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Via email: contentoptionspaper@communications.gov.au

Supporting Australian Stories on our Screens - Options Paper

Netflix Submission

Netflix welcomes the opportunity to contribute to this important policy review into how best to support Australian stories on our screens. Our submission is in three parts:

1. An overview of Netflix and our investments in Australia
2. The evidence base for policy decisions - assessing the health of Australia's content production ecosystem
3. Assessing the policy options

Part 1 - About Netflix

Netflix's business model is a simple one: we give our members control over their entertainment. Our service is on-demand, personalised and available on any screen.

We have built an audience - in Australia and globally - by finding and creating the best stories from global and local producers, and offering ad-free, unlimited viewing on any screen. Netflix is about providing a personal experience. Our recommendations help our members choose a show or movie to enjoy with minimal effort.

Streaming entertainment services must offer compelling content to earn Australians' attention in a rapidly growing environment. Australian content has been, and will continue to be, a popular part of the Netflix catalogue for our members in Australia and around the world. This is why Netflix offers a growing catalogue of original content from Australia, and delivers licensed Australian content to our global membership.

Netflix is available at a fixed monthly price, and members can quit and rejoin at any time, so we must continually provide a variety of compelling content to keep our members satisfied. With an increase in streaming entertainment services available to consumers, demand for quality television series and movies is growing in Australia and internationally. Australia makes great content, and is well placed to meet this local and global demand.

Our goal is to ensure that our members have access to a diverse range of quality content that they will love. Our members' viewing choices lets us know what they like, and that information enables us to create and licence content based on the tastes of our diverse membership.

There is no advertising on Netflix, and we don't sell audiences to advertisers. We make content available, but we don't program or schedule it. We are focused on providing our members a viewing experience where they can easily choose a title they will love. This gives our members more opportunity to discover new content, and enables streaming entertainment services to make deeper investments in new and innovative programming.

Case Study: *The King*

The King is an example of the opportunity Netflix provides for innovative Aussie creators. Australian filmmaker David Michôd, director of *Animal Kingdom*, has made two films with Netflix, *War Machine* and *The King*.

Discussing the opportunities for more diverse content possible via distribution on Netflix he says:

"Nobody was making those properly resourced, mid-budgeted movies for grown ups. And then Netflix arrived."

"When Brad Pitt and I were trying to prep War Machine, we just knew that the movie was going to be expensive and none of the major studios were going to take it. It was too tonally weird, too dense with political information, it was politically contentious, and it was going to be expensive. We thought, 'Let's see what happens if we take it to Netflix.' Doing that felt like a radical move. But it also felt like the kind of thing everyone would be doing pretty soon."

The King, co-written by fellow Aussie Joel Edgerton, with stars including Australian Ben Mendelsohn, earned 13 AACTA nominations, including Best Film, Best Direction (Michôd), Best Lead Actor (Chalamet), Best Supporting Actor (both Edgerton and Mendelsohn), best Screenplay (Michôd, Edgerton), Best Cinematography (Arkapaw), Best Editing (Sciberras), Best Sound (Mackenzie, Petty, Gareth John, Leah Katz, Mario Vaccaro, Tara Webb), Best Production Design (Crombie) and Best Costume Design (Jane Petrie).

Production of *The King* was packed with Aussies in front of and behind the camera, and around 90 per cent of post-production was completed in Australia.

"It was a very, very, almost sacrilegiously Australian vibe on set," Michôd says.¹

Case Study: *Love on the Spectrum*

Our commitment to finding diverse and unique stories has recently led us to acquire global rights to Northern Pictures' *Love on the Spectrum*, the ABC-commissioned docuseries which follows seven young adults on the autism spectrum as they take their first steps in the world

¹ If.com.au, *David Michôd on 'The King' and how Netflix is reshaping cinema*, 28 October, 2019, Available at: <https://www.if.com.au/david-michod-on-the-king-and-how-netflix-is-reshaping-cinema/>

of dating. Northern Pictures' Head of Factual Karina Holden explains how the deal came about:

We had been in conversations with Netflix for some time, tracking the development of several projects and meeting with their Los Angeles based team. Their interest in diverse representation was really strong and as Netflix started to experiment with more dating formats, our timing was good. The audience reaction to the series when it premiered on ABC was very encouraging, as the series built from week to week and had an overwhelmingly positive reaction.

The beautiful thing about the show is the way it explores each person's unique experience of autism, giving us a much broader understanding of neurodiversity. The one thing the cast have in common is they all want the same thing – love and belonging. Being able to share “Love on the Spectrum” with the rest of the world through a platform as big as Netflix is so exciting and we hope more people fall in love with the series.²

As a global entertainment service, Netflix strives to make our content library accessible to all our members. That means that Australian Netflix members can watch a wide range of global content with English subtitles or dubbing, and our global members can access Australian content in their preferred language.

We also believe that entertainment is for everyone. We are a leader in making Netflix content accessible for our deaf and hearing impaired and blind and low vision members by continuing to invest heavily in quality audio description, subtitles and closed captions. We provide additional detail on these investments later in the paper.

Netflix in Australia

Netflix launched in Australia in 2015 and opened an office in Sydney in mid-2019. In this short time we have 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 investor in local content that brings Australian stories to the world.

Australia's world class content production industry means that it will continue to be a rich source of the stories loved by our members everywhere. It is why our Chief Content Officer, Ted Sarandos, has committed to sourcing Netflix originals content in Australia:

² If.com.au, *Northern Pictures seals 'Love on the Spectrum' deal with Netflix*, 26 June, 2020, Available at: <https://www.if.com.au/northern-pictures-seals-love-on-the-spectrum-deal-with-netflix/>

*“Australia has such a rich production infrastructure and great talent, both in front and behind the camera. There’s no reason we would not [commission] original shows for Australia”.*³

As part of the next stage in our development, Que Minh Luu will join our Sydney-based team in July as Director, Local Originals, responsible for commissioning Australian content. This will be a critical role to further cement Netflix’s existing position as a significant contributor to Australia’s content production ecosystem.

Our substantive and growing production activity in Australia provides revenues, jobs and global exposure for Australian producers, creators, talent and crews, as well as Australia’s animation, post-production and visual effects facilities. The following section of the submission shows the range of Netflix’s meaningful and significant contributions to Australia’s content production ecosystem.

Importantly, all of these investments were made not because of regulatory compulsion, but due to our commitment to Australia’s production sectors, and the importance of Australian content to our service in Australia and in markets around the world.

Netflix Originals

The commissioning of Netflix Originals is driven by our commitment to investing in quality, original programming that we know our members will love to watch.

Netflix Originals have been filmed all over Australia, including in Queensland, South Australia, the Northern Territory, Victoria and New South Wales.

Our growing slate of Australian Netflix Originals productions includes:

- *Extreme Engagement*
- *Hannah Gadsby: Nanette*
- *Hannah Gadsby: Douglas*
- *Kazoops! Seasons 2-3*
- *Lunatics*
- *Mako Mermaids: An H2O Adventure: Season 3*
- *Motown Magic Seasons 1-2*
- *Tales By Light*
- *Tidelands*
- *The Chefs' Line: Season 1*
- *The New Legends of Monkey: Season 2*
- *The White Rabbit Project.*
- *Cargo* [licensed as a Netflix Original following theatrical release]
- *I Am Mother* [licensed as a Netflix Original]

³ The Sydney Morning Herald, [Netflix content boss Ted Sarandos open to ideas for original Australian shows](#), June 11 2016.

