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Strategic Review of the Northern Territory Screen Media Sector & Potential Future Roles for the Film Office

PHASE I – Strategic Discussion Paper

Review of Industry Trends & Opportunities in a Global Context
Film, Television & Media as a source of Innovation & Economic Growth for Northern Territory
Recommended 'Positioning' for NTFO 2009-2015

Submitted to: NT Film Office Steering Committee & Management
Northern Territory Film Office
Department of Natural Resources, Environment, the Arts and Sport
Northern Territory Government
Alice Springs, NT

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PREFACE
The Northern Territory Film Office has engaged in a process to conduct a strategic review of the NT Screen Media Industry, its competitiveness within the global industry and the Film Office's potential Leadership role 2009 – 2015.

Between November 2008 and June 2009, NTFO's Management team and Steering Committee, plus members of the screen media industry will explore the dynamics of this industry both locally, nationally and internationally, with a view of clarifying the "positioning" of NTFO and also their Vision of both the NT Screen Media industry for the next 5 years and NTFO within this larger context.

The process is divided into 3 Phases:
Phase I has resulted in the attached Future Scan Discussion Paper, which is not the Final Draft Strategic Plan – that will result from Phase III. As you work through this Phase I Future Scan Discussion Paper, please remember the context of this stage and what will come in future Phases. It is crucial to avoid skipping ahead to implementation planning. Instead, engage deeply in thinking and dialogue about the future.

You Are Here!

Phase I		**Phase II**		**Phase III**
Future Scan Discussion & Positioning for NTFO 2015	→	**How Do We Get There? Critical Success Factors & Outcomes Measures**	→	**Final Draft Strategic Plan: Vision, CSF's, Measures, Strategies Action Plans, Budget**
November – January		January – March		April – June

Phase I – Current State Assessment & Futures Input from Stakeholders
<u>Deliverables</u>:
- Futures Document for NTFO in context of NT, Australia and International Media Industry dynamics, global trends and issues.
- Potential Responsibilities and Priorities for NTFO to best stimulate the industry & provide Leadership for improved innovation & growth (from industry input)
- Recommended "Positioning" for NTFO based upon the Futures Scan

The Phase I Future Scan Discussion Paper includes suggestions from the consultant team members, and also many others contributed by people such as NTFO Management/Steering Committee members, as well as participants in the sessions & interviews. The consultant takes responsibility for this final synopsis. As a result, some contradictions (perhaps better said as options) are in the document. Other logic points may need discussion. And, some logic flows taken out into the future in NT may cause industry individuals, NTFO Management, or the Steering Committee to disagree.

So, this IS of course the point of this first Phase – to put something out there and have people agree, disagree, *think harder* about the future in a way they haven't before – ultimately to seriously engage in challenging & frank talk about the future as something other than the simple extension of current practice!

The real point of the Phase I Future Scan Discussion Paper is to pull together various inputs, and stimulate real, introspective, deep thinking & dialogue by the leadership of NTFO and then by the leadership of the industry. <u>This</u> is the Strategic Thinking Phase.

Phase II – Development of 5 Year Strategic Framework for Screen Media Industry & NTFO

Deliverables:

- Vision for Growth/Sustainability of the NT film, television & screen media industry
- Policy implications/recommendations
- Development Pathway & Investment Strategies
- NTFO Draft Critical Success Factors and Draft Outcomes Measures for each Critical Success Factor (CSF)
  (To guide day-to-day decision-making and Accountability/Transparency reporting)

Based upon the deep dialogue and evolving view of the future of the industry and the positioning of NTFO as a leader in this industry (from Phase I); we will start to outline the above elements.

This is where the ambitious Vision of the Future needs to connect to the current state. How do we see the transition elements required to achieve the future vision? Critical Success Factors are, as the name implies, the 4 – 6 Critical areas of initiative that NTFO will need to undertake in order to achieve the Vision. There is some natural tendency for people to jump into this kind of thinking in Phase I – so please resist this temptation in Phase I.

Generally, Phase II will be done using the Balanced Scorecard Approach – with some elements of initiative and transition described for such categories of strategic work such as:

- **Industry Development & Trade Facilitation –** How will NTFO take the leadership in facilitating connection within the media industry in Australia, and externally in the international and India-Asia region? How will NTFO work with various levels & departments of Government, as well as other industry groups, to stimulate innovation & economic development?
- **Client Services –** How will NTFO need to transition & innovate the way it provides service, leadership, facilitation, and programming to the industry?
- **Financial –** Fundraising, Government funding, leveraging of private sector investment, etc. (This is specific to NTFO's financial picture and how it will get the funding to do the new work.)
- **Internal Processes & Innovations –** How will NTFO seek to re-organize itself, what areas of internal processes need to be innovated/improved in order to be able to deliver on the future positioning? What will NTFO stop doing?
- **Human Resources Development & Workshops –** This could include both talent development within NTFO, as well as skills/knowledge development within the industry
- **Genre/Innovation Development Funding Focus –** How will NTFO look to distribute its development funding, how might it use assets for investment and/or leverage purposes?

In Phase II of the process, the Consultant(s) work with NTFO's Management to co-create a plan that has the input and support of Management, so that NTFO Management will have ownership towards effective implementation. Success comes from effective implementation of the plan!

Phase II is thus the <u>conceptualization</u> stage of how NTFO will in fact lead the transition towards the future state. It also lays out the basis for measurement & accountability.

Phase III – Final Draft Strategic Plan for NT Media Industry & Film Office
Deliverables:

- NTFO Vision, Mission and Values Statements – for the next 5 years
- Final Draft Critical Success Factors & Outcomes Measures
- Strategies, Actions, Priorities, and Broad Budgetary/Policy implications (1st 3yrs)
- Priorities & Recommendations for specific Program Initiatives over a 3-5 yr period

Again, based upon the input received from the Draft CSFs and Measures circulated to the industry in Phase II, the consultant, working with the NTFO Management Team, will present the final Draft Strategic Plan Document for Steering Committee and Government approval.

By this stage, things have become much more "tight". It is no longer a consultant's plan, but it is Management's plan, facilitated by and with input from the consultant, also having had significant Board and community input along the way. There should be few surprises for the Steering Committee, Government Minister or community, when this is delivered – assuming they have engaged as expected throughout Phases I and II.

The presentation of this Draft Plan to the Steering Committee should result in the agreement of the Strategic Vision, Critical Success Factors, Measures the organization will report against publicly, and Key Actions/Budgetary aspects. The NTFO would then ultimately report to the community annually on its progress towards achievement of the Outcomes Measures of success.

Phase III is about developing detailed and comprehensive planning for achievement of the Vision 2015! This is the Strategic Plan Phase.

Key NTFO Management Team members, working along with the consultant(s), will delineate the details of the plan at this stage, which will be presented to the NTFO Steering Committee & Minister for adoption. As detailed industry consultation will have taken place in Phases I and II, NTFO will now take a leadership role and determine the details of its Strategic Plan at this stage.

Different Styles of Thinking & Perspective for each Phase:
It is also worth mentioning that different thinking styles will have different levels of comfort with different stages in this process!

Stage I is NOT an analytical, reductionist, statistical process, rather Phase I is exploratory and engaging of imagination. It requires looking for and reading patterns at a higher level, engaging intuition and noticing dynamics, shifts, etc. There is NO certainty about anything as one Visions into the future, and there are no "right" answers – just answers, different answers and clearly some better than others. This is Leadership work – to take the responsibility of envisaging, synthesizing, and then making a commitment to pursuing something that doesn't yet exist – with a belief in the need for, and possibility for new approaches and significant impact on society. The "logic" and the "best approach" is the one YOU create, champion and convince others to believe in!

Stage II is then more pragmatic and somewhat idealistic. It sets out Goals (CSFs) to achieve, and clarifies what success would look like and how it would be recognized/measured. It is creative, and starts breaking down the challenge into broad areas of initiative – without clear specifics yet. Largely specifics aren't known at this stage either! We are addressing: How do we get there from here?

Stage III is more specific, detailed, and thought-through, at least for the initial foreseeable future. However, even this stage is not something that can be "guaranteed". It is always a pursuit, and will have to be regularly adapted, updated and adjusted as the realities of the day meet the intentionality for tomorrow. This does not mean that results aren't important. In fact, it is important to communicate to everyone that "effort" is not enough. Accountability is about achieving results. And, it will take creativity, adaptability and focused commitment to achieve results in an area NTFO has never ventured before.

By signing on to guide or partake in this process – be you an Steering Committee member, a Management member or an industry member – you are signing up for a journey. As well, there can be no scapegoats. We are all in this together!

- Doug Macnamara
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INDEX

Contents | Page

Executive Summary

The screen and media industry is now well into transition to the digital, multi-platform era where traditional geographic and language borders are dropping; where definition and creation of content involves the audience; and where economic and innovation success requires embracing new technologies and distribution approaches, Producer collaborations, engaging in some different risks, and creating whole new forms of story-engagement.

Earlier in the life of this industry, we grew up around a physical piece of Film. All aspects of what we have learned in the past has changed with digital.

Digital content can be captured, transmitted, adjusted and presented by increasingly sophisticated and increasingly low-cost technical equipment. Freed of that physical piece of film, Audience now expects access to and customization of content on their terms, on different devices, and within different times and spaces. Further, the audience is now engaged in the manipulation of the content at the receiving end – even participating in the creative process of defining their final experience.

This is creating the need to adapt our:

- Business Models – integrating new distribution mechanisms & profit approaches
- Funding Models – new players, new platforms, new starting points
- Collaboration Models – partnering with different talent, in different places
- Story-engagement Sophistication – taking rich ideas/traditional stories and conveying them in a compelling contemporary approach using impact-rich technology methods

An Imperative for Creative Collaboration & Product Differentiation

Darwin, Alice Springs and NT overall, is the one of the most iconic settings for media images of Australia as well as NT-based and pan-Australian creators going out to the rest of the world. It is also a centre of rich Indigenous stories and culture which attracts offshore productions and exploration with questionable appreciation for the "real" NT.

