

**Inquiry into the Future Opportunities
for Australia's Film, Animation, Special Effects
and Electronic Games Industries**

**Submission to the House of Representatives
Standing Committee on Communications, Information Technology and the Arts**

Thank you for providing us with an opportunity to make a submission in relation to this inquiry.

1. Interactive Entertainment Association of Australia

Interactive Entertainment Association of Australia (IEAA) is a trade association for the Interactive Entertainment Industry and we represent Australian companies that are responsible for the sales, marketing, distribution and development of computer and video games software, hardware and accessories.

Founding Members of IEAA are Acclaim Entertainment, Activision, Atari Australia, Electronic Arts, Microsoft, Nintendo Australia, Sony Computer Entertainment, Take 2 Interactive, THQ, Ubi Soft and Vivendi Universal Games.

IEAA Members distribute 90-95% of the computer and video games marketed in Australia.

Interactive games are mainly played on next generation Consoles (Nintendo GameBoy Advance, Nintendo GameCube, Microsoft Xbox and Sony PlayStation) or on Personal Computers but also on local networks, the Internet, as well as on mobile devices like handheld systems, PDAs and mobile phones.

Consoles now offer the realism of near photo-quality graphics, multimedia features such as DVD players, digital video recording, jukebox management, downloadable games and music and connections for online gaming (due later this year).

There is a perception that computer games are only for children, however in Australia 75% of computer game users are between 18-39 with 20% over 39¹. This is a result of the first generation of computer game players growing up with technology and continuing their interest in this leisure activity.

2. The current size and scale of Australia's interactive entertainment industry

In 2002 industry statistics² indicated:

- The value of the interactive entertainment industry in Australia at retail was \$825 million with games software representing \$420 million.
- Australian consumers spent \$2.25 million per day or \$118 per household per year.
- Next generation formats accounted for 69% of market revenue.
- The interactive entertainment industry generated more income than the music (\$534 m³) and video (\$550 m⁴) industries and was on par with movie box office (\$844 m⁵).
- The industry experienced a growth of 39% from 2001.

The worldwide market for video games, computer games and interactive entertainment hardware and software should grow from US \$20.7 billion in 2002 to as much as US \$30 billion by 2007⁶. Based on this growth rate of 45%, the Australian market is forecasted to grow to \$1.12 billion by 2006!

3. The economic, social and cultural benefits of the interactive games industry

3.1 Economic Benefits

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
- Increases employment

3.2 Social Benefits

Benefits of computer game play⁷:

- 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; and
- Promoting Social Interaction

In addition, interactive games represent value for money with 50 to 100 hours of play time being spent per game.

3.3 Cultural Benefits

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.

4. Future opportunities for further growth in the Interactive Entertainment Industry, including through the application of advanced digital technologies, online interactivity and broadband

Online gaming and broadband are the keys to the further growth of the interactive entertainment industry in Australia.

IEAA is very supportive of the increase in broadband adoption in Australia and believes that broadband is the next big technology milestone for Australia.

Consoles will play a pivotal role in increasing the uptake of broadband in Australian homes, as there is currently a substantial installed base of consoles in Australia.

Sony Computer Entertainment Australia and Microsoft Australia are currently conducting technical trials in Australia and both companies will release their online gaming packages later this year.

Results in North America indicate that demand for online gaming will be high and will grow quickly. Substantial consumer adoption is anticipated in areas where broadband access is widely available.

DFC Intelligence forecasts that 114 million people worldwide are expected to be playing online games by the year 2006.

For gamers, broadband offers a fast connection speed and an always-on benefit that is required for the intricate, interactive, online game worlds being developed. In addition, gamers may find that broadband is often less costly to use than extensive use of a metered narrow band service.

The true appeal of online games lies in the capacity to play games with other gamers anywhere around Australia or the world whilst simultaneously chatting to them.

IEAA believes that lower prices for broadband services and greater availability throughout metropolitan and regional areas will provide the impetus for console owners to connect to broadband.

5. The skills required to facilitate future growth in the interactive entertainment industry and the capacity of the education and training to meet these demands.

Currently there are games related study within degree programs at nine Australian universities and two interactive entertainment private institutions, the Academy of Interactive Entertainment and QANTM.

The industry believes that existing skills base and the capacity of education and training needs to be maintained and enhanced.

One of the items being discussed at the Free Trade Agreement negotiations is the Temporary Transfer of People between Australia and America. IEAA supports this move, as this will ensure personnel are able to keep up to date.

6. The effectiveness of the existing linkages between these industries and the wider cultural and information technology sectors.

IEAA has active links with like Associations in America, UK and Europe and locally with the Game Developers' Association of Australia.

7. How Australia's capabilities in these industries, including education and training, can be best leveraged to maximise export and investment opportunities.

To address this item, we refer the Committee to the Game Developers' Association of Australia's submission to the Inquiry.

8. Whether any changes should be made to existing Government support programs to ensure they are aligned with the future opportunities and trends in these industries.

The single most significant threat to the growth of the industry is the counterfeiting and piracy of games.

IEAA estimates that as a result of copyright infringement, the loss to the legitimate computer game industry as a whole is no less than \$42 Million per annum or approximately 10%.

Not only is this a substantial loss to the legitimate computer games industry, it also represents a substantial loss to the government by way of lost taxes such as GST and Group Tax.

The counterfeit of computer games diminishes the incentives for Australian copyright owners to continue to produce works and invest time and money in developing new games in Australia.

IEAA believes that the current penalties imposed in Australia are inadequate to deter people from engaging in copyright infringement.

Mechanisms for the deterrence of copyright infringement must be improved and criminal sanctions against infringement must be strengthened.

The effect of Government inaction is that the problem of counterfeiting will continue to grow!

IEAA is in the process of participating in a study by Allens Consulting Group: The Economic Cost to Australia of Counterfeiting. This study will identify the cost of counterfeiting for the industry and identify the impact of such costs on the whole Australian economy. The report is due in October 2003 and IEAA will happily make the findings of this study available to the Committee.

Sources:

¹ IEAA Member Data

² Inform

³ Australian Record Industry Association

⁴ Australian Visual Software Distributors Association

⁵ Motion Pictures Distributors Association of Australia

⁶ DFC Intelligence 17/4/03

⁷ Kevin Durkin - Computer Games and their effects on Young People