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1. Introduction

The Interactive Games and Entertainment Association (**IGEA**) welcomes the opportunity to respond to the Australian and Children's Screen Content Review (**content review**) being conducted by the Department of Communications and the Arts (the **Department**). IGEA understands that video games were not initially intended to be a part of this review. The terms of reference omitted any reference to games and the scope was narrowly defined to include only "Australian drama, documentary and children's content". While games were not explicitly excluded per se, it was still clear that games were not considered "screen content". The terms of reference spoke about examining and improving *existing* support measures for screen content, but there are no existing federal levels of support for the video games development industry. It was not until after IGEA published an open letter to Senator Fifield that we were invited to respond to the content review.[1]

Whereas many other screen and creative industries receive some form of federal government support, from funding to tax and production incentives, the games development industry has consistently and irrefutably been neglected. We see this in the axing of the Australian Interactive Games Fund (**AIGF**). We see this in the continued lack of response to the 500-day old Senate "*Game on*" report. We see this in the drafting of this review's terms of reference. Even the consultation paper makes this disappointing chasm of support clear, when Attachment B lists the many different regulations in place to support Australian screen content but can only mention that "Some states also offer funding for games".

The video games industry is becoming increasingly disenfranchised with this state of affairs and strongly believes it is now time for our development studios to finally receive an appropriate and commensurate level of federal government support. This content review is a great opportunity for the government to facilitate this. Video games have long been an important part of Australia's screen sector and our country has some of the most talented and skilled developers in the world. This is the chance for the government to be forward looking, embrace the increasing popularity of games amongst Australian audiences and take advantage of the development industry's untapped potential.

[1] IGEA, "Open Letter to Senator the Hon Mitch Fifield" (24 May 2017) <http://www.igea.net/2017/05/open-letter-to-senator-the-hon-mitch-fifield/>.

2. About IGEA

IGEA is the leading industry association representing the business and public policy interests of Australian and New Zealand companies in the interactive games industry. IGEA's members publish, market, develop and/or distribute interactive games, entertainment content and related hardware.

3. Executive Summary

By way of executive summary, IGEA is of the view that:

- While the global and Australian games industry as a whole is performing well, the games development industry locally faces many challenges and impediments to competing globally and furthering growth
- The Australian video games development industry is treated less favourably by the federal government compared to other screen and creative industries, particularly television and film
- The Department should adopt the recommendations of both the Senate Standing Committee on Environment and Communications and the House of Representatives Standing Committee on Employment, Education and Training, which include:
    - Introducing a funding scheme for games development based on the axed AIGF
    - Implementing a refundable tax offset for Australian expenditure in developing games
    - Financially contributing towards co-working spaces for games development
    - Encouraging the uptake of 'serious games' in health care, education and other sectors
- These recommendations are crucial to facilitating the growth and sustainability of Australia's video games development industry, for the following reasons:
    - There is clear evidence that funding, tax offsets and other support regimes create many positive benefits for games developers, which include spurring the creation of wholly-owned intellectual property, attracting additional investment, increasing staff hires, improving the quality and competitiveness of developed games, accessing additional markets and audiences, and many others
    - Australian games developers are at a competitive disadvantage to other studios, especially internationally, that do receive many forms of government support
- The Australian games sector is becoming increasingly disenfranchised by the federal government's neglect of, and failure to support, the industry over many years. Now is the time to change this and act to support Australian games development moving forward

4. Responses to Questions

IGEA will now provide answers to the questions posed by the Department in the consultation paper, with a focus on video games. IGEA also previously wrote a submission to the Australian Film and TV Inquiry,[2] detailing why the federal government should support Australian video games development. This submission is comprehensively detailed, providing an extensive amount of data and evidence on the state of Australian games development, the benefits received by past recipients of AIGF funding, and examples of governments globally that actively support games development via funding and tax offsets. IGEA believes this submission is crucial for the Department to consider as part of this content review and as such we will include it as part of our answer to question 8 of the consultation paper.

Question 1 – Are the policy objectives and design principles articulated in the discussion paper appropriate? Why do you say that?

Policy objectives – Generally

On their face, the policy objectives articulated in the consultation paper seemingly treat all variants of Australian screen content on equal footing. However, when reading the sections of the paper dedicated to expounding upon the objectives, it is clear this is not the case. The "**Promote Australian identity and culture**" section praises Australian screen content for their social, cultural and economic benefits, but the only examples given in this regard are Australian TV dramas (i.e. *Molly*, *Love Child* and *Paper Giants*) and feature films (*Mad Max: Fury Road* and *Lion*). It seems that the paper could not offer even one example of any one of the hundreds of Australian-made video games that provide significant social, cultural and economic benefits. This approach is then replicated in the "**Securing Australian children's content**" and "**Greater commercial sustainability**" sections, where only dramas and films such as *Round the Twist*, *Ocean Girl*, the *Wolverine* and *Pirates of the Caribbean: Dead Men Tell No Tales* are recognised. Additionally, under the latter section, while the talents and creativity of actors, writers, producers, directors and so on are praised, there is no mention of games developers, artists, programmers or the many other talented people that help create video games in Australia.

With this narrow focus, IGEA is not sure whether the content review practically looks to achieve the policy principles of being "platform agnostic" and "flexible enough to cope with changing

[2] Interactive Games & Entertainment Association, *Inquiry into the Australian film and television industry* (4 August 2017) <http://www.aph.gov.au/Parliamentary_Business/Committees/House/Communications/AustralianfilmandTV/Submissions>.

environments". The paper states that future policy *could* include greater recognition of content such as games, but at this stage it is difficult to understand why games are not already recognised and treated equally with film and TV productions. If content regulation is to be driven by policy objectives rather than platform type like the consultation paper alleges, then this equality must be achieved.

IGEA believes the policy objectives do not sufficiently recognise and appreciate the importance of video games as a medium of screen content. The way they are described in the consultation paper clearly reflects this, which does contradict the very design principles that the government is trying to attain. Content regulation is not platform agnostic when one form of content, video games, is specifically excluded from receiving any form of federal government support. A system that is forward looking and nimble enough to adapt to future changes in technology and audience trends should have realised *many years ago* that video games are incredibly innovative, high-tech, creative and immensely popular amongst Australians. Video games are not a new phenomenon – they have existed for decades and are played by 67% of Australians[3] – yet the consultation paper merely states that our culture just "now" reaches into other areas such as video games. Video games have been long intertwined with Australian culture and identity – it is simply the case that the government has not recognised this. We think there is significant scope to more appropriately articulate and design the policy objectives so that video games are treated on par with, and equal to, every other form of screen content.

Policy objective 1 – Securing quality content that promotes Australian identity and culture

Video gaming as a medium has grown from the days of predominantly being about fun gameplay. Of course, at their core, games attempt to rely on fun, intriguing and engaging gameplay to entertain players, but this on its own would be a very narrow view of the industry. Unequivocally, storytelling and narrative has become an integral part of many video games, so much so that is common for players to expect that most games will incorporate, at a minimum, some form of story. Many of the most highly acclaimed video games of all time are praised for the stories they tell, which often are viewed in higher regard than gameplay itself. Gripping narratives, compelling characters and rich lore can turn a game from one that is simply fun to play to one that captures the hearts and minds of gamers.

What is also clear is that Australian developers, on countless occasions, have proven themselves to be more than capable to create games that provide Australian perspectives in storytelling to audiences locally and globally. Australian stories and narratives in games simply would not come to life without

[3] IGEA, *Digital Australia 2018* (24 July 2017) <http://www.igea.net/2017/07/digital-australia-2018-da18/>.

the vast talents of our graphic designers, artists, animators, programmers, sound designers, creative directors, engineers, actors, analysts, producers, and marketing professionals, just to name a few. The skill sets necessary to develop video games are the same as those found in the film and television industries, but they go beyond traditional screen content development. This review is a great opportunity to recognise that Australia has talented people that, with governmental support, can continue to create amazing games that facilitate the growth of this industry faster than ever before. Proper incentives and investments will provide further opportunities to those in the industry and others looking to break-in, which will help Australia become even more globally competitive.

However, IGEA does not believe that the first policy objective of this review, to "secure quality content that promotes Australian identity and culture", is drafted in a manner consistent with achieving such a result. The consultation paper uses phrases such as "promoting Australian identity and culture", "uniquely Australian perspectives" and "define national identity". Most (if not all) of the examples of screen productions in the paper are dramas or films that either are set in Australia or tell stories about Australians. This narrow wording suggests the government is only interested in supporting productions that are inherently about Australia, to the exclusion of those that are simply made by Australians; that is, stories about Australia rather than stories told by Australians. If this is true, we don't believe this objective is appropriate as it would exclude many amazing productions that are Australian-made.

While there are fantastic Australian games that include Australian characters, or are set in the country, of course there exist many other amazing Australian-made titles that do not have this focus. But IGEA does not believe that this fact should outright exclude any such games or productions from receiving support from government entirely. What matters here is that these are everyday Australians telling the stories that they are passionate about. They are making games that are influenced by their own life experiences, their upbringing, the world around them and the people in their lives. All these influences are very much Australian at the core – they are Australians after all – but this may not necessarily translate into a game being about Australia or set in Australia. It is important that the government endeavours to support these productions from inception, as they are created by Australians and involve Australians telling stories. If a game is created by Australians in Melbourne, Sydney, Brisbane, Canberra or any other locale around the nation, that should be the key factor which defines the production as "uniquely Australian" and therefore eligible for government support.

IGEA therefore believes that the first policy objective of this content review should be redrafted to ensure that all Australian-made pieces of screen content, including games, have the opportunity to be supported. This would ensure Australian developers are encouraged to create games and tell the

stories they are passionate about, which would include all the amazing Australian-made video games highlighted at **Appendix D**. We wanted to showcase the unique storytelling potential of Australian games by describing just a selection of them in this submission. Some of these titles overtly reference Australia, such as via settings and characters, whereas others are simply created by Australian teams. All titles across this spectrum are deserving of government recognition and support, just like any other screen production. We have also included an additional list of many other released and upcoming games from Australian developers at **Appendix E**, to further demonstrate the vast quantity of titles that talented Australians have produced over the years and will continue to produce in the future.

Question 2 – What Australian content types or formats is the market likely to deliver and/or fail to deliver in the absence of government support?

The Australian games development industry has existed and created video games for many years. Aside from the brief period within which the AIGF was in place, the industry has largely proceeded without the existence of federal government support on a nation-wide level (there are some support programs available in states such as Victoria and Queensland). It is not IGEA's argument that, in the absence of government support, the Australian industry will fail to deliver and produce video games altogether. Our industry has proven itself to be dedicated, passionate and resilient. While it has experienced and continues to experience numerous challenges, it lives on and develops amazing titles every year. Australian-made games are praised around the world for their creativity and uniqueness, and we expect this to continue for years to come. And of course, video gaming in Australia is more popular than ever – 67% of Australians play video games, the Australian industry *as a whole* is worth almost $3 billion annually,[4] it is forecasted that the industry will start outperforming filmed entertainment in sector value and consumer spend in 2017,[5] and Australians enjoy playing games developed by local studios (with the successes of *Rugby League Live 4*[6] and *AFL Evolution*[7] being just some examples). But the wider games industry aside, Australian games *development* is much smaller and there is space for the Australian government to support the development of games locally.

The Australian Bureau of Statistics (**ABS**) provides that, between 2011-12 and 2015-16, the number of digital games developers employed in Australia has slightly increased from 581 to 734 people and

[4] IGEA, Taking it up a level: Australian video game industry generates $2.958B in 2016 (28 February 2017) <http://www.igea.net/2017/02/taking-in-up-a-level-australian-video-game-industry-generates-2-958b-in-2016/>.
[5] PriceWaterhouseCoopers, *Australian Entertainment and Media Outlook 2017-2021* (2017) <http://pwcoutlook.com.au/>.
[6] MCV Pacific, *The ANZ IGEA Top Ten Charts powered by NPD - Week 30* (3 August 2017) < http://www.mcvpacific.com/index.php/news/read/the-anz-igea-top-ten-charts-powered-by-npd-week-30-2/0185412>
[7] MCV Pacific, *The ANZ IGEA Top Ten Charts powered by NPD - Week 19* (19 May 2017) <http://www.mcvpacific.com/news/read/the-anz-igea-top-ten-charts-powered-by-npd-week-19-2/0182683>.

income increased from $89.4 million to $111.1 million.[8] But when looking back at ABS figures in 2006-7, we see that the Australian industry used to employ 1,431 people and generate $136.9 million in total income.[9] This was at a time where several large AAA games developers had active studios in the country. Unfortunately, after the global financial crisis, the appreciation of the Australian dollar and a few other circumstances, many of these studios closed their doors entirely here (the "**State of the Interactive Games Industry**" section below goes into extensive detail about why this occurred). Australia's very last AAA games developer, 2K Australia, closed in 2015.[10]

While the Australian games development industry has grown in recent years, the growth has been slow and we have still yet to fully recover from the significant contractions experienced after the global financial crisis. Many experienced and talented games developers have left Australia in search of work. Local studio closures have resulted in approximately 60% of developers leaving the Australian industry altogether,[11] and most haven't returned.[12] Australian games companies have told IGEA that they have difficulty when attempting to retain or attract staff,[13] and while each year over 5,000 students enrol in games courses,[14] they struggle to find work as the industry does not have enough jobs to support the demand. After all, according to the ABS, only 734 people are employed in the country today.

And it is unlikely that these issues will subside any time soon, especially when large games developers and publishers do not even consider Australia as a viable option when deciding to expand and set up new development studios. Instead, games companies are opting for countries that do support games development at a governmental level. One of the biggest examples in this regard is Canada. The "**Tax Offsets**" section below describes in detail how many Canadian provinces, including British Columbia, Manitoba, Nova Scotia, Ontario and Quebec, provide favourable and competitive tax incentives for games development as digital media. As a result, many large games companies are establishing new studios in the country (i.e. Bethesda in Quebec,[15] Microsoft in British Columbia,[16] Gearbox Software in

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[8] Australian Bureau of Statistics, *8679.0 - Film, Television and Digital Games, Australia, 2015-16* (15 June 2017) <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8679.0>.
[9] Australian Bureau of Statistics, 8515.0 – *Digital Game Development Services* (2006-7) < http://www.abs.gov.au/ausstats/abs@.nsf/mf/8515.0/>.
[10] Mark Serrels, *2K Australia In Canberra Closes Its Doors* (16 April 2015) <https://www.kotaku.com.au/2015/04/2k-australia-in-canberra-closes-its-doors/>.
[11] Ms. Giselle Rosman, Senate Standing Committee on Environment and Communications, Hansard, 19 February 2016, page 13.
[12] Sebastien Darchen, *Next level thinking: a way forward for the Australian videogame industry* (10 February 2012) <https://theconversation.com/next-level-thinking-a-way-forward-for-the-australian-videogame-industry-5280>.
[13] IGEA, *Australian game development industry a significant export opportunity* (21 December 2016) <http://www.igea.net/2016/12/australian-game-development-industry-a-significant-export-opportunity/>.
[14] Mr. Antony Reed, GDAA, *Senate Standing Committee on Environment and Communications,* Hansard, 19 February 2016, page 2.
[15] Polygon, *Bethesda opens new studio in Montreal* (9 December 2015) < https://www.polygon.com/2015/12/9/9878680/bethesda-softworks-new-studio-montreal>.
[16] Vancouver Sun, *Microsoft opens new video game studio in Vancouver* (29 November 2012) <http://vancouversun.com/news/staff-blogs/microsoft-opens-new-video-game-studio-in-vancouver>.

Quebec,[17] Atomhawk in Vancouver,[18] Hutch in Nova Scotia[19] and Ubisoft in Saguenay,[20] just to name a few) or continuing to grow and succeed (i.e. EA in British Columbia, BioWare in Alberta and Quebec, Capcom in British Columbia, Ubisoft in Montreal). Today, Canada's games industry employs over 20,400 people, with 472 active studios in the country. This growth in employment is significant, totalling to around 12% from 2011 to 2016.

Because of the above circumstances, the face of Australian games development has undergone significant changes over recent years. The industry today is mostly comprised of home-grown, independent, small to medium sized studios. Most developers (over 50%) reside in Victoria thanks to the availability of several funding and other support programs from Film Victoria; although NSW, Queensland, ACT and Tasmania too have active games development scenes even with historically very little or no government support (Queensland has introduced funding programs recently). It is promising to see that developers across the nation exist and have experienced growth, especially given the sporadic levels of government support and the severe competition faced from developers globally. But nevertheless, there is a vast amount of untapped potential for games development in Australia. From a survey of just 63 Australian development studios, IGEA found that the industry earnt AUD$114.9 million in 2015-16, with over 81% of revenue derived from overseas markets (see **Appendix B**).[21] With already such high margins of export revenue in a nation that has no levels of federal government support, Australian games development very much has the great potential to become even more of a successful, weightless and 'clean' export industry than it is today. This is especially so given the global size of the games industry globally is well over USD $100 billion.[22]

It is here that government support can play an important role. Direct funding (like the axed AIGF) would help facilitate the growth of the many small and independent studios across the nation that do not currently have access to funding; which can assist them in hiring more staff, investing in better equipment and technology, taking on more work, increasing the scope of projects and so on.

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[17] Polygon, *Gearbox opens new studio in Quebec City* (11 December 2015) <https://www.polygon.com/2015/12/11/9893502/gearbox-studio-quebec-city-canada>.
[18] Prolific North, *Gateshead's Atomhawk opens new studio in Canada* (21 August 2017) <https://www.prolificnorth.co.uk/2017/08/gatesheads-atomhawk-opens-new-studio-in-canada/>.
[19] Games Industry Biz, *UK motorsports developer opens Canadian office to increase output, tap new talent pool* (15 August 2017) <http://www.gamesindustry.biz/articles/2017-08-15-hutch-opening-nova-scotia-studio>.
[20] Ubisoft, *Ubisoft Announces the Creation Of The Ubisoft Saguenay Studio And Record Investments In Quebec* (5 September 2017) <http://montreal.ubisoft.com/en/ubisoft-announces-the-creation-of-the-ubisoft-saguenay-studio-and-record-investments-in-quebec/>.
[21] Interactive Games and Entertainment Association, *Australian game development industry a significant export opportunity* (21 December 2016) <http://www.igea.net/2016/12/australian-game-development-industry-a-significant-export-opportunity/>.
[22] NewZoo, *The Global Games Market will reach $108.9 billion in 2017 with Mobile Taking 42%* (20 April 2017) <https://newzoo.com/insights/articles/the-global-games-market-will-reach-108-9-billion-in-2017-with-mobile-taking-42/>.

Introducing refundable tax incentives would assist in a similar way, and it would also have the added effect of incentivising large AAA games developers and publishers to set up new studios in the country. Financial contributions for the creation of shared, co-working spaces across the country would allow developers that do not have permanent offices to set up their businesses in collaborative workspaces that can offer subsidised rent. And there are many other support programs that can be implemented (**see below**), all of which would signal to Australia's youth that their government is indeed serious about future job creation and helping them secure a place in a globally-connected, technology-based workforce. While the absence of such support won't result in Australia's outright failure to produce games, it would certainly play a big role in invigorating the industry and equipping it with the ability to better compete with games companies globally that have long benefited from government support.

Question 3 – What types of Australian screen content should be supported by Australian government incentives and/or regulation?

Video games are an important form of Australian screen content that should be supported by government incentives and regulation. Other screen and creative industries, including TV and film, have long benefited from various forms of government support, ranging from direct funding to *multiple* tax incentives. Appendix B of the consultation paper makes this very clear. Video games development, however, does not have one single form of industry-specific support on a federal government level. Australian games developers are just as creative, hard working and passionate as those in any other screen industry and they too deserve an equal amount of support and recognition from the government. The games industry is not asking for special treatment – we simply believe that we should be treated on par with every other screen content industry. And reinforcing the importance of video games amongst Australians and our country's culture and identity, it is unfortunate that historically this support has not been forthcoming. With this content review, IGEA believes now is the perfect time to change this and we look forward to working with the government to do so.

Question 4 – The current system of support for screen content involves quotas, minimum expenditure requirements, tax incentives and funding (see Attachment B). What are the strengths and weaknesses of the current system? What reforms would you suggest?

Question 5 – What types and level of Australian government support or regulation are appropriate for the different types of content and why?

Contrary to the question posed, the current system of support for video games as screen content does not consist of anything on a federal level – there is no system in place. It is nonexistent. There are no tax incentives, funding or any other industry-specific support mechanisms. Attachment B does state that some states offer funding for games, which is especially true in Victoria and Queensland, but most other states and territories do not have any or only very minor forms of specific funding and support. It is *impossible*, in every sense of the word, to identify a single strength of a system that entirely excludes video games as a medium – there are precisely zero offerings from the federal government that attempt to support the development of video games across the nation. This is the one, glaring weakness of the current system in its application, or lack thereof, towards video games development.

What makes this particularly disenfranchising for those in the Australian games industry is that, for many years, the federal government has been actively involved in supporting other screen production industries. This is quite clear when examining the current regulations and incentives identified in Attachment B of the consultation paper for other screen productions. For instance:

- **Direct funding –** "Screen Australia provides merit-based funding to projects. Funding is distributed to *drama, documentary and children's content distributed theatrically, on broadcast television*, and through online and emerging platforms. The funding is offered through grants and investments with favourable finance terms and assists with development, production, marketing and distribution".
    - However, Screen Australia does not provide merit-based funding to video games. No funding is offered through grants/investments with favourable finance terms or assists with development, production, marketing and distribution of games.
    - There once was a time, with the introduction of the AIGF, that Screen Australia did greatly assist Australians games developers with grants. IGEA spoke with 14 of these developers to generate case studies on the importance of this funding to their businesses, which the Department can find in the "**Case Studies – Video game developers funded under the former AIGF**" section below. But unfortunately, the AIGF was axed in 2014 with half of its $20 million budget yet to be distributed.[23] Moreover, when IGEA attempted to speak with Screen Australia about these circumstances and the potential for games development to be supported in the future, it is clear from the response received that the agency has been given the mandate to not assist with the video games industry in any way.

[23] Karl Quinn, *Game developers cry foul as axe falls on Screen Australia fund* (14 May 2014) <http://www.smh.com.au/digital-life/games/game-developers-cry-foul-as-axe-falls-on-screen-australia-fund-20140514-zrco5.html>.

- **Tax incentives –** "The Australian Screen Production Incentive (ASPI) provides taxation rebates for expenditure on Australian *feature films and television programs*, as well as larger budget international productions shot in Australia". The three components of the ASPI are the Producer Offset (40% for feature films and 20% for TV); Post, Digital and Visual Effects (**PDV**) Offset (30% for PDV productions); and Location Offset (16.5% for certain productions).
    - However, video game companies do not enjoy any form of taxation rebate or offsets for expenditure on Australian video games. None of the above offsets, whether the producer offset, the PDV offset or the location offset, extend to video game productions. It is only the film and TV industries that enjoy this level of support from the federal government. This also includes "top-up investments" for the location offset, which attempt to attract foreign productions of films to Australia, and recently involved the government committing $47.25 million for *Alien: Covenant* and *Thor: Ragnarok*; $21.6 million for *Pirates of the Caribbean: Dead Mean Tell No Stories*; and $22 million for *Aquaman*. There are simply no equivalent programs in place to try to attract foreign productions of video games to Australia, which is especially odd when realizing that should a foreign games company ever set up a development studio in Australia, it would be a *permanent-establishment* in the country that does not just commit to one production and move on.
- **Other support –** "Screen Australia offers support for talent and business development, marketing and distribution, and other industry goals. Further funding is provided to the *Australian Film, Television and Radio School* (AFTRS), *the National Institute for Dramatic Arts* (NIDA), *the Australian Children's Television Foundation* (ACTF), *Ausfilm and the National Film and Sound Archive of Australia* (NFSA). Various screen bodies, festivals, publications, awards, programs and guild activities are funded through Screen Australia. For example, Screen Australia provides funding for the *Adelaide Film Festival*, the *Sydney Film Festival*, the *Canberra International Film Festival* and *the Perth International Film Festival*, among others, to provide a platform for filmmakers to showcase their productions."
    - The Australian games industry does not benefit from any of the above or equivalent programs offered by Screen Australia. While there are some state and territory initiatives, on a federal level, video games developers are not provided with support for talent and business development, marketing and distribution, or other industry goals. There are also no games bodies, festivals, publications, awards or programs funded by Screen Australia.