However, many other places in Australia and the rest of the world with pristine natural settings and rich indigenous heritage can make similar claims. How will we stand out from the crowd? Even emerging nations and previously "hidden" or undeveloped talent pools are evolving quickly to become world class. The NT Screen Media sector is being buffeted by international content and competition flowing into its domestic market from every market. What really is NT's Screen Media Unique Value Proposition?

NT has tremendous opportunity to re-invigorate, and export timeless and universal stories with compelling landscape or creative application into some of the fastest growth media marketplaces on the planet in close proximity (India, China, Indonesia), as well as traditional European and North American markets. But, we must explore novel audience engagement strategies, and go to market through both established and new channels. Will the industry take-up this challenge?

For NTFO this offers up opportunity – the opportunity to step out-front of these changes and lead NT successfully into this fast-evolving media industry environment.

For the NT Screen Media industry to realize these opportunities, NT-based Producer capability and resources need to built and contemporary story-engagement sophistication/ innovation must be considerably enhanced.

There is readiness within the NT industry for NTFO to take the lead. Broadcasters, Producer Associations, Guilds, Indigenous communities and non-traditional media businesses have indicated they would welcome leadership from NTFO. State-level initiatives to ignite and sustain Innovation in this creative & cultural sector could well be facilitated by the Agency – especially if it becomes more arms-length from government.

And, there is a clear opportunity to leverage the small business entrepreneurs in the sector to develop the next generation of creative entrepreneurs. These entrepreneurs represent the engines of growth, innovation and sustainability of this linear and non-linear screen media industry. As a result they are particularly ripe for support, collaborative facilitation and leadership into higher levels of performance and creative application. They will benefit significantly from state/local infrastructure enhancement and technology transfer – returning sustained, local, economic and cultural impact.

In this regard, there are some specific outcomes that NTFO should achieve for the industry in the coming 5 Years.

- The status of the NT screen industries will have risen in the eyes of the government and community, with a high value placed on their economic, cultural and social contribution to the Territory.

- The NT Screen industry will:
  - be known locally and internationally for its creativity, innovation and excellence.
  - have actively mentored youth towards clear growth businesses and talent mastery.
  - integrate new technologies to penetrate new platform markets and generate new economic models that are sustainable and growth oriented.
  - have developed viable business models for financing and distributing in the digital environment.
  - have developed strong partnerships and collaborations between Alice Springs and Darwin, and internationally (e.g. producers and distributors, producing partners, traditional creative personnel with digital producers).
  - be engaged in true 360-degree commissioning right from the concept stage.

- Regional audiences/communities along with visitors will be benefiting from flourishing screen culture, with access to wide range of product (and high speed/mobile broadband)

- Industry will be recognized equally in the Indigenous and non-Indigenous genres for both creative excellence and business acumen.

- Both Local and international production will be increased/maximized

Given these changing dynamics and new opportunities we recommend the "Strategic Positioning" of NTFO for 2009-2015 to be characterized by the following 4 elements:

1. **NTFO as the Facilitator of "Creative Workshop Initiatives" that will 'bootstrap' local capability to world standards, advance content development, and break new ground in formats/platforms.**

   In this role, the value to the NT screen community comes from NTFO actively developing NT industry capacity through facilitation of an Annual Slate Production Workshop Initiative, for each of the next 4-5 years:

   - Finding/ Financing support – both private sector and multi-government programs (perhaps working with Screen Australia as the Territorial producer of "slate" content);
   - Recruiting, auditioning and bringing together different talent, fostering new partnerships across platforms, and leveraging experienced talent from out-of-state to develop skills and business success for NT production;
   - Working on access to new geographic markets such as India, Indonesia, and other Asian countries, plus breakthrough into new platform/distribution channels for profitable return;
   - Promoting skills development initiatives or specialty training access.

   NTFO will be about more than just money distribution! They will actually contract an external Producer (from say NSW, QSLD, LA?) to work with a hand-picked NT team of creative talent to jointly own & produce a multi-part, multi-platform content slate over an 8-10 month project. Similar to the "Sesame Street Workshop" concept of the 80's, each annual workshop project will:

   - work on a thematic concept,
   - target a specific audience niche that applies both nationally and internationally,
   - develop a realistic and innovative business model,
   - study the audience dynamics and market information, then
   - work out of NTFO facilities (or Imparja or ABC or other), to develop 360-degree content elements,
   - use multi-platform promotional approaches,
   - line-up distribution within a creative new market/profitability approach, then
   - deliver quality and acclaimed end-product to the marketplace.

   One year the NTFO Workshop might be focused on short-form factual, another year it might be children's exploration, yet another year a mobile content initiative, or drama or indigenous traditional story, or NT extreme sport.

   Ultimately, NTFO would measure their success and contribution to the industry as a Facilitator through such markers as:

   - ✓ new market-receptive content development,
   - ✓ mentoring of new talents able to be applied and sustained within NT, and
   - ✓ penetration of new markets/platforms to profitable ends,
   - ✓ enhancement of NT-based IP

   The skills, knowledge and networks developed would be able to be conveyed to others in the NT industry through a project debrief and knowledge sharing experience. After the 5 years, external Producers should no longer be needed, and the NT should have several resident Producers actively leading the NT screen industry business growth.

2. NTFO as the Promoter of Audience/Market Research to build NT content/talent in Pursuit of New Markets

In this second role, NTFO will engage *proactively* to take or support leaders within the NT screen media community into:

- Studying key new geographic and/or platform markets for screen media content through commissioning market research studies that all NT screen industry players can utilize the results of, for idea generation
- Building an integrated multi-party industry Trade Mission or collaboration with a screen media Sales & Marketing organization (could be a separate company) designed to represent internationally, leverage and assist NT SMEs into foreign markets or new platform distribution pathways/audiences;
- Helping link collaborative partnerships to international broadcasters, platform distributors and co-production options.

Success will be measured based upon the industry becoming more savvy with new markets and platforms; creation of more valuable digital creative content for domestic and international projects; and higher annual sustained revenues generated by NT screen media resources!

These first two areas of focus will likely consume a majority of the time/capacity of the new NTFO. However, there are two other important, high value roles for NTFO. . .

3. NTFO as Sponsor of Bridge Financing through leverage of the Producer Offset; plus enhanced emphasis on Screen Media Development/Marketing Funding

In this role, NTFO will work with Screen Australia, the NT State Government Treasury and Federal Tax Department to advance low interest funding or grants which are secured by the Federal Government's Producer Offset Program. Also, additional resources will be concentrated on the support of the Development stage of screen media productions to enhance collaboration of multi-platform content creators, emphasize market/audience-driven content design, and innovative market pursuit/penetration strategies. This will:

- Ensure screen productions can pay their bills during development and production phases, stabilizing their business and sectoral employment
- Support Idea-formation and Innovation pull-through to buyers in multiple/new domestic-international markets;
- Working closely with Screen Australia, NT Government Treasury, Distributor/Finance community – and NT Producers of content.

The outcome and value to the industry from this aspect includes increased market-driven innovation; refinement of ideas to "connect" with clear market niches, and leverage into multiple market distribution for enhanced profitability.

4. **NTFO as a Government-owned Corporation with Added Flexibility to Receive/ Leverage Funds from NT Government, Federal Government Agencies and Private Sector sponsors.**
   In order to leverage added resources into the NT Screen media industry, NTFO (or an alternate named Corp.) needs to be more arms length from an NT Government Department – yet still accountable for its impact and performance.

   As the first 3 roles above take shape and are implemented there is considerable evidence to indicate that such roles cannot be accomplished under the existing structure.

   Independent corporate status, wholly owned by NT Government, and Governed by an appointed Board will likely be required.

   For example, each annual slate production workshop initiative will likely need to be constituted as a separate corporation with shared ownership amongst the workshop participants and NTFO.

   Receipt of funds by NTFO from Screen Australia as a "Master Producer" organization could likely not be achieved in its current form.

   As a Territory-owned Corporation however, its outcomes will remain focused upon developing economic, social and creative industry benefit within NT, and to regional and remote communities.

Trends & Futures Issues for the Screen/Media Industry

International Media Marketplace - Trends & Opportunities

The global media industry represents one of the most dynamic, creative and growth markets of all – simultaneously delivering:

- Economic benefit and Innovation imperative in communities
- Cultural expression, Indigenous Heritage preservation and Lifestyle enhancement
- Import and Export of goods, services, intellectual capital, and intangibles
- Collaboration, co-production and continuous learning
- Social fabric sustainability and Tourism attraction

The media industry has many sub-sectors; many of which worked in separate spheres in the past, but today are converging and experiencing cross-over of content, IP, and formats:

- Feature Film, Movies, and Documentaries
- Terrestrial Television/TV Broadcasting
- Cable/Satellite/Pay-TV/Wireless/Telephone distribution
- Internet/Computer content
- Electronic Gaming
- Mobile Phones, Computing, PDA's and Personal Gaming
- IPods, Personal Music/Entertainment devices.
- Radio/Newspapers/Magazines and other "print" media

Re-defining Content

This report focuses primarily on Television, Film and non-linear media (games, mobile, etc.); however, today's digital and multiplatform world makes it hard to address these in the traditional sense.

Today, content is developing and evolving in 4 Screen environments:

1. Cinema
2. Television
3. Computer Screen
4. Mobile Device

For example, the 2008 Neilsen-Online Report found in its media consumer survey:

- 84% use some form of Web 2.0 to share content
- 83% consume Consumer Generated Media (CGM)
- 77% comment on or create CGM
- 78% download audio or video content
- 69% upload video or audio content
- Peer recommendation is the single largest influence on their take-up of screen media
- 40% need more time to participate more
- Needing faster internet was a decreasing barrier (only 15%)

Changing too is the traditional process & sequence of bringing stories and entertainment content to the consumer. For example, a feature film or documentary may actually start out today on YouTube or a Social Network (often in HD), gain prominence and a following; get re-versioned or upgraded or enhanced; then move into the movie theatres; and finally come back around into television in parallel with a gaming component, consumer merchandising, and mobisodes for mobile phones. There is significant opportunity in non-traditional approaches to production and going to market. We are also witnessing some interesting new economic models that really *are* proving very successful and profitable.

