this growth is a strong example of the industry’s quick and efficient response to the disruption caused by the internet”.
 - d. The strong performance of the Production sector (GVA + 31 per cent, employment +9 per cent) is especially noteworthy given that it was achieved without the benefit of inbound investment from footloose production. We applaud the Government’s robust investment in the Location Incentive program since then which has further boosted economic activity and employment for screen production workers and throughout the broader economy.
- 16 We also conducted our own analysis of the revenue base of services supporting the distribution of Premium Screen Content and found that this revenue services supporting the creation of Australian content was stable, yet the amounts invested in Australian content were increasing.¹⁴
- a. We estimate that the entry of SVOD services has increased the total revenue base of content providers who rely on premium content by \$91 million (or 0.9 per cent) between 2014/15 to 2018/19, to a total of \$10.3 billion.
 - b. During these five years, whilst the revenue base that supported Australian content was up by just 0.9%, investment in Australian content increased by 80%, with an additional \$342 million in investment added.

¹³ ANZSA Supporting Australian Stories on our Screens submission, paragraphs 9 to 13, <https://anzsa.film/wp-content/uploads/2020/07/ANZSA-submission-in-response-to-Supporting-Australian-Stories-on-our-Screens-options-paper_updated-30-June.pdf>

¹⁴ See Appendix 4 for information on data sources and methodology.

- c. That means that investment in Australian content as a percentage of total revenue supporting that investment has increased from 4.2 per cent in 2014 to 7.5 per cent in 2019.

Table 1. Premium Content revenue base development from 2014 to 2019

REVENUE COMPARISON	2014 / 15		2018 / 19		2014/15 VS 2018/19	
	REVENUE	SHARE	REVENUE	SHARE	REVENUE	CHANGE
Seven West Media	\$1,305,100,000	12.6%	\$1,259,000,000	12.3%	(\$20,100,000)	-1.6%
Nine Entertainment	\$1,221,200,000	12.0%	\$1,047,500,000	10.2%	(\$173,700,000)	-14.2%
Network 10	\$630,700,000	6.2%	\$606,800,000	5.9%	(\$23,900,000)	-3.8%
ABC	\$1,218,570,000	12.0%	\$1,108,372,000	10.8%	(\$110,198,000)	-9.0%
SBS	\$384,356,000	3.8%	\$402,003,000	3.9%	\$17,647,000	4.6%
FTA TOTAL	\$4,733,926,000	46.5%	\$4,423,675,000	43%	(\$310,251,000)	-6.6%
Foxtel	\$3,124,800,000	30.7%	\$2,449,548,000	23.9%	(\$675,252,000)	-21.6%
Pay TV TOTAL	\$3,124,800,000	30.7%	\$2,449,548,000	24%	(\$675,252,000)	-21.6%
Theatrical Distribution	\$1,226,315,433	12.1%	\$1,228,741,000	12.0%	\$2,425,567	0.2%
Physical Distribution	\$904,000,000	8.9%	\$412,510,296	4.0%	(\$491,489,704)	-54.4%
Digital Distribution (EST & VOD)	\$187,000,000	1.8%	\$260,598,055	2.5%	\$73,598,055	39.4%
TRANSACTIONAL TOTAL	\$2,317,315,433	22.8%	\$1,901,849,351	18.5%	(\$415,466,082)	-17.9%
SVOD TOTAL			\$1,493,160,000	14.5%	\$1,493,160,000	NA
TOTAL	\$10,176,041,433	100.0%	\$10,267,656,351	100.0%	\$91,614,918	0.9%
AUSTRALIAN CONTENT INVESTMENT	2014 / 15		2018 / 19		2013/14 VS 2018/19	
TV, Children's & Online	\$301,000,000	3.0%	\$469,000,000	4.6%	\$168,000,000	55.8%
Features	\$125,000,000	1.2%	\$299,000,000	2.9%	\$174,000,000	139.2%
TOTAL	\$426,000,000	4.2%	\$768,000,000	7.5%	\$342,000,000	80.3%

17 It is an understatement to say the internet has had a transformative role in the distribution of content globally. The marginal cost of reproduction and distribution is minimal, and capacity constraints are essentially removed.

- a. Before the internet, content was distributed through cinemas, on DVDs in rental stores, or via Pay-TV services using expensive satellite capacity to distribute their content. Now the internet enables that content to get to the consumer at a fraction of the cost, and more of every dollar spent on screen content by a consumer can be invested in the production and acquisition of content.
- b. Before the internet, an Australian story didn't just need an overseas audience to succeed internationally. Capacity was constrained; it needed that audience to be bigger than the other shows that could be aired in the same time slot. It needed that audience to live near a cinema that screened the movie and be free at the time it screened. Now those barriers have been removed, and with algorithms adept at giving people what they want, audiences the world over are finding our stories, and foreign funding is following. In fact, in Screen Australia's Drama Report 2019/20, foreign investment represented a record 43% of total investment in Australian content. For

perspective, in 2015/16 the share of foreign investment was just 29%.¹⁵ We believe that one of the main drivers of this extraordinary result is the co-commissioning between incumbent broadcasters (who retain Australian rights) and global streaming services (who generally retain R.O.W. - rest of the world) rights.

Australian consumers now have access to more diverse Australian and international content

18 Consumers have been major beneficiaries from these changes.

“You look at the investments [SVOD services] make, the value is extraordinary... you get about a billion dollars of original content for every dollar a month... I can’t think of any other sector that offers this much value”

Scott Galloway, Adjunct Professor of Marketing at New York University Stern School of Business.¹⁶

19 Consumers also benefit through increased diversity in storytelling. Whilst much improvement can still be made, streaming platforms are at the forefront of increasing representation of women and minorities on our screens.¹⁷

20 Today’s Screen Content Eco-System is so much richer and more varied, offering consumers an abundance of choice. Premium content services like Netflix, Stan, Binge and Prime Video are offering a vast array of shows across genres, with some (Stan, Prime Video) now also securing sports programming.¹⁸ Consumers can choose to augment their content menu with carefully curated services aimed at specific niches in documentaries and factual content (DocPlay, iWonder), Japanese Anime (AnimeLab), British content (Britbox), international soccer (Optus Sport) and sports more generally (Kayo).

¹⁵ ANZSA aggregated calculation across feature films and TV, Children’s and Online based on data from Screen Australia Drama Report, pages 12 and 23. <<https://www.screenaustralia.gov.au/getmedia/f87c32c8-3d5d-4d99-95ad-224931812f49/Drama-Report-2019-2020.pdf>>

¹⁶ The Prof G Show with Scott Galloway, 4 March 2021, accessed via ApplePodcasts, <<https://podcasts.apple.com/au/podcast/the-prof-g-show-with-scott-galloway/id1498802610?i=1000511547265>>, key phrase 31:50.

¹⁷ Ruth Umoh, Streaming Platforms Are Driving Diverse Representation in Television, 3 December 2020, Forbes, <<https://www.forbes.com/sites/ruthumoh/2020/12/03/streaming-platforms-drive-diverse-representation-in-television/?sh=2f934ae4764d>>

¹⁸ Stan has launched Stan Sport as an add-on package containing Rugby and selected Grand Slam tennis tournaments, <<https://www.stan.com.au/sport>>, and Prime Video have secured the rights to the Australian Swimming Championships <<https://www.swimming.org.au/news-articles/amazon-prime-video-and-swimming-australia-join-forces>>

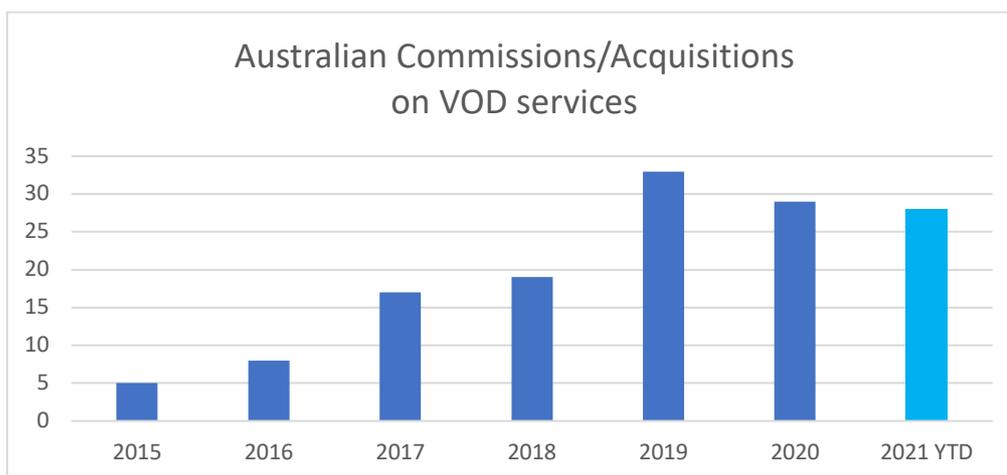
	TRADITIONAL (early 2000's)	DIGITAL (2021)
NO FEE/ AD-SUPPORTED		
SUBSCRIPTION		
TRANSACTIONAL HOME ENTERTAINMENT		
CINEMAS		

Producers derive significant benefits from the entry of VOD services into the market

21 The internet has created a much more diverse eco-system giving producers access to “more doors to knock on” when seeking investment. No longer is an Australian producer limited to commercial and public free-to-air broadcasters; new market entrants are (co-)investing heavily in Australian stories. Just as Australian consumers are offered choice, so too are Australian producers. This is a market reality that exists outside a regulatory framework. Peter Csathy, founder and chairman of advisory firm CreaTV Media, argues that “International markets are the next big battleground in the streaming wars. With the domestic U.S. market essentially saturated, major players are increasingly dependent upon

overseas subscriptions to justify their long-term goals and ambitions."¹⁹ A key to growing subscriptions in foreign markets is local content; local content drives subscription growth.²⁰

22 In fact, investment from streamers is already flowing. Appendix 5 shows the long list of titles that streaming services have been involved in, by our count, 139 Australian commissions or major – often exclusive – acquisitions. 2021 looks set to hit a new record for the number of Australian projects with VOD service involvement with 28 new projects announced across five different VOD services in the first five months of 2021 alone.



23 Stan has long used local content as a differentiator and has a strong local library and recently committed to release thirty new originals over the next five years.²¹ Netflix hired the ABC's Que Minh Luu in June 2020 as Director, Local Originals, and has since added two further executives.²² Netflix has now commissioned locally developed shows such as the \$52 million *Clickbait*, *Dive Club*, *Heartbreak High* and *Byron Baes*, in addition to previously released Originals such as *Tidelands*, Hannah Gadsby's *Nanette* and *Douglas*, and *Aunty Donna's Big Ol' House of Fun*.²³ Apple TV's \$55

¹⁹ Scott Roxborough, *MIPTV: Foreign Markets Become "Next Big Battleground" as Streamers Bet Big on Global Growth*, Hollywood reporter, April 12 2021, <<https://www.hollywoodreporter.com/news/miptv-streamers-drive-international-tv-boom>>

²⁰ Elaine Low, *Netflix's Ted Sarandos on Local-Language Originals Strategy*, Variety, October 9 2020, <<https://variety.com/2020/tv/features/netflix-local-language-original-strategy-ted-sarandos-1234789371/>>

²¹ Stan Originals: <<https://www.stan.com.au/watch/stan-originals>>, Max Mason, Stan to gro original production schedule to 30 a year, 24 August 2020, AFR, <<https://www.afr.com/companies/media-and-marketing/stan-to-grow-original-production-schedule-to-30-a-year-20200821-p55o07>>

²² Don Groves, *Netflix hires the ABC's Que Minh Luu*, June 19, 2020, IF.com.au, <<https://www.if.com.au/netflix-hires-the-abcs-que-minh-luu/>>, Josh McDonnell, *Netflix hunts for ANZ marketing boss as content quota pressure mounts*, 1 March 2021, Mi3, <<https://www.mi-3.com.au/01-03-2021/watch-list-netflix-begins-hunt-anz-marketing-boss-local-content-quota-pressure-mounts>>

²³ *Clickbait*: Media release Paul Fletcher, 26 August 2019, *Netflix partners with Victorian creators to bring 'Clickbait' to Melbourne*, <<https://www.paulfletcher.com.au/media-releases/joint-media-release-netflix-partners-with-victorian-creators-to-bring-clickbait-to>>, *Dive Club*: Don Groves, *Netflix buys global rights to the Steve Jaggi Company's 'Dive Club'*, 28 September 2020, IF.com.au, <<https://www.if.com.au/netflix-buys-global-rights-to-the-steve-jaggi-companys-dive-club/>>, *Heartbreak High*: Paul Donahue, *Netflix reboots Heartbreak High, the Australian 90s high school drama, to air 2022*, 7 December 2020, ABC News, <<https://www.abc.net.au/news/2020-12-07/heartbreak-high-coming-back-netflix-new-generation-of-teenagers/12956722>>, *Byron Baes*: Kelly Burke and Alex Gorman, *Byron Baes: Netflix's first Australian reality TV show sets it sights on the influencer enclave*, 8 April 2021, The Guardian, <<https://www.theguardian.com/culture/2021/apr/08/byron-baes-netflixs-first-australian-reality-tv-show-sets-its-sights-on-the-influencer-enclave>>, *Tidelands*: Jacie Keast, *Netflix announces first original Aussie series 'Tidelands'*, 16 May 2017, IF.com.au, <<https://www.if.com.au/netflix-announces-first-original-aussie-series-tidelands/>>, *Hannah Gadsby*: Brad Newsome, *New Netflix special Douglas is another triumph for Hannah Gadsby*, 27 May 2020, Sydney Morning Herald, <<https://www.smh.com.au/culture/tv-and-radio/new-netflix-special-douglas-is-another-triumph-for-hannah-gadsby-20200522-p54vk1.html>>, *Aunty Donna*: Nick Allen, *Netflix's Aunty Donna's Big Ol' House of Fun is Sketch Comedy Bliss*, 11 November 2020, Rogerebert.com, <<https://www.rogerebert.com/streaming/netflixs-aunty-donnas-big-ol-house-of-fun-is-sketch-comedy-bliss>>

million project *Shantaram* is back in production in Melbourne²⁴, Prime Video has released *The Test: A New Era for Australia's Team, Making Their Mark*, a series of ten stand-up comedy specials, *LOL: Last One Laughing AU*. It previously announced *Back to the Rafters* and *Things I Know To Be True*,²⁵ then recently raised the bar by announcing a further seven originals (*Burning*, *Class of '07*, *Deadloch*, *Head Above Water*, *The Lost Flowers of Alice Hart*, *The Moth Effect* and *Warriors on the Field*) and confirmed that it has now invested a \$150 million in Australian content and has created 2,500 jobs since 2019.²⁶ Disney+ launched in November 2019 and is set to increase its investment in Australian content, and recently announced *Shipwreck Hunters Australia* – which is now filming in Western Australia - as its first Australian original.²⁷ It also invested in Made Up Stories' *Nine Perfect Strangers* for its United States streaming service Hulu,²⁸ which will be shown on Prime Video in Australia. Disney's United States-based Hulu streaming service previously invested in *Harrow*, which airs on the ABC here,²⁹ and *Mr. Inbetween* which is shown on Foxtel here.³⁰ ViacomCBS announced the launch of Paramount+ on August 11 with three Australian originals: *Spreadsheet*, *Last King of the Cross* and *6 Festivals*.³¹

24 Major players such as Warner Media's *HBO Max* and NBC Universal's *Peacock* have chosen not to enter the Australian market yet, and instead license their new shows and content libraries to services such as Foxtel's *Binge* and Nine's *Stan* (neither of which are subject to proposed local content obligations in the Green Paper). With the right regulatory settings, we believe that VOD services like this – and many others - will be incentivised to launch in Australia and open “even more doors” for Australian producers and expanding consumer choice and benefits.

