

DM@X: How are over-the-top video services like Netflix and Amazon Prime supporting Canadian film and television?

Five threats, five opportunities

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Five threats

1. Catalogue analysis

Ted Sarandos: 'We're not trying to make more Hollywood content for the world. Rather, a big part of the strategy is to bring content from different countries to a worldwide audience.' While this suggests a very different, post-cultural imperialism, paradigm, it is not borne out in an analysis of Netflix catalogues in representative countries. Some admittedly dated (2016) data on Canada has Canadian content at 3% features, 14% television. For all VOD services in EUR28, European originated feature film ranges from 12-21%. Hollywood movies overall constitute two thirds of all European catalogues, while about 50% of television in European catalogues is American. In Australia, at most it has been 2.5% Australian content, down to 1.6% due to catalogue growth most recently. There are more Australian titles in the US Netflix catalogue than in the Australian Netflix catalogue (the former is about five times larger than the latter). Data is drawn from <https://www.communications.gov.au/sites/default/files/submissions/ramon-lobato-and-alex-scarlata.pdf>.

As a general observation, without regulation, it is highly unlikely that these kinds of figures will rise.

2. The realpolitik of regulation

If there is no move to incorporate OTTs into the regulatory framework, the disparity between domestic incumbents' regulatory burden and international OTTs will grow, and will strengthen the pressure brought to bear on the policy system and government by broadcasters and cable for *deregulation*.

3. There is a distinct precedent – in Australia – for an expenditure requirement to be placed on foreign suppliers of drama content. See

<https://www.acma.gov.au/Industry/Broadcast/Television/Australian-content/new-eligible-drama-expenditure-scheme-results-i-acma>.

4. Discoverability

Even as OTTs claim that promoting Canadian content on their services cuts against the personalised, algorithmically-generated recommendation systems that drive their customer interfaces, it is clear that Netflix and Amazon Prime promote their own Originals, so promotion per se is definitely doable. Also, it's important to remember that discoverability in the OTT space is the equivalent of exhibition regulations in the broadcasting space, and secures the cultural, rather than the industrial, rationale (that Canadian consumers have every chance to consume Canadian content) for regulation.

5. Deal structures

One of the things that fundamentally links Netflix and Amazon Prime to the other big Silicon Valley platforms is the black box approach which goes to questions of transparency, accountability, fairness and terms of trade. Nondisclosure agreements, extremely selective data release, and reports of a take it or leave it approach to negotiating deal structures make Netflix – despite its significant

innovations and considerable commitment to quality production expenditure – a potentially bad actor in the screen production industry.

Five opportunities

1. Market failure genres key targets of regulation

It is very important to note that there appears to be a natural fit between VOD/SVOD as a delivery format and the core 'market failure' genres that most television broadcasting content regulation is directed at: quality scripted drama, comedy, kids, documentary. The main OTTs specialise in these genres. This makes the *cultural* rationale for regulating the OTTs much stronger. It also makes it more urgent, because of the substitution effect of the increased consumption of these genres on OTT services.

2. Cultural innovation/industry stimulus

International and domestic SVODs have provided another, key, distribution and funding source; have picked up and revived series dumped by broadcasters; have strengthened/invented new genres (eg millennial/ Gen Z sci-fi/supernatural); addressed underserved demographics, particularly young people; contributed to more cosmopolitan popular culture consumption; and provided a global platform for niche interests.

3. \$\$\$

OTTs have grown the production funding pie. For example, in Australia, whereas overall 2017-18 was the lowest turnover in six years, with declines or static growth in the key market failure genre, the only big increase – off a low base – was Online Drama, which is now for the first time spending more than kids TV.

4. Disruption has been a stimulus to domestic OTT and to innovation in the cable offer

Whereas Australian content in the Netflix AU catalogue is at 1.6% (see above), Australian content in the domestic OTT competitor, Stan (owned by one of the main private broadcasters) is at 9.5%, and brands itself around Australian content. Also, the dominant cable/'pay TV' service, Foxtel, has been forced to unbundle to compete with the OTTs, with consumer betterment.

5. Affinities with public broadcasting

It is an interesting trend that a significant amount of co-production/funding partnerships are occurring between OTTs and public broadcasters. Most Australian OTT originals that are partnerships are with the Australian Broadcasting Corporation (ABC).