

Review Of The National Innovation System

ASPERA Submission

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Representing

ASPERA (Australian Screen Production Education and Research Association), a not for profit peak national association of tertiary sector film schools. This submission represents and is supported by the following university-based schools funded by the Department of Education, Employment and Workplace Relations (DEEWR).

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Declaration of Interest

The author is employed by a publicly funded Australian university and is a voluntary representative of the national film school association ASPERA and submits here, without expectation of direct material benefit,

to promote the development of higher education and research in Australia's creative film television and digital media industries. This submission may be freely reproduced.

Terms

- This submission references innovation policies in the following categories described by Innovation Systems Research (ISIG Information Paper II, 2002):

(I) Leveraging research and development (R&D); and,

(VI) Opening and modernising the marketplace.

- 'Screen Industries' and 'Film Television and Digital Media Content industries' are regarded here as synonymous.
- 'Film school' is a generic description of any accredited higher-degree granting institution tasked with education production and research into film, television and digital media content.
- This submission assumes that certain film, television and digital media content programs produced within tertiary education institutions are measurable research publication outputs as determined by the former Research Quality Framework (RQF) definitions of the former Department of Education, Science and Training (DEST) and likely future Excellence in Research for Australia (ERA) definitions.

Argument Summary

Recent advice from the Strategic Industry Leaders Group (2007) suggests:

- Australia's film, television and digital content industries are believed to contribute around \$21 billion annually or around 3.5% of GDP to the national economy;
- The sector employs around 300,000 people.

ASPERA notes that:

- Screen industries invest very little in R&D, and expect government to foot development costs on cultural rather than commercial rationales.
- Much of this sector is image-based and uses a hybrid combination of screen production techniques of the type that are now taught in film schools at broadcast levels made possible by new digital technologies.
- Australia now has nineteen degree-granting film schools. Film schools provide fertile ground for incubating digital content products including

pilot programs and novel scripts ready for market presentation and industry take-up.

- Film schools are a major component of the growing Creative Arts sector, presently representing around 6% of national tertiary enrolments. With a minor policy update of the *Oslo* definition of R&D, this nation-wide sector could be harnessed by industry as content research ‘laboratories’, to greatly multiply innovation outputs from levels currently limited to government R&D through statutory film body investment.
- Unlike the majority of generalist CHASS sector graduates, ASPERA graduates traditionally find employment domestically, and increasingly internationally, directly within the creative digital production industries.

Helping Industry Share R&D Costs With Government

While digital content is big business, it is a business that makes almost no speculative R&D investment in its own future in Australia. In part this is because each new television program, feature film or software package, is in essence a one-off prototype each time.

Screen R&D is high risk, but can also be high yield if seeding is broad enough.

High failure rates of novel content, judged by Australian-produced revenues from total cinema box-office returns of less than 4% per annum (AFC annual reports 2002-06), and by very low total hours of Australian TV drama content, mean industry has little means to invest in innovative R&D.

Unlike almost any other industry, statutory Australian screen funding bodies do not currently fund R&D in the tertiary research sector. Through simple policy change we can find new ways to encourage industry and government to innovation-led profitability through tertiary-partnered R&D.

Policy Summary

In response to one of the Review’s key questions ‘*How do we educate and equip our people to be creative and innovative, life long?*’ ASPERA specifically argues for the federal government to:

1. Widen its understanding of the OECD’s R&D definitions of the *Oslo Manual* (1992) and subsequent *Frascati Manual* (2002) by:

- 1.1 including creative research outputs from Australian tertiary film and television schools in all definitions of R&D, and;
 - 1.2 enabling the ABS to capture these outputs and create new fundable categories through the ARC and other innovation bodies.
2. Encourage capital investment in novel screen content pilot research and production through Australian film schools that may be commercialised through industry partners by extending existing R&D Tax Concessions to tertiary film and television research producers and their industry partners, at levels aspiring to or superseding those of high tax benefit countries such as Singapore, with their R&D concessions of 10 year tax havens (Cat. 1) and 200% deductions (Cat. 2).
3. ASPERA accepts that R&D *'is not the only, or even the most important, input to innovation in an economy-wide sense'* (ABS 2003), but argues that:
 - 3.1 making screen content development in film school research centres attractive to the film industry represents *'real financial commitments by business towards the creation of tangible and intangible assets that promote innovation'* (ABS 2003);
 - 3.2 film schools are able to build novelty through R&D that may assist the culture/leisure industries achieve higher commercialised rates of innovation.