IGEA suggests that several reforms can be introduced to support Australian games development on a federal level. A great starting point would be to implement the recommendations of the Senate's

Environment and Communications References Committee, in its report entitled, "Game on: more than playing around – The future of Australia's video game development industry" (**Game on Report**).[24] These recommendations are copied in full at **Appendix C**, but in short, the government was urged to:

1. Introduce a funding scheme for games development based on the axed Australian Interactive Games Fund (**AIGF**)
2. Implement a refundable tax offset for Australian expenditure in developing games
3. Financially contribute to creating shared co-working spaces for games development
4. Encourage the further uptake of "serious games" in health care, education and other sectors
5. Consider the tax implications of crowd-sourced funding for start-ups
6. Consult on the utility of the Export Market Development Grants scheme for businesses operating in the digital economy
7. To consider, when reviewing measures to support the industry, whether the industry is improving workforce diversity and providing fair employment conditions
8. Commit to rolling out 21st century broadband infrastructure

IGEA supports all the recommendations of the Committee and believes the government should adopt them in full. The "**Factors to Grow and Sustain Australia's Video Games Development Industry**" section below goes in to extensive detail as to why this should be the case, specifically for the recommendations relating to funding, tax offsets, co-working spaces and serious games.

Direct funding for games development would have an array of positive benefits for the industry. In the "**Case Studies – Video game developers funded under the former AIGF**" section below, IGEA has collated evidence on the many ways the axed AIGF funding directly assisted with growing and sustaining Australian games developers. AIGF recipients told IGEA that the funding allowed them to:

- Accelerate business growth and improve stability
- Retain and hire more staff, especially experienced staff to expand technical capabilities
- Hire staff on a full-time rather than contractual basis
- Support current development efforts and offset production costs
- Increase the scope, feature-set and quality of titles
- Produce additional games, take-on other projects and expand production capabilities

[24] *Senate, Game on: more than playing around – The future of Australia's video game development industry* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> ("Game on Report").

- Attend key trade shows and events
- Offset some of the inherent risks of games development
- Move out of home-offices to permanent establishments
- Create successful games that help fund the development of new projects
- Train and up-skill employees
- Move projects from the conceptual stages to full development
- Take on larger and more ambitious games projects
- Develop games faster and multiple games simultaneously
- Support marketing, administrative, legal and other requirements
- Attract additional investment and publishing deals
- Focus on the creation of new intellectual property
- Localise games in additional languages to broaden global appeal and reach new audiences
- Invest in and improve hardware, equipment and technology
- Develop working demos to showcase to audiences and potential investors
- Survive through the potential failure of projects
- Spend time on research and development
- Become more competitive with games companies overseas that receive government funding
- Engage contractors to assist with projects where necessary
- Develop games for additional platforms and storefronts (i.e. PC, Xbox One, PS4, Android, iOS)
- Release games on the same day for multiple platforms
- Obtain ratings and classifications for games in other territories

Tax offsets for games development would help current Australian companies obtain similar benefits, while encouraging the creation of new, home-grown studios. The "**Extension of the producer offset and introduction of new tax offsets"** section below also describes the other positive effects that tax offsets would bring. We provide detailed evidence on how the introduction of games development tax offsets overseas actively help attract large, foreign AAA games developers, which assists in retaining talent in the country, boosts local development and grows the economy. We already mentioned how Canada continually incentivises large companies to establish new studios in its provinces, and the UK example below describes how tax incentives encourage games companies to increase expenditure within the country. Evidence is then provided below on how the number of claims in the UK for tax relief have increased over recent years, demonstrating the importance of the relief to developers. We also provide a case study on how Electronic Arts in Florida has flourished, thanks to the incentives in

the state. This investment also produced a ripple effect that spawned partnerships amongst associated science and high-tech industries, attracting more digital and video businesses to the region and facilitating the development of secondary and higher education programs aimed at training the highly-skilled employees needed to meet the demands of the local games and tech industry.

The case for introducing funding and tax offsets for games development in Australia is very clear and is backed up by extensive evidence. But this should be no surprise to the government as there is obviously a reason why multiple funding programs and production offsets have existed in Australia for many years for the film and TV industries. It is clear the government already understands the benefits of funding and tax offsets for screen productions – it's just time to extend the same benefits to games development. Accordingly, IGEA believes that the federal government should re-establish the AIGF and either extend existing tax offsets to video games (i.e. the producer and PDV offsets) or create a bespoke tax offset for games development. We do not believe that there is necessarily a timeframe that needs to be met here – but we ask that this can happen as soon as possible to ensure the Australian games industry does not fall further behind the rest of the world.

Question 7 – What would the government need to consider in transitioning to new policy settings?

IGEA asks that the government properly consults with the Australian games industry when considering the transition to new policy settings. When the AIGF was axed in 2014, there was no consultation or warning. This took the entire industry off guard, especially those that had applied or were looking to apply for funding. If the government agrees that the above recommendations should be implemented, we ask that the government consult and work closely with the IGEA, the Games Developers Association of Australia (**GDAA**) and other stakeholders. IGEA will always be available to discuss how best funding, tax offsets and other recommendations can be introduced, especially since our members have the experience and knowledge necessary to ensure these programs are appropriate for the industry.

Question 8 – Is there anything else that you would like the government to consider?

IGEA would like the government to consider our previous submission to the Australian Film and TV Inquiry. It discusses in detail the current state of the Australian games industry, the challenges it faces, previous committee reports recommending that the government should support the industry, and the types of support the government can introduce to facilitate the growth of Australian games developers (including funding and tax breaks). This submission follows for the Department's convenience.

5. State of the Interactive Games Industry

For the Department to understand the challenges Australia's game development industry experiences today, it will first be important to understand the state of the industry and games development locally.

A. Global and Australian interactive games industry

The video games industry is one of the fastest growing entertainment industries and generates more revenue than the movie and music industries.[25] According to PwC's Entertainment and Media Outlook:[26]

- The interactive games industry globally was worth **AUD$124.9 billion in 2016**, with forecasts of **AUD$140.2 billion in 2017** and **AUD$185.7 billion in 2021**.
- The filmed entertainment industry globally was worth **AUD$90.3 billion in 2016**, with forecasts of **AUD$89.7 billion in 2017** and **AUD$93.3 billion in 2021**.
- The music industry globally was worth **AUD$59.5 billion in 2016**, with forecasts of **AUD$61.7 billion in 2017** and **AUD$70.3 billion in 2021**.

Australia's games industry reached a total value of **AUD$2.958 billion in 2016**, a 4% increase from the previous year.[27] This incorporates retail sales of AUD$1.065 billion and digital sales of AUD$1.893 billion, with the latter increasing by 19% year-on-year. Mobile games, digital downloads and subscriptions continued to grow significantly in 2016, with sales increasing to AUD$988 million (up 14%), AUD$762 million (up 26%) and AUD$143 million (up 23%) respectively. PwC forecasts the Australian games industry to outperform filmed entertainment in overall sector value and consumer spend in 2017.[28] There are also high levels of engagement with video games by Australians. Bond University, in conjunction with IGEA, recently concluded its *Digital Australia 2018* study of 3135 individuals, finding that:[29]

- 97% of homes with children have computer games
- 67% of Australians play video games

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[25] Nasdaq, *Investing in Video Games: This Industry Pulls In More Revenue Than Movies, Music* (13 June 2016) <http://www.nasdaq.com/article/investing-in-video-games-this-industry-pulls-in-more-revenue-than-movies-music-cm634585>.
[26] PriceWaterhouseCoopers, *Australian Entertainment and Media Outlook 2017-2021* (2017) <http://pwcoutlook.com.au/>.
[27] IGEA, *Taking it up a level: Australian video game industry generates $2.958B in 2016* (28 February 2017) <http://www.igea.net/2017/02/taking-in-up-a-level-australian-video-game-industry-generates-2-958b-in-2016/>.
[28] PriceWaterhouseCoopers, *Australian Entertainment and Media Outlook 2017-2021* (2017) <http://pwcoutlook.com.au/>.
[29] IGEA, *Digital Australia 2018 DA18 Final* (26 July 2017) <http://www.igea.net/digital-australia-2018-da18-final-2/>.

- 46% of video game players are female
- 34 years old is the average age of video game players
- 43% of those aged 65 and over play video games
- 89 Minutes is the average daily total of all game play
- 76% say making video games in Australia benefits the Australian economy

For further Australian video game market data in 2016, please refer to **Appendix A** of this submission.

B. Australian interactive games development

As is clear from the above statistics, the video games industry both globally and in Australia is performing quite well. However, the situation is significantly different when it comes to the development or production of video games locally. Australia is known for having a small but diverse games development sector, comprised mostly of independent studios.[30] For 2015-16 in Australia, the Australian Bureau of Statistics (**ABS**) found:[31]

- There were 80 digital game development businesses (down from 84 in 2011-12)
- Digital game developers employed 734 people (up only from 581 in 2011-12)
- Developers made AUD$111.1 million in income (up only from AUD$89.4 million in 2011-12)

While these figures do show that there has been some growth in employment and income for Australian games development recently, there has in fact been a significant contraction in the industry when compared to earlier years. This is despite the abovementioned growth in both the Australian and global video games market as a whole.[32] Overall, the games development industry in Australia has decreased in size between 2006 and 2012,[33] with employment dropping to about half of the number of workers in 2006-2007 (previously 1,431) and total income reducing from AUD$136.9 million. Many major games developers and publishers closed or severely downsized their Australian development offices over the years. This pushed the Australian development industry to become more so comprised

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[30] Screen Australia, *Playing for Keeps: Enhancing sustainability in Australia's interactive entertainment industry* (2011) <http://www.screenaustralia.gov.au/getmedia/24e18b4b-52ab-4c9f-8e4f-54a5fe89f53a/Report-playing-for-keeps.pdf>.
[31] Australian Bureau of Statistics, *8679.0 - Film, Television and Digital Games, Australia, 2015-16* (15 June 2017) <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8679.0>.
[32] Australian Bureau of Statistics, *8515.0 - Digital Game Development Services, Australia, 2006-07* (8 April 2008) <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8515.0/>.
[33] Senate Standing Committee on Environment and Communications, *Game on: more than playing around – The future of Australia's video game development industry* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> page 11 ("**Senate Game on Report**").

of smaller, independent studios, which has been described as a "fractured and small set of teams".[34] There were several reasons behind these closures, including the 2007-8 global financial crisis, the appreciation of the Australian dollar and, crucially, the existence of beneficial funding and tax incentive schemes in other countries.[35] It simply became too difficult and costly to develop video games in Australia and, unfortunately, these problems persist today, working to stifle growth.

Australia's games development industry sits in contrast to the overall growth of the Australian games industry more broadly and the increasing engagement by Australians with interactive games. The local sector starkly differs with countries such as Canada and the United Kingdom, where significantly more government support is provided towards games development. However, research conducted by IGEA indicates that Australian game development still has potential as a weightless and 'clean' export industry.[36] From a survey of 63 Australian studios, we found that the industry earnt AUD$114.9 million in 2015-16, with over 81% of revenue derived from overseas markets (see **Appendix B**). While the industry is growing slowly on its own, there is a lot of untapped potential. It is here the federal government can play a role by supporting the industry through a suite of mechanisms, precisely like it has done for other screen and creative industries over many years, especially TV and film.

C. Impediments to the growth of Australian games development

Even though Australia's video game development industry punches above its weight and has grown slowly in recent years, there continues to exist several impediments to growth that must be recognised by the Department. Screen Australia has stated that these challenges include falling foreign investment (which began due to the increasing value of the Australian dollar around 2010) and game development talent being driven offshore.[37] Additionally, from 2011 to 2012, the global console market contracted, with the then generation of hardware reaching maturity (i.e. Xbox 360 and PlayStation 3). This change lead to a shift of focus by large interactive games publishers towards working on proven franchise titles, with less attempts to take risks on newer pieces of intellectual property. Screen Australia then note that, in order to reduce development costs, "publishers are relocating studios to territories that offer tax incentives or territories with low labour costs, such as

[34] Leigh Harris, Flat Earth Games, *DA16 – Video Games as a career path* (27 July 2015) <https://www.youtube.com/watch?v=iwoZ03AY7Hw>.
[35] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> page 12.
[36] Interactive Games and Entertainment Association, *Australian game development industry a significant export opportunity* (21 December 2016) <http://www.igea.net/2016/12/australian-game-development-industry-a-significant-export-opportunity/>.
[37] Screen Australia, *Australian Interactive Games Fund: Options paper for comment* (10 December 2012) <https://www.screenaustralia.gov.au/getmedia/677b5266-eb3b-4b0f-98a5-54ffc261aabb/Games-Options-Paper-10Dec2012.pdf>.

China, India and Russia".[38] The existence of beneficial tax incentive schemes in countries other than Australia is an absolutely crucial factor to keep in mind here (see the "**Tax Offsets**" section below).

Moreover, during the writing of our previous submission to the Senate inquiry on the future of Australia's game development industry, [39] IGEA conducted interviews with individuals and organisations involved in games development in Australia. The interviews confirmed that many Australian developers continued to face similar challenges as those described above. These include:

- Inability to access Australian and overseas capital for innovative game development
- Non-competitive tax structures for interactive games development and production
- Limited marketing and other general business assistance for the promotion of interactive games in the global marketplace
- Loss of talent to overseas markets, particularly North America and Europe, despite the strong pipeline of new talent through innovative Australian training institutions specialising in interactive game development and computer science
- Inadequate broadband infrastructure

IGEA also conducted more recent research on this topic, comprehensively surveying sixty-three of some of the most successful companies in the Australian video games development industry (which each earnt at least over $25,000 in FY 2015-16).[40] In addition to showcasing the significant export potential of the industry, the survey also confirmed that many of the abovementioned challenges continue to plague Australian game developers today. Predominantly, these challenges include:

- A lack of government support and understanding
- High speed internet access (i.e. NBN)
- Attracting investment for expansion
- Early stage development funding
- Skills shortages

Importantly, the Senate's Environment and Communications References Committee, in its report entitled: "Game on: more than playing around – The future of Australia's video game development

[38] Ibid pages 4-5.
[39] IGEA, *Submission to Senate Environment and Communications References Committee* (8 September 2015) <http://www.aph.gov.au/DocumentStore.ashx?id=5b5dfdfb-fdd6-4556-957f-e95785c6dc75&subId=401729>.
[40] Interactive Games and Entertainment Association, *Australian game development industry a significant export opportunity* (21 December 2016) <http://www.igea.net/2016/12/australian-game-development-industry-a-significant-export-opportunity/>.

industry", very much agreed that the Australian game development industry has faced significant challenges. [41] The Committee concluded that, because of the abovementioned closures of international game development studios in Australia, the industry underwent significant structural change. With regards to skills shortages, it described both the loss of experienced game development workers to other sectors and countries, and the reduction in the number of international studios, as "problematic". The Committee recognised that "the video game development industry also suffered a setback as a result of the Australian government's decision in the 2014–15 Budget to abolish the Australian Interactive Games Fund (AIGF)", which it believed to be a sensible investment and a relatively modest cost to the government. This decision just exemplifies the above perspective from games developers that the Australian government does not understand, and clearly fails to support, the local game development industry. As described by the Committee, "it is not apparent that the government has given explicit attention to interactive game development and the potential for Australia's future that this industry could provide." In terms of broadband access, the Committee noted that due to the lack of high speed internet infrastructure in Australia, game businesses here are at a competitive disadvantage compared to the rest of the world.[42]

[41] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> pages 72-3.
[42] Ibid page 78.

6. Parliament Reports on Australian Video Game Development

As part of this content review, the Department will be focusing on mechanisms that can foster and support Australian screen content. In line with these terms of reference, this submission will highlight the several key factors that can contribute to the growth and sustainability of Australia's video games development industry.

But before doing so, it is crucial to recognise that there have already been two separate Parliamentary reports that have comprehensively outlined and discussed this very topic. These are the Senate report into the future of Australia's video game development industry by the Standing Committee on Environment and Communications (the **Senate *Game on* Report**)[43] and the House of Representatives report into innovation and creativity by the Standing Committee on Employment, Education and Training (the **HoR *Innovation and Creativity* Report**).[44] Both reports made recommendations that strongly urge the government to support the development of video games in Australia. It is important to appreciate that these reports were put forward by two separate Committees: one from each house of Parliament. Furthermore, the reports were unanimous and cross-party – meaning that we now have Members and Senators from almost all major political parties (Liberal, Labor, Greens, the Nationals and Nick Xenophon's Team) making the same recommendations to government. Never in Australian politics has there ever been such a strong sentiment with regards to supporting video games development being echoed across the halls of Parliament.

Now really is the time for the government to take heed and act to support the Australian games development industry. An obvious starting point, of course, would be by implementing the numerous recommendations made by the House of Representatives and Senate Committees in the abovementioned reports. These recommendations, which range from introducing funding mechanisms and tax offsets for video games development, are very much some of the key factors that can and will contribute to the growth and sustainability of Australia's video game development industry. Accordingly, the following sections will be dedicated to outlining these specific recommendations.

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[43] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report>.

[44] House of Representatives Standing Committee on Employment, Education and Training, *Inquiry into innovation and creativity: workforce for the new economy* (May 2017) <http://www.aph.gov.au/Parliamentary_Business/Committees/House/Employment_Education_and_Training/Innovationandcreativity/Report_-_Innovation_and_creativity>.

A. Senate – Future of Australia's video game development industry

On 22 June 2015, an inquiry into Australia's video game development industry was commenced by the Senate.[45] This inquiry was conducted by the Senate's Environment and Communications References Committee (the **Senate Committee**), which released its final report on 29 April 2016.[46] After considering 111 submissions and multiple public hearings, the Senate Committee concluded that "to maintain economic growth, prosperity and international competitiveness, advanced economies such as Australia need to embrace innovation and transition to a knowledge economy that relies on technology and highly skilled jobs", such as the video game development industry.[47] The Senate Committee also stated that opportunities exist "for Australia to build on its existing industry and to ensure that this creative and technology-focused industry can play a key role in helping Australia transition to a leading digital economy".[48] In order to achieve this, the Senate Committee put forward eight recommendations that it believed should receive immediate consideration from the government. While these recommendations have been reproduced in full at **Appendix C** below, they will also be summarised now. In short, the Senate Committee recommended the government to:[49]

1. Introduce a funding scheme for games development based on the axed Australian Interactive Games Fund (**AIGF**)
2. Implement a refundable tax offset for Australian expenditure in developing games
3. Financially contribute to creating shared co-working spaces for games development
4. Encourage the further uptake of "serious games" in health care, education and other sectors
5. Consider the tax implications of crowd-sourced funding for start-ups
6. Consult on the utility of the Export Market Development Grants scheme for businesses operating in the digital economy
7. To consider, when reviewing measures to support the industry, whether the industry is improving workforce diversity and providing fair employment conditions
8. Commit to rolling out 21st century broadband infrastructure

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[45] Parliament of Australia, *Future of Australia's video game development industry* (22 June 2015) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry>.
[46] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report>.
[47] Ibid page 71.
[48] Ibid page 71.
[49] Ibid pages 81-89.

Unfortunately, there has yet to be any response by the government to the recommendations of the Senate Committee. While the government was required to provide its official response within three months of the report's publication, over 450 days have passed since then. The government has also been queried several times in Parliament and Senate estimates on its increasingly overdue response, but it has continuously repeated the same answer that it plans to release a "whole-of-government" response to the Senate *Game on* Report.[50] However, as of 4 August 2017, this has not yet happened.

B. House of Representatives – Inquiry into innovation and creativity

On 9 November 2016, the House of Representatives Standing Committee on Employment, Education and Training (the **HoR Committee**) adopted an inquiry into matters that ensure Australia's tertiary system can meet the needs of a future labour force focused on innovation and creativity. IGEA lodged a written submission based on many discussions with video games developers and appeared as a witness at a public hearing. In May 2017, the HoR Committee released its final report.

The HoR Committee made 38 recommendations in total, but most important for the purposes of this submission is recommendation 37, which reads as follows: "**The Committee recommends that the Australian government introduce a funding scheme based on the former Australian Interactive Games Fund**". This recommendation is the exact same as that put forward by the Senate Committee in its report. The HoR Committee then went on to state that creative digital skills such as games development are important to the Australian economy. It commented on the ability of video games to serve purposes other than just entertainment, including education and health. It appreciated that Australian games developers had limited access to finance, especially due to the non-competitive tax structures that exist for games development. Moreover, when presenting the HoR Committee's findings to Parliament, Deputy Chair, Terri Butler MP, openly spoke out against the axing of the AIGF and emphasised that the government should introduce federal funding for games development.[51]

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[50] Commonwealth, *Parliamentary Debates,* Senate, 12 October 2016, 1648 (Sen James McGrath) <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CHAMBER;id=chamber%2Fhansards%2F78dd1315-9808-45a9-843e-a630dbcac8e5%2F0132;query=Id%3A%22chamber%2Fhansards%2F78dd1315-9808-45a9-843e-a630dbcac8e5%2F0131%22>; Commonwealth, *Parliamentary Debates,* Senate, 13 June 2017, 3598 (Sen James McGrath) <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CHAMBER;id=chamber%2Fhansards%2Ff6578188-998f-424e-b4ef-677ab731c166%2F0118;query=Id%3A%22chamber%2Fhansards%2Ff6578188-998f-424e-b4ef-677ab731c166%2F0118%22>; Commonwealth, *Senate Environment and Communications Legislation Committee Estimates,* Senate, 25 May 2017 (Sen Mitch Fifield) <http://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/0e08bd63-7663-46b8-8934-f2863e62504b/toc_pdf/Environment%20and%20Communications%20Legislation%20Committee_2017_05_25_5044.pdf;fileType=application/pdf>.

[51] Commonwealth, *Parliamentary Debates*, House of Representatives, 19 June 2017, 1648 (Terri Butler MP) <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansardr%2F6830bd5f-7560-451a-9b67-8ffc51063978%2F0050%22>.

7. Factors to Grow and Sustain Australia's Video Games Development Industry

The above recommendations put forward by the Senate and House of Representatives Committees are some of the key factors that can contribute to the growth and sustainability of Australia's games development industry. IGEA supports these recommendations and encourages the Department to adopt them in the final report for the content review. The remainder of this submission will go into more detail on several of these recommendations and explain why they should be accepted. Please note that while, for the Department's convenience, some of the sections below have summarised key information within the Senate's *Game on* Report, IGEA encourages the Department to read the full report referenced here.[52] Citations will be included where applicable. IGEA has also collated 14 case studies on Australian games developers that received funding under the axed Australian Interactive Games Fund (**AIGF**), along with other state and territory government level funding. These studies will be provided below to exemplify how much of an impact government funding in games development can have, particularly in terms of facilitating stability, business growth, profitability and staff hires.

