3

Australia's electronic game industry: size, scale and benefits; and film and game industry information

Introduction

3.1   This chapter examines Australia's electronic games industry, in terms of its size, scale and benefits. That is, the chapter deals with the terms of reference that were considered in the previous chapter but in the context of electronic games:

■ the current size and scale of Australia's film, animation, special effects and electronic games industries (term of reference (a)); and

■ the economic, social and cultural benefits of these industries (term of reference (b)).

3.2   In the second part of this chapter the Committee considers an issue that emerged when the size and scale of the film, animation, special effects and games industries were being scrutinised. This is the quality of information on those industries (beginning at paragraph 3.38).

Electronic games in Australia

3.3   Electronic computer games were first devised in 1961 and operated on mainframe computers that occupied the entire floor space of a small house. It was not until 1974 that home video games were available to domestic consumers. A further decade passed before the modern-day,

mass-marketed video game industry emerged, when the Nintendo Corporation introduced the 'Nintendo Entertainment System'.[1] From this time in the early 1980s—the beginning of the modern electronic games industry—Melbourne-based company Beam Software had been involved in developing electronic games.[2]

Size, scale and employment

3.4   The Australian electronic games industry has developed substantially. In 1996 six Australian companies were developing electronic game software. By 2003 this number had increased to over 50.[3] Growth appears to have been fostered by the early development of Beam Software. The Committee was told, for example, that Beam Software had a similar effect to that of Crawford Productions a decade or two earlier, with ex-Beam personnel moving on, in time, to establish their own companies.[4]

3.5   Most Australian game developers work from the eastern seaboard. Over 50 per cent are in Victoria[5] (mainly Melbourne). A Government of Victoria site lists 30 game developers in that state.[6] The Committee was informed that in Queensland there are 18 game developers, mostly in the south-east.[7] There are also companies in every other state and the ACT.[8] The largest publishers are based in Melbourne, as is the Game Developers' Association of Australia (GDAA).[9]

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1   Interactive Digital Software Association, *State of the Industry Report: 2000–01*, p. 3.

2   Mr M. Bishop, Multimedia Victoria, *Transcript of Evidence*, 28 August 2003, pp. 28–29.

3   Invest Australia, *Computer Games*, viewed 7 January 2004 at http://www.investaustralia.gov.au/media/Comp%20Games%20snapshot.pdf.

4   Film Victoria, submission no. 85, p. 3.

5   Film Victoria, submission no. 85. *Wired* magazine referred to Melbourne as one in a group of four 'Global Hotspots' for game development, Anon., 'Gaming's Global Hot Spots', *Wired*, Issue 11.12, December 2003, viewed 9 January 2004 at http://www.wired.com/wired/archive/11.12/start.html?pg=10.

6   Multimedia Victoria, 'Computer Games', viewed 7 January 2004 at http://www.mmv.vic.gov.au/gameplan. See also Software Engineering Australia, 'Victorian computer game industry', *Software*, October, 2002, viewed 6 January 2004 at http://www.mmv.vic.gov.au/Web/MMV/MMV.nsf/ImageLookup/publications/$file/seaoct02MMV52_p55.pdf.

7   Queensland Game Developers Cluster, submission no. 78, p. 1.

8   Austrade, submission no. 37, pp. 21-24, Bungarra Software, submission no. 41, GDAA, submission no. 54, p. 4.

9   Film Victoria, submission no. 85, pp. 11-12.

3.6   The international game developers and publishers in Melbourne include:

- Infogrames (France), the world's fourth largest publisher, which has its Asian regional headquarters for development and publishing in Melbourne;

- US publisher Acclaim Entertainment, which has its Asia-Pacific headquarters in Melbourne;

- US publisher THQ, which has its Asia-Pacific headquarters in Melbourne;

- Electronic Arts (US), which has distribution, sales and marketing operations in Victoria; and

- Nintendo Australia (Japan), which has distribution, sales and marketing operations in Victoria.[10]

3.7   Nationally, the GDAA stated, the game development industry employs over 650 people,[11] while other sources put the figure at around 700.[12] The Queensland Game Developers Cluster stated that Queensland's 18 game development companies employ approximately 300 people.[13] The industry in Victoria is said to employ over 300 people.[14]

Structure of the industry

3.8   The Australian game industry comprises enterprises of different sizes undertaking different activities in the production chain. The Committee was told, for example, that the game industry in Queensland comprises these types of enterprise:

1. Start-ups and pre-start-up firms which possess technical skills but lack business skills and/or capital for growth;

2. Small to medium enterprises (SME's) with teams of 4 to 10 people. They generally have produced one or two games under contract or may have produced an electronic proof of concept (EPOC) to demonstrate to potential publishers.