25 The efficiencies triggered by online distribution have also benefited producers of screen content.³² More of every dollar spent by a consumer can now be used to finance new productions, and that

²⁴ Karl Quinn, AppleTV+ series *Shantaram* is go, with Kurzel but without Depp', 15 August 2019, Sydney Morning Herald, <<https://www.smh.com.au/entertainment/tv-and-radio/apple-tv-series-shantaram-is-go-with-kurzel-but-without-depp-20190815-p52hhz.html>>

²⁵ The Test: Jon Plerik, Documentary sheds light on Australian cricket's year of drama, 25 November 2019, Sydney Morning Herald, <<https://www.smh.com.au/sport/cricket/documentary-sheds-light-on-australian-cricket-s-year-of-drama-20191125-p53dwm.html>>, Making Their Mark: Dean Bilton, Making Their Mark, Amazon's AFL documentary, offers genuine insight into the faults and fears of modern professional athletes, 16 March 2021, ABC, <<https://www.abc.net.au/news/2021-03-16/making-their-mark-afl-amazon-documentary-connection/100013396>>, Comedy Specials: A host of Australia's funniest to film stand-up specilas for Amazon Prime Video, <<https://comedy.com.au/news/host-australias-funniest-film-stand-specials-amazon-prime/>>, LOL: Last One Laughing AU: Meg Watson, Last One Laughing review – Rebel Wilson traps comedians in a house for strange, cringey series, 19m June 2020, The Guardian, <<https://www.theguardian.com/tv-and-radio/2020/jun/19/last-one-laughing-review-rebel-wilson-traps-comedians-in-a-house-for-strange-cringey-series>>, Back to the Rafters: Don Groves, Amazon Prime commissions 'Packed to the Rafters' reboot, 1 November 2019, IF.com.au, <<https://www.if.com.au/amazon-prime-commissions-packed-to-the-rafters-reboot/>>, Things I Know To Be True: Jackie Keast, Blossom Films, Matchbox Pictures, Jan Chapman Films team up for Amazon's 'Things I Know to be True', 29 October 2020, IF.com.au, <<https://www.if.com.au/blossom-films-matchbox-pictures-jan-chapman-films-team-for-amazon-studios-things-i-know-to-be-true/>>

²⁶ Miranda Ward, Amazon Prime ploughs \$150m into Australian productions, 18 May 2021, AFR, <<https://www.afr.com/companies/media-and-marketing/amazon-prime-ploughs-150m-into-australian-productions-20210518-p57sy8>>

²⁷ *Disney+ to air first Australian documentary, Shipwreck Hunters Australia*, Mediaweek, <<https://www.mediaweek.com.au/disney-to-air-first-australian-documentary-shipwreck-hunters-australia/>>

²⁸ Don Groves, *Hulu's 'Nine Perfect Strangers' gets underway in Byron Bay*, 10 August 2020, IF.com.au, <<https://www.if.com.au/hulus-nine-perfect-strangers-gets-underway-in-byron-bay/>>

²⁹ Nellie Andreeva, *Hulu Picks Up ABC Studios Interntaional Series 'Harrow' Starring Ioan Gruffodd For U.S.*, 5 September 2018, Deadline, <<https://deadline.com/2018/09/hulu-harrow-abc-studios-international-ioan-gruffodd-u-s-1202457831/>>

³⁰ *FX's Mr Inbetween – Season 3 Officila Trailer*, 20 May 2021, IGN, <<https://www.ign.com/videos/foxs-mr-inbetween-season-3-official-trailer>>

³¹ Jackie Keast, *Paramount+ sets August launch date, announces local originals*, May 7, 2021, IF.com.au, <<https://www.if.com.au/paramount-sets-august-launch-date-announces-local-originals/>>

³² See paragraph 17a.

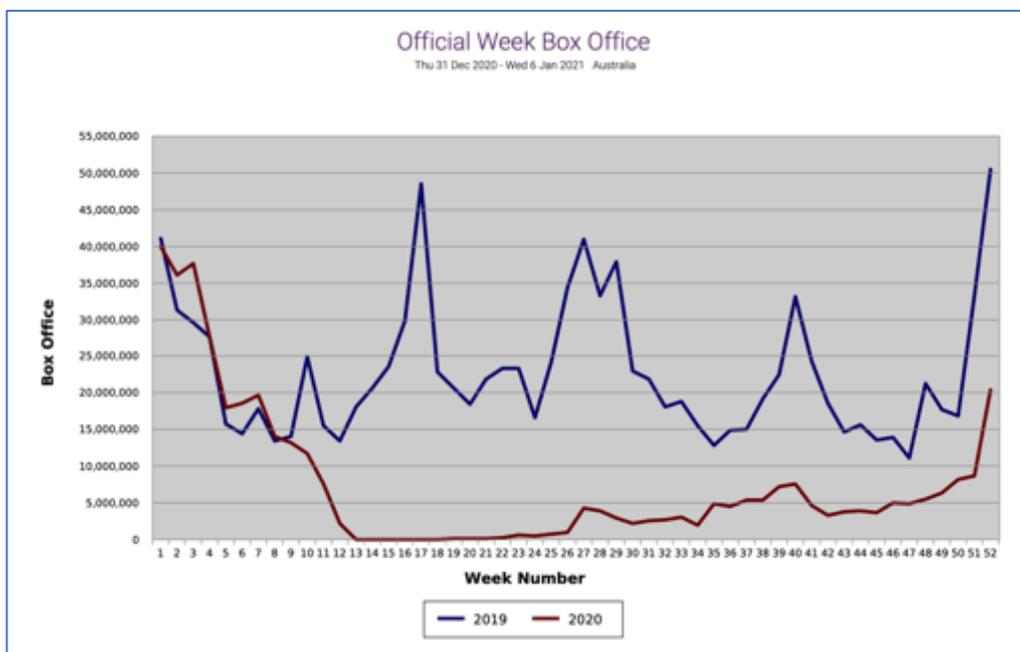
accrues benefits to consumers (more content made available for less dollars) or producers (more productions funded, and/or higher budgets to be able to better compete with international content).

- 26 The unifying character of all successful content is quality. We are witnessing a fast-moving, ever-developing global market for content and Australian producers and consumers are active participants. But if Australia is to take advantage of these global opportunities for production and increase the share of viewers and investment from foreign sources, there must be a focus on quality and audience. The Australian screen production sector has weathered the initial phase of digital disruption better than any other sub-sector in the Australian Screen Industry, and now, with a globally competitive incentive framework following the increase of the Producer Offset TV to 30% and the increased Location Incentive allocation, opportunity abounds to produce Australian stories.

Part 3 – The impact of COVID-19 on the Screen Content Ecosystem.

- 27 There is no doubt that the lockdowns triggered by the COVID-19 pandemic caused a significant disruption in Australia’s Screen Industry Ecosystem. Australian borders were closed to non-residents on 20 March 2020. Social distancing was introduced soon thereafter, and non-essential services were closed. Those who could worked from home and social life as we knew it came to a standstill. Whilst the pain of these necessary decisions was felt economy-wide, sectors like tourism, hospitality and the arts and entertainment were hit particularly hard.
- 28 Like the live performance sector, the out of home experience of cinema-going was the most affected segment in the screen eco-system. 2020 had started well, with box office takings in the first few months outpacing the results from 2019. But box office takings plummeted as cinemas were ordered to close, and when Australia was able to carefully open up again thanks to the Australian Government’s effective response to the pandemic, cinemas – first with limited capacity, then fully - were able to open – but nevertheless continued to struggle as the blockbuster content on which they relied was not able to be released due to the severe second and third waves in Europe and the United States.³³ The Australian box office ended the year down \$827 million (or 67%) with the lack of new product triggering a further \$115 million decline in physical and digital home entertainment. In total, \$934 million vanished in the transactional area, making this the hardest hit area by far.

Figure 2: Australian box office 2020 versus 2019³⁴



³³ Major blockbusters are usually released 'day-and-date' around the world to minimise online piracy and to optimise the effectiveness of marketing and PR launch campaigns

³⁴ Source: Numero Australia

- 29 Commercial broadcasters and Pay TV services saw audiences soar during lockdown but were unable to monetise these audiences as advertising supply plummeted because many businesses stopped advertising during lockdown. The pressure on Commercial broadcasters was further exacerbated by competition from major platforms such as Google and Facebook who are gaining share in the overall advertising market because of their ability to deliver better targeted advertising solutions to advertisers.³⁵ Our analysis shows revenue declines of 5 per cent for Broadcast TV and 15% for Pay TV.
- 30 Like commercial broadcasters and Pay TV, SVOD services saw an increase in viewership, but thanks to their high-value subscription models were able to monetise this, resulting in an increase in income of \$888 million, or 59% (for perspective, this increase is smaller than the declines experienced by many of the same companies in the transactional distribution sector). Other nimble incumbents such as Nine (Stan) and Foxtel (Kayo and Binge) benefited from these trends as well.

Production was hit hard, but is responding well

- 31 Screen Australia's CEO Graeme Mason was bullish about the Australian screen production sector just before the pandemic hit. In January 2020 he commented "All signs point to 2020 being an incredibly busy year for both the production and release of Australian stories."³⁶
- 32 The lockdown then halted all screen production in March. Fremantle's Neighbours made global headlines when it found a way to resume production in April,³⁷ and many of its COVID-safe protocols were then used in the AFTRS-led working group that recommended COVID-safe guidelines with a first version released on 28 May 2020³⁸, and the latest version on 3 July 2020.³⁹ Despite this, screen production activity remained virtually non-existent as insurance companies were not able to underwrite the risk of COVID-19 outbreaks on set, making production too risky.
- 33 This caused reported investment in Australian content to drop to \$543 million relative versus \$768 million in 2018/19. But Screen Australia also reported that an additional \$325 million of production investment was ready to go, only to be stopped because of issues associated with the lockdown. These numbers demonstrate that investment in Australian content was on track to surpass 2018/19's record \$768 million when the pandemic hit. Screen Australia's CEO Graeme Mason recently confirmed this in Senate Estimates where he said "The pandemic interrupted 16 Australian dramas and postponed another 26 Australian titles, with combined budgets of more than \$325 million. Now, incredibly, almost all of those titles have restarted or even completed their work."⁴⁰

³⁵ Media Reform Green Paper page 15.

³⁶ Mediaweek, "A year of record spending: CEO of Screen Australia reviews 2019, 21 January 2021, MediaWeek, <<https://mumbrella.com.au/spend-on-tv-drama-slides-18-as-covid-plays-havoc-with-production-schedules-659283>>

³⁷ Nellie Andreeva, Australia's 'Neighbours' Sets Safety Protocols As It Resumes Production; First Show Back Could Be Road Map For Others, 21 April 2020, Deadline, <<https://deadline.com/2020/04/neighbours-resumes-production-australia-coronavirus-guidelines-safety-plan-1202913780/>>

³⁸ Australkian Screen Production Industry COVID-Safe Guidelines, Version 1, < <https://www.screenaustralia.gov.au/getmedia/d8ec53c2-5a19-4651-a0da-65abf0577837/COVID-Safe-Guidelines.pdf>>

³⁹ AFTRS COVID-Safe Guidelines & Production Protocols, Version 3, <<https://www.aftrs.edu.au/wp-content/uploads/2020/07/AFTRS-COVID-Safe-Guidelines-and-Production-Protocols-v3-2020-07-03.pdf>>

⁴⁰ Senate Environment and Communications Legislation Committee Estimates 23 March 2021, page 106, <https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/140f26dd-8d3b-4457-a348-9baa49ecf095/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2021_03_23_8615.pdf;fileType=application%2Fpdf#search=%22committees/estimate/140f26dd-8d3b-4457-a348-9baa49ecf095/0000%22>

