

**June/July 2006**

**Speech delivered at the  
Digital Content Industry Action Agenda national forums by**

**Mr Tom Kennedy  
Chair  
Strategic Industry Leaders' Group**

I would like to thank everyone for attending. The industry is at a critical phase in its development, and I hope by the end of today we will have some shared ideas about how we can all work together to implement the Action Agenda's recommendations.

I am Chair of the Strategic Industry Leaders' Group, or SILG, which comprises leaders from all areas of the industry.

My colleagues on the SILG undertook industry-wide consultation and worked extremely hard to develop the final report. I would like to acknowledge publicly their commitment to the Action Agenda.

Of course, the first thing that the SILG had to consider was: what exactly is the digital content industry?

We knew that the industry ranged widely from, on the one hand, the applications and services components of the ICT industry and, on the other, the traditional film, entertainment and cultural industries, with overlap across both. Also, digital content was a key component of other industries, especially the service industries.

After some consideration, we decided that 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.

Working from this, we identified three industry sub-sectors:

- **Core production** – involving the creation of digital content by firms and individuals. This was assessed as representing 40% of the total industry;
- **Embedded production** – involving the creation of digital content, using creative skills, within the wider economy – 50% of the industry; and the third component is
- **Distribution** – involving digital content activity where value is added by circulating, transmitting or exhibiting digital content – 10% of the industry.

The SILG wanted to quantify the economic benefit of the digital content industry to Australia. A study was commissioned to evaluate the size and potential of the industry under various policy scenarios. This ‘Futures Report’ was prepared by the Centre for International Economics and is available on the Department of Communications, Information Technology and the Arts’ website.

The Futures Report provided some powerful economic ammunition as to why the digital content industry is so important to Australia. In summary:

- the industry’s economic contribution has been assessed at \$21 billion, or almost 3.5% of Gross Domestic Product;
- it employs about 300,000 people; and
- it has an economic multiplier effect on other important industries.

The economic multiplier effect for the digital content industry is actually higher than that for agriculture, mining and manufacturing.

The three markets where the effect is most pronounced are education, defence and health.

On a global level, projections for this sector are complex. The media and entertainment sectors provide the closest comparison. The PriceWaterhouseCoopers 2005 Entertainment and Media Outlook report forecast this sector to grow at an average annual rate of 7.3% – from \$1.8 trillion in 2005 to \$2.4 trillion by 2009.

Contrasted to this is the situation in Australia if the policy settings were left unchanged. Under this scenario, the digital content industry is projected to grow by no more than a modest annual rate of 3.8% – from \$18 billion in 2003-04 to \$29 billion in 2014-15.

Based on the work the SILG undertook, the Australian Government has recognised that digital content will make a major contribution to:

- high levels of economic growth;
- a robust export capacity; and
- a highly skilled workforce.

Most important has been the recognition that the industry is a key driver for growth across the whole economy.

This has probably been the most significant achievement of the Action Agenda Report to date.

After consulting on its draft recommendations, the final report made six key findings:

### **1. Investment**

The most significant factor facing the industry is that it needs to be more competitive in attracting private investment.

### **2. International competition**

International competition is intensifying and while our industry's potential for export markets is very high, its main market remains domestic.

### **3. Analogue/Digital distinction**

Regulatory and support mechanisms are often still focussed around traditional analogue production. This means that digital content may be inadvertently disadvantaged.

#### **4. General-purpose technology**

Digital content and its applications are a general-purpose technology for the 21<sup>st</sup> century. It has the ability to apply to virtually any economic activity, sharing this attribute with ICT.

#### **5. Filling skills gaps**

Stronger linkages between industry and the skills and training sector, and the promotion of successful training models, are essential to the growth of the industry. There is a need for greater recognition and faster accreditation of industry-based training.

#### **6. Industry's fragmented base**

The industry's development is constrained as it currently consists of a large number of small companies and organisations, with significant shared interests. However, sectors are often working in isolation from each other.

I now come to the key part of the report: its four main recommendations for action. These are the basis for the implementation plan which the industry must embrace if it is to unlock its potential and significantly expand its growth.

The four recommendations are to:

1. boost investment;
2. build exports;
3. extend industry-based training; and
4. link industry to research and development priorities.

I hope that these four recommendations will be the focus of the rest of the forum, and in particular, the open discussion with industry leaders. We need to keep our debate focussed on these main issues.

The first recommendation is to increase private investment in the industry. Two elements are necessary for this.

