

Game Plan: *The Next Level*

A blueprint for growing the Victorian
computer game industry



Game Plan: The Next Level — A Blueprint for Growing the Victorian Computer Game Industry

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Minister's Message

The Victorian Government is determined to reinforce Victoria's reputation as a centre of excellence for computer game development.

We recognise that interactive entertainment is helping power the high-tech economy of the 21st century. However, if we are to maintain Victoria's lead in this industry — if we are to capture new markets and forge new links with overseas business partners — we must act decisively.

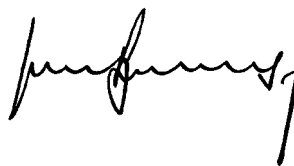
Game Plan and *Game Plan: The Next Level* set out how Victoria can capitalise on its advantages as a computer game centre, which include a highly skilled workforce, a robust economy and a strong record in the information and communications technologies (ICT) industry. Victoria also boasts a large concentration of thriving creative industries — in animation, film, television, multimedia, music, design and the traditional arts — all of which contribute to our culture of innovation and excellence. They help to make Victoria an unusually fertile environment for computer game development.

In November 2000 I released *Game Plan*, which addressed three issues facing computer game developers: infrastructure, business growth and skills. Since then the Victorian Government has worked vigorously with individual firms, industry bodies and the education sector to tackle these issues. We have had some magnificent wins, but there is still much to be done.

Earlier this year I asked a group of secondary school students to name which country produced two computer games most had played, *South Park Rally* and *Le Mans 24 Hours*. Some said America and some said Japan — no one suggested Australia. It was a pleasure to be able to tell them these games were created in Melbourne by two of our international success stories, Tantalus Interactive and Infogrames Melbourne House.

They were impressed — as they should be — and surprised — which is something we have to work on. Victoria's computer game industry has been more than two decades in the making. It has a magnificent record of achievement.

In *Game Plan: The Next Level*, the Victorian Government restates its commitment to helping local companies and multinationals based here aim even higher. We are also committed to letting the world know just how good our computer game industry is. Nobody should be surprised at what we can do.



John Brumby MP
Treasurer
Minister for State and Regional Development
November 2001





The State of Play in 2001: Victoria's Computer Game Industry

With its strategic location in the Asia-Pacific, world-class infrastructure, highly skilled workforce and cosmopolitan lifestyle, Victoria is a natural home for the computer game industry. The State also has many strengths of specific interest to game companies, including a sophisticated retail and distribution sector, eight world-class universities and more than 15 high-tech incubators — which are already nurturing the next generation of technology companies.

Victoria's leadership in computer game development dates back to the early 1980s, when Melbourne's Alfred Milgrom put Beam Software on the international map with the legendary game, *The Hobbit*. Beam built on this initial success to become the first game company listed on the Australian Stock Exchange.

French company Infogrames, the second-largest game publishing and development house in the world, bought Beam in 1999, and is doubling the size of its Melbourne operation, which currently employs 100 people. Infogrames' international president Bruno Bonnell recently identified Victoria as one of three leading centres for computer game development in the world — a fantastic endorsement of this State's capabilities.

The computer game market is one of the fastest growing in the world. A recent survey found that 60 per cent of Americans over six years old regularly play computer games. In Australia, every second home has a personal computer and one in five has a Sony PlayStation. Computer game development has grown from small beginnings to become a global industry worth US\$20 billion a year — more than the movie industry. The potential for growth is enormous, with increased uptake in the Asian market expected to help boost turnover to US\$100 billion in the next decade.

Victoria's computer game industry already generates valuable jobs and export revenue for the State. It is also creating opportunities — by fuelling demand and diffusing know-how — for Victorian companies developing online education services, multimedia products and other visual content. The games sector dovetails perfectly with Victoria's other creative industries. Cooperation and cross-fertilisation between these industries stimulates the production of new ideas and accelerates the adoption of new techniques, bringing benefits all round.

