



# Submission in response to Stakeholder Engagement Paper – Cost Recovery Implementation Statement for Classification Services

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8 August 2025

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## ABOUT ANZSA

This submission is made on behalf of the Australia New Zealand Screen Association (ANZSA). ANZSA represents the film and television content and distribution industry in Australia and New Zealand, and includes Motion Picture Association; Amazon Studios LLC; Walt Disney Studios Motion Pictures; Netflix, Inc.; Paramount Pictures; Sony Pictures Releasing International Corporation; Universal International Films, Inc.; Warner Bros. Pictures International, a division of Warner Bros. Entertainment Inc.

ANZSA's core mission is to advance the business and art of filmmaking, increasing its enjoyment around the world and to support, protect and promote the safe and legal consumption of movie and TV content across all services. ANZSA's members make available a broad range of content services to Australian audiences, distributing content theatrically via cinemas and via transactional home entertainment, as well as via Subscription Video on Demand services, Pay-Television and broadcasting.

## INTRODUCTION

ANZSA appreciates the opportunity to comment on the Stakeholder Engagement Paper (**'the Paper'**) and provide our comments to the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (**'the Department'**). Our members distribute content globally and understand there are differences in norms and values from country to country and have a long history of providing clear consumer advice to help viewers decide what content to watch, or to allow their children to watch.

In Australia, our members provide this consumer advice through a broad range of pathways; some apply to have a film classified prior to first screening, others have qualified approved classification tools or use third-party approved classification tools, and others again use trained and accredited classifiers. But the general trend is clear; accountability for classifications has shifted from the Classification Board to industry, with the Board and Department increasingly focused on providing advice and support to industry.

ANZSA expresses its surprise that these changes appear to not have resulted in a significant reduction in the cost of providing the service by Government; in 2018 the cost was \$5.4 million and now, in 2025, the costs have increased to \$6.8 million. If industry were to add its investment in classification tools, or the employee costs of dedicated assessors, overall costs from government and industry combined will have increased considerably.

ANZSA therefore questions why Government has been unable to reduce its cost base and whether now is the right time for a new approach to cost recovery, given ongoing policy changes are likely to interact and possibly conflict with this process.

## IS NOW THE RIGHT TIME FOR A NEW COST RECOVERY IMPLEMENTATION STATEMENT?

As the Paper correctly notes there has been substantial reform in recent years. The latest reform – which significantly broadened the scope for self-classification - only received royal

assent in September 2023,<sup>1</sup> and the effects of these changes on the role performed by, and cost recovery realised, for the Classification Board and Department are still emerging.

The Albanese Government commenced further consultation on Stage 2 Classification reforms in April 2024<sup>2</sup> and this consultation firmly focused on 'clarifying the scope and purpose of the Scheme', which will likely result in further changes to the way classification functions in Australia. The role of the Board and the role of the Review Board in an environment of self-classification will likely be considered as part of this reform process.

At the same time, the industry partners subject to the Classification Act are operating in an environment with increasing change and volatility. Cinemas have still not recovered from the impacts of COVID-19 closures with Box Office still 22% below 2019 levels.<sup>3</sup> SVOD services, meanwhile, are generally just at break-even on a global basis,<sup>4</sup> so these charges matter.

ANZSA submits that now is not the right time to prepare a new cost recovery implementation statement ('**CRIS**') given that significant changes are expected which are likely to interact and possibly conflict with this process.

#### THE AUSTRALIAN GOVERNMENT COST RECOVERY POLICY

Under Australian Government Cost Recovery policy ('**AGCR policy**'),<sup>5</sup> 'Government activities should ... be undertaken at minimum cost'<sup>6</sup> and can 'improve the efficiency ... of Government activities'.<sup>7</sup>

Given the substantial changes that have already happened, and those that are likely to occur in the near future, ANZSA submits that it would be appropriate to reconsider the decision that cost recovery is an appropriate process and recommence the cost recovery decision-making process. This requires the completion of a Charging Risk Assessment ('**CRA**') and a Policy Impact Assessment ('**PIA**'). The AGCR policy clearly provides for this; in fact, it recommends 'an entity proposal is required for new or amended activity' (emphasis added).<sup>8</sup>

The AGCR policy states that in developing the policy rationale for cost recovery, several factors should be considered:

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<sup>1</sup>[https://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r7049](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r7049)

<sup>2</sup><https://www.classification.gov.au/about-us/media-and-news/news/consultation-opens-further-reforms-national-classification-scheme>

<sup>3</sup> Source: Comscore data 9 comparing 2024 vs 2019 total Box office)

<sup>4</sup><https://www.fastcompany.com/91274473/streaming-is-finally-profitable-it-offers-a-lesson-in-patience>

<sup>5</sup><https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-cost-recovery-policy>

