



Australian Government

Department of Communications,
Information Technology and the Arts

UNLOCKING THE POTENTIAL: SUMMARY

Digital Content Industry Action Agenda
Strategic Industry Leaders Group
Report to the Australian Government



April 2006

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This booklet contains a summary of the key issues and the implementation plan outlined in the Digital Content Industry Action Agenda report.

The full report is available online at
www.dcita.gov.au/arts/film_digital/digital_content_industry_action_agenda

If you wish to obtain additional copies of this booklet, please contact:

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Ministers' joint statement

We would like to congratulate the Digital Content Industry for its initiative and commitment in completing the Action Agenda report, and express our appreciation for its work in producing this strategic development plan.

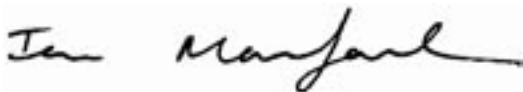
Industry commitment is a key theme of any action agenda. It is the Digital Content Industry itself that can deliver on the potential of a sector that is growing exponentially and transforming the way we live and work. In fostering leadership and drive from within, action agendas have become a key element of the Australian Government's industry strategy.

The Digital Content Industry Action Agenda contains significant commitments by the industry to realise its future growth. New digital platforms and services are emerging and the rapid consumer adoption of broadband, 3G mobiles, digital television and radio provide exciting industry development opportunities.

The industry's commitment to take action itself provides a good platform for the Australian Government to develop a broader Digital Content Strategy. The ultimate aim is to generate the growth of an Australian Digital Content Industry that will provide opportunities across the entertainment, health and education sectors and deliver the world excellent Australian products and services.

This national objective was acknowledged at the recent meeting of the Online and Communications Council, where Australian, state and territory governments agreed to assist with implementing the Action Agenda.

We look forward to working closely with the industry through the implementation phase of the Action Agenda.



The Hon Ian Macfarlane MP

Minister for Industry, Tourism and Resources



Senator the Hon Helen Coonan

Minister for Communications,
Information Technology and the Arts

Chair's Statement

The Digital Content Industry in Australia is at a critical phase in its development.

While it is the fastest growing sector globally, its rate of growth here is outpaced by other countries. The Action Agenda was initiated to identify opportunities for and threats to its growth, and devise strategies to take our industry forward and make it a major contributor to the Australian economy.

I would like to thank the members of the Strategic Industry Leaders Group and its committees for their hard work in progressing the Action Agenda, and to acknowledge industry members who contributed their views throughout the process.

The Action Agenda is now ready for implementation. I encourage all industry members to work together to achieve our shared goals and vision.



Tom Kennedy

Chair
Strategic Industry Leaders Group

Strategic Industry Leaders Group

SILG members

Tom Kennedy

CEO of Media Zoo P/L, a Photon Group Company (ASX-PGA), and Chairman of the Digital Content Action Agenda Experts Group

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John Richardson

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Greg Siegele

co-founder and CEO, Ratbag, subsequently Midway Studios Australia

Professor Duane Varan

Director, Interactive Television Research Institute, and Chair, New Media, Murdoch University

Background to the Action Agenda

An action agenda is a means by which selected industries develop strategies for growth, agree on priorities and make commitments to change. While the Australian Government provides secretariat and other support through an active partnership with the industry, the focus of an action agenda is on the actions that industry itself can take to achieve its objectives.

The Digital Content Industry Action Agenda began in 2001, with recognition by the Government that digital content and applications would become increasingly important, both in economic terms and as a means of expressing Australia's unique cultural identity.

Between 2001 and 2004, the Government carried out the Creative Industries Cluster Study, which consulted more than 150 key organisations and industry leaders. This study provided company, sector and industry-wide research on the scope, scale and dynamics of the Digital Content Industry in Australia. In 2004, the Government committed to the development of a comprehensive Digital Content Strategy, which would be informed by the strategic directions identified through an Action Agenda.

The Action Agenda was developed by senior industry leaders through the Strategic Industry Leaders Group. Membership of this group was announced by the then Minister for Communications, Information Technology and the Arts, the Hon Daryl Williams MP, on 8 June 2004.

