

NATIONAL PRESS CLUB OF AUSTRALIA ADDRESS

'The Creative Economy Deficit'

RUSSEL HOWCROFT

AFTRS Council Chair

Wednesday 15 August 2018

AFTRS

Over the past decade — since Andrew Denton offered me a job on a show about Ads — I've had the privilege of discussing creativity with many different groups. Groups that range all the way from Librarians at a luncheon with Librarians to After dinner with Australian Super after dinner.

But I'd have to say I'm most excited to talk about creativity here, at the National Press Club — an iconic forum founded by journalists, for whom ideas are the stock in trade.

Here in the city designed by a great creative thinker, Walter Burley-Griffin, and broadcast on the ABC — our national platform for ideas, debate, and expression.

We have many positive stories of creativity in Australia, but my fear is that many still think creativity belongs in the sandpit and not on the spreadsheet... And unless we find a way for creativity's power to be front and centre in our economy, there will indeed be a deficit.

Creativity needs to become central to the national agenda.

There are lots of definitions of 'creativity', personally, I like this one: using new and imaginative ideas to create something. It involves both thinking and producing, reflection and action.

Now, I've been a bit cheeky using deficit in the headline for today's event.

I am an optimist, and always have a bias to good intent. Surplus is a word I like far better but sadly in the world of fake news and click-bait headlines, negativity seems to strike a stronger chord with some people.

Today, Australia is the world's 13th largest economy and a member of the G20.

But we're going backwards.

According to PwC's 2050 Report, by 2030 Australia will drop to 29th... roughly swapping positions with Bangladesh.¹

That means we'll be out of the G20 and most other global elite clubs.

¹ <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf>

All the data points to a simple truth: we are just not growing fast enough... and our old modes of generating growth are becoming increasingly less productive.

Resting on natural assets to fuel our prosperity is simply not enough. We have to move up the value chain. And to do that, we need to find ways to better harness our human assets.

It's my contention that Creativity can, and should, be one of the key platforms for achieving that — and one of our most significant drivers of future growth and competitiveness.

So now — as we shift from an industrial-age economy to an ideas-based one — we need to ask ourselves: are we doing enough?

Are we positioning ourselves for a world in which ideas and intellectual property are the new global currency?

Are we investing in, empowering and harnessing creativity across our entire economy — not just the Arts — but in business, in schools, in communities and public policy?

In the Creativity Economy — the world of the here and now — our books just aren't balancing up.

So today I'd like to outline what I see as our current deficit in backing Australian creativity, and how I believe we can create a better, more prosperous, future.

Now, when I'm talking about 'creativity' I'm not just talking about 'the Arts' — opera and ballet and cello concertos. The existing investment in visual, performing and screen arts in this country is actually quite competitive on a global stage.

By 'creativity' I mean everything from the core cultural arts — fine art to filmmaking — to the more commercially-oriented creative industries such as architecture, media and, yes, advertising. It also extends to creative practices in other industries — like the changing role of service design across all sectors.

All of these practices have one thing in common: they demand creative thinking.

That is: actively investing in new ideas, building IP, and finding new solutions to complex problems.

I'm talking about 'creativity' as the central principle to the way we develop and support ideas, find commercial opportunities, create

business models and build relationships with consumers across the whole economy.

Many businesses are already investing in the potential and importance of this thinking. PwC, a global professional services firm, has even moved to embed it as a discipline, appointing a Chief Creative Officer. That is a real statement of intent.

Why? Because some of the brightest minds in business realise that in the new economy, 'Creativity' in its truest sense is a key driver of commercial competitiveness and edge.

Creativity matters economically.

It matters socially — for our education, wellbeing and cohesion of our community;

And it matters culturally — to help define who we are and how we share our story with the world.

As a nation, we've faced the question of a Creative Deficit before.

Some of you may not know that the world's *first* feature length film — *The Story of the Kelly Gang* — was actually made in Australia back in 1906.

It sparked a boom in local cinema production. But a ban on Bushranger films in 1912 (based on political concerns about law and order and morality) kneecapped this thriving new sector... while the US built a huge, global industry on the back of their Westerns.

