



Well Placed Cactus Submission

Senate Inquiry into Future of Australia's Video Game Development Industry

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Jack Gillespie, Paul Stapelberg, Nic Gomez



About Well Placed Cactus

Well Placed Cactus is a small team of interactive developers remote working all along the eastern coast of Australia. Our business works with emerging technology to develop creative training and education programs, interactive art installations, AR & VR solutions, as well as apps and games, for our clients. As a functional creative business we operate with appropriate business focus and processes, whilst maintaining the skills and standards of the interactive development industry.

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Overview

Rather than considering games as purely those applications consumed for entertainment we recommend that the committee broaden their language to include other interactive projects which use the same skill sets as traditional video games and which provide employment opportunities for professionals with those skillsets.

These include, but are not limited to

- Traditional video games
- Interactive installations (advertising, art, educational)
- Simulations (medical, military, architectural)
- Serious Games
- Augmented Reality projects
- Virtual Reality projects
- Creation of the tools that are used for the above projects (game engines, pipelines, development tools etc.)
- Interactive entertainment development as a service

Well Placed Cactus has formulated a set of recommendations for how the Australian Government can most effectively and efficiently achieve these objectives, or otherwise promote a strong and sustainable industry that most strongly benefits Australia. Well Placed Cactus advises the Committee to consider the following recommendations:

1. Introduce a public sector funding programme tailored to the Industry that:

- a. Prioritises commercial outcomes and sustainable business models.
- b. Stricter regulation of funding with increased support.

2. Extend the Producer Offset to video game development.

3. Support video game development clusters.

4. Acknowledge the losses caused by internet infrastructure

Support for Small & Medium Enterprises

The focus of supporting this industry should be small and medium enterprises rather than large ones. If the focus of the support is at large international corporations then we risk seeing that investment go to waste when the dollar regains strength. Locally owned companies need



to be the focus of the support and Australia already has boon of professional, agile and growing SMEs.

Original IP Funding Opportunities

Video game development is a labour intensive process that demands significant investment in labour and technology before a commercial product can be realised. Video game developers therefore require significant capital to cover the costs of product development, depending on the scope and nature of the project being undertaken. A scarcity of funding opportunities is currently a major constraint on the growth and viability of many Australian video game developers.

Australia's video game development industry does not currently benefit from significant private sector investment, nor is there any targeted, national public sector support available for the Industry. Factors impeding private sector investment include but are not limited to:

- The industry is poorly understood as are its risks
- The industry has few readily identifiable and consistently growing companies.
- The industry faces external challenges to its international competitiveness:
 - A lack of Industry tax incentives, subsidies, and funding that are present in other countries.
 - Geographic isolation from major industry entities.

The Industry does have limited access to a range of broadly applicable national public sector funding opportunities, but these are often poorly suited to the needs and circumstances of video game developers. Some States provide more targeted funding opportunities, with Victoria being the only State to consistently support the Industry.

Funding opportunities have been propelled to paramount importance by the increasing number of new enterprises emerging in the Industry. This growth has been fuelled by the influx of recent graduates and reduced employment capacity. Consequently, excess labour has been redirected into entrepreneurialism. While readily supplied with skilled labour, these enterprises are rarely adequately funded to develop new products in response to viable market opportunities.

Providing funding opportunities for new enterprises therefore affords an opportunity for the industry to both increase its employment capacity and build sustainable businesses. The Industry would additionally benefit from funding opportunities for commercialisation; enterprise; and efficiency-promoting infrastructure. If furnished with these opportunities, the industry is primed to grow both its employment and its contribution to the Australian economy.



1. Public Sector Funding Programmes

We recommend the reintroduction of cultural games funding that can further games as art form and strengthen Australia's role within that artspace. However, we also think it essential that not all funding be art focused as games have a huge commercial potential.

As such we recommend that;

Prioritises commercial outcomes and sustainable business models

Businesses whose success is completely tied to a single venture are inherently a high risk proposition. Previous rounds of funding in the games space have only offered support of a single cultural output and we have found ourselves turning down opportunities because the risk of accelerated growth is too high. These risks could be mediated by access to a cash flow assistance loan, grants that encourage the hiring and training of juniors and other programmes which are focused on the business on the industry rather than the art.

Stricter regulation of funding with increased support.

It is not enough to just inject cash into a business or project. Each grant handed should clearly and transparently meet the minimum requirements of that grant.

Grant recipients should have mentoring relating to the grant type. I.E. Business mentors for business grants and creative mentors for creative grants. That way the grant recipient has a better chance of not wasting granted money and has an experienced professional to hold them accountable.

We propose these stricter regulations and we want new rounds of support to be clearly accountable because we believe that by having a transparent reporting process, and a focus on commercial growth that a new programme has a better chance of ongoing bipartisan support.

2. Extension of the Producer Offset

The Producer offset is a refundable tax offset available to producers of film and television media with significant Australian content. The rebate is payable on qualifying Australian production expenditure (QAPE), which includes goods and services provided or located in Australia, the use of Australian locations, access to Australian intellectual property, and a



range of other expenses. QAPE thresholds ensure the Producer Offset is currently only available to sizeable projects with significant local expenditure.

The Producer Offset reduces the risk of undertaking large media projects by partially offsetting production costs, while incentivising contributions to the local economy and the use of locally developed intellectual property. By reducing risk, the Producer Offset has encouraged greater investment in screen media production in Australia, and has contributing to growing stable and sustainable companies; thereby also increasing employment. The same benefits could be expected for the Australian video game development industry if the Producer Offset was extended to include the development of digital interactive media.

3. Support for Industry Clusters

Well Placed Cactus has seen first hand how powerful the Melbourne Arcade can be for a commercially oriented business. Similar initiatives have proven highly successful internationally, and provide a range of benefits to the local industry. Well Placed Cactus expects that the GDAA will be providing detailed information on The Arcade, and recommends that the GDAA be referred to as experts on this particular topic.

4. Acknowledge the losses caused by internet infrastructure

Every week our business and thousands like it lose hundreds of dollars in lost time due to the poor internet quality in Australia. Our client's are either frustrated or amused by Australia's internet, and is a persistent obstacle in conducting business internationally.

While we understand that the NBN is no longer an option, it should be recorded that this choice will end up costing Australian businesses hundreds of thousands, if not millions of dollars over the next decade and will be a hindrance to growth and ability to compete internationally.

Conclusion

Interactive media and entertainment is about to further expand due to the rise in consumer driven AR and VR. Now is the perfect time to inject public support into this industry and cement Australia's position in the field.



By creating industry clusters with public support, powerful infrastructure and professional companies, the committee can expect to see explosive growth in the sector resulting in more employment, higher cultural significance and more revenue across the local and export markets.