The Strategic Industry Leaders Group formed four working groups, involving wider industry representatives, to investigate key areas where opportunities for and barriers to growth had been identified. These areas were investment, exports and international engagement, research and development, and skills and training. Intellectual property and statistics and standards were considered by all of the groups.

This booklet summarises the key issues and strategic priorities for each of these areas and sets out an implementation plan to address them, based on consultations with almost 50 key industry organisations and other stakeholders. The implementation plan will involve industry and government, working together to strengthen the Digital Content Industry.

The Digital Content Industry Vision

To achieve a sustainable and internationally competitive Digital Content Industry which doubles in value to \$42 billion by 2015

What is the Digital Content Industry?

The Digital Content Industry spans, on the one hand, the applications and services components of the Information and Communications Technology (ICT) industry and, on the other, the traditional film, entertainment and cultural industries, with key areas of both overlapping. Important digital content activity also occurs within other industries—particularly service industries such as health, education and architecture. The Digital Content Industry also overlaps with broader cultural and creative industries that recognise digital content as an important cultural resource that can be made accessible to all Australians, particularly in regional and remote areas.

Australia's Digital Content Industry spans a number of diverse sub-sectors, which can be grouped into three main areas—core production (41 per cent), embedded production (51 per cent) and distribution (9 per cent).

- **Core production** involves the creation of digital content by firms and individuals in the creative industries.
- **Embedded production** involves the creation of digital content, using creative skills, within the wider professional service industries—such as the creation of online resources by an educational institution.
- **Distribution** involves digital content activity where value is added by circulating, transmitting or exhibiting digital content.

The Digital Content Industry encompasses:

- the production and marketing of film and television programs in the form of digital and interactive TV;
- online games;
- re-usable electronic education content;
- the marketing and supply of the holdings of museums, galleries and libraries in digital form;
- the Internet-based publishing of music, text, films and games; and
- the development and marketing of software, games and online services that create digital media and visual effects, or help to manage and publish them.

Mobile delivery and content is becoming increasingly important.

The Digital Content Industry is significant, both in its own right and because of its impact on wider industries. However, it is characterised by a plethora of micro firms and sectors and there is a need to achieve critical mass to maximise its potential impact.

Why is the Digital Content Industry important?

The production of digital content will be one of the major drivers of economic competitiveness in the coming decade and will make a major contribution to ensuring high levels of economic growth, robust export capacity and a highly skilled workforce in Australia.

The Australian Digital Content Industry is estimated to produce output worth \$21 billion—almost 3.5 per cent of Australia's GDP (compared with the United Kingdom and the United States of America, where GDP shares are conservatively estimated at 5 per cent and 7.8 per cent respectively). It employs about 300 000 people.

Globally, the media and entertainment sectors are forecast to grow at an average annual rate of 7.3 per cent, from \$1.8 trillion in 2005 to more than \$2.4 trillion by 2009 (*Australian Entertainment and Media Outlook 2005–2009*, PriceWaterhouseCoopers).

Many of these sectors are driven by digital content already—such as the Internet, games, and business information. Recorded music and television are moving to the digital phase rapidly. In the United Kingdom and the United States of America, average annual growth rates for the creative industries have consistently been more than twice that of the economy at large.

The economic multipliers arising from the Digital Content Industry are significant, being higher than for most other categories of economic activity. The development of the industry has major implications for productivity growth in many other important sectors. Digital content and technology are becoming important inputs to other industries and enablers that help transform the way they do business.

The key issues

The Strategic Industry Leaders Group identified six key issues that need to be addressed in order to make the most of the opportunities offered to Australia by the Digital Content Industry at this critical stage in its evolution.

1. Stimulating market interest in investment

The most significant issue facing the sector is that, despite evidence of commercial potential, it is not currently competitive in attracting investment capital. The industry needs to raise investors' awareness and to examine ways to make itself more attractive to investors.

Higher levels of private investment in the Digital Content Industry are needed to ensure feasibility for the future. Viable digital content investment structures will flow on to benefit other screen-based industries.

2. Confronting the challenge of international competition

The global media and entertainment sectors are forecast to grow at an average annual rate of 7.3 per cent. Australia's main international digital content competitors have identified digital content industries as important contributors to high levels of growth in their economies and have developed extensive programs—including regulatory, funding and tax measures—to help build their digital content industries. International competition is expected to intensify.