A. Funding

Importance of games development funding

Federal government level funding programs for video games development and production will be crucial to help grow and sustain Australia's video games industry. Video game development is an inherently risky endeavour, particularly for the small to mid-sized studios that make up the vast majority of Australian developers. As with most other entertainment products, the success of a video game is never guaranteed. Some games may become top sellers overnight, some may achieve relative success, and others may not make a return on cost. But video games have the added factor of requiring, at the very least, one to four years of development and sometimes even more before release. This means that throughout the entire development period, the project will attract no revenue, yet expenses such as staff, rent and internet costs will still need to be paid. This circumstance pushes Australian studios to cut down on costs by not hiring additional staff, improving technology or investing in new games and their own intellectual property (**IP**). Some studios will even operate on a

[52] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report>. See pages 21-26.

purely work-for-hire basis to make ends meet, which is not truly conducive to the business growth of a development studio as typically IP or royalty rights will not be retained. This is where enterprise or production funding becomes key – to enable studios to become stable and invest in original, wholly owned IP and video games that enable a continuous return on investment.

Unfortunately, unlike studios in some Australian states or other countries, many Australian studios do not readily have access to funding or other investment to help mitigate some of the abovementioned risk, let alone tax offsets that have long been available in Australia for other screen and creative industries (discussed in the "**Tax Offsets**" section below). These studios are left at a severe disadvantage, especially when a large component of their business is the capacity to compete with other studios that do benefit from forms of governmental funding. Australian states such as Victoria and countries such as Canada, Finland and the United Kingdom have all done a great job in recognising the value of games development and have long supported studios with funding and grants so that they can reach their potential. It is just unfortunate that Australia's federal government, which constantly talks about the importance innovation, technology and the digital economy, has failed to reciprocate. While the Senate *Game on* Report summarised the various funding programs around the world for games development,[53] the report is now over 500 days old and the information contained therein may not be entirely up to date. Accordingly, the following sections will provide an overview of the types of games development funding initiatives available at the time of writing in some of the above locales.

Victoria

Victoria has long supported video games development in Australia. The Victorian government understands the needs of the industry, liaises with developers and stakeholders on a frequent basis, and has implemented several funding programs to assist Victorian games companies and the development of video games in the state. Considering all these factors, it is no surprise that **over half** of Australia's games development studios are based in Melbourne alone (with just 14% in Sydney and 13% in Brisbane).[54] In fact, evidence provided during the Senate *Game on* hearing suggests that the maturity in the Victorian market for games development is owed almost solely to the generous support offered by Film Victoria.[55] The State's funding initiatives for games development include:[56]

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[53] Ibid pages 28-34.
[54] IGEA, *Australian game development industry a significant export opportunity* (21 December 2016) <http://www.igea.net/2016/12/australian-game-development-industry-a-significant-export-opportunity/>.
[55] Mr. Benjamin Britten, Mighty Games Group, *Senate Environment and Communications References Committee Hansard* (19 February 2016) page 14.
[56] Film Victoria, *Funding for Games* (2017) <https://www.film.vic.gov.au/funding/games-funding/>.

- **Assigned Production Investment**:[57] Up to $150,000 (and sometimes more) is available for Victorian games companies and residents to develop and market video games for any platform, with a focus on the creation of self-owned IP. Funds are to be used to support the prototyping, development and release of a game (including staffing, licensing and legal costs), but up to $30,000 can be used for marketing and related expenses (including strategy, public relations and advertising). Applicants must co-fund the project with contributions that match Film Victoria's funding. Film Victoria will also consider applications for porting games to other platforms and the development of additional content (i.e. downloadable "DLC" content). As part of the program, Film Victoria announced this year it is funding nine games developers, which "is expected to support more than 40 employment opportunities in the games sector and generate almost $1.2 million for the state".[58] In the previous round, Film Victoria funded another nine games developers, with the total amount accruing to more than $440,000.[59]
- **Games Release**:[60] Up to $30,000 is available for Victorian games companies and residents to engage consultants to assist with the marketing and release of a games project. Funding can be used for legal fees, marketing assistance, business development and licensing costs.
- **Games Professional Placements**:[61] Up to $20,000 is available for Victorian games companies to engage a practitioner for 6 months or more to increase the skills, experience and opportunities in the State's games industry.
- **Women in Games Fellowship Program**:[62] Up to $25,000 is available for Victorian women to undertake fellowship and professional development opportunities (i.e. business courses, internships, mentorships, etc.) to assist them to move into key roles in the games industry.
- **Targeted Business Travel**:[63] Up to $3,000 is available to Victorian games developers and producers to attend international markets and events or to undertake international business travel. Film Victoria even opened a targeted funding round for attendance to the Tokyo Games Show, enabling developers to showcase their games at the large conference.

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[57] Film Victoria, *Assigned Production Investment* (2017) <https://www.film.vic.gov.au/images/uploads/Assigned_Production_Investment_Games_Guidelines.pdf>.
[58] Film Victoria, *Funding Boosts Powers Up Nine Local Game Developers* (16 June 2017) <https://www.film.vic.gov.au/news/funding-boost-powers-up-nine-local-game-developers>.
[59] Premier of Victoria, *Funding Takes New Games Projects to the Next Level* (2 December 2016) <http://www.premier.vic.gov.au/funding-takes-new-games-projects-to-the-next-level/>.
[60] Film Victoria, *Games Release* (2017) <https://www.film.vic.gov.au/images/uploads/Games_Release_Guidelines.pdf>.
[61] Film Victoria, *Games Professional Placements* (2017) <https://www.film.vic.gov.au/images/uploads/Games_Professional_Placement_Guidelines.pdf>.
[62] Film Victoria, *Women in Games Fellowship Program* (2017) <https://www.film.vic.gov.au/images/uploads/Women_In_Games_Fellowship_Guidelines_2017_.pdf>.
[63] Film Victoria, *Funding for Travel* (2017) <https://www.film.vic.gov.au/funding/travel/>.

Canada

Alongside the tax credits that many Canadian provinces offer for video games development (see "**Tax Offsets**" section below), funding is also offered on a federal level through the Canada Media Fund (**CMF**).[64] The CMF is a not-for-profit body, funded by the federal government of Canada and mandated by the Department of Canadian Heritage. CMF also receives funding from Canada's cable, satellite and IPTV distributors.[65] In 2015-16, the Canadian federal government provided CAD$134.1 million to the CMF for its operations, with CAD$229.9 million coming from cable and satellite distributors via broadcasting distribution undertakings.[66] Like Screen Australia, CMF offers funding for the creation of Canadian content, but the key difference is that CMF does not discriminate between different types of screen content. CMF supports and funds content for "all audio-visual media platforms", including TV and digital media industries, whereas Screen Australia has a narrower remit that does not include games development. Video games are primarily funded via CMF's Experimental Stream, which supports the development of "interactive digital media content and software applications that are innovative and leading-edge".[67] Projects are only eligible for funding if they are connected to Canada's cultural sector. The Experimental Stream consists of the following programs:

- **Innovation Program**:[68] Up to CAD$1.2 million is available for Canadian companies for the development, production and/or marketing of Canadian interactive digital media content and software applications, including video games for any platform, that are innovative and leading-edge. Funding can only be used for costs related to the project, including research, content preparation, salaries, technology (hardware and software), travel and marketing.[69]
    - Development funding is in the form of a repayable advance and it supports the conceptualisation of a project (market assessment, product positioning, demos, marketing strategies, etc.) and/or the development of the technical and creative elements of a project (design documents, storyboarding, scripting, prototyping, etc.).
    - Production funding is in the form of a recoupable investment and it supports the creation of the market-ready or final version of a project, including localisation, early marketing and commercialisation costs.

[64] Canada Media Fund, *About us* (2017) <http://www.cmf-fmc.ca/en-ca/about-us>.
[65] Canada Media Fund, *FAQ* (2017) <http://www.cmf-fmc.ca/about-us/faq>.
[66] Canada Media Fund, *2015-16 Annual Report* (31 March 2016) < http://ar-ra15-16.cmf-fmc.ca/finance/management_discussion_and_analysis/>.
[67] Canada Media Fund, *Programs* (2017) <http://cmf-fmc.ca/programs-deadlines>.
[68] Canada Media Fund, *Innovation Program* (2017) <http://cmf-fmc.ca/programs-deadlines/programs/innovation-program>.
[69] Canada Media Fund, *Experimental Stream – Innovation Program: Guidelines 2017-2018* (2017) <http://cmf-fmc.ca/getattachment/e88c9c84-eb58-4bec-a13f-e8f2da410af7/Innovation-Program-Guidelines.aspx>.

- Marketing funding is in the form of a recoupable advance and it supports the promotion of a project, including domestic and global marketing, design costs, marketing testing, internet promotion, publicity, localisation and marketing costs.

- **Commercial Projects Pilot Program (C3P)**:[70] Up to CAD$1.2 million is available for Canadian companies to produce Canadian digital media content and software applications, including video games for any platform. This funding program focuses less on innovation and more on the probability for the project's commercial success. Unlike the Innovation Program, C3P only consists of Production funding in the form of a recoupable investment, to support the creation of a market-ready and final version of a project. C3P funding can only be used for costs directly related to the project, including research, salaries, technology, travel and marketing.[71]
- **Accelerator Partnership Program (A2P)**:[72] Renewed for the 2017-18 financial year, the A2P program is designed to "provide producers of digital media projects funded through CMF's Experimental Stream with better access to mentorship, markets and capital for their CMF-funded projects". CMF actively works with business or seed accelerators and assists them to connect with former CMF funding recipients. Accelerators will select recipients and the CMF will provide up to CAD$30,000 to the recipient for their CMF-funded project, in the form of a non-recoupable contribution. The funding can be applied to costs related to participation in accelerator programs, including consultation, mentorship, training, wages and travel.[73]

Since its inception in 2010, the CMF has provided funding towards 385 games projects. The 2016-2017 fiscal year marked the beginning of the Accelerator, Commercial Projects and Innovation programs, which to date have provided CAD$1.1 million, CAD$1.6 million and CAD$30.5 million in funding respectively to Canadian game projects. Between 2010 and 2016, when Experimental Stream funding consisted of a single "Experimental" program, the CMF provided over CAD$110 million in funding for video games. This means the CMF, thanks in part to consistently large financial contributions from the Canadian federal government, has provided total **funding of over CAD$143 million** for the development, production and marketing of video games, and accelerators housing video game development companies.[74] This immense level of support that the federal Canadian government has

[70] Canada Media Fund, *Commercial Projects Pilot Program* (2017) <http://cmf-fmc.ca/programs-deadlines/programs/commercial-projects-pilot-program>.
[71] Canada Media Fund, *Experimental Stream – Commercial Projects Pilot Program: Guidelines 2017-2018* (2017) <http://cmf-fmc.ca/getattachment/0aabe49e-9418-46c7-9ddb-64dd23840d0f/Commercial-Projects-Pilot-Program-Guidelines.aspx>.
[72] Canada Media Fund, *Accelerator Partnership Program* (2017) <http://cmf-fmc.ca/programs-deadlines/programs/accelerator-partnership-program>.
[73] Canada Media Fund, *Accelerator Partnership Program: Guidelines 2017-2018* (2017) <http://cmf-fmc.ca/getattachment/1cee9f6b-2ce0-43b3-98db-00a9153fbf4f/Accelerator-Partnership-Program-Guidelines.aspx>.
[74] Canada Media Fund, *Funded Projects Database* (2010-2017) <http://www.cmf-fmc.ca/funded-projects/previously-funded?streamType=stream_E&displayTotals=false&pageSize=10&ContentType=Game#resultSet>.

provided towards video game development must be commended. According to the Director of Microsoft's independent Xbox developer program, Chris Charla, "The government support for video games in Canada has been tremendous and the net result is that Canadian games are by far some of the best in the world… The world owes a little bit of a debt to the Canadian government for what the Canada Media Fund has done in helping jump-start a lot of really amazing games".[75] And it is thanks to such support that Canada's video games industry has now employed over 20,000 people, with 472 studios active in the country. Canada ranks third in the world for developing games, with the industry adding over CAD$3 billion to Canada's GDP each year and employing people at an average salary of CAD$71,000.[76] Australia, by comparison, has only 842 employees in 2015-2016 according to IGEA's own research,[77] with the ABS reporting an even lower amount at 734 employed for the same period.[78]

Finland

Finland provides funding to video games developers through the Tekes: Finnish Funding Agency for Innovation (**Tekes**), which is a part of the Finnish Ministry of Employment and the Economy. Games development funding has traditional been available through its generic funding services, including **Startup** (for enterprises under 5 years old aiming at the international markets), **SME** (Small and medium-sized enterprises that have the capabilities to develop their business and boost their exports) and **Large Companies** (Large corporations and mid cap companies seeking to renew themselves and develop alongside SMEs and research organisations).[79] Additionally, during 2012 and 2015, Tekes ran the **Skene – Games Refuelled Program** (**Skene**), a dedicated initiative for video games development aimed at funding and boosting the growth of the Finnish games industry. Approximately 117 video game projects were funded via Skene,[80] for a total amount of EUR€30 million.[81] Overall since 1995, Tekes has provided EUR€75 million in total funding to the Finnish video games industry, with funding consisting of several million euros per year (EUR€8.4 million in 2013 and EUR€5.5 million in 2014).[82]

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[75] Canada Media Fund, *Thanks to the CMF, Canada's video games industry soars to new heights* (21 March 2017) <http://cmf-fmc.ca/en-ca/news-events/news/march-2017/thanks-to-the-cmf,-canada%E2%80%99s-video-games-industry-s>.
[76] ESA Canada, *Essential Facts 2016* (2016) <http://theesa.ca/wp-content/uploads/2016/11/2016_booklet_Web.compressed2.pdf>.
[77] Interactive Games and Entertainment Association, *Australian game development industry a significant export opportunity* (21 December 2016) <http://www.igea.net/2016/12/australian-game-development-industry-a-significant-export-opportunity/>.
[78] Australian Bureau of Statistics, *8679.0 - Film, Television and Digital Games, Australia, 2015-16* (15 June 2017) <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8679.0>.
[79] Tekes, *Tekes funding services* (2017) <https://www.tekes.fi/en/funding/>.
[80] Tekes, *Tekes programme: Skene – Games Refueled* (2012-15) <https://extranet.tekes.fi/ibi_apps/WFServlet?IBIF_ex=o_projekti_rap1&YTARKASTELU=Q&YEDTASO=OHJELMA&YOHJELMA=Skene&YMUOTO=HTML&YKIELI=E>.
[81] Tekes, *Funding for video games development* (2017) <https://www.tekes.fi/en/programmes-and-services/recently-ended-programmes/game-funding/>.
[82] Tekes, *Funding for game companies* (2017) <https://www.tekes.fi/en/programmes-and-services/recently-ended-programmes/game-funding/services/>.

Funding through Tekes has greatly facilitated the growth and sustainability of Finland's video games development industry.[83] From 2004 to 2014, the turnover of the country's industry increased from EUR€40 million to EUR€1800 million each year, which amounted to EUR €3647 in total for the 10-year period. As a result, Tekes has stated that, "From the point of view of national economy, the game industry has grown to be a significant part of the Finnish industrial landscape". The number of companies in Finland's industry has also increased from 40 in 2004 to 260 in 2014, with over 50 of those companies receiving some form of Tekes funding over their life (equalling 20% of the total number of game companies in Finland). The number of employees increased from 600 to over 2500 in the same period, with the turnover per employee growing much faster than in traditional industries. The involvement of Tekes also helped attract further funding from private investors, which contributed EUR€53 million towards Finnish game companies in 2012-2015, having the effect of reducing the *relative share* of Tekes' funding from 7.69% in 2004 to just 0.31% in 2014. Tekes claims this level of private investment simply would not have been possible with the leverage of Tekes' funding.

United Kingdom

The UK government, through the Department for Culture, Media and Sport, launched the **UK Games Fund** on 12 October 2015 to help further grow UK's video games industry.[84] The government will inject GBP£4 million into the fund over four years from 2015 to 2019, in order to help smaller games companies in the conceptualisation and pre-production stages of development. The UK Games Talent and Finance Community Interest Company manages the fund. The UK government stated this fund will assist with "creating jobs, nurturing talent and furthering the growth of games clusters all around the UK." The Minister for Culture and the Digital Economy, Ed Vaizey, continued by stating: "Britain's video games punch well above their weight internationally and we need to build on this and invest in the strength of our creativity. This fund will give small businesses, start-ups and individuals the support they need to better attract private investment and go on to create the blockbusters of tomorrow."

The UK Games Fund consists of several funding and support programs. Firstly, grants of up to GBP£25,000 are available to help games development businesses create prototypes for their video games. Secondly, grants of up to GBP£50,000 will be considered to enable companies to move forward with their video game projects beyond prototyping. Lastly, there are a range of talent development

[83] Tekes, *10 Years of Funding and Networks for the Finnish Game Industry* (2017) <https://www.tekes.fi/globalassets/global/ohjelmat-ja-palvelut/ohjelmat/skene/aineistot/10-years-of-tekes-funding-and-networks-for-the-finnish-game-industry-2004-2014.pdf>.

[84] Department for Digital, Culture, Media & Sport, *government launches £4million Video Games Prototype Fund to support UK video games development* (12 October 2015) <https://www.gov.uk/government/news/4m-fund-to-kick-start-the-next-tomb-raider>.

initiatives, which include "competitions for students and graduate teams to create and showcase new games, mentoring for businesses and individuals, and opportunities for talented individuals to work on games prototype projects". Pre-production and prototyping are crucial stages in the development of a video game, and without proper funding or resources it can be difficult for games companies to continue beyond. As with Finland's funding initiatives, the UK Games Fund can also help attract private investment. The importance of this level of funding is even more clear when considering that over 500 companies have applied to seek support under the UK Games Fund since 2015.

The UK government, through the UK Games Fund and various tax offsets for video game production (see "**Tax Offsets**" section below), has without question helped facilitate the growth and sustainability of the UK games industry. To date, three funding rounds have been executed under the UK Games Fund and a fourth will occur later this year, with 55 video games projects funded so far.[85] Many of these successful recipients have gone on to secure further funding from private investors thanks to the grants, as well as other publishing and creative development opportunities. For the year ended 31 March 2017, the Department for Culture, Media and Sport invested GBP£1.5 million via the UK Games Fund.[86] The UK's games industry now employs more than 12,600 staff in 1,000 games development organisations,[87] contributing GBP£1.6 billion to the country's GDP in 2016.[88]

Australian Interactive Games Fund (AIGF)

Given the array of funding mechanisms in place for games development globally and within only certain Australian states, it goes without saying that many Australian games developers are at a distinct disadvantage when trying to compete and grow. In light of these considerations, both the House of Representatives and Senate Committees recommended that the federal government introduce a funding scheme for video games development based on the former AIGF. The AIGF was a $20 million fund commencing in 2013 and was initially set to run over three years, with the funding to

[85] Department for Digital, Culture, Media & Sport, *Third Round of UK Games Fund winners announced* (31 March 2017) <https://www.gov.uk/government/news/third-round-of-uk-games-fund-winners-announced>.
[86] Department for Digital, Culture, Media & Sport, *Annual Report and Accounts* (31 March 2017) <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/631336/DCMS_Annual_Report_and_Accounts_2016_to_2017_-_web_optimised_version.pdf>.
[87] TIGA, *TIGA's Plan to Increase Employment in the UK Video Games Industry by 40% by 2022* (4 May 2017) <http://tiga.org/news/tigas-plan-to-increase-employment-in-the-uk-video-games-industry-by-40-by-2022>.
[88] Power Up Gaming, *UK Gaming Industry Positioned for Strong Growth in 2017* (8 January 2017) <http://powerupgaming.co.uk/2017/01/08/uk-gaming-industry-positioned-for-strong-growth-in-2017/>.

be administered by, and channelled through, Screen Australia.[89] As part of the AIGF, Screen Australia implemented two funding programs – The **Games Enterprise** and **Games Production** program:

- The Enterprise program enabled applicants to obtain up to $1 million to fund business operating costs and the development of video games, with the funding able to be applied towards production, travel, marketing, training, staff hires and more. Of the total amount provided, a minimum of 25% was designated as a loan, with the remainder a pure grant.[90]
- The Production program was designed to assist the development of a single video game or project, with up to $500,000 available per applicant. Where funding was less than $50,000, it was designated as a grant, and funding over $50,000 was a recoupable investment.[91]

Arguably one of the most important aspects of the AIGF was its self-sustaining nature – money that was paid back into the fund after loan repayment or recoupment would then be used to help fund other developers through Enterprise and Program funding rounds. Screen Australia described this as such: "It is Screen Australia's intention to allocate funds repaid or recouped from it games investments into further funding through these games programs".[92] Importantly, as demonstrated by the below case studies, many developers that received funding under these programs have in fact begun to pay back the designated loan portions of their funding, which could have been used to assist other developers seeking support. Unfortunately, as part of the May 2014 federal Budget cuts,[93] the AIGF was completely axed by the Coalition government and Screen Australia stopped accepting further applications for games funding.[94] At that stage, only $10 million had been provided to Screen Australia, with the remainder being cut. The AIGF formally ceased operations on 1 July 2014.

The axing of the AIGF was incredibly disappointing and disenfranchising for the Australian video games industry. The decision was made without warning, consultation or, as described by Chief Executive Officer of the Game Developers' Association of Australia (**GDAA**), Mr Antony Reed, "[without] any attempt at understanding the purpose or structure of the program".[95] The very purpose of the AIGF,

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[89] Screen Australia, *Guidelines: Games Programs* (9 December 2013) <https://www.screenaustralia.gov.au/getmedia/0ccbdc3a-14cd-481e-8379-008577a2a91d/Guidelines-IMP-Games.pdf>.
[90] Ms. Fiona Cameron, Screen Australia, *Senate Environment and Communications References Committee Hansard* (18 March 2016) page 10; Screen Australia, *Guidelines: Games Programs* (9 December 2013) <https://www.screenaustralia.gov.au/getmedia/0ccbdc3a-14cd-481e-8379-008577a2a91d/Guidelines-IMP-Games.pdf> page 7.
[91] Screen Australia, *Guidelines: Games Programs* (9 December 2013) < https://www.screenaustralia.gov.au/getmedia/0ccbdc3a-14cd-481e-8379-008577a2a91d/Guidelines-IMP-Games.pdf> page 11.
[92] Ibid page 3.
[93] *Budget 2014–15: Budget measures—Budget Paper No. 2* (May 2014) page 57.
[94] Screen Australia, *Screen Australia Games Programs Discontinued* (14 May 2014) <https://www.screenaustralia.gov.au/sa/media-centre/news/2014/ia_140514_games>.
[95] Mr. Antony Reed, GDAA, *Senate Environment and Communications References Committee Hansard* (19 February 2016) page 1.

to "promote industry growth and sustainability, support the development of new IP, encourage skills retention and renewal, and maximise the creative opportunities of fast broadband",[96] aligns perfectly with the terms of reference of this very inquiry. And where funding was provided to applicants, the AIGF achieved this purpose successfully and facilitated the growth of those developers.

Success of the AIGF

Anecdotal evidence collated in the Senate *Game on* Report suggests many of the studios that were recipients of AIGF funds were able to leverage those funds for commercial success.[97] For the benefit of the Department, some of this evidence will be summarised below.

