

NETFLIX

National Cultural Policy Submission

August 2022

Cover page

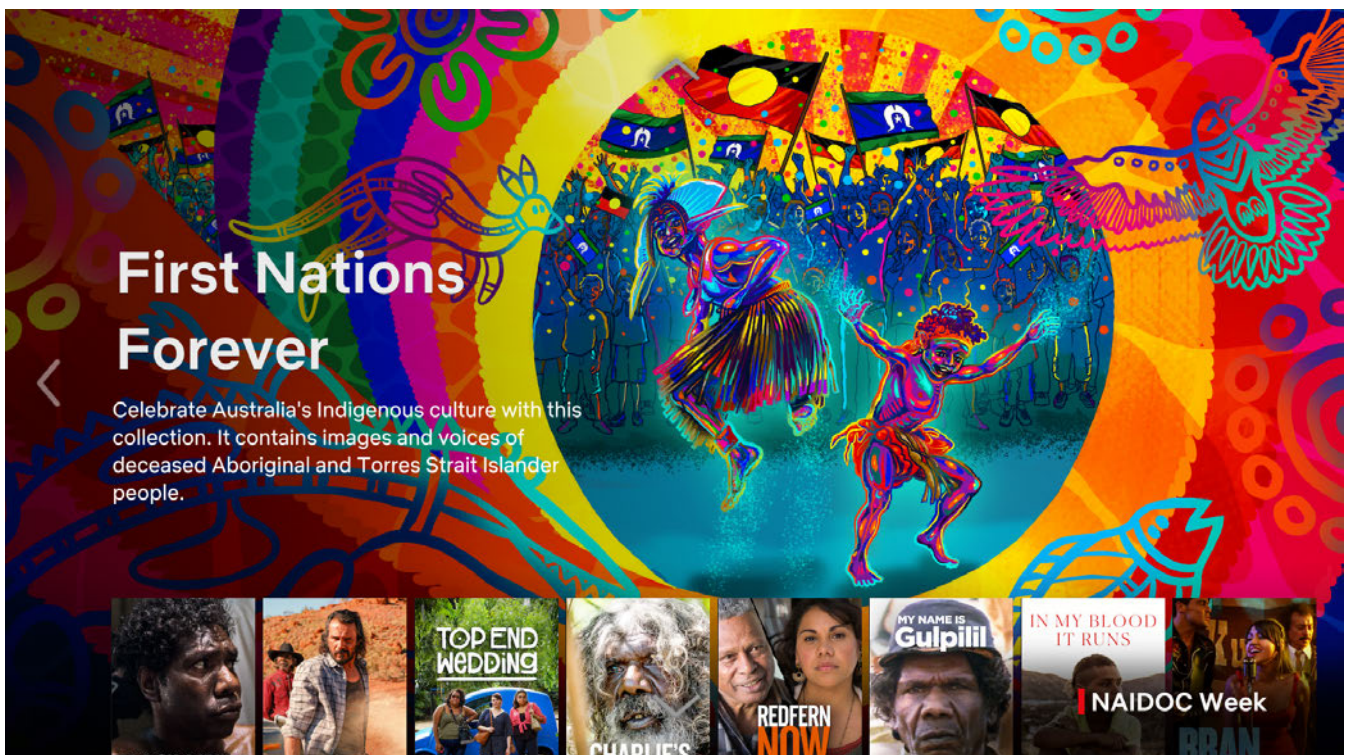


Image Credit: *Rainbow Serpent Dreaming*, Artist: [Luke Mallie](#)

“Rainbow Serpent Dreaming” is inspired by ancient Dreaming stories of the Aboriginal people. The Rainbow Serpent is a powerful symbol of life and creation, an ancestral being that embodies the spirit of the land and its people. Paintings of the Rainbow Serpent appear in Arnhem Land rock art dating back 8000 years ago and it is considered a powerful presence within traditional ceremonies and gatherings. The Rainbow Serpent brings people together to celebrate life and empower their heritage through unity and traditional cultural practices, The flags of both the Aboriginal and Torres Strait Islander peoples fly proudly in “Rainbow Serpent Dreaming” as dancers celebrate the Aboriginal and Torres Strait Islander communities over many generations.” [Luke Mallie, July 2022](#)