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10   ibid., p. 11 and Software Engineering Australia, 'Victorian computer game industry', loc. cit.
11   GDAA, submission no. 54, p. 8.
12   The Allen Consulting Group, *Game industry development strategy*, October 2003, p. 13.
13   Queensland Game Developers Cluster, submission no. 78, p. 3.
14   Multimedia Victoria, 'Computer Games', loc. cit. See also Software Engineering Australia, 'Victorian computer game industry', loc. cit.

These SME's also typically lack business skills and/or capital for growth;

3. Large indigenous firms with teams of over 100. They have a strong record producing games for various platforms; for example, Playstation, Gamecube, Xbox, PC and handheld devices;

4. Large corporates and major multinational games companies. These companies may be publishers as well as producers.[15]

3.9   This structure appears to mirror the structure of the industry at a national level.[16]

3.10   The Committee was told that for the most part the industry operates on a fee-for-service basis whereby international publishers provide funding for game development, and retain ownership of the intellectual property and enjoy the benefits generated by it.[17] Although Australian game development enterprises have enjoyed some notable successes[18] it would appear that there is only a small local investment in game development and the related development of Australian intellectual property—a situation that the Committee was told the industry and government wanted to change.[19]

Economic benefits and market size

3.11   There are two aspects to the Australian electronic games market: domestic and international. Given Australia's population base, the existing and potential domestic market is and will remain small in global terms. The domestic market is not large enough to support a viable development industry.[20] Although Australia has one of the highest per capita consumptions of entertainment products (hardware and software) in the world, it is a small market by sales volume.[21] This claim by the GDAA is

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15   Queensland Game Developers Cluster, submission no. 78, p. 1.

16   The Allen Consulting Group, *Game industry development strategy*, 8 October 2003, p. 10.

17   Film Victoria, submission no. 85, p. 11 and Mr G. Siegele, Ratbag Services, *Transcript of Evidence*, 30 September 2003, p. 8.

18   For example, according to Invest Australia, 'Barbie Beach Vacation, Carmageddon, Dark Reign, Grand Prix Challenge, Jackie Chan Adventures, Le Mans 24 Hours, Planet of the Apes, South Park Rally, Spiderman, Ty the Tasmanian Tiger, Trainz and Wipeout are among more than 200 Australian-made games played around the world'. Invest Australia, *Computer Games*, loc. cit.

19   Mr G. Siegele, Ratbag Services, *Transcript of Evidence*, 30 September 2003, p. 8.

20   GDAA, submission no. 54, p. 9.

21   ibid., p. 7.

supported by the Allen Consulting Group which reported that Australian games industry turnover represents about 0.25 per cent of the global wholesale market for game software, while the overall retail market in Australia is slightly more than one per cent.[22]

3.12 Nevertheless, the domestic appetite for electronic games has matched or exceeded that seen abroad in recent years, with growth in consumption being 39 per cent higher in 2002 than 2001. The GDAA stated that Australians spent over $2 million each day on interactive computer games.[23] This is similar to the amount spent on viewing films in cinemas and exceeded the income from the music and video industries.[24]

Table 3.1   Growth in Australian game industry, 2001 and 2002

Game item	2001	2002
Retail value - hardware	$256.4m	$405.5m
Retail value - software	$336.6m	$418.5m
Games classified	583	747
Per cent - Australian	2%	n.a.
Percent - United States	38%	n.a.

Source   Inform Pty Ltd, cited by AFC, Get the Picture (online), downloaded 7 January 2004 from http://www.afc.gov.au/gtp/wnmfast.html#Raj73159.

3.13 A common perception is that electronic games are played predominantly by adolescent boys, in isolation.[25] The Interactive Entertainment Association of Australia (IEAA) stated that in Australia 75% of computer game users are between the ages of 18 and 39, while 20% are over 39 years old.[26] Research conducted by the Interactive Digital Software Association (IDSA), a US industry association, indicated that the common perception as to the sex and age of players is mistaken.[27] This seems to indicate that

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22 The Allen Consulting Group, *Game industry development strategy*, 8 October 2003, pp. 12 & 13.
23 GDAA, submission no. 54, p. 7. The Interactive Entertainment Association of Australia put the figure at $2.25million. See submission no. 67, p. 1.
24 Interactive Entertainment Association of Australia, submission no. 67, p. 1.
25 Film and Television Institute of Western Australia, submission no. 2, p. 8.
26 IEAA, submission no. 67, p. 1.
27 IDSA, *Essential facts about the computer and video games industry*, 2003, viewed on 7 January 2004 at http://www.theesa.com/EF2003.pdf. A 26 August 2003 press release by the Entertainment Software Association (the renamed IDSA) reported that a full 17% of game players are over age 50, up from 13% in 2000. Women age 18 and older now make up a larger percentage of the gaming population—26%—than boys ages 6 to 17 who represent 21% of gamers. Men age 18 and over represent the largest group of gamers (38%) with girls between the ages of 6 to 17 making up 12% of all gamers. The average age of game players is now 29 years old, viewed 15 January 2004 at http://www.theesa.com/pressroom.html.

there is room to increase use of computer games amongst the under-18 year olds, especially in the education sector, and amongst the over 40s.