Re-defining Ownership & Rights Management
With both the linear and layered elements of content, collaborative-creation communities, and user-generated elements; the concept of ownership of content has become exceedingly complex. Fair remuneration for the talent brought into the process is needed to both sustain the enterprise and reward truly innovative work that connects with audience. Also, those who risk capital (either financial or "sweat" equity) need to receive the bulk of the reward or else there is little incentive to the risk-takers that underpin this industry. The recent US writer's strike has been the harbinger of more difficult discussions that lie ahead in this challenge.

Of course, as the definition of content and the medium itself changes, so to does our view of rights management. We might learn from the current gaming industry for example, which works on a very different rights management model than the traditional screen industry. Here users and side parties are allowed unfettered (or at least very lenient) access to the initial IP in order to improve, re-purpose, and/or invent new applications from the original source content/code/design. This has created highly engaged gaming communities, new content & applications that are returning significant monetary and creative benefit back to all involved.

Some good faith exploration of this issue by all sides, with a view to fair return on investment for all concerned is still required to achieve some breakthrough in this difficult area.

Re-defining "Creative"
For all the talk of "Innovation", one must truly understand and address Creativity in the industry. Creative minds and processes are the bedrock of the sustained innovation we seek! At the heart of media entertainment remains the creative process and a creative craftsperson or group of craftspeople. However, the creative process itself is evolving to require collaboration across different platforms with different skill sets and perspectives. While technology is relatively inexpensive, collaboration and creative endeavour is costly. Next comes perseverance through uncharted territory towards an actual successful application of the creative endeavour into tangible impact through successful innovation, this again takes time and money. Our audiences have been exposed to extremely high quality content from around the world and thus their expectations and standards for quality have also risen – it takes more to entertain today.

While good storytelling is still important, it is not enough. Story *engagement* is critical, and is the new standard. If you fail to engage, you fail; despite the potential excellence and/or inherent value of the story itself. So important is engagement in fact, that we are seeing a willingness by audiences to accept lower quality sound/visual/screen impact in order to attain more social engagement. YouTube, Facebook, MSN redefine this new standard, as do the high impact games – particularly the Massive Multiplayer On-line Games (MMOGs). Herein lay the elements of an industry well into transition from the traditional to a knowledge economy & innovation industry.

Add to this, the fact that digital spreads & travels much easier than physical. These industries are no longer protected or "protectable" in regional or home markets – they must compete globally. Cost pressures and competitiveness largely require local productions to be saleable in other regions/countries in order to be economically viable. As a result if you are playing in this industry you need to be aware of how the different continents/geographic markets are evolving, their different stages of maturity, and the different priorities/cultural interpretations of both audience expectations and government regulation. Your audience/market is not geographically bounded; instead it is likely to be a target audience niche with global distribution potential.

Surveying International Regional Trends

There are several significant industry trends of which TV/Film/Media leaders should be aware. These trends spell both opportunity and misadventure if you don't prepare properly and understand the environment into which you wander. Tread carefully in this global industry!

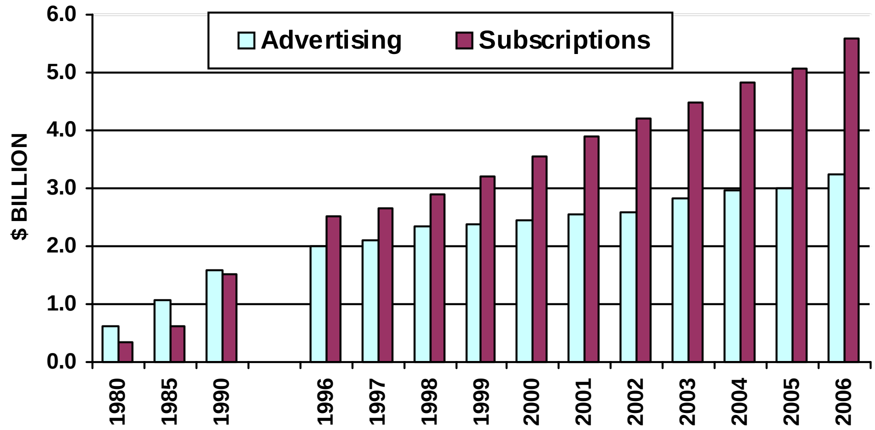
Key Media Industry Trends By World Region		
North America	**Europe**	**Asia**
1. Multichannel Universe a Reality – Broadcasters seeking differentiation of content & branding.	1. Multichannel Universe coming – Sky & Cable. Diversification & branded content becoming valued.	1. Multichannel Universe coming slowly – Sky. A small % is still a huge Audience in Asia.
2. Technology advancement in hands of consumers has reached critical mass – impacting viewer experience, viewership, and advertising approaches. Mobile BIG	2. Consumer Technology & Broadband penetration on path to emulate NA access in both western & eastern Europe. Mobile content is very advanced.	2. Broadband Penetration is significant even with Free-to-Air as a staple expectation. Mobile is leapfrogging traditional technologies.
3. "TV watching" shifting to "Media Experiencing" - including culture or environment experiencing	3. Traditional Language & Geo boundaries are dropping fast. Multi-language capacity by Audience	3. Cultural and Language-distinctive programming still significant as alternative to US programming
4. US Dominance of Programming – especially drama, comedy, and news	4. British, French & German dominance – especially in reality & formats; but US breakthrough with & without versioning	4. India vs. China vs. Indonesia – all are sizeable markets and all very different characteristics (i.e. India – all English-speaking; China not!)
5. Collapse of the Public Broadcasters – value proposition unclear with Audience	5. Public Broadcasters dominate Age 60+ and Kids, with Private Broadcasters dominating Youth & Middle-age.	5. Public & Government-owned Broadcasters dominate most markets and regulate content standards
6. New Entrants now big hitters – Telcos, IPTV, Social Networking, Games Platforms	6. EU funding incentives for local/regional cultural & language productions	6. New Entrants – Mobile, Social Networking, Games Platforms

These trends are more fully described on the IITL website at www.leadership.tv

Subscription + Advertising Revenues is Important in Television
The international television & media marketplace gains revenue to fund programming from largely two types of income streams – advertising or subscription. Newer forms are also evolving in significance such as the iTunes download model, VOD, and Pay-per-View, along with the more traditional Video retail sales/rentals as applicable.

In Canada, subscription revenues surpassed advertising revenue as a source of production funding in 1991. These revenues were critical for expansion of the channel universe and the new programming required.

Advertising and Subscription Revenues in the Canadian TV system
[Including conventional TV, specialty services, pay TV and BDUs]
NOTE: Subscription revenues are for programming services, and exclude subscription revenues from Internet or telephone services



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The UK saw Subscription Revenues surpass Ad Revenues in 2003, with the USA achieving this milestone in 2004. In many parts of Europe, subscription or a government household tax has long been the main source of programmatic funding for Broadcasters; and in many parts of Asia, cable and/or broadband penetrations plus satellite is becoming a major driver of income for Broadcasters to spend on programming production.

To date, Australia has primarily chosen a free-to-air, multi-channel model that relies predominately upon advertising revenue as the funding source for production. While there is a 55% Australian content transmission quota, with sub quotas for drama, documentary and children's programming on the free-to-air channels and a 10% local content expenditure requirement for pay TV drama channels, downward pressure on license fees continues to be an issue for the Australian industry. Further, outside quota requirements, there is a current preponderance for low-cost programming such as short-wheel/repetitive news and interview shows of questionable impact, reality/format television; medium-budget sports, soaps, drama, documentary, and low cost imported US shows.

In the USA, a top drama series costs approximately $4 million/episode to produce. In Canada, the production of a Canadian drama series costs approximately $1.4 million/episode to produce – often not considered enough! In Australia, the minimum license fee from broadcasters considered acceptable by Film Finance Corporation Australia (before merger into Screen Australia) for a drama series of 9 – 13 hours was $400,000, where budget per hour are $800,000. (Higher license fees are required where budgets are higher.) This compares to the cost to Australian broadcasters of purchasing an episode of "24" or "Grey's Anatomy" at approx. $250k for free-to-air television.

Australia & Northern Territory – Sustaining Innovation & Cultural Vitality

There are some compelling questions facing the Australian television industry and particularly the NT screen production industry which accounts for only about 5% of current national numbers of productions:

- What does a Creative Industry do when its domestic/regional market represents 1% - 4% of the total global market, and has international competition laying claim to anywhere from 50% - 80% of their own domestic revenues? (Along with international free-trade agreements that prevent protectionism of the home industry.)
- While Australian content quotas exist, with sub quotas for drama, documentary and children's programming on free-to-air channels, and a 10% local content expenditure requirement for pay TV drama channels, a range of issues currently exist:
    - Are the free-to-air channels fulfilling their sub-quota requirements with suitable programming (eg. Definition of documentary/factual programming)?
    - The 10% local content expenditure requirement for pay TV drama channels is a modest one and the proportion of drama programming which is imported has increased since the introduction of subscription TV. There is still no obligation in the documentary area for pay operators.
    - The ABC has no Australian content obligations
    - Emerging platforms such as IPTV are not easy to regulate with Australian content requirements. Mobile is uncharted territory!
    - How do we build up NT screen production volume with compelling, engaging entertainment that returns more than subsistent income to the creative community?

- Where & on what platforms do we take our programming to leverage international audience potential and produce enhanced economic return to all the creative talent?
- How do we better showcase our unique Indigenous culture and landscapes with timeless themes, life-lessons and/or drama story-engagement that will easily cross into other cultural markets?