We also have a slate of new Australian Originals coming soon to our Australian service, including: *Clickbait*, *Urzila Carlson: Overqualified Loser*, and *Izzy Bee's Koala World*.

Recently, Australian Original Hannah Gadsby's *Nanette* special captured the hearts and minds of viewers around the world. As the New York Times reported:

On June 19 [2018], a stand-up special called "Hannah Gadsby: Nanette" appeared on Netflix. An Australian comedian with a role on the sweet antipodean sitcom "Please Like Me," Gadsby was virtually unknown in the United States, and her special arrived with little fanfare. But over the past few weeks, "Nanette" has become a word-of-mouth phenomenon. In what is ultimately a testament to its widespread cultural impact, it has even generated a modest backlash.⁴

The worldwide popularity and critical acclaim for *Nanette* led to Hannah's successful follow up special, *Douglas*, recently launched as a Netflix Original worldwide.

These investments in Australian Netflix Originals represents a significant and growing contribution to Australia's content production ecosystem.

To provide an example of the scale of our contribution to Australian content production, Netflix has invested over AUD\$54.5 million in our upcoming original production *Clickbait*.

Case Study: *Clickbait*

Written, co-created and produced in Victoria, *Clickbait* is an 8-episode character-based thriller. The mini-series has involved production and filming at Docklands Studios Melbourne and various locations around the city of Melbourne.

Co-created by Victorians Tony Ayres and Christian White, *Clickbait* is being produced by Melbourne-based Matchbox Pictures and Tony Ayres Productions, together with UK production company Heyday Television.

Minister for Communications, Cyber Safety and the Arts, the Hon. Paul Fletcher MP, said the Morrison Government's investment supports Australia as a filming destination of choice for big budget productions, providing our local screen industry with a steady pipeline of work.

"Securing this production will bring more than \$36 million [USD] of new international investment to our shores, engage around 540 cast, crew and extras, and use the services of around 290 local businesses"

⁴ New York Times, '*Nanette*' Is the Most Discussed Comedy Special in Ages. Here's What to Read About It, July 13, 2018. Available at: <https://www.nytimes.com/2018/07/13/arts/television/nanette-hannah-gadsby-netflix-roundup.html>

Victorian Minister for Creative Industries, the Hon. Martin Foley MP said *Clickbait* is a major coup for Victoria:

“*Clickbait* demonstrates the ingenuity of Victorian creatives, who after many years of honing their talents, are in demand by Hollywood, and have created a production that has caught the eye of global powerhouse Netflix [the production] will inject millions of dollars into the Victorian economy, provide emerging screen practitioners with opportunities to build their skills and be seen by audiences the world over”.⁵

Netflix commitment to Australian children’s content

Netflix invests heavily in Australian children's content because parents find value in Netflix as a source of quality children’s entertainment. Providing high quality children’s programming that entertains and educates - commercial free - is a critical part of our service.

As a streaming entertainment service without any advertising, helping our members to choose what they want in a safe and user friendly environment is our only objective. User choice and control is critical to achieving that objective.

Netflix has invested in and continues to innovate our kid-friendly user interface and parental controls so our members can feel confident that their kids are watching content that is appropriate for them. About half of Netflix members worldwide have watched kids programming, which is why Ted Sarandos has stated that Netflix will “double down on kids and family programming”.⁶

Australian children's content on Netflix entertains, educates, and showcases Australian creative talent and culture to children around the world. Australia is one of our top locations for Netflix’s Original kids’ productions for animated and live action programming.

Netflix children’s Australian Originals and co-productions include:

- *The New Legends of Monkey*
- *Motown Magic*
- *Beat Bugs*
- *Kazoops!*
- *Bottersnikes and Gumbles*
- *The InBESTigators*
- *Mako Mermaids: An H2O Adventure*

⁵ Film Victoria media release, *Netflix Partners with Victorian Creators to Bring Clickbait to Melbourne, August, 26th 2019, Available at:* <https://www.film.vic.gov.au/news/netflix-partners-with-victorian-creators-to-bring-clickbait-to-melbourne>

⁶ The Wall Street Journal, *Netflix to Ramp Up Originals Targeting Kids*, 17 January, 2016. Available at: <https://www.wsj.com/articles/netflix-to-ramp-up-originals-targeting-kids-1453058812>

- *The Unlisted*
- *Alien TV*
- *Izzy Bee's Koala World*
- *Maverix*.

Case Study: *Alien TV*

Netflix has secured the global rights to eOne and POP Family Entertainment's family series *Alien TV*. The series is an Australian/Canadian co-production produced with the financial support of Create NSW.

Producer POP Family Entertainment CEO Carmel Travers said:

"Alien TV is a great example of what international co-productions are all about. I am thrilled that through Netflix and Nine, this irreverent comedy will be beamed worldwide giving audiences everywhere a funny look at the world – as 'aliens' might see us".

eOne president of family brands Olivier Dumont said:

"Our new show, *Alien TV*, takes recognisable situations and transforms them into side-splittingly hilarious visual gags that have an instant and universal appeal for both kids and parents.

"Alien TV demonstrates our ongoing commitment to bringing audiences high-quality, original kids programming on the very best platforms and we really believe it has the potential to be a big hit when it debuts this summer."⁷

Case Study: *Maverix*

Northern Territory's Brindle Films will be heading into production on *Maverix*, a new high-octane Australian children's drama series to be filmed in Alice Springs next year.

Set against the spectacular backdrop of Central Australia, the live-action series will showcase this unique and visually stunning part of Australia while following team *Maverix* and learning about life both on and off the track. With the support of ABC, Screen Australia, the Northern Territory Government, South Australian Film Corporation, and the Australian Children's Television Foundation, *Maverix* marks the largest locally-created and produced screen project in the Northern Territory's history.

The series has been commissioned by ABC who have exclusive rights in Australia. Netflix has acquired the rights to bring the series to Netflix's members in 190 countries once completed and delivered at the end of 2021.

⁷ if.com.au, *Netflix scoops up global rights to Alien TV*. Available at: <https://www.if.com.au/netflix-scoops-up-global-rights-to-alien-tv/>

Bernadette O'Mahony – Executive Producer said:

“It’s exciting to think that kids and families all across Australia and the world will see *Maverix* - it’s been a project ACTF has been passionate about since Rachel first pitched it to us. She knew it so well, it was all in her head, and as she spoke I could picture it all on screen. It was an exciting, ambitious idea and I’d been wanting to find a new live-action show for boys. They are provided with so much animation and gaming, but often didn’t see themselves on screen as much as girls were at that time, so I was actively talking to people about live-action with a boy skew – and in walked Rachel with *Maverix*.”

Netflix also has a number of popular licenced Australian kids shows on our Australian service, such as *H2O: Just Add Water*, *The Wild Adventures of Blinky Bill*, *The Wiggles* and *Bananas in Pyjamas*.