While the potential for developing export markets for the Australian Digital Content Industry is very high, and some sub-sectors such as games are focused almost exclusively on exports, the industry's main market remains domestic.

In the preferred future identified by the Digital Content Industry, with industry barriers overcome and existing strengths enhanced, the Australian sector is projected to grow between 5.9 and 6.3 per cent annually. Output would increase to between \$36 billion and \$37.6 billion by 2014–15, placing it ahead of industries such as agriculture and communications. Employment in the industry would grow from the current estimate of 300 000 to between 447 000 and 461 000. In this scenario, the trade deficit in digital content would decrease from \$1 billion to \$0.2 billion.

By comparison, if policy settings were left unchanged, Australia's Digital Content Industry is projected to grow by no more than a modest annual rate of 3.8 per cent (from \$18 billion in 2003–04 to \$29 billion by 2014–15). In the face of global competition, this scenario represents regression. The importance of the industry to other sectors means that there would be implications for the economy as a whole.

Australia's competitive position in the global marketplace will be diminished unless it attains a growth rate that matches the high rates of its competitors. This means the industry needs to sustain a higher growth rate than the growth rate of the Australian economy overall.

3. Rectifying disadvantage created by the historically-based analogue/digital distinction

Historically, government has developed a range of regulatory and industry support mechanisms to foster the development of traditional content production and distribution industries—particularly in film, television, radio and publishing. As a result, these traditional or ‘analogue’ content industries operate within complex regulatory and investment frameworks.

With the evolution of content production and distribution using newer digital technologies, regulatory and industry support mechanisms face the challenge of accurately reflecting the dynamics and breadth of contemporary production and distribution of content.

4. Recognising digital content as a general purpose technology for the 21st century

Like ICT generally, digital content and applications have the characteristics of a ‘general purpose technology’. Such technologies are characterised as being applicable to virtually any economic activity, with the capacity to transform that activity by improving efficiency or creating opportunities for new systems and business models.

Electric power was one of the significant general purpose technologies of the early 20th century and is now so universal and embedded that it is difficult to understate its connection to economic well-being. In a similar way, digital content and applications have broad use across many sectors and can assist productivity growth in many other important industries.

5. Filling skills gaps in a leading edge industry

Despite a large supply of skilled graduates from over 320 university and vocational education training courses, the expected 20 000 graduates are not industry ready. The sector is trying to fill the gap, but lacks an accreditation or support framework that sufficiently recognises industry-based training.

The Government attaches high priority to addressing chronic skills shortages because of the threat they pose to productivity and economic growth. In the context of a rapidly growing industry, which is important to the productivity of many other industries, the issue of skills and training is even more acute.

6. Building a total industry from a fragmented base

The Australian Digital Content Industry is currently operating as a mix of sub-sectors in the process of rapidly becoming an industry. These sub-sectors (such as games, animation, film, post-production and mobile content) are working in relative isolation from each other, despite common market interests and shared needs for investment, research and development and skills development. This fragmentation is constraining the industry.

In addition to the great scope for wider cooperative activity and partnerships within the industry, there is potential for wider cooperation and partnerships that would enhance synergies with other industries.

Proposed solutions

The Digital Content Industry has outlined the following solutions for industry growth.

Investment and investment frameworks

To overcome the deficiency in investment, a concerted effort by the sector in partnership with government is required.

The industry is initiating an Investment Scoping Forum, to bring together its peak bodies and firms with investors and other investment groups to examine pressing issues. It has also contributed to the Government's Venture Capital Review, through input to a submission provided by the Department of Communications, Information Technology and the Arts. The sector is also seeking to ensure that digital content is not excluded from available industry support mechanisms.

In order to grow, the Digital Content Industry needs regulatory and investment frameworks that operate under technologically neutral principles and encourage interoperability, innovation, investment and competition.

Exports

A high priority is to define an Australian strategic international trade framework for the Digital Content Industry. The first step is to map key export opportunities and seek enhanced support for existing support schemes.

This needs to be consolidated by establishing industry-based market liaison officers, possibly within industry associations, to focus on all international aspects of opportunities in digital content through trade shows and other events.

Another major area that needs development is the delivery of timely market intelligence to help build and maintain a strong presence in overseas markets.

