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Senate Environment and
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Subject
Inquiry into the future of
Australia's video game development industry

SUMMARY

- Australia needs a system of arts grants for game development featuring a strong component of Australian cultural representation.
- Provide games with the same tax benefits given to film.
- Reinstate the Screen Australia Interactive Games Fund.
- Foster transmedia collaboration in existing arts grant structures.
- Provide direct support for international marketing via conference attendance grants.

REGULATORY AND TAXATION FRAMEWORKS

The Australian games industry is not impeded by existing regulations or taxes. When looking at large game industries overseas, it is important to bear in mind that more lax regulations, such as those in the US, have resulted in a huge proportion of the video game industry running unsustainably on unpaid labour. Considering this, Australia's strong labour laws should be seen as a point of pride, and not as an impediment.

One clear recommended tax change is to extend the Producer Offset tax regime to include video game development. The Producer Offset mitigates some of the risk associated with large-scale game development, helps make Australia financially competitive with the US and has been proven to work for the film industry.

It is also worth noting that any future changes applied to the film industry should be considered for games as well due to their overlap in professionals.

ATTRACTING GAME COMPANIES TO AUSTRALIA

After the global financial crisis most large game development studios in Australia have shut down. With no work available, most highly skilled professionals have moved out of Australia. Even those who wish to stay have been pressured to move to the US by their employers as slow internet speeds have made sharing work in a reasonable timeframe impossible. This exodus of professionals has often been termed the "brain-drain".

Despite the "brain-drain" there are still hundreds of trained video game professionals in Australia searching for opportunities. The only thing missing is businesses to employ them.

The challenging part of establishing a business in software development is the up-front costs to create a marketable product. While these costs can be comparatively small (as little as \$20,000), most professionals do not have access to those amounts, as is often the case with creative industries. The Screen Australia Interactive Games Fund made significant steps in this regard before it was shut down and

the Victorian government has pursued this method and seen great results. On top of a large cultural benefit, these types of funds are a proven return on investment and therefore should be re-implemented.

As for the internet-speed issue. An upload speed of at least 20Mbps is required today to be able to collaborate efficiently with off-site team members, and this requirement will exponentially increase in the coming years. With the current yet-to-roll-out NBN's best-case-scenario top upload speed of only 40Mbps (with an estimated average of only 2.5Mbps by 2023), Australia needs to find a way to offer drastically faster speeds to tech businesses to stay competitive in the coming years.

The second and more important challenging step is to establish a desire and market for specifically Australian culture and tastes. In a kind of chicken-and-egg scenario, Australian game developers have avoided presenting our unique communities and cultures in games due to a perceived lack of interest. Government grants for game art projects that foster an international passion for Australian culture would be an incredibly strong force for attracting overseas studios through demonstrating demand.

Once foreign companies are established in Australia again, getting them to employ local talent will be the most long-term part of the plan. Similar to what often happens in foreign-backed film, (such as with George Miller's Dr. D studios), overseas games companies prefer to import American, Asian and European experts rather than hire locally due to a lack of local experience, once again leading to a chicken-and-egg scenario. Within a few years, as Australian talent and tertiary education institutions become aware of the requirements of studios, local hiring will become the norm.

MAXIMISING EXPORT OPPORTUNITIES

There are three key ways the government could expand export opportunities:

1. The best way for the games industry to gain access to new export opportunities is to collaborate and share connections with other successfully exported Australian creative industries. Within the arts grant system, a stronger focus on transmedia experiences that include games would be the most efficient way to foster this.

2. Media and production highlighting Australian game development. Even something like a spin-off of the ABC's "Good Game" TV show with a pure focus on Australian-developed games would provide a very simple and strong avenue for marketing our artworks to the world.
3. Currently the most critical avenue for exports is the Game Developers Conference. Unfortunately, the up-front cost is often prohibitively expensive (\$5,000+ per employee attending). A system of government support for Australian game developers to attend international video games conferences would immediately boost our exports.

OTHER RELATED MATTERS

In the current market, the vast majority of direct game sales revenue is from US customers. Considering this, it is not surprising that professionals and profit-driven games companies move their operations and talent from Australia to the US. The reasoning of these decisions is often:

1. It is easier to create art that is a reflection of, and resonates with a culture, when you're living in that culture.
2. The overwhelming majority of english-speaking talent in the industry is located in the US, leading to a feedback loop.

The single best way to retain talent and operations in Australia is to establish game development businesses that cannot exist elsewhere in the world: Game studios creating art and experiences that can only be created by Australians. Therefore I propose that a system of arts grants centred around presentation of Australian culture and community through video games be established.

Additionally, a key reason for the misfiring of many past Australian game development ventures is a failure to leverage the knowledge and skills of related creative fields. An important component of any future government grants should be transmedia proposals, collaborations with film, fashion, TV, etc.