Table 3.2   Age and sex of electronic game players in the US

	Under 18	18–35 yrs	36+ yrs	Sex [M/*F*]
Most frequent PC player	29.7%	28.7%	41.6%	58.1 / *41.9*
Most frequent video [console] player	37.9%	39.5%	22.7%	71.5 / *28.5*

Source   *Digital Software Association (IDSA), Essential facts about the computer and video games industry, 2003, downloaded: 7 January 2004 from http://www.theesa.com/EF2003.pdf.*

3.14   The economic benefits of an Australian game industry go beyond the employment created directly within the industry, and domestic and foreign income. The Committee was told that the game industry is a significant employer of staff from related industries, such as film and animation:

> We [Ratbag Services Pty Ltd] currently have 50 staff, and we are now hiring more people. … [W]e have become dependent, to some extent, on skills in the film industry. … we use screenwriters, editors and post-production houses, animators, voice actors; a whole range of creative people from film and TV to help us make our games. The games are focusing much more on story.[28]

3.15   Apart from providing employment opportunities from other industries, the electronic game sector offers other economic benefits. IEAA stated:

> The interactive entertainment industry in Australia:
> - Will create a greater demand for broadband online access when online gaming is launched later this year;
> - Stimulates uptake of new communication technology;
> - Increases international recognition of the industry as being sophisticated, dynamic and at the forefront of technology;
> - Increases local and international investment in the interactive games industry.[29]

3.16   The benefits may accrue not only directly within the electronic game sector but more broadly within the community, largely as a result of improved infrastructure (for example, broadband availability), a more mature domestic investment market, and international recognition for the talents of Australian 'new economy' entrepreneurs leading to additional investment in a broader range of sectors.

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28   Mr G. Siegele, Ratbag Services, *Transcript of Evidence*, 30 September 2003, p. 2.

29   IEAA, submission no. 67, p. 2.

3.17   The Australian game industry has a solid and developing export profile. It is not a commodity industry, but largely a service export industry.[30] According to industry participants, in 2002, Australian games developers exported about A$100 million in software titles, generating some $750 million in retail value in the destination markets.[31] In 2002 Software Engineering Australia reported that the Victorian game industry earned about A$30 million a year in exports.[32]

3.18   Even with the existing modest size of the electronic games industries, each title developed and released appears to provide tangible economic and social benefits. For example, in 2002, the (Victorian) Minister for ICT, the Hon. Marsha Thomson MLA, was reported as stating that each new game developed in Victoria represented investment of up to $3 million and could generate up to 30 additional jobs.[33]

Social and cultural benefits

3.19   There has been debate about the social and cultural benefits of electronic games and the electronic games industry. The press has at times reported allegations that violent video games harm the players.[34] Specific crimes have been linked to the playing of particular games.[35]

3.20   Other reports indicate violence on television is more likely to lead to aggressive behaviour than playing video games. One report suggested studies had shown games provide a cathartic experience, reducing levels of aggression as the game continued.[36] Some reports indicated that students who felt ostracised and alienated saw electronic games as a main source of positive social contact.[37] Researchers suggest that 'strong co-operative communities that have grown up' around online games such as 'Quake' and 'Doom'.[38]

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30   GDAA, submission no. 54, p. 8.

31   ibid.

32   Software Engineering Australia, 'Victorian computer game industry', loc. cit.

33   ibid.

34   C. Fitzsimmons, 'Violence in games "damages children"', *The Australian*, 23 September 2003.

35   S. Lowe, 'Killing is only half the game for playful clan', *Sydney Morning Herald*, 23 May 2003.

36   G. Maddox, 'Now for the good news on video games', *Sydney Morning Herald*, 23 September 2003.

37   S. Lowe, 'Killing is only half the game for playful clan', *Sydney Morning Herald*, 23 May 2003.

38   ibid.

