

Future of Australia's video game development industry

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Committee Secretary

Senate Standing Committees on Environment and Communications

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To whom it may concern,

I've been working in the video game development industry for more than 18 years in France, in the USA and in Australia. Most recently, I was Executive Producer on "Dishonored" (Winner of more than 50 Game of the Year Awards and Winner of the Game of the Year Award from the British Academy of Film and Television Arts). I then worked for almost 3 years in Australia at 2K Australia, until the studio got shut down in 2015. I then had to move to the USA to be able to keep on working in the AAA Video Game Industry, as it had become impossible to do so in Australia. My long term plan is to save enough money over the coming year to then come back to Australia and start an independent game project. I hope the experience and insights I've earned working in an out of Australia on large projects, and my motivation and interest in seeing the Australian game industry grow again, will prove valuable through the items I'll discuss below. Please note what follows is only my personal and humble opinion and does not represent the opinion of my employers, present or past.

This letter will cover the following ideas:

- **Having the government to finance game project pitch through refundable Loans;**
- **Attracting foreign companies through the development of the local "indie" community;**
- **Attracting foreign companies through substantial non-refundable tax break as done in Canada;**

At a simplified very high level, the video game industry is made of Mobile Gaming and Consoles/PC Gaming. The Consoles/PC Gaming segment could be divided in "Indie" productions and AAA productions, the latter being some sort of video game version of Hollywood. While I believe Mobile Gaming is a major actor in the video game industry, I will mostly talk about the Consoles/PC games industry here, as this the one I know the best and also the one which has completely collapsed in Australia (and specifically the AAA part of it).

What we will call Indie productions here are productions which are funded and driven by small independent studios. Those studios are not part or are not signed to a major publisher. Indie productions exist in Australia but are still pretty sparse. Australia has nonetheless spawned some great video games recently, such as "Satellite Reign" (from 5 Lives Studios), Armello (from League of Geeks) or "Submerged" (from Uppercut Games). On the other hand, AAA game development has entirely disappeared from Australia, with the closure of the last Australian based AAA game studio "2K Australia" in 2015. The remaining AAA publishers which have local offices in Australia are not doing AAA game development. (Electronic Arts' Firemonkeys in Melbourne is working in the Mobile gaming space, RIOT in Sydney is mostly doing local Community Management for their major "Leagues of Legend" game developed in the USA, and WarGaming Sydney is providing and maintaining technology for the group they belong to but doesn't actually develop games in Australia.)

I believe a strong focus should specifically be put on helping the Indie and AAA Consoles/PC games development industry grow stronger in Australia.

Projects like "Satellite Reign" and "Armello" appear to have been largely funded through "Crowd Funding", via a website called Kickstarter. Kickstarter has helped tremendously the Indie scene grow rapidly everywhere in the world over the past years, providing funding of more than 4 millions of US Dollars to some projects. While Kickstarter has been an incredible tool at connecting consumers worldwide with developers, wherever they are in the world, and empower consumers to directly finance projects of games they'd like to play, it still has a starting cost. Just getting to the point where you can present a game pitch on Kickstarter requires the indie developers to go through a first financing round, most often out of their own pocket. To pick players interest worldwide and get them to finance your project through Kickstarter (which basically has them to pay for their copy of the game in advance on the promise of what you want to deliver), you need to spend time working on the game design, you need to get some concept artwork done. To increase your chance at getting financed, most often, you would have to demonstrate a representative prototype of the game you want to build. All of this has a cost, obviously not as expensive as the entire development of the game, but it is still a barrier preventing many local talents from starting their first own project and business.

I would think one way the Australian Government could nurture and grow the local game industry in Australia would be to grant "Pitching" loans to help small and new Australian teams getting off the ground and help them with financing the "pitch" for their game. This pitch would in turn help them finding the larger part of the required funding to develop their full game. Once the team has secured a full funding, by presenting their pitch on Kickstarter for instance, the team could then re-imburse the "Pitching" loan to the government. Because the Government would not be funding entire projects but just financing the pitch phase of the project, it means the base investment would not be too big and multiple teams and projects could be championed at once by the Government. Once small teams have secured their full project financing, they can then increase in size and hire more local talents who would help them with achieving and delivering on the full scope of their project.

Creating more employment opportunities, through those funded indie projects, would finally allow people, who are just getting out of school and who have studied game development, to find a game development job in Australia. This would let them earn some very valuable professional experience that is currently denied to them due to the current lack of opportunities. Indie teams are usually great incubators for fresh new talents.

In turn, by growing the pool of experienced talents available in Australia, this would solve another problem local AAA studios face, and that we had been through at 2K Australia over the last years: it was close to impossible to find game developers with Console/PC game development experience in Australia (and because of its remote position, getting experienced people from overseas was a real challenge as well, making team growth close to impossible in Australia).

Secondly, making more indie development teams active again in Australia, nurturing local talents and bringing them worldwide public exposition, through successful Kickstarter funded projects, would most likely start attracting the attention of major international publishers. There are indeed two components to picking the interest of a major publisher and making it think about starting operations in a country: the pool of local talents available is one of those components (which is why most game studios are concentrated in certain cities in the US, all pulling talents from the same pool). Therefore helping the growth of independent teams and projects in Australia would have the side effect of attracting large foreign companies to Australia.

Once the local indie industry would have been regrown, the second component, that would be an incentive for those large groups to open operations in Australia and start large AAA projects here, would be how much finance support they would get out of the local government, compared to other countries. One country, of economic power comparable to Australia, has become the 3rd Largest global producer of video games over the past year and it went pretty quickly. This country is Canada. This was done mostly through non-refundable tax credits offered by the Government that companies would get as long as they spend the money on hiring people locally. One would think the Australian Government could get in touch with the major publishers (Ubisoft, Activision, Electronic Arts, Warner Bros etc) and discuss directly with them about the prospect of giving them a substantial tax break, where in exchange of paying close to no tax on people they employ in Australia, they agree to open large local development studios in Australia. Yes, the Australian government would collect less taxes from those companies but in exchange this would create thousands of jobs in Australia, as it's been the case in Canada (more than 8000 jobs!). On the long term it's a win-win situation for both parties. It's an investment with a phenomenal return.

Finally, it is to be noted it doesn't matter what the size of the local Australian game market is. This is irrelevant to the whole debate. The video game market is a global market and consumers care very little where the game has been made. What matters in the end is the quality of the product, which you obtain through proper funding/financing and experienced talents at work. Therefore the size of the local market should not be taken into consideration here. The market is the World and the world game market is one of the largest in the entertainment industry. It is sad Australia is now almost out of the game. But it would only take a spark to get back in the game, as Australia historically has a strong game development culture and foundation. It is up to the Australian Government to take the mantle of the industry and re-ignite it through bold actions that will make a true difference.

Julien ROBY - Senior Producer at 2K Games -

References

Tax Break and Video Game Industry in Canada: http://business.financialpost.com/entrepreneur/video-game-tax-break-makes-quebec-an-industry-hub?_lsa=b19a-9d09

KICKSTARTER: <https://www.kickstarter.com/hello>

SATELLITE REIGN (Developed in Brisbane): <http://satellitereign.com/>

SATELLITE REIGN on Kickstarter managed to get 461K+ GBP in funding:
<https://www.kickstarter.com/projects/5livesstudios/satellite-reign>

ARMELLO (Developed in Canberra): <http://armello.com/>

ARMELLO on Kickstarter managed to get 300K+ AUD in funding:
<https://www.kickstarter.com/projects/leagueofgeeks/armello-bringing-tabletop-adventures-to-life>