

10 September 2015

Environment and Communications References Committee  
PO Box 6100  
Parliament House  
Canberra ACT

To whom it may concern

RE: Inquiry into the future of Australia's video game development industry

I am the founder of Black Lab Games, a Perth-based company that has created games for PC, consoles and mobile devices. My response to the terms of references are enclosed herein, and thank you for this opportunity.

Yours sincerely,

Paul Turbett  
Managing Director  
Black Lab Game Tech Pty Ltd

## **How Australia can best set regulatory and taxation frameworks that will allow the local video game development industry to grow and fully meet its potential as a substantial employer**

The biggest hurdle to running a successful game development company (and thereby employing staff) is raising the required funding. There are a number of potential sources of funding, including private investors, government grants and loans, publisher advances and crowdfunding. Each has its own pros and cons.

In my experience, attracting private investors for a game project is extremely difficult. There is a low level of knowledge about the industry amongst the investment community, and due to its “hit-driven” nature, most investors are unwilling to take the chance on investing in a game or game development company.

Whilst each individual game is a relatively high-risk investment, the industry as a whole is of significant value, so the key to a successful investment is spreading the risk across multiple companies and projects. This is why the Australian Interactive Games Fund (AIGF), previously administered by Screen Australia until it was suddenly terminated in the May 2014 Budget, was an important initiative. By spreading a single fund across dozens of projects, it was far more likely to grow the industry as a whole, irrespective of the success or failure of each individual project.

Reinstatement of the AIGF would be a good first step in growing the local industry.

The film industry has benefitted from tax offsets in the form of the Producer Offset on the cost of production for some time. If a similar system was put in place for games, it would encourage investment in the sector, which would lead to more projects with substantial budgets getting off the ground, and in turn providing more employment and export opportunities.

## **How Australia can attract video game companies to set up development operations in Australia and employ local staff**

Australia has a large pool of talented developers, and produces a large number of new graduates each year in the fields of programming, art and game design. Many universities and tertiary colleges have courses in game development. Due to the lack of employment opportunities available, these talented and qualified people often have to either leave Australia and find work overseas, or find employment in another industry.

The aforementioned Producer Offset would be a very helpful incentive to encourage overseas companies set up operations in Australia. Such a model has been employed in a number of jurisdictions about the world, including various states in the USA and Canada, and the UK. It's no coincidence then that these same jurisdictions have the largest development industries, employing thousands of people.

However we shouldn't just be thinking about attracting overseas companies. We should encourage local developers to create new companies also. In many ways, game development companies are like tech start-ups, in that they are often innovative and work at the “cutting edge” of digital entertainment.

Starting and running a company requires a different skillset to developing a game. Many developers, with skills in programming, art or game design, may not be trained to run a company.

To encourage more local developers to create new companies, I think that better access to business training that is focused on the specifics of the games industry would be helpful. Whilst there are general business courses available in many forms (from TAFEs and universities, and business colleges), these do not address the specifics of the fast moving landscape of the games industry. Business models are frequently changing, at a pace that general business courses are unlikely to match.

The best way to address this problem would be to have the training conducted by industry professionals, such as a specialist games marketing company. Such companies already exist, and provide advice, research and marketing services to existing developers. Subsidising the cost of accessing the services of such companies would lead to a greater chance of success for new game development businesses.

### **How export opportunities from Australia's local video game industry can be maximised**

As Australia represents around 3% of the global market for games, almost all sales of games created by Australian developers are exports. The bulk of these are sold via digital distribution, such as App Stores.

There is a linear relationship between game sales and exports. I.e. if a game sells well, it will automatically increase exports, as such a high percentage of sales are exports. Therefore, it's logical to conclude that the best way to increase export is to increase game sales.

Any measures that assist development to create and market games would assist to maximize exports.

There are some programs at a state level that have worked, and could be rolled out at a federal level. Film Victoria provides travel assistance to film and game producers to attend local and overseas trade shows and related events. Such events are important to make connections with overseas companies such as publishers or service providers. Consumer targeted shows, such as PAX or Gamescom, can put a game in front of thousands of potential customers and hundreds of members of the games press.

I note that Austrade administers the Export Market Development Grants scheme. For some development companies, this scheme will be helpful, and better promotion to the industry would be beneficial. However the scheme required a minimum of \$15000 of eligible expenditure, which for a smaller company is likely to be more than they would have available for export marketing. To assist these companies grow, a lower threshold would be appropriate to be able to take advantage of this scheme. I also note that attending conferences is not an eligible expense; however such events are where a large number of game publishing deals occur.

## Any other related matters.

There are dozens of small development companies in Australia, employing 5 or fewer people, and often on a part-time or unpaid basis. Due to our highly educated and talented workforce, there is potential to grow this segment of the economy substantially.

I also note that games are becoming increasingly important as a form of cultural expression. Just as film started in the late 1800's as a technology experiment, and went on to become an art form that reflected or challenged values in society, games are fast becoming an art form also. The technology of games is still in development, and the constructs and delivery means for provoking thought and asking questions of the audience are also still being discovered. Having seen the medium evolve significantly from the 1980's to today, I firmly believe that games as a medium will become a dominant form of cultural expression in the 21<sup>st</sup> century.

This leads to an important question: Does Australia want to be a contributor and exporter of 21<sup>st</sup> century culture, or merely a consumer and importer?

I would hope for the former, and as such believe it is important, not just financially, but also for cultural reasons that government policies and frameworks support the growth of the Australian games industry.

## Summary

Australia has the potential to be a significant developer of games. We have a stable business environment, educated workforce and a culture of creativity. The benefits of the industry are both financial, in terms of increased export revenue and employment, and cultural.

A number of measures can and should be put in place to assist the industry. These include:

- Access to funds that can assist with the development and marketing of substantial projects
  - A self-sustaining investment fund, such as the AIGF, that spread risk across multiple projects and companies
  - Producer Offsets, similar to the film industry
- Uniform national assistance to travel assistance to attend conferences and tradeshow
- Better access to business advice for new companies, including
  - Business affairs and intellectual property advice
  - Promotion and marketing training