

## Sizing up the future for Australia's video game industry

February 29, 2016 11.04am AEDT

Few foresaw the stunning commercial success enjoyed by Hipster Whale's Crossy Road. Alper Çuğun/Flickr, CC BY

---

### Authors



**John Banks**

Associate Professor, Creative Industries Faculty, Queensland University of Technology



**Stuart Cunningham**

Director of the ARC Centre of Excellence for Creative Industries and Innovation, Queensland University of Technology

In April the Senate will present findings on its inquiry into the [future of Australia's video game development industry](#).

A recent “perfect storm” of factors combined to change the face of the Australian games industry. The strong Australian dollar through the global financial crisis gutted the industry of its pricing advantages. Of even greater structural consequence for the industry was the simultaneous explosion of apps-based mobile casual games play, based on the smartphone platform and then also the tablet.

We have been tracking the fortunes of this beleaguered industry. Much has been destroyed, but many green shoots have come after the storm.

The statistics tell a stark story of destruction of value. Of the 1431 [reported](#) employees in 2007, by mid-2012 only 581 remained, and reported game development income had dropped from A\$116.9

million to just A\$44.4 million. The industry's revenue streams were massively exposed to overseas work for hire. It accounted for about 80% of the industry's total income.

By 2012, the majority of the bigger studios had closed, and the industry had retreated to be largely concentrated in Victoria. According to the Games Developers Association of Australia (GDAA), the main advocacy and professional association for the industry, somewhere between 60-70% of industry workers had either moved to another industry or had left Australia for more resilient industry locations and/or those better supported by government policy and programs.

## **Green shoots**

But since 2012 the industry has transformed its revenue base from 80% work for hire to 75% original IP – an almost complete reversal in the balance between business models.

Winners emerging from the creative destruction include HalfBrick (Fruit Ninja), Defiant Development (Hand of Fate), League of Geeks(Armello) and the stunning commercial success enjoyed by Hipster Whale's Crossy Road. These developers and many others out there represent the reassertion of a vibrant development scene characterised by a range of business models and diverse approaches to the craft of making games.

Many of the developers we tracked emphasised that the shift from fee for service to original IP meant they enjoyed greater creative control and autonomy.

## **Policy settings to promote home-grown developers**

Australian policy making and support for local videogames development has been intermittent, half-hearted and often poorly targeted. The most important recent initiative, Labor's A\$20 million Australian Interactive Games Fund, was cut in half by the incoming Liberal government in 2013.

Concrete policy and program commitments at the state level especially in Victoria through the Film Victoria Games Development Fund have supported local developers and seen the survival of a indie games scene concentrated in Melbourne.

Many of the Australian developers we studied emphasised the favourable regulatory and taxation frameworks enjoyed by developers in other countries. They proposed that the lack of similar frameworks and schemes in Australia meant that they faced further competitive constraints in an already turbulent and rapidly changing market. Australia can learn from more mature markets, including Canada. Canadian-based developers benefit from a range of programs offering tax credits, employment incentives and grants on a provincial basis.

Rather than focusing on attracting international companies to Australia, as the Inquiry's terms of reference suggest, it is as important to consider how home-grown companies can be supported to grow sustainable businesses. Developers are passionate about their businesses' capacity to employ Australian developers. We know how quickly international companies exited the scene during the down time.

Taxation frameworks and other production assistance initiatives can be devised that both attract overseas businesses and encourage locals.

While "born global", trade-exposed sectors such as games will inevitably be affected by the Australian dollar's exchange rate, the fundamental reason why overseas games companies may establish operations in Australia has to do with the strength of the talent pool. Keeping the talent pool strong, and refreshing it from world-class education and training programs, is the most effective, long-term way government can contribute.

Games talent is very transferable to other sectors. Our research shows clear trend differences in the games cultures of Melbourne, Sydney and Brisbane. In Sydney, games talent is often an input into digital content and applications. This helps grow domestic industries which have more stable demand profiles than the highly volatile and massively oversupplied games consumption markets.

A recent initiative of the GDAA and the Victorian government is The Arcade, a shared working space that supports small games enterprises. The aim is to foster an environment of business sustainability.

Federal policy should support such innovative ventures and hubs that pull small businesses and their support enterprises together across the country.

 Video games