One studio, Flat Earth Games, noted that AIGF funding allowed it to bring its Australian release of *Towncraft* to new platforms and overseas markets. Based on that success, Flat Earth Games has since developed three additional games, which provides a positive indication of the potential of a self-funding model and seed assistance for games development. Chief Operating Officer of Screen Australia, Ms Fiona Cameron, herself concluded that the AIGF delivered its objectives, especially in enabling businesses to expand and retain their own IP.[98] Screen Australia's Timothy Phillips added, for the 36 games funded under the AIGF, "[they] generated total production budgets of $14 million. That is going from a figure of $3.7 million that was contributed by Screen Australia…to a multiplier of more than four."[99] Additional evidence provided during the Senate inquiry also demonstrated further examples on the success of the AIGF in meeting its objectives of facilitating growth and stability:

- The GDAA stated that "In the period since the AIGF was discontinued, several companies and projects that received support through the program have achieved global success".[100] Mr Reed elaborated on this at the public hearing, when commenting: "Some funding recipients have generated export revenues more than 10 times the original investment from the fund. Some have doubled or tripled the size of their studios or moved from contract arrangements to full-time employment. Many have won international awards for their work."[101]

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[96] Ms. Fiona Cameron, Screen Australia, *Senate Environment and Communications References Committee Hansard* (18 March 2016) page 10.
[97] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report>. See also pages 21-26.
[98] Ms. Fiona Cameron, Screen Australia, *Senate Environment and Communications References Committee Hansard* (18 March 2016) pages 10-11.
[99] Mr. Timothy Phillips, Screen Australia, *Senate Environment and Communications References Committee Hansard* (18 March 2016) page 13.
[100] GDAA, *Submission to Senate Environment and Communications References Committee* (18 September 2015) <http://www.aph.gov.au/DocumentStore.ashx?id=3769392e-1795-4d9a-8330-155483f2946e&subId=402690> page 12.
[101] Mr. Antony Reed, GDAA, *Senate Environment and Communications References Committee Hansard* (19 February 2016) page 1.

- Tin Man Games' Mr. Neil Rennison provided that, thanks to AIGF funding, the studio could move out from home offices to a permanent setup, hire three additional staff, increase the studio's skill base, improve their technology and release games faster than ever before. Afterwards, Tin Man Games released 23 new titles across iOS and Android. 11 of those titles were able to be ported to PC, Mac and Linux, which would not have been possible without the funding. Crucially, these 11 titles grossed USD$160,000 at the time.[102]
- Screen Australia's COO, Ms Cameron, explained how helpful enterprise funding was to the studio Defiant Development and its game, *Hand of Fate*. In her words: "The game is an original title for PC, PS4 and Xbox, and to date has returned over $4 million to the developers—more than twice the development cost. The team are already working on a sequel to the game. Defiant owns the IP, controls the distribution and is the chief beneficiary of all revenue...Defiant Development has gone from a company staffed entirely by contractors to a company now with 18 full-time staff. We believe the fund has made a difference, especially with reference to retaining local [intellectual property] and building Australian businesses that can compete for a slice of the fastest-growing entertainment sector". [103] Defiant Development's Morgan Jaffit also stated that the studio, in 2016, was paying an amount of tax equivalent to the $650,000 in funding the studio received across three years.[104]

IGEA also spoke with fourteen studios that received funding under the axed AIGF to generate case studies demonstrating the importance of government funding for games development, especially on a federal level. While some Australian states do offer funding to games developers, such as Victoria and Queensland, the reality is that games studios are located across Australia. Some states and territories do not have any or only limited programs to financially support games development, which puts these developers at a disadvantage to studios in other states and globally. For the industry to grow and become sustainable, any games developer in Australia should be able to access some level of government funding, regardless of the state or territory. The benefits of federal level funding will be exemplified in the case studies, as the AIGF funded developers are located across Australia, including NSW, VIC, QLD, SA and WA. Please note the case studies were written in June/July 2017, so the information below is point in time and may not be entirely up to date.

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[102] Mr. Neil Rennison, Tin Man Games, *Senate Environment and Communications References Committee Hansard* (19 February 2016) pages 36-7, 39.
[103] Ms. Fiona Cameron, Screen Australia, *Senate Environment and Communications References Committee Hansard* (18 March 2016) pages 10-11.
[104] Mr. Morgan Jaffit, Creative Director, *Senate Environment and Communications References Committee Hansard* (10 March 2016) page 21.

Case Studies – Video game developers funded under the former AIGF

1. Chocolate Liberation Front (Victoria)

Description of development studio and games developed

Chocolate Liberation Front (**CLF**) is an entertainment company that produces animated series, interactive documentaries and video games. It has developed touch table activities and games for Steam, online, tablet and mobile.

Government funding or other support received

CLF's funding consisted of Screen Australia investment and Film Victoria equity investments. CLF had offices in Canada and Australia. CLF stated that, because of the significantly larger level of Canadian funding for game development, its Canadian arm produced three dozen different games and activities. This includes award winning games for *Wild Kratts* (PBS), as well as a Titanic TV mini-series and popular comedy troupe, *Kids in the Hall*. Funding consisted of generous tax credits, grants and equity investment at a Provincial and federal Level. CLF provided that, typically, projects could be funded at a subsidy level of 75% of production costs.

In Australia, CLF wrapped up its games division entirely as a result of the significant decrease in available funding. While CLF were amid an exciting virtual reality game development, it completely stopped game development and closed the division entirely. Prior to that, CLF had a small studio in which it developed three *Oscura* based tablet games, a game for Steam, three Figaro Pho based games, a touch table activity for ACMI's Game Masters event, a number of web based games for popular brands such as Dance Academy, and game based simulations for SBS's *Go Back to Where You Came From*.

Importance of the government funding or support and how it assisted the business

CLF argued that the games market is highly competitive on an international playing field. It stated that nations across Canada and Europe have significant incentives and tax credits, while nations in Asia and Eastern Europe have very low costs of production. CLF also stated that the investments available via Screen Australia helped it in a very small way to offset production costs on the producer, creating jobs in Australia and ultimately developing a skill base that is highly valued internationally. CLF believes

that, without the incentives, the playing field is too slanted and thus far too challenging to develop games in Australia.

How the government funding or support benefited the studio moving forward into the future

Being able to develop television shows, as well as video games and interactive activities, not only allowed CLF to retain key animation staff that work across the multiple media, it also allowed it to stay current and meet the needs of the Australian audience that move from device to device. CLF stated that because subsidies are much more extensive for television and then exponentially more for film, it is unusual that game development is poorly supported. Having ended game development initiatives due to lack of funding has meant that CLF has moved away from having full time jobs for key creative staff all together and instead has had to return to short term contract work on as needed basis.

Percentage of AIGF funding paid back (if applicable)

CLF believes that its games have been met with different levels of success. The *Oscura* titles have been lucrative for the creator, who has received royalties across three games for many years. In the case of other titles, CLF has met the mandate of the partner. For instance, CLF stated that an Asylum Seeker Simulation for SBS, which while never intended to be a money turner, won a UN Peace Award and helped in terms of broadening the exposure and understanding of the issue. CLF argued that when looking at the success of recoupment of games, one must compare that with television and film funds which have a batting average of under 5% of return to the financiers. CLF is much more of a supporter of tax credits for the producer and grants that recognise the value in supporting job creation, and training for developers and designers, which it believes is ultimately more successful for the whole industry.

2. Minimega (NSW)

Description of development studio and games developed

Minimega is a game development studio based in rural NSW. Its most notable titles are *Bonza Word Puzzle* and *Bonza National Geographic*.

Government funding or other support received

Minimega were recipients of the Australian Interactive Games Fund via Screen Australia. It received $119,000 to support the development and release of *Bonza Word Puzzle*. The funding was regarded as a loan so Minimega agreed to pay back into the fund if the game was a financial success.

Importance of the government funding or support and how it assisted the business

Prior to the funding, Minimega was a service agency creating games for the advertising industry. The funding allowed Minimega to take a break from work-for-hire commitments and focus on creating new IP. Minimega used the funding to assist with development, marketing and admin. This included travel to various shows, including PAX Prime, PAX East, the Game Developer Conference and the American Crossword Puzzle Tournament.

How the government funding or support benefited the studio moving forward into the future

Bonza Word Puzzle was released in 2014. Minimega stated that the game became an instant classic and earned critical acclaim. In 2015, Minimega were approached by National Geographic and partnered with them on a sequel called *Bonza National Geographic*. According to Minimega, both titles have retained a healthy user base and continued daily revenue. To date, the *Bonza* games have generated over $1.6M. Minimega stated that this ongoing revenue has assisted in building a sustainable business and it is now working on a 3rd title for the series: *Bonza Jigsaw*.

Percentage of AIGF funding paid back (if applicable)

Minimega has repaid 100% of its funding.

3. Shark Jump Studios (South Australia)

Description of development studio and games developed

Shark Jump Studios was founded on 30 November 2013 and has a team of four full-time developers. It has developed games such as *Animal Dash*, *Flap the Fish*, *Do You Even Drift*, *Test Chamber*, *Turret Fusion*, *Space Melons* and *Fling the Hero*. Shark Jump Studio's latest two games are *Fling the Hero* and *Space Melons* for mobile and have just been released. Shark Jump Studios is currently porting the critically acclaimed *Hollow Knight* on the three major gaming consoles (Nintendo Switch, Sony PlayStation 4 and Microsoft Xbox One), as well as another mobile game, *Castle Fusion*.

Government funding or other support received

Shark Jump Studios received $37,000 under the Screen Australia Production Grant and support under the New Enterprise Incentive Scheme (NEIS).

Importance of the government funding or support and how it assisted the business

Shark Jump stated that the funding allowed the studio to support its four developers to focus primarily on the development of a mobile game. It believes that while the game itself was not a financial success, the ability to work full time on a game and work through the full process of developing the game from beginning to end acted as the main catalyst for the creation of Shark Jump Studios.

How the government funding or support benefited the studio moving forward into the future

According to Shark Jump, the long-term benefits of the studio having the opportunity to develop a product full time were immense. The SA Production Grant gave the team a chance to strike out and build a small business around a product, while the NEIS gave the team a year of 'lee-way' to innovate, make mistakes and grow the required skill set to compete in a global market. Shark Jump believes that, without having that opportunity offered, there is no doubt that the studio would not exist today. From 2 full time and 2 casual developers working out of their homes, Shark Jump Studios has grown to 4 full time developers working out of a studio just off Rundle Mall. It has published multiple games on mobile platforms, with each one, according to Shark Jump, being more financially successful than the last.

Percentage of AIGF funding paid back (if applicable)

Not applicable.

4. Mighty Games Group (Victoria)

Description of development studio and games developed

Mighty Games makes predominantly free to play mobile games. It has self-published three games to date, and have a fourth slated for a July release. Its self-published titles have netted nearly 10 million global downloads. It has also worked on licensed projects like *Disney Crossy Road*. Mighty Games has been in business for over three years and has grown from two initial founders to nearly 20 FTE. Mighty Games stated that this growth would have never been possible without the support it received from the Victorian government and Screen Australia.

Government funding or other support received

Mighty Games was the recipient of a few different funding rounds. Initially, it received funding from Film Victoria to make its first planned game: *Wizards Wanted* (WW). This was initially slated to be paid back but was part of the transition of Film Victoria funding to a grant model, so it did not end up having to recoup it. According to Mighty Games, this game turned out to be a failed project and never made it to market, but what it did do was skill up Mighty Games' small team and it was able to learn many valuable lessons about the marketplace during that project. Next, Mighty Games received funding from Screen Australia as part of the Interactive Games Fund. This was one of the small project grants and was for a game called *Ice Cream Age* (ICA). This game started near the end of the WW project and Mighty Games applied much of what it learned from WW to redesign ICA to be a successful game. However, in the middle of production, Mighty Games decided to put ICA on hold as that game genre was waning. Recently, Mighty Games pulled ICA off the shelf and begun production on it again as it has seen a renewed interest in the game genre.

Importance of the government funding or support and how it assisted the business

According to Mighty Games, neither game that was funded was an initial success. Mighty Games stated that *Wizards Wanted* never made it to market in its initial design, and *Ice Cream Age* has also evolved many times to accommodate lessons learned and is still not released. Mighty Games provided that, from the outside, both projects looked like failures. However, it also believes that they both allowed the studio to skill up its team and learn needed lessons about the free to play marketplace that it would not have been able to do otherwise. It was experience from both these initial projects that allowed Mighty Games to build *Shooty Skies*, which was its first released title, which went on to hit number 1 on the app store in many regions and net it over 6 million downloads.

How the government funding or support benefited the studio moving forward into the future

According to Mighty Games, without the initial seed investment, it would most likely still be a small two or three-person studio, it would not have been able to take on the two ambitious projects that it did and it would not have learned or skilled up the team nearly as quickly. To put the money into perspective, Mighty Games stated that while its Film Victoria funding was about $80K and its *Ice Cream Age* funding has been about $30K to date, the studio's tax bill from just last year was more than twice the total amount of funding it has received. Its revenue is also 95% from overseas sales. While Mighty Games have not had to pay back any of its funding because of the grant models, the studio argued that overall investment has been paid back many times over into the Australian economy and to the

tax office. Overall, Mighty Games thinks that this was a good investment for the government and have been very thankful in being able to benefit from it.

To sustain its business, Mighty Games currently splits its resources between 'work for hire' style deals where it works on other people's games and IP, and creating its own original games and IP. The contract work is stable and allows Mighty Games to make sure everyone gets paid every month, but according to the studio, the original IP is what drives its growth. According to Mighty Games, future funding opportunities would allow it to focus more of its resources on original IP and accelerate growth. It is currently looking to raise some external capital to help fund its original IP work. Mighty Games believes that, while this would be great, it would be even better if programs like the Australian Interactive Games Fund were re-instituted and the studio was able to take advantage of those offerings, instead of having to sell off chunks of its business to overseas investors to fuel growth plans.

Percentage of AIGF funding paid back (if applicable)

Mighty Games was awarded the $50K project grant for *Ice Cream Age*. It stalled production midway through the project after only receiving $30K. It has since restarted the project and hope to be able to claim the final $20K later this year. As it is a grant, Mighty Games will not have to pay it back. Mighty Games stated that the renewed interest in the ICA style game comes from some external publishing partners, and so if it does successfully get the game to market, it could be a deal worth more than $1M. Mighty Games argued that the vast majority of this would come back to the Australian economy in the form of wages and taxes. It also believes that is not a bad return for a $50K investment, even if it does take the studio another year to finish it.

5. Uppercut Games (NSW)

Description of development studio and games developed

Uppercut Games was founded in 2011 by three ex-2K Australia senior developers. It has developed and released *EPOCH.*, *EPOCH.2*, *SnowJinks* and *Danger Dodgers* for iOS and Android. *Submerged* for PC, Xbox One and PS4.Uppercut Games is currently working on a yet to be announced title for PC, Xbox One and PS4.

Government funding or other support received

Uppercut Games received funding from the NSW government in 2011 from the Interactive Media Fund. It also received Enterprise funding from Screen Australia in the first round of the Australian interactive Games Fund (AIGF).

Importance of the government funding or support and how it assisted the business

Uppercut Games initially started development of its first title – *EPOCH*. – from a converted storage unit in Queanbeyan, NSW. After identifying a niche in the iPhone and iPad market, it set out to create a product in 6 months to take advantage of this new expanding mobile games market. According to Uppercut Games, after its first 6 months in business, *EPOCH.* was fun to play, but wasn't ready to publish. The studio stated that it needed more 'polish': the extra bit of time that it takes to turn something 'good' into something 'great' and into a product that stands out in a highly competitive market and people will part with their money for. However, having spent a lot of its savings, Uppercut Games was close to running out of money.

At this point, Uppercut Games received a grant from the NSW Department of Trade and Investment under their newly announced Interactive Media Fund. It received $60,000 from the NSW government which it used to spend additional time to finish the game. Uppercut Games does not believe the game would have achieved the success it did without the funding and support it received from the Interactive Media Fund. According to the studio, the extra polish it was able to add to the game raised the quality bar to a point where it was featured by Apple as game of the week – which the studio believed to be a massive coup for its first game, with tangible benefits for marketing, exposure and sales. *EPOCH*. has gone on to be downloaded over 2 million times, bringing in net receipts of over $1million to date. Uppercut Games also stated that funding was used for localisation services, broadening the reach of its products in foreign markets that it otherwise would not have had access to. According to Uppercut Games, a small amount of assistance at the right time can have a big impact.

How the government funding or support benefited the studio moving forward into the future

Uppercut Games believe the AIGF Enterprise Program was transformative for the studio's business. It was one of the developers to be awarded with Enterprise funding from the now defunct Australian Interactive Games Fund. The funding was over 3 years. Uppercut Games stated that the extra funds gave the studio some certainty around which it could do some long-term planning about the way it wanted to expand its production capabilities and created the opportunity for it to reach new markets.

According to Uppercut, through the Enterprise Funding, it has been able to:

- Employ full-time Australian development staff.
- Engage the services of talented Australian contractors for music and concept art.
- Have larger production capability to tackle more ambitious and creatively risky projects.
- Expand its technical expertise to publish on multiple platforms simultaneously, including next generation consoles (Xbox One and PlayStation 4).
- Add features to its products, such as ratings and localisation into many languages, which make them more competitive in international markets.

The funding also allowed Uppercut Games to bring into its team a mix of experienced developers and relatively inexperienced ones. With this team, it could enter the console market for the first time, opening up new export opportunities for it on the PlayStation 4 and Xbox One. According to Uppercut, the extra time and production overhead that developing for consoles brings is considerable, and the studio believes this would not have been possible without the expanded team the grant funding has allowed it to build. Since the Enterprise funding ended in July 2016, Uppercut Games has been able to retain its employees and re-invest the revenue from the games developed with the assistance of the AIGF into the development of its current title slated for release later in 2017.

Uppercut stated that the AIGF allowed it to grow its team and production capabilities, from a business that can produce and export its products on the App Store's marketplace to a business that can sell products into four major international marketplaces (being Apple App Store, PC, PlayStation 4 and Xbox One). Uppercut can now create products for all of these markets, which the studio believes greatly reduces the risk of selling into only one storefront and expanding the potential gains from any future success.

Percentage of AIGF funding paid back (if applicable)

Uppercut Games will soon reach the point in its agreement with the AIGF where it begins paying money back as the loan portion of the funding. In total, it will ultimately pay back $131,488 over the next three years. One of the features of the AIGF was that this repayment would go back into the fund, to provide funding for other developers on future projects. Uppercut Games is hopeful that something like this can still happen, so that Uppercut can pay forward the success that it has had thanks to the AIGF.

6. ODD Games (South Australia)

Description of development studio and games developed

ODD Games partners with leading mud and dirt motorsport brands to expand its customer base to millions of people globally through developing #1 ranking racing video games across multiple platforms.

Government funding or other support received

ODD Games has received $400K from the AIGF, $50K from the South Australian government with the Micro Finance Fund, and recently $150K from the South Australian government as part of its Early Commercialisation Fund.

Importance of the government funding or support and how it assisted the business

ODD believes that without the funding support of these various grants, it would not have been able to develop at the rate it has experienced. According to the studio, the funding has been vital to enable it to develop its core technology which is now becoming a commercial success. ODD also stated that, without the funding, its development process would have been extended by years, which the studio believes would have put the viability of the studio and its employees at risk.

How the government funding or support benefited the studio moving forward into the future

The funding has largely supported the development of ODD Games' framework, which according to the studio, is vital to efficient video game development. The studio also stated that the funding has helped position ODD Games to capitalise on developing for cross-platforms to maximise revenues on multiple distribution channels.

Percentage of AIGF funding paid back (if applicable)

ODD Games is required to pay back $10K (25%) out of the $400K grant. The first payment ($16.25K) was due to be paid in August this year. ODD also stated that, outside of its grant agreement, it has been paying taxes which goes into the greater pool to help fund the country.

7. Black Lab Games (Western Australia)

Description of development studio and games developed

Black Lab Games is an independent game development studio, founded in 2008 and located in Perth, Western Australia. It has developed games for PC, iPad, Xbox One, PlayStation 4 and PSP. It specialises in strategy games and has developed two games in the sci-fi *Star Hammer* series, *Star Hammer Tactics* and *Star Hammer: The Vanguard Prophecy*. Black Lab Games' current project is a strategy game based on the award-winning TV series, *Battlestar Galactica.*

Government funding or other support received

In 2014, Black Lab Games received a $50K grant from Screen Australia as part of the Australian Interactive Games Fund (AIGF) to assist with the development of *Star Hammer: The Vanguard Prophecy* (SH:VP).

Importance of the government funding or support and how it assisted the business

Black Lab stated that Western Australia has no state-level games support and attempts the studio has made in the past to find private funding have not been successful. According to Black Lab, talking with angel investors during the early days of Black Lab Games indicated that games don't have the attributes that investors in technology want, such as patents. The studio then provided that being in Perth, and therefore somewhat isolated, getting publisher funding can also be difficult as it's hard to connect and establish relationships.

Black Lab Games stated that the AIGF grant meant the studio was able to develop SH:VP to a point whereby it was complete enough to attract a publisher, in its case UK-based strategy specialist publisher, Slitherine Ltd (the leader in the niche). According to the studio, there was less risk working with and investing in Black Lab Games because it had a working (though incomplete) game to demonstrate its ability and commercial potential.

How the government funding or support benefited the studio moving forward into the future

At the end of 2013, Black Lab Games was a part-time business with a single developer. In May 2017, it was announced (via its publisher) that it is working on a new game based on the award winning 2004 Syfy series, *Battlestar Galactica*. Syfy is owned by NBC Universal. Black Lab Games stated that it is working with one of the biggest media conglomerates in the world on a science fiction IP enjoyed by

millions. Black Lab believes that this was only possible because of the AIGF grant it received in 2014. Whilst according to Black Lab its staff count is still small by industry standards, the studio stated that its FTE has grown by 900% in 3.5 years, in addition to engaging a number of contractors as required by project demands. Black Lab Games has also recently started an internship program with a local university to give promising students exposure to commercial game development, before they leave WA to find employment in the games industry.

Percentage of AIGF funding paid back (if applicable)

Being a grant (not a loan), Black Lab Games is not required to repay the funding it received from the AIGF. However, the studio stated that the amount of Company Tax and Income Tax paid by employees engaged as a direct result of the projects made possible by the grant exceeds the grant amount.

8. Tin Man Games (Victoria)

Description of development studio and games developed

Tin Man Games is a game development studio in Melbourne, Australia. Specialising in adventure games and digital gamebooks, Tin Man has developed and published over 35 titles across on a large number of handheld devices and computers. Notable titles include Tin Man's own *Gamebook Adventures* series, Ryan North's *To Be or Not To Be*, *Games Workshop's Warhammer 40,000* series, *2000 AD's Judge Dredd*, and the *Fighting Fantasy* series by Ian Livingstone and Steve Jackson.

Government funding or other support received

Tin Man Games was a recipient of the original Interactive Games Fund, set up by the then Minister of the Arts, Simon Crean, and administered by Screen Australia. Tin Man Games received $300K as part of a grant and $100K as part of a loan.

Importance of the government funding or support and how it assisted the business

According to Tin Man Games, the funding had very positive impacts on the studio over the past several years. For the most of the first three years, Tin Man Games had only two employees, using a combination of personal investment and Film Victoria loan funding to develop a game engine and a series of apps to sell on Apple's App Store. Later, with more support from Film Victoria loan funding, Tin Man games could expand its business on to Android to sell across Google Play and the Amazon App store. At this time, Tin Man Games used a combination of paid contractors/freelancers and

contributors who received income from the back-end of projects in the form of royalties. According to the studio, while this was serviceable, Tin Man Games couldn't develop further core technology because it did not have other permanent members of staff to grow skillsets and develop a company culture. Tin Man Games stated that, to take the next step, it needed investment.

With Tin Man Games' very first payment, it could move out of its home-based offices and into a permanent location. It then hired three more staff members. This very quickly enabled the studio to work much faster and more effectively, increasing its revenue and further growing its technology, allowing it room to experiment and potentially reach wider audiences. The studio also stated that it had the ability to approach license holders and within a year signed a number of key licenses that further increased its revenue and its own visibility in the international gaming development community.