- How does the NT screen production industry respond when Australia implements a multi-channel, digital, free-to-air model supported predominately by ad revenues – where the number of channels will increase, but the number of eyeballs watching the increased channels will remain almost the same? (Clearly the broadcasters will be looking for significant additional content, but with roughly the same ad revenues to pay for it now spread over the highly increased programming requirements?)

  How does NT prepare technology-wise for the implementation of Digital Free-to-air? Many of the over 250 remote communities have the potential to lose both TV and radio access. We now have less than 3 years to figure out how to roll-out remote community digital/conversion towers.

  There is already lobbying by Broadcasters for quota trading in the new free-to-air environment. Obviously driven by economic concerns, where is the leadership from the Broadcaster segment in developing a strong "Australian" TV/video/multi-platform production industry? What impact would such schemes as quota trading have on the NT screen media industry?

- Where might creative collectives be formed to better leverage talent, technology resources and cross-platform opportunity?

Some "Tough" Questions for the NT Screen Media Industry, NTFO & NT Government to contemplate

1. ***There appears to be a dearth of Producer talent and capacity in NT.***
   "Producers" are the risk-takers, creative engines, and business entrepreneurs that build a vital and sustainable home-grown screen-media industry.
   Much of the current NT screen media talent is concentrated in important talent areas such as camera-people, sound engineers, script/screen writers, location/logistics suppliers, even actors/actresses. However, all these people rely on Producers (most often from outside NT or Australia) to bring their projects into NT, and then to use their considerable talents. Unfortunately, as the Production Co's leave NT so does the IP and leverage potential.

   NT must develop home-grown and NT-based Producers and Production Companies capable of creating world-class screen productions and growing the local industry IP. Without NT-based producers actively looking to grow their business, the NT screen media industry will wither.

2. ***Local Studio and Post-Production Technology is underutilized***
   Today's state-of-the-art technology is expensive and also becomes "stale-dated" quickly. Thus, it should be shared for cost effectiveness, and leveraged to the maximum benefit and growth of the NT industry. Local collectives or collaborative access initiatives should spread this Technology capacity around, enhance the number of people with the skill sets to use it effectively, and generate maximum Return on Investment.

   Initial conversations have indicated that Imparja in Alice Springs, ABC in Darwin, and the Hotel Marketing Network also in Darwin, all have un-used Studio and HD/Digital Post-production capacity that could be made available to NT-based content creators.

   Even for international-origin or out-of-state projects, capturing some of the studio and post-production work is high value, knowledge work of an economy-enhancing nature. However, the ability for NT-based content creators and emerging Producers to access such resources is an integral component in building the Producer Capacity in #1 above.

3. ***What Catalyst Programs could stimulate growth of Small Businesses that are the economic & innovation engines of every economy?***
   In the experience of IITL, one of THE most significant barriers to growth of small businesses is the ability of an Owner-Manager-Creative Entrepreneur to hire additional staff that can carry out day-to-day tasks and provide the creative entrepreneurial force time to drive innovation, build proposals and expand the business. Often small business leaders get trapped in the overwhelming day-to-day project/business management, unable to break out of the current cycle and grow/innovate.

   Meanwhile early career young entrants to the screen media industry have a difficult time getting their first job in the industry without leaving the Territory, taking their initial training to world-class standard, and/or learn from experienced mentors the broader understanding of the business. Traditional mechanisms and pathways to employment that existed 20yrs ago in larger enterprises such as ABC, don't exist anymore due to staffing cuts and elimination of training programs.

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Employment tax credit programs or HR programs that encourage owners to employ early career people into screen media small businesses can actually simultaneously stimulate:

- Youth/Early career employment
- Innovation and development of world-class capabilities
- Business and economic expansion
- Development of NT-based Intellectual Capital for leverage and export

4. *Can NT Content Creators Really Deliver Authentic Culture and Traditional Stories in a contemporary, compelling and engaging manner that others around the world will be interested in consuming?*

Almost everyone talks about NT having a "rich Aboriginal culture" with a "depth of important traditional stories" in which people around the world will be interested. It has to be asked however, if this assumption is really true.

It is unarguable that there are many Indigenous stories, language and heritage traditions, and cultural elements that should be captured, preserved and made available to future generations and the people of the world.

But, this is very different from screen media entertainment.

This is not intended to be disrespectful. We honour deeply our Indigenous elders and traditional spirituality and wisdom. Cultural preservation and celebration is indeed important, and should be funded appropriately.

A screen media "industry" component based upon indigenous culture and stories however, must find a way to bring such traditional knowledge, wisdom and life lessons to a well conceived audience niche, in a compelling, contemporary form with the full power and engagement of modern, high impact technology.

We believe this is possible. And we know that it is not an easy proposition. It will require considerable creativity and use of innovative approaches to blend screen engagement with authentic cultural elements into new forms of entertainment. (Something like the world-wide, multi-platform success of "Beowulf" may be an example to explore in this context.)

5. *How can the Darwin and Alice Springs Screen Media Communities better collaborate, form co-productions and grow/innovate better together?*

In fact, add in other NT regional and remote screen media communities as well! Before we contemplate international co-productions, we should become capable and practiced at inter-NT collaborations & co-productions as well as inter-state between NT and NSW or NT and Queensland, etc.

This is something that the industry should take upon themselves, perhaps through the Associations such as FATANT or ACS, perhaps working along with NTFO to find ways of building relationships, trust and appreciation for the talent and collaboration potential between members of the geographically distributed screen media practitioners.

The NT Government could also assist in this area by encouraging or creating criteria in its outsourcing contracts for screen media services that use collaborations and co-productions between communities and that NT-based talent be sourced whenever appropriate.

Working internationally, developing co-productions, penetrating new geographic or digital platform markets will all require significant cross-cultural skills and effort. These capacities may as well be developed and honed closer to home in preparation for world-wide application.

6. ***How do we really stimulate Innovation and Industry Growth – Really?***
Prof. Jonathan West's ***Strategy to Accelerate Innovation in NSW – Outline for Policy Development*** (http://www.business.nsw.gov.au/NR/rdonlyres/77585A36-3F2D-4817-9F4A-E7ED3E1BACF1/0/NSW_Innovation_Strategy_JonathanWest.pdf) has accurately described areas of fallacy about stimulating innovation, plus provided concrete suggestions for aspects that have been proven to work such as:

- **Some essential components of an effective innovation system cannot be developed by private firms alone –** Enabling strategies/investment particularly for this screen media industry would advisably address:
  - Support for Collaboration amongst innovating firms
  - Policy to encourage Capability Acquisition and Accumulation
  - Clustering of Value Network members
  - Application of Science/Technology developed outside the Creative Industries

- **Innovation usually begins with a customer problem, not a technical discovery**

The screen media industry is full of technological change at the moment, with HD, digital, multi-platform, mobile, etc.; however, these technologies are only the vehicles by which real breakthrough entertainment elements will be created.

There is a lot of outsourcing for cheaper services to India and China, but this also creates difficulty & separation in a collaborative-innovation sense. Cost-based thinking is not always the only way to look at productivity innovation challenges.

Finally, there is significant customer information available, but at a cost that is out of reach for the average SME. A "collective" however could afford to buy and share some of this knowledge, then work on problem-solving/opportunity-development together.

The ***Northern Territory Film Office*** (NTFO) has been supporting some areas of the creative media sector for many years. Traditionally it has provided funding and investment support mostly for the areas of development and production financing. The NTFO also provides services to local and international producers to support and facilitate screen production in NT.

That said, the NTFO budget will likely continue to be modest (even if doubled or quadrupled).

So what is the best use of modest funds to have the most significant impact of lifting up the NT industry, encouraging the growth of Producer capacity, and stimulating innovation that truly embraces the new technologies, platforms, and story-engagement methods?

7. **What might be done to help NT Screen Media Leaders build better "professional networks" at home and abroad?**
   A lot of business in this sector is done between people who know and trust one another. In developing content for local or new markets, significant market intelligence is required to ensure the creativity and innovation is applied to the reality of the audience tastes and competitive offerings.

   Both of these aspects highlight the need for members of the NT industry to get out and build relationships with other screen media leaders in Australia, plus target market areas internationally. NTFO could for example, work with other industry groups to hold "speed dating" type meetings with other industry leaders at national gatherings. NTFO could also help lead trade missions to targeted export market countries.

Overview of NTFO Previous Areas of Funding Support:

NT Film Office Funding Breakdowns July 2003-June 2008

Screen grants funding over the period encompassed all aspects of the industry from training and other professional development, travel, screen culture, individual productions to strategic industry development initiatives.

Screen grants funding allocation was $50,000 in 2003-2004, $100,000 in 2004-2005, $200,000 in 2005-2006, $262,000 in 2006-2007, and $267,000 in 2007-2008.