By the time the Australian Film Television and Radio School (or 'AFTRS') — where I'm fortunate to be the Chair — was founded in 1973, there had been a suffocating cultural drought that saw precious few Australian feature films made over the span of literally decades.

As a consequence, it felt odd to hear an Australian accent or see an Australian landscape on our screens. There was a perception that life — or at least life worthy of our attention — happened elsewhere.

A few strong voices began calling for change. In 1968, Liberal Prime Minister John Gorton commissioned a report on the establishment of

a Film and Television School, backed by recommendations from UNESCO.

A Film Committee made up of a group of believers — Philip Adams, Barry Jones and Peter Coleman — insisted we needed to back our storytellers and looked at international film schools as a model. Along the way they battled many critics and cynics who saw it simply as a waste of public funds.

Finally, after much toil, Gough Whitlam's Labor Government passed the AFTRS Act in 1973 and the school was founded, amidst a number of ground-breaking film initiatives.

... And are we thankful they did.

In the 45 years since, AFTRS graduates have had a transformative impact on the culture and industry of Australian TV, film and broadcast. They've created stories that have touched the world — from *The Piano* to *Red Dog* to *The Slap*, — fuelled a thriving commercial industry, and won universal acclaim from BAFTAs to Oscars.

Outside of the industry itself, films like *Crocodile Dundee* have radically impacted trade and tourism. In fact, Deloitte estimates that screen content attracts around 230,000 international tourists to Australia each year, generating \$725 million in tourism expenditure alone.²

Possibly most significant of all — it no longer seems that a life worthy of our attention only happens elsewhere.

The story of AFTRS is one of: Ambition. Appetite for change. Bipartisan support for progress. Courage. And, critically, creative thinking.

Now, as screen and broadcast industries globally grapple with tectonic disruption and change, AFTRS is on a mission to enable a new future for Australian creativity — helping our storytellers to seize opportunities that arise, to compete and to thrive.

² <https://www.screenaustralia.gov.au/getmedia/1b1312e5-89ad-4f02-abad-dae601b739/ScreenCurrency-SA-Report.pdf>

Neil Peplow and the team at AFTRS have done a stunning job of reimagining themselves and their role in the new world – shifting the emphasis from just the mastery of technical skills, to creative mastery as a discipline.

But as we all know, it's not just AFTRS facing this change.

As any business person will tell you, it's not enough to simply recognise the need to change – it's how we choose to face it.

Australia has flourished. We've been blessed with natural assets.

But, as a result, many believe the hard skills of business, science and engineering alone are the path to a productive and prosperous future.

However, in their 2016 *Future of Jobs* report, The World Economic Forum found that:

“The Fourth Industrial Revolution... will cause widespread disruption, not only to business models but also to labour markets over the next five years, with enormous change predicted in the skill sets needed to thrive in the new landscape.”³

That same year, CSIRO predicted 44% of Australian jobs are under threat by the new industrial revolution.⁴

We've all heard that the robots are coming for our jobs. And they're not even likely to be Australian robots.

We're ranked 23rd in the world when it comes to innovation.⁵

Global competitiveness has slumped to the worst ranking in 18 years.⁶

We are, I am afraid, facing a bleak moment if we don't refocus our energy, our investment, and adapt.

³ <http://reports.weforum.org/future-of-jobs-2016/chapter-1-the-future-of-jobs-and-skills/#view/fn-1>

⁴ <https://data61.csiro.au/en/Our-Work/Future-Cities/Planning-sustainable-infrastructure/Tomorrows-Digitally-Enabled-Workforce>

⁵ <https://www.globalinnovationindex.org/gii-2018-report#>

⁶ <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>

I know I'm sounding somewhat dystopian here, but I genuinely believe we are in danger of drifting into a crisis if we don't recalibrate around the growth drivers of tomorrow.

In education, last year, the UN ranked Australia 39th of 41 affluent nations in providing quality education.⁷

Our focus on STEM subjects — science, technology, engineering and maths — is limiting us, particularly when we know other countries are doing it way better than us.

