



31 January, 2018

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

RE: Australian content on broadcast, radio and streaming services

Dear Chair Hanson-Young and Committee Members:

Thank you for the opportunity to present these comments for the Committee's consideration.

The internet connects people from all over the world, facilitating social interaction, commerce, and unparalleled access to information and entertainment. Netflix is passionate about collecting the world's best movies and TV series from around the world, and bringing them to our members wherever they live. Our members can watch as much as they want to watch, when and where they want, and on virtually any internet-connected device in over 190 countries.

Netflix strives to avoid many of the hassles and headaches that people typically associate with watching television. Netflix is affordable and has no advertising. There are no long term commitments or contracts. Members can quit or rejoin any time. The only requirement is an internet accessible device and a data connection. Netflix believes that this consumer-focused approach is what people want — and increasingly, what they expect.

Netflix has a large variety of movies and television series and strives to have content that appeals to a wide variety of tastes all around the globe. The number of movies and TV series, including Netflix original series, from Australia on Netflix is growing. Last year we announced

our first Netflix original series from Australia, *Tidelands*, as well as our second co-production with ABC, *Pine Gap*; and more announcements are on the way. Our investment in Australian content is growing because Australians make great content, and on an open, competitive internet, it is great content combined with an appealing user interface that allows Netflix to continue bringing joy to our members.

Streaming Services Increase Organic Demand for Australian Content.

Australians have more options for video entertainment than ever before. Just some of the local and international streaming services available to Australians are Netflix, Stan, Amazon Prime, Foxtel Now, ABC iView, SBS On Demand, Plus7, 9Now, Tenplay and YouTube Red. This competitive environment was built on an open internet, which has enabled Australians to directly access content they enjoy through a variety of choices of video streaming services. This competition pushes distributors to find the very best content to win the attention of our members. Netflix looks for this content all over the world, including in Australia.

Extreme competition and demand for high quality content increases the ability for Australian creators to fund and make their movies and television series. Data from Screen Australia shows significant growth in the drama production sector, largely driven from foreign financing of production. In 2016/17, there was:

\$1.3 billion total Australian expenditure – a record year marking a greater-than 50% increase year over year. This was driven by the highest ever level of foreign spend of \$610 million, an increase of greater than 100% from the previous year and over 450% since 2012/13; and a healthy Australian slate of \$667 million.¹

¹ Screen Australia, 2017, [Drama Report](#), p 5.

This growth corresponds to a rise in the popularity of streaming services among Australian and international audiences.² Increases in production have been organic, driven by greater demands for high quality content and the proven ability of Australians to produce world-class movies and TV series. The borderless nature of the internet expands opportunities for distribution, pushing Australian content creators to compete with producers from around the world.

This growth was not driven by artificial demand generators such as quotas, funds, or minimum investment requirements. Australian creators are creating high quality content, and succeeding on a global stage. As one South African Netflix member tweeted about the ABC-Netflix co-production, *Glitch*: “Binge-watching this Australian paranormal show on Netflix called #Glitch. Already on the 2nd season. Very interesting. Recommend it!”

Netflix has been - and will continue to be - a growing part of the Australian production ecosystem. Australian Netflix original movies, documentaries, series, and co-productions like *Tidelands*, *White Rabbit Project*, *Tales by Light*, *Wanted*, *Pacific Heat*, *The Letdown*, *Cargo*, *Glitch* and *Pine Gap* are produced by Australian creators for Netflix and distributed to members all around the world. Netflix also licenses second-run Australian titles, such as *Lion*, *Rake*, *Ms. Fisher’s Murder Mysteries*, *Barbecue*, *Outback Truckers*, *The Code*, *Laid*, and *the Moodys*.³ Second-run distribution provides an additional way for Australian producers to monetize their content, and creates opportunities for viewers everywhere to see the best of Australian creators.

² 32% of respondents to a Deloitte survey of Australian consumers had a subscription video on-demand service, a 22% increase year over year. Deloitte Media Consumer Survey, 2017, <https://www2.deloitte.com/au/en/pages/technology-media-and-telecommunications/articles/media-consumer-survey-2017.html>

³ The availability of titles varies market to market.

Total production costs for film, television and videos were \$3,436.1m in 2015-16, an increase of 15.5% compared to 2011-12.⁴ The production market in Australia has been thriving since streaming services launched.

Children's Content is Uniquely Valuable to Streaming Services.

ABC and Netflix are leaders in professionally produced children's content. Both Netflix and ABC make this quality content to match the interests of Australian consumers and their families - not because of mandatory quotas or content regulation.

Because of its reliance on advertising, traditional commercial television may have found production of children's content challenging. Children's content may not target an audience that advertisers seek to reach (i.e. adults with spending power). Likewise parents may have concerns about their children being exposed to too many commercials on TV. This mismatch in incentive has traditionally led to less organic production of high quality kids content.