34 These findings are summarised in the Table below.⁴¹

Table 2. Premium Content revenue base development from 2018/19 to 2019/20

REVENUE COMPARISON	2018 / 19		2019 / 20		2018/19 VS 2019/20	
	REVENUE	SHARE	REVENUE	SHARE	REVENUE	CHANGE
Seven West Media	\$1,259,000,000	12.3%	\$1,041,891,000	11.6%	(\$217,109,000)	-17.2%
Nine Entertainment	\$1,047,500,000	10.2%	\$1,033,500,000	11.5%	(\$14,000,000)	-1.3%
Network 10	\$606,800,000	5.9%	\$606,800,000	6.7%		
ABC	\$1,108,372,000	10.8%	\$1,120,713,000	12.4%	\$12,341,000	1.1%
SBS	\$402,003,000	3.9%	\$410,452,000	4.6%	\$8,449,000	2.1%
FTA TOTAL	\$4,423,675,000	43%	\$4,423,675,000	46.7%	(\$210,319,000)	-4.8%
Foxtel	\$2,449,548,000	23.9%	\$2,081,304,000	23.1%	(\$368,244,000)	-15.0%
Pay TV TOTAL	\$2,449,548,000	23.9%	\$2,081,304,000	23.1%	(\$368,244,000)	-15.0%
Theatrical Distribution	\$1,228,741,000	12.0%	\$401,000,000	4.2%	(\$827,741,000)	-67.4%
Physical Distribution	\$412,510,296	4.0%	\$316,920,200	3.5%	(\$95,590,096)	-23.17%
Digital Distribution (EST & VOD)	\$260,598,055	2.5%	\$249,852,500	2.6%	(\$10,745,555)	-4.12.%
TRANSACTIONAL TOTAL	\$1,901,849,351	18.5%	\$937,772,700	10.3%	(\$934,076,633)	-49.11%
SVOD TOTAL	\$1,493,160,000	14.5%	\$2,381,916,000	24.8%	\$888,756,000	59.52%
TOTAL	\$10,267,656,351	100.0%	\$9,644,348,700	100.0%	(\$623,883,651)	-6.08%
AUSTRALIAN CONTENT INVESTMENT	2018 / 19		2019 / 20		2018/19 VS 2019/20	
TV, Children's & Online	\$469,000,000	4.6%	\$338,000,000	3.5%	(\$131,000,000)	-27.9%
Features	\$299,000,000	2.9%	\$205,000,000	2.1%	(\$94,000,000)	-31.4%
TOTAL	\$768,000,000	7.5%	\$543,000,000	5.6%	(\$225,000,000)	-29.3%
AUSTRALIAN CONTENT INVESTMENT (adjusted for lockdown impact)			2019 / 20		2018/19 VS 2019/20	
TV, Children's & Online			\$413,000,000	4.3%	(\$56,000,000)	-11.9%
Features			\$455,000,000	4.7%	\$156,000,000	52.2%
TOTAL			\$868,000,000	9.0%	\$100,000,000	13.2%

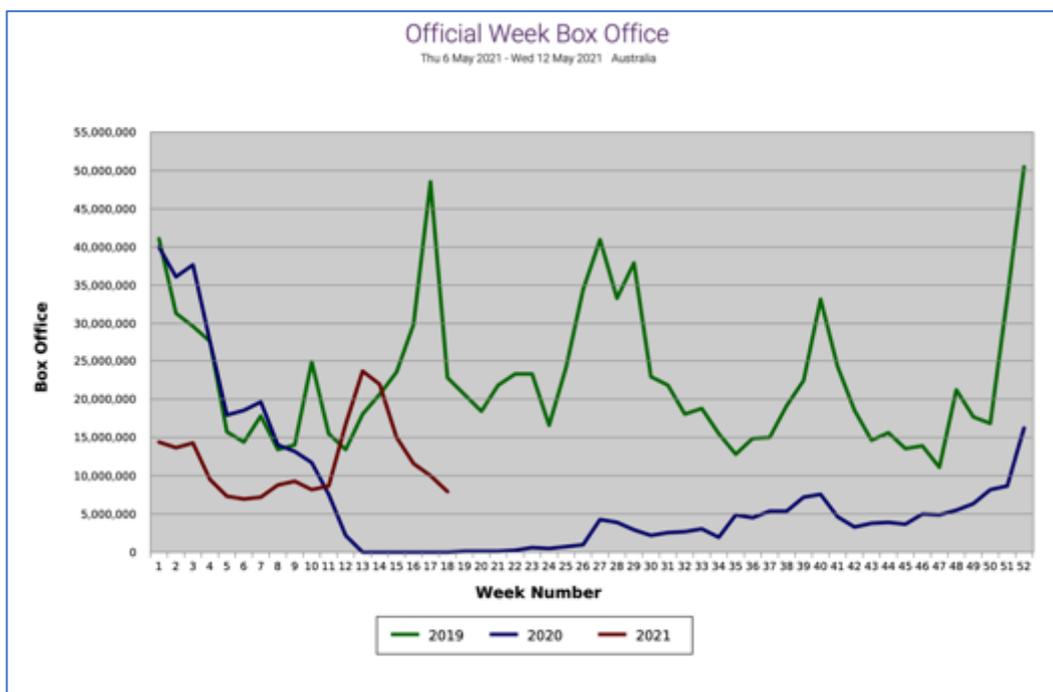
35 It shows the first decline in the revenue generated within the overall Screen Industry Ecosystem since we started tracking it, with revenue dropping to \$9.6 billion, a 6.1% decline.

36 We expect this number to increase again once cinemas start to benefit from complete release schedules. The success of The Dry (taking more than \$20 million at the Box Office - now the 12th biggest Australian theatrical release of all time), and other Australian films such as Penguin Bloom (\$7 million) and High Ground (\$3 million) in January point to the rapid improvement for that sector. This Easter, for the first time since the March 2020 lockdown, box office takings exceeded pre-COVID levels as Warner Media's Godzilla vs Kong demonstrated that audiences were eager to return to

⁴¹ See Appendix 4 for information on data sources and methodology.

cinemas provided the right level of film was shown. A steady flow of blockbuster content will be required for this success to be repeated consistently.

Figure 3: Australian Box Office 2021 YTD vs 2020 vs 2019⁴²



- 37 Commercial broadcasters' income is also rebounding quickly. Whilst the Green Paper showed a 35.6% decline in advertising revenue in May 2020 vs May 2019, by November 2020 advertising revenue was up 18.1% versus the prior year pre-COVID period.⁴³ The TV advertising market has now shown nine months of growth. *MediaWeek* reported that the TV-advertising market was up two per cent for the six months to December 2020 versus the same (pre-pandemic) period the year before.⁴⁴ The *Sydney Morning Herald* reported that the first quarter of 2021 was ahead by 5.7% as compared to the prior year.⁴⁵ Experts expect the television ad market to continue to outperform the overall advertising market, further boosted by payments from Google and Facebook.⁴⁶
- 38 Whilst revenues for SVOD services are expected to continue to grow, it appears that the pandemic brought forward the moment people signed up to the service but may not influence the long-term potential of these services. Netflix recently reported their latest financial results which saw subscriptions increase by just under four million globally⁴⁷ (just a quarter of the new subscribers it added during the same period previous year), with just one million new subscribers forecasted in the

⁴² Source: Numero Australia

⁴³ Natasha Gillezeau, *Advertising markets grows for the first time in 26 months*, 16 December 2020, Australian Financial Review, <<https://www.afr.com/companies/media-and-marketing/advertising-market-grows-for-the-first-time-in-26-months-20201216-p56nyd>>

⁴⁴ James Manning, *TV advertising outperforms ad market recording growth in first half of FY21*, MediaWeek, 8 February 2021, <<https://www.mediaweek.com.au/tv-advertising-outperforms-ad-market-recording-growth-in-first-half-of-fy21/>>

⁴⁵ Zoe Samios, *TV advertising market shows positive signs of growth*, 16 May 2021, The Sydney Morning Herald, <<https://www.smh.com.au/business/companies/tv-advertising-market-shows-positive-signs-of-growth-20210516-p57sbx.html?btis>>

⁴⁶ Chris Pash, *Analysis – The year of recovery for Australian media*, 19 February 2021, AdNews, <<https://www.adnews.com.au/news/analysis-the-year-of-recovery-for-australian-media>>

⁴⁷ Lucas Shaw, *Netflix shares plunge as pandemic boom comes to screeching halt*, 21 April 2021, Sydney Morning Herald, <<https://www.smh.com.au/business/companies/netflix-shares-plunge-as-pandemic-boom-comes-to-screeching-halt-20210421-p57ky7.html?btis>>

next quarter. Netflix attributes this to a “COVID-19 pull-forward” effect in 2020. As Zoe Samios writes in the *Sydney Morning Herald*: “International services like Disney+ and HBO Max, and local streamers like Binge and Stan are exposed to similar dynamics. They also benefitted from surging uptake during COVID-19.”⁴⁸ Indeed, Disney’s quarterly earnings report saw the same trend with Disney missing analyst expectations of 109 million global subscribers with actual subscribers coming in at 103.6 million.⁴⁹

- 39 Investment in Australian screen production fell – to \$543 million – but rebounded very quickly once the Government’s policy initiatives were implemented. The \$325 million in deferred production is now in production or already completed.³⁴ To put this in perspective, if that \$325 million is added it shows that Australian productions were on track to achieve a new record of \$868 million, with a new record investment rate of nine per cent of the revenue of the overall Screen Industry Ecosystem.

The Australian screen industry is well poised to rebound from the pandemic

- 40 All signs point to a strong rebound for the Australian screen industry ecosystem. We believe a large part of this recovery can be attributed to the Morrison Government correctly identifying the temporal nature of the economic shock caused by the pandemic and developing and implementing the appropriate policy responses to support the screen industry. In addition to the economy-wide JobKeeper initiative, we thank and applaud the Morrison Government for these policy initiatives in support of the Australia’s Screen Industry.⁵⁰

Production

- a. Temporary Interruption Fund (TIF).⁵¹ As noted previously, producers could not insure against the risk of COVID, and on 25 June 2020 the Government stepped in and announced the \$50 million TIF. On 11 April 2021 it was announced the program would be extended until 31 December 2021. Graeme Mason has said that ‘the Temporary Interruption Fund, known as TIF, has successfully supported production where insurance cover for COVID-19 is not available. TIF has been in strong demand. Some 41 applications have been approved, and 24 productions have completed principal photography. These productions had combined budgets of \$152 million. Seventeen titles are in pre-production or now in production, with combined production budgets of \$142 million. Screen Australia has directly helped around 100 projects that were impacted and needed help to restart production and be COVID safe.’⁵² He also confirmed that not a single production has had to make a claim.
- b. Additional funding allocated in the 2020-21 Federal Budget. Screen Australia received \$33 million to support the continued development and production of Australian content. This includes \$30 million to support Australian film and television drama, children’s, and documentary

⁴⁸ Zoe Samios, The message for media in Netflix’s ‘wobbly’ result, 21 April 2021, *Sydney Morning Herald*, <<https://www.smh.com.au/business/companies/the-message-in-netflix-s-wobbly-result-for-media-20210421-p5714e.html?btis>>

⁴⁹ Brent Lang, *Disney Misses Quarterly Revenue Target as Disney Plus Growth Slows*, 13 May 2021, *Variety*, <<https://variety.com/2021/film/news/disney-quarterly-earnings-disney-plus-1234972687/>>.

⁵⁰ Department of Infrastructure, Transport, Regional Development and Communication, Office for the Arts, COVID-19 update <<https://www.arts.gov.au/covid-19-update>>

⁵¹ Screen Australia, <<https://www.screenaustralia.gov.au/funding-and-support/covid-19-support/temporary-interruption-fund>>

⁵² Senate Estimates, *Ibid* 31

productions and \$3 million to cultivate quality Australian screenwriting and script development. The Australian Children's Television Foundation received \$20 million to increase support for the development, production, and distribution of quality Australian children's screen content.

- c. Producer Offset. On 29 September 2020, Minister Fletcher announced proposed changes to the Producer Offset for TV from 20% to 30%, to come into effect on or after 1 July 2021. Given the increasing popularity of TV series online we anticipate this change will lead to significant increased investment in Australian TV content. We note that this is structural reform and not in the first place a response to the pandemic. The benefits of the increase of the Producer Offset for TV won't become apparent until well after it is legislated. In April 2021, Minister Fletcher confirmed that the proposed reduction for the Producer Offset – Feature from 40% to 30% would not proceed.⁵³ Shortly thereafter it was announced that *Mad Max Furosa* will be filmed in Sydney and outback New South Wales. The movie, expected to bring \$350 million in economic activity to New South Wales, is reported to be the biggest film ever made in Australia.⁵⁴
- d. Additional allocation Location Incentive program.⁵⁵ In 2018 the Morrison Government had established the \$140 million Location Incentive program to immediate success, *Thor: Love and Thunder* and *Shang-Chi and the Legend of the Ten Rings* came to Sydney, *Godzilla vs Kong* on the Gold Coast, *Shantaram* and *The Alchemyst* in Melbourne. These projects are estimated to generate spending of around \$1 billion, support 8,500 local jobs over multiple years and engage more than 9,000 Australian businesses. Australia's excellent containment of COVID-19 resulted in increased interest to bring footloose productions to Australia, and the Morrison Government was quick to capitalise on this opportunity. Minister Fletcher said: "The Location Incentive is an economic multiplier. It will sustain the vitality of Australian screen production and support jobs and local businesses. Through this additional commitment, the Government is telling the world that Australia is a desirable destination for screen production – with great locations, skilled crews, world-class talent, post-production expertise and state of the art facilities." The response from overseas producers was immediate. Matchbox Pictures and NBC Universal brought three TV shows to Queensland with *Young Rock*, *Joe Exotic* and *Irreverent* (the latter a locally developed show which will debut on US broadcast television). Netflix's *Escape from Spiderhead* also filmed in Queensland as did Prime Video's *The Wilds* and Network Ten's *Australian Survivor*, Working Title's *Ticket to Paradise* and Imagine/MGM's *Thirteen Lives*. Netflix brought *Pieces of Her* and *God's Favourite Idiot* to New South Wales. *Blacklight* went to Victoria and *The Tourist* to South Australia. Each of these projects employs hundreds of cast and crew, and for one of the projects

⁵³ Department of Infrastructure, Transport, Regional Development and Communication Fact sheet <<https://www.communications.gov.au/documents/fact-sheet-budget-package-television-and-film-production-sector>>

Paul Fletcher, Media Release: *Supporting Australian screen production*, 11 April 2021, <<https://minister.infrastructure.gov.au/fletcher/media-release/supporting-australian-screen-production>>

⁵⁴ NSW Government Media Release, *Mad Max prequel Furosa to be filmed in NSW*, 19 April 2021, <<https://www.nsw.gov.au/media-releases/mad-max-prequel-furosa-to-be-filmed-nsw>>

⁵⁵ Paul Fletcher, Media Release: *New \$400 million incentive to boost jobs for screen industry*, 17 July 2020, <<https://www.paulfletcher.com.au/media-releases/media-release-new-400-million-incentive-to-boost-jobs-for-screen-industry>>

as much as 3,400 extras. Furthermore, hundreds of businesses supply goods and services to these projects.⁵⁶

Cinema

- e. Supporting Cinemas Retention Endurance and Enhancement of Neighbourhoods Fund (SCREEN Fund). On 26 March 2021 Minister Fletcher announced the \$20 million SCREEN Fund in support of independent cinemas to cover for the end of JobKeeper. The Fund provides one-off Grant's up to \$85,000 to independent cinema businesses and will be assessed against the eligibility criteria.