Ironically, those countries across our region who have been known for investment in STEM are now focusing on creativity — particularly low-cost labour countries who see automation replacing their workers.

The National University of Singapore — one of the world's best — undertook a massive research project last year to determine what skills would better prepare their graduates for the world.

They found that future generations won't need technical skills, but rather 'soft skills' — resilience; curiosity; emotional sense; entrepreneurial thinking; vision; empathy, insight.⁸

All of which are drivers of, you guessed it: creativity.

The Economist's Intelligence Unit recently rated South Korea the best-equipped country in its Automation Readiness Index⁹, which basically ranked a country's preparedness for this changing global economy. South Korea was top due to its government's reforms in teacher training and curriculum and its emphasis on these 'soft skills'. Again, creativity.

We need to expand our focus — from STEM to STEAM. We need to elevate the Arts, to supercharge our children's learning across the whole curriculum.

⁷ <https://www.unicef.org.au/about-us/media/june-2017/australia-scores-overall-average-in-latest-unicef>

⁸

<http://nus.edu.sg/cfg/sites/default/files/documents/frr2017.pdf>

⁹ <https://automationreadiness.eiu.com/whitepaper>

All kids should be engaging with their creativity alongside their Maths and Coding, to feed and extend that vital part of their brains that will equip them for a future already here.

So, we've identified the issue: here's the opportunity.

First, we take Creativity seriously. We train our kids in it. Or rather, we help them to keep it.

Some of you might have heard of George Land's research on creativity from the 1960s. George developed a creativity test for NASA, to help select innovative engineers and scientists.

He identified two types of thinking when it comes to creativity:

1. Convergent thinking: where you judge ideas, criticise them, refine them; and
2. Divergent thinking: where you imagine new ideas, original ones which are different from what has come before but which may be rough to start with, and which often happen subconsciously.

This second one, divergent thinking — the subconscious, the untested, the random association — is true creativity.

It's truly original, lateral and uniquely human. It's the stuff that robots and artificial intelligence simply cannot do.

In 1968, Land started applying his research on creativity to children.

He gave his creativity test to 1,600 children between 3 and 5. He then re-tested the same children at 10 years of age, and again at 15, and compared their scores against adults.

The results were staggering:

- 98% of 5-year-olds were assessed in the highly creative range (at 'genius' level);
- This dropped to 30% of 10-year-olds being assessed as highly creative;
- Then just 12% of 15-year-olds;
- ... and only 2% of adults who could be considered highly creative.¹⁰

¹⁰ <https://www.creativityatwork.com/2012/03/23/can-creativity-be-taught/>

Non-creative thinking, it appears, is a learned behaviour.

Doesn't that give your optimism bias a kicking...

I am lucky that in my role at AFTRS, we can help influence some change.

And we have a plan.

Through a new platform called MediaLab, AFTRS have piloted resources for schools that encourage creative thinking and problem solving with some of the key tools of the digital future — media production.

We know kids all over the world are already engaging with media creation in Snapchats and Instagram videos. Each day more than 8 billion video clips are exchanged on Facebook and Snapchat.

We're now equipping teachers with the resources to bring these passions into the classroom, engaging with all parts of the curriculum – making mini-docos about history, stop-motion animations about science and creative interpretations of the literature syllabus in short films.

CISCO estimated that by 2021, 82% of all Internet traffic will be video¹¹.

The skills we're teaching kids via MediaLab will be the basic communication skills they need to participate in the public sphere of the immediate future. And we hope to build these resources into something every teacher and student can use to generate new capacities in the next generation of Australians.

Making video, shaping an idea, expressing yourself creatively, thinking deeply and differently about subject matter can supercharge learning.

These are all vital to equip the next generation for the future. Why? Because the one thing setting us apart from AI and the robots is our ability to create new ideas. Ideas that aren't based on algorithms which can only analyse what has gone before.