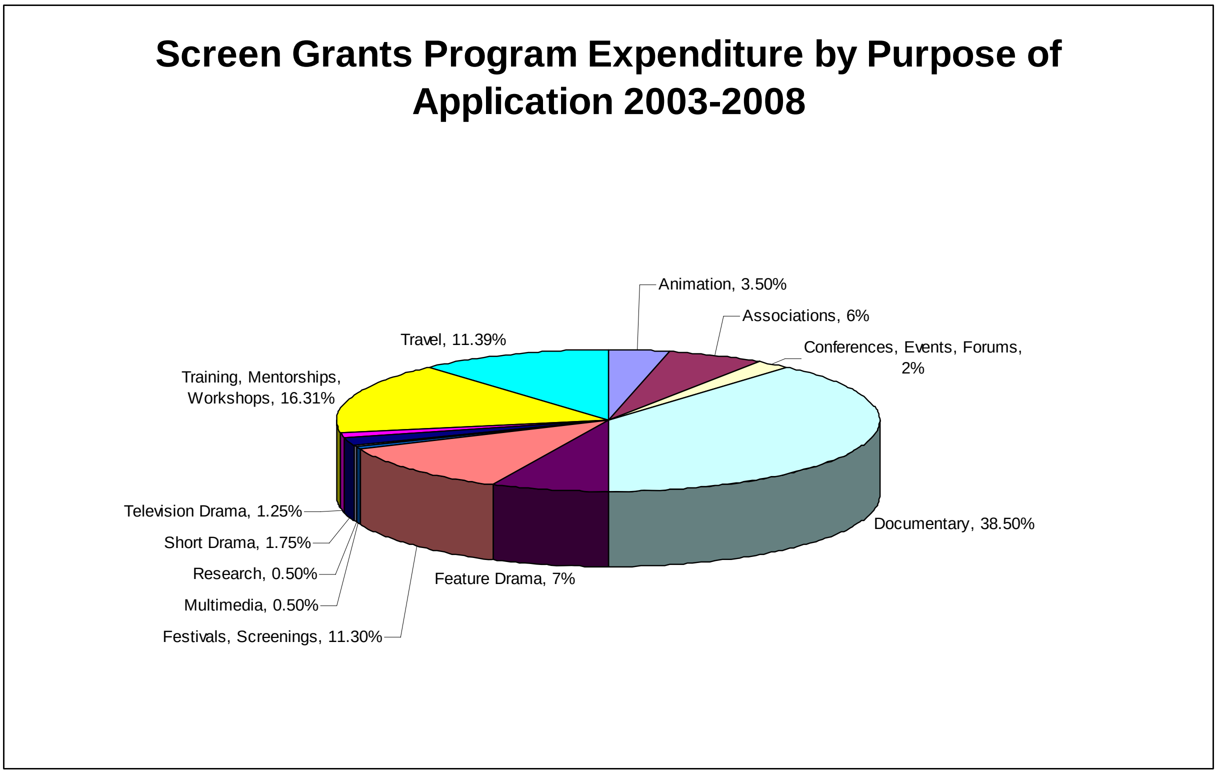
The total funding applied for between July 2003 and June 2008 was $1,960,256. The total funding allocated through screen grants program was $872,361.

According to NTFO discussions with industry, there were projects that weren't submitted for funding as there was considered to be very little money available.

Applications for Screen Grants Funding 2003-2008 by Category of Funding

Category of Funding	made	funded	% of applications funded	amount requested	amount allocated	% of total allocated
Industry Development	36	28	78%	$298,948	$182,914	22%
Production	46	26	58%	$548,166	$273,049*	31%
Professional Development	103	84	82%	$175,133	$125,901	14%
Project Development	92	41	45%	$809,158	$200,947	23%
Screen Culture	22	20	91%	$128,850	$89,550	10%

* During the same period, additional production funding of $803,000 above the NTFO annual budgeted grants allocation was granted for the television series, *The Alice* and *Double Trouble* and the feature films *Balibo* and *Australia*.



Other Funding & Assistance Requests

Between 2003 and 2008 there was been a steady increase in non Territory based production companies approaching the NTFO for assistance with locations and other production advice, and for financial support.

Other Activity

In addition to providing funding support to the Territory screen industry through the screen grants program, the NTFO supports and develops the industry through:

- Development initiatives, including organising training and professional development courses and workshops, independently and in association with bodies such as AFTRS[1] and the Northern Territory Writers' Centre
- Liaising with other state agencies, federal screen industry bodies and broadcasters regarding funding and production opportunities
- Representing the Territory industry at national screen industry events (eg AIDC[2] and SPAA[3])
- Liaising with Ausfilm[4], and promoting the NT screen industry internationally
- Liaising with production and location managers associated with large production companies wishing to film in the Territory
- Negotiating placements with mentors and attachments with well-known industry professionals or incoming productions
- Connecting local crew with incoming productions, across a range of screen media
- Convening a whole-of-government taskforce on film to address logistical issues associated with large incoming productions

All information in this section provided by NTFO

[1] the Australian Film, Television and Radio School
[2] the Australian International Documentary Conference
[3] The Screen Producers' Association of Australia
[4] Govt/industry partnership promotes Australia's locations and facilities internationally

Perspectives of an International Screen Producer/Co-Producer

Pat Ferns has produced some of the world's leading television and new media events, and is well regarded as a founding father of Canadian independent production. He is very active in international co-productions, and recently co-produced the 2007 Award-wining Australian Mini Series on ABC, *Captain Cook: Obsession & Discovery*. Pat is also a Principal of the International Institute of Television Leadership.

There are 6 key issues that the Australian industry (and particularly NT) should focus upon:

1. Democratization of Media

Access in every way is becoming cheaper, and the piloting of new ideas and new talent through web platforms and social networking is more realistic now on a global level. Experimentation and risk taking is possible and must be encouraged. In parallel with this, the Australian industry needs to understand how the world has gone niche and the NTFO has a vital role to play in sharing information about how targeted the demographics are for the emerging specialty channels around the world. This is the area in which Australia has lagged behind, and if they do not learn from the experience in North America and European markets, they will not maximize the opportunity that the niche world represents.

2. Triggers

There is a depressing tendency for SMEs to follow traditional financing paths. We are witnessing this in Canada where a subsidy-led industry is becoming less and less creative and having less and less impact in the international market. An important role of agencies such as NTFO is to try and break this pattern and to find industry-led triggers that can encourage risk taking and innovation. This includes the previously mentioned need to develop collaborative approaches, particularly across platforms. I believe that 360-degree commissioning will only work when you have multiple company *consortia* or *collectives* bidding on 360-degree projects.

3. Funding

The new tax benefits in Australia (producer offsets), will undoubtedly lead to a boom in the entertainment law sector and in the banking sector. There has been some experience in Australia of agencies being sources of cashflow, and an imaginative response to shifting the benefits from lawyers and bankers to producers through simplified contracting or alternative banking arrangements might be considered.

The screen media sector needs to spend a lot more time talking with the advertising community, which is leading the changes in media to a new and more engaged audience and into new platforms. Production also continues to be a broadcaster-dominated activity, whereas the new ideas are going to come from the advertising/on-line/mobile sectors. More time needs to be spent in dialogue with these stakeholders in developing new approaches and funding models.

On the government funding front, it is clear that Northern Territory should be providing more support to this sector so that NTFO can provide enough resources to make a significant impact in leveraging this industry's potential. A concentrated lobbying effort for more sectoral support is clearly required. Huge-growth Asian and Indian markets are close-by, but the NT screen media sector will need support in cracking these markets. NT is clearly under-funding this industry by comparison to other Australian states.

4. Co Production

Much co-production in Australia is driven from the UK or is funded indirectly from the USA. More options also are evolving in SouthEast Asia, India, and China. In these situations, Australia tends to be in the minority, particularly in terms of creative development and ideas.

What is starting to emerge, are alternative non-UK/USA dominated models in which Australia can play a majority rather than a minority role and provide some creative leadership. This is the area that will have most impact in developing original intellectual property that can be exploited worldwide and around which can develop new opportunities for growth. Similarly, there has been an outburst of success for formats in Australia. Unfortunately the formats are mainly from the UK/USA and Australia is essentially *servicing* them. Incentives might well be created to try to develop home-grown formats in Australia that can be exported to the world.

5. Training

Though it sounds self-serving, there is a real need for leadership and entrepreneurial training opportunities for SMEs in the Territory and across Australia. Many in this industry have grown up in the industry, and advanced their careers by taking on larger responsibilities. Few have had any formal learning in Strategic Leadership, Leading Innovation, and/or Entrepreneurial growth, business advancement, and entering new geographic markets.

6. Digital Cinema

It is important to make mention of the enormous recent success of live opera across North America via digital cinema. Live transmissions from the Met are filling multiple screens in multiplexes in cities across the continent.

Digital cinema enables the sharing of performance, sporting events and other collective experiences, which can help finance production in new ways.

Similarly, theatrical documentaries and other domestic production can be encouraged, particularly if innovative collaborations for promotion are negotiated with traditional broadcasters. Imagine how NT might take Central & Northern Australia to the world “live”!

Dynamic Shifts in the NT TV/Screen Media Industry – Next 5 Years

In November 2008, approximately 45 key stakeholders within the NT Screen industry came together for 2 days in Darwin or a day in Alice Springs to explore the future of their industry. The full summary of input from this gathering is available in a separate document on the NTFO website. Several key issues and areas of focus readily emerged and received fairly universal consensus. Of course some issues or proposed actions were contentious or more narrowly beneficial. However some universal insight is summarized around the following questions…the language comes directly from table groups of participants in the NTFO Strategic Search Conference.

Q1a - What are the Key "Dynamic Shifts" that will Impact our Industry over the Next 5 Years?

- Internet will change the way we work and produce content and allow more collaboration:
  - Enable youth in a different way
  - Youth have changed in their media hamlets and therefore knowledge and skills
  - Digital (multiple) platforms:
    - Variety
    - Social access
    - Non-linear delivery:
    - Fragmentation of audience
    - Interactivity
    - Shattering of advertising
  - End of broadcaster power to decide on behalf of the audience
  - Audiences are program-makers and can "publish" themselves
  - Democratisation of producing

- Australia's switchover to Digital Free-To-Air
  - BIG impact in NT – 3yr Window to address!
  - 260 Remote communities potentially will be left without any TV or Radio
  - Roll-out of high-speed internet in Territory will not be timely to compensate
  - Same advertising $ spread across more channels will drive down budgets for content/program creation
  - Need to create some NT partnerships with national broadcasters for content provision
  - Build partnerships into new Asian markets to offset decline in profitability of Australian marketplace

- Changing viewer expectations:
  - Flexibility in Scheduling
  - "Experience" seeking vs. "watching" a show
  - Value add
  - Contribution &/or Customization
  - Free stuff
  - Enjoyable in small segments

- Shift from old model of big broadcaster to:
  - Little guys
  - Peer-to-peer
  - Direct-to-Consumer

Q1b - What are Key Outcomes for NT Media Industry to Work Towards when Addressing the above Dynamic Shifts?