Reclassifying the *Oslo* definition of R&D

The ABS in its 2003 report 'Patterns of Innovation in Australian Business' argues that whilst innovation is now widely accepted as a driver of economic growth, *'it is a complex process that is difficult to measure'*, but that no matter how difficult to measure, the data that arises from such measurement is of national strategic importance. The report makes clear that new knowledge by itself is not enough – commercial outcomes are required for innovation to be measurable.

Reclassification of the *Oslo* definition of R&D to include creative screen content is compelling because diversification of broadcasters through digitisation creates increased demand for novel content, but at lower development cost. These conditions currently work against the public good, in lowering screen content standards to 'lowest common denominator' junk content.

Whilst ICT and pharmaceuticals are often represented in case studies of innovation literature, innovative screen content has an equal claim to warranting separate ABS manufacturing codes for its role in producing income-generating intellectual property in the national interest.

Examples could include not only scripts, film and television pilot programs and on-line content, but also the formats for these works, that may be separately and lucratively franchised for production elsewhere whilst earning royalties for Australians, eg; ABC-TV's *Kath and Kim* format being sold in the USA.

Reclassifying the *Oslo* definition also allows the nation to measure R&D investment into new programs and films as input data that may be compared to output metrics such as sales of intellectual properties.

Proposed Changes To *Frascati Manual* Definitions

4. ASPERA accepts the government's current definition of research and experimental development as found in the OECD's *Frascati Manual* (2002), per:

2.1 Research and experimental development (R&D)

63. *Research and experimental development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including the knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications.*

5. ASPERA rejects as being disadvantageous to national innovation the government's exclusion of education and training with the exception of PhD study as defined here in the *Frascati Manual* (2002), per:

2.2 Activities to be excluded from R&D

2.2.1 Education and Training

68. *All education and training of personnel in the nature sciences, engineering, medicine, agriculture, the social sciences and the humanities in universities and special institutions of higher and post-secondary education should be excluded. However, research by students at PhD level carried out at universities should be counted, whenever possible, as part of R&D.*

6. ASPERA endorses the inclusion of qualifying PhD study (per 68 above) in higher education, and seeks to extend this inclusion to qualifying Masters level Research based programs (most Research Higher Degrees), some qualifying coursework Masters degrees, and qualifying Honours degrees, where the criteria of novelty specified in the definition of R&D (*Frascati 2002*) is fulfilled.
7. ASPERA endorses the current *Frascati Manual* (2002) inclusion of *Supervision of students* within the definition of R&D, in particular:

2.3.2 *Problems at the borderline between R&D and education and training*

Supervision of students

95. *Closely allied to the problem of identifying the R&D element of postgraduate students' work is that of extracting the R&D component of the time spent by academic supervisors on supervising these students and their research projects.*
 96. *Such supervision activities should be included in R&D only if they are equivalent to the direction and management of a specific R&D project containing a sufficient element of novelty and having as its object to produce new knowledge. In such cases, both the academic staff member's supervision and the student's work should be included as R&D. If the supervision merely deals with the teaching of R&D methods and the reading and correction of theses and dissertations or the work of undergraduate students, it should be excluded from R&D.*
8. ASPERA further submits that the *Criteria for identifying R&D in services* in the Basic Definitions of the *Frascati Manual* (2002) per the following is now incomplete:

149. *The following are among the criteria that can help to identify the presence of R&D in service activities:*

- *Links with public research laboratories.*

- *The involvement of staff with PhDs, or PhD students.*
 - *The publication of research findings in scientific journals, organisation of scientific conferences or involvement in scientific reviews.*
 - *The construction of prototypes or pilot plants*
9. ASPERA requests the criteria above (149) be expanded to include “publication of qualifying creative works of screen content produced by tertiary film schools.”
10. ASPERA claims the changes it proposes above are consistent within the Institutional Classifications defined by the *Frascati Manual* (2002) as currently defined:

3.6.2 *The principal sector sub-classification*

The classification list

202. *While the major fields of science and technology are clearly defined, the level of disaggregation within each component field is left to each country.*

Conclusion

ASPERA believes the above proposals will enhance the competitiveness, sustainability and productivity of Australia's screen industries for the increased delivery of innovative and commercially sound screen-based products to the world.