Television

- f. Australian and children's drama quota forbearance for Commercial broadcasters.⁵⁷ On 19 June 2020, ACMA granted temporary relief to commercial television broadcasters with their annual quotas as the lockdown limited productions from being completed. These quota obligations were redesigned as part of the Media Reforms announcement in September 2020, with the new rules commencing in January 2021.

Capacity bottlenecks need to be removed as Australia's screen sector is experiencing strong growth.

- 41 Paragraphs 34 to 36 demonstrate that the Australian Screen Industry Ecosystem is not just surviving, it is thriving. As Minister Fletcher said: "2020 has been a remarkable year for the Australian screen sector: the COVID pandemic, which at first seemed to be very grim news, has turned out to create exciting new opportunities."⁵⁸ Leah Williams describes this process for Gizmodo⁵⁹ and concludes: "The growth of Australia's entertainment industry in 2020 and 2021 is just the beginning. In the years to come, expect to see the country leading the industry conversation as local production moves from strength to strength."
- 42 A robust and growing Australian productions line-up, alongside a solid line-up of footloose productions brought here thanks to the Location Incentive program, are now leading to a set of new – and much more attractive – problems; there is a shortage of trained cast and crews,⁶⁰ and there is a shortage of screen production infrastructure. Those are important problems to solve, as they will hold the key to future growth. Even major productions had to employ crew that had never been on a set before, now these people will be trained and gain the necessary experience to continue working in the sector once

⁵⁶ See assorted Paul Fletcher Media Releases for details. <<https://www.paulfletcher.com.au/media-releases/media-release-morrison-governments-location-incentive-brings-young-rock-joe-exotic>>, <<https://www.paulfletcher.com.au/media-releases/new-thriller-blacklight-to-film-in-victoria>>, <<https://www.paulfletcher.com.au/media-releases/netflixs-escape-from-spiderhead-and-pieces-of-her-to-film-in-australia>>, <<https://www.paulfletcher.com.au/media-releases/thirteen-lives-based-on-the-thai-caves-rescue-to-film-in-australia>>, <<https://www.paulfletcher.com.au/media-releases/the-tourist-set-to-film-in-south-australia>>, <<https://www.paulfletcher.com.au/media-releases/australian-survivor-to-film-in-north-west-queensland>>, <<https://www.paulfletcher.com.au/media-releases/netflixs-gods-favorite-idiot-to-film-in-australia>>, <<https://www.paulfletcher.com.au/media-releases/hit-television-series-the-wilds-set-to-film-in-queensland>>, <<https://www.paulfletcher.com.au/media-releases/george-clooney-and-julia-roberts-to-film-ticket-to-paradise-in-queensland>>

⁵⁷ ACMA Covid-19 updates, 19 June 2020 update, <<https://www.acma.gov.au/articles/2020-03/covid-19-important-information-industry#june19>>

⁵⁸ <Paul Fletcher, *Opinion: Production boom 'could keep going for years to come'*, 5 February 2021, IF.com.au, <<https://www.if.com.au/opinion-production-boom-could-keep-going-for-years-to-come/>>

⁵⁹ Leah Williams, *How COVID-19 Reshaped Australia's Film Industry*, 26 March 2021, Gizmodo, <<https://www.gizmodo.com.au/2021/03/australian-film-tv-industry-covid-19/>>

⁶⁰ Screen Producers Australia recently confirmed this in a survey of its members, making their demand for a 20% investment obligation – which will certainly cause further increases in costs - even more staggering. *Local Productions facing Skills Shortage*, April 26, 2021, <<https://www.screenproducers.org.au/news/local-productions-facing-skills-shortage>>

the pandemic is behind us. And productions had to get creative to find suitable spaces; convention centres on the Gold Coast and Melbourne were repurposed as soundstages whilst conferences were not able to be organised in a COVID-safe manner, and warehouses were temporarily converted to host major shoots. Exciting new and innovative technology is also being used to change the very nature of filmmaking. In Sydney, Industrial, Light and Magic built just the fourth StageCraft LED volume⁶¹ in the world, and in Melbourne local company Dreamscreen⁶² is at the forefront of this new technology which was recently used to film the Liam Neeson movie *Blacklight*. Filmmaker and Dreamscreen founder Clayton Jacobsen recently opined "It's like the introduction of sound, of colour, of digital. It's the next step forward, the next wave of filmmaking."

- 43 Cultural policy serves to ensure that we can see ourselves through the Australian content that is produced. Cultural policy is best given effect through a well-functioning market. As with over 50 countries around the world (not counting state or provincial level),⁶³ the market has been given additional support through incentives as well as subsidies (from public broadcaster funding to Screen Australia funding and the various Offset programs)., Only where market failure exists (which is not the case in Australia), should additional market interventions be considered such as imposing local content obligations. These long-term cultural policy priorities should be served by long-term strategies. We argue that the COVID-19 pandemic should not be a factor in content regulation policy, particularly given the strong and positive signals showing strong growth compared to the pre-pandemic in sectors such as commercial TV, cinema and screen production.
- 44 The current capacity constraints – in trained cast and crews, in production infrastructure and suppliers – require targeted solutions. There is no lack of willingness to invest in screen production in Australia, both local and international. There is, however, a very real limit in what can be produced. The key questions to answer are:
- a. What can be done to train and develop new workers for the screen sector?⁶⁴ ⁶⁵
 - b. What needs to be done to incentivise the construction of more screen production infrastructure?⁶⁶

⁶¹ AusFilm, *Gathering The Forces: ILM's Sydney Studio Brings In Global Expertise to Hire and Train Local Talent for StageCraft Expansion*, 27 January 2021, <<https://www.ausfilm.com.au/news/gathering-the-forces-ilms-sydney-studio-brings-in-global-expertise-to-hire-and-train-local-talent-for-stagecraft-expansion/>>

⁶² Film Victoria, Melbourne Lighting the Way in Virtual Production, <<https://www.film.vic.gov.au/showcase/melbourne-lighting-the-way-in-virtual-production>>

⁶³ Olsberg SPI, Global Production Incentives Index 2020, <<https://www.o-spi.co.uk/wp-content/uploads/2020/06/Olsberg-SPI-Global-Incentives-Index-June-2020.pdf>>

⁶⁴ Whilst we haven't been able to assess by the time of filing this submission whether the Apprenticeship and Training Places programs announced in May 11's Federal Budget extend to screen production work, these programs certainly have the potential to help address this issue <<https://budget.gov.au/2021-22/content/jobs.htm>>

⁶⁵ We applaud SAFC's initiative to attract crews from adjacent industries: Jackie Keast, *SAFC looks to lure skilled workers from other sectors into the screen industry*, 6 May 2021, IF.com.au, <<https://www.if.com.au/safc-looks-to-lure-skilled-workers-from-other-sectors-into-the-screen-industry/>>

⁶⁶ We are encouraged by the recent initiatives around Australia – often thanks to State and Federal Government support – to add infrastructure capacity. Byron Studios <<https://www.abc.net.au/news/2020-08-27/film-studio-planned-for-the-northern-rivers/12600686>>, the Docklands expansion <<https://www.film.vic.gov.au/showcase/new-super-stage-and-water-tank-is-a-game-changer>>, Fremantle Studios <<https://www.if.com.au/wa-government-promises-studio-and-20-million-production-attraction-fund/>> are leading the way, but it is abundantly clear that more is needed.

Part 4 - The risks of unintended consequences of significant market interventions

Artificially stimulated demand will raise costs, which is bad for consumers and both regulated and unregulated services in the ecosystem, yet good for pirates

- 45 The unintended consequences of protectionist policies that artificially stimulate demand must be carefully considered. An immediate consequence of an artificial demand-side imposition will be increased costs for all participants in the eco-system and decreased choice for consumers.
- 46 As noted in paragraph 41, Australia's production sector is facing a capacity crisis. While this is a good problem to have now, any new additional artificially stimulated demand will inevitably increase costs where an ecosystem under pressure competes for scarce resources. This will affect all parts of the content supply chain – from cast and crew, producers, directors and writers, studio space, catering etc. Most significantly, however, the costs will rise for the ultimate commissioners of content in commercial and public broadcasters as well as VOD services.
- 47 It is important to note that these increased costs will disproportionately harm smaller and new VOD services. Even if these smaller services are not subject to the expenditure obligations, their ability to voluntarily invest in local content is threatened as a result of the increased costs of production.
- 48 In response to any significant regulatory interventions and increased costs, incumbent VOD services will try to pass these costs on to consumers, and if they are unable to do so, may choose to leave the Australian market or abandon their expansion and investment plans. We are not aware of any Australian data, but a recent Deloitte study in the United States shows that VOD services on average experience a 36% churn rate.⁶⁷ Streaming services need to be hyper-focused on maximising content quality and offering at the lowest possible price (the two key drivers of churn according to the Deloitte study), and even small changes in the regulatory environment can therefore have significant effects.
- 49 New services may choose not to enter the Australian market and instead licence their content to Pay TV or VOD services such as Foxtel, Binge and Stan (which are excluded from the proposed investment obligation). This will increase subscription fees as both the international VOD service which originally produced the content, and the local licensor will seek to make a profit on the content.

A content obligation on VOD services would have the opposite effect of the Green Paper's intention; it would negatively affect broadcasters

- 50 An expenditure obligation will also remove competitive differentiators for local broadcasters and VOD services. A key market differentiator for local broadcasters and VOD services such as Stan is investment in local content. The ABC produces more Australian drama than any other broadcaster⁶⁸ and Stan's catalogue contains more Australian content than any other VOD service.⁶⁹ Offering local

⁶⁷ Figure 5, Deloitte insights, *Digital media trends, 15th edition, Courting the consumer in a world of choice*, <<https://www2.deloitte.com/us/en/insights/industry/technology/digital-media-trends-consumption-habits-survey/summary.html>>

⁶⁸ Screen Australia Drama Report 2019/20, <<https://www.screenaustralia.gov.au/getmedia/f87c32c8-3d5d-4d99-95ad-224931812f49/Drama-Report-2019-2020.pdf>>

⁶⁹ Ramon Lobato and Alexa Scarlata, *Crunching the numbers on streaming services' local content: static growth, but more original productions*, 30 October 2019, The Conversation, <<https://theconversation.com/crunching-the-numbers-on-streaming-services-local-content-static-growth-but-more-original-productions-125804>>

content distinguishes these broadcasters and services from international VOD services (which have their own incentives to invest locally). This organic demand sustains their models. However, if international VOD services were forced to produce Australian content in direct competition with these local broadcasters and services, it would artificially remove one of their competitive differentiators - a major unintended consequence of any such expenditure obligation.

- 51 Increasing costs of production will be bad for public and commercial broadcasters. Commercial broadcasters are unlikely to be able to pass on these increased production costs to advertisers, given their fierce competition for advertising dollars with major platforms such as Google, Facebook and YouTube. As a result, their ability to continue to invest in Australian content will be under attack. Public broadcasters will be able to produce fewer Australian stories within their limited budgets.
- 52 The only beneficiaries in this scenario of reduced investment, less diversity of content and decreased consumer choice are piracy operators. These operators are unregulated and do not carry the burden of investing in premium content.

The market is dynamic, yet nascent

- 53 The streaming space is a highly competitive, fast-evolving space. VOD services compete aggressively with one another, and with other services such as YouTube, for viewers' attention. Significant investments are required in content, technology and marketing whilst keeping prices low to sign-up new subscribers, and to keep them. Unlike many digital categories where individual companies come to define or control the entire category (Google for search, Facebook for social media), the VOD streaming service category is developing in a different manner, with early leaders like Netflix and Amazon losing global market share. Netflix's share decreased from 29% to 20%, Prime Video's share decreased from 23% to 16%.⁷⁰
- 54 The story in Australia is similar: whilst Australian consumers have embraced streaming, the market is yet to mature and new entrants are continuing to aggressively expand and/or enter the market. Indeed, whilst twenty services already offer streaming access in Australia, this year ViacomCBS/Network Ten's Paramount+ is confirmed to launch on August 11,⁷¹ with further launches expected from Australian service Live+⁷² as well as Chinese streamer iQIYI.⁷³ The benefits of this new market are accruing to Australian consumers and increasing opportunities are emerging for Australian producers. Any significant regulatory burdens on streaming services are likely to impede the growth of the streaming sector in Australia as emerging and new services may delay or avoid launching in Australia. This result would be a less diverse screen industry which won't benefit Australian consumers. It would also result in fewer buyers for screen content, which would harm a producer's bargaining position.

