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Submission to Inquiry into the Future of Australia's Video Game Development Industry

The decimation of the work-for-hire model which represented the Australian video game development industry as little as only 7 years ago was due predominantly to the Global Financial Crisis and the subsequent increase in the value of the Australian Dollar.

Australian development skills were no longer considered value for money in the global marketplace and many projects which Australian development studios were working on for large publishers were terminated with resulting studio closures.

It was clear after the Global Financial Crisis that the work-for-hire model was overly reliant on third party intellectual property and financing from overseas. Many of the most talented employees who were part of the Australian development community left Australia to seek work in countries with larger, more established game development industries like Canada or the US.

The collapse of the Australian industry coincided with the start of digital distribution of games and the advent of the app store on Apple's newly created iPhone, both of which democratised game development, spawning small, independent developers creating their own IP.

Over the last few years Australia's independent development scene has begun to expand but without many of the larger studios the industry still employs fewer people than in 2008, the pool of talent which left Australia has not been replaced and students graduating from game development courses are struggling to find employment in a sector dominated by small developers.

The current success of the independent developer movement notwithstanding, from a macroeconomic perspective the switch from a large studio work-for-hire model to a small independent developer model substitutes one narrowly focused industry group for another. In order to be reasonably insulated from external events any industry needs to be diversified. An Australian video game development industry diversified by geography, company size, targeted platforms, genres and game style is in a stronger position to deal with unexpected external influences.

By continuing to build on the growth of small, independent developers while targeting the set-up of larger, globally competitive Australian studios, the Australian talent pool will increase and there will be many more employment opportunities for those graduating from higher education. The transfer of talent across geographies and companies within Australia will also strengthen the industry as a whole.

We believe the following initiatives will help create a more diversified and sustainable game development industry in Australia:

Producer Offset

The producer offset enjoyed by the Australian film industry attracts foreign investment and foreign filmmakers to Australia as well as benefitting the local film industry with a tax offset of up to 40% for qualifying expenditure. This has been a hugely successful program for the film industry for many years. A similar scheme for video game production costs would be likely to attract significant foreign investment in video game development to Australia and to make the set up of home-grown studios more attractive.

Tax Credits

The Canadian, and more recently the UK, video game industry has been boosted significantly from the granting of tax credits on core development expenditure. The success of these incentives are well documented, particularly in Canada which now enjoys the status of being one of the leading video game development countries in the world.

While Australia has an R&D Tax Incentive regime which video game developers can take advantage of, this system is difficult to navigate, complex and potentially costly to work through, requiring assistance from R&D Tax Incentive specialists. This acts as a disincentive to many smaller developers who may otherwise take advantage of a more simplified and transparent tax credit system.

Apprenticeship Scheme

There are a number of universities and colleges across Australia teaching courses associated with video game development. It is our experience that, while graduating students may have a proficient level of knowledge in their chosen field, it takes around 2 years for a graduate to add full value to a working studio.

These initial 2 years of graduate mentorship take up valuable studio and management time which many small studios may struggle with given their size. An apprentice scheme in which a proportion of the graduate's salary is subsidised by the government for these initial 2 years would help small studios with the integration of new graduates.

Co-working game development hubs in major cities

The Arcade in Melbourne is a successful co-working space in which a number of small, independent video game development studios co-exist. A space of this nature fosters co-operation between development teams, the ability to learn from others, cross-sharing of resources and the sharing of industry wide best practice amongst small development studios.

This successful model should be rolled out across other major Australian cities to foster the growth, co-operation and success of game development studios across Australia. Subsidised rent would make the spaces more affordable for small studios.

Overseas travel grants

Many small development studios cannot afford to travel overseas to major game development conferences and expos which are key for knowledge sharing, networking and showcasing of their games to their main markets. The Game Developers Conference (GDC) in San Francisco, PAX Prime in Seattle and PAX East in Boston are examples of such events. The US generally represents more than 50% of sales for an Australian game

developer and it is crucial for a small developer to attend some of these events to build awareness of their studios and of the games they are developing.

The State of Victoria already provides grants for Victorian game developers to attend overseas events and expos like GDC. This results in a high attendance of Victorian developers compared to other states and significantly benefits developers in Victoria.

Although the Export Market Development Grant is available to all Australian companies for overseas marketing, the financial hurdles set to access these grants are often too high for small studios.

A nationwide overseas travel grant system similar to that of Victoria would benefit game developers across the whole country.

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