- NT Industry Partnerships need to include people who can connect and sell with people who can produce and deliver.
  - Need funding to develop collaborations
  - Distribution of the advertising revenue
  - Money / economy of film and television
  - Mobile phones are multimedia and speedy delivery mechanisms
  - Screen size – audience is watching screen content on 4 Screens: Theatre, Television, Computers, & Mobile mobile phones/devices – content creators will need to partner with others that understand these various platforms
  - New Models of success – for producers
  - Speed of delivery + Online collaboration
  - Shift thinking about marketplace from Country to Global Niche

- Capacity building:
  - Mentoring for getting a project to a marketable stage.
  - Existing media production houses need to develop creators that are in place to develop depth of skill and experience (peer-support; mentorship)
  - Nurturing and investing in the next generation of creators. Make them tech savvy and equipped
  - Shift from captive TV audience to media savvy PC / iPod / Mobile users
  - Need for Dig Media Literacy (DML) a language
  - The medium is <u>not</u> the message
  - Influential technologies not invented yet

- Move from grant-based to investor-based and market-viability Production mentality:
  - Need market research components.
  - Indigitube – social networking
  - New target audience – commercial market shift.
  - Shift in funding models
  - Shift with increased broadband:
    - Independent distribution
    - Online flexible delivery of training

- Screen media sector as an intentional partner of Tourism:
  - Devise a project for sector collaboration to create alliances, skills sharing, capacity building e.g. West MacDonnell Ranges Visitors' Centre – media development strategy – opportunity for content developers for "Red Centre Way" – role for the NTFO
  - Integrate alternative platforms e.g. internet / mobile phones.
  - Provide varied strands of story/content for different Age demographic
  - Multiplexing story lines
  - COMMUNITY TV STATION = links with tourism and training
  - Cultural content in a unique position to carefully target international markets via new media
  - Capitalising on the uniqueness of the Northern Territory – know the niche and develop new ones.
  - Increase connections to a broader international market.

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- Bundle all the Top End content onto a platform e.g. Joost.
  - Can we get subscribers?
  - Should it be free?
  - IPTV – lots of channels that cover all areas (start in the NT and then expand).
  - Initial Government funding then move to advertising or subscription model.

- Convince / lobby Government as to economic value of creative industries and the need for increased funding.

Q2 – What areas of Customer-/Audience-driven media innovation should NT industry focus upon or better leverage to enhance our impact in the global media industry?

- International Interpretation of environment and culture:
  - Interactive kiosks, immersive environments, "portable" interpretation via AV media of:
    - History
    - Landscape
    - Indigenous
    - Flora
    - Fauna
    - Arts
    - Protocols (could be done during transport to and from the airport)
  - Cross-platform content
  - Enhance local environment with quality experiences for visitors

- National Audience:
  - What are Aussie stories?
  - How do we tell the wider world?

  - Reconciliation
  - How do we suggest possible practical applications for Australians wanting to engage, learn and understand Indigenous Australia and Australian history?

- Young Audiences:
  - Utilise social networking sites e.g. Facebook, Bebo
  - Games audience e.g. Finke Desert Race Game
  - Internet portal of works, content
  - Design for market – early, well and <u>viable</u>
  - Location and ease of finding content on internet:
    - Must be easy to find on Google etc.
    - Video upload sites = presence
  - Drama of living in the Territory
    - Audience driven programming e.g. *Top Gear*
    - Event driven calendar – the people who run / volunteer / drive crazy events
    - "On the edge / "out there" people / stories
    - Extreme sports and activities in the NT
  - Positive stories – universality
  - Kids' interests e.g. *Us Mob*
  - Kids' generated video and audio

    - Re-interpret and re-sound dd, popular movies
    - Mobiles – *Second Life, Sims 2*
    - iPods

- Viral Marketing & Distribution
    - Porn concept – 3 minutes free then link to website and you have to pay to watch the rest of the film.
    - Teasers link back to webpage with option for cash payment.
    - Utilise social networking to hit mass media so that people find YOU by creating compelling NARRATIVE

- Umbrella of writers
- Can't only be embracing new technology, lets create great cinema too!

- National Highway 1 – Stuart Highway 'Roo-ute 1'
    - Stories and history along the highway.
    - Exploit the highway – Australia is known for highway murders

Suggestions:
The NTFO needs to develop a viewer / audience friendly web presence where NT films can be uploaded (all genres and age groups) = allows high speed, high definition viewing of "texts" in their original form.
Adverts preface e.g. 59+ demo might be interested in this.
- Other 'place' where school productions / youth efforts can be uploaded.
- Dollars can be sourced from Tourism NT, advertisement space, 'normal' school media funds.
- % of royalties to filmmakers to cycle money back to the filmmakers and to ongoing web administration

- Get to know your audience – talk to them constantly.
- High budget films are no longer the starting point, could start on a mobile phone and work up to be a feature film.
- 40 writers under two producers – build a collaborative initiative.
- The numbers game – not to have one idea and slam the heck out of it
- Storytelling is also about bringing together a good team.
- Audience want to see someone just like them

NTFO needs an increase in budget if the Government is serious about the industry in the NT:
- NTFO needs flexibility / cash / connections to maximise opportunities through viral marketing
- Seek partnerships e.g., Sundance Europe, to co-finance features, Rotterdam, All Roads National Geographic.
- Look to industry e.g. Inpex to provide a bucket of money to develop ideas to first draft.
- Place 10-15 teasers on the NTFO website which people can use as a launch pad.
- Hit mass media – find YOU by creating compelling NARRATIVE
- Partner with iTunes, which leads to clips providing story behind the music, community. Could also lead to online games driven by the music e.g. "Grand Theft Auto Papunya" or "Grand Theft Auto Wadeye".

Virtual Tourism – e.g. *Dust Echoes* animation:

- Dance with Tom
- Take a didge lesson
- Hear a story
- Cook food
- Play footy
- Wrestle a croc

New permit system – pay for the 'experience' on-line:

- Points of view:
  - Educational
  - Business
  - Real Estate
  - Art Galleries
  - Animation
- Online project building:
  - Real time growing project
  - Advertising
  - Current TV
  - Paid user generated content
- 2nd life – NT film space

Workshops on multiplatform's by the NTFO.

- Internet for production and distribution
- Central hub supported by the NTFO re: promos
- Pilot project for media distribution.
- Industry wants a hub were practitioners can put their content i.e. IPTV station:
  - Initial Government funding
  - Future funding model – advertising or subscription
- Goal is to eventually produce low budget features.
- Competition for people to create short films on mobile phones (but quality?)

Q3 – Potential Role for NTFO Advancing this Industry vis a vis other Key Industry Players

- NTFO:
  - Increased Assistance – Criteria-based, with checks & balances
  - Continue support level + Increase their level of funding
  - Help the industry understand and "crack" other foreign markets
  - Continue to run discussion forums more often
  - Expand services of assistance, support, information going out especially in relation to funding, marketing and distribution
  - Create NT Script Writing Awards
  - Foster and develop NT Screen Culture
  - Provide initiatives in drama, documentary, new media, writing and producing.
  - Seek out international opportunities
  - Hook people up, create dialogue
  - Subsidise location and infrastructure logistics e.g. tax breaks to ensure NT is a more "Film Friendly" destination
  - Lobby Government to better fund the office e.g. a percentage of gambling tax's could go to the office (similar to ScreenWest in WA)
  - Update website to provide more information on funding sources, distribution channels, etc.
  - Encourage private investment in production
  - More communication between Alice Springs and Darwin - have a branch in both places.
  - Discussion forum on website.
  - Hold thematic events with guest speakers that are educational.
  - Provide a platform for actors, directors, filmmakers, producers and web designers to network.
  - Database for actors with links to a national database.

Suggestions:

NTFO evolve into a production company:

- Board: Guilds active in the NT offered membership
- Facilitate tender process
- Administer production process and protocols
- Training courses
- Public TV
- Screen culture: StoryWall, Fist Full of Films etc.
- Screen Resource Centre – Share 'credit' system with regional arts orgs.
- Joost Channel Partnership – Australian Outback Channel
- Online presence for NT Content distribution

Specific Screen Australia funding allocated to the NT.

- Screen Australia new structure allocates money to specific producers to create a slate of films.
- NT doesn't have the same access to experienced and established producers / production companies – exceptional circumstance allocation should be established!

NTFO to create an NT based producer fellowship with a five year development guarantee to fill the existing gap!

NTFO to organize/Lead Trade Missions into India, Indonesia, China (via Singapore?)

- Lead market research & exploration
- Assist NT businesses to make connections in other countries
- Facilitate relationship development & co-production partnerships

Potential Roles for NTFO

Already in this initiative, many of the screen media industry stakeholders have been positive about the NTFO conducting a strategic review. There seems to be a general recognition that NTFO could be providing more to the industry than simply their funding programs.

This said, the funding is still an important resource for the industry! Overwhelmingly, the industry feels that the level of funding from NT is quite low in comparison to other states in Australia. Also, its share of production is slipping, while sectoral employment has great potential for growth.

Important attributes for the NTFO in its relations with other industry facets include:

- Being in “Partnership” with the Industry – as “Problem-solver” or “Broker”
- Leading the “Connectedness” of the various players – especially cross-connecting people from linear and non-linear media sub-sectors.
- NTFO as a facilitation point for multiple government support program
- Ability to encourage 360-commissioning
- Awareness-building and capacity-building in the application of both market research and new technologies to the creative endeavour of this industry
- Understanding the multiple paths and platforms for screen media content, including the major players in distribution, marketing, differentiation along the new pathways

Given the above; where might NTFO logically position itself to create value and impact in the NT screen media sector next 5-10 years? This can be considered from a variety of perspectives:

PULLS (Areas the industry is likely to request from NTFO)

#1

Clearly the NT Industry believes that the funding level provided to the screen media industry by the NT Government is far below that of other states in Australia. That said, economic assistance from the government of NT to this sector does not simply have to come in the form of funding. Some creative programs could easily be developed, which have been proven effective in many other jurisdictions to stimulate industry, jobs, and overall economy.