⁷⁰ Daniel Frankel, *Netflix Lost 31% of Its Market Share in 2020*, April 5, 2021, Next TV, <<https://www.nexttv.com/news/netflix-has-lost-31-of-market-share-in-one-year>>

⁷¹ Brodie Fogg, *Paramount Plus in Australia: What we know so far*, 15 February 2021, Reviews.org, <<https://www.reviews.org/au/entertainment/paramount-plus/>>

⁷² Jo Scrimshire, *New streaming platform LIVE+ 'to launch in Australia in late 2021'*, 3 January 2021, Daily Mail, <<https://www.msn.com/en-au/entertainment/tv/new-streaming-platform-liveplus-to-launch-in-australia-in-late-2021/ar-BB1crl7M>>

⁷³ Patrick Frater, *Chinese Streamer iQIYI Eyes Australia, New Zealand Moves*, 19 April 2021, Variety, <<https://variety.com/2021/streaming/asia/china-streamer-iqiyi-australia-new-zealand-1234954550/>><<https://variety.com/2021/streaming/asia/china-streamer-iqiyi-australia-new-zealand-1234954550/>>

- 55 In the current circumstances, which continue to cause significant uncertainty for business investment, we commend the Government's structural reforms that provide certainty in the form of incentives. Further, we applaud the Government's approach in gathering data from VOD services through voluntary arrangements. However, we caution against creating greater uncertainty in the form of significant regulatory obligations.
- 56 We further caution against any significant regulation on the VOD sector until it is determined that the VOD business model is sustainable and viable for a broad range of participants in that sector.
- a. The biggest participant in the streaming sector in Australia is Netflix as a function of their early and successful local launch in 2015, but many other services are much smaller and regulation can add significant risk to the business models of these services (even if they are unregulated, see paragraph 47). It is unclear what programming investments VOD services will be able to sustain relative to revenue. The cost structure of a VOD service will be heavily influenced by the market composition of the VOD category overall, and the number of players operating within it. For instance, marketing costs will be higher in a high-churn environment which then will cause a reduction in the share of revenue that can be invested in content.
 - b. The Green Paper recommends obligations on AVOD services yet fails to recognise that the only AVOD services of size (YouTube, Facebook Video and the free-to-air televisions BVOD services) are specifically excluded from the policy proposal set out in the Green Paper. Media Partners Asia estimates the AVOD sector overall to be greater in size than the SVOD sector (US\$1.4bn for AVOD versus US\$1.3bn for SVOD). YouTube alone represents 63% of that market, with BVOD adding another 11%.⁷⁴ The financial model of a stand-alone premium content AVOD service is unknown (we are certainly not aware of any such service operating at scale in Australia).
- 57 We are confident that the voluntary ACMA reporting will show the Minister that investment in Australian content is already significant and growing. Our members' growing investments in the local screen production sector match a growing natural, consumer-led interest in content with an Australian connection, both here in Australia and around the world.

Protectionist local content policies inhibit innovation and result in reduced audiovisual exports

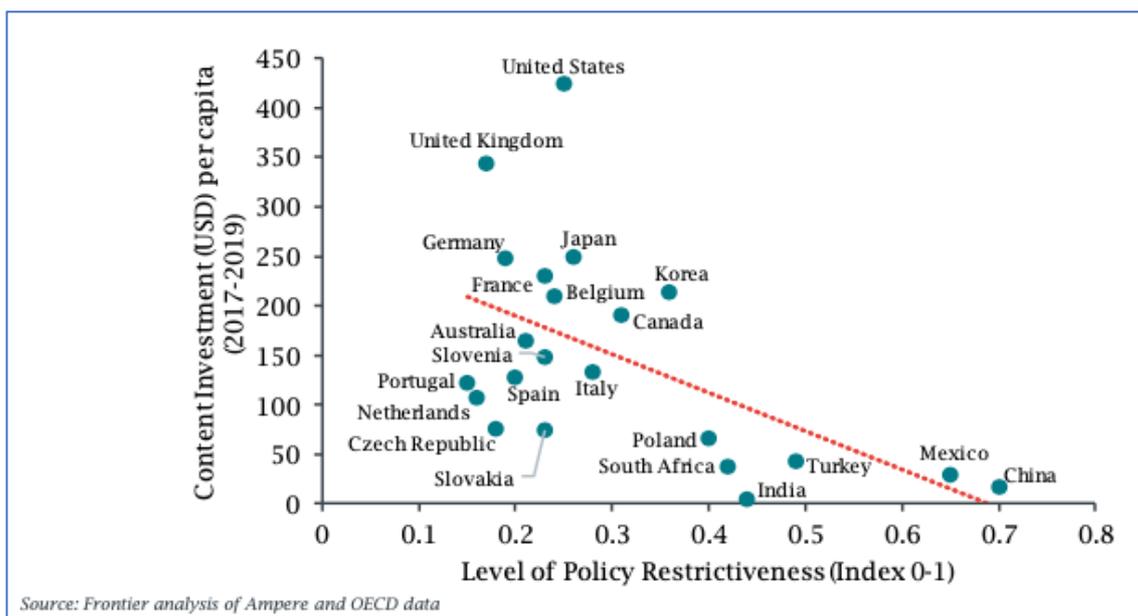
- 58 Frontier Economics has undertaken research on the relationship between protectionist policies and audiovisual exports, and they note that these protectionist cultural policies come at a cost. For example, their research shows that protectionist policies which shield local companies from international competition could result in local industries that are "inward-looking, less innovative and less able to produce high-quality content that is in demand internationally".⁷⁵
- 59 Their analysis finds that higher levels of protectionism are negatively associated with audiovisual exports. For example, Frontier Economics concludes that increasing audiovisual restrictions equivalent to introducing quotas for broadcast time leads to reduced broadcasting exports in that country by 4.3 per cent. They note there is a correlation of investment in broadcasting content and the

⁷⁴ Source: Media Partners Asia, <https://www.media-partners-asia.com/OTT2021/6Q9KFVVZDY/MPA_ASIA_PACIFIC_ONLINE_VIDEO_&_BROADBAND_DISTRIBUTION_2021.pdf>

⁷⁵ MPA Canada White Paper "The Economic Impact of Direct-to-Consumers Services on Canada"

level of audiovisual policy restrictiveness. This indicates that countries with greater policy restrictions tend to have lower levels of investment in broadcasting content (see table below). Frontier Economics also finds that protectionist policy restrictions that erect barriers to inward investment deter the influx of international capital, talent and skills, and can restrict the arrival of new technology and innovation that inbound investment brings.⁷⁶

Figure 4. Correlation of investment in broadcasting content and the level of AV policy restrictiveness by country (selected OECD countries and China)



60 Frontier Economics’ research shows that properly targeted incentives are a better way to stimulate investment in audiovisual content. Indeed, the well-publicized global success of the South Korean production sector demonstrates how a carefully considered light touch regulatory environment, with a strong copyright enforcement environment and competitive incentives (both already found in Australia) along with a strong trade and export focus, can stimulate significant production. In February, Netflix announced it would spend USD \$500 million on Korean film and television series in 2021 alone and Disney and HBO Max look certain to follow.⁷⁷ These massive investments in K-content, in a language not widely spoken outside of the Korean peninsula, are being made without the threat of regulatory interventions that artificially stimulate demand.

A narrow definition of Australian content will limit competitiveness

61 The definition of Australian content needs further consideration. A narrow definition of Australian content will reduce the international competitiveness of the Australian production sector. To compete in the global marketplace for talent, the industry needs a flexible yet certain definition of Australian content.

⁷⁶ *The Economic Impact of Video-On-Demand Services in Korea*, Frontier Economics, April 30, 2021, <<https://www.mpa-apac.org/wp-content/uploads/2021/05/KR-Frontier-The-Economic-Impact-of-VOD-in-Korea-30.04.pdf>>

⁷⁷ Patrick Brzeski, *South Korea and Japan Emerge as Key Battlegrounds in the Streaming Wars*, 16 April 2021, Hollywood Reporter, <<https://www.hollywoodreporter.com/news/south-korea-and-japan-emerge-as-key-battlegrounds-in-the-streaming-wars>>

- 62 We note that the Green Paper suggests the ACMA definition for the purposes of an expenditure obligation. The ACMA definition is largely prescriptive, objective and industry-based (i.e., it looks at who makes it and where it is made), while the Screen Australia SAC Test contains a level of subjectivity in considering subject matter and is open-ended. The definition in the ACMA 2016 Content Standard was drawn from the previous 2005 standard. This definition is nearly two decades old and reflects an Australian production sector that largely served a local market as there was a limited scope for break-out international success. This definition is no longer appropriate in a global market for talent and a production sector that seeks to reach global audiences with Australian stories. If the Government were to use the ACMA definition for the purposes of an expenditure obligation on VOD services, it would make it less likely that Australian shows break out globally.
- 63 Noting the success that the UK has had with its industry, it is worthwhile looking at the test the BFI undertakes in determining funding under the UK tax reliefs.⁷⁸ As noted above, the UK's incentives are widely recognised as the most transparent, inclusive and reliable production incentives in the world. A key element of this transparency and reliability is provided by the cultural test for film, high-end and children's television. The tests are points-based, and the project will need to achieve 18 of a possible 35 points to pass. It comprises four sections: content (up to 18 points); contribution (up to 4 points); hubs (up to 5 points); and practitioners (up to 8 points). Points are allotted on a transparent and objective "who and where" basis that provides the most points for use of British cast and crew.

Difficulties in implementation

- 64 There is great potential for unintended consequences and competitive harm in the measures set out in the Green Paper. We note that the Green Paper outlines an investment obligation for SVOD and AVOD services that meet eligibility criteria. These criteria relate to thresholds for subscribers or gross Australian revenue. Apportioning and quantifying revenue may be straight forward for SVOD or AVOD services whose dominant purpose is content, but this approach is complicated for VOD services that are not the primary service or are sold as a part of a bundle of services. For example, an Amazon Prime subscription provides access to expedited shipping and a library of content and the purchase of certain Apple products comes with a complimentary Apple TV+ subscription. Additionally, any regulatory intervention that is based on revenue thresholds will have difficulty in enforcement due to lack of available data due to commercial confidentiality requirements.
- 65 Lockdowns associated with COVID-19 have also accelerated experimentation with release patterns with feature films intended for wide release in cinema being made available as a Premium Video on Demand (PVOD) priced at \$20-\$30 for a period of time on streaming services. This represents enormous value for consumers given that blockbuster feature films are US\$200 million+ to produce and the PVOD price represents a steep discount on what it would have cost a family of four to see it in cinemas. The revenue generated by streaming services for such releases replaces revenue usually generated in cinemas, and the release is not part of the subscription bundle for the streaming service

⁷⁸ See the test for film: <<https://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-video-games/summary-points-cultural-test-film>> and the test for high-end television: <<https://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-high-end-television/summary-points-cultural-test-high-end-television>>

and as such revenue should be fully excluded from any revenue base to which an investment obligation may apply so as to not disincentivise such consumer-friendly innovation in release patterns.

66 A separate concern is the challenges in setting thresholds appropriately and giving consideration to the nature of the service. For example, Hayu is an on-demand service that provides largely US-based reality content, DocPlay and iWonder provide documentaries and factual content, Britbox only offers British content, iQIYI plans to only offer Chinese content, and AnimeLab and Funimation are both dedicated solely to Japanese Anime. It would be a significant imposition on these businesses to require investment in Australian content and would be inconsistent with consumer expectations and detrimental to their ongoing business viability in Australia. The proliferation of these targeted services demonstrates the power of the internet to connect content with audiences.

Competitive neutrality must be considered

67 We note that the genesis of this review is recommendations made by the ACCC in its Digital Platforms Inquiry. The ACCC endorsed principles of competitive neutrality and these principles should guide any measures to “harmonise” media regulation. This noble goal proves difficult in practice as demonstrated by the fact that the existing obligations between Commercial Broadcasters and Pay TV are not harmonised. The scope of this consultation paper is limited to AVOD and SVOD, and the biggest competitor for broadcasters, both for advertising and audience share – YouTube – is outside the scope of the proposed regulation. Seeking to regulate one specific business model in one market to harmonise regulation with other business models in other markets does not give effect to principles of harmonisation.

A flourishing eco-system needs a broad range of contributions to flourish

68 The Green Paper has a very narrow focus on the production of scripted Australian drama. However, contributions that assist the industry can vary widely, and a more holistic view of what constitutes a contribution to the sector will deliver better outcomes. At a content level, we note that VOD services are investing in Australian sport as well as Australian reality and factual content.

69 ANZSA’s members have long brought major screen productions to Australia, resulting in billions of dollars of inward investment into the Australian economy. These films have provided thousands of jobs and have offered skills development opportunities for those in front and behind the camera. They have justified investment in facilities and services that benefit the local screen community and enable it to grow.

70 These investments in Australia’s screen industry ecosystem include:

- a. Disney owns Industrial Light and Magic (ILM) which in fiscal year 2020 opened a Visual Effects, Animation and Virtual Production studio in Australia. ILM is a world leader in this ever growing and important field of production and has only five global hubs in the world – San Francisco, Singapore, Vancouver, London and now Sydney. Since opening in Sydney, ILM has hired 230 staff all of whom are Australian residents. The areas of employment include high-skilled computer graphic artists and technical directors, high-skilled project and client managers, engineers, systems, and technical innovation roles. By 2023, pending business needs, ILM expects to hire an additional 170-270 more Australians. The projects and corresponding budgets of the productions

ILM works on are client confidential, but a sample of high-end productions led by the Sydney hub include *Star Wars: The Rise of Skywalker*, *The Mandalorian Season 2*, *Space Jam: A New Legacy*, *The Batman* and *Thor: Love & Thunder*.

- b. Disney owns the Fox Studios Australia lot in Sydney, a working studio facility on a 32-acre site with 60,000 square metres of floor space over 45 buildings including nine sound stages covering a total of 15,000 square meters. It is the largest production facility in the Southern Hemisphere, operating around the clock 365 days a year, providing a full working ecosystem including physical production along with pre and post production. The lot also includes an industry ecosystem of 60 third party Australian businesses employing roughly 2,000 people.
- c. Investment into ANZSA member-owned Australian production companies such as Matchbox (owned by NBC Universal) and PlayMaker (owned by Sony Television), which has improved the ability of these companies to attract international financing in Australian stories, creating a flywheel increasing investment in Australian content to the benefit of Australian viewers. By our count, these two companies alone have been involved in 18 Australian stories co-commissioned by streaming services.
- d. Netflix's investment in dubbing has contributed to the access of Australian stories to global audiences. Netflix now dubs its original content in 31 languages – up from 24 just two years ago. This dubbing approach increases the opportunities for content to leak out illegally prior to official release and Netflix has an entire division focused entirely on dubbing innovation to find the most up-to-date and secure solutions to localisation issues.⁷⁹

71 All these contributions are vital to the future success of Australia's screen production sector. The unintended consequence of the regulatory environment considered by the Green Paper is that none of these contributions are valued and instead companies are forced to invest under the narrow criteria and definitions that such a model would entail. The net effect is a landscape where for consumers there is no diversity – as everything is more alike – and for the sector overall there is no incentive to invest in capacity or capability.