How the government funding or support benefited the studio moving forward into the future

Tin Man Games has now released over 35 titles for multiple platforms (iOS, Android, PC, Mac and Linux) and have another 10 or so in development. Thirteen of those titles are based on Tin Man Games' own IP and it has worked on licenses based on *Fighting Fantasy*, *Judge Dredd*, *Warhammer 40,000*, Ryan Norther's *To Be or Not To Be* and many more. Tin Man Games has also grown to eight staff members, three of which joined the company with help from Film Victoria's Games Professional Placements scheme. In 2017, Tin Man Games' sales have grossed nearly $500,000. It also recently signed a project contract worth $650,000 to make a game for a leading VR distribution platform. According to Tin Man Games, the Interactive Games Fund initiative was invaluable to its growth as a small games developer and integral to its success over the last few years and moving forward.

Percentage of AIGF funding paid back (if applicable)

At the time of writing, Tin Man Games has not yet begun to pay back the $100K loan under the AIGF.

9. The Voxel Agents (Victoria)

Description of development studio and games developed

The Voxel Agents create original IP games for mobile. It is responsible for the *Train Conductor* Franchise (10M players) and *Puzzle Retreat* (4M players).

Government funding or other support received

The Voxel Agents received $475,000 over 3 years from the Screen Australia Enterprise Fund (2014-2016) to help grow the studio (75% grant / 25% loan). The Voxel Agents also received $90,000 from Film Victoria (2016) to support development of *The Gardens Between*.

Importance of the government funding or support and how it assisted the business

In 2015, The Voxel Agents had to cancel one of its projects. According to the studio, without the enterprise funding, it would have collapsed and it would have had to let go all its staff. Instead, The Voxel Agents could pivot and successfully launch *Train Conductor World*. Train Conductor has generated $800,000 in export revenue to date. The Voxel Agents has also been able to work on a second project due to come out in 2018. The Voxel Agents believes that, without the enterprise funding, it would be a one game studio only.

How the government funding or support benefited the studio moving forward into the future

The Voxel Agents believe that, thanks to the funding, it has been able to take creative risks, survive the failure of a project, develop two projects simultaneously and diversify creative risk, double in studio size from 4 to 8 people, build larger and more ambitious projects to a higher standard, and expand to new platforms (PC, Mac). According to the studio, this gives it more diversified income, greater reach and better awareness about its brand.

Percentage of AIGF funding paid back (if applicable)

The Voxel Agents is on track to pay back its full loan ($118,750), starting with the first repayment of $29,687 in September 2017.

10. SeeThrough Studios (NSW)

Description of development studio and games developed

SeeThrough Studios is an independent video game studio, specialising in developing games that communicate and demystify scientific concepts. The studio's largest work, *Particulars*, explored the world of subatomic particles. Currently the studio is exploring new projects, including a foray into the subject of quantum computing.

Government funding or other support received

SeeThrough Studios received two $50,000 grants from Screen NSW as part of the Interactive Media Fund (since discontinued) to take prototypes to the next stage of development (*Particulars* and *Ark: Seed*). SeeThrough Studios received one $50,000 grant from Screen Australia as a part of the Interactive Games Fund (since discontinued) to finish and polish *Particulars*.

Importance of the government funding or support and how it assisted the business

SeeThrough Studios believes that without the government funding it received, it simply would not have been able to make *Particulars*. The game was a big undertaking over 3 years and the support SeeThrough received allowed it to build a game of high quality that properly introduced a complex scientific topic to players.

How the government funding or support benefited the studio moving forward into the future

According to SeeThrough, making entertainment games that also educate is a difficult task; it's one that requires experimentation for development of both the game and the business model, and it's also a vital avenue for public education outside of the school environment. The studio believes that the funding it received has allowed it to both launch a game that fulfils this purpose and to learn from its experiences in developing, marketing and selling such a game. SeeThrough Studios also stated that it is continuing to explore novel approaches to creating games that educate and that it's unlikely it would be doing so without the funding it received. Through *Particulars*, it has built a network of developers, artists and mentors who it can work with moving forward.

Percentage of AIGF funding paid back (if applicable)

SeeThrough Studios' funding from the IGF was a grant rather than a loan, so it has not paid back any of it.

11. Tantalus Media (Victoria)

Description of development studio and games developed

Established in 1994 in Melbourne, Tantalus Media lays claim to being the oldest videogame development studio remaining operational in Australia. Originally founded as a port-house (a studio that takes games from one platform and ports them to another), the studio has used its technical expertise to develop games for almost every platform released since the Super Nintendo Entertainment System and has had success developing its own IP alongside its successful porting

model. Over the years, Tantalus has worked with the world's biggest publishers, leading brands, and franchises, including Sega, EA, Square, THQ, Atari and Eidos, along with Pixar, Warner Bros, Nickelodeon and Cartoon Network. Tantalus claims that no other developer in Australia, and very few in the world, can boast this breadth of partners.

The entire list of games developed by Tantalus is lengthy. The highlights include *Wipeout* for Sega Saturn, *Top Gear Rally* for Game Boy Advance, *Pony Friends* for Nintendo DS, *Unrea*l for Xbox, *Zombi* for Xbox One, PS4, and PC, *Mass Effect 3*, *Deus Ex: Human Revolution – Director's Cut*, and *The Legend of Zelda: Twilight Princess HD* for Wii U. Tantalus continues to support development of its own IP, with multi-million download *Pony Trails* available on iOS and Android, and additional titles yet to be announced. Tantalus is currently developing *Cities: Skylines* for the platforms Xbox One, Windows 10, and PS4, and is also bringing *RiME* and *Sonic Mania* to life on the Nintendo Switch.

Government funding or other support received

Tantalus Media has received funding and support from the Export Market Development Grants (EMDG) scheme administered by Austrade, the Victorian TRIP Grant and the Australian Interactive Games Fund (AIGF) administered by Screen Australia.

Importance of the government funding or support and how it assisted the business

According to the studio, these programs give a development studio the chance to follow leads, build relationships, and secure funding agreements. Without the EMDG, TRIP, and AIGF programs, Tantalus believes that it may well have stopped operating. The opportunities to attend trade shows, conferences, and personal meetings that these programs helped facilitate would have been drastically reduced and any one missed meeting or chance happenstance could have made the difference if Tantalus wasn't able to physically attend the touchstone points of the industry (almost all of which are overseas). Tantalus believes that the economic benefit to keeping these several dozen highly specialised jobs in Victoria has far outstripped any direct monetary incentive received by Tantalus in the form of grants, evidenced by the studio winning a Governor of Victoria Export Award, and being a finalist in the Australian Export Awards.

How the government funding or support benefited the studio moving forward into the future

According to Tantalus, the most important thing that government funding helped create for the studio is a sense of stability in times of industry paucity, turbulence, and upheaval. Because of this, Tantalus

stated it has been able to retain a highly skilled workforce, spend time on research and development, and maintain a baseline workload. Tantalus believes that the future for the studio looks bright, with many projects on multiple platforms ongoing, and the opportunity for minor expansion to increase its project bandwidth in the coming short-to-medium term.

Percentage of AIGF funding paid back (if applicable)

Tantalus has paid back 25% of its funding under the AIGF.

12. SMG Studio (NSW)

Description of development studio and games developed

SMG Studio was founded in 2013 as a subsidiary of Soap Creative to focus on its IP and original games for mobile. With a founding team of 3 full-time employees, it has now grown to 16 full-time employees. SMG Studio has released a wide range of games in 4 years. In 2017, it released its first console game, which according to the studio, will be the first Australian built and published game to launch on the Nintendo Switch. The following is a list of games developed by SMG Studio:

- *OTTTD*: 300K purchases
- *One More Line*: 10M downloads
- *Thumb Drift*: 12M downloads
- *One More Dash*: 5M downloads
- *One More Bounce*: 2M downloads
- *Death Squared*: Releasing for consoles in March

SMG Studio also builds and now publishes *RISK: Global Domination* for Hasbro. It is currently working on a big film IP game with NBCU off the back of the success with *Thumb Drift*. According to the studio, this will be SMG's biggest game yet. SMG Studio also stated that it has helped a new studio (Premo Games) publish their first game – *One More Jump* – giving them the ability to quit their casual jobs to develop games full time.

Government funding or other support received

SMG Studio was one of the ten studios that received enterprise funding as part of the Screen Australia Games grant. This was initially for $450K ($150K a year), of which 50% was to be repaid. After receiving $300K and repaying $150K, SMG was acquired by Dentsu Aegis Network as part of the deal with parent

company, Soap Creative. SMG Studio then stopped the last funding payment of $150K. Total investment has only been $150k. SMG studio has also received travel funding for a trip to GDC from Screen NSW of around $5K AUD. According to SMG, this trip was where it met Hasbro and allowed it to win the *RISK* project ($1M AUD in revenue), which it has since taken over publishing for the game, worth $1.2M in revenue per year. SMG also won another contract with them for US$300K.

Importance of the government funding or support and how it assisted the business

According to SMG, the studio received one of the lowest amounts on the enterprise side but this allowed it to give the team a 12-month runway to develop owned games and not rely on fee for service which it had previously worked on. The studio believes that, without this runway, it would have been much riskier for SMG to dedicate a team for its own IP and forgo client work.

How the government funding or support benefited the studio moving forward into the future

SMG stated that, without the funding, the studio might not have started or, if it did, it would have delayed much longer and it would have missed out on a lot of opportunities. According to SMG, 2018 will be the biggest year yet for SMG Studio.

Percentage of AIGF funding paid back (if applicable)

According to SMG, it has repaid 50% of its funding and it didn't need the final 33%. Of the $450k awarded, SMG only received $150K of that. SMG Studio stated that it has paid much more company tax, and of the salaries it pays, it attributed much more personal income tax than it ever received. SMG has also hired 4 people out of university in Australia and had students freelance for it as well as do work experience.

13. Defiant Development (Queensland)

Description of development studio and games developed

Defiant Development is a Brisbane based studio that employs 25 full time staff. The studio is currently working on *Hand of Fate 2*, as well as funding the development of a *Hand of Fate* board game (just raised $490K on Kickstarter) and a *Hand of Fate* mobile title.

Government funding or other support received

Defiant Development stated that, at various points, it received the following:

- Funding by Screen Australia for its early proof of concept, *Warco*
- Digital ignition grant of $50K for *Heroes Call*
- Screen Australia Enterprise Funding of $550K
- Screen Qld travel grants

Importance of the government funding or support and how it assisted the business

Defiant believes that without the aid of the funding provided, there is no doubt that it would not be at its current size or scale. According to the studio, over the last four years, it has grown the business from a handful of part-time staff to over 20 full timers. Defiant also stated that it has built Australian IP that is internationally recognised and turns over multiple millions each year, primarily in export sales.

How the government funding or support benefited the studio moving forward into the future

Defiant stated that government funding allowed it to invest in making bigger games at a time when the market was becoming swamped with smaller titles. According to the studio, this transition enabled it to build a safe harbour in a growing but turbulent market and helped to build its business internationally.

Percentage of AIGF funding paid back (if applicable)

Defiant is due to repay funding in 2018, at which point it will repay 100% of the loan portion of the funding.

14. Wicked Witch Software (Victoria)

Description of development studio and games developed

Wicked Witch has been making successful video games since 2001 for nearly all formats. With a broad background of interest and project delivery, Wicked Witch create original IP, either independently or with investment partners, and work with domestic and international partners in a Work for Hire capacity. Some games developed by Wicked Witch include *Puzzle Wiz*, *Rugby Challenge 3*, *AFL Live 2*, *Shane Warne King of Spin*, *Catapult King* and *Jet Run: City Defender*.

Government funding or other support received

Wicked Witch has received government support a number of times, the most recent coming from Film Victoria Production grants and Enterprise Funding as part of the Screen Australia Australian Interactive Games Fund.

Importance of the government funding or support and how it assisted the business

Wicked Witch stated that receiving this government support allowed it to accelerate its growth, primarily by developing its own IP. As an example, one of its self-published video games, *Jet Run: City Defender*, has reached nearly 1 million downloads across iOS, Android and Amazon, with the game also being featured world-wide on the Apple and Amazon storefronts.

How the government funding or support benefited the studio moving forward into the future

Wicked Witch stated that its Film Victoria and Screen Australia funding enabled the studio to grow its involvement in its own IP projects and diversify its product mix. Wicked Witch also experienced a significant increase in the number of staff employed at the studio primarily due to this funding, as it employed 10 people and sustained more permanent staff. It also has raised additional funding to deliver 5 more mobile games thanks to the government funding.

Percentage of AIGF funding paid back (if applicable)

Wicked Witch stated that it is still finalising and commercialising the final projects commenced with the AIGF funding, so at the time of writing it has not yet paid back any of the loan component.

B. Tax Offsets

Refundable tax offsets for video game development

IGEA supports the recommendation of the Senate *Game on* Report that the federal government should introduce a refundable tax offset for Australian expenditure in the development of video games. This recommendation echoes similar recommendations of several other bodies in the past, including Screen Australia in its "Playing for Keeps" report,[105] the State and Territory Screen Agency Forum in its submission to the federal government Convergence Review, [106] and the Convergence Review Committee itself in its final report for the Convergence Review.[107] Interactive games developers in Australia currently have limited access to incentivised regulatory or taxation frameworks, apart from those that are available to all businesses. These more general initiatives include the Research and Development Tax Incentive[108] and support through other grants and services (such as via Austrade).

Unfortunately, there is no national support specifically for games development, whereas other screen and creative industries, such as film and television, have long enjoyed several industry-specific regulatory, tax and other support mechanisms on a federal level. The highlight in this regard is the Producer Offset,[109] which is refundable tax offset that applies only to producers of Australian feature films, television and related projects,[110] with a 40% offset for feature films and a 20% offset for certain television projects.[111] This offset has benefited producers of Australian films and television projects for many years, and this is not even considering the two other refundable tax offsets for film production: the Location Offset and Post, Digital and Visual effects (**PDV**) offset.[112] In fact, IGEA was informed by a former, large games studio in Australia that if the ineligibility of video games were removed from the PDV offset criteria, console games development would still be alive in the country.

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[110] Screen Australia, *Producer Offset* (2017) <https://www.screenaustralia.gov.au/funding-and-support/producer-offset>.
[111] Screen Australia, *Guidelines: What is the Producer Offset* (2017) < https://www.screenaustralia.gov.au/funding-and-support/producer-offset/guidelines/about-the-producer-offset>.
[112] Department of Communications and the Arts, *Tax rebates for film and television producers* (2017) <https://www.arts.gov.au/funding-and-support/tax-rebates-film-and-television-producers>.

There doesn't seem to be any cogent reason as to why these kinds of refundable tax offsets apply only to selected screen and creative industries, with others such as video games being excluded entirely. There is an argument to be made that this disparity is simply reflective of the Australian government's history of neglecting the video games industry and not appreciating nor respecting its potential.

Extension of the producer offset and introduction of new tax offsets

The simple way that a refundable tax offset can be introduced for video game production is by, *at a minimum*, extending the Australian Producer Offset to video game projects (with some adjustments to ensure the scheme works appropriately for the development of video games). Alternatively, a brand new, standalone tax offset for games development could be introduced. There are also strong reasons as to why a location offset for the production of large-budget video games should be introduced, in addition to removing the ineligibility of video games for the PDV offset. Regardless of the specific path taken, the introduction of some form or forms of tax offsets for the video games development industry in Australia is key for the sustainable growth and international competitiveness of the sector, with positive flow-on effects for Australia's broader economy. Like with other forms of content and technology, interactive games are often considered to be more financially risky and therefore have not traditionally attracted high levels of investment. As was recognised by Screen Australia, enhanced government support could mitigate the perceived risks and make the sector more attractive to domestic and foreign investment.[113]

The introduction of tax offsets for games development in Australia has the capacity to assist studios in becoming more competitive internationally. It creates financial incentives for projects with significant commercial value, particularly high-end console games. Through attracting domestic and overseas investment, games developers are more likely to build stable and sustainable studios which are critical to long-term growth of the industry. Leveraging Australia's geographic position will also assist in the penetration of the Asian markets. The growth of games development locally will also attract talent and bolster other industries that can take advantage of the skills and technology developed in the sector. The GDAA and Screen Producers Australia have also argued for the extension of the Producer Offset to interactive games on the basis that it will provide a smart and efficient, market-driven tax incentive that will stimulate investment and the increased content creation in Australia, contributing to the long-term sustainability of the sector.

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[113] Screen Australia, *Australian Interactive Games Fund: Options Paper for Comment* (12 October 2012) <https://www.screenaustralia.gov.au/getmedia/677b5266-eb3b-4b0f-98a5-54ffc261aabb/Games-Options-Paper-101212.pdf>.

It is generally acknowledged that the Producer Offset tax regime has worked well to achieve the original policy intention to: "...[H]elp the film and television industry to become more competitive and responsive to audiences, and will be a major incentive for projects with significant commercial potential...The [Offset] provides a substantial opportunity for producers to retain significant equity in their productions and build stable and sustainable production companies, both important for the long term growth of the film industry".[114] On the back of this success, Screen Australia recommended the introduction of an Interactive Entertainment (Games) Offset with two levels of support: a 30% tax credit on eligible expenditure with a minimum threshold expenditure of $500,000 and a 20% tax credit on eligible expenditure with a minimum threshold expenditure of $200,000.[115] Screen Australia stated: "Economic modelling of this proposed offset indicates that over a five-year period there would be an additional investment of $146 million, of which $100 million would come from foreign sources. In the medium- to high budget section of the industry analysed for this research, this would result in an additional contribution of $76 million to Australia's Gross Domestic Product and a 50 per cent increase in the number of jobs".[116] The report also stated that the scheme would create up to 400 new jobs.

Evidence given throughout the Senate *Game on* inquiry further demonstrates the many benefits that introducing a tax offset for games development would have for the Australian sector. The Senate report does collate the evidence, but for the Department's benefit, IGEA will provide a summary:[117]

- Black Lab stated, if tax credits were introduced for games production: "…[I]t would encourage investment in the sector, which would lead to more projects with substantial budgets getting off the ground, and in turn providing more employment and export opportunities".[118]
- Speaking about a Screen Australia report, Mighty Games stated that: "...[O]ffering an offset of between 20% for projects under $500,000 and 30% for projects over $500,000, would create more than 380 new jobs and would dramatically increases the number of people working on high-end, triple-A games".[119]

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[114] Senator Helen Coonan and Senator George Brandis SC, *New producer incentive for Australian film and television productions*, Joint Media Release (8 May 2007).
[115] Screen Australia, *Playing for Keeps: Enhancing sustainability in Australia's interactive entertainment industry* (2011) <https://www.screenaustralia.gov.au/getmedia/24e18b4b-52ab-4c9f-8e4f-54a5fe89f53a/Report-playing-for-keeps.pdf> page 27.
[116] Ibid page 3.
[117] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> pages 46-47.
[118] Black Lab Games, *Submission to Senate Environment and Communications References Committee* (10 September 2015) <http://www.aph.gov.au/DocumentStore.ashx?id=c67bc3f3-1a40-4e7a-a6ee-b655282938d3&subId=401883> page 2.
[119] Mighty Games Group, *Submission to Senate Environment and Communications References Committee* (18 September 2015) <http://www.aph.gov.au/DocumentStore.ashx?id=2c638c85-8dd4-4d7d-b409-da96b01f0a5f&subId=402662> page 6.

International examples of tax offsets for games production

There are several countries that have tax or producer offsets in place for video games development, including the United Kingdom, Canada (at provincial levels), France and the United States of America (at state levels), and there is clear evidence on the success of these offsets for boosting local games sectors. In a similar vein to games funding, this puts every single development studio in Australia at a distinct disadvantage to those studios that do benefit from tax relief. A key factor as to why almost all overseas owned AAA development houses closed in Australia during the GFC was that it became too costly to develop games here, and as a result, other countries with tax incentive schemes in place for games development became more viable than ever before to either relocate to or to ramp-up existing business operations within. According to our members, Australia is very rarely in the conversation when discussions take place about the international expansion of development studios. Without a tax or producer offset scheme in place that offers similar benefits to studios in other countries, Australia will almost certainly never be a viable option for AAA publishers and game companies to set up development studios in. The Senate *Game on* Report summarises some of these global tax incentives, but as the report is now 450 days old, IGEA will provide an up-to-date list of this information below.

United Kingdom

The UK has a tax relief scheme for British films, high-end television programmes, animation programmes, children's television programmes and video games.[120] The video games tax relief system was implemented from 1 April 2014 to complement the film tax reliefs introduced in 2007, both of which are managed by HM Revenue & Customs (**HMRC**) and the British Film Institution (**BFI**). The scheme offers tax relief for video games development "on qualifying UK/EEA [European Economic Area] production expenditure on the lower of either 80% of the total core expenditure or the actual UK/EEA core expenditure incurred".[121] Core expenditure is defined as spending towards design, production and testing of the video game. There is no cap on the amount that can be claimed. Successful companies are entitled to an additional deduction in calculating taxable profits or to surrender losses for a payable tax credit where additional deduction results in a loss (at a 25% rate).[122] Developers can apply for interim British video games certification for tax relief at any point before or

[120] BFI Film, *British certification and tax relief* (2017) <http://www.bfi.org.uk/supporting-uk-film/british-certification-tax-relief>.
[121] BFI, *About UK creative industry tax reliefs* (2017) <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/about-tax-relief>.
[122] HMRC, *Corporation Tax: Creative Industry Tax Reliefs* (21 October 2016) <https://www.gov.uk/guidance/corporation-tax-creative-industry-tax-reliefs#video-games-tax-relief-vgtr>.

during production, which is necessary to claim tax relief during development, after which a final application must be submitted once development of the game has concluded.[123]

There are several requirements that must be met before a developer can access this tax relief. The first is satisfying the British Video Games Cultural Test.[124] To apply for the test, there are initial threshold requirements. The development company must be registered with the Companies House (body responsible for incorporating companies) and be within the UK corporate tax net. The company must be established and incorporated prior to the beginning of design and development of the game and "have responsibility for all aspects of the video game making process from design and development through to testing and delivery".[125] Once these requirements are satisfied, the BFI then determines whether the video game in question is considered "British" by applying a 31-point cultural test, of which a project must acquire at least 16-points. The test has four sections: (A) Cultural content (i.e. is the game set in the UK? Does it have lead British characters?), (B) Cultural contribution (i.e. does the game represent British creativity or heritage?), (C) Cultural hubs (i.e. does 50% of conceptual development, storyboarding, design, etc. take place in the UK?) and (D) Personnel (i.e. is 1 of the 3 lead project leaders, scriptwriters, etc. an EEA citizen or resident?).[126] Last, the game must be intended for public release and "At least 25% of the core expenditure must take place in the UK/EEA".[127]

UK's video games tax relief scheme has been very successful. Figures published by HMRC in July 2017 indicate, in 2016-17, 90 video games received tax relief and GBP£73 million in total was paid out to 280 claims from these productions (each game can make several tax relief claims), projects of which comprised GBP£163 million in *UK expenditure* alone.[128] Since the scheme was introduced in 2014, 295 video games have successfully claimed tax relief, with almost GBP£119 million being paid out to 420 claims from these productions, supporting UK expenditure totalling GBP£693 million (total expenditure was GBP£886 million). Although the number and expenditure of games claiming tax relief in 2016-17 are not final and will increase as the HMRC receives more claims, the graph below from HMRC demonstrates how these figures have increased substantially between 2014-15 and 2015-16:

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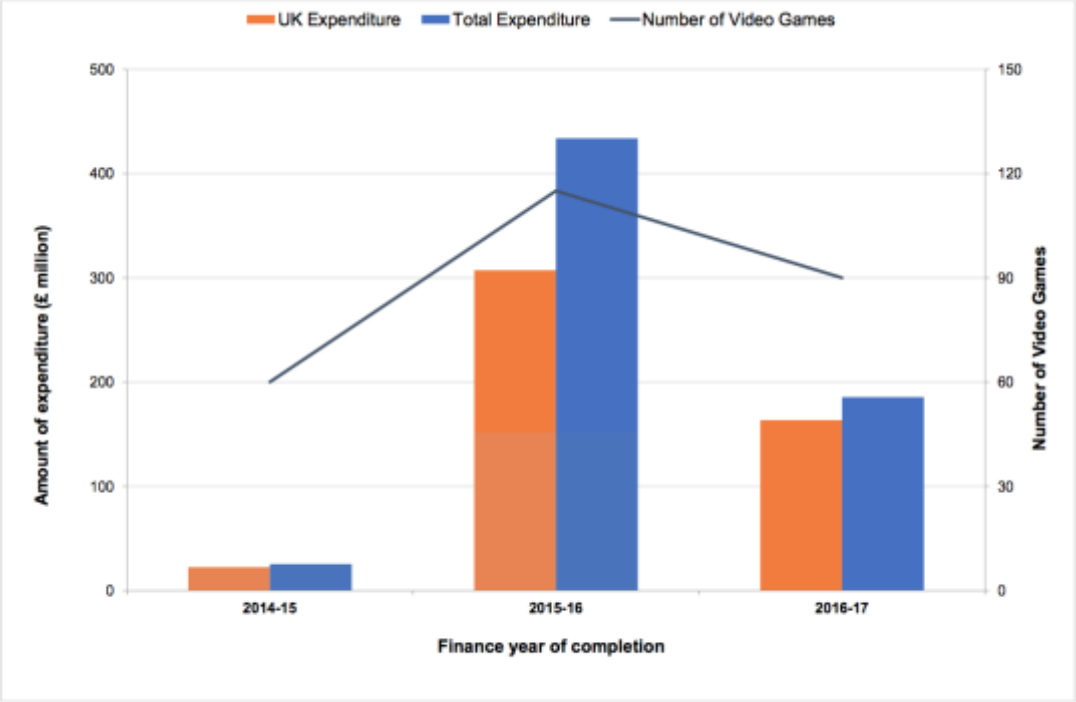
[123] BFI, *The cultural test for video games* (2017) <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-video-games>.
[124] Ibid.
[125] BFI, *The cultural test for video games* (2017) <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-video-games>.
[126] BFI, *Summary of points – cultural test for video games* (2017) <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/cultural-test-video-games/summary-points-cultural-test-video-games>.
[127] BFI, *About UK creative industry tax reliefs* (2017) <http://www.bfi.org.uk/film-industry/british-certification-tax-relief/about-tax-relief>.
[128] HMRC, *Creative Industry Statistics: July 2017* (July 2017) <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/630501/July_2017_Commentary_Creative_Industries_Statistics2.pdf> pages 7, 16-17.