- Youth employment tax credits or 1st year payroll offsets is one example.
- Bridge Financing guaranteed by the Federal Producer Offset program is another

#2

This industry really, really wants and *needs* reliable, high-speed, lower cost Broadband access throughout the Territory.

#3

NTFO could work to ensure that NT Government Departments (especially Tourism, Communications, Health) better utilize NT-based providers of screen media services from Alice Springs, Darwin and other communities rather than building up government staff or outsourcing to companies from other jurisdictions. The “Buy NT” concept should be clearly championed by NTFO across government – a “whole government” approach.

#4

There is a recognition that NTFO could provide high value by leading the NT screen media industry businesses into key Asian markets – providing market research, business exchange, trade missions, export readiness training, etc.

PUSHES (Innovation that NTFO could advance into the industry)

#1

One of the most significant areas NTFO can provide leadership, is in the enhancement of NT-based Producer talent. This will likely require bringing-in experienced producers from out-of-Territory to help mentor developing talent, and also devising arrangements for screen content IP to remain in the Territory for future leverage.

#2

NTFO can provide real value in facilitating:

- Mentoring of the next generation of Screen Media creative talent by existing experienced industry leaders
- Exploration of new 360-degree content development & collaboration
- Development of technological acumen with new platforms and distribution markets
- Indigenous stories and wisdom creatively reconstructed and developed towards high impact and maximum engagement of audience in a contemporary style that also remains authentic

#3

The NT screen media creators need to better access market/audience research data; yet few will be able to afford to conduct or purchase this work on their own. NTFO could form a "collective" approach to engaging the research, then sharing and utilizing this knowledge in the innovation of new programming.

LEVERAGE (Collaboration with other parties to achieve things neither could do by themselves)

#1

NTFO must help the NT Screen Industry capture Screen Australia funding into Territory initiatives that will qualify w.r.t. the evolving new program priorities and criteria.

#2

NTFO could provide real value to the industry by working with say FATANT, ICS, Imparja, ABC Darwin and others, to better utilize/share high cost late-model equipment, studio space, HD editing and post-production facilities.

#3

Apple Australia-Asia, Google, Joost, T-Mobile and other new-platform and new distribution channel leaders could be the source of high value collaboration initiatives with NT creative talent.

TRANSPARENCY & ACCOUNTABILITY

#1

NTFO is already headed down the path of creating a clear Vision and Strategic Plan, with Outcomes Measures for a variety of Critical Success factors. NTFO will then be able to report against the achievement of these goals and measures of success over the coming 5+ years, ensuring transparency and accountability to both the screen media sector and the citizens of NT.

#2
Recipients of NTFO Programming and support should likewise be encouraged to share their stories of success and learning, report on their progress/advancement, and transparently account for their utilization of support – showing clear return-on-investment. This might be featured in a new style of NTFO Annual Report and/or Awards initiative

CONSTRAINT
#1
Funds for the work of NTFO will always be limited. So, prioritization of focus and funding will need to be made. NTFO should consider identifying specific areas of focus, rather than trying to be all things to all parts of this very diverse and now multi-platform screen media industry.

It will be better for ***NTFO to focus on two or three key areas of work*** in which they can become accomplished and recognized for their value to the industry, rather than trying to take-on a larger number roles that their modest resources simply can't provide in a high quality impactful manner.

#2
Operate Arms-length from government and very connected to the screen media industry.

NTFO is currently a part of a Government Department, with staff employed by the Territory Government. As NTFO steps up to creatively lead this industry, stimulate innovation and provide new services to the sector, it will need to operate in a more entrepreneurial manner.

This will require financing and subsidiary creation flexibility, incentives to produce results for the industry, and accountability/transparency mechanisms back to the industry relatively free from political spin.

On a very practical level for example, Industry representation and negotiation in key international markets will require travel and a flexible response approach unencumbered by multiple levels of "approval".

The Territory Government can of course provide guideposts through the appointment of Board members, approval of strategic plans (including Outcomes Measures of Success) and approval of budget/annual reports.

However, as an intermediary that needs to be both trusted by the industry and multi-layers of government, an increased arms-length structure such as that of a Government-owned Corporation would be advised.

This would also necessitate a name change and some administrative adjustments.

Statistical Snapshot - A Mixed Picture

Materials for this section come from network scanning by Doug Macnamara (Banff, Canada), Andy Lloyd James (Sydney, Australia), Pat Ferns (Victoria, Canada) and participants in the Vision Search-Knowledge Café held on December, 2007 in Sydney, Australia. Supplemental interviews and web-comments from others across NT & Australia unable to attend the Vision Search session, have been and will be incorporated into this and future Phases.

Universally comparable up-to-date economic data is hard to obtain for all subsectors of the media industry, however there is an emerging picture globally and with an Australian context in which we can glimpse upcoming shifts, opportunity, plus the importance of this industry to NT.

The Global Media Industry is Huge – with significant impact in Australia

- Global Media & Entertainment revenues were $1,905B in 2006
  USA was more than $270B of this
  In Australia overall media sector revenues were $22.4B comprised of: Film $2.36B; Free-to-Air TV $3.2B; Pay TV $1.85B; Games $544M, Newspapers & other $14.5B **[PWC]**
- Overall Global Ad Spend was $455B in 2007 forecast to grow to $486B in 2008 (+6.7%)
  TV Ad Spend $169.3B in 2007 growing to $180B in 2008 (+6.8%)
  Internet Ad Spend $36.4B in 2007 to $44.6B in 2008 (+29%)
  Cinema Ad Spend $2B in 2007 to 2.2B in 2008 (+10%) **[Zenith Optimedia]**
  Social Networking Ad Spend $1.2B in 2007 to $2.1B in 2008 (+75%) **[eMarketer]**
  USA $168.6B in TV Ad Spend represents 37% of global and 20% of new growth
  USA $21.7B in Internet Ad Spend is expected to grow by 30% in 2008 and 120% to $44B in
  2011 where "Search" Ads represent 65-70% of total **[Nielsen] & [eMarketer]**
  USA Social Networking Ad spend $920M in 2007 to $1.6B in 2008 (+69%) **[eMarketer]**
  UK $7.2B in TV Ad spend expected to grow 1% and represents 4% of global
  UK Internet Ad Spend is $7B, expected to grow 30% and represents 16% of global **[GroupM]**
  China is expected to contribute 21% of all new TV Ad growth in 2008 (#1 growth market)

  Australia Total Ad Spend in 2007 is expected to be Aus$12.4B (+10.6%) ~2.5% of global
  Australia TV Ad Spend of Aus$3.58B (+5%) ~ 1.8% of global [Note: Aus figures include Agency
  Australia Internet Ad spend Aus$2B (+25%) ~4.3% of global fees, not included above]
  Australia Pay TV expected to grow by 35% in 2008 **[Fusion]**

- Global TV Distribution Market (cable, satellite, terrestrial, VOD, telephone, wireless) was $250B in 2006 forecasted to grow to $273.3B in 2011 (+9.3%pa)
  USA $62.2B in 2006 to $85.4B in 2011 (6.5%pa)
  Forecasts: Asia Pacific +18.1%; Latina America +14.5%; EMEA +12.3%; Canada +5.7%
  [PWC]
- Global Film production revenues (pulled though all formats) were US$450 Billion in 2005 Hollywood contributing 35% of this total. Growth rate internationally is approx. 20% p.a. **[Most up-to-date stats available UNESCO]**
  UK Film industry was ~$8.7B in 2006 (+36% in 2 yrs) **[ScreenDigest]**
  Asia-Pacific is fastest growing region with $16.7B in 2006 to $23.1B by 2011 (+4.6%pa)
  [PWC]

- Australian Film Industry (2006)
  33 Feature Films with Aus$333M spend in Australia (up significantly over a dip in 2005)
  50 TV Dramas (mini-series, telemovies, series & serials) with Aus$282M spend (+22%)
  Cinema Box Office of Aus$866.6M (+6%) with Cinema Admissions of 84M (+2%)
  Top Australian Films: Strange Bedfellows (2004), Wolf Creek (2005), Happy Feet (2006)
  Australian Films share of Box Office: 3.5% ('03), 1.3% ('04), 2.8% ('05), 4.6% ('06)
  Top Aus. TV/Video Films: Rabbit-Proof Fence ('04), The Castle ('05), Croc Dundee ('06)
  Total export royalties earned: Aus$215M (< 1/10 of a % of global)
  Total import royalties paid: Aus$869M **[Aus Bureau of Statistics]**

  NT Productions:
  NTFO In 2006/2007, supported production of 1 Feature, 1 TV Series, 1 Animation, 3 factual programs and the development of 3 Features, 4 factual programs, 1 Animation
  NTFO In 2007/2008, supported production of 1 Feature, 1 factual program and 1 factual series **[NTFO]**
- In 2005 the electronic Gaming industry in the USA surpassed the $10B mark, with USA men aged 18-34 spending 30Billion hours/yr in 2006 in gaming environments **[PWC]**
  2009 eGaming software sales forecasted to be $14B globally, with the Asia-Pacific region being the largest market $11.7B in 2006 to 19B in 2011 (+10% annual growth) **[ScreenDigest]**
  96% of Gaming IP is original content, 4% (growing) is licensed (from movies/books/TV)
- Australian e-Games industry - $110M ('06) (<1% of global) employing 1350 perm EE's
  Concentrated in 12 top cos. w/ >90% revenues from export (high growth mode!)
  (5 Cos in Qsld – 37% EE's; 5 Cos Vic – 46% EE's; 1Co NSW; 1 Co ACT)
  This is a high skill and high wage industry with average wages above the national full-time earnings average ($57,000 in 2006) for most job classifications. The electronic games development industry is highly growth oriented in outlook with over 90% of companies expecting to grow in next 3 years. [**Insight Economics 2006 Report for Game developers Assoc of Aust]**
- 100M USA TV viewers surf the internet while watching TV at same time
  70% of people under 34 watch TV and are on-line at same time **[Park Associates]**
  13% of under 34's are surfing content on-line related to what they are watching on TV.
- Social Networking Audience in USA is 57M in 2007 (13.6MM teens), expected to grow to 85M in 2011. YouTube leads with 28% marketshare. **[Nielsen]**
- Of 7.5 M Australia households, 73% have home computer(s) & 64% have internet access
  68% of the 5.1MM with internet access have broadband (mainly DSL)

- Product Placement Advertising is also growing. US Top 10 Programs had 22,046 occurrences in 1st 3 Qs of 2007 vs. 19,125 in 1st 3 Qs of 2006. American Idol is #1 in Product Placement **[Nielsen]**
- Video on Demand global revenues expected to reach $11.4B by 2011
  Asia-Pacific has 45% of subscribers but represents 12% of global revenues
  North America – 27% of subscribers but 46% of revenues
  Europe – UK leader w/ $480M in 2007, France 2nd at $241MM
  While DVD retail yields 50% of movie revenues on average, margins on VOD are higher.
- Portable Video Players:
  USA $50M in 2007 forecasted to grow to $200M in 2011
  Europe $30M in 2007 to $150M in 2011
  TV Connected Broadband-capable Devices:
  USA $10M in 2007 to $32M in 2011
  Europe $3M in 2007 to $11M in 2011 **[ScreenDigest]**
  [Note: "Content" sales for either device category not captured]

Processing these Statistics!