⁷⁹ Scott Roxborough, *Netflix's Global Reach Sparks Dubbing Revolution: "The Public Demands It"*, 13 August 2019, Hollywood Reporter, <<https://www.hollywoodreporter.com/tv/tv-news/netflix-s-global-reach-sparks-dubbing-revolution-public-demands-it-1229761/>>

Part 5. Conclusion

- 72 Considering the above, we consider that no interventions on VOD services are necessary and it is too soon to contemplate regulating, if at all, in the manner outlined in the Green Paper. In summary, this is because:
- a. the market recovery from COVID-19 amongst all screen industry ecosystem sectors is very encouraging,
 - b. SVOD services are engaging with local production and investing significantly without being required to do so because it is in their commercial interest to do so (please refer to the 139 titles listed in Appendix 5),
 - c. the effect of the structural increase of the Producer Offset TV to 30% is yet to be determined (and we expect it to be significant), and
 - d. the risks of unintended consequences, adverse outcomes and perverse incentives for both producers and consumers are too great.
- 73 We recommend the Government continue to gather data from VOD services⁸⁰ to inform any regulatory decisions. We are confident that this data, in combination with the data from the Screen Australia Drama Report, will demonstrate there is no need for Government to interfere in the market as commercial incentives will drive investment into Australia's screen production sector. We encourage the Government to view this broadly and holistically, given that investments in screen industry infrastructure such as sound stages and studio space, skills training and development, are likely to realise longer term and more structural benefits for the screen production eco-system than a short-term investment in the content itself.
- 74 We recommend that any further Government consideration of our industry be guided by the following principles
- a. *Putting Australian consumers at the centre* – today's Australian consumers have access to not only Australian content, but international content, in an easy manner and at a price point never seen before. VOD services include content in their library because consumers want to have diversity of choice. VOD services are incentivised to offer consumers options and the means to find the content that they want to see.
 - b. *Understanding the business* – the Government should consider each streaming service at an individual level with a view to understanding how they produce content, design their underlying business model and the entertainment choices that they are providing to consumers. While the Government is gathering data, ANZSA members are willing to assist the Government in further understanding the various business models.

⁸⁰ While not opposed to reporting against these undertakings, any reporting requirements would need to be consistent with other industry players and not require the sharing of confidential company data. We note that while VOD services are voluntarily providing expenditure data to the ACMA, commercial broadcasters are no longer required to submit revenue and expenditure data to the ACMA.

- c. *Understanding the market* – while the Green Paper is understandably focussed on the Australian market, there is now a global market for talent and content that deserves attention. ANZSA is willing to assist the Government in understanding this global market. Further, the Government should develop a flexible number of ways which will allow participants to support Australia's policy goals. What is needed is a contemporary approach which maximises the benefits for creators, culture, and which promotes content made by, about Australians, or in Australia, for both the Australian market and the global market.
- d. *Focusing on quality* – Australian consumers demand quality content. The Government has made sensible and forward-thinking structural reforms of the producer offsets that will assist the production of quality content. Further consideration to a focus on quality could encompass growing creative capacity in Australia through infrastructure investment and development of innovative technology as well as developing creative excellence and providing opportunities to local crew through training and skills development.

75 ANZSA thanks the Government for this opportunity to provide comments and we express interest in participating in any future consultations. We are adamant that there is a bright opportunity for the Australian screen industry to compete globally if the correct light-touch, pro-business regulatory framework is put in place to complement internationally competitive incentives. If the Government were minded to further regulate, we would appreciate opportunities for further consultation on implementation.

Appendix 1: About ANZSA

Australia New Zealand Screen Association (ANZSA) represents the film and television content and distribution industry in Australia and New Zealand. Its core mission is to advance the business and art of film making, increasing its enjoyment around the world and to support, protect and promote the safe and legal consumption of movie and TV content across all platforms. This is achieved through education, public awareness and research programs, to highlight to movie fans the importance and benefits of content protection. ANZSA has operated in Australia since 2005 (and was previously known as the Australian Federation Against Copyright Theft and the Australian Screen Association). ANZSA works on promoting and protecting the creative works of its members. Members include: Village Roadshow Limited; Motion Picture Association; Walt Disney Studios Motion Pictures; Netflix Inc.; Paramount Pictures; Sony Pictures Releasing International Corporation; Universal International Films, Inc.; and Warner Bros. Pictures International, a division of Warner Bros. Entertainment Inc., and Fetch TV.

Appendix 2: Limitations of data relied upon in the Media Reform Green Paper

ANZSA acknowledges that it is challenging to accurately measure the overall sector that this Options Paper reviews. Measurement limitation and commercial confidentiality make it difficult to present a holistic perspective of the state of the industry. Nevertheless, by focusing disproportionately on what can be measured today we believe an inaccurate picture is painted. Furthermore, to rely on that picture when determining policy settings increases the risk of unintended consequences.

No visibility on the overall revenue base supporting the production of Australian content

76 The Options Paper displays an availability bias and attempts to construct a narrative from cherry-picked data points. We acknowledge that data availability is challenging and urge the Government to instruct the Department to work towards a more holistic view. We have attempted to present such a view based on publicly available data (see Appendix 4 for details). At a minimum, the voluntary reporting requested by the Minister through ACMA should be aggregated and compiled. In combination with the next Screen Australia Drama Report (out in October) this will provide a much better and richer data set to inform policy decisions.

Data presented in the options paper seems to be cherry picked to fit a pre-determined narrative

77 The rationale for recommending content regulation is that SVOD services are popular but provide limited Australian content. The paper then references several external sources which are selectively referenced:

- a. Footnote 25. The Telsyte media release⁸¹ does indeed show an increase in SVOD subscriptions. But that same media release also states that free to air TV apps are also growing viewership. The main BVOD platforms had upwards of 10 million Australians using their services during FY2020 and almost half of the survey respondents claimed they are spending more time on BVOD due to COVID-19.
- b. Footnote 26. The ACMA 'Trends in viewing and listening behaviour'⁸² does indeed state that 89% of Australian adults watched online video content. Two out of the top three most commonly used services (YouTube and Facebook) driving that percentage, however, are not SVOD services, and specifically excluded from the discussion model.
- c. Figure 8 and 9. The fact that Australian titles on streaming services represent a reasonably small share of their overall libraries is not a relevant data point. Most of these services operate globally and Australian subscribers represent just a small share of the total global subscriber base for these services. These services commission and acquire content globally, and Australian consumers want access to this global content. By way of example, Netflix's Sofia Mavros said at

⁸¹ <<https://www.telsyte.com.au/announcements/2020/08/17/subscription-home-entertainment-soars-in-australia>>
<<https://www.telsyte.com.au/announcements/2020/08/17/subscription-home-entertainment-soars-in-australia>>

⁸² <https://www.acma.gov.au/sites/default/files/2020-11/Trends-in-viewing-and-listening-behaviour_ACMA-consumer-survey-2020.pdf>
<https://www.acma.gov.au/sites/default/files/2020-11/Trends-in-viewing-and-listening-behaviour_ACMA-consumer-survey-2020.pdf>

the Screen Forever conference that most of the views on content originating from Turkey (75%) and Israel (90%) were from outside their borders, with Australia one of the key markets for both.⁸³

Service	Global Subscribers	Australian Subscribers ⁸⁴	%
Netflix	207,640,000 ⁸⁵	6,100,000	2.9%
Amazon Prime	200,000,000 ⁸⁶	1,800,000	0.9%
Disney Plus	100,000,000 ⁸⁷	1,800,000	1.8%

- d. Figure 10. The Ampere report shows the number of subscribers per country relative to the number of originals for Netflix only, and concludes that investment must be low because the quantity of originals looks low. The data does not consider what the investment associated with those originals was (a comedy special is cheaper than a scripted drama for instance, and production costs vary sharply between projects and countries), whether there were additional co-productions in each market that were not originals in their home market but were in the rest of the world. Figure 1 on page 8 of this submission shows a more comprehensive analysis which clearly demonstrates that the number of originals is proportionate to the number of subscribers for Australia. The countries that over-index generally have a clear track record of international success.
- e. Scope of the investment obligation. On page 32 of the Green Paper, it is indicated that the recently announced expenditure requirement for subscription television may make for an appropriate equivalent. It is important to note that the five per cent for subscription television applies to the programming expenditure (not revenue) and only on drama channels and content. Clearly a five per cent expenditure obligation of overall revenue on VOD services would constitute a significantly greater requirement and not represent harmonisation.

78 We also would like to reiterate our comments from the Supporting Australian Stories on our Screens submission which demonstrates that **TV production spend is overstated at the expense of Online** in Screen Australia’s Drama Report due to the ‘first Australian release’ reporting basis:

- a. Screen Australia’s Drama Report classifies the full production budget to the party who provide the ‘first release’ in Australia. Take the common example where a SVOD service takes all global rights other than Australia and takes the second window in Australia following the initial broadcast in Australia. Even if that SVOD service were to pay more than half of the overall non-Government funding, the entire production budget would still be allocated towards the TV category. Appendix 5 lists the productions we have been able to identify where SVOD services contributed income to

⁸³ Sofia Mavros participating in the panel ‘How producers can compete in a global screen ecosystem’ hosted by ANZSA, February 16, 2021, Screen Forever conference.

⁸⁴ Sourced from Media Partners Asia, October 2020, <<https://www.media-partners-asia.com/article.php?id=2330>>

⁸⁵ Netflix quarterly financial report, <https://s22.q4cdn.com/959853165/files/doc_financials/2021/q1/FINAL-Q1-21-Shareholder-Letter.pdf>

⁸⁶ Brain Dean, *Amazon Prime User and Revenue Statistics* (2021), 4 March 2021, Backlink O, <<https://backlinko.com/amazon-prime-users>>

⁸⁷ Julia Alexander, *Disney Plus surpasses 100 million subscribers*, 9 March 2021, The Verge, <<https://www.theverge.com/2021/3/9/22320332/disney-plus-100-million-subscribers-marvel-star-wars-wandavision>>

the production, yet most of these would not result in recognised Online sector investment in the Drama Report. For example, while Netflix contributed to the production of titles such as *The Letdown*, *Glitch*, *The InBESTigators*, *The King*, *Secret City* and *The New Legends of Monkey* in the 2018-19 financial year Netflix contributed to, the only title that is specifically attributed to Netflix in the Drama Report 2018/19 is *The New Legends of Monkey*.

- b. Whilst we understand there are sound reasons for this decision (pertaining to confidentiality and identifiability of individual deals in earlier years), it is not appropriate to use the split between TV, Film and Online in the Drama Report as an appropriate basis for policy decisions.

The Media Reform Green Paper does not look at Australia’s production capacity

- 79 Australia right now has a finite production capacity (facilities, crews, suppliers) and regulatory settings need to take that into account; you cannot require industry to produce more content than the industry can produce.
- 80 It is abundantly clear that current production levels are only able to be achieved by bringing people into crews who have never been on films sets before and by using infrastructure such as conference centres that is only available because its normal function – hosting conferences – is not feasible under COVID-restrictions.
- 81 A holistic view would look at the needs of the sector to accommodate future growth, and investments to deliver on these needs should be valued.

Appendix 3: Contextualisation of international content regulation policies

- 82 On page 34 of the Green Paper, it is stated that Australia is not alone in grappling with these regulatory challenges and then proceeds to mention a number of cherry-picked data points. These are provided without context as to the ‘natural’ interest level in local content in those countries. This Appendix seeks to provide a more comprehensive overview as well as contextualise these decisions or proposals.
- 83 AVMSD library quota.
- a. The Green Paper references a library quota in Europe. The AVMSD does set out a mandatory obligation for member states to ensure VOD services have at least 30 per cent of European audiovisual works⁸⁸ in their catalogues. To clarify, a member state cannot require that VOD services have at least 30 per cent of works from just that one member state, only from all countries that are signatories to the European Convention of Transfrontier Television (ECTT).⁸⁹
 - b. This quota exists not to support investment but to encourage the sharing of culture and language across borders, and to help maintain a sense of European identity. European works are classified broadly as works under the creative control of Europeans from at least 40 countries that are signatories to the ECTT including major TV exporters such as the UK, France, Germany, Spain, and The Netherlands. Within this context there are 44,000 European films and over 12,650 European TV seasons currently available on 462 VOD services in Europe.⁹⁰ Further, Europe has a population of 447.7 million citizens spread across the 27 AVMSD Member States. The sheer scale of the European content market means that such interventions can be made in a way that broadly mitigates against unintended consequences.
 - c. A library quota serves different policy objectives than an investment obligation as considered in this Green paper. It seeks to address availability of local content, rather than the production of local content.
- 84 Local content investment obligations.
- a. The Green Paper mentions France, Germany and Canada as examples where decisions have been made or discussions are taking place about content regulation. It fails to mention the much longer list of countries that have chosen not to impose any obligations. The United Kingdom and South Korea come to mind, both are highly successful local content exporters, but even in the European Union where the AVMSD specifically permits individual members states to introduce such measures, many have taken no action even though the official deadline for transposition into national legislation is well behind us. Sweden, Finland, Austria, Bulgaria, Czech Republic,

⁸⁸ Indeed, the definition of “European Audiovisual Work” is simply “create works, the production or co-production of which is controlled by European natural or legal persons” (Article 2(e)).

⁸⁹ https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/132/signatures?p_auth=5hk0XuAA
https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/132/signatures?p_auth=5hk0XuAA

⁹⁰ European Audiovisual Observatory Lumiere VOD European Works directory, November 2021

Hungary, Estonia, Latvia and Lithuania have all opted not to mandate a local investment obligation.