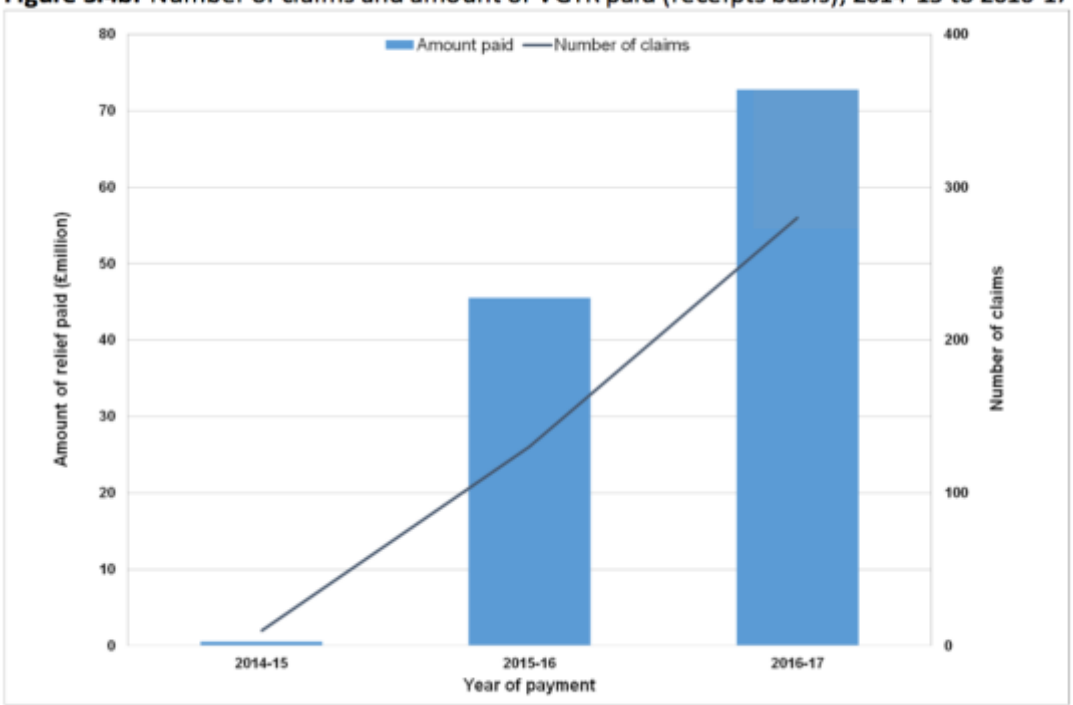
Figure 3.4a: Number and expenditure of video games claiming VGTR, 2014-15 to 2016-17



Source: HMRC Management Information Systems (MIS) and BFI

HMRC also created another chart that demonstrates the increase in the number of claims for games tax relief (up by 115% from 2015/16) and the amount paid out in response (up by 60% from 2015/16).

Figure 3.4b: Number of claims and amount of VGTR paid (receipts basis), 2014-15 to 2016-17



Source: HMRC Management Information Systems (MIS) and BFI

The significant increase in the sheer number of claims for video games tax relief demonstrates the demand and overall importance of the scheme to UK developers. The relief paid out promotes the financial outlook of individual video game productions, thereby facilitating the overall sustainability of studios and promoting the development of future video games. And of course, because the tax relief received is contingent on there being a minimum of 25% core UK production expenditure, with relief available for the lesser of 80% of total core expenditure or actual UK core expenditure, companies are very much encouraged to increase the amount of UK core expenditure incurred. This directly contributes to the UK economy, including by increasing local staff hires, promoting UK investment and enabling UK games companies to compete strongly with the world.

Dr Jo Twist, CEO of UKIE (industry body for the UK games and interactive entertainment), said the following about the UK's games tax relief scheme: "The landscape of the UK games sector would be completely different without the evident contribution of the Video Games Tax Relief. The VGTR directly creates jobs, fuels technical and creative innovation, and allows the UK to be a real global player in the games and interactive entertainment sector. Government support, particularly through the tax relief, is a huge contributor to what makes the UK games industry globally competitive…The certainty the scheme gives to the sector is vital in continuing to drive investment, employment, innovation, and to maintaining the competitiveness of our sector."[129] The UK industry now employs 12,600 staff in 1,000 organisations,[130] contributing GBP£1.6 billion to the UK's GDP in 2016.[131]

Canada

Many Canadian provinces, including British Columbia,[132] Manitoba,[133] Nova Scotia,[134] Ontario,[135] and Quebec,[136] provide competitive tax incentives for games development as digital media.

Ontario introduced the Ontario Interactive Digital Media Tax Credit (**OIDMTC**). The OIDMTC is a refundable tax credit for the development of interactive digital media products, such as digital games,

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[129] Dr Jo Twist, *£73m in Video Games Tax Relief paid in 2016/17, latest figures show* (20 July 2017) <http://ukie.org.uk/news/2017/07/%C2%A373m-video-games-tax-relief-paid-201617-latest-figures-show>.
[130] TIGA, *TIGA's Plan to Increase Employment in the UK Video Games Industry by 40% by 2022* (4 May 2017) <http://tiga.org/news/tigas-plan-to-increase-employment-in-the-uk-video-games-industry-by-40-by-2022>.
[131] Power Up Gaming, *UK Gaming Industry Positioned for Strong Growth in 2017* (8 January 2017) <http://powerupgaming.co.uk/2017/01/08/uk-gaming-industry-positioned-for-strong-growth-in-2017/>.
[132] British Columbia <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/interactive-digital-media>.
[133] Manitoba <https://www.gov.mb.ca/jec/busdev/financial/midmtc/index.html>.
[134] Nova Scotia <http://www.novascotia.ca/finance/en/home/taxation/tax101/businesstax/corporateincometax/digitalmediataxcredit.aspx>.
[135] OMDC <http://www.omdc.on.ca/interactive/Tax_Credits/OIDMTC.htm>.
[136] Quebec <http://www.investquebec.com/quebec/en/financial-products/smbs-and-large-corporations/tax-credits/production-of-multimedia-titles.html>.

in Ontario.[137] The credit is available to Canadian corporations, whether Canadian or foreign-owned, that develop a video game product at a permanent establishment in Ontario. A game is only eligible if its primary purpose is either to entertain the user *or* to educate users under the age of 12.[138]

The OIDMTC consists of three tax credits.[139] The first, a 35% tax credit, applies to "specified products" developed under a fee-for-service arrangement, with the relief only extends to Ontario labour costs. The second, a 40% tax credit, applies to "non-specified products", whereby the corporation is developing and marketing their own product. This credit will extend to labour, marketing and distribution expenses. Marketing and distribution costs are eligible where they are incurred in the two-year period before and one year after the game's completion. For both credits, labour costs incurred in three years preceding the game's market-ready completion can be claimed, extending to salaries and wages for employees residing in Ontario but only where the costs are paid for services rendered at a permanent Ontario establishment and are attributable to development. Both specified and non-specified products must also meet an 80/25 rule, wherein 25% of the development labour "must be attributable to eligible wages of employees of the qualifying corporation" and 80% of the development labour "must be attributable to eligible wages and eligible remuneration paid to individuals, personal corporations, or sole proprietorships that do not have employees".

Lastly, a 35% tax credit is available to either qualifying or specialised digital game corporations for labour expenditures. Qualifying digital corporations are defined as incurring "a minimum $1 million of eligible Ontario labour costs over a three- year period for fee-for-service work done in Ontario that is directly related to the development of a digital game", whereas specialised digital game corporations "are those that have either 80% of Ontario payroll or 90% of annual revenues attributable to interactive digital media game development with a minimum of $1 million of Ontario labour expenditures in the taxation year directly attributable to the development of eligible digital games". For all tax credit levels, there is no cap on the labour costs eligible for relief and there is also no per-project or annual corporate limits on the amount of the credit that may be claimed, although marketing and distribution costs incurred on non-specified projects are subject to a $100,000 cap.

British Columbia is another great example of provincial-level Canadian government support of games development through tax relief. The Interactive Digital Media Tax Credit (**IDMTC**) is available to

[137] OMDC, *Tax Credits* (2017) <http://www.omdc.on.ca/interactive/Tax_Credits.htm>.
[138] Ontario Ministry of Finance, *Ontario Interactive Digital Media Tax Credit Bulletin* (2 November 2015) <http://www.fin.gov.on.ca/en/credit/oidmtc/bulletin-nov-2-2015.html>.
[139] OMDC, *Ontario Interactive Digital Media Tax Credit* (2017) <http://www.omdc.on.ca/interactive/Tax_Credits/OIDMTC.htm>.

qualifying companies that develop interactive media products, including video games, in British Columbia. [140] The credit is set at a rate of 17.5% of salary and wages incurred to produce the game in the year and is managed by the Income Taxation Branch. Salary and wage expenses are only eligible if they are directly attributable to the production of the game in question and paid to individuals who are residents of British Columbia. Corporations can apply for the IDMTC if they have a permanent establishment in British Columbia, are a taxable Canadian company for the year and incur more than $100,000 in salaries and wages. Additionally, corporations will only be eligible if either their principal business is developing interactive digital media products generally or substantially all their business consists of "providing eligible activities to corporations that have a permanent establishment in B.C. and whose principal business is developing interactive digital media products".[141]

After coming into effect in 2010, the IDMTC was set to expire in 2015. However, there was a strong outreach of support from the BC digital media industry for the scheme, with many urging the government to extend it to a later date. The *Straight* composed an article on 11 February 2014,[142] collating an array of anecdotal evidence from stakeholders about the positive benefits of the scheme:

- Howard Donaldson of DigiBC stated they were happy about the IDMTC scheme as it helped stop the bleeding, as "more than 5,000 industry jobs have been lost in the province since 2008". He also suggested that, for each person working in the video games industry, "two additional jobs are created, with vendors that contribute to the creation of games and businesses that support developers".
- George Heyman, the Member of the Legislative Assembly for Vancouver-Fairview, told the *Straight* that "Studies have shown that tax credits bring in more revenue than they distribute, and they increase employment in related industries".
- Todd Tessier of Recon Instruments provided that the IDMTC was "not a subsidy, but a competitive fiscal policy that is sustainable".
- Lance Davis of Slant Six Games, which ceased operations in 2013, stated "I can unequivocally say…if we'd had the benefit of [the IDMTC] perhaps one year before, there's a strong possibility Slant Six would be here today".

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[140] British Columbia, *Interactive Digital Media Tax Credit* (2017) <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/interactive-digital-media>.
[141] British Columbia, *Frequently Asked Questions* (2017) <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/interactive-digital-media/idm-faqs>.
[142] Straight, *Video game developers want B.C. to renew Interactive Digital Media Tax Credit* (11 February 2014) <http://www.straight.com/life/584451/video-game-developers-want-bc-renew-interactive-digital-media-tax-credit>.

Because of this campaign, the Liberal government announced they would extend the tax credit scheme to 31 August 2018.[143] In fact, the government's 2017 budget also proposes to extend the IDMTC to include virtual and augmented reality (AR) projects,[144] which are being pioneered by the video games industry thanks to the success of headsets such as the PlayStation VR, Oculus Rift and HTC Vive. After the announcement, DigiBC stated: "The IDMTC encourages innovative technology companies to establish global and regional headquarters in B.C., bringing high-paying jobs that benefit the entire economy. The continuance of the tax credit will lead to continued success, a stronger industry sector, and a leadership position in one of the world's fastest growing industries."[145]

It is no surprise then, thanks to the large levels of support from Canada's provinces, that the games development sector in the country is growing fast. Harvey Donaldson of DigiBC suggested that, after the increase of video games tax credits in Quebec to 30%, employment numbers in the local industry *doubled*.[146] Additionally, the Entertainment Software Association of Canada releases statistics on the size of the Canadian games sector every two years. When considered together, these numbers paint a very health picture for the industry across the entire country.[147] In 2011, about 15,700 people were employed in the Canadian games industry, with 348 active companies operating at the time. In 2013, while the number of companies dropped to 329, the number of those employed increased to 16,500.

Today, Canada's games industry employs over 20,400 people, with 472 active studios in the country. This growth in employment is significant, totalling to around 12% from 2011 to 2016. A large part of this growth is undoubtedly thanks to the favourable provincial tax relief regimes, with many large games companies either establishing new studios in the country (i.e. Bethesda in Quebec,[148] Microsoft in British Columbia,[149] Gearbox Software in Quebec,[150] Atomhawk in Vancouver,[151] Hutch in Nova

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[143] British Columbia, *Budget Speech 2015* (2015) <http://bcbudget.gov.bc.ca/2015/speech/2015_Budget_Speech.pdf>.
[144] British Columbia, *Interactive Digital Media Tax Credit* (2017) <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/interactive-digital-media>.
[145] Straight, *B.C. budget keeps tax credit for video game developers until 2018* (17 February 2015) <http://www.straight.com/blogra/392736/bc-budget-keeps-tax-credit-video-game-developers-until-2018>.
[146] Straight, *Video game developers want B.C. to renew Interactive Digital Media Tax Credit* (11 February 2014) <http://www.straight.com/life/584451/video-game-developers-want-bc-renew-interactive-digital-media-tax-credit>.
[147] ESA Canada, *Essential Facts* (2011-16) <http://theesa.ca/resources/essential-facts/>.
[148] Polygon, *Bethesda opens new studio in Montreal* (9 December 2015) < https://www.polygon.com/2015/12/9/9878680/bethesda-softworks-new-studio-montreal>.
[149] Vancouver Sun, *Microsoft opens new video game studio in Vancouver* (29 November 2012) <http://vancouversun.com/news/staff-blogs/microsoft-opens-new-video-game-studio-in-vancouver>.
[150] Polygon, *Gearbox opens new studio in Quebec City* (11 December 2015) <https://www.polygon.com/2015/12/11/9893502/gearbox-studio-quebec-city-canada>.
[151] Prolific North, *Gateshead's Atomhawk opens new studio in Canada* (21 August 2017) <https://www.prolificnorth.co.uk/2017/08/gatesheads-atomhawk-opens-new-studio-in-canada/>.

Scotia[152] and Ubisoft in Saguenay,[153] just to name a few) or simply continuing to grow and succeed (i.e. Electronic Arts in British Columbia, BioWare in Alberta and Quebec, Capcom in British Columbia, Ubisoft in Quebec). As a result, the country ranks third in the world for developing video games, just behind powerhouses US and Japan, with the industry adding over CAD$3 billion to Canada's GDP each year and employing people at an average salary of over CAD$71,000.[154]

United States of America

IGEA would also like to provide the following case study on EA Tiburon, which provides an overview of the significant benefits that have accrued to the state of Florida in terms of employment and income in the games sector because of the introduction of a production tax offset for games development. Note that the U.S. video game industry employs more than 220,000 individuals according to the Entertainment Software Association (**ESA**). Employment in the video game industry grew at an annual rate of 2.9%, more than double the rate of the U.S. job market, and employees in the industry earned an average compensation of $97,000 per year in 2015 – nearly double the average U.S. household income. There are 2,322 developer locations across all 50 states and the District of Columbia.

Case Study – Digital Media Incentives in Florida: Development, Growth and Success

In 1998, Electronic Arts (EA) bought Tiburon Entertainment, a typical garage based start-up located in Maitland, Florida, to develop a football interactive game and quickly grew the studio to 100 employees, a fortuitous decision that would ultimately lead to the rise of a digital media ecosystem in Florida. Soon after EA's purchase of Tiburon and the concomitant nationwide rise of the digital media industry, state competition for the industry's high skill, high wage jobs began in earnest. Louisiana, which adopted the nation's first film and television incentive program, was a prime example, expanding its incentive program in 2005 to include development of interactive games. Recognising they had begun to lose ground to other states, Florida lawmakers added interactive digital media to the existing film and entertainment incentive program in 2007. The incentive program, which began with funding of $US2.4 million in 2004, had grown to $US25 million in the year that digital media was added. EA was one of the companies that took advantage of this incentive to support growth.

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[152] Games Industry Biz, *UK motorsports developer opens Canadian office to increase output, tap new talent pool* (15 August 2017) <http://www.gamesindustry.biz/articles/2017-08-15-hutch-opening-nova-scotia-studio>.
[153] Ubisoft, *Ubisoft Announces the Creation Of The Ubisoft Saguenay Studio And Record Investments In Quebec* (5 September 2017) <http://montreal.ubisoft.com/en/ubisoft-announces-the-creation-of-the-ubisoft-saguenay-studio-and-record-investments-in-quebec/>.
[154] ESA Canada, *Essential Facts 2016* (2016) <http://theesa.ca/wp-content/uploads/2016/11/2016_booklet_Web.compressed2.pdf>.

EA's presence in Florida began to have an effect. EA partnered with the University of Central Florida (UCF) to create a video game development school, the Florida Interactive Entertainment Academy. EA also worked with Full Sail University and the Ringling School of Design. This helped develop the regional workforce by cultivating graduates with science, technology, engineering, and mathematics skills, valuable to not just EA, but to the entertainment, modelling, simulation, and defence industries. This activity was part of creating a regional digital ecosystem in Media and Technology, which brings together leadership and mentoring, technology, capital, government and policy, and a support network. As EA began to grow in Florida, other states began to compete for the industry's valuable jobs. In response, in 2010, the Florida Legislature updated the program from a cash incentive program to a tax credit program to keep up with the competition from other states. The program was originally allocated $US242 million in multiyear tax credits, representing a greater than 300 percent increase in incentives relative to the $US73 million provided under the original incentive program.

The updated tax credit program operates as follows:

- No earlier than 180 days prior to the project start date, a production company may apply to Office of Film and Entertainment (OFE) for certification of tax credits based upon the project's estimated qualified expenditures
- Qualified expenditures include production expenditures for goods purchased or leased from, or services provided by, a Florida vendor or supplier, as well as wages paid to Florida residents
- OFE must review the application within 15 days after receipt and, if the application contains all the required information, recommend the applicant to the Department of Revenue for the maximum tax credit award. The Department of Revenue is required to, within 5 days, either reject the recommendation or certify the applicant for the tax credit award
- Tax credits for projects are allocated on a first come, first serve basis, according to three queues: the general production queue, the commercial and music video queue, and the independent and emerging media production queue. Digital media, film and television projects are funded in the general production queue, which receives 94 percent of all incentive funding. A project must have at least US$625,000 in qualified expenditures to be eligible for funding in the general production queue
- The baseline tax credit incentive for projects in the general production queue is calculated at 20% of qualified expenditures, up to US$8 million. Tax credit bonuses are provided for employing digital media students or graduates, incurring at least 50% of the project's qualified

expenditures to a digital media production facility, and producing family friendly projects. A project may not receive tax credits totalling more than 30% of its actual qualified expenditures

- After the project is completed and all expenditures are made, the production company must have an independent certified public accountant conduct a compliance audit to verify the amount of actual qualified expenditures. This final, verified amount represents the basis from which to calculate the final tax credit award.
- If the production company cannot benefit from the tax credit due to a lack of tax obligation, the production company may sell them to an entity that does have an obligation, or transfer the credit back to the state for 90 percent of the tax credit's face value.

In 2011 and 2012, Florida allocated an additional US$12 million and US$42 million, respectively, to the tax credit program, increasing the total tax credits allocated under the program to US$296 million. The updated tax credit program resulted in a resurgence of film and television industries in Florida, and growth in digital media. But EA did more than just create internal jobs. The ripple effect from EA's presence and growth in the region is palpable. Here are a few points to consider:

- A former EA Tiburon leader went on to lead UCF's Florida Interactive Entertainment Academy to become one of the most highly acclaimed video game development schools in the nation
- Former EA leaders went on to create companies such as Shiver Entertainment, 360Ed and Row Sham Bow, and a Zynga studio in Florida. Other companies formed around this cluster too
- In 2013, EA partnered with UCF to create the EA Sports Innovation Lab
- Central Florida is also home to Indienomicon, an organisation dedicated to bringing awareness to the "excitement, culture and incredible talent of the indie [video game] developers of Central Florida." The body features dozens of independent game companies
- The region also hosts a now annual event called "Indie Galactic Space Jam," which brings together scientists and others from the space travel industry (such as NASA scientists) and game developers to rapidly prototype video games with a space travel theme
- EA Tiburon participates in EA's Play to Learn™ STEM initiative, a course focusing on Math, Science, Engineering and Foundational Coding. The course, which aligns with national and state Common Core Education Standards, reinforces STEM thinking through real-world application of skills, exposing students to exciting career opportunities in these industries.
- EA leaders have co-created a technology co-working space, called CANVS, that serves the region and has become home to 75 technology start-ups and other companies. CANVS hosts

dozens of technology industry events each month and has recently become the headquarters of a newly formed accelerator fund to support the growth of technology companies

- EA Tiburon is also helping to sponsor and launch OrlandoiX, a first of its kind of event celebrating the interactive digital media industry in the region. The inaugural event is expected to draw thousands of visitors, and will feature a gaming arena with game playing tournaments, game building challenges and a game expo with a gaming speaker series.

What began as a three-person start-up grew to 100 with the acquisition by EA and the building of the team to create the *Madden Football* franchise. EA Tiburon, with the success of the incentive and cultivation of the regional talent pool, grew to 600 employees. The program's success resulted in Florida extending it for another year, and EA responded by bringing new titles to the studio. By 2012, it grew to around 825 Floridians working in its studio, with an average salary greater than the US$90,000 industry average in Florida, and far above the average wage of approximately US$41,000.