Netflix’s investment in Australian kids Originals is testament to the fact that Australian childrens’ programming is loved by our Australian and international members. As *Beat Bugs* producer Josh Wakely said:

*“Bringing “Beat Bugs” to life on Netflix and having a platform to reimagine this universally acclaimed music for families around the world is an exhilarating and rewarding experience”.*⁸

Investing in co-productions

Netflix has also invested heavily in co-productions with each of the free-to-air commercial television broadcasters and the ABC. These investments have helped to create and deliver new and innovative films and series such as:

- *72 Dangerous Animals: Latin America Season 1*
- *72 Dangerous Animals: Asia Season 1*
- *Ali's Wedding*
- *Ask The Doctor: Season 1*
- *Back with the Ex: Season 1*
- *The Breaker Upperers*
- *Comedians of the World ANZ: Season 1*
- *Glitch: Seasons 2- 3*
- *Guardians of the Tomb*
- *I Own Australia's Best Home - Series 1*
- *The InBESTigators Seasons 1-2*
- *Instant Hotel: Seasons 1-2*
- *The Letdown: Season 1*
- *Life in Colour presented by David Attenborough*

⁸ Media Week, *Beat Bugs Sydney Producer Signs Global Deal with Netflix*, 11 February, 2016. Available At:

<http://www.mediaweek.com.au/beat-bugs-sydney-producer-signs-global-deal-with-netflix/>

- *THE OSIRIS CHILD*
- *Pacific Heat*
- *Pine Gap: Season 1*
- *Secret City: Season 1*
- *Secret City: Under the Eagle: Season 2*
- *Sisters: Season 1*
- *Stateless*
- *Tales by Light: Season 1-3*
- *The Letdown: Season 1-2*
- *Yummy Mummies: Season 1-2*
- *Wanted: Seasons 1-3*
- *Zumbo's Just Desserts: Seasons 1-2*

A co-production means that Netflix partners with an Australian broadcaster to produce a title. Generally, the Australian broadcaster is provided a period of “first-run” rights in Australia, while Netflix distributes it as a Netflix Original outside of Australia. The title is then available on Netflix in Australia once the “first-run” period has expired.

When we partner 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 better-financed content for their domestic audiences. Australian producers, creators and talent gain substantial additional exposure, with Netflix Original branding in 190 markets around the world.

As Aquarius Films’ Angie Fielder and Polly Staniford, the producers of ABC - Netflix children’s live action co-production *The Unlisted* said:

“The Unlisted is a sophisticated, action-packed sci-fi conspiracy thriller for the tween and teen market. We are proud to be partnering with Sinking Ship on this series and we’re very excited that Netflix will be broadcasting the series for audiences all around the world.”⁹

For content that receives government support, additional financing from global distributors extends the value of the government’s investments, and facilitates the cultural policy goal of showcasing Australian culture and creative talent. When the ABC’s *The Letdown* was licensed as a Netflix Original outside of Australia, the partnership not only added additional funding to Screen Australia’s investment, but also allowed audiences around the world to discover this uniquely Australian show.

Case Study: *Glitch*

Netflix’s investments in co-productions can ensure larger production budgets, leading to higher quality programming. For example, after an investment from Netflix, *Glitch* -

⁹ [if.com.au](https://www.if.com.au/netflix-boards-abc-aquarius-films-kids-series-the-unlisted/), Netflix boards ABC/Aquarius Films’ kids series ‘The Unlisted’, 04 April, 2019 Available at: <https://www.if.com.au/netflix-boards-abc-aquarius-films-kids-series-the-unlisted/>

named by *The New York Times* as one of Top 10 international shows of 2016 - was picked up by Netflix for global distribution, offering *Glitch* to a global audience alongside series such as *The OA* and *Stranger Things*.

The Netflix investment also afforded more time for production. Showrunner Louise Fox said:

"We could shoot for longer ... We had an extra day an episode ... We had a normal drama schedule, but a normal drama is three people talking in a room, and sometimes they get in a car and drive to a cafe. *Glitch* had CGI, stunts, period flashbacks, prosthetics, car chases, every episode was crushed full. And shot on location, using international actors. To put all of that into an Australian drama schedule was very difficult. We were operating like we were *The Slap*, but we weren't *The Slap*."¹⁰

An ABC spokesman said the deal delivered a "better outcome" for Australian audiences.

"As a result of Netflix's involvement, there is more money being invested in *Glitch* to fully realise the creative aspiration of Series 2... The contribution from the ABC is lower, making the taxpayer dollar go further. Importantly, we also get to export great Australian drama to many countries around the world."¹¹

Co-productions are a good example why calculations such as 'percent of catalogue' to determine the extent of an entertainment service's local content investments can be highly problematic¹², as they do not recognise the importance of co-productions to Australia's content production sector.

For example, Netflix has made significant contributions to the development of high-quality Australian programming in multi-series co-productions such as *Glitch*, *Pine Gap* or *Wanted*. However, the nature of the co-production arrangements mean that the title is not initially available in the local Netflix catalogue. Australians are able to watch quality Australian content (via free-to-air broadcast or the broadcaster's catch up on-demand service), and the producers, talent and crew benefit from global exposure for the title.

¹⁰ Sydney Morning Herald, *All rise: the deceased keep the mysteries alive in the new season of Glitch*, Available at:

<https://www.smh.com.au/entertainment/all-rise-the-deceased-keep-the-mysteries-alive-in-the-new-season-of-glitch-20170904-gyac1i.html>

¹¹ The Australian, *TV Executives Find Big Glitch in ABC-Netflix Deal*, Available at:

<https://www.theaustralian.com.au/business/media/tv-executives-find-a-big-glitch-in-abcnetflix-deal/news-story/8e299d4487468658b831b5daad8a4286#:~:text=The%20ABC%20has%20partnered%20with,director%20Michelle%20Guthrie's%20efficiency%20drive.&text=Netflix%20funds%20about%2015%20per,video%20on%20demand%20rights>

¹² See Dr Ramon Lobato and Alexa Scarlata, *Australian content in SVOD Catalogues: Availability and Discoverability*, RMIT University, 2019, p. 7.

Exporting Australian content to the world

Netflix also partners with Australian creators to bring Australian content to our members around the world. For example, *Nowhere Boys*, which has won seventeen awards including best kids' series at the International Kids' Emmys (2015) is distributed by Netflix around the world.¹³

Other Australian titles that have gained significant exposure on our service include *Ali's Wedding*, *I Am Mother*, *Redfern Now*, *The Sapphires*, *Lion*, *The Dressmaker*, *Rake*, *Exposed: The Case of Keli Lane*, *Offspring*, *Wentworth*, *Miss Fisher's Murder Mysteries*, *Barbecue*, *The Code*, *Laid*, *Outback Truckers*, *The Water Diviner*, *The Moodys* and *Jack Irish*.

In addition, Australian authors such as Aaron Blabey are able to reach global audiences, with Netflix to make a film adaptation of best selling Australian children's book *Thelma the Unicorn*.¹⁴ Australian scriptwriters Joel Edgerton and David Michôd have achieved global acclaim with their Netflix Original film *The King*.

International licensing of Australian content also provides enhanced income to the Australian production industry from the global rights deals, as well as additional opportunities to monetise their content via increased global distribution of Australian stories. In the last three years, Netflix has licensed over 475 Australian titles which have been available for viewing around the world.