¹¹ <https://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/complete-white-paper-c11-481360.html>

AI can't pluck something unimaginable from the subconscious. AI can't take two diametrically opposing ideas and bring them together.

Creativity is something, possibly the one thing, the bots cannot achieve.

And I want to reiterate here — 'Creativity' is not a soft word. It does not just belong in the sandpit.

International predictive data about work released by NESTA (the UK's National Endowment for Science, Technology and the Arts) tells us that creative jobs are likely to see a growth rate of 87% by 2030, contrasted with a sharp decline across more traditional industries.¹²

Employment in the creative sector is growing almost twice the rate of employment across all sectors.¹³

On top of that, the ABS estimates the creative sector contributes an astonishing \$86.7 billion to GDP.¹⁴

Here's a small example of that: The Sydney Opera House. Arguably the best advertisement ever for Australia.

In 2013 Deloitte estimated it's worth \$4.6 billion to Australia, and contributes \$775 million to our economy every single year. Now that is a return on creative investment.¹⁵

The role of creativity is to build value. We need to start taking it seriously. As seriously as P&L, dividends and working capital.

Time is not on our side here. Other countries are already way ahead of us:

- Creative Britain has seen the UK look to the Creative Economy with great success — supported by a mixed-funding model for Arts practice across a number of disciplines.

¹² <https://www.nesta.org.uk/report/the-future-of-skills-employment-in-2030/>

¹³ <https://research.qut.edu.au/dmrc/wp-content/uploads/sites/5/2018/03/Factsheet-1-Creative-Employment-overview-V5.pdf>

¹⁴ <http://www.abs.gov.au/AusStats/ABS@.nsf/MF/5271.0>

¹⁵ <https://www2.deloitte.com/au/en/pages/sydney-opera-house/articles/value-an-icon-sydney-opera-house.html>

- Scotland has just released a new culture strategy that places culture on equal footing with other areas, including education, environment, health and inequality. They see culture at the centre of wider societal shifts and are betting on it to bring new perspectives to complex problems.
- China has aggressively started moving away from 'Made in China' to 'Designed in China' — this alone is forecast to see a transformation of the global market for creative IP at a phenomenal scale.
- Just to our North, Indonesia is about to host the World Conference on the Creative Economy — they know that Creativity is going to drive future economic growth and global development. And they've just had 4 tech startups become 'unicorns' — exponential companies that have rapidly exceeded 1 billion US in assets. No wonder they invested in a Creative Economy Agency. Search Bekraf to see what Indonesia are doing in this space.

If we look at the shift in the Fortune 500 companies over the last decade, versus the relatively static ASX, we see Australian companies haven't embraced the pivot to creativity. We still rely heavily on mining and financial services.

Some Australian companies, like the creative dynamos of Atlassian, are ahead of the curve and reaping the rewards.

We need more Atlassians. We need to build confidence in our own creativity as a Nation. And we need to back ourselves – something Australians are strangely not great at.

At PWC right now, we're undertaking a major project to identify what Australia stands for... 'our' brand.

The research we've done is bracing. The data shows we sell ourselves short through risk aversion, a lack of ambition and being somewhat apologetic on the world stage.

We rely on the beauty of our landscapes and our great lifestyle to sell us — and undersell our capacities, IP and intelligence.

A surprising twist in all this — the rest of the world actually thinks we're more innovative than we believe we are ourselves.

But truly, why wouldn't they?

Our creative talent over-indexes on the world stage in the creative arts and, increasingly, in innovation such as fintech and drone technology.

And yet... most Australians still don't even know we invented wi-fi.

We need to learn to aim high and sell high.

We can do that because Australia has a rich cultural history, including the world's oldest living culture; an educated population who are early adopters of technology; and creatives who have always punched above our weight internationally.

In classical creative fields — our directors to artists, advertising practitioners to chefs — are world famous names. We need to leverage that success in creativity and promote it more broadly, so that Australian creativity is also synonymous with innovation, entrepreneurship, and business design.