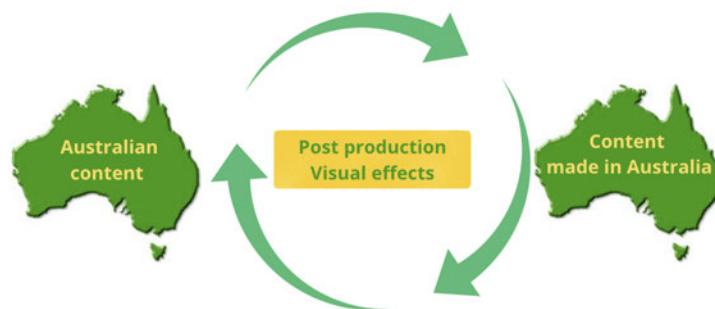
Submission

Australia's screen ecosystem is vibrant and flourishing

Creative Australia (CA) recognised that digital technologies are creating important opportunities for Australia's creative industries in the transformation of the wider economy. CA highlighted that local audiences demand that Australian stories continue to be told in our voice by our artists because it is crucial for our culture, and they expect that Australian content will be available across digital services. CA also recognised that Australian creative industries increasingly work in global markets, creating content, production and post production services based on Australia's established reputation for technical and creative skills and efficient delivery.¹

The creative ecosystem envisaged by CA in 2013 has been achieved, with a record breaking \$1.9 billion in drama production alone in FY20-21.²

Australian stories are entertaining both local and international audiences, ensuring Australians can engage with their own stories, while showcasing Australian culture to the world. International productions are bringing global finance and talent to the Australian screen ecosystem, creating hundreds of millions of dollars in economic benefits, and enabling Australian cast and crew to develop world class skills and experience. Streaming entertainment services have created new revenue streams and export opportunities for 'second run' Australian content, bringing iconic Australian content to new generations of Australians as well as global audiences on demand. Australia's post production and visual effects sector continues to lead the world in quality and innovation, supporting projects that are filmed in Australia and in other countries.



A key goal of CA was to ensure that digital and emerging platforms have a wealth of high-quality, accessible Australian content³. That goal has been achieved without the need for regulatory intervention. Streaming entertainment services are now playing an important part in Australia's successful screen production ecosystem bringing thousands of hours of Australian content to local and global audiences.

The Australian Communications and Media Authority (ACMA) [reports](#) that in FY 2020-21, Netflix, Stan, Disney+ and Amazon Prime Video collectively invested \$628 million on Australian and Australian-related content. This is a 135% increase on the previous year. To put the scale of this investment in context:

- The total investment on adult drama, documentaries and children's content from all commercial broadcasters in FY 2020-21 was \$81.73 million.⁴

¹ Creative Australia, p20

² Screen Australia Drama Report 20-21

³ Creative Australia, p80

⁴ ACMA Program Expenditure Information 2020-21

- The subscription television industry spent \$8.75 million on Australian drama programs in FY 2020–21.⁵
- Screen Australia's total funding investment on narrative titles across all formats in FY 2020-21 was \$42 million.⁶

These four companies provided over 6000 hours of Australian content on their local streaming entertainment services in FY 2020-21, across more than 2000 titles, averaging 1504 hours of Australian content per service. This is broadly equivalent to the 1460 hours of Australian content required to be broadcast on commercial broadcaster multi channels each year. The four services also included over 4000 hours of Australian content in US, UK and Canadian catalogues.

As Screen Australia's Head of Online Lee Naimo said: "There's no denying we're seeing a golden age of online content production in Australia and local creators capitalising on opportunities to reach new audiences."⁷

Netflix invests heavily in Australian content: commissioning, co-commissioning or acquiring over 20 new titles in FY 2020-21 alone. We are also excited for the release of upcoming Australian titles such as *Boy Swallows Universe*, *Heartbreak High*, *Wellmania*, *Irreverent*, *True Spirit*, *Gymnastics Academy: A Second Chance!*, *The Stranger*, *Down to Earth Season 2*, and *Kangaroo Valley*.