These deals also enable worldwide visibility and discoverability of Australian content. As *Barbecue* filmmaker Matt Sayleh notes, global distribution on Netflix is "brilliant ... [w]e made this as a global film so it was always our intention to share it as a global film as well".

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Case Study: *Stateless*

¹³ If.com.au, *Netflix Swoops Nowhere Boys*, 19 July 2017. Available at: <http://if.com.au/netflix-swoops-nowhere-boys/>

¹⁴ The Age, *Netflix to adapt bestselling Aussie children's book Thelma the Unicorn*, June 7 2019, Available at: <https://www.theage.com.au/entertainment/books/netflix-to-adapt-bestselling-aussie-children-s-book-thelma-the-unicorn-20190607-p51vgt.html>

¹⁵ Broadsheet, *An Australian Film about Barbecue is Coming to Netflix This Month*, 4 August 2017. Available at: <https://www.broadsheet.com.au/national/food-and-drink/article/australian-film-about-barbeque-coming-netflix-month#:~:text=An%20Australian%20Film%20About%20Barbeque%20Gets%20Picked%20Up%20by%20Netflix,act%20of%20cooking%20over%20fire.&text=When%20Australia%20filmmakers%20Matt%20Salleh,barbeque%20they%20had%20two%20rules.>

Netflix has acquired worldwide rights excluding Australia to *Stateless*, a six-part drama about four strangers whose lives collide in an immigration detention centre in the Australian desert.

On the opportunities created by Netflix global distribution, co-Creators Cate Blanchett, Tony Ayres & Elise McCredie said:

“*Stateless* has been a labour of love for many years and we could not be more thrilled that it will reach an international audience on Netflix. The issues addressed in the series have universal resonance but have been cloaked in silence and muddied by fear and misinformation. Our hope is that *Stateless* will generate a global conversation around our systems of border protection and how our humanity has been affected by them.”¹⁶

Alastair McKinnon, Managing Director of Matchbox Pictures stated, regarding Netflix’s decision to acquire *Stateless* as a global Netflix Original:

*“Stateless is a drama series that thrillingly taps into one of the biggest socio-political issues of our time and Netflix, with its unparalleled global reach, is the perfect platform to take this brilliant series to the world.”*¹⁷

Stateless launches globally on Netflix on 8 July 2020.

Post-production and visual effects

In addition to creating and acquiring Australian television shows and movies, Netflix also relies on Australia’s world famous production and post-production infrastructure and talent. For example, Netflix Original feature films such as *The King*, *Outlaw King*, *Casting JonBenet*, *First They Killed My Father* and *Bright* have all used Australian post-production services, as well as shows such as *Stranger Things*, *Tidelands*, *Pine Gap*, *The Ballad of Buster Scruggs*, and *Iron Fist*.

Netflix has established a Post Partner Program, which collaborates with post-production partners globally to ensure that the millions of Netflix members’ viewing experiences are nothing short of exceptional. The program’s focus includes language dubbing, audio descriptive services, master quality control, and post-production partners supporting Netflix-commissioned workflows. While we do not mandate the use of our Partners on our productions, and respect the producer and/or director’s creative decision as to where post production takes place, inclusion of Australian partners in the Program helps to showcase the quality of Australia’s post-production sector to creators worldwide.

¹⁶ *If.com.au*, Netflix swoops on ‘Stateless’, 25 February 2020, Available at: <https://www.if.com.au/netflix-swoops-on-stateless/#:~:text=Netflix%20has%20acquired%20worldwide%20rights,Tony%20Ayres%20and%20Elise%20McCredie>.

¹⁷ *If.com.au*, Netflix swoops on ‘Stateless’, 25 February 2020, Available at: <https://www.if.com.au/netflix-swoops-on-stateless/#:~:text=Netflix%20has%20acquired%20worldwide%20rights,Tony%20Ayres%20and%20Elise%20McCredie>.

The Post Partnerships & Integrations (**PPI**) team at Netflix uses a rigorous and precise certification program to certify Master QC vendors, post-production labs and audio localisation studios to ensure that the strict benchmarks ranging from technical competency to customer service and security requirements are upheld. After achieving these measures, partners are then badged. Excellence is paramount to remain active in the program and assessments are made based on various key performance indicators.

The PPI team invests heavily in the Netflix Post Partner Program, and partners gain quantitative benefits as part of the program through continued training opportunities to partner guidelines, such as:

- Use of the Netflix Post Partner Program badge
- Marketing Support
- Dedicated engineering and manufacturing support
- Exclusive events and training
- Partner engagement and regular updates
- Dedicated business and escalation contact.

Netflix is proud to have endorsed three Australian Post Partners - [Cutting Edge](#), [Silver Trak Digital](#) and [Soundfirm](#).

Other commitments to Australia's screen content ecosystem

Netflix has also demonstrated its commitment to Australia's content production sector by broader support and development measures, including:

Bunya Talent Indigenous Hub

A talent incubator and global networking program open to Indigenous writers, showrunners, directors and producers who will develop and pitch a film or television project to content executives from Netflix and other industry practitioners.

[Nine creative teams](#) comprising a total of thirteen Indigenous screen practitioners have been chosen to participate in the first phase of the program and will have the opportunity to showcase their work.

COVID-19 Film and TV Emergency Relief Fund

In recognition of the impact that COVID-19 has had on Australia's creative industries, Netflix partnered with Support Act to announce the creation of a new COVID-19 Film and TV Emergency Relief Fund¹⁸ to help the hardest hit workers in the television and film industry due to the production shutdowns caused by COVID-19 across all of Australia. Netflix donated AUD \$1 million to Support Act to launch the fund. This \$1 million contribution is in addition to the pay Clickbait committed to the crew after production was suspended.

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<https://supportact.org.au/netflix-and-support-act-covid-19-film-and-tv-emergency-relief-fund/>