- b. The AVMSD requires that member states which choose to implement a local content obligation do so in a proportionate and non-discriminatory manner to both local and non-domestic services with due caution for potential market impact. The proposal in the Green Paper arguably fails that test.
- c. The Green Paper singles out the example of France. France is an outlier compared to its EU Member State peers. Even so, a content obligation can't be seen separate to the 'natural' interest in local stories and given that cinema attendance is generally unregulated it is a good yardstick to assess the natural interest level in local content. In France, local films take 34.8% of the box office. In Australia that number is just 3.3%. If Australia would adopt a similar ratio as the French have chosen to do, the investment obligation rate would be just 1.9%.⁹¹
- d. Most EU members states that have decided, or are currently debating, the introduction of local content obligations have done so at much lower thresholds than those proposed by France and its neighbour Italy (17%). Poland recently introduced a levy of 1.5% the same rate as is currently proposed by Greek legislation. Germany has an established levy of 3%, and Spain one of 5%. Belgium, Croatia and Denmark have all set their thresholds at 2%. Before the recent dissolution of its government, the Parliament in the Netherlands had been debating proposals of 3% and 6% for VOD services. Switzerland is considering an investment obligation threshold of 1%. All these rates are substantially below the natural level achieved by local films at the local Box Office in these countries⁹² and the majority of these are below the notional figure of five per cent proposed in the Green Paper.

Country	AVMSD implementation proposals % Investment obligation for SVOD	Share of local content as % of total box office - UNIC 2019 data
Belgium	2.0%	NA
Croatia	2.0%	4.3%
Denmark	2.0%	23.7%
France	20.0%	34.8%
Germany	3.0%	19.7%
Italy	17.0%	21.2%
Netherlands	3.0% - 6.0%	10.9%
Poland	1.5%	28.2%
Spain	5.0%	15.0%
Switzerland	1.0%	6.8%
UK	0.0%	13.0%

⁹¹ The French box office data is taken from page 19 of the [UNIC Annual Report](#). The Australian box office data is provided by the Motion Picture Distributors Association of Australia. The equivalent Australia rate has been calculated as follows: 20%/34.8% x 3.3%.

⁹² Ibid. 77

85 Canadian legislation C-10

- a. The Green Paper states that the Canadian Parliament is currently considering a legislative amendment that would require SVOD services to invest in Canadian programming. This is not entirely correct; Canadian Parliament has referred Bill C-10 to Select Committee. If enacted, this Bill will give the local regulator CRTC the power to regulate VOD services. It does not make any references whether or at what level VOD services are required to invest in local screen content.⁹³ That will be determined in a subsequent consultation process conducted by the CRTC.

⁹³ <https://www.justice.gc.ca/eng/csj-sjc/pl/charter-charte/c10.html> <https://www.justice.gc.ca/eng/csj-sjc/pl/charter-charte/c10.html>

Appendix 4: Revenue generation in Australia's premium screen content ecosystem

REVENUE COMPARISON	2014 / 15		2018 / 19		2019/20	
	REVENUE	SHARE	REVENUE	SHARE	REVENUE	SHARE
Seven West Media ⁹⁴	\$1,305,100,000	12.60%	\$1,259,000,000	12.30%	\$1,041,891,000	10.84%
Nine Entertainment ⁹⁵	\$1,221,200,000	12.00%	\$1,047,500,000	10.20%	\$1,033,500,000	10.75%
Network 10 ⁹⁶	\$630,700,000	6.20%	\$606,800,000	5.90%	\$606,800,000	6.31%
ABC ⁹⁷	\$1,218,570,000	12.00%	\$1,108,372,000	10.80%	\$1,120,713,000	11.66%
SBS ⁹⁸	\$384,356,000	3.80%	\$402,003,000	3.90%	\$410,452,000	4.27%
FTA TOTAL	\$4,733,926,000	46.50%	\$4,423,675,000	43%	\$4,213,356,000	43.82%
Foxtel ⁹⁹	\$3,124,800,000	30.70%	\$2,449,548,000	23.90%	\$2,081,304,000	21.65%
PAY TV TOTAL	\$3,124,800,000	30.70%	\$2,449,548,000	24%	\$2,081,304,000	21.65%
Theatrical Distribution ¹⁰⁰	\$1,226,315,433	12.10%	\$1,228,741,000	12.00%	\$401,000,000	4.17%
Physical Distribution ¹⁰¹	\$904,000,000	8.90%	\$412,510,296	4.00%	\$316,920,200	3.29%
Digital Distribution (EST & VOD) ¹⁰²	\$187,000,000	1.80%	\$260,598,055	2.50%	\$249,852,500	2.59%
TRANSACTIONAL TOTAL	\$2,317,315,433	22.80%	\$1,901,849,351	18.50%	\$967,772,700	10.03%
SVOD TOTAL ¹⁰³			\$1,493,160,000	14.50%	\$2,381,916,000	24.77%
TOTAL	\$10,176,041,433	100.00%	\$10,268,232,351	100.00%	\$9,644,348,718	100.00%
AUSTRALIAN CONTENT INVESTMENT ¹⁰⁴	2014 / 15		2018 / 19		2019/20	
TV, Children's & Online	\$301,000,000	3.00%	\$469,000,000	4.60%	\$338,000,000	3.50%
Features	\$125,000,000	1.20%	\$299,000,000	2.90%	\$205,000,000	2.13%
TOTAL	\$426,000,000	4.20%	\$768,000,000	7.50%	\$543,000,000	5.63%
AUSTRALIAN CONTENT INVESTMENT (adjusted for lockdown impact)					2019 / 20	
TV, Children's & Online					\$413,000,000	4.28%
Features					\$455,000,000	4.72%
TOTAL					\$868,000,000	9.00%

⁹⁴ Tom Miller, Against the stream: Competition from streaming video services has negatively affected revenue, IBISWorld Pty Ltd, 2019, p. 22. 2020 Annual Report, just Seven Network & Digital, Page 80 <<https://www.sevenwestmedia.com.au/assets/pdfs/2020-SWM-Annual-Report2.pdf>>

⁹⁵ Ibid, p.23 FY 20 results - Nine Network \$951.8m, 9Now \$81.7 <<https://www.nineforbrands.com.au/wp-content/uploads/2020/08/FINAL-ASX-release-FY20-results.pdf>>

⁹⁶ Ibid, p.23 No public data available for Network Ten 2019. Ten Network Holdings' ultimate parent is CBS Corporation, a United States-based mass media company. Revenue assumed to be equal to last recorded year.

⁹⁷ ABC, 2014 Annual Report, p.140; 2019 Annual Report, p.160; 2020 Annual Report, p.124 <<https://about.abc.net.au/wp-content/uploads/2014/12/ABCAnnualReport2014Accessible.pdf>>, <<https://about.abc.net.au/wp-content/uploads/2019/10/ABC-Annual-Report-201819v2.pdf>> <<https://about.abc.net.au/wp-content/uploads/2021/02/Annual-Report-2019-2020-UPDATED.pdf>>

⁹⁸ SBS, 2014 Annual Report, p.79; 2019 Annual Report, p.105; 2020 Annual Report, p.97 <http://media.sbs.com.au/home/upload_media/site_20_rand_88490456_sbs001_sbs_ar2014_webfinal.pdf>, <http://media.sbs.com.au/aboutus/upload_media/site_367_rand_108318840_sbs_2019_annual_report_digital.pdf> <https://www.sbs.com.au/aboutus/sites/sbs.com.au/aboutus/files/sbs_annual_report_2019-20_final.pdf>

⁹⁹ Foxtel revenue calculation is based on - the Company's 65% interest in NXE Australia Pty Limited, which was formed to combine News Corp and Telstra Corporation Limited's interests in the Foxtel Group and FOX SPORTS Australia and is referred to herein as "Foxtel" (the remaining 35% interest in Foxtel is held by Telstra), and (ii) Australian News Channel ("ANC"). Therefore formula =FOXTEL REVENUE/0.65*exchange rate on 30.06 (-) SVOD INCOME separately considered in SVOD section to avoid double-counting

¹⁰¹ News Corp, 2014 Annual Report, p 13; 2019 Annual Report, p 51; 2020 Annual Report, p16 51 <http://www.annualreports.com/HostedData/AnnualReportArchive/n/NYSE_NWS_2014.pdf>,

<<https://newscorpcom.files.wordpress.com/2019/10/news-corp-2019-annual-report.pdf>> <<https://newscorp.com/wp-content/uploads/2020/10/news-corp-2020-annual-report.pdf>>

¹⁰⁰ MPDAA 2014 Market Share, 2018 Market Share, 2019 Market Share

¹⁰¹ As provided by AHEDA, 2014; 2019, 2020 - Retail Tracking Data, GFK.

¹⁰² As provided by AHEDA, 2014; 2019, 2020 - IHS Digital Market Tracking

¹⁰³ Max Mason, 'Disney+ makes strong debut as streaming market continues to grow', Australian Financial Review, 9 March 2020, accessed 9 March 2020 <<https://www.afr.com/companies/media-and-marketing/disney-makes-strong-debut-as-streaming-market-continues-to-grow-20200306-p54715>>

^[1] Total estimated annualised revenue of Top 6 SVOD services calculated by multiplying total homes numbers, [as reported by MEDIA Partner Asia Research](#), by average annual subscription cost advertised on the platform websites. Please note, for those SVOD services where service is offered as part of a bundle (for instance, Amazon Prime includes free shipping on Amazon webstore), all revenue has been allocated to the SVOD service only. For those where a free subscription with hardware purchase is offered, it is assumed that all revenue is allocated to the SVOD subscription only. In other words, the actually attributable revenue to the SVOD sector is likely smaller. Data retrieved on 5th March 21 from- <<https://www.media-partners-asia.com/article.php?id=2330>> Currently link is inaccessible.

¹⁰⁴ Screen Australia, Drama Report 2018-19, p.6 Screen Australia, Drama Report 2019-20, p.6

<<https://www.screenaustralia.gov.au/getmedia/08d8518b-867b-4f61-8c2e-ebd10f0dc3a4/Drama-Report-2018-2019.pdf>>

<<https://www.screenaustralia.gov.au/getmedia/f87c32c8-3d5d-4d99-95ad-224931812f49/Drama-Report-2019-2020.pdf>>

Screen Arcade	Escape from Spiderhead ¹²¹	2021	Netflix	
Eureka Productions	Byron Baes ¹²²	2021	Netflix	
Made Up Stories	Wolf Like Me ¹²³	2021	Netflix	
Nomadica Films	Izzy Bee's Koala World, S2 ¹²⁴	2021	Netflix	
Ambiance Entertainment	Interceptor ¹²⁵	2021	Netflix	
Endemol Shine	The Last King of the Cross ¹²⁶	2021	Paramount+	
Eureka Productions	Luxe Listings Sydney ¹²⁷	2021	Amazon	
Fremantle Media Australia	Heartbreak High ¹²⁸	2021	Netflix	
Roadshow Rough Diamond	Bump, The (Season 2) ¹²⁹	2021	Stan	
Sea Light Pictures	Life In Colour ¹³⁰	2021	Netflix	Nine
Two Brothers Pictures	The Tourist ¹³¹	2021	Stan	
Werner Film Productions	Surviving Summer ¹³²	2021	Netflix	
The Steve Jaggi Company	Romance On The Menu ¹³³	2020	Netflix	
Martin Chase Productions & Sunstar Entertainment	True Spirit ¹³⁴	2020	Netflix	
Screentime	Urzila Carlson: Overqualified Loser ¹³⁵	2020	Netflix	
ACM Films	Sweet River ¹³⁶	2020	Netflix	

¹²¹ *Ibid*

¹²² Sydney Morning Herald, *Netflix orders first Australian reality show, about Byron Bay influencers*, accessed 08 April 2021 <https://www.smh.com.au/culture/tv-and-radio/netflix-orders-first-australian-reality-show-about-byron-bay-influencers-20210407-p57h6t.html>

¹²³ Media Week, *New Stan Original: Bruna Papandrea's Wolf Like Me with Isla Fisher, Josh Gad*, accessed 29 April 2021 <https://www.mediaweek.com.au/new-stan-original-bruna-papandreas-wolf-like-me-with-isa-fisher-josh-gad/>

¹²⁴ Netflix News, *Izzy's Koala World Returns for Season 2 in April*, accessed 23 March 2021 <https://news.newonnetflix.info/news/izzys-koala-world-returns-for-season-2-in-april/>

¹²⁵ Inside Film, *Luke Bracey and Elsa Pataky to star in Matthew Reilly's 'Interceptor' for Netflix*, accessed 05 March 2021 <https://www.if.com.au/luke-bracey-and-elsa-pataky-to-star-in-matthew-reillys-interceptor-for-netflix/>

¹²⁶ TV Tonight, *John Ibrahim drama, local commissions for Paramount+*, accessed 15 March 2021 <https://tvtonight.com.au/2021/03/john-ibrahim-drama-local-commissions-for-paramount.html>

¹²⁷ Media Week, *Eureka secures another commission: This time from Amazon Prime Video*, accessed 16 October 2020 < <https://www.mediaweek.com.au/eureka-secures-another-commission-this-time-from-amazon-prime-video/>>

¹²⁸ Freemantle Media News, *Netflix Goes Back to School for Reboot of Iconic Aussie Series Heartbreak High – A Co-Production From Freemantle Media & Newbe*, accessed 07 December 2020 < <https://www.freemantleaustralia.com/news/2020/12/7/fremantle-goes-back-to-school-for-reboot-of-iconic-aussie-series-heartbreak-high-for-netflix>>

¹²⁹ Inside Film, *Stan orders a second season of 'Bump'*, accessed 13 January 2021< https://www.if.com.au/stan-orders-a-second-season-of-bump/?utm_medium=email&utm_campaign=Newsletter%20150121&utm_content=Newsletter%20150121+CID_150231bd943d0dbdb7a6a5ccb060a67d&utm_source=Campaign%20Monitor>

¹³⁰ BBC Media Centre, *BBC announces brand new series presented by David Attenborough, Life In Colour*, accessed 26 September 2019 <https://www.bbc.co.uk/mediacentre/latestnews/2019/life-in-colour>

¹³¹ Seven News, *New TV series to be filmed in SA*, accessed 05 December 2020 < <https://7news.com.au/entertainment/new-tv-series-to-be-filmed-in-sa-c-1711463>>