C. Co-Working Spaces

Importance of Co-Working Spaces for Games Development

IGEA supports the Senate *Game on* Report's call that the Australian government, in conjunction with States and Territories, encourage and financially contribute towards the creation of shared co-working spaces for the video games development industry. Collaborative workspaces or "innovation clusters" enable many different developers, studios and game companies to rent desks or offices within the same building, work on their businesses and develop games in a collaborative environment. The benefits of creating such spaces for the games development industry are immense. Economies of scale are encouraged in terms of resources, interaction, collaboration and knowledge-sharing. The importance of being able to network, build industry connections and foster both employment and business opportunities with others in the space should not be overlooked. Hubs can create a centre of activity for allowing visiting companies and organisations, including potential investors, to support localised development initiatives. Additionally, co-working spaces frequently offer useful services such as the renting of office spaces or desks at subsidised rates, access to high speed internet and other technology, access to meeting and board rooms, formal and informal business support (i.e. legal, taxation marketing and financial support), and mentorship and training initiatives. Rent subsidies are particularly important for individual developers or new start-ups that require the facilities but perhaps do not have the required capital to do so. And of course, with the slow rollout of the National Broadband Network (**NBN**) across the country, the ability to access high speed internet is critical, especially for game studios who frequently require high upload and download speeds to update software, work remotely and develop games with others around the world.

Examples of Co-Working Spaces

We have already seen the creation of shared co-working spaces specifically for games development across certain Australian States and Territories, although the instances where the government is financially contributing to these spaces is low. One of the best examples in this regard is "**The Arcade**" in Melbourne, which receives financial assistance from Film Victoria. The Arcade has been described as "…a not for profit co-working space for Australia's digital games community based in Melbourne which houses a gamification workshop space encouraging projects from non-entertainment industries

to leverage games methodologies, technologies and psychologies".[155] A new collaborative workspace in Canberra called "**Game Plus**" has also recently opened,[156] although this is an initiative of the Academy for Interactive Entertainment (**AIE**) in conjunction with industry partners. New workspaces like "**Level Up**" are also planned for cities such as Sydney, Brisbane and Perth.[157]

Looking internationally, the development of innovation clusters is a strategy that has been used with success in many Scandinavian countries, including Finland, which boasts seven regional games clusters, many funded by support through the European Union.[158] Hubs are currently in Turku, Tampere, Oulu, Kajaani, Joensuu, Kotka and Kouvola and there are also plans to set up clusters in Jyväskylä and Rovaniemi. Further examples of game development co-working spaces include[159] Tech Valley Game Space (Troy, New York),[160] Game Assembly (Manchester, New Hampshire),[161] Philly Game Forge (Philadelphia, Pennsylvania),[162] Buffalo Game Space (Buffalo, New York),[163] Indie Game Collective (Cambridge, Massachusetts),[164] Indies Workshop (Seattle, Washington),[165] Playhubs (London, England),[166] GamePlaySpace (Montreal, Canada),[167] GameNest (San Francisco, California),[168] Glitch City (Los Angeles, California),[169] Brighton Game Collective (Brighton, England),[170] Bento Miso (Toronto, Canada)[171] and Warp Zone Louisville (Louisville, Kentucky).[172]

Evidence for the Benefits of Co-Working Spaces

IGEA supports the federal government to work with state and territory level governments to allocate funding towards the creation of co-working spaces in areas where there are no, or perhaps a limited number, of co-working spaces for games development already present. Financially and resource wise,

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[155] Invest Victoria, *ICT – Games* (2015) <http://www.invest.vic.gov.au/opportunities/informationcandccommunicationctechnologycict/digitalcgames> (accessed 10 August 2015).
[156] Game Plus (2017) <http://gameplus.com.au/#about>.
[157] Level Up <http://levelup.thoughtworks.com/>.
[158] Tekes, *The Game Industry of Finland* (2015) <https://www.tekes.fi/globalassets/ohjelmat-ja-palvelut_uusin/skene/brochure/game-industry-finland-brochure-2015.pdf.pdf> page 24.
[159] See HackVT, *Game dev Specific Coworking Spaces* <https://www.reddit.com/r/gamedev/comments/4s3zf8/game_dev_specific_coworking_spaces/>.
[160] Tech Valley Game Space <http://www.techvalleygamespace.com/>.
[161] Game Assembly <https://gameassembly.org/>.
[162] Philly Game Forge <http://phillygameforge.com/>.
[163] Buffalo Game Space < https://buffalogamespace.com/misc/index>.
[164] Indie Game Collective <http://www.indiegamecollective.org/>.
[165] Indies Workshop <http://indiesworkshop.com/>.
[166] Playhubs <http://playhubs.com/>.
[167] Game Play Space <http://gameplayspace.com/>.
[168] GameNest <http://thegamenest.com/>.
[169] Glitch City < http://glitch.city/>.
[170] Brighton Game Collective <http://brightongamecollective.com/>.
[171] Bento Miso <https://bentomiso.com/>.
[172] Warp Zone Louisville <http://louisvillemakesgames.org/warpzone/>.

founding and maintaining these development hubs are not an insignificant endeavour. While industry partnerships have helped create some co-working spaces, government funding and support is still critically important to fill the void, especially when one considers the immense benefits that spaces such as The Arcade have had for residing developers. Anecdotal evidence on the benefits of co-working spaces have been collated in the Senate *Game on* Report,[173] and IGEA would like to see these benefits extended to developers in other Australian states and territories. For the convenience of the Department, some of these testimonials will be included below;

- The GDAA stated the following about The Arcade: "The facility encourages interaction and knowledge sharing, and the success of the initiative is evident in the large number of products that have been released to the global market from resident businesses, and the amount of new intellectual properties conceived and developed in the space. At the time of writing, 26 companies comprising 90 individuals are established in The Arcade, and 32 games have shipped from the facility in its two-years of operation. Additionally, The Arcade has become a centralised space for visiting companies, including Kickstarter, Facebook, Google and Apple, as a means of reaching a large number of content creators in one location. These same companies share strategies, ideas and extend support with the local sector, building invaluable relationships. The Arcade also hosts regular skills development workshops with invitations extended to games practitioners and creative outside of the games sector. Finally, The Arcade enjoys strong relationships with several tertiary education providers, extending the resources of the facility to students, and is regularly attended by representatives of Creative Victoria, the Victorian government's creative industries Department".[174]
- Lauren Clinnick of Lumi Consulting stated the following about the Arcade: "…[B]eing in the same building means that if somebody from another company has a marketing question, they walk down the hallway and they ask me…I do not have to travel to them. So the proximity is wonderful—the sense of community. If someone is having a challenge, or even just a moment of doubt, they can always talk to other people that are in The Arcade… There are many stories in The Arcade of someone walking past, being impressed, seeing what someone is doing at

[173] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> pages 55-58.
[174] GDAA, *Submission to Senate Environment and Communications References Committee* (18 September 2015) <http://www.aph.gov.au/DocumentStore.ashx?id=3769392e-1795-4d9a-8330-155483f2946e&subId=402690> page 16.

the hot-desking space, and that is a way of risk-managing the employment for that person and then they end up getting a job."[175]

- Paul Stapelberg of Well Placed Cactus stated the following about the Arcade: "...[I]t has helped us create one of our office hubs here in Melbourne which we work from constantly…[W]e are looking to move our desks around to accommodate the extra people we are bringing on…The Arcade has helped us gain new business roughly to the value of $300,000…[I]t is good to be close to people and see them every day."[176]
- Neil Rennison of Tin Man games stated the following about the Arcade: "We have a part-time artist on our team, and I know for a fact that he is working with three other groups of game developers within The Arcade. He is building his skills, working on other projects and learning tech and tricks that he is then bringing to my business. Conversely, the stuff he is learning with us is going to these other businesses."[177]

Additionally, there is no reason that co-working spaces need to be located in major cities or restricted solely to games development. With the increase of jobs and infrastructure in regional areas being a big issue for government, appropriate regional areas can be provided with a potential economic boost, attracting local employment (particularly youth employment) and innovation through technology-based clusters, which may also encourage the regional creation of film and television content. With sufficient broadband infrastructure, interactive games development can occur anywhere and anytime. IGEA is aware of one games developer based in Noosa, Queensland, who relocated from Brisbane to set up their studio. They noted that the main challenge to moving to a regional centre was the need for high-speed broadband infrastructure.

[175] Lauren Clinnick, Lumi Consulting, *Senate Environment and Communications References Committee Hansard* (19 February 2016) page 42.
[176] Paul Stapelberg, Well Placed Cactus, *Senate Environment and Communications References Committee Hansard* (19 February 2016) page 43.
[177] Neil Rennison, Tin Man Games, *Senate Environment and Communications References Committee Hansard* (19 February 2016) page 43.

D. Serious Games

IGEA supports the recommendation of the Senate's *Game on* report that the government facilitate dialogue between video game industry associations and groups that use, or could potentially use, "serious games" in the health, education and other sectors, in order to encourage the further uptake and production of these games within Australia. Video games are developed not just for entertainment purposes but also many others, including: "health, education, defense, emergency planning, politics, engineering, urban planning, manufacturing and service delivery".[178] These projects have been referred to as "serious games" and some examples of serious games projects in Australia include:

- Neuroscience Research Australia developing an exercise game to help people with multiple sclerosis improve their balance and mental skills;[179]
- A Brisbane based developer, Revelian, developing an immersive psychometric assessment game designed to improve the recruitment experience for jobseekers;[180]
- Carolyn Mee developed a game called *Sound Scouts* that is designed to check for hearing problems in children and young people;[181]
- The Telethon Kids Institute and the University of Western Australia developing a game to help improve health outcomes for children with autism;[182] and
- The National Museum of Australia developing the "Kspace" exhibit, an interactive adventure game where children build a time-travelling robot to learn about Australia's history.[183]

The proliferation of virtual reality (VR), augmented reality and mixed reality technologies also exemplify the high levels of innovation in the games industry,[184] and Australian games developers have

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[178] Professor Stuart Smith, *Inquiry into the future of Australia's video game development industry* (13 September 2015) <http://www.aph.gov.au/DocumentStore.ashx?id=eabbb022-c1d2-46e1-8d4f-2d2cae96295a&subId=402648> page 4.
[179] IGEA, Inquiry into the future of Australia's video game development industry (8 September 2015) <http://www.aph.gov.au/DocumentStore.ashx?id=5b5dfdfb-fdd6-4556-957f-e95785c6dc75&subId=401729> page 22.
[180] MCV Pacific, *Australian Serious Games to be showcased on global stage* (10 October 2016) <http://www.mcvpacific.com/news/read/australian-serious-games-to-be-showcased-on-global-stage/0173633>; Medianet, *Brisbane-based psychometric test provider to represent Australia in International Serious Games Challenge* (7 October 2016) <https://www.medianet.com.au/releases/114338/>.
[181] ABC, Sound Scouts: Australian team develops tablet app for child hearing tests (12 November 2015) <http://www.abc.net.au/news/2015-11-11/sound-scout-team-develops-tablet-app-for-child-hearing-tests/6930602>.
[182] Dr. Gail Alvares, 'Serious games' for children with autism could provide new therapy options (18 August 2016) <http://www.abc.net.au/news/health/2016-08-18/serious-games-could-provide-new-therapies-for-kids-with-autism/7700380>.
[183] Clare Sibthorpe, 'National Museum introduces 'Kspace' interactive history game for kids' (9 December 2015) <http://www.canberratimes.com.au/act-news/national-museum-introduces-kspace-interactive-history-game-for-kids-20151209-glj3uu.html>.
[184] See, for example, Deloitte, *Virtual reality (VR): a billion dollar niche* (2016) <https://www2.deloitte.com/global/en/pages/technology-media-and-telecommunications/articles/tmt-pred16-media-virtual-reality-billion-dollar-niche.html>; Business Insider, The virtual and augmented reality market will reach $162 billion by 2020 (22 August 2016) <http://www.businessinsider.com/virtual-and-augmented-reality-markets-will-reach-162-billion-by-2020-2016-8/?r=AU&IR=T>.

helped to truly push the boundaries of these technologies and bring them to market. For example, Alzheimer's Australia Victoria, working with game developers Opaque Multimedia (an Australian start-up), developed a VR game designed to improve health outcomes for people living with dementia by creating "a sensory therapeutic environment enabling people with dementia to experience and interact with the soothing virtual reality of a forest".[185] Another Australian company, Start VR, has also developed a VR app for Qantas that allow travellers to experience 360° videos at locations including Sydney Harbour, Hamilton Island and Uluru.[186]

Furthermore, video games are used in classroom settings for youth of all ages, engaging students in self-paced learning and allowing teachers the ability to respond individually and in real time so students don't get left behind when learning critical math and science concepts. At the university level, video game and digital technology programs are some of the fastest-growing degree programs on campuses around the world. And video game technology has been key in the training of highly-skilled professionals, as can be observed through the development of simulation technology in fields as diverse as healthcare, the military and aerospace.

Video games are inherently an engaging, intuitive, interactive and intellectually-stimulating medium that have the potential to help address a wide range of social, economic, cultural and health related issues. The above-mentioned efforts into serious games, including the many examples discussed in the Senate's *Game on* report (i.e. games designed to promote road safety, address issues such as bullying, etc.),[187] provide just a small glimpse of the positive outcomes that can be achieved and Australia, with appropriate levels of government support and investment, could certainly become a competitive, global leader in the sector. We already have developers making forays into this field, actively creating games-based technologies with real world applications that are helping improve people's lives, but there is still vast amount of untapped potential that the government could take advantage of. Accordingly, alongside the Senate's other recommendations, IGEA believes it is important for the government to support Australian developers in the production of serious games for health, education and other purposes.

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[185] Kye White, Aussie startup a Microsoft Imagine Cup winner (5 August 2015) <http://www.startupsmart.com.au/advice/growth/innovation/aussie-startup-a-microsoft-imagine-cup-winner/>.
[186] Start VR, *Qantas VR* (2016) <https://startvr.co/project/qantas-vr/>.
[187] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> pages 4-5.

8. Conclusion

IGEA would like to thank the Department for being able to participate in this inquiry into Australian and children's screen content. We hope the Department appreciates the challenges that video games development faces in Australia and adopts all the recommendations of the Senate *Game on* and HoR *Innovation and Creativity* Report. These recommendations, from implementing funding for games developers, to introducing tax offsets for games development, and to encouraging the creation of co-working spaces, are crucial to help grow and sustain Australia's games development industry.

APPENDIX A – AUSTRALIAN MARKET DATA

The Australian video and computer games industry generated $2.958 billion in revenue in 2016, a four per cent increase on 2015 sales. The industry saw a total of $1.065 billion in traditional retail sales, with an additional $1.893 billion in digital and mobile sales last year.

The IGEA's commissioned research from NPD Group Australia showed that, in 2016:[188]

- Video games generated $1.065 billion in retail sales in 2016, a 16% decrease on 2015 sales
- The primary area for growth in retail sales was in accessories for current generation consoles PS4 and Xbox One, which was up 25% on 2015
- Games classified MA15+ sold the highest number of units in 2016, reflecting the 33-year-old average age of Australian game players
- 55% of games sold received an unrestricted classification (G, PG or M)

Further industry key highlights by independent research firm Telsyte evidenced:[189]

- Video games generated $1.893 billion in digital sales in 2016, a 19% increase on 2015
- While mobile is still the largest part of the digital pie (up 14%), the biggest growth is coming from downloads of full games and additional content (up 26%)
- Downloadable content (DLC) is a popular way to extend the life of a game and experienced 31% growth on 2015 sales

[188] Research based on NPD & Telsyte, cited at IGEA, *Taking it up a level: Australian video game industry generates $2.958B in 2016* (28 February 2017) <http://www.igea.net/2017/02/taking-in-up-a-level-australian-video-game-industry-generates-2-958b-in-2016/>.
[189] Ibid.

Australian Video Game Industry Value

Key Findings: Digital Australia 2018

DIGITAL AUSTRALIA REPORT **2018**

KEY FINDINGS

FUNCTION - GAMES HOUSEHOLDS
97% of homes with children have computer games.
60% of households have five or more screens.
80% of game households have more than one game device.
16% of game households have a virtual reality headset.
33% choose not to download games due to data limits.

FUNCTION - WHO PLAYS
67% of Australians play video games.
46% of video game players are female.
34 years old is the average age of video game players.
77% of players are aged 18 years or older.
43% of those aged 65 and over play video games.
13 years - the average length of time adult players have been playing.

FUNCTION - HOW WE PLAY
89 Minutes is the average daily total of all game play.
98 Minutes is the average daily total play for males.
77 Minutes is the average daily total play for females.
10 Minutes, twice a day is typical for casual game play.
1 Hour, daily is typical for in-depth game play.

MOTIVE - WHY WE PLAY
Pass time, have fun – top reasons younger adults play.
Have fun and de-stress – top reasons working-age adults play.
Passing time, keeping an active mind - top reasons older adults play.

MOTIVE - GAME PLAY SHARING CULTURE
68% have used walkthroughs, videos or wikis to help their gameplay.
28% have posted their own videos of gameplay. 33% have watched e-sports. Of these players...
- 52% watch to learn strategies for improved gameplay.
- 10% watch to follow an e-sports team.

INTENTION - FAMILIES AND PLAY
60% of parents play with their children in the same room.
44% of parents play online games with their children.
81% are familiar with family controls on game systems.
84% of parents have talked with a child about playing safely online.

ADVANTAGE - GAMES AND WELLBEING
For better health, participants said video games ...
- 84% can improve thinking skills.
- 78% can improve dexterity.
- 59% can help manage pain.

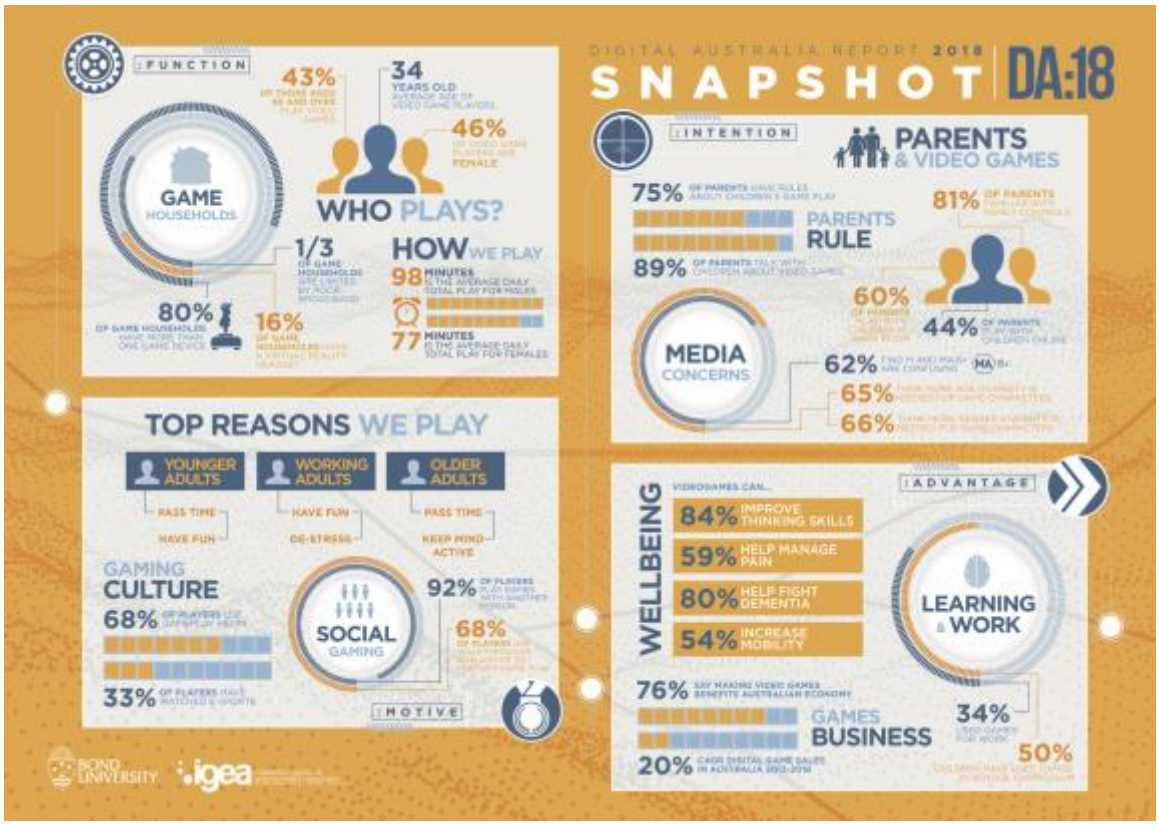
For positive ageing, participants said video games...
- 90% say video games may increase mental stimulation.
- 80% say video games may fight dementia.
- 54% say video games may increase mobility.

ADVANTAGE - GAMES, LEARNING AND WORK
Using video games for work ...
- 34% have used games at work related to better work knowledge.
- 26% have used games at work to learn health and safety rules.

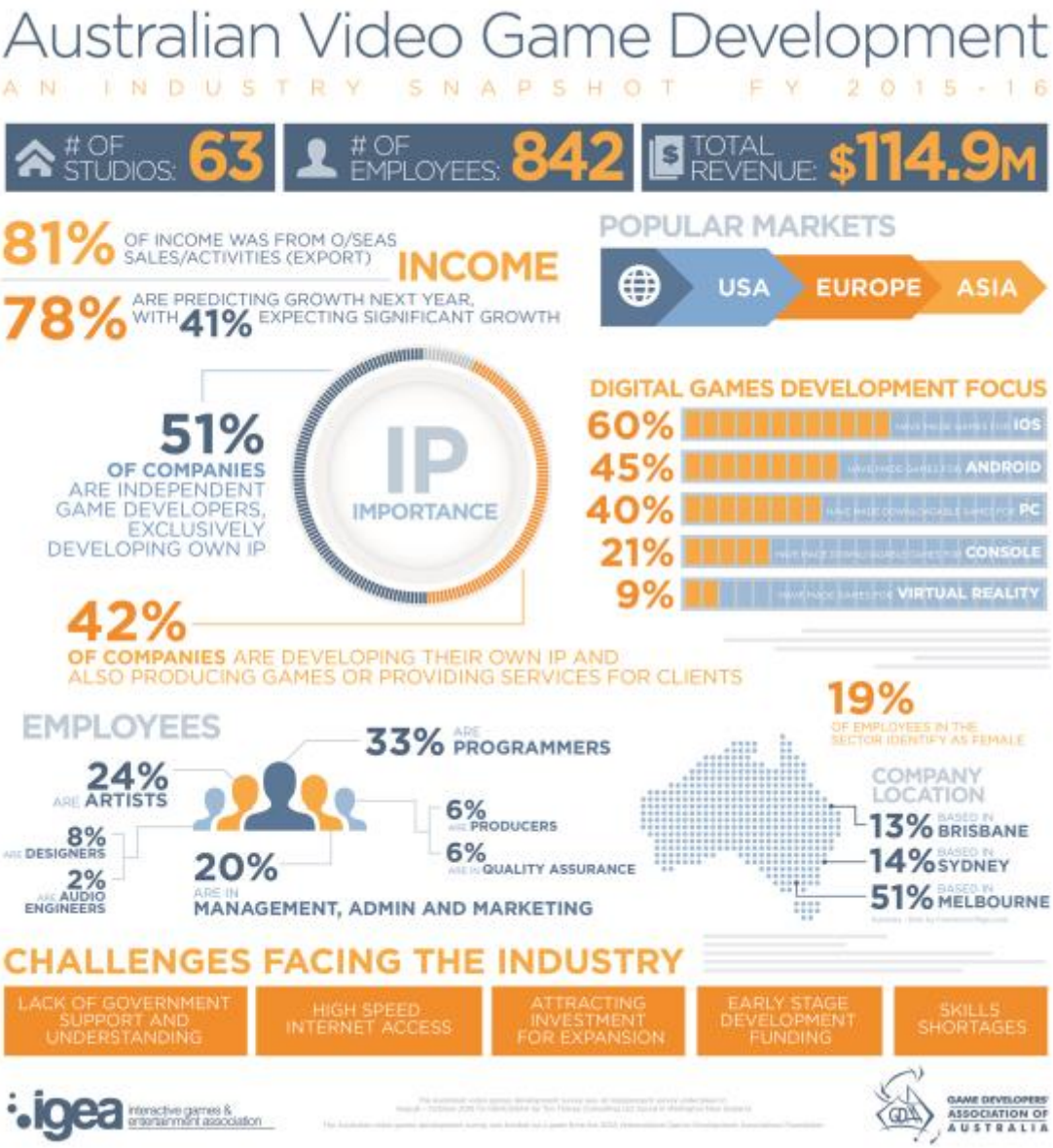
Using video games in schools parents say video games ...
- 71% can be effective for teaching students.
- 50% have been used by their children in the school curriculum.