<sup>6</sup> Paragraph 24

<sup>7</sup> Paragraph 3

<sup>8</sup> Figure 7

1. **Staff should ‘consider whether the activity ... can be provided only by Government’** (emphasis added).<sup>9</sup> Given that the policy changes made recently specifically permit and encourage self-classification, the answer to that question would certainly be no. The role of the Australian Media and Communications Authority (‘ACMA’) to ensure appropriate consumer advice is provided under the Broadcasting Services Act also demonstrates this; it ensures broadcasters comply with an industry code via the review of complaints that have not been resolved by the broadcasters themselves. There is also ample evidence from abroad to demonstrate that this activity can be provided by others than Government: in the United States the Motion Picture Association (one of ANZSA’s members) operates a voluntary, parent-focused ratings system, the Classification and Ratings Administration (CARA), with no formal Government involvement,<sup>10</sup> or via industry codes – akin to the ACMA’s role in Australia – such as the Malaysian Communications and Multimedia Content Code,<sup>11</sup> or the Singaporean Content Code for Over-the-Top, Video-on-Demand and Niche Services.<sup>12</sup>
  
2. **Staff should ‘analyse the effect on competition, innovation and the financial viability of the directly affected ... organisations’.**<sup>13</sup> The original decision was made in an environment where most content subject to the Act was distributed in physical venues, either cinemas or video retail or video rental stores. Now the Act applies to services distributing content online, who are much more similar in nature to broadcasters – where no cost-recovery applies for classification.<sup>14</sup> These subscription video on demand services also compete with social media services and user-generated content services – which are not subject at all to regulation requiring them to proactively attach age rating and consumer advice to content made available on their sites.<sup>15</sup>

ANZSA submits that revoking cost recovery would be appropriate in these circumstances; the benefit of classification accrues primarily to viewers, who are provided with advice and information, not industry, and revocation would create substantially stronger incentives for Government to identify and realise cost efficiencies.

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<sup>9</sup> Paragraph 50

<sup>10</sup> <https://www.filmratings.com/>

<sup>11</sup> <https://contentforum.my/wp-content/uploads/2022/08/Content-Code-2022.pdf>

<sup>12</sup> <https://www.imda.gov.sg/-/media/imda/files/regulations-and-licensing/regulations/codes-of-practice/codes-of-practice-media/ott-vod-niche-services-content-code-updated-29-april-2019.pdf>

<sup>13</sup> Paragraph 50

<sup>14</sup> See: <https://www.acma.gov.au/sites/default/files/2024-08/CRIS%20-%20fees%20for%20radiocommunications%20telecommunications%20and%20broadcasting%20services%202024-25.pdf>, Page 15: “Other activities include monitoring compliance with ... children’s television standards. Currently these activities are not supported for cost-recovery.”

<sup>15</sup> The eSafety Commissioner is considering a cost recovery model, but one is currently not in place. <https://www.innovationaus.com/review-to-examine-new-penalties-cost-recovery-for-online-safety/#:~:text=Justin%20Hendry,:%20Twin%20Design%20/%20Shutterstock.com>

## ACTIVITIES SUBJECT TO COST RECOVERY

If the Department determines that it is appropriate to proceed with the preparation of a CRIS notwithstanding ANZSA's comments above, we would like to make the following broad comments.

The Paper only provides broad brushstrokes with regards to the changes that are being considered, which makes it difficult to respond comprehensively. This is particularly the case given that ANZSA's members operate a broad range of content distribution models from distribution in cinemas, physical and transactional online home entertainment, as well as subscription video-on-demand.<sup>16</sup>

ANZSA recommends the utilisation of an activity-based costing approach; reasonable costs are determined for specific tasks from the bottom up, and fair, reasonable and efficient costs are determined for the provision of specific services, for instance for training an assessor, for making a classification decision, and these reasonable costs form the basis of determining the right size and costs of the Regulator.

ANZSA is deeply concerned about the consideration of a charge for the 'monitoring and quality assurance of self-classification decisions.' ANZSA submits that the Board has applied an expansive interpretation of this role, and that introducing fees for this effective duplication of work are likely to remove efficiencies gained from the move to self-classification (in fact, they could very well have the effect of increasing them) and are likely having a negligible benefit on the viewers of content.

ANZSA opposes any fees to be imposed for adding classification decisions to the Classification database, we submit that if any fees were to be attached to adding these decisions to the Classification database, (1) these fees should be minimised by reducing the amount of information required to be entered, (2) the software used for uploading classification decisions on the Portal should be improved as it is time-consuming and burdensome at present, (3) improve the search function of the National Classification Database, and (4) use of the database should become voluntary.

We submit that the role of monitoring and quality assurance can be accomplished by only reviewing complaints received and upheld. Clearly, if a complaint is not upheld, the self-classifier had made a correct determination and should not be required to pay for this.

## CONCLUSION

ANZSA appreciates the work the Department and the Classification Board undertake, and we are aligned on the goal of providing clear age rating information and consumer advice to help

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<sup>16</sup> ANZSA has sighted the submissions from MPDAA and AHEDA which respectively represent our member companies in theatrical distribution and transactional home media distribution and we endorse their views on the specific issues relevant for those forms of distribution.

viewers decide what they want to watch, or what is suitable for their children to watch. At the same time, we want industry subject to the Classification Act to be treated equitably to other media services who operate under a lighter regulatory regime, and we do believe that industry can provide that function with reduced oversight by, and consequently reduced costs for, Government.

ANZSA appreciates the opportunity to provide you with these comments. We remain ready to provide further information should this be of assistance.

Paul Muller  
Chief Executive Officer