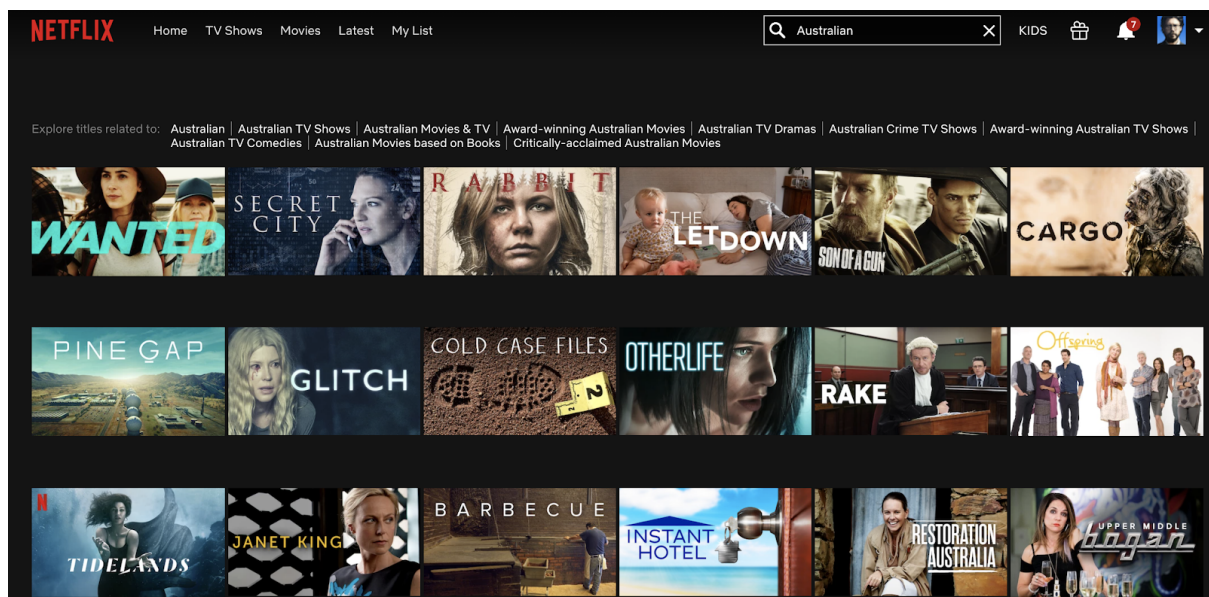
The grant is available to the most vulnerable below the line run of show and casual employees in the screen sector, who cannot work due to the near global production shutdown. Workers such as assistants, coordinators, technicians and operators from different production departments like camera, sound, music, art, make-up, costume design, locations and transportation, among others, many of whom are paid hourly wages and work on a project-to-project basis, were eligible to apply for the AUD\$1,000 one-time benefit. The fund was very quickly utilised, receiving applications from every State and Territory in Australia.

Netflix has also made a donation to Support Act to assist its ongoing provision of crisis relief services to musicians, crew and music workers; and its mental health promotion activities which are now also available to arts workers across Australia.

Helping Australian content to reach our members

We believe that great content can come from anywhere, and be loved everywhere. And that is how we saw a comedian such as Hannah Gadsby get discovered around the world, and become a phenomenon.

Netflix takes several measures to feature Australian content, and to assist our members find Australian productions and stories. We organise content into thousands of genres and micro-genres to offer recommendations best suited to a particular member. These include 'Australian' categories such as 'Australian TV Shows', 'Australian Crime TV Shows', 'Award-winning Australian Movies', and 'Australian Movies based on Books'.



Netflix tags content as 'Australian' based on a number of factors. We include content that is produced in Australia, such as our Australian Netflix Originals, or co-productions with Australian broadcasters. We also tag as 'Australian' content that features Australian creators or talent, has won Australian awards, and other relevant indicators. These tags generate searchable 'Australian' categories on our service in Australia and worldwide.

Some stakeholders have suggested that streaming services should artificially weight recommendation technologies to Australian content as a way to give prominence to Australian content, however this approach may be counterproductive. As explained above, Netflix generates recommendations based on a members' viewing patterns, so a Netflix member in Germany or Norway who enjoy horror films may be recommended the Australian Netflix Original zombie film *Cargo*, allowing Australian content to find its ideal audience around the world.

However, recommending *Cargo* for an Australian Netflix member who only likes romantic comedies simply because they are Australian, may generate a negative reaction, and a disappointing viewing experience for the member.

If recommendation technologies are weighted to artificially recommend Australian content that a member is unlikely to watch or may rate negatively - that viewer feedback may diminish the likelihood of that title being recommended to other similar members.

Making our content accessible to members

Netflix is committed to ensuring that our content is accessible to our deaf and hearing impaired and blind and low vision members.

Audio description

Audio description (**AD**) is narration that describes what's happening on screen, including physical actions, settings and more. It's primarily used by the blind and those with low vision to help them better connect to a story by filling in the missing pieces.

In 2015 our first title to launch with AD was *Marvel's Daredevil* - a story about a blind superhero. Today, we now have over 14,000 hours of audio description, covering most of our Originals and films in 39 languages. We also publish an audio description style guide to assist content creators when originating audio descriptions for Netflix content.¹⁹

We are currently experimenting with new technologies that would allow us to provide AD across more titles and in more languages - for example using AD synthetic audio (which is computer-generated as opposed to produced by a human voice). Research we conducted earlier this year showed that people were pleasantly surprised by the quality of computer-generated audio. Netflix will continue to innovate and invest in this important accessibility technology.

Closed captions

All Netflix Originals support closed captions in the language the content is made in, and we source or create captions for our licenced content.

Interactivity

When we launched *Black Mirror: Bandersnatch*, an interactive film released on Netflix in

¹⁹

<https://partnerhelp.netflixstudios.com/hc/en-us/articles/215510667-Audio-Description-Style-Guide-v2-1>

2018, it became clear that interactive shows raise new accessibility issues. So we've been working closely with Lighthouse for the Blind and Visually Impaired²⁰ to run workshops with employees and do research with members to understand what watching Netflix is like for those who use screen readers and rely on audio description. For example, we have learned that making choices can be challenging for these members. They need to first understand they are at a point where they need to choose, then be presented with the options, plus have enough time to make the decision. It's an area we will continue to work to improve.

Investing in tools to assist our members

Netflix also invests significant time and resources in ensuring our members have a safe and localised viewing experience.

Parental controls

Netflix is committed to giving parents the controls they need to make the right decisions for their families. Choice and control have always been important for our members, especially parents. We have recently updated and improved these controls, based on feedback from our members, to provide additional tools to help parents make the right choices for their families. Parents can:

- PIN protect individual profiles to help prevent kids from using them;
- Tailor their kids' Netflix experience by filtering out titles that are not appropriate for their age. We've built these filters and localised them using Australian ratings for our Australian members so they are more intuitive for our local members to use.
- Remove individual series or films by title. When this filter is used, the blocked title(s) won't show up anywhere in that profile;
- Easily review each profile's setting using the "Profile and Parental Controls" hub within account settings;
- See what their kids have been watching within the profile created for them; and
- Turn off auto play of episodes in kids profiles.

Netflix Australian classification tool

Netflix has partnered with the Australian Government to develop a world-first classification tool to ensure our Australian members have access to localised classification information. The tool works with Netflix's recommendation technologies to ensure that appropriate local classification information and consumer advice is available to our Australian members. The tool helps to ensure that our Australian members are able to access Netflix Originals with local Australian classification information, as well as other content on our service not previously classified in Australia. The tool also enables us to ensure that our Australian members have access to Netflix content released globally at the same time as the rest of the world, with localised classification information to guide their viewing choices.

²⁰ <https://lighthouse-sf.org/>

Part 2 - The evidence base for policy decisions

An important first step in any policy process is identifying the policy problem needing to be solved, and assessing the available data to help inform the development of an appropriate solution to that problem. In this context, we think it is important to assess the data about the health of Australia's content production ecosystem, identify any roadblocks standing in the way of success, and explore a range of policy options to ensure optimal outcomes across the range of policy issues facing the screen sector.

