

Film Inquiry
Submission No. 64

HOUSE OF REPRESENTATIVES

**STANDING COMMITTEE ON COMMUNICATIONS,
INFORMATION TECHNOLOGY AND THE ARTS
INQUIRY INTO THE FUTURE OPPORTUNITIES
FOR AUSTRALIA'S FILM, ANIMATION,
SPECIAL EFFECTS**

AND

ELECTRONIC GAMES INDUSTRIES

SUBMITTED BY

MURALI AYYALARAJU
Agonomis Services.
mayyalaraju@yahoo.com.au

Currently Australians who are involved in the games industry are small but talented group. They have been recognised by Microsoft, Sony and have been given encouragement/foster development.

I would like the House of Representative committee to consider a number of points in my submission.

- 1) There are currently no easy way for an investors to invest in my Industry and receive a tax break from the taxation department. (The amounts vary from single investors 50,000 to 2 million dollars Australian.) Currently films do but we are not the film industry.

I would like the committee to look at assisting us with Extending Div 10BA to apply to electronic games.

10B: currently applies to games. The key issue for potential investors is the write-down period of two years when investors/industry require the deduction in year one to make it worthwhile. Typically, games take two years to develop. Given that the shelf life of a game is about six months from release, the tax deduction goes on after the income has been received and the tax has been paid ie the incentive is minimal. For an investor, the deduction should apply at the time of investment provided the game is completed in the ensuing two years, as for 10BA.

My industry is a technology intensive industry involving Programming in c/c++ language. Where we deal with graphics chips, sound chips, and Central processor units. High inputs are required with a production time of 18 months. A great deal of investment is required for the project to take place. Currently it will require about 2 million dollars for a project.

If legislation or ruling can be made to allow investors to invest, it will help this industry in Australia to play a more significant role.

2) The issue of broadband connection.

Australia lags behind other countries with availability of broadband to the home. Affordable broadband will enhance Games penetration into the Australian market. I will give you a contrast. India, considered as a third world within 3 years will have optical fibre to every major residence in the metropolitan area. Currently various major players have built major backbones to facilitate the IT revolution. The prices due to competition are falling, and the average Indian in the middle classes has more TV channels than an average Australian, but at an affordable price. (First hand experience from a visit) If Australia does not get it right within 2 years, it will be left behind as a very small player, who will mainly consume product but not generate it.

3) The quality of graduates.

In recent years the emphasis has been on student numbers through institutions. There has been an disincentive for Lecturers to have high standards as in the 1970s and early 80s with regards to IT. I have attached a sample of tests that graduates I would like to employ and obtain a minimum of 85%. Many of the current students the average mathematics ability is poor. If they can't understand mathematics properly then cant understand the concepts that we are trying to work on. This hampers productivity, And if I cant find such people then I will have to go overseas.

They have wasted their time, and government funding, which could have been given to more suitable graduates.

I would suggest an entrance exam to such IT courses in mathematics, and physics with a minimum entrance mark of 75%, regardless if they are male or female. IF they don't pass that mark then should not be allowed entrance. This would save the government millions of dollars in the long run.

There are similar filters used in Arts colleges and some in Canada so that the artists that could be employed for games are of the highest capability. An interesting paradigm is the Indian Institute of Technology in India. They have entrance exam, and the selection process has made them world renown. As result all graduands are welcomed with open arms at MIT, UCLA, Berkley and Stanford on scholarships. It would be beneficial to Australia to adopt similar practices.

The Australian cricket team is world renown due to its ability, coaching, talent spotting, and support there is no reason that it can't be done for IT in the games industry arena. They have invested heavily since the time of Allan Border was captain. Why not think that we can be the worlds best and not be mediocre? Why have a cultural cringe against excellence.

4) Dedicated Austrade representative:

I would suggest funding be set aside for a dedicated Austrade representative that could help Australian companies in the US market and in the Euro zone.

These two markets currently make up a large proportion of the world market. Just as the government assisted Australian music industry in the past by giving funding to Austrade representatives, I would suggest similar initiative will pay handsomely with contracts coming to Australia. Many overseas companies are not aware of Australia capabilities. As a small startup I have limited funds to meet overseas representatives. A dedicated Austrade official would generate many Millions of dollars for Australian companies.

5) Support establishment of 'Internship Program' in local companies

The funding capacity of my concern to employ "interns" is non existent. There are programs available for trainees in Queensland (ref: DEST website), but these tend to be unsuitable as the funding is not sufficient to employ people. There appear to be some cadetships but these seem to be very limited and very difficult to access for a small startup company.

I would ask the committee to look at the UK where the government has recognised benefits of an internships to employ people in the games industry. I would urge similar initiatives.