3.21   Other studies suggest that playing action video games for as little as one hour per day for ten days can significantly improve visual ability as well as cognitive skills.[39]

3.22   The IEAA considers the social benefits of electronic games include:

- Cognitive Stimulation; computer games can demand high levels of skill and concentration exploiting perceptual-motor abilities, reaction time, induction and prediction;
- Relaxation and enjoyment; these are generally recognised as legitimate goals in leisure time;
- Promoting the self esteem of the player; and affording players a sense of mastery; players demonstrate skill and win the acclaim of peers;
- Positive social messages;
- Promoting social interaction; and,
- Interactive entertainment contributes to Australian culture by portraying Australian themes, images and stories in internationally recognised interactive games such as AFL Live and TY the Tasmanian Tiger.[40]

3.23   The social facet of electronic game use has been suggested by industry organisations abroad. The Entertainment Software Association (ESA) reported:

> … sixty percent of parents say they play interactive games with their kids at least once a month. The vast majority of people who play games do so with friends and family. Almost sixty percent of frequent game players play with friends, thirty-three percent play with siblings, and about one-quarter play with their spouse and/or parents.[41]

3.24   The anti-social effects of electronic games may be over stated. In 1995 federal, state and territory ministers with responsibilities for censorship matters commissioned a study into the effects of computer games. The report of the four-year study stated:

> Importantly, several well designed studies conducted by proponents of the theory that computer games would promote aggression in the young have found no such effects. In contrast,

39   J. Skatssoon, 'Video games "good for visual ability"', AAP, 29 May 2003. This report stated that the study was published in *Nature*; D. Kingsley, 'Action video games can boost cognitive skills', *ABC News in Science*, 29 May 2003.

40   IEAA, submission no. 67, p. 2.

41   'Top ten industry facts', report of a survey by ESA, viewed 9 January 2004 at http://www.theesa.com/pressroom.html.

other studies focused on cognitive and spatial benefits have yielded positive results.

This does not lead to the conclusion that computer games never have undesirable consequences or correlates, nor that they will be invariably beneficial. It does mean that the place of computer games in the lives of young Australians need not be approached on the premise that this form of entertainment is inherently problematic.[42]

3.25   The cultural benefits are clear: games development provides Australian game developers with the opportunity to portray Australian culture to an Australian as well as other audiences.

3.26   Social benefits also appear to be generated. Games development and playing provide another medium for social interaction within Australia and between Australians and people all over the world. There may be dangers, as in any hobby, of devoting too much time. As with any social interaction, participation in electronic games may be abused or the vulnerable exploited by the predatory. However, until more compelling evidence emerges of harm beyond what occurs in other areas of recreation, it appears that there are real social and cultural benefits from the game industry.

International comparisons

3.27   The global 2002 electronic games market was estimated at $40.8 billion, surpassing box office receipts of $39.6 billion. From 2001 to 2002, according to PricewaterhouseCoopers, the global box office grew by 8.8 per cent, while electronic games sales grew by 12.5 per cent.[43]

3.28   The United States is the largest potential market for electronic games followed by Japan and then the United Kingdom. In 2000, the US market size was 35.6 per cent of global sales, Japan had 19.2 per cent while the UK accounted for 8.7 per cent of the global market. Europe, (including the UK), amounted to about 35 per cent of global sales.[44]

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42   K. Durkin and K. Aisbett, *Computer Games and Australians today*, Sydney: Office of Film and Literature Classification, 1999, p. xi.

43   Exhibit 119: PricewaterhouseCoopers, *Australian Entertainment and Media Outlook 2003–07*, Sydney, PricewaterhouseCoopers, pp. 4, 33, 124.

44   Spectrum Strategy Consultants/Department of Trade and Industry, *From Exuberant Youth to sustainable maturity*, 2002, pp. 7-9, viewed 12 January 2004 at http://www.dti.gov.uk/industries/computer_games/downloads.html.

Table 3.3   Electronic games [all platforms]: market share by country of development, 2000

Market → Country of Development ↓	United States	United Kingdom	European Union	Global
United States	67% [approx]	26%	45% [approx]	44.1%
United Kingdom	10.5%	35%	28% [approx]	15.3%
Japan	22% [approx]	32%	12% [approx]	35.3%
Germany	n.a.	n.a.	6% [approx]	2.1%
France	n.a.	Less than 5%	5% [approx]	1.7%
Canada	n.a.	n.a.	3% [approx]	1.5%

Source   Compiled from: Spectrum Strategy Consultants / Department of Trade and Industry, From Exuberant Youth to sustainable maturity, 2002, Executive summary, pp.7-9, downloaded 12 January 2004 from http://www.dti.gov.uk/industries/computer_games/downloads.html.

3.29   The electronic games market is divided into two major platforms: computer-based (or PC) and console-based (which includes handheld). Worldwide in 2000, the console game software market accounted for 68 per cent of electronic game sales. This varies regionally.