No such mismatch exists when it comes to Netflix because Netflix does not rely on advertising. That means we put the demands of our members first, and there is no need to buy content to satisfy advertisers. Rather, kids content is a key component of the value Netflix provides to its members as part of their subscription. Put simply: people love quality kids content on Netflix, so we love to supply it. As we said in our submission to the Department of Communications and the Arts' Australian and Children's Screen Content Review:

As a consumer-driven subscription-based platform, Netflix invests heavily in Australian kids content because parents find value in Netflix as a source for children's entertainment. Netflix provides high quality content for kids that entertains and educates, commercial-free. Netflix has invested in a kid-friendly user interface and parental

⁴ Australian Bureau of Statistics (ABS), 2017, [8679.0 - Film, Television and Digital Games, Australia 2015-2016](#)

controls so members can feel confident that their kids are only watching content that is appropriate for them. About half of Netflix members have watched kids programming. This is why Ted Sarandos said that Netflix will “double down on kids and family programming.”⁵

Australian kids content is essential to the Netflix offering. Australian kids content travels - and is popular on the Netflix global service, which reaches over 190 countries. Netflix has invested in original Australian kids content including *Beat Bugs*, *Botterstones & Gumbles*, *Kazoops*, *Mako Mermaids: An H2O Adventure*, *Legend of Monkey* and the recently announced untitled *Motown Project*, with more on the way. Any previous conclusions about the lack of popularity of children’s television on free-to-air and Pay TV do not apply to streaming services. Our members love the ad-free viewing experience, and the dedicated kids areas and parental controls that provide a safe and kid friendly viewing environment.

Organic Demand for Australian Content Is Good for the Australian Production Industry, Crews, and Talent.

Creators are no longer constrained by the local or domestic distribution that characterized broadcasting and movie theatres. They can leapfrog directly to international exposure and monetize productions based on global, in addition to domestic, audiences. This means more opportunity, more work, and more jobs for Australian broadcasters, creators, talent, and crew. According to the Film, Television and Digital Games Survey conducted by the Australian Bureau of Statistics, between 2011-16 there has been an increase in employment activity across all sectors within the screen industry. Employment has increased in:

- Film and video production businesses by 9.1%;
- Film and video post-production videos by 4.9%;
- Commercial free-to-air broadcasters by 2.0%;

⁵ See Annexure 1, Netflix, 2017, [Submission to Department of Communications and the Arts’ Australian and Children’s Screen Content Review](#)

- Commercial free-to-air broadcasters on-set production staff (eg cast and crew) by 11.0%.⁶

Overall, the production industry in Australia has become increasingly successful. In 2015-16 film and video production businesses added \$996.3m in total value, an increase of 7.1% since 2011-12.⁷ A growing source of income for the production sector is post-production, digital and visual effects (PDV) services, as well as production services.⁸ Netflix is part of this growth. Netflix originals have been filmed all over Australia, including in Queensland, South Australia, the Northern Territory, Victoria, and New South Wales. And Netflix feature films and series *Casting JonBenet*, *First they Killed My Father*, *72 Dangerous Animals*, and *Bright* have used Australian post-production services. The visual effects for the Netflix original film *Outlaw King* are currently being done by Sydney-based animation and visual effects studio, Iloura. Sydney-based Silver Trak and Deluxe are Netflix preferred vendors, meaning they have met strict technical standards, and are used to process thousands of hours of original and licensed content for Netflix.⁹ Netflix's use of Australian production and post-production infrastructure, talent, and facilities help support the local production industry.

The interests of Australians as creators, citizens and consumers will not be served if policymakers try to shoehorn online media into the traditional broadcasting category and reflexively apply the legacy policies that applied to linear TV.

In analyzing the future of video content distribution, one thing is clear: online video distribution is not an 'evolution' of traditional broadcasting. It is something else entirely. Online media have more in common with the open markets that characterize most media of cultural expression — books, newspapers, magazines, visual arts, movies, sound recording, music, dance and theatre — than with regulated 'broadcasting'. These other media all have significant

⁶ Australian Bureau of Statistics, op.cit.,

⁷ ibid.

⁸ ibid.

⁹ More information on Netflix's preferred vendor program is available here: <https://npv.netflix.com/what-is-the-npv-program>

cultural value, but have no regulatory obligations attached to either their physical or online form. There has traditionally been a quid-pro-quo in the broadcasting space where regulation was applied in exchange for exclusive use of public and scarce broadcast spectrum. Streaming video services flow over the open networks that comprise the internet. As a regulated medium, 'broadcasting' is the exception, not the norm, among sources of cultural expression.

When evaluating principles to guide a 21st century media landscape, Netflix believes that policymakers should first look to the open public internet's propensity to foster innovation, creativity and competition; and, second, to the manner in which Australians interact with, and consume, online content. Organic increases in competition and consumer demand has lead to the significant growth of Australia's production industry, and all of the high quality content being exhibited domestically and exported to viewers around the world. Policy makers should continue to look for non-regulatory means to help and encourage Australians to seize the opportunities, both local and global, that online distribution offers, to ensure Australia's production industry continues to grow at the impressive rate it has seen over the past seven years.

Australians love the internet and are among the world's most engaged users. Netflix believes that enabling Australians to choose what they want to watch, when and where they want to watch it will continue to drive demand for high quality Australian content.

Respectfully Submitted,

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Annexure 1: Netflix Submission to the Australian and Children's Screen Content Review by the
Department of Communications and the Arts