Skills and training

Stronger linkages between industry and the skills and training sector are essential to the growth of the industry. The key to maintaining world best practice in an industry is to encourage opportunities for applied learning and the dissemination of that learning through workplace training schemes.

There is a need for greater recognition, and much faster accreditation, of industry-based training activity. It is also important to demonstrate and promote the feasibility of successful training models to the Digital Content Industry itself, the education sector and government.

Research and development

The success of critical research and development (R&D) initiatives for an industry depends on mechanisms that help it to set priorities with the R&D institutions. Yet many current R&D projects in the digital content area have limited industry involvement, access or expertise.

The Digital Content Industry also requires more rapid access to research. This could be achieved, for example, through embedding researchers in the industry or linking them to groups of firms.

Finally, in collaboration with industry associations, it is important to raise the sector's awareness and use of government R&D programs.

Intellectual property, statistics and standards

Underpinning the key issues identified earlier are a number of longer-term issues that need attention. One of these is to ensure that the intellectual property framework, so essential to the growth of this industry, continues to keep abreast of technological changes affecting the way that intellectual property is created and disseminated. It is also important that the framework is well understood by the sector.

Another critical need is the establishment of mechanisms that collect timely and accurate statistics to enable business planning by industry, and strategic monitoring and planning by government.

Open and interoperable standards, multi-platform delivery and interoperability between devices are of paramount importance to the future of the Digital Content Industry.

A coordinated approach

To overcome fragmentation and address the key issues preventing the sector from achieving its potential, Digital Content Industry associations and other stakeholders have signalled their interest in working cooperatively on the shared positions outlined within the Action Agenda, while individually retaining the ability to advance sector-specific issues of importance.

The Digital Content Industry welcomes the acknowledgement by Australian, state and territory government ministers that the industry needs strengthening, and welcomes the agreement by the Ministers' Online and Communications Council to consider ways to assist implementation of the Action Agenda.

The Digital Content Industry recognises the need to build partnerships to ensure success in the challenging task of implementation. The recommendations for action, outlined in the implementation plan, have been tested through broad consultation with industry and government and provide a strong basis for the future growth of the Australian Digital Content Industry.

These measures will allow the growth of globally competitive Australian companies, help innovation and productivity growth from this industry to flow across the economy, develop a skilled workforce for both this industry and the wider economy and have a major impact on the balance of trade in digital content and services.

Digital Content Industry Action Agenda

summary of key recommendations— the essential areas

Investment

- Initiate an Investment Scoping Forum, to bring together industry bodies and firms with investors and other investment groups to examine the investment issues, and to help develop mechanisms to support investment, innovation and early stage support in the Digital Content Industry.
- In order to grow, the Digital Content Industry needs regulatory and investment frameworks that operate under technologically neutral principles, and encourage interoperability, innovation, investment and competition.

Exports

- Work towards the establishment of a cross-sectoral Australian Digital Content Industry market intelligence network to build a trade framework and to advance firms' export capacity.
- Define an Australian strategic international trade framework for the Digital Content Industry, commencing with mapping key export opportunities, seeking enhanced engagement with existing export support schemes and focusing on all international digital content opportunities, including trade shows and other events.

Skills and training

- Achieve greater recognition for, and much faster accreditation of, industry-based training activity.
- Demonstrate and promote the feasibility of successful industry-based training models or exemplars to the Digital Content Industry, education and government for use nationally and to support employer involvement.
- Improve linkages between industry, education, TAFE, universities, Innovation and Business Skills Australia (IBSA) and training providers, commencing with a roundtable discussion on industry-based training models.

Research and development

- Establish mechanisms for industry to work with research and development (R&D) institutions on priority setting.
- Investigate mechanisms to achieve more rapid access by industry to research, for example, through embedding researchers within industry.
- In collaboration with industry associations, raise awareness and increase utilisation of government R&D and non-R&D programs that foster innovation by digital content firms.
- Progress longer term issues relating to intellectual property, statistics and standards.

Digital Content Industry Action Agenda implementation plan

The following high level plan sets out the focus for industry-led strategic development initiatives for the Action Agenda implementation phase.