Table 3.4   Global PC and Console sales, by market, in 2000

Platform → Market ↓	Console	PC
United States	36	35
United Kingdom	7	10
Europe	20	37
Japan	27	3
Rest of the World	10	15

Source   Compiled from: Spectrum Strategy Consultants / Department of Trade and Industry, From Exuberant Youth to sustainable maturity, 2002, p. 11, main report, downloaded 12 January 2004 from http://www.dti.gov.uk/industries/computer_games/downloads.html.

3.30   ESA reported the value of entertainment software sales in 2002 in the US was US$6,900 million.[45]

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45   ESA, *Industry Sales and Economic Data,* viewed 13 January 2004 at http://www.theesa.com/industrysales.html. Sales data for 2002 for other markets was not available to the Committee when this report was finalised; however, in 2000, the retail market sizes for the major markets were: United States, £4.5 billion; Japan, £2.4 billion; the UK, £1,1 billion and, (taken as a whole) Europe, £4.1 billion (estimated): from Spectrum Strategy Consultants / Department of Trade and Industry, *From Exuberant Youth to sustainable maturity, 2002*, Executive summary, p. 7, viewed 12 January 2004 at http://www.dti.gov.uk/industries/computer_games/downloads.html.

3.31   In the European Union, about 11,000 people were involved in electronic
         game development in 2000, with Benelux accounting for 500; France,
         2,620; Germany, 580; Italy, 200; Scandinavia, 900; Spain, 300, United
         Kingdom, 6,000.[46] Clear figures are not available for the US from sources
         available to the Committee, however, the US Interactive Digital Software
         Association reported that in 2000 some 29,500 people were employed in
         software publishing.[47]

United Kingdom

3.32   The UK is the largest market for electronic games in Europe, the third
         largest market in the world, after the US and Japan, and the third most
         successful developer, in terms of global market share. Total UK leisure
         software sales in 2002 amounted to £1,081m.[48]

3.33   UK developers maintain a significant presence in their own market. The
         UK games industry is a significant export earner, producing a positive
         balance of trade. Screen Digest is reported as estimating that UK
         developed games generated more than £1.1bn in retail sales outside the
         UK in 2000, delivering a positive trade balance of £186m. A UK
         Department of Trade and Industry commissioned report states that over
         the period 1997–1999 the electronic games sector provided a total positive
         trade contribution of more than three-quarters of a billion pounds
         (£757m), compared to film at £462m and television (a negative
         contribution of £944m). This was achieved without industry-specific
         incentives such as enjoyed by the UK's film industry.[49] Comparison
         between the UK and other nations in Europe indicates that the UK is a
         regional leader and centre for electronic game development and use.

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46   Spectrum Strategy Consultants / Department of Trade and Industry, *From Exuberant Youth to
     sustainable maturity, 2002*, Executive summary, op. cit., p. 11.

47   IDSA, *Economic impacts of the demand for playing interactive entertainment software*, 2001, viewed
     at http://www.theesa.com/releases/EIS2001.pdf on 12 January 2004.

48   Entertainment Leisure Software Publishers Association, *Computer and Video games: A British
     phenomenon around the world*, August 2003, viewed 13 January 2004 at
     http://www.elspa.com/about/pr/elspawhitepaper1.pdf.

49   Spectrum Strategy Consultants/Department of Trade and Industry, *From Exuberant Youth to
     sustainable maturity*, 2002, Executive summary, op. cit., p. 9.

Table 3.5   European market size comparison 2002

Country	Value	Value ($AUD)[50]
United Kingdom	€ 1,719m	$2,817m
Germany	€ 1,196m	$1,961m
France	€ 990m	$1,623
Italy	€ 438m	$718m
Spain/Portugal	€ 415m	$680m

Source   Entertainment Leisure Software Publishers Association, Computer and Video games: A British phenomenon around the world, August 2003, downloaded 13 January 2004 from http://www.elspa.com/about/pr/elspawhitepaper1.pdfi.

3.34   According to the study published by Spectrum Strategy Consultants and the UK Department of Trade and Industry, the UK had some 20,000 people employed across all segments of the electronic games industry (development, publishing, distribution, retail and so on) in 2002.[51] Some 6,000 people are engaged in electronic games development. The electronic game development enterprises in the UK were similar in size to those in Australia. Independent studios had an average of 22 employees, and only 11 studios had more than one hundred employees. In addition, there were 'in-house' studios of UK or foreign but UK-based publishers. [52]

United States of America

3.35   The ESA, an industry body in the US, reported in 2003 that sales of electronic games in the US grew 8% over 2001 figures, generating in 2002, $6.9 billion in sales. US sales of console games totalled $5.5 billion while computer games accounted for $1.4 billion in sales.[53]

3.36   The predecessor of the ESA, the IDSA, issued an analysis of the US game industry in 2001, *Economic impacts of the demand for playing interactive entertainment software.* The study showed the effect of the electronic game industry on the US economy:

> In the information sector alone, which is where game software is produced, the economic impacts, including direct effects of demand for game software and the indirect effects of all industry spending initiated by the game software publishing industry, were:

50   On 13 January 2004, a rate of €1 for A$1.640.

51   Spectrum Strategy Consultants/Department of Trade and Industry, *From Exuberant Youth to sustainable maturity*, 2002, op. cit., pp. 10 & 11.