At AFTRS, we're creating new platforms to engage with technologies in creative practice. Today, we're launching a couple of white papers from our Applied Innovation Research, focussed on emerging fields where technology and storytelling intersect:

- The first is on VR — exploring ways to build storytelling capacities in virtual reality to help develop narrative storytelling skills that make sense in a user-lead immersive experience.
- The second — in binaural podcasting — explores how we generate meaning out of sound, replacing traditional narration with natural ambient surround sound — a kind of virtual reality for your ears.
- Our next paper — to be released shortly — will be on biometric audience insights — using face reading and eye-tracking software, galvanic skin response and heart rate monitors to register engagement with TV drama.

Biometrics is really the next frontier in understanding audience engagement. It shows editors and directors how they can improve their shows by revealing how viewers react viscerally, through their

pulse, their body temperature, their physical being, while watching. We've helped shape successful Australian television and the applications have tremendous possibilities in our industry and beyond.

We're publishing these insights to help practitioners in our industry — and beyond — capitalise on the change happening around them, to stay relevant, to compete and, ultimately, to thrive.

Importantly, we see applications for technologies like VR or biometrics in any number of industries — from health to education to new forms of cultural practice not yet imagined.

Our vision for AFTRS is to be 'the focal point for innovation in screen, sound and storytelling, globally.' Anyone can teach technical skills; teaching creative practice is something else altogether.

Outside of industry, Creativity delivers incredible social value — it helps glue the nation together.

We spend hours each day on smartphones and other screens consuming everything from listicles to novels, GIFs to feature films... on top of the time we already spend watching TV, going to museums and concerts.

The Australia Council's research tells us that 98% of Australians engage with the Arts.¹⁶

Brace yourselves, but that makes it more popular than Sport.

Cultural engagement builds social cohesion.

In fact, the same research by the Australia Council also tells us that two in three Australians believe the Arts impact their understanding of other people and cultures, and allow them to connect to others.¹⁷

We must use this capacity for connection to draw on our diversity as an asset, and to help us generate a more global outlook.

¹⁶

<http://www.australiacouncil.gov.au/workspace/uploads/files/connecting-australians-natio-595de0ec78d4d.pdf>

¹⁷

<http://www.australiacouncil.gov.au/workspace/uploads/files/connecting-australians-natio-595de0ec78d4d.pdf>

If we connect better with one another and the world, we'll do better business with the world. And it's proven.

The OECD has been looking at correlations between social cohesion and economic growth and guess what? The more cohesive a society, the stronger its GDP.¹⁸

We can no longer rely on being the Lucky Country, or even simply aspire to be the Clever Country...

We must become the Creative Country.

If we don't, we'll be less capable, less connected, less compassionate and less competitive.

The good news is that there are things we can do to address our deficit — and we can start now.

When we weren't performing in sport, we created a commission to deal with it. The Australian Sports Commission (ASC) is responsible for the funding and development of sport. It supports phenomenal programs to develop excellence and increase participation in sports by all Australians. To create a world-class swimming team, we had to get kids swimming in their communities across Australia.

When we saw productivity was an issue for the country in the late 1990s, we established a Productivity Commission — to review, research and give advice on economic, social and environmental issues.

I believe we now need to establish a Creativity Commission.

It would have 4 primary functions:

1. To support the growth of the creative economy.
2. To build creative capacities and ideas to help inform policy, initiatives and industry.

¹⁸ <https://www.oecd.org/development/pgd/46908575.pdf>

3. To recognise the interests of the community and how we can use creativity to facilitate better outcomes for the nation.
4. To support the development of creative and internationally competitive Australian businesses.

As well as this evidence-based intervention in Policy and activities, we will need action. Creativity, after all, requires both thinking and the production of something new.

We need a Federal support body — dedicated to creative capacity-building, helping Australian businesses, agencies and communities engage with creativity to solve problems, and help generate and commercialise new IP.

And if you look around at what's happening elsewhere, you'll soon realise none of this should be at all controversial.

The UK has NESTA, The Creative Industries Council and Creative Britain to build all these possibilities.