¹³² Inside Film, *Surf's up: Netflix and ZDFE co-order Werner Film Productions' 'Surviving Summer'*, accessed 17 February 2021 < https://www.if.com.au/surfs-up-netflix-and-zdfe-co-order-werner-film-productions-surviving-summer/?utm_medium=email&utm_campaign=Newsletter%2019221&utm_content=Newsletter%2019221+CID_b98997cdeccfd21a01d9487f0dc9c38&utm_source=Campaign%20Monitor&utm_term=READ%20MORE>

¹³³ Inside Film, *Rosie Lourde set to cash in after 'Romance on the Menu'* accessed 22 October 2020 <<https://www.if.com.au/rosie-lourde-set-to-cash-in-after-romance-on-the-menu/>>

¹³⁴ Netflix News, *INSPIRATIONAL AUSSIE TRAILBLAZER JESSICA WATSON GETS A BIOPIC AT NETFLIX*, accessed 15 July 2020 < <https://about.netflix.com/en/news/inspirational-aussie-trailblazer-jessica-watson-gets-a-biopic-at-netflix>>

¹³⁵ The 13th Floor, *Urzila Carlson: Overqualified Loser Premieres Globally on Netflix July 14, 2020*, accessed 29 June 2020 < <https://www.13thfloor.co.nz/urzila-carlson-overqualified-loser-premieres-globally-on-netflix-july-14-2020/>>

¹³⁶ Inside Film, *Justin McMillan's psychological thriller 'Sweet River' to become a Netflix Original*, accessed 04 December 2020 <https://www.if.com.au/justin-mcmillans-psychological-thriller-sweet-river-to-become-a-netflix-original/>

POP Family Entertainment	Alien TV ¹³⁷	2020	Netflix	Nine
Haven't You Done Well Productions	Aunty Donna's Big Ol' House Of Fun ¹³⁸	2020	Netflix	
Brindle Films	Maverix ¹³⁹	2020	Netflix	ABC
Goal Post Pictures	I Am Woman ¹⁴⁰	2020	Stan	
Deeper Water Films	Gold ¹⁴¹	2020	Stan	
Guesswork Television	Australian Lockdown Comedy Festival ¹⁴²	2020	Stan	
Playmaker Media	Bloom Season 2 ¹⁴³	2020	Stan	
Guesswork Television	Douglas - Hannah Gadsby ¹⁴⁴	2020	Netflix	
Sweet Potato Films	Gloaming Season 2, The ¹⁴⁵	2020	Stan	
See Saw Films	New Legends of Monkey, Season 2, The ¹⁴⁶	2020	Netflix	
Playmaker Media	Reckoning ¹⁴⁷	2020	Netflix	
Matchbox Pictures	Stateless ¹⁴⁸	2020	Netflix	ABC
Liz Doran Productions	The Tailings ¹⁴⁹	2020	SBS On Demand	
Seven Studios	Zumbo's Just Desserts Season 2 ¹⁵⁰	2020	Netflix	Seven
Easy Tiger	Dom and Adrian: 2020 ¹⁵¹	2020	Stan	
EQ Media Group	After The Night ¹⁵²	2020	Stan	
Everycloud Productions	Eden ¹⁵³	2020	Stan	
Everycloud Productions	A Sunburnt Christmas ¹⁵⁴	2020	Stan	
Porchlight Films	True History of the Kelly Gang ¹⁵⁵	2020	Stan	
Clock Sounds Productions Pty	The Very Excellent Mr Dundee ¹⁵⁶	2020	Amazon	

¹³⁷ Inside Film, *Netflix scoops up global rights to 'Alien TV'* accessed 03 June 2020 < <https://www.if.com.au/netflix-scoops-up-global-rights-to-alien-tv/> >

¹³⁸ Planet Broadcasting *Aunty Donna Announce Netflix Series!* Accessed 21 October 2020 <https://www.planetbroadcasting.com/news/aunty-donna-announce-netflix-series/>

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Jam TV	AFL Docu-series (Making Their Mark)¹⁵⁷	2020	Amazon	
Matchbox Pictures	Things I Know To Be True¹⁵⁸	2020	Amazon	
Roadshow Rough Diamond	Bump, The¹⁵⁹	2020	Stan	
Steve Jaggi Company	Dive Club¹⁶⁰	2020	Netflix	Ten
Wild Pacific Media	Microworlds: Reef¹⁶¹	2020	Netflix	
Penguin Empire	I Am Mother¹⁶²	2019	Netflix	
Seven Network	Yummy Mummies: Season 1-2¹⁶³	2019	Netflix	Seven
Wildman Films	Extreme Engagement¹⁶⁴	2019	Netflix	
Aquarius Films	The Unlisted¹⁶⁵	2019	Netflix	ABC
Netflix Originals	Comedians of the World ANZ: Season 1¹⁶⁶	2019	Netflix	
Guesswork Television	Alice Fraser - Savage¹⁶⁷	2019	Amazon	
Guesswork Television	Anne Edmond's - What's Wrong With You?¹⁶⁸	2019	Amazon	
Guesswork Television	Celia Pacquola's - All Talk¹⁶⁹	2019	Amazon	
Matchbox Pictures	Clickbait¹⁷⁰	2019	Netflix	
Playmaker Media	Commons, The¹⁷¹	2019	Stan	
Guesswork Television	Dilruk Jayasinha - Live¹⁷²	2019	Amazon	
Wildman Films	Extreme Engagement¹⁷³	2019	Netflix	
Matchbox	Glitch Season 3¹⁷⁴	2019	Netflix	ABC
Sweet Potato Films	Gloaming, The¹⁷⁵	2019	Stan	

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Penguin Empire	I Am Mother ¹⁷⁶	2019	Netflix	
Gristmill Productions	InBESTigators Season 2, The ¹⁷⁷	2019	Netflix	ABC
Seven Studios	Instant Hotel, Season 2 ¹⁷⁸	2019	Netflix	Seven
Guesswork Television	Judith Lucy - Judith Vs Men ¹⁷⁹	2019	Amazon	
Guesswork Television	Lano & Woodley - Fly ¹⁸⁰	2019	Amazon	
Giant Dwarf	Letdown Season 2, The ¹⁸¹	2019	Netflix	ABC
Endemol Shine Australia	LOL: Last One Laughing ¹⁸²	2019	Amazon	
Screen Queensland	Lunatics ¹⁸³	2019	Netflix	
Grace	Motown Magic Season 2 ¹⁸⁴	2019	Netflix	
Seven Network	Packed to the Rafters ¹⁸⁵	2019	Amazon	
Anonymous Content	Shantaram ¹⁸⁶	2019	Apple	
CA Films	The Test: A New Era for Australia's Team ¹⁸⁷	2019	Amazon	
Hoodlum	Tidelands ¹⁸⁸	2019	Netflix	
Guesswork Television	Tom Gleeson - Joy ¹⁸⁹	2019	Amazon	
Guesswork Television	Tom Walker - Very Very ¹⁹⁰	2019	Amazon	
Guesswork Television	Tommy Little - Self Diagnosed Genius ¹⁹¹	2019	Amazon	
Porchlight Films	True History of the Kelly Gang ¹⁹²	2019	Stan	Cinema
Aquarius Films	Unlisted, The ¹⁹³	2019	Netflix	ABC
Guesswork Television	Zoe Coombs Marr - Bossy Bottom ¹⁹⁴	2019	Amazon	
Showrunner Productions	72 Dangerous Animals: Asia Season 1 ¹⁹⁵	2018	Netflix	
Nest Film Sleeping Otters	7 Guardians of the Tomb ¹⁹⁶	2018	Netflix	

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Playmaker Media	Bloom ¹⁹⁷	2018	Stan	
Matthewswood Productions	EMO the Musical ¹⁹⁸	2018	Netflix	
Hoodlum	Harrow ¹⁹⁹	2018	Hulu	ABC
Causeway Films	Cargo ²⁰⁰	2018	Netflix	
Gristmill Productions	InBESTigators, The ²⁰¹	2018	Netflix	ABC
Giant Dwarf	Letdown, The ²⁰²	2018	Netflix	ABC
Guesswork Television	Nanette - Hannah Gadsby ²⁰³	2018	Netflix	
See Saw Films	New Legends of Monkey, The ²⁰⁴	2018	Netflix	ABC
Grace	Motown Magic Season 1 ²⁰⁵	2018	Netflix	
Jungle Entertainment	No Activity Season 3: The Night Before Xmas ²⁰⁶	2018	Stan	
eOne	Other Guy Season 2, The ²⁰⁷	2018	Stan	
Screentime	Pine Gap ²⁰⁸	2018	Netflix	ABC
Matchbox	Safe Harbour ²⁰⁹	2018	Hulu	SBS
Screen Queensland Originals	Second, The ²¹⁰	2018	Stan	Cinema
Matchbox Pictures	Secret City 2: Under the Eagle ²¹¹	2018	Netflix	Foxtel
Shine	Sisters ²¹²	2018	Netflix	
Matchbox Pictures	Wanted Season 3 ²¹³	2018	Netflix	Seven
Seven Network	Back with the Ex: Season 1 ²¹⁴	2017	Netflix	Seven
Seven Network	Instant Hotel: Seasons 1 ²¹⁵	2017	Netflix	Seven
Eureka Productions	The Chefs' Line: Season 1 ²¹⁶	2017	Netflix	SBS
Showrunner Productions	72 Dangerous Animals: Latin America Season 1 ²¹⁷	2017	Netflix	

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Matchbox Pictures	Ali's Wedding ²¹⁸	2017	Netflix	
Entertainment One	Berlin Syndrome ²¹⁹	2017	Netflix	Cinema
Playmaker Media	Chosen Season 1 ²²⁰	2017	Netflix	
Matchbox	Glitch Season 2 ²²¹	2017	Netflix	ABC
Cheeky Little Media	Kazoops! Season 2 ²²²	2017	Netflix	ABC
Cheeky Little Media	Kazoops! Season 3 ²²³	2017	Netflix	ABC
Guesswork Television	One Night Stan ²²⁴	2017	Stan	
eOne	Other Guy, The ²²⁵	2017	Stan	
Fremantle Media Australia	Picnic at Hanging Rock ²²⁶	2017	Amazon	Foxtel
Roadshow Rough Diamond	Romper Stomper ²²⁷	2017	Stan	
Matchbox Pictures	Wanted Season 2 ²²⁸	2017	Netflix	Seven
Screentime	Wolf Creek Season 2 ²²⁹	2017	Stan	
Seven Studios	Zumbo's Just Desserts Season 1 ²³⁰	2017	Netflix	Seven
Working Dog Productions	Pacific Heat ²³¹	2016	Netflix	Foxtel
Untitled Film Works	Tales By Light ²³²	2016	Netflix	Nat Geo
Beyond Productions	The White Rabbit Project ²³³	2016	Netflix	
Cheeky Little Media	Kazoops! Season 1 ²³⁴	2016	Netflix	ABC
Beyond Entertainment	Beat Bugs ²³⁵	2016	Netflix	Seven
Jungle Entertainment	No Activity Season 2 ²³⁶	2016	Stan	
Matchbox Pictures	Secret City 1 ²³⁷	2016	Netflix	Foxtel
Matchbox Pictures	Wanted ²³⁸	2016	Netflix	Seven
Screentime	Wolf Creek Season 1 ²³⁹	2015	Stan	

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Matchbox	Glitch Season 1 ²⁴⁰	2015	Netflix	ABC
Jungle Entertainment	No Activity Season 1 ²⁴¹	2015	Stan	
One Stone Pictures	Plonk Season 2 ²⁴²	2015	Stan	
Jonathan M Shiff Productions	Mako Mermaids: An H2O Adventure: Season 3 ²⁴³	2015	Netflix	Ten
Jonathan M Shiff Productions	Mako Mermaids: An H2O Adventure: Season 2 ²⁴⁴	2014	Netflix	Ten
Jonathan M Shiff Productions	Mako Mermaids: An H2O Adventure: Season 1 ²⁴⁵	2013	Netflix	Ten
Jonathan M Shiff Productions	H2O Just Add Water, S3 ²⁴⁶	2010	Netflix	Ten
Jonathan M Shiff Productions	H2O Just Add Water, S2 ²⁴⁷	2007	Netflix	Ten
Jonathan M Shiff Productions	H2O Just Add Water, S1 ²⁴⁸	2006	Netflix	Ten

²⁴⁰ Inside Film, *Shooting underway on second season of 'Glitch'*, 23 January 2017, accessed 27 May 2020

<<https://www.if.com.au/shooting-underway-on-second-season-of-ae%cb%9cglitchae/>>

²⁴¹ Inside Film, *Stan's No Activity scores first Logie nominations for SVOD platform*, 4 April 2016, accessed 27 May 2020

<<https://www.if.com.au/stans-no-activity-scores-first-logie-nominations-for-svod-platform/>>

²⁴² David Knox, *Plonk moves to Stan*, TV Tonight, 10 March 2015, accessed 27 May 2020 <<https://tvtonight.com.au/2015/03/plonk-moves-to-stan.html>>

²⁴³ Screen QLD News, *That's a wrap! The third season of "Mako: Island of Secrets wrapped this week on the Gold Coast* accessed 14 July, 2015

<https://screenqueensland.com.au/sq-news/httpsscreenqueensland-smartygrants-com-au/>

²⁴⁴ Gold Coast Bulletin, *Popular Gold Coast-produced kids show, Mako Island of Secrets, gets second season and hundreds of millions of international followers*, accessed 11 June 2014 <<https://www.goldcoastbulletin.com.au/entertainment/popular-gold-coast-produced-kids-show-mako-island-of-secrets-gets-second-season-and-hundreds-of-millions-of-international-followers/news-story/96979f60cb790b5ac25ec91a54cb4002>>

²⁴⁵ TV Tonight, *Jonathan M. Shiff lands global Netflix roll-out for Mako Mermaids*, accessed 26 June 2013 <https://tvtonight.com.au/2013/06/jonathan-m-shiff-lands-global-netflix-roll-out-for-mako-mermaids.html>

²⁴⁶ C21 Media, *Netflix takes Beyond deal further*, accessed 19 February 2015 <https://www.c21media.net/news/netflix-takes-beyond-deal-further/>

²⁴⁷ *Ibid*

²⁴⁸ *Ibid*