52   ibid., p. 11.

53   ESA, *Industry Sales and Economic Data*, loc. cit.

- 124,500 jobs;
- $4.9 billion in wages;
- $1.2 billion in taxes; and
- A $9.3 billion market for game software publishing, wholesaling, and retailing.[54]

3.37 According to the IDSA, the success and growth of the game software publishing industry is due partly to the research and development (R&D) the industry undertakes. Referring to data from the National Science Foundation, the IDSA reported the software publishing industry devoted 14 per cent of its receipts to R&D; in contrast, other entertainment industries devote 9 to 12 per cent of sales to R&D. In 2000, game software publishers spent, according to the IDSA, $1.1 billion on R&D.[55]

Quality of the information on Australia's film, animation, special effects and electronic games industries

Games

3.38 The Committee acknowledges the work of the Australian Film Commission (AFC) in compiling *Get the Picture*.[56] This work is invaluable, however, it has gaps. For example, in respect of electronic games, the data does not indicate the number of developers or their location, projects being undertaken or number of employees. Some of these figures change with the volume of work; however, a 'snapshot' would assist in understanding the game industry.

3.39 Similarly, there does not appear to have been a comparative study of Australia's capacities in electronic games and potential markets. Such market intelligence is crucial in mapping out an industry plan.

3.40 Significantly, the report for the UK Department of Trade and Industry by Spectrum Strategy Consultants, *From Exuberant Youth to sustainable maturity*, identified improvements in industry data availability and data flow along the value chain as essential to foster UK game development:

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54 IDSA, *Economic impacts of the demand for playing interactive entertainment software*, 2001, op. cit., p. 3.

55 ibid., p. 9.

56 Available online at http://www.afc.gov.au/gtp/index.html.

> Access to market data is essential for UK games companies to understand markets, trends, threats and opportunities. Market data needs to flow in both directions from retailers back to games companies down the value chain all the way to developers, and vice versa. Establishing a data form that does not reveal competitive or commercially sensitive data [which] provides valuable industry benchmark data [that] is non-trivial, has been achieved with good success in other creative industries and is a sign of industry maturity.[57]

3.41   Data collection and access is considered essential for the development of the world's third largest electronic game industry. It is no less important for Australia's electronic game industry as well as other digital content industries. This point has been made in a report commissioned by the Department of Communications, Information Technology and the Arts (DOCITA) in which lagging statistical indicators and significant information asymmetries are identified as impediments to growth:

> Lagging statistical indicators mask the economic potential and implications of emerging industries and trends, affecting both inter-firm negotiations and government policy setting. The lack of appropriate and timely information can affect a firm's negotiation power and business planning and means emerging firms have a limited ability to track potential technology or market shocks.[58]

3.42   Another report commissioned by DOCITA examined the collection and availability of statistical information on Australia's digital content industries. The report included this view by the Australian Interactive Media Industry Association as indicative of industry views:

> In spite of the Information Industries Action Agenda identifying the content industry as one segment providing "substantial global market opportunities" there is no accurate quantitative or

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57   Spectrum Strategy Consultants/Department of Trade and Industry, *From Exuberant Youth to sustainable maturity*, 2002, Executive summary, op. cit., p. 22.

58   DOCITA, *The creative industries cluster study: outline of findings from stage 1 and stage 2 creative industries cluster study reports*, viewed on 14 January 2004 at http://www.cultureandrecreation.gov.au/cics/summary1.doc. See also: Cutler and company, *Producing Digital Content: a consultancy to examine and advance the understanding of the production of digital content* [abridged], September 2002, p. 68, viewed on 14 January 2004 at http://www.govonline.gov.au/projects/environment/clusterstudy/Cluster_Study_Stage_2_Report.pdf.