Urgent priorities

Recommendation	Responsible	Timeframe
<p>Investment</p> <p>Initiate an Investment Scoping Forum, to bring together firms and peak industry bodies with investors and other groups to examine relevant issues; to develop a capability map for the Digital Content Industry to inform potential investors about opportunities; and to consider mechanisms for investment, innovation and early stage support. It would be desirable to involve those educational sector bodies active in digital content production.</p> <p>In order to grow, the Digital Content Industry needs regulatory and investment frameworks that encourage interoperability, innovation, investment and competition and that operate under technologically neutral principles.</p>	<p>Industry</p> <p>Industry and Department of Communications, Information Technology and the Arts</p>	<p>Scoping forum held and further follow-up 6 months after completion of Action Agenda report</p> <p>Discussions already under way, with target of urgent introduction in first year of Action Agenda implementation</p>
<p>Export</p> <p>Define an Australian strategic international trade framework for the Digital Content Industry—commencing with mapping key export opportunities, seeking enhanced engagement with existing export support schemes and focusing on all international digital content opportunities, including trade shows and other events.</p> <p>Review the process and development of current and future co-production mechanisms to cover digital content, where appropriate.</p> <p>Work towards the establishment of a cross-sectoral Australian Digital Content Industry market intelligence network to build a trade framework and to advance export capacity.</p> <p>Join with other industries to address shared issues related to the treatment of export income.</p>	<p>Industry and trade stakeholders</p>	<p>Discussions to commence once Action Agenda report completed, with target of introduction in second year of Action Agenda implementation</p>

Recommendation	Responsible	Timeframe
<p>Skills and training</p> <p>Achieve greater recognition for, and much faster accreditation of, industry-based training.</p> <p>Demonstrate and promote the feasibility of successful industry-based models or exemplars to the Digital Content Industry, education sector and government for use nationally and to support employer involvement.</p> <p>Improve linkages between industry, the education sector, TAFE, universities, Innovation and Business Skills Australia and training providers.</p>	<p>Industry, education and government stakeholders</p>	<p>Within first 6 months of adoption of Action Agenda</p> <p>Pilot schemes established within first 6 months of Action Agenda implementation phase</p>
<p>Research and development</p> <p>Establish mechanisms for industry to work with research and development (R&D) institutions on priority setting.</p> <p>Investigate mechanisms to achieve more rapid access by industry to research—for example, through embedding researchers within industry.</p> <p>In collaboration with industry associations, raise awareness and increase utilisation of government R&D programs by digital content firms.</p>	<p>Industry and R&D stakeholders</p>	
<p>Partnerships</p> <p>Industry will work to establish greater liaison and cooperation between Digital Content Industry bodies, especially industry associations, in order to produce a unified approach and industry voice on top-level issues.</p>	<p>Industry</p>	<p>Interim arrangements need to be established within first 6 months of Action Agenda implementation phase</p>

Longer term recommendations

The Digital Content Industry also identified a number of longer term recommendations that underpin the more urgent priorities for strengthening the industry.

Recommendation	Responsible	Timeframe
<p>Intellectual property</p> <p>Identify and develop ways for strengthening protection of intellectual property, particularly by incorporating skills in identifying, managing and commercialising intellectual property into training frameworks.</p> <p>Engage with work on alternative approaches to intellectual property licensing, such as Creative Commons.</p> <p>Develop improved access to government intellectual property for commercial exploitation by digital content firms to encourage innovation.</p>	<p>Industry, education and government stakeholders</p>	
<p>Statistics and standards</p> <p>Continue assessing existing industry statistical frameworks to improve measurement of the digital content area (e.g. size, growth, employment, investment profile, export performance and production of outputs—such as visual effects, television commercials—including related data on uptake of relevant devices).</p> <p>Explore opportunities to generate research data to reduce the current high risk profile for investment in digital content activity.</p> <p>Identify opportunities for industry surveys across the sub-sectors on a regular basis to identify benchmarks for people employed, roles and current gaps/projected growth areas, with follow-up surveys to assess changes and requirements over time.</p> <p>Identify strategically important industry standards in key areas and encourage wide dissemination—e.g. in the broadcast and wireless industry.</p> <p>Support industry involvement and collaboration in the formulation of next generation standards and the development of consensus on them.</p>	<p>Industry and statistics stakeholders</p>	

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