Claims by organisations such as the Screen Producers Association (SPA) that the ABC is the only remaining commissioner of children's content in Australia⁸ are simply incorrect. In FYs 2019-21 Netflix invested more than \$58 million in new Australian kids content, such as *Izzy's Koala World*, *Alien TV*, *The Unlisted*, *The New Legends of Monkey*, *Dive Club*, *Maverix*, *Surviving Summer*, *The Deep*, *The Bureau of Magical Things* and *Back to the Outback*. As a comparison, the ACMA reports that in the same financial years, the combined investment of commercial broadcasters on children's content was \$14.2 million. As Ed Horasz, Netflix's global director of licensing and co-commissions for kids and family says: "We commission stuff from Australia because the quality is fantastic."⁹

Netflix has also entered a partnership with the Australian Children's Television Foundation (ACTF) - the *Celebrate Australia Initiative* - to fund the development of at least two new original Australian children's series.



The ACTF is thrilled to be partnering with Netflix to find and develop two new Australian children's series for their global audience. Australian kids love Netflix and they deserve to see their own shows on the platforms, and Australian producers make kids shows the whole world loves - it's a great match. - Jenny Buckland, ACTF CEO

⁵ <https://www.acma.gov.au/spending-and-targets-2>

⁶ Screen Australia Annual Report 2020-21

⁷ Screen Australia Media Release, 3 August 2022

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<https://www.theguardian.com/media/2022/aug/22/australian-made-childrens-tv-although-gone-on-commercial-free-to-air-networks>

⁹

<https://www.smh.com.au/culture/tv-and-radio/quality-is-fantastic-netflix-reveals-110m-spend-on-australian-childrens-shows-20200807-p55jb.htm>

Our recent acquisition of Animal Logic will enable the Animal Logic and Netflix Animation teams to create a global creative production team and animation studio in Australia, that will produce some of Netflix's largest animated film titles.

Australian content on Netflix is loved by Australians and Netflix members around the globe. For example:

- *Surviving Summer*, a teen drama filmed and set in Victoria, became a top 10 title in 42 countries, was the Number 4 most watched title in the United States, and had over 20 million view hours globally in its first week. [This video](#) about the making of *Surviving Summer* highlights some of the cultural and economic benefits of making quality Australian stories in Australia. It's also packed with music from new and emerging Australian artists.
- *A Perfect Pairing*, an original romantic comedy made and set in Queensland, reached Number 1 on Netflix worldwide.
- *Dive Club*, a 12-episode teen drama filmed in Queensland featured in Netflix's ten most popular series list in over 30 countries.
- *Interceptor*, filmed in Artarmon, Sydney, was the Number 1 most viewed title on Netflix in the week of its release, with over 89 million view hours.
- *Spiderhead*, filmed in the Gold Coast, reached Number 2 globally in the week of its release, and became a top 10 title in 93 countries.

To provide an example of the scale of our contribution to Australian content production, Netflix invested over \$52.04 million in the original series *Clickbait*, which quickly became a local and global success story. *Clickbait* made Netflix's top 10 list in almost 90 countries and became the number 1 watched title overall (both movies and series) in more than 20 countries in its month of release.

Developing Australia's National Cultural Policy

Australia's record levels of production have caused sectoral problems such as skills and capacity constraints, and steeply rising production costs. It is increasingly difficult to find sufficient skilled crew to meet current levels of production demand. In addition to challenges in finding crew, Australia has an extreme shortage of studio space, with existing facilities that offer the necessary specifications booked up for many years in advance.

A recent SPA [survey of screen producers](#) found that local producers report crew shortages Australia-wide. 80 percent of respondents reported crewing difficulties, with two-thirds reporting this was the most significant challenge facing their business in the short-term.¹⁰ Netflix has experienced similar issues in making local productions.

We are working to address these problems. Netflix has invested more than \$2.5 million dollars to partner with AFTRS on an Indigenous Scholarship Fund supporting First Nations communities and storytellers; with Screenworks and the NSW Government on the Regional Crew Development Program; with Screen Australia and Bunya Productions' Indigenous Talent Hub; a new Post Production Attachment program; and with Support Act to establish a COVID-19 Film and TV Emergency Relief Fund. Although industry initiatives such as these are important, Netflix encourages the Government to consider systemic solutions to these capacity issues in setting the National Cultural Policy.