ADVANTAGE - GAMES BUSINESS
76% say making video games in Australia benefits the Australian economy.
20% was growth rate of the Australian game industry in 2016.

METHODS
Digital Australia 2018 (DA18) is a study of 1234 Australian households and 3135 individuals of all ages in those households. Participants were drawn randomly from the Nielsen Your Voice Panel in March 2017; research was designed at Bond University. The margin of error is ±2.7%.



APPENDIX B – SNAPSHOT OF THE AUSTRALIAN VIDEO GAME DEVELOPMENT INDUSTRY[190]



[190] IGEA, *Infographic: A snapshot of the Australian Video Game Development Industry* (21 December 2016) http://www.igea.net/2016/12/infographic-a-snapshot-of-the-australian-video-game-development-industry/>.

APPENDIX C – SENATE ENVIRONMENT AND COMMUNICATIONS REFERENCES COMMITTEE RECOMMENDATIONS[191]

Recommendation 1

5.14 The committee recommends that the Australian government introduce a funding scheme based on the former Australian Interactive Games Fund.

Recommendation 2

5.20 The committee recommends the introduction of a refundable tax offset for Australian expenditure in the development of game titles. A review of the operation of the offset should be undertaken at least two years after the offset commences.

Recommendation 3

5.26 The committee recommends that the Australian government encourage, and contribute financial assistance for, the creation of shared working spaces modelled on The Arcade in other locations. This support should be contingent on co-funding provided by a state government and further evidence that the state government supports the growth of a video game development industry in its state.

5.27 The committee further recommends that the Australian government consider the viability of establishing an innovation hub for video game development and other technology startups in a regional centre.

Recommendation 4

5.29 To encourage the further uptake of 'serious games' in health care, education and other sectors, and production of these games by the Australian video game development industry, the committee recommends that the Australian government facilitate dialogue between video game industry associations and groups that use, or could potentially use, serious games.

Recommendation 5

[191] *Senate Game on Report* (29 April 2016) <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report> page vii.

5.33 The committee recommends that the Australian government consider the tax implication of crowd-sourced funding for startups, including whether temporary tax relief should be available for income that new businesses gain from crowd-sourced funding.

Recommendation 6

5.39 The committee recommends that the Australian government develop a discussion paper and consult on the utility of the Export Market Development Grants scheme for businesses that operate in the digital economy.

Recommendation 7

5.44 When considering and reviewing measures to support the industry, the committee recommends that the Australian government take into account whether the industry is improving the diversity of its workforce and is providing fair employment conditions.

Recommendation 8

5.48 The committee recommends that the Australian government commit to rolling out 21st century broadband infrastructure.

APPENDIX D – STORYTELLING IN A SELECTION OF AUSTRALIAN-MADE VIDEO GAMES

***Paperbark* by Paper House**

Paperbark is an upcoming Australian-themed video game created by Victorian studio, Paper House.[192] The game is set in Australia and tells the short story of a typical Australian summer. Players follow the adventures of a sleepy wombat, who explores the bush and solves problems. New locations can be discovered as you play, with the adventure building as the day gets hotter and hotter. The studio describes that it attempts to present a "sincere representation of Australian bushland, which has been inspired by iconic historical and contemporary landscape Artists and Australian children's literature". Paper House goes on to explain that "the game has been created as a love letter to wandering through the bush and can resonate with anyone who grew up in Australia, or is interested in it".

[192] Paperbark, *Paperbark Game* (2017) <http://www.paperbarkgame.com/>.

***BioShock*[193] by 2K Australia & 2K Boston**

BioShock was created by 2K Boston and 2K Australia, a Canberra based studio.[194] Unfortunately, 2K Australia closed in 2015 due to the high costs of developing games in the country. *BioShock* is widely regarded as one of the best video games of all time, particularly because of its phenomenal narrative, based on the objectivism philosophy of Ayn Rand in her book, *Atlas Shrugged*.[195] Rapture is based in the 1960s in an underwater city known as Rapture. Rapture was created by Andrew Ryan, who desired a city that was hidden away from the rest of the world and the constraints of government. It was meant to be a utopia for society's elite, attracting the very best philosophers, scientists, artists, doctors and engineers. Thanks to the freedom in rapture, scientific research flourished, leading to the discovery of an underground sea slug known as ADAM, which could be processed to alter a human's DNA and provide them with super-human like powers, such as shooting electricity from one's hand and the ability to telekinetically control objects. However, a coup began to be planned by Frank Fointaine, a businessman and former gangster, who had an immense influence with Rapture's lower classes.

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[193] 2K, *BioShock* (2017) <https://www.2k.com/games/bioshock>.
[194] Wikipedia, *BioShock* (2017) <https://en.wikipedia.org/wiki/BioShock>.
[195] IGN, *Top 100 Games* (2017) <http://au.ign.com/lists/top-100-games>; Time, *Best Video Games of all Time* (23 August 2016) <http://time.com/4458554/best-video-games-all-time/>; Metacritic, *Best Video Games of all Time* (2017) <http://www.metacritic.com/browse/games/score/metascore/all/all/filtered>.

Together with Dr. Tenenbaum, Fontaine mass-produced ADAM by implanting the slugs into the stomachs of orphaned girls known as "little sisters". Fontaine and his army attacked Ryan, but after Fontaine was killed in a battle, a new figure called Atlas continued the coup, leading attacks on the little sisters to obtain as much ADAM as possible. Ryan countered this by creating monsters known as "big daddies" – who were surgically grafted humans in large diving suits that were psychologically manipulated to protect the little sisters. He also created his own army of "splicers", who were controlled directly by him via the distribution of pheromones through the city's ventilation system. On New Year's Eve in 1958, Atlas and his army undertook an all-out attack against Ryan, which resulted in the death of many citizens of Rapture. It is after this event that you, as the game's main protagonist, arrives. You are on a plane that crashes into the middle of the ocean, where you manage to swim to a lighthouse that allows you to enter Rapture. The dystopian city is now running rampant with splicers, big daddies and security systems. With nothing but a wrench to defend yourself, you must play your way through rapture, discover the secrets of the city and survive long enough to eventually escape.

***TY the Tasmanian Tiger*[196] by Krome Studios**

Queensland developer Krome Studios released the highly-acclaimed *TY the Tasmanian Tiger* in 2002, which has sold millions of copies globally.[197] It is a children's game set in a fictional Australia, with

[196] Steam, *TY the Tasmanian Tiger* (13 December 2016) <http://store.steampowered.com/app/411960/TY_the_Tasmanian_Tiger/>.
[197] Wikipedia, *TY the Tasmanian Tiger* (2017) <https://en.wikipedia.org/wiki/Ty_the_Tasmanian_Tiger>.

players taking control of Ty, a Tasmanian tiger. The game is entirely inspired by Australia, with the setting influenced by Australian landscapes, TY's primary method of combat being the use of two boomerangs, and many of the game's characters and plot devices being inspired by Australian history, animals and Aborigine culture. The main antagonist in the game, Boss Cass, travels to the Australian outback to activate the Dreamtime so that he can rule the country. Ty's family confronts Cass, who are then trapped in the "Dreamtime" using a magical talisman. Ty is the very last Tasmanian tiger alive and is raised by a group of bilbies. Ty grows up and accidentally falls into a cave, where he is confronted by Nandu Gilli, a Bunyip elder, who tells Ty about his race and what happened to his family. Ty is instructed to seek out the magical talismans to rescue his family. Ty is assisted by a cockatoo (Maurie) and a Koala scientist (Julius) to find the talismans. Ty's adventures throughout the Australian outback range from travelling to a billabong to discover a second boomerang that will help him in his adventures and using his boomerangs to make his way through Pippy Beach. The story culminates with Ty entering a rainforest to defeat Cass and use all the gathered talismans to bring his parents back.

***Hacknet*[198] by Team Fractal Alligator**

Hacknet is a game developed by Team Fractal Alligator, a studio from South Australia with a single developer, Matt Trobbiani.[199] The game allows players to hack computers in a simulated environment.

[198] Steam, *Hacknet* (13 August 2015) <http://store.steampowered.com/app/365450/Hacknet/>.
[199] Wikipedia, *Hacknet* (2017) <https://en.wikipedia.org/wiki/Hacknet>.

Players start by being contacted by a user called “Bit”, which is an automated message that informs players it was sent because Bit was killed. Players are then asked to investigate the circumstances around Bit’s death. The game suggests Bit died due to being involved in crimes, but players need to hack computers as part of the investigation. Players attempt to hack a user named “Naix”, who retaliates by hacking the player’s own system, which forces a reboot of the player’s computer. Once recovered, players are encountered with a choice – they can either take vengeance against Naix or resume the regular mission. The game culminates where players hack the computer systems of a company known as “EnTech”. The system is advanced and makes computers “inviolable to the tools currently at the disposal of the player.” When getting around the security measures, players discover Bit was employed by the company to create an operating system, known as “Hacknet”, that specialised in computer hacking. The company’s plan was to use the Hacknet to cause consumer demand for the protection system. Bit played a large role in the project, but began to question its morality. The project owner asked an anonymous person to “discourage” Bit, which unfortunately was misunderstood as a hit to assassinate Bit. This was a mistake and even the owner tried to stop the assassination, but it was too late. Players, upon discovering all this information, can then delete all copies of Hacknet forever. Bit also wrote a command before dying that managed to bring down the server behind the project.

***Hollow Knight*[200] by Team Cherry**

[200] Steam, *Hollow Knight* (25 February 2017) <http://store.steampowered.com/app/367520/Hollow_Knight/>.

Hollow Knight was developed by Team Cherry, another games studio from South Australia. The game is unique as it relies much less on directly telling players about the story like a movie, but instead hints at the narrative though environmental storytelling, character interactions and secrets.[201] You play as a Knight that arrives in Dirthmouth, a small town above the ruins of an abandoned kingdom, Hallownest. You head out to Hallownest to explore. Hallownest's citizens still linger, though their remnants are possessed and succumbing to a mysterious infection. The source of the infection seems to be a Temple within Hallownest that is sealed. The protector of Hallownest, Hornet, tries to stop you in your path. However, the Dreamers, "mythical beings" who contact the knight, ask you to undo the temple's seals.

While playing, you discover more and more about the history of Hallownest and your own character. Before the kingdom was created, The Radiance ruled over bug kind. The Radiance was essentially a god that trapped bug kind and forced them to do what it pleased. However, the Pale King, the future King of Hallownest, emanated from a race known as the Wyrms and freed bug kind from the Radiance. The Radiance in response released the infection throughout the kingdom. The Pale King tried to reverse the plague by experimenting with a dark energy known as the Void, to construct a "Vessel" that would not be affected by the Radiance and be able to destroy the infection. This vessel was called the "Hollow Knight" and was sealed inside the temple with the source of the infection to ensure it remained shut. The Dreamers kept the seals shut by falling into an eternal sleep. Unfortunately, the Pale King disappeared and the Hollow Knight vessel was ravaged by the infection, causing the infection to leak into the wider kingdom, killing or controlling most residents. This is why the Dreamers contacted the player Knight – to defeat the now compromised Hallow Knight, become the new Hollow knight and destroy the infection once and for all. The game has three different endings, depending on how players play the game: by either eradicating the infection or simply trapping it again in the temple. The former involves the player fighting the Radiance and sacrificing their own life to destroy it and the infection.

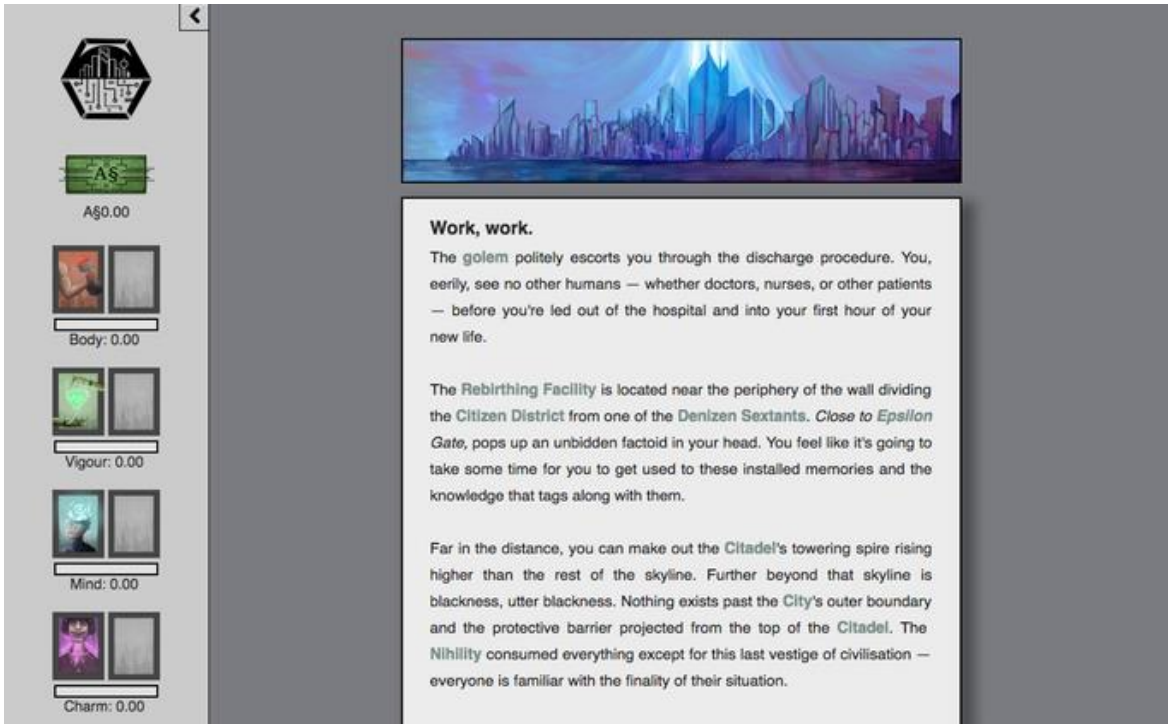
[201] Wikipedia, *Hollow Knight* (2017) <https://en.wikipedia.org/wiki/Hollow_Knight>.

***Into Affliction*[202] by Valorian Games**

Into Affliction is an upcoming sci-fi game from Valorian Games, a studio based in Melbourne, Victoria. You play as Koharu, who travels to a planet in search of a cure to save her dying sun. Unfortunately, her trip is cut short as her ship malfunctions. Koharu is now left stranded, with her son still on life support and in need of help. Players do not have any weapons, yet must survive against aliens. Valorian describes that the game's narrative "is motivated by the creator's experience of living with cystic fibrosis and the efforts to which his mother went to keep him healthy as a child…It looks to focus on the sacrifice a mother makes for the safety of her child".

[202] Valorian Games, *Into Affliction* (2017) <http://valoriangames.com/press/into-affliction/>.

Alycone: The Last City[203] by Joshua Meadows



Alycone: The Last City is an upcoming interactive fiction, sci-fi video game by Joshua Meadows, residing in Victoria. Mr. Meadows received over $8,000 in funding from the community on Kickstarter for development and is set to release in December 2017. *Alycone* is set in a location now known as "the City". Before the beginning of the game, the universe was destabilised and destroyed due to experiments with hyperspace and faster than light speed space travel. The City is now the very last city in the universe, governed by six ruling houses who have created a very strict "class & caste" system, whereby the poor are struggling to fight for what they can to survive and the rich have everything they need. But even the wealthy ae having issues – they are barely scraping by and movement and travel is heavily restricted in the city. The game places you, as the protagonist, in this precarious situation and in the shows of a "rebirth". Rebirth is a process where the inhabitants of Alycone are reborn in cloned bodies with downloaded memories, and as such they never actually die. The City provides a setting rich with "political posturing, conniving, and survival", with characters that have their own motivations that may get in the way of your own adventures. But you as the character have the choice to use this

[203] Kickstarter, "Alcyone: The Last City — interactive fiction video game" (31 May 2017) <https://www.kickstarter.com/projects/joshuameadows/alcyone-the-last-city-interactive-fiction-video-ga/description>.

as an opportunity or allow it to become a hindrance. As a result, the game focuses heavily on choice – the decisions you make in the game actually matter and affect the narrative and ending of the game in meaningful ways. For example, if you "upset the wrong faction…you may find yourself blacklisted from their good graces and thus locked out of an entire section of the plot", which allows players to replay the game and make different choices to determine how else the game plays out. This means that the game has multiple perspectives and endings, all influenced in the decisions you make in the game, with seemingly the biggest conundrum being whether you save or destroy the City.

***L.A. Noire*[204] by Team Bondi**

L.A. Noire was developed by Team Bondi, a Sydney based studio that unfortunately closed in 2011.[205] It is an action-adventure video game set in 1940s Los Angeles. You play as Cole Phelps, an officer of the LA Police Department who once served in the US Army during World War II but now spends his time attempting to solve a range of crimes in the city. He is promoted to detective when he solves a very large murder case and is increasingly regarded in the precinct for his ability to solve very complex cases. While Phelps has a wife and family, he falls for and has an affair with another woman, Elsa Lichtmann. This information is used by Phelps' partner to make Phelps a scapegoat in the cover up of

[204] Steam, "L.A. Noire" (9 November 2011) <http://store.steampowered.com/app/110800/LA_Noire/>.
[205] Wikipedia, "Team Bondi" (2017) <https://en.wikipedia.org/wiki/Team_Bondi>.

a large scandal, with the Chief of Police also being involved. Phelps' reputation is quickly damaged when knowledge of the affair is made public and soon he is demoted to working on arson cases.

One of his new assignments involves investigating two house fires, which Phelps discovers are connected to a new housing development. Phelps' previous partner tells Phelps to stay away and not bother the real estate tycoon behind the developments, Leland Monroe. Phelps continues the investigation regardless, asking Elsa to help with the investigation, who manages to get an investigator from California Fire & Life insurance to look into the matter. It is discovered that Monroe, in syndication with Fire & Life and the Chief of Police, concocted a plan to defraud the US federal government though the housing development project. Their plan involved buying the land that the government was planning to build a large freeway through and then building houses with shoddy and unsuitable materials. To continue its plan, the government was required to buy the land at whatever cost, so Fire & Life falsely claimed that the land was of a very high value.

The story beyond this point continues to become more complex, with investigations uncovering even more crimes, ranging from drug running, to kidnapping and even murder. It is up to players, in the shoes of Phelps, to continue the investigation to uncover the full extent of the syndicates plans and the links to corrupt police within the LAPD.

APPENDIX E – SAMPLE OF RELEASED & UPCOMING AUSTRALIAN-MADE VIDEO GAMES

Australian Video Games	Developer	State	Release Date
Alycone: The Last City	Joshua Meadows	VIC	1-Dec-17
Armello	League of Geeks	VIC	2-Sep-15
Battlestar Galactica Deadlock	Black Lab Games	WA	31-Aug-17
BioShock	2K Australia	ACT	21-Aug-17
Borderlands: The Pre-Sequel	2K Australia	ACT	14-Oct-14
Choices That Matter	Tin Man Games	VIC	25-Nov-15
City of Brass	Uppercut Games Pty Ltd	NSW	18-Sep-17
Clockwork	Gamesoft	NSW	10-Oct-16
Data Wing	Dan Vogt	QLD	1-Aug-16
Dead Static Drive	Team Fan Club	VIC	TBA
Death of Magic	Tyandae Games	NSW	Sometime 2017
EXO One	Jay Weston	SA	Sometime 2018
Flight of the Amazon Queen	Interactive Binary Illusions & Red Sprite Studios	QLD	25-Oct-95
Forts	EarthWorkGames	QLD	19-Apr-17
Framed	Loveshack	VIC	14-Jun-17
Hacknet	Team Fractal Alligator	SA	13-Aug-15
Hand of Fate	Defiant Development	QLD	18-Feb-15
Hollow Knight	Team Cherry	SA	25-Feb-17
Intergalactic Space Princess	Izzy Gramp & Laura Stokes	VIC	TBA
Into Affliction	Valorian Games	VIC	TBA
It Will Be Hard	Hien Pham	WA	1-Jan-18
Jolly Rover	Brawsome	VIC	8-Jun-10
Killing Time at Lightspeed	Gritfish	NSW	6-Jul-16
Knuckle Sandwich	Andrew Brophy	VIC	TBA
L.A. Noire	Team Bondi	NSW	9-Nov-11
Little Witch Story	Snow Mcnally	VIC	TBA
MacGuffin's Curse	Brawsome	VIC	20-Apr-12
Majestic Nights	Epiphany Games	NSW	30-Oct-14
Miss Fisher and the Deathly Maze	Tin Man Games	VIC	8-Feb-17
Necrobarista	Route 59	VIC	Early 2018
Ninja Pizza Girl	Disparity Games	QLD	30-Sep-15
Objects in Space	Flat Earth Games	NSW	Early 2018
OfficeBots: Reality Bytes [VR]	FutureStateMachine	VIC	22-Aug-17

Orwell: Keeping an Eye On You	Osmotic Studios & Surprise Attack	VIC	28-Oct-16
Paperbark	Paper House	VIC	Sometime 2018
Paradigm	Jacob Janerka	WA	6-Apr-17
Peridium	Powerhoof	VIC	1-May-17
Perso	Crepe Studios	SA	21-Apr-17
Projection	Shadowplay Studios	NSW	TBA
Satellite Reign	5 Lives Studios	QLD	28-Aug-15
Star Hammer: The Vanguard Prophecy	Black Lab Games	WA	4-Jun-15
Submerged	Uppercut Games Pty Ltd	NSW	4-Aug-15
Symphony of the Machine	Stirfire Studios	WA	25-Apr-17
Tahira: Echoes of the Astral Empire	Whale Hammer Games	ACT	31-Aug-16
Tala the Game	Matthew Petrak	VIC	TBA
The American Dream	Samurai Punk	VIC	Sometime 2017
The Coop Times	2HitStudio	NSW	12-Mar-15
The Eyes of Ara	100 Stones Interactive	QLD	19-Jul-16
The Gardens Between	The Voxel Agents	VIC	Early 2018
The Thin Silence	Two PM Studio	QLD	TBA
Ticket to Earth	Robot Circus	VIC	29-Jun-17
To Be or Not To Be	Tin Man Games	VIC	5-Feb-15
TY the Tasmanian Tiger	Krome Studios	QLD	13-Dec-16
Virtually Impossible	Growl Interactive	VIC	13-Apr-17
Wayward Strand	Wayward Strand	VIC	TBA
Wildfire	Sneaky Bastards	NSW	Sometime 2017
Yonder: The Cloud Catcher Chronicles	Prideful Sloth	QLD	18-Jul-17