> qualitative data about the Australian multimedia/content
> industry.[59]

3.43   This report concluded:

> … there are many aspects of the measurement of creative digital
> content that require additional work, involving definitions and
> classifications required for national and international
> comparability, possible adaptation of existing ABS surveys and the
> development of new surveys in some areas.[60]

3.44   The report recommended, amongst other things, that DOCITA consult the
Australian Bureau of Statistics (ABS) 'as a matter of urgency', about the
implementation of a statistical collection strategy and that the Department
should continue to investigate other sources of data that may be used to
supplement ABS data.[61] The ABS publishes statistics every one year in
three for the general film and video production and distribution sectors.
The statistics are usually published 12 months after the conclusion of the
year in question.

3.45   Yet another report commissioned by DOCITA and published in December
2003 recommended a dedicated market and industry intelligence service
be established:

> The issue of measurability, performance statistics and leading
> indicators for the Creative Digital Industry is absolutely critical.
> Without accurate, timely data it is impossible to be sensitive in
> tracking the success or failure of Australia's exports in digital
> content.[62]

Film

3.46   Issues of data availability and access are no less important in regard to the
film industry. Again, the Committee acknowledges *Get the Picture*. While
this work is invaluable, it contains serious gaps in respect of the film

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59   Pattinson Consulting, *The measurement of creative digital content: A study to assess user
     requirements for creative digital content statistics and a possible collection strategy to address them*, a
     report for DOCITA, June 2003, p. 13.

60   ibid., p. 36.

61   ibid., p. 4.

62   P. Higgs & T. Kennedy, *From Cottages to Corporations: Building global industry from Australian
     creativity*, (report on access to overseas markets for Australia's creative digital industry, 12
     December 2003), Canberra, Commonwealth of Australia, p. 98. This is a report in the creative
     industries cluster study, stage 3, viewed 14 January 2004 at
     http://www.cultureandrecreation.gov.au/cics/Access2Markets_FP.pdf.

industry: the animation industry is treated superficially and the special effects industry is not mentioned. This is surprising, given that some special effects companies source work from overseas. Film budgets are not disclosed in *Get the Picture*, making it difficult to track success and measure the soundness of key players' judgement.

3.47   Some submitters indicated that more information was required about Australia's film, animation, special effects and electronic games industries. For example, BEEPS stated:

> It would be useful to audit what Australia's capacities are in terms of realistic outputs. Once this is known then a collaborative strategy can be developed in marketing the capabilities and encourage companies to work together on projects whilst also avoiding the "boom bust" cycle of gearing up with equipment and personnel.

> As a result of collaborative approach across the industry sectors, a better understanding of infrastructure demand, broadband access, and connectivity issues will also be addressed thus strengthening the industries position with marketing itself, meeting client needs, cost efficiencies, and improving strategic planning and forecasting future growth and opportunities.[63]

3.48   In the same vein, Film Australia submitted:

> The Australian documentary sector would be greatly supported by the collection and analysis of reliable data on the amount of documentary broadcast on free-to-air and subscription television services and the program spend on Australian documentary programming.[64]

3.49   Other submitters calling for better data collection included the Queensland Game Developers Cluster,[65] Film Victoria,[66] the GDAA, which specifically called for creation of a game industry database and collection of market intelligence data,[67] Councillor Jan Grew of the Gold Coast City Council,[68] the Australian Children's Television Foundation, which supported research on market gaps, especially given the development of

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63   BEEPS, submission no. 34, p. 14
64   Film Australia, submission no. 82, p. 13.
65   Queensland Game Developers Cluster, submission no. 78, p. 7.
66   Film Victoria, submission no. 85, p. 19.
67   GDAA, submission no. 54, p. 19
68   Gold Coast City Council, submission no. 53, p. 4.

new media technologies,[69] and the Australian Film Television and Radio School, which submitted data should be collected on the state of skills acquisition and deficiencies in Australia.[70]

3.50 The Committee is surprised that comprehensive data collection is not undertaken. This problem was identified by its predecessor, the House of Representatives Standing Committee on Environment, Heritage and the Arts, in the 1992 report, *Moving Pictures Inquiry*. That Committee reported it had been told of the need for 'more information about the industry to be made available, or for more research and analysis to be undertaken' and it recommended:

> The Australian Bureau of Statistics give high priority to the collection and analysis of data relating to film production, distribution and exhibition, as specified by the Statistical Advisory Group of the Cultural Ministers' Council.[71]

3.51 It is unfortunate that the issue of data collection has not been addressed thoroughly, nor a plan devised to extend data collection into the digital content industries.

