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- Greetings all.
- Today I am pleased to be launching a report that we have titled 'Playing for Keeps: Enhancing Sustainability in Australia's Interactive Entertainment Industry'. Copies will be available after today's session.
- The report is the culmination of over 6 months of research and analysis by our Strategy and Research team and takes stock of the current environment in which interactive entertainment is being created while considering options for Government to enhance the industry's sustainability.
- Over the next few minutes I'll be stepping through these options and providing some context in which Screen Australia is operating in this environment. We will then have a panel discussion involving my colleagues that will go into a little more detail.
- As many of you will know, Screen Australia is the national funding agency for screen production, charged with the development, support and promotion of a highly creative, innovative and commercially sustainable Australian screen sector.
- Screen Australia has funded interactive entertainment and storytelling from its inception through the *Innovation Program* and its successor the *All Media Program*, as well as other initiatives such as *Serious Games*. Mike will show us a few examples of these projects shortly.

- Beyond this, and while Screen Australia does not itself set Government policy – it does provide strategic advice to Government and has advocated on behalf of the games industry for greater recognition of its economic and cultural contribution.
- The challenges facing the interactive entertainment industry are intrinsically linked to those of the broader screen sector. Most notable among these are the evolving ways that audiences are engaging with audiovisual content amid converging technology, and how this is impacting the production and distribution of Australian screen content.
- A whole-of-sector approach is needed to ensure that the right supporting frameworks are in place to address the threats and opportunities that come from greater convergence. With this in mind, this report draws together themes raised in several Screen Australia reports from the last two years and provides new insights to help inform the ongoing dialogue.
- As part of the *Review of the Independent Screen Production Sector* in early 2010, Screen Australia raised two challenges facing local developers. First, was a need to sustain Australia's position as a preferred off-shore provider of production services in light of incentives in competing territories, and the second, was a lack of retention of intellectual property in original ideas.
- These challenges were further explored within the context of audience participation as part of Screen Australia's reports *Beyond the Box Office: Understanding Audiences in a Multi-screen World* in April of this year and *Convergence 2011: Australian Content State of Play* in August. Together they mapped screen content including games across all media distribution points.
- Organisations such as the Interactive Games and Entertainment Association (IGEA) and the Games Developers Association of Australia (GDAA) are generating important analysis about the industry. What is missing currently is ongoing data to benchmark the sources of finance, levels of production activity and employment within Australia's interactive entertainment industry.
- To date the most comprehensive source of this information has been the one-off *Digital Game Development Services* survey, undertaken by the Australian Bureau of Statistics in 2006/07. Data such as this is fundamental to informing structural change as it not only illustrates areas that require greater assistance but also means the effectiveness of any such assistance can be measured once implemented.
- Screen Australia has consistently articulated the importance of continuing this work. As a result, the Australian Government earmarked specific funds as part of Screen Australia's allocation in the May 2011

budget. With this additional money, the agency can now work with the ABS to rerun and improve the survey design, rolling in components of both the *Digital Game Development Services* and *Television, Film and Video Production and Post-Production Services* publications.

- When released in 2013, this survey will close a five-year gap in knowledge and for the first time report on the entire audiovisual production sector, with greater clarity about the intersections that occur across the film, television and interactive entertainment industries.
- However, the screen sector cannot just sit back and wait. To get a sense of the current environment, Screen Australia undertook 22 interviews in mid-2011 with six overseas publishers, 10 local developers and six local film and television production companies.
- These interviews have helped us articulate the challenges identified in this document and formed the basis of economic modelling conducted by PricewaterhouseCoopers on behalf of Screen Australia.
- They have also informed the thinking behind the options for government support that are outlined in this report, as well as in submissions that we have recently made to the Australian Government's *Convergence Review* and *National Cultural Policy*.
- So what did we find out?
- We know from our discussions with local developers that there is a strong desire to create original local content but a reluctance to do so because of the financial risk involved.
- Government support for local production activity mitigates risks as well as assists developers to attract private investment.
- Support is sought by the industry to help develop projects in which Australian developers are able to retain intellectual property, leading to a greater volume of interactive entertainment based on Australian artistic expression and development under local creative control.
- This will encourage less reliance upon fee for service work which is dependent upon external factors such as the strength of the Australian dollar.
- There are a number of options open to Government to help navigate the challenges and opportunities facing the sector.
- The experience of the film and television production industries show that a combination of direct and indirect Government support contributes to a sustainable production sector that is capable of delivering a broad range of content which is successful at home and internationally.