Firstly, an Investment Scoping Forum should be established. This would bring together the major players to consider the mechanisms for investment, innovation and early-stage support, and to inform potential investors about the opportunities.

Secondly, regulatory and investment frameworks need to be technology neutral to encourage interoperability, innovation, investment and competition. We need to work on ways that industry can access industry investment programs.

The second recommendation is to increase export opportunities for the industry.

The main element of this is to prepare a strategic trade framework that would map key export opportunities. This would focus on accessing existing export support schemes and other international opportunities, including trade shows.

The other elements of this recommendation are to:

- consider establishing a market intelligence network to link up sectors of the industry and to advance export capacity; and to
- examine current and future co-production agreements to take account of digital content opportunities. A memorandum of understanding has been signed with Canada in this area and we need to look further at these frameworks.

The third recommendation is to support industry-based skills and training.

In general terms, we need to achieve greater recognition of, and faster accreditation of, industry-based training.

The Report identified some successful industry-based models already in operation. For example, the Australian Interactive Industry Media Association (AIMIA) is developing an internship scheme for the post-production sector. And Film Victoria's Digital Media Fund supports interns moving into full-time employment in the

industry with a program of information and networking opportunities. A nationally accredited program could be established based on these and other models.

We have received advice about the Academy of Interactive Entertainment and would appreciate advice about any other models in operation.

To progress this, we need to improve linkages between our industry and all education sectors and training providers.

I am pleased to say that we are already making progress in addressing this issue. Innovation and Business Skills Australia, or IBSA, works in partnership with industry and key stakeholders in the vocational education and training sector to develop business and innovation skills in Australian industries.

IBSA is currently reviewing its qualifications for courses in the digital content industry. We are having direct input into that process. There is a leaflet in your folders with further information.

The fourth and final recommendation is to improve the industry's access to research and development opportunities.

Firstly, there needs to be mechanisms for industry to have input into the setting of priorities by research and development institutions.

Researchers also need to be placed within industry to boost commercialisation.

And finally, we must ensure that the industry is more aware of and can access research and development funding programs. We have started to work with a number of key institutions on this, including Queensland University of Technology and the Smart Internet Cooperative Research Centre.

As a final point, the report identifies that all this work as part of the implementation plan will be most effective when digital content industry associations work more

closely together. A unified industry voice makes the job much easier for any approach we may make to Government, for example.

After the break, we'll be exploring with a panel of industry members the issues surrounding the report's main recommendations, following which you'll all be invited to have a say.

However, I'm aware that there has been a lot of information up to this point for people to digest. There is now time for questions. Are there any questions that relate to the presentation thus far?

**[Questions taken then Break]**

Welcome back. There was a lot of talking at the break and I'm sure that bodes well for our discussion now.

I will ask our guest panel speakers to talk for about five minutes on how they see the Action Agenda from the viewpoint of their companies, industry organisations or their State/Territory. Then I will open the discussion to the room, to engage more fully with the issues on the table this afternoon.

**[Industry Panellists Speak]**

Thanks very much for those introductory comments. I would now like to open up discussion to the floor. As I said earlier, if we could stick to the four main recommendations of the Action Agenda Report, we can keep the discussion focussed.

**[Open Discussion]**

Thank you to everyone who had input during our open discussion. Would you please thank our panel members.

There seems to have been some main points arising out of this forum for the digital content industry. They are: **[refer forum summaries]**.

I have a few minutes now to focus your thoughts on a way forward for the Action Agenda's implementation plan.

One of the things I must impress on you is that there is still a lot of hard work ahead to make the implementation plan happen. The Action Agenda is an industry-led process. It is important that the SILG has access to people from around Australia who can be active during the implementation plan phase.

Someone has been very busy this afternoon taking notes so that we have a record of this discussion. We gave done this at every forum in each capital city.

Once these notes are condensed, the SILG will refine the implementation plan and identify the best ways to progress it. During this process, we will have close contact with the key industry organisations – AIMIA, the GDAA and AEEMA. On key issues we are aware there are also other stakeholders who will play major roles.

To this end, we have included an evaluation which is just under the Action Agenda report in your folders. I urge you to complete this form, preferably now, so that we can utilise the energy generated by this forum. Pencils are available and you can hand in the evaluation form as you leave.

Alternatively, we will email you the evaluation and you can complete it electronically. In fact, you are welcome to email the Department with feedback or comments on the Action Agenda.

I urge you to be active in unlocking the potential of our industry for the benefit of all of us.

Thank you.