Assessing the health of Australia's screen content ecosystem

The cultural and audience value of the Australian screen production industry has been estimated to be worth over AUD\$18 billion, with an annual contribution to GDP estimated at AUD\$3 billion, generating over 25,000 in full time equivalent jobs.²¹ This growth trend is predicted to continue over the medium term, as the evolution of the market continues to demand strong investment from established and new entrants alike.²²

In 2019, Screen Australia reported a record \$1,179 million expenditure on Australian productions.²³ This marked a 53% increase in expenditure on the previous year, and included a record \$768 million expenditure on Australian titles. Thirty-three Australian feature films and 37 TV dramas began principal photography in 2018/19. The sector also saw the highest expenditure in ten years on children's drama, with \$95 million being spent across 15 titles, generating 132 hours of content.

However, due to the methodology adopted by Screen Australia in producing its annual Drama Report, these figures do not accurately capture the contribution that streaming entertainment services make to the production sector. The Drama Report classifies 'online drama' as a single episode or series titles with total durations of 30 minutes or more that have premiered in Australia online. The report also separately classifies titles that are released simultaneously on TV and online as 'TV dramas'.

As a result of the drama report categorisations, many of the productions that Netflix and others co-produce with broadcasters like the ABC are not attributed to the financial contributions made by online streaming services in the Screen Australia data. For example, while in the 2018-19 financial year Netflix contributed to the production of titles such as *The Letdown*, *Glitch*, *The InBESTigators*, *The King*, *Secret City* and *The New*

²¹ Olsberg SPI, *Study on the Economic Contribution of the Motion Picture and Television Industry in Australia* (2019)

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.

²² Ibid

²³ Screen Australia, *Drama Report 2017/18*

<https://www.screenaustralia.gov.au/sa/media-centre/news/2018/10-30-drama-report-2017-18-home-grown-expenditure#:~:text=Screen%20Australia%27s%20annual%20Drama%20Report,up%207%25%20on%20last%20year>

Legends of Monkey, the only title that is specifically attributed to Netflix in the 2018/19 Drama Report is *The New Legends of Monkey*.

What measures encourage investment in Australian content?

As presented in Part 1, Netflix makes significant investments in Australian content and to the wider content production ecosystem. These investments are due to the quality of Australian content, producers, talent and crew, as well as post-production and visual effects. The increasing global demand for content will continue to make Australia an important place to invest.

It must be recognised however that while Australian creatives are world renowned, Australia still competes for global productions, talent and investment. Production and other incentives are a critical lever of the policy framework to ensure that Australia remains a globally attractive place to make film and television shows.

This is the case irrespective of which policy option or alternative approach is chosen regarding the investment issues addressed in the Options Paper. For this reason, Netflix does not support the framing of the incentive options in the Options Paper - where particular policy options regarding investment obligations are linked to specific approaches on incentives.

Netflix submits that the discussion of the optimal approach to incentives should be 'unlinked' from more focussed policy discussions about potential future content investment obligation models and mechanisms.

Ensuring Australia's incentives framework is internationally competitive

Incentives must be treated as a critical component of the health of the overall content sector, irrespective of which policy option or decision is ultimately adopted.

Research shows there is a direct link between the availability of flexible, competitive location incentives and growth in the screen sector. For example, according to data produced by Olsberg SPI, the availability of top-up grants "provided a brief but major increase in film production spend during 2016-17, generating an unprecedented level of economic impact. This fell equally dramatically in 2017-18, following the loss of this investment."²⁴

Film production incentives must also be flexible in order to offer the greatest opportunity to attract investment. For example, Olsberg SPI notes the 'capped' nature of the Location Incentive compares unfavourably with international comparators such as the system of tax relief in the UK.²⁵

²⁴ Olsberg SPI, Study on the Economic Contribution of the Motion Picture and Television Industry in Australia (2019) page 17
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

²⁵ Ibid 4.

We believe that this review represents an important opportunity for Australia to modernise and harmonise its incentives framework to reflect the breadth of content investment and formats being produced in Australia.

Harmonisation of the Producer Offset for film and television production, as well as the Location and PDV offsets (currently at 16.5% and 30% respectively) is an important part of achieving this goal. This is key to ensuring that quality Australian stories can be made in the widest possible range of formats, and for the delivery platforms that are best suited to telling that story. It would also encourage more post production and VFX work in Australia following the physical shoot period of a production, including for foreign or 'footloose' production.

Clickbait is an excellent example of the additional investments in television production across the sector that have been encouraged as a result of the government's decision to clarify the interpretation of the Location & PDV offsets and Location Incentive grant to include streaming entertainment series.

It is clear from successive global and local economic contribution reports, as well as analysis provided to governments throughout the world that incentives (and certainty of such incentives in terms of criteria and eligibility) are integral to developing and attracting production, direct private investment for infrastructure and skills development for a local screen industry, and the entire associated ecosystem.²⁶

What are the roadblocks to the production of Australian content?

As discussed above, the Australian content production sector is experiencing record levels of expenditure across adult and children's drama. This increased demand for content across the globe has led to capacity constraints that require strategic, long-term industry and government investment.²⁷ Netflix considers this review an important mechanism to explore a policy and incentive framework that addresses these critical issues, as well as the essential issue of ensuring the ongoing production and broadcast of Australian stories.

²⁶ See, eg Olsberg SPI, Best Practice in Screen Sector Development (2019) <https://d2pr6jkptl5mr9.cloudfront.net/afci/media/2019/09/12205402/AFCI-Best-Practice-Study-2019-09-13-Final-1.pdf>; Olsberg SPI, Impact of Film and TV Incentives in Australia (2018) <https://www.screenproducers.org.au/assets/Insights-images/Impact-of-Film-and-Television-Incentives-in-Australia-FINAL-2018-03-12.pdf>; Ausfilm, Submission to the Senate Select Committee on COVID-19 (2020) <https://www.aph.gov.au/DocumentStore.ashx?id=e90c1068-f432-42fd-816c-cad3d911fc93&subId=684965>.

²⁷ Olsberg SPI, Study on the Economic Contribution of the Motion Picture and Television Industry in Australia (2019) page 17 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

Capacity constraints

Research shows that the scale of global production investment has significantly increased the need for physical spaces to shoot, or manufacture, screen content. A report by Olsberg SPI finds that “production studios are a key area of need in many markets and strategic, long-term government investment is a key intervention for developing production infrastructure and building the sector”.²⁸

The development of studio and production spaces often requires significant capital expenditure, an area in which governments can play a key role in promoting and incentivising private investment. Where the development of this infrastructure is linked to other measures such as workforce capacity building, the development of studio and production spaces contributes to the growth of the entire content production ecosystem.

Australia has well-established state of the art studios in Queensland, NSW, Victoria and South Australia, however the size and capacities of these facilities is varied. Recent investment by various state governments together with private development investment to build more capacity for screen production indicates the proven economic benefits such production can bring to a local economy let alone the flow-on effects to the broader economy and ecosystem.

Such decisions include the recent announcement by the Victorian government to expand its Docklands Studios with an additional sound stage and facilities (Stage Six) in response to the need for purpose built production space to house a mix of concurrent productions - ongoing domestic television series, one-off features and committed international productions (features and series) - which currently need to utilise a mix of warehouse space and studio to accommodate current production requirements.

New Line’s major feature film *Mortal Kombat* was secured by the South Australian government utilising disused manufacturing warehouse space in Adelaide to complement the more boutique Adelaide Studios. While the major Village Roadshow Studios on the Gold Coast has been the home to a number of large scale international production and local television and feature film production, the Queensland government built a television studio space in Brisbane to enable more television production capacity.