3.52 Another area where there appears to be little public information is in terms of production budgets and other financial information. Film Australia drew to the Committee's attention the inconsistency of information supplied to the commercial television industry regulator, the Australian Broadcasting Authority, when it conducted a review of the Australian Content Standard in 2001–02.[72]

3.53 The lack of financial information on the Australian film industry has been noted before. In her study of Australian cinema successes in the 1990s, Mary Anne Reid wrote:

> There is a long tradition of non-disclosure of financial information in the Australian film industry. International sales agents, for example, say they cannot disclose the prices paid by overseas distributors as it may jeopardise future sales. Producers are usually reluctant to reveal the P&A budgets of their films unless the distributors are willing to do so. Film-funding agencies say producers control the disclosure of financial details and producers

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69 Australian Children's Television Foundation, submission no. 29, p. 12.
70 Australian Film Television and Radio School, submission no. 18, p. 7.
71 House of Representatives Standing Committee on Environment, Heritage and the Arts, *Moving Pictures Inquiry*, Parliament of the Commonwealth, 1992, p. 100.
72 Film Australia, submission no. 82, p. 14.

> put the responsibility back on agencies. Exhibitors and distributors claim their results are confidential.
>
> Whether or not it is in the best interests of the industry to maintain the existing level of non-disclosure is an important question. My impression … is that the majority of those working in the industry feel it would be beneficial if more information was available… My own feeling is that without access to adequate information, the industry cannot consider itself sophisticated in the business of film.[73]

3.54   The Committee's view is more pragmatic. When public money is involved, information on how films perform and what they cost should also be made public. If there is legislation that stipulates certain levels of content on television, then the public should know whether broadcasters, of whatever type, are complying with it. Recommendation 4 at the end of the chapter addresses this issue.

3.55   In addition, the broadcast media are important to the community in terms of its cultural development, its self-image and cohesion. The community is entitled to know whether broadcasters providing content to the community either free-to-air or on a subscription basis, reflect and transmit community values and discharge their cultural and societal responsibilities. Information about Australian content and production is required.

3.56   It may be argued that commercial-in-confidence considerations are sometimes so important that information ought not to be revealed publicly. That may be true in some cases. However, as a matter of equity to broadcasters who do have to reveal details of their financial and broadcast support for Australian programs, subscription documentary television channels should reveal clearly their support for Australian content.

3.57   In the Committee's view, disclosure of support for Australian content is about accountability. The Committee notes, in this regard, a number of newspaper reports of comments made by the Chief Executive of the Film Finance Corporation, Mr Brian Rosen. The Chief Executive has been reported as saying that the current film support arrangements suffer a lack of accountability through the production chain—financing, producing and distributing:

> There's no accountability. There has to be accountability, and the accountability has to start with the FFC.

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73   M. Reid, *Long shots to favourites*, Sydney: AFC, 1993, p. 111.

> It has to start with the state agencies and the AFC that are
> developing projects.[74]

The article went on to state:

> What he [Mr Rosen] means is that in the shuttle diplomacy
> between producers and distributors, the FFC, the AFC and the
> state bodies that any film project requires…"there is nobody,
> when you look at it, that you can say is really accountable—
> because no one is really accountable for the success of this film".[75]

Conclusions

3.58   Australia has talented and creative individuals driving the film,
animation, special effects and electronic games industries. Australian
artists and creative professionals perform well, given the size of the
population and the resources available. The creative industries have,
potentially, many opportunities and, if nurtured properly, will increase
their contribution to the nation's cultural and economic life.

3.59   Australia's creative industries will be able to do this only if supported by
appropriate public policy. However, in order to develop focused public
policy in their area, accurate and timely information is required. Some of
the information used in this overview is several years old. In some cases,
information is entirely lacking. These deficiencies should be remedied.

Recommendation 4

3.60   **The Committee recommends that the Australian Bureau of Statistics
publish statistics on the industries examined in this inquiry on an
annual basis as soon as possible after the conclusion of each financial
year.**

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74   N. Chenoweth, 'Cut! The Australian film industry loses the plot', *Australian Financial Review*,
13 September 2003.

75   ibid.

Recommendation 5

3.61   **The Committee recommends that the Department of Communications, Information Technology and the Arts negotiate with the Australian Bureau of Statistics, the Australian Film Commission and the Film Finance Corporation to ensure the annual publication of reliable statistics on the following industries:**

       (a)   animation

       (b)   electronic games

       (c)   post production and special effects

       (d)   documentary

       (e)   film

       (f)   multimedia.

Recommendation 6

3.62   **The Committee recommends that the Australian Government, through the Australian Film Commission and the Film Finance Corporation Australia, ensure that a condition for receipt of public money be the provision of information for publication by the Australian Film Commission, at its discretion, in *Get the Picture*.**

Recommendation 7

3.63   **The Committee recommends that the Australian Government require subscription documentary television channels that broadcast content in Australia to report each year full details of Australian content acquired, commissioned and broadcast and that this information be available to the Australian Film Commission for use in *Get the Picture*.**