

# COMMENTS BY INTRAN AUSTRALIA PTY LTD ON THE DRAFT REPORT BY THE PRODUCTIVITY COMMISSION INTO BARRIERS TO GROWTH IN AUSTRALIAN SERVICES EXPORTS

Due by Friday 18 September 2015

Email: [services.exports@pc.gov.au](mailto:services.exports@pc.gov.au)

Commissioner Angela MacRae

<http://www.pc.gov.au/inquiries/current/service-exports/make-submission>

## The National Internet Platform and Content Industry

For more than a year, Intran has been campaigning to see established in Australia a single, private sector, widely owned, national platform for internet content, of many genres, created by talented Australians to take to a global market. Intran is naming it the **National Internet Platform (NIP)**.

A consequence of the NIP's establishment will be the **birth** of an Australian **Content Industry**.

During this campaign the Australian Government has received many documents from Intran.

### From the Terms of reference> Background>

***'Some service industries are subject to extensive regulation and barriers to entry. The Government considers there is scope to reduce these and other barriers to growth.'***

Intran holds the view that the NIP's absence is a barrier to the birth and consequentially, to the growth of the **Content Industry**.

## Definitions of 'barrier' and 'service'

Intran has considered the definition of '**barrier**' and '**service**' in the Commission's draft report.

**Service:** Intran asks: Is **content for the internet** a service? The Commission's discussion under the heading 'What is a service' has been read. It is noted that ASR is not in the abbreviations list. Intran won't get immersed in this discussion, suffice to note that under the heading 'How are services exported' the Commission has used the text 'including entertainment services'. **Entertainment** is a genre of content Intran sees being exported via the NIP, albeit only one of many. So Intran contends that **content for the internet** is a service.

**Barrier:** Intran asks: Is **the absence of the NIP** a barrier to exporting services? Intran contends that the Commission's definition of 'barrier' is limited because it does not take **absence** into account. Annotating the Commission's definition: The absence of a NIP 'impedes the ability of businesses (Intran for one) to export services (for example Intran's production **August Watershed** - see attached, but Intran has many other content genres in its **Watershed Package**) by increasing the costs of exporting a service (say via iTunes), restricting the supply of the service export (Intran's production would be smothered by the thousands of other productions on iTunes), or inhibiting the demand for the service in an export market (requiring an unaffordable international promotional campaign rather than taking advantage of the promotional opportunities that would be provided by the NIP).

Reflecting on the Commission's discussion on market failures: 'Governments should only introduce policies, including policies designed to facilitate service exports (the NIP will), where doing so would be expected to provide net benefits to the community (the NIP will give birth to a **Content Industry**).'

The arguments above are logical, providing Intran with the confidence that what is below is relevant to the Commission's draft report.

## Competition policy

Under the heading **Key points**, the Commission has stated: ***'The priority for the Australian Government should be policy reform that promotes competition and provides incentives for domestic firms, including in services sectors, to innovate and lift their productivity.'*** Intran holds the view that the NIP should be an exception and has said so in writing to the Australian Government. The salient points in its case are:

1. A number of NIPs would dilute:
  - our international impact;
  - the prime goal of attracting the widest possible ownership of the NIP;
  - reduce the prospects of any NIP rapidly reaching profitability;
  - cause confusion and thus inefficiencies in the content creation sector.
2. Competition would still exist but it would be between content producers.
3. A single NIP, by providing Over-The-Top distribution for Australian IP (see the Ooyala Report), would contribute more to its protection than any arrangement being debated, proposed or pursued, including those in the Australian Law Reform Commission's Copyright and the Digital Economy report. This matter will be amplified in Intran's response to the Commission's inquiry into Australia's Intellectual Property Arrangements.
4. The dual goals of, rapid path to profitability and widest possible ownership, would readily be achievable if all governments became willing content providers to the NIP. Intran has said this in writing to the Australian Government.
5. Intran has written to the Australian Government requesting legislation be enacted (if necessary) to limit the number of shares any entity may hold in the NIP.
6. Intran disputes that competition always ***provides incentives for domestic firms, including in services sectors, to innovate and lift their productivity.*** For the content creative sector, a single NIP
  - will eliminate the burden on a content production business in seeking a global market for its products;
  - provide access to the NIP's promotional resources;
  - through OTT distribution, provide a business with a far greater opportunity to become self-sustaining than all alternative distribution models such as that which the beleaguered Australian Film Industry presently endures.

The Commission's draft report mentions a large number of service exports, both existing and potential. Intran foresees that a considerable number of the exporting businesses will rush to take advantage of the NIP – it will be widely welcomed by commerce. Tourism, a sector covered in the study, is a particular target in Intran's plans for the NIP.

## Draft report – Key points

The Key points section in the Commission draft report listed the following specific policy reforms that would reduce domestic barriers to service exports:

- implementing visa processing,
- liberalising air services,
- simplifying Australia's regime of withholding taxes and
- implementing consistent screening thresholds.

Intran holds the view that the establishment of a ***National Internet Platform*** and the birth of a ***Content Industry***, offers Australia opportunities which are orders of magnitude greater than those above.

## The Australian film industry

It has been widely reported that Australian feature films in calendar 2014 gained little more than 2 percent of the Australian cinema box office, down from some 30 percent in the 1980s. Presently, Screen Australia's website is exhibiting that agency's, and the AFI's anguish over this state of affairs: <http://thescreenblog.com/2015/07/30/tragedy-or-coming-of-age-where-we-are-at-with-film-distribution/>

Screen Australia's focus is very much on feature film and cinema. In the past ten years, the AFI has probably received in excess of \$2 billion from the taxpayer. The media is alive with negative reports, see '**Media reports on the Australian Film Industry.docx**' attached.

The Commission has been asked to:

- '**consider recent trends in, and drivers of, service exports by Australian suppliers**': Intran contends that the internet is very much a recent trend when compared with cinema.
- '**examine the domestic barriers to growth in Australian service exports, including any investment barriers, and consider appropriate policy responses**': Intran holds the view that the Commission should recommend that all governments (national, states and territories, and even local) redirect investment away from feature film and to a **Content Industry** so that it may feed the **National Internet Platform**. Added to this, the Commission should recommend that Screen Australia be instructed to cease funding productions which are then distributed free of charge through such outlets as YouTube, non-subscription websites and FTA television. The practise (funded by many, consumed free by just a few) distorts the marketplace, presenting content production businesses with a barrier to operating profitably.

## Intellectual Property

The 20 August 2015 article by Bruce Baer Arnold, Assistant Professor, School of Law at University of Canberra was hardly complementary to the Commission (see the link and extracted text below). Nor was it to himself. He probably hasn't even thought of the NIP. Hence he is ignorant of its potential to cause a revolution in the IP space. This will be further pursued when Intran responds to the Productivity Commission inquiry into Australia's Intellectual Property Arrangements).

<https://theconversation.com/hockeys-ip-inquiry-another-opportunity-likely-to-be-missed-46266>

***"Another inquiry by people who are expert and dedicated but don't have the time and resources required. An inquiry in which there is little incentive and less opportunity to think outside the box."***

Rather than miss, this Services Inquiry and the Intellectual Property Arrangements Inquiry will provide an opportunity for thinking outside the box. The Inquiries should lead to the establishment of a significant service (**National Internet Platform**) and a new industry for Australia (**Content Industry**).