Netflix understands the Government is considering introducing a formal investment obligation on streaming entertainment services as part of the National Cultural Policy. Netflix would welcome the opportunity to consult on the design of any such obligation. Netflix is concerned that poorly designed regulatory interventions to compel additional production could significantly exacerbate the existing shortages and cost pressures faced by the industry. Free TV Australia's submission to the recent media policy Green Paper strongly opposed the introduction of an investment obligation

¹⁰<https://if.com.au/spa-survey-suggests-production-boom-is-leading-to-ski-shortages/>

on streaming services, partly due to these cost and capacity pressures. Research commissioned by Free TV found that introducing a local content obligation on streaming entertainment services could “exacerbate market weaknesses with cost inflation and limited production resources”.¹¹

We have included an additional page attached to this submission to highlight 4 factors we believe are essential to consider in designing any investment obligation, to mitigate the risk to existing revenue streams to producers, and worsening capacity constraints.

Netflix has quickly become a proud participant in Australia’s content production ecosystem by commencing local operations, building relationships with local creative industries, and identifying new investment and production opportunities. Netflix has been, and will continue to be, an active and significant investor in local content that showcases quality Australian stories to our members in Australia and right around the world.

Thank you for the opportunity to contribute these views to this important national conversation.

Nick O’Donnell
Director APAC Public Policy
Netflix

¹¹ O’Donnell and Oh baum Associates, *Supporting Local Content Investment: International Policy Approaches to VOD Services*, p7

Additional comments re a possible investment obligation for streaming services

As discussed above, streaming services are already investing significantly in Australian content. This level of investment has created skills and capacity constraints that make it difficult, if not impossible, for Australia's content ecosystem to cope with additional content production. If the Government decides to proceed with an obligation against this backdrop, we urge the Government to carefully consider at least these four factors:

1. ***Defining what type of investments qualify as eligible expenditure.***
This should be set as broadly and flexibly as possible, to stimulate investment across the entire content ecosystem. For example, including PDV expenditure in any obligation would incentivise foreign productions to expand their use of the services of Australia's world leading PDV talent. Recognising industry investments in capacity or skills development initiatives could further assist with solving the workforce issues discussed above.
2. ***Defining what types of Australian content should qualify as content investments***
This should be broad enough to stimulate production and distribution across all genres, and flexible enough to reflect the changing ways in which content is being financed, produced, distributed and consumed in an increasingly competitive and global marketplace. For example, the emerging interrelationship between content producers, broadcasters and streaming entertainment companies is an important development in the content production ecosystem. When Netflix partners on productions in Australia, we gain access to quality stories and talent, and can bring our particular focus on audiences and exports. Broadcasters benefit from additional financing for content for their domestic audiences. Australian producers, creators and talent gain substantial additional exposure, with visibility on Netflix in 190 countries.
3. ***Ensure the Australian content ecosystem remains competitive, by consistency with international norms.***
In countries where levies or investment obligations have been considered, the majority of financial contribution requirements are set at 2 percent or lower of providers' local revenues.¹² Some of the most successful film industries, such as the UK, do not impose local content obligations at all. As Oliver and Ohlbaum Associates found: "It is worth clarifying that most countries do not place local content investment obligations on SVOD services".¹³
4. ***Establishing clear public criteria for establishing whether content should be considered "Australian".***
The Department's 2020 Media Content Consumption survey shows that 'Made in Australia' is the aspect considered by most Australian adults as what makes media content 'Australian'. The definition of 'Australian content' should be set broadly to ensure that regulatory intervention does not threaten existing revenue streams to producers, if certain types of Australian productions are excluded from the definition. This would remedy the current situation where iconic Australian titles such as Stan's *The Tourist* (South Australia's biggest ever television production) are not considered to be sufficiently 'Australian' to be considered 'Australian content' in the voluntary streaming reporting scheme.

As producer Emile Sherman says:

*We have to be careful about holding on too tight to what it means to be an Australian. We're always reinventing ourselves. And if we have an ecosystem that's well fuelled, which supports a broad range of production houses that are empowered to unearth and support great Australian creative voices, we will have the best shot at continuing to grow an industry that we're all proud of.*¹⁴

¹² Streaming Services Reporting and Investment Scheme Discussion Paper, 2021, p9

³ Ibid footnote 9, p6

¹⁴ Interviewed by Sandy George, [Nobody Talks About Australianness on our Screens](#), p52