The search for stage space to service the production ecosystem is a worldwide phenomenon. As can be seen in the United Kingdom, the ‘incentivise’ approach of the UK government has delivered a phenomenal growth in the amount of local and international production and private investment to continue to develop purpose built facilities to house this ever growing slate of production, which in turn grows the number of jobs and businesses utilised across the economy. This will be an ongoing key to economic recovery.

²⁸ Olsberg SPI, Best Practice in Screen Sector Development (2019) page 7
<https://d2pr6jkptl5mr9.cloudfront.net/afci/media/2019/09/12205402/AFCI-Best-Practice-Study-2019-09-13-Final-1.pdf>.

Crew depth and availability

A highly-skilled workforce is an essential element of any screen production ecosystem. Screen productions require a range of highly specialised workers who develop their skills over many years of on-set experience. However, the increased volume of productions over recent years has placed capacity constraints on this specialised workforce, and difficulty accessing quality skills has the potential to reduce the attractiveness of a jurisdiction.²⁹ As Olsberg SPI notes, the inadequate provision of skilled crew “limits production and its benefits”.³⁰

The importance of incentivising investment across the entire ecosystem

Netflix supports the proposition that streaming entertainment services should make a meaningful contribution to Australia’s content production industries. This includes the important cultural policy objective of ensuring Australian stories can continue to be made and shared on our screens.

However, given the complexity of the content production ecosystem, and the capacity constraints facing the content sectors, Netflix believes that policy solutions should not narrowly focus on content production alone, but encourage and facilitate the widest possible range of investments. We believe any regulatory solutions must be designed to support a broad range of policy considerations, including:

- Ensuring a skills and employment pipeline from pre to post production, and ensuring that Australian productions can obtain the talent and crew they need to meet the global demand for content;
- Enhancing production capacity - fixing the problem of the extreme shortage of physical production space leading to capacity constraints for new productions;
- Ensuring continued investment in pre-production, physical production, post and visual effects, and building on programs such as the Netflix Post Partner Program to continue to attract inbound investment;
- Attracting inbound investment and building on existing foreign production investments;
- Maximising the export benefits provided to creators from global entertainment services; and
- Maximising the direct and indirect economic benefits that flow from a strong production sector, through job creation to wider economic benefits such as tourism.

A policy solution that can address all of these objectives is imperative to ensure that Australia’s content production industries continue to experience the record production growth seen in recent years.

²⁹ Ibid page 37.

³⁰ Ibid page 34.

As research by AlphaBeta has found, “overly onerous content regulation could result in quantity over quality of local content, when fixed production budgets need to be stretched to meet content quotas, and the industry rushes simply to meet these requirements instead of focusing on remaining competitive”.³¹ It is necessary to ensure that policy interventions do not unintentionally undermine the industry potential by failing to focus on encouraging the production of high-quality content that can appeal to local and international audiences.

All players in the ecosystem have a role in providing support for local film and television production. However it is critical that local content or cultural policy approaches keep pace with the changing ways in which content is being financed, produced, distributed and consumed in an increasingly competitive and global marketplace.

Some thoughts about the impact of COVID-19

There is no doubt that the impact of COVID-19 on screen production has been devastating. Almost all television and film production ceased - leaving hundreds of thousands of crew and cast without jobs. These include electricians, carpenters, drivers, hair and makeup artists and more, many of whom are paid hourly wages and work on a project-to-project basis. Creative communities have supported Netflix through the good times, and we want to help them through these hard times, as we have done via our partnership with Support Act on the emergency relief fund referred to above.

However despite the immense challenges posed by the impact of COVID-19, we are confident that the reputation and skills of Australia’s world leading content production sector industry, combined with Australia’s relatively early emergence from production closures, means that Australia is well placed to rebound quickly.

Netflix is confident that the demand for Australian content will continue to grow, and Australia will emerge from COVID-19 as one of the most attractive global locations for content production and investment. In fact, we see the biggest problem facing Australia’s content production sector post COVID-19 is how to ensure sufficient production capacity, physical infrastructure, and availability of skills and talent located ‘in country’ in order to meet this global demand.

The New Zealand government has recently acknowledged the opportunities created by the country’s relatively early emergence from COVID-19:

Recent research published by Olsberg SPI shows screen production has a significant economic impact globally, with the industry worth \$177 billion worldwide in 2019 and creating 14 million full-time equivalent jobs. The demand for screen product has not lessened under COVID-19 conditions, but with production still on hiatus in many countries, eyes are turning to those where

³¹ AlphaBeta, *Asia On-Demand: The Growth of VOD Investment in Local Entertainment Industries* (2018) page 13
https://www.alphabeta.com/wp-content/uploads/2018/10/asia-on-demand_fa_spread_interactive.pdf.

production has not just re-started, but where there are strong health and safety protocols in place to protect workers. New Zealand is one of those places, and will benefit on multiple levels, from the rapid injection of revenue into the economy, to jobs directly and indirectly supporting screen production.³²

Netflix believes it is essential that this review recognise that COVID-19 has resulted in significant setbacks for our production industries. However in exploring policy responses to this immediate reality, and the future of the sector going forward, we believe the challenges of COVID-19 mean it is even more important that policy responses encourage the widest possible range of investments, not just in content production, but addressing all of the roadblocks standing in the way of the sector rebounding as quickly as possible.

Part 3 - Assessing the policy options

As discussed above, we think it is important to ‘unlink’ the discussion of incentives from policy solutions designed to consider investments in content production as has been presented in the Options Paper. As such, in discussing the various policy options canvassed in the Options Paper, in this part of our submission we refer only to the discussion of each option as it relates to investment obligations.

Netflix appreciates the thoughtful analysis presented in the Options Paper. We were also grateful for the opportunity to participate in a number of valuable cross-industry roundtable discussions convened by Minister Fletcher during the consultation period. Netflix agrees with the general proposition that streaming entertainment services should make a meaningful contribution to Australia’s content production ecosystem. However, we are concerned that the Options Paper adopts an overly narrow approach to identifying possible future policy approaches, and does not consider all aspects of Australia’s content production ecosystem. For example:

- The Options Paper does not capture the full extent of existing investments made by Netflix and Australia’s broader streaming entertainment industry;
- The policy options identified do not recognise the diverse nature of the range of streaming entertainment services operating in Australia, or the nascent development of our industry (with some players being in the market for less than a year, and others such as AnimeLabs targeting niche content genres);
- The paper doesn’t fully address the opportunities brought to the Australian content production ecosystem from streaming entertainment services, such as:
 - Export opportunities from global audiences;
 - International licensing;
 - Additional revenue streams;
 - Bigger budgets from co-productions which are not captured in Screen Australia’s methodology (see Part Two of this paper above); and

³² <https://www.nzfilm.co.nz/news/screen-sector-recovery-package-announced>

- Increased foreign investment and production in Australia’s broader content production ecosystem.
- The Options Paper focuses on the critically important policy issue of ensuring the continued production of Australian stories. However, the policy options identified do not encourage investment in broader but intrinsically related and dependent policy goals, including:
 - Economic policy - maximising the direct and indirect economic benefits that flow from a strong production sector;
 - Skills and training - ensuring a skills and employment pipeline from pre to post production;
 - Enhancing physical production capacity (fixing the problem of the extreme shortage of production space in this country);
 - Export, trade and ‘soft diplomacy’ policy objectives; and
 - Tourism policy, and encouraging the other flow-on economic benefits that are shared across the economy from film and television production.