- NESTA calls itself a global innovation foundation that uses funding, skills and networks to harness creativity; spark creative answers from many sources; shape ideas into practical solutions; and then shift whole systems in a new direction. They started with a £250 million endowment to help them realise these objectives. They have developed a great body of knowledge around innovation, education, the future of work and social change. And they have backed some great ideas – for example they have recently launched an app for off duty first responders to be alerted to nearby emergencies, and created GoodGym a business model for combining exercise and social good – where you don't just go jog on a treadmill in a soulless gym but use your run to go visit an elderly person who becomes your coach and mentor. I'd be more likely to get off the couch if I knew Beryl was waiting for me, and I might learn something unexpected in the process. Now doesn't that sound amazing. And couldn't we do with a foundation that could help ideas like that get off the ground here?
- The UK's Creative Industries Council is a formalised representative body made up by the UK's Creative Industries

to make recommendations to Government around areas where there are barriers to growth facing the sector, such as access to finance, skills, export markets, regulation, IP and infrastructure.

- The British Council focuses on international cultural relations and educational opportunities.

Now, I'm not suggesting we need to replicate all of these structures, but we need to find a new way — an Australian way — of supporting creative approaches.

A new body — the Creativity Commission — would bring our best creative thinkers together to devise and support new ways to address our biggest challenges in a cogent and game-changing way, imagining new futures outside current systems.

This will be our Future Fund of ideas.

One of the first things we need to overcome to establish this new body is to break our industrial-age mindset, and stop thinking in silos.

We believe our creatives are creative, our technologists are techy, our businesspeople are savvy, our marketers are our salespeople. Yet we need our entrepreneurs and our teams to be all of these things, all of the time.

This applies to how we run Government. In the current model: the Arts are funded through one portfolio, businesses can apply for development grants from the Department of Innovation (but interestingly few creative businesses ever do), DFAT handles our international relationships, and challenges in Health, Education and the economy are all handled in discrete areas.

But we know that current business and society no longer operates this way — diverse perspectives accelerate outcomes.

Before AFTRS underwent an inspiring strategic transformation, it conducted a deep analysis of the graduate attributes that would impact the global industry of Tomorrow. They defined them as 'The Creative Entrepreneur'.

A term some may have previously considered an oxymoron, is now the driving the future of screen and sound.

Similarly, the Creativity Commission would bring together diverse specialists in a deliberately collaborative, cohesive body — so that our expertise in one sector (say, systems in Health, or deep collaboration from the Arts, or audience centred design from IT) enriches the possibilities of another.

The new body would help annihilate barriers and empower businesses across sectors to work with one another and engage in some creative, divergent thinking.

Critically, it would fund startups, kickstart new ventures, and help realise the IP that emerges from its work — empowering game-changing ideas through action.

And finally it would help supercharge and sell what we are doing across all areas of government and business.

High-level interventions now will send a powerful message, signalling a pivot towards Creativity — and an appreciation of just how vital it is to the future health of the nation.

If we do this, the rewards will be great.

The creative industries already inform how we live, how we make sense of the world, and our place in it.

We now need to use Creativity to enhance all other aspects of our world — to help reimagine how we improve our wellbeing; how we educate our children; how we work; how we balance profit and social cost; how we plan and how we can stand proud as a nation alongside our global peers.

We have the opportunity — right now — to be as visionary, as courageous, and as bipartisan, as they were in establishing AFTRS back in 1973.

If we fail to act... we may find ourselves staring down the barrel of yet another cultural drought, a decline in economic growth, the future prospects of our people, and ultimately our prosperity.

I want to see Australia become creative in tangible ways that benefit us all, and to build on our talents to generate a sustainable competitive advantage.

Let's embed creativity in our institutions, our government, our schools. We need great ideas, and the capacity to realise them, and we need more self-belief.

A Creativity Commission would go a long way to achieving just that.

Today is Day One - it took 6 years from the original idea to get AFTRS up and running. But we are now in an era of rapid disruption, in which change is ever accelerating. And I am an optimist. I believe that with good intent, we can get a Creativity Commission up by 2020 to help us build a better future for Australia.

Thank you.