- With that in mind we have considered 2 key strategies which we think could provide for a good foundation of support and assist the industry at a particularly important stage in its development.
- The first option is the introduction of tax support via an interactive entertainment offset to assist games production.
- The second complementary option is increased development and production funding via an On-line Production Fund.
- Let's step through these in a little more detail
- We know that tax incentives have worked well for the film and television industry. As at 30 June 2011, there have been 326 final Producer Offset certificates issued for drama and documentary projects with total budgets of \$1.46 billion.
- The policy intent behind the Producer Offset was to help the film and television industry to become more competitive and responsive to audiences, and be a major incentive for projects with significant commercial potential. The Offset was to provide a substantial opportunity for producers to retain significant equity in their productions and build stable and sustainable production companies.
- These aims equally apply to the interactive entertainment industry.
- There are two potential strands to the interactive entertainment offset:
 - o The first is the introduction of a new tax offset to assist with the production of stand-alone games titles;
 - o The second strand aims to broaden the scope of the current Producer Offset to allow for expenditure on interactive entertainment components of otherwise eligible drama, documentary and film projects to qualify under the rebate.
- The offsets would cover medium to high-cost projects, ranging from console games to downloadable apps.
- We have included more details about potential thresholds of expenditure and eligibility in the report. Importantly we have emphasised a need for Australian creative control rather than on story or setting.
- The interactive entertainment offset positions the industry to achieve two important things:
 - o First it aims to attract foreign investment in console games and larger scale digitally distributed games. The rebate would make Australia cost competitive with development locations in Europe,

the US and Canada, encouraging publishers to establish or expand existing subsidiaries in Australia.

- o Secondly it aims also at stimulating smaller businesses working on high quality games for digital distribution, boosting the local industry's ability to take advantage of opportunities that have come from greater convergence
- In our *National Cultural Policy* and Convergence Review submissions, Screen Australia proposed the creation of an **Online Production Fund**, which would provide a launching pad for the screen sector to fully embrace the opportunities of fast broadband.
- For businesses, the Fund would provide an opportunity to test and develop new content and distribution models that harness the unique interactive components offered by the internet.
- This provides great opportunities for funding support for premium original content over and above current levels available for online interactive entertainment experiences.
- The ability of the screen production industry as a whole to reach its full cultural and economic potential is dependent on the health of each of its sectors.
- A diverse and sustainable interactive entertainment industry provides benefits inherent to the industry and the medium as well as impacting on other parts of the screen production industry
- While the options we have outlined support the development and growth of the interactive entertainment industry in its own right – I believe one positive outcome could be to encourage greater collaboration and partnership between the game industry and the film and television industries.
- This will see the extension of the Australian screen content over multiple platforms as well as the fusion of cinematic storytelling and interactivity in stand-alone interactive entertainment. .The formation of multidisciplinary teams is something that we have encouraged through our funding programs.
- Our collective challenge is to assist the local screen industry to take advantage of the unprecedented opportunities presented by technological convergence to connect with audiences.
- We need our screen content to remain relevant and engaging to audiences.
- We know Australian audiences are responsive to new and innovative forms of interactive entertainment content. It is also apparent that the Australian games industry is well placed to take advantage of

convergence to reach new audiences and explore new forms of storytelling telling and interactivity.

- We believe that additional Government support will enable the local industry to develop more high-quality original interactive entertainment content, heightening the industry's cultural impact both domestically and internationally.

Playing for Keeps: Enhancing Sustainability in Australia's Interactive Entertainment Industry is available on the [Screen Australia website](#).