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AUSTRALIAN HOME ENTERTAINMENT
DISTRIBUTORS ASSOCIATION

Submission to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts

on Cost Recovery Arrangements for the National
Classification Scheme

Submitted by the Australian Home Entertainment
Distributors Association (AHEDA)

Submitted on behalf of the AHEDA Board of Directors by

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Introduction and Positioning

The Australian Home Entertainment Distributors Association (AHEDA) welcomes the opportunity to provide feedback on the Department's Engagement Paper regarding cost recovery arrangements for the National Classification Scheme.

AHEDA represents the \$350 million Australian film and television home entertainment sector, spanning packaged media (DVD, 4K Ultra HD, Blu-ray Discs) and digital formats for purchase or rental. Our membership includes major international studios such as Universal Pictures, Sony Pictures Home Entertainment, Paramount Home Media, The Walt Disney Co. Australia and StudioCanal Australia; alongside leading Australian-owned distributors including Roadshow Entertainment, Madman Entertainment, Defiant Screen Entertainment, Umbrella Entertainment, Via Vision Entertainment and All Interactive Distribution. Associate members include Foxtel, Fetch and Amazon Prime Video.

As the peak body for the home entertainment industry, AHEDA is uniquely positioned to provide insights into how classification policy, practice and associated costs directly affect industry operations, investment decisions and consumer access to content. AHEDA members have been amongst the most substantial users of the National Classification Scheme and maintain a strong history of constructive engagement with the Classification Board, the Branch and the Department.

In providing this submission, AHEDA is guided by the **Australian Government Cost Recovery Policy (AGCRP)**, which requires that cost recovery arrangements be fair, efficient, undertaken at minimum cost, and designed to improve the effectiveness of government processes. Given our members rapid adoption of the new, streamlined processes introduced under the Scheme — including accredited classifiers, approved classification tools, and broadcaster classification decisions — AHEDA supports a model that is transparent, equitable and consistent with the efficiencies already being delivered by reform.

Response to Questions for Stakeholder Feedback

1. Views on the current fee structure

AHEDA members are now heavily utilising the efficiencies provided by approved software tools, accredited classifiers and broadcaster classification decisions. These processes significantly reduce demand on government resources. Consistent with the AGCRP principle that charges must reflect the cost of service delivery, we are of the strong opinion that content classified through these avenues should not attract additional classification fees.

With regard to the fee structure itself, AHEDA proposes replacing the current length-based model with a tiered approach better aligned to content types and production realities.

Suggested tiers include:

- Feature films (scripted production)
- Episodic TV series (up to twelve one-hour episodes per submission)
- Feature documentaries (typically lower-budget productions)
- Children’s episodic TV (short runtime, high episode count)
- Short-form/bonus material

This approach would deliver greater equity and predictability while reducing the disproportionate burden currently placed on formats with lower production costs.

2. Impact of revised or newly introduced fees

Any increase in classification costs would place a substantial additional burden on home entertainment distributors. The market has contracted from \$1.4 billion in 2015 to \$350 million today, with the decline driven by:

- the sharp fall in DVD sales, which has now stabilised but remains significantly lower than it was 10 years ago.
- the erosion of the transactional TV market due to the rise of subscription video-on-demand (SVOD),
- the corona virus pandemic’s impact on production and release schedules, and
- international industrial disruptions such as the 2023 Writers Guild of America strike.

While there are early signs of renewed growth in digital ownership and rental markets, the sector remains fragile. Increases in fees risk discouraging investment and reducing the availability of content to Australian consumers, particularly in niche categories such as documentaries and children’s programming.

In practice, high classification costs have previously led distributors to withdraw content from the Australian market where the cost of classification outweighed the potential commercial return. This reduces consumer choice and limits cultural diversity.

3. Factors for consideration in future cost recovery arrangements

AHEDA acknowledges the positive reforms enacted in March 2024, including the introduction of accredited classifiers, classification tools, and the recognition of broadcaster

decisions. However, these reforms are still in their early stages and the full impact on cost structures is yet to be realised.

We note that the Department's Cost Recovery Profile projects increased Fee-for-Service revenue from 2025–26, despite the significant efficiencies now embedded in the Scheme. This appears inconsistent with both the declining demand for certain formats and the reduced administrative load on government. Greater transparency is required regarding the cost modelling underpinning these forecasts.

We also highlight that the high uptake of self-classification methods among AHEDA members raises questions about the ongoing resourcing model for the Classification Review Board and the extent of monitoring and quality assurance activities required.

In line with the AGCRP, AHEDA recommends:

- a fresh **Charging Risk Assessment and Policy Impact Assessment** before any move toward revised fees,
- clear disclosure of cost drivers, including how efficiency gains are factored into future fee modelling, and
- reconsideration of whether full cost recovery is appropriate for this sector, given its size, volatility, and cultural significance.

4. Transitional arrangements

AHEDA supports transitional measures to ensure industry can adapt to any revised arrangements without disruption to consumer access. These should include:

- sufficient lead time prior to implementation,
- staged introduction of fee changes where substantial increases are proposed,
- ongoing investment in training and accreditation to maintain the integrity of self-classification, and
- comprehensive communication with stakeholders regarding calculation and application of fees.

5. Further feedback

AHEDA values the positive working relationship with the Classification Branch and acknowledges the Department's commitment to reform. However, the industry has limited visibility of how the Branch has restructured operations to reflect streamlined classification methods. Transparency in this area will build confidence that fees are aligned with actual resource use.

We support ongoing funding for:

- the maintenance of the National Classification Database,
- training and accreditation processes, and
- quality assurance measures to uphold public confidence.

However, fee increases should only be justified by demonstrable cost drivers. Forecast-based increases, absent evidence of actual costs, would be inconsistent with AGCRP principles.

Conclusion

AHEDA and its members are committed to supporting a modern, efficient, and trusted National Classification Scheme. We urge the Department to ensure that cost recovery arrangements remain fair, transparent, and grounded in actual service delivery costs, while recognising the efficiencies already delivered by reform.

We look forward to continued collaboration with the Department to develop arrangements that support consumer access, industry sustainability, and the broader objectives of the Australian Government Cost Recovery Policy.