



Photo: Photo by Lisa Tomaseff

Parker Sawyers and Tess Haubrich in 'Pine Gap', an ABC/Netflix co-commission.

# LOCAL CONTENT IN THE NETFLIX AGE

RMIT University School of Media and Communication senior research fellow Ramon Lobato takes a deep dive into Netflix's catalogue to see what the future may hold for Australian producers.

**N**etflix has been officially available in Australia since 2015. In that time, it has had a huge impact on local audiences and markets. Analysts suggest Netflix's subscriber numbers are likely to overtake Foxtel's sometime this year.

As an over-the-top video service based in the US, Netflix is not easily regulated under Australian law. Local content policies designed for broadcast television (including legislated quotas for drama, documentary and kids content) do not apply to Netflix.

This raises the thorny question of where streaming services fit within the local content policy framework – a central concern of the recent Australian and Children's Screen Content Review.

## CRUNCHING THE NUMBERS

As part of our submission to the review, my colleague Alexa Scarlata and I decided to do some digging in the Netflix catalogue. We wanted to establish just how much Australian content is available on Netflix. We also wanted to explore what this means for the debate about local content in the multiplatform environment.

What we discovered was not very heartening for Australian screen producers.

Out of around 3000 items in the Netflix Australia catalogue, only 88 titles were Australian. In other words, approximately 2 per cent of the catalogue was local content.

To put that figure in context, we also analysed the Stan catalogue.

Stan had more Australian content (9 per cent), but from a smaller catalogue of around 1000 items.

Interestingly, we found there were actually more Australian titles available in the US Netflix catalogue than there were in the Australian one. This makes sense when we consider the competitive dynamics of the streaming market – Australian rights-holders increasingly want to keep their best content for their own local platforms.

## IS 2 PER CENT LOCAL CONTENT ENOUGH?

The 2 per cent of Australian content on Netflix seems like a tiny amount, especially given the 55 per cent local content transmission quota that applies to the primary free-

to-air channels between 6am and midnight. The SVOD services do not come anywhere near that.

But there are a few complicating factors to consider here.

The first thing to note is that broadcast TV schedules are different from digital catalogues. Users experience Netflix as a personalised, dynamic database of content, rather than a linear schedule. So the amount of local content that's actually visible to the user will depend on their past viewing behaviour and, indeed, the viewing patterns of other users.

A second consideration is that Netflix is not a traditional FTA channel with a broad programming slate of news, sport, and entertainment. It specialises in scripted drama and other genres suited to on-demand and binge viewing, including documentaries and kids content. Ironically, these are the three "market failure" genres that attract special minimum quotas under the Broadcasting Act. So Netflix's offering is fundamentally different from that of a traditional TV channel.

Perhaps our policy expectations of Netflix should be different too? As an industry, and a nation, we don't really have a settled view on whether it's reasonable, or even possible, to expect an American streaming service to provide nationally significant content to Australian audiences. It's something we need to start thinking seriously about. In the meantime, regulators – like audiences – are still trying to get their heads around what the Netflix effect means for the local industry.

## WHAT ABOUT THE AUSSIE NETFLIX ORIGINALS?

For its part, Netflix talks a good game when it comes to Australian content. The company says it's committed to "great stories" from around the world.

"People don't care where the stories come from," Netflix's head of programming Ted Sarandos said last year. "We're about having the best content."

Netflix has a number of Australian originals and co-productions either completed or in the pipeline – shows like *Tidelands* and *Pine Gap*.

All this is great to see. But we need to remember that a handful of Australian originals are not the



same thing as a long-term slate of production at sufficient scale to sustain an industry.

In fact, the nature of Netflix's business model means that it doesn't really need to produce very much local content in Australia.

Netflix – perhaps rightly – sees Australia as part of a wider English-language market that is more or less happy with a diet of US content.

On its investor relations website, Netflix makes this quite plain.

“Hollywood content travels very well abroad with local content representing a minority of viewing in our markets,” it explains.

“We make investments in local content (both second run and Netflix originals) as a way to onboard members and to introduce them to our global catalog. However, our aim is not to replicate the programming of the local broadcaster or TV network in a given market but to complement our service with local content where appropriate.”

The implication here is that Netflix, while a welcome addition

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to the pool of potential buyers for Australian content, is likely to be very selective and strategic when it comes to investing in local production.

In English-language markets like Australia, the need to “go local” is not as pressing as in other parts of the world, such as Latin America and Europe, where Netflix is trying harder to localise its programming.

And let’s not forget the high costs of producing in Australia, which are an added disincentive for a company with a global footprint.

In other words, we need to be realistic about the commercial value of Australian content to a US-based global platform like Netflix.

**POLICY OPTIONS FOR THE NETFLIX AGE**

This might all seem a bit depressing for Australian producers.

Fortunately, governments do have a few options on the table when it comes to developing media policy to secure the place of local content in streaming services.

In the EU, regulators have proposed a 30 per cent European

content quota for Netflix and Amazon. They are also considering discoverability rules that would require the platforms to actively promote European content in their recommendations.

Meanwhile, the Canadian government was able to extract a CA\$500 million production commitment from Netflix over five years (though there is much controversy in Canada about the legitimacy of that production fund).

Of course, Australia doesn't have the same kind of bargaining power as Canada or the EU when it comes to negotiating with Netflix. But policymakers here should be actively investigating these and other regulatory options to ensure that we have the kind of responsive, forward-thinking media policies needed to sustain an appropriate balance of local and imported content on our screens.

If we learned anything from our Netflix catalogue study, it's that we can't rely on the SVOD market – left to its own devices – to do this for us. The economics just don't stack up.



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