We believe that there are ‘pros’ and ‘cons’ regarding the options identified for consideration. For example:

- There is some merit in the ‘status quo’ option, given the healthy growth in the sector, lack of broad evidence of market failure, and growing investment from Australia’s emerging streaming entertainment participants. However, adopting a ‘status quo’ solution would not solve known skills and capacity issues, nor address concerns from broadcasters about the sustainability of existing regulation applied only to broadcasters, or the lack of flexibility in the manner in which they deliver Australian content to their viewers.
- Similarly, the UK experience suggests that a deregulatory option may be worth considering, given the increase in incentive-supported production spend between 2013 and 2018, and existing market-led investments from the streaming entertainment industry.³³ However, the UK’s more preferential incentive scheme makes direct comparisons difficult. As noted by Olsberg SPI, the UK’s system of uncapped incentives have driven much of the production growth since 2013.
- The ‘minimal’ option - which essentially formalises the existing significant contributions from Netflix and other streaming services - would provide comfort to the production sectors that the existing level of investment would continue or expand. However, given the focus of this option as described is purely on cultural policy objectives, this option may be unlikely in isolation to stimulate the broader range of investments so critical to the ongoing success of the wider sector.

³³ Olsberg SPI, Study on the Economic Contribution of the Motion Picture and Television Industry in Australia (2019) page 6
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.

- The ‘significant’ option has the potential to cause significant problems for the sector, including the reality that there is currently insufficient physical production capacity for this option to work meaningfully in practice. If every qualifying participant in the industry is required to make new Australian content, there are serious issues to be thought through about whether this new content could realistically be made, and at what price.
- There are also practical considerations to be addressed, related to the diversity of business models existing in the market. For example, some subscriptions to streaming entertainment services such as Apple TV+ or Amazon Prime Video may be included free as part of wider memberships or device purchases, making subscriber number or revenue based calculations difficult to implement on a competitively neutral basis in practice.

In our view, no single option presented is best placed to provide an optimal policy framework to deliver continued vitality, vibrancy and viability across the entire Australian content production and broadcast ecosystem.

An alternative proposal for consideration

As presented in Part 1 of this submission, Netflix makes a significant contribution to Australia’s content production industries. We support the development of a policy framework that formalises this commitment and delivers the recommendation of the Australian Competition and Consumer Commission to implement a harmonised media regulatory framework. However we do not believe that the options canvassed would lead to the best outcomes for all participants in the sector. Indeed, we are concerned that some options may exacerbate existing issues, rather than promoting policy settings that will lead to broadly distributed beneficial outcomes, including for Australian consumers.

As the economic data recognises, investment in content production in Australia is growing strongly, with streaming entertainment services playing a key role in this boom. This investment is occurring in a holistic manner across the entire content production ecosystem. We believe it is critical that policy solutions support and encourage a continuation of this wider growth across the sector.

Netflix supports a policy approach that is flexible enough to recognise the diversity of content offerings and business models across the streaming entertainment industry, and encourages investment across a wider set of policy goals. As the Australian Communications and Media Authority has identified:

“The pace of technological innovation in the digital environment is fast and arguably still accelerating, with commensurate effects on user requirements, industry structure and the effectiveness of institutional arrangements. Future frameworks will be unlikely to successfully predict change in this digital environment; rather, the tools (or ways of responding) applied to the delivery of public interest outcomes in media and communications would best be adaptable

and sufficiently flexible to enable a *suite of options* rather than single prescribed methods which may lose effectiveness over time”.³⁴

Inflexible and overly prescriptive regulatory intervention at this stage risks significant unintended consequences for the rapidly evolving local content production ecosystem that is increasingly finding partnership opportunities with streaming entertainment services that are unlocking global audiences.

We acknowledge and support the importance of the cultural policy goal of ensuring the continued production and availability of Australian stories to Australian viewers. However focusing solely on policy solutions designed to address cultural policy objectives risks missing the chance to design a system that encourages production and investment across the entire content production ecosystem.

As an alternative approach, we submit the following principles should guide the development of any policy solution:

1. The Government should articulate a broad set of guiding principles outlining the expectation that streaming entertainment companies should be making a meaningful contribution to the Australian content production industry.
2. These principles should consider and reflect that all streaming entertainment companies have vastly different business models, with different operating margins, and economics.
3. The principles should recognise that relevant companies contribute to Australia’s content production sector in different ways, and meet a wide range of policy objectives.
4. Meaningful contributions to Australia’s content production industry could be made across a range of investment categories, at the discretion of the provider, including but not limited to:
 - a. commissioning productions;
 - b. investment in co-productions;
 - c. licencing Australian content;
 - d. international productions filmed in Australia;
 - e. foreign export of Australian productions;
 - f. investment in direct employment, skills and talent development in the Australian content production and media industries;
 - g. content accessibility features and functionality; and
 - h. investment in physical production capacity.

³⁴ ACMA, *Enduring concepts. Communications and Media in Australia*, November 2011, p7.

5. Each streaming entertainment company would be required to advise the Government on an annual basis of its investments across these categories. This advice should be able to be made in confidence where appropriate (for example, to maintain confidential licensing terms or where disclosure would damage a provider's competitive position in the market).
6. The Government would monitor and assess this investment information over a 3-5 year period to assess whether companies were continuing to make a meaningful contribution, or whether more action may be required.
7. If it is determined that any company is not meeting these investment expectations, Government action could range from feedback to individual companies about their contribution, or a detailed industry review into whether specific or targeted regulatory intervention is required, and for how long.

We propose that the system be in place for an initial period of at least three years before being reviewed.

In conjunction with an effective and competitive incentive regime, we believe this approach would achieve numerous policy objectives:

- Cultural policy objectives - ensuring Australian stories are told on our screens;
- Economic objectives - maximising the direct and indirect economic benefits that flow from a strong production sector, through job creation to wider economic benefits such as tourism;
- Skills and training objectives - ensuring a skills and employment pipeline from pre to post production;
- Enhancing production capacity - fixing the problem of the extreme shortage of physical production space in this country;
- Export, trade and 'soft diplomacy' objectives - taking quality Australian content to the world; and
- Ensuring continued investment in pre-production, physical production, post and visual effects.

Netflix would be pleased to formalise its existing meaningful contributions to the broader production sector in this manner.

Conclusion

Netflix's investments in Australia are significant. Australian Netflix Original productions and co-productions, as well as international and local licensed content available to our members in Australia and 190 markets around the globe provide organic financial support and exposure to Australian creators.

It is critically important to the future of Australia's entire screen content production ecosystem that any new policy approach continues to encourage and reward the widest possible range of investments in the production ecosystem, as well as advancing the important goal of ensuring the continued production of quality Australian content.

Netflix looks forward to playing its part, contributing to the ongoing success of our content production sectors, and bringing great Australian stories to our members in Australia and around the world.

Thank you for the opportunity to present these views for consideration.

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