Asia is an Important Growth Region

- The Asia-Pacific Region, boosted by China & India, is expected to see growth of its Entertainment & Media market by approximately 12% per year in the foreseeable future **[PWC]**
- India with 1.1B population is mostly English-speaking, with 50% household cable penetration
- China with 1.3B population has more English speaking than USA & fast-growth
- Indonesia with 235M population has a fast-growing cable & satellite infrastructure

Australia is a Significant Market – But Australian Screen Production Captures Small Share

- Digital Content in Australia (of all types) was estimated to be worth US$20B in 2004 employing 300,000 people **[Centre for International Economics]**
- Australian content import (Film and TV/media) revenues paid to foreign sources significantly outweighs local content revenues plus export revenues combined. **[ALJ]**

New Platforms are Garnering Significant Ad Spend and Fee Revenues

- Global Internet Ad Spend represents roughly ¼ of TV Ad Spend, but is growing at 29% pa!
- Australian Internet Ad Spend is almost equal to TV Ad Spend and will soon blow past it in annual revenues.
- Australian "penetration" of Internet content of 4.3% of global is much higher that Australian penetration of TV at 1.8% of global or Film at <0.1% of global – Internet content and monetization should not be ignored!
- Social Networking audience, hours-per-week participation, and Ad spend are in fast growth mode – have you got <u>your</u> organization on YouTube or Facebook yet?
- Creative Story-engagement; Innovation in production and multi-platform impact; local and Indigenous culture are all potentially enhanced by integration of the new platforms with the traditional approaches
- Nano-Gaming (the new approach of having gaming content available to on-line surfers related to the TV program they are watching) is a rising source for advertizing, contests and social networking. It is also a terrific Collaborative Production market in infancy to explore.

Recommended Positioning for NTFO 2009 - 2015

1. **NTFO as the Facilitator of "Creative Workshop Initiatives" that will 'bootstrap' local capability to world standards, advance content development, and break new ground in formats/platforms.**

   Within the unique screen media dynamics of NT, NTFO needs to be about more than just money distribution! They will actually need to take a "hands-on" approach to developing the talent pool (particularly Producer capability) of the Territory to a more consistent "world-class" standard. This concept will involve the contracting of an external Producer (from say NSW, QSLD, LA?) to work with a hand-picked NT team of creative talent to jointly own & produce a multi-part, multi-platform content slate over an 8-10 month project.

   Similar to the USA-based "Sesame Street Workshop" concept of the 80's, each annual workshop project will:
   - work on a thematic concept,
   - target a specific audience niche that applies both nationally and internationally,
   - develop a realistic and innovative business model,
   - study the audience dynamics and market information, then
   - work out of NTFO facilities (or Imparja or ABC or other), to develop 360-degree content elements,
   - use multi-platform promotional approaches,
   - line-up distribution within a creative new market/profitability approach, then
   - deliver quality and acclaimed end-product to the marketplace.

   NTFO will work with Screen Australia and other sources to fund this initiative, bring in expert mentors in the various areas above in order to not just teach, but actively "do" the work on a real project with real global niche potential.

   One year the NTFO Workshop might be focused on:
   - short-form factual – integrating CGI, animation, scripting, acting, set creation for re-enactment of historical/current events, all in order to redefine the classical "documentary" approach into a modern, highly engaging, multi-platform media compelling experience.
   - Youth/children's exploration of the fascinating science and natural landscape, in an adventure drama, perhaps even creating a new "Character" which can ultimately become merchandized and spun off into further content adaptations
   - Mobile content initiative for say adrenaline sport/adventure enthusiasts or multiplexed narratives for Tourists travelling through NT.
   - Other adult drama or Indigenous traditional story, or NT extreme sports contest series.

   Ultimately, NTFO would measure their success and contribution to the industry as a Facilitator through such improved skills and deliverables as:
   - ✓ Original, new market-receptive content development,
   - ✓ Side-by-Side working of both experienced NT talent and the new generation of screen content creatives - mentoring the early career team members in experienced production elements, and also having the youth reverse-mentor the experienced practitioners in the application of new technologies and multi-

platform elements that have become second nature to them. The result being that the new practices are able to be applied and sustained within NT into the future.

- ✓ Exploration, targeting and successful penetration of new markets/platforms to profitable ends.
- ✓ Creation of NT-based IP that can be captured, enhanced and leveraged into the future.

The skills, knowledge and networks developed in such an initiative would then be featured in an annual conference setting so as to be able to be conveyed to others in the NT industry through a project debrief and knowledge sharing experience.

After the 5 years, external Producers should no longer be needed, and the NT should have several resident Producers actively leading the NT screen industry business growth.

2. NTFO as the Promoter of Audience/Market Research to build NT content/talent in Pursuit of New Markets

In this role, NTFO will create a "bureau" or perhaps a "virtual" but dedicated team to build a depth of understanding into a small number of carefully selected target export markets and/or distribution pathways. This NTFO resource will initiate the formation of relationships with key influencers and contacts within these new markets/distribution platforms to better assess the potential and identify the best "matching" of NT creative talent/businesses to the needs of stakeholders or potential customers in the new territories.

Next, this team would lead or support screen media Principals within the NT screen media community into:

- Studying key new geographic and/or platform markets for screen media content through commissioning market research studies that all NT screen industry players can utilize the results for idea generation
- Building an integrated multi-party industry Trade Mission or collaboration with a screen media Sales & Marketing organization (could be a separate company) designed to represent internationally, leverage and assist NT SMEs into foreign markets or new platform distribution pathways/audiences;
- Helping link collaborative partnerships to international broadcasters, platform distributors and co-production options.

NTFO staff will initially become highly knowledgeable resources to advise NT industry players and help them in exporting content/services.

Longer-term success will be measured based upon the industry members themselves becoming more savvy with new markets and platforms; creation of more valuable digital creative content for domestic and international projects; and higher annual sustained revenues generated by NT screen media resources!

3. **NTFO as Sponsor of Bridge Financing through leverage of the Producer Offset; plus enhanced emphasis on Screen Media Development/Marketing Funding**

   In this role, NTFO will work with the NT State Government Treasury to advance low interest funding or grants which are secured by the Screen Australia Producer Offset Program. This will:

   - Ensure screen productions can pay their bills during development and production phases, stabilizing their business and sectoral employment

   In addition, if NTFO is to be serious in developing the Innovation capacity for compelling new screen media productions, and also the Market-/Audience-referenced Pursuit of new distribution approaches; then NTFO should align its funding resources to support NT businesses in doing a good job of Idea Development and Market Analysis in the early stage of Project initiation.

   As a result, existing and additional funding resources will be concentrated on the support of the Development stage of screen media productions to enhance collaboration of multi-platform content creators, emphasize market/audience-driven content design, and innovative market pursuit/penetration strategies.

   - Support Idea-formation and Innovation pull-through to buyers in multiple/new domestic-international markets;
   - Working closely with Screen Australia, NT Government Treasury, Distributor/Finance community – and NT Producers of content.

   The outcome and value to the industry from this aspect includes increased market-driven innovation; refinement of ideas to "connect" with clear market niches, and leverage into multiple market distribution for enhanced profitability.

4. **NTFO as a Government-owned Corporation with Added Flexibility to Receive/ Leverage Funds from NT Government, Federal Government Agencies and Private Sector sponsors.**

   In order to leverage added resources into the NT Screen media industry, NTFO (or an alternate named Corp.) needs to be more arms length from an NT Government Department – yet still accountable for its impact and performance.

   As the first 3 roles above take shape and are implemented there is considerable evidence to indicate that such roles cannot be accomplished under the existing NTFO structure.

   Independent corporate status, wholly owned by NT Government, and Governed by an appointed Board will likely be required.

   For example, each annual slate production workshop initiative will likely need to be constituted as a separate subsidiary corporation with shared ownership amongst the workshop participants and NTFO.

   Receipt of funds by NTFO from Screen Australia as a "Master Producer" organization could likely not be achieved in its current form.

As a Territory-owned Corporation however, its outcomes will remain focused upon developing economic, social and creative industry benefit within NT, and to regional and remote communities.

End of Status Quo! Phase 2 of the NTFO Strategic Review

Of course, some of the elements that NTFO provides today will become a part of the above three areas of focus. However, NTFO will also need to examine what it STOPS doing in order to take on these new, high-impact and future focused roles.

Based upon the acceptance of these two key and two secondary positioning elements, the NTFO Senior Management Team will develop a new Vision 2015, Critical Success Factors to address, Measures of Success and some Strategies/Action Plans to implement success. This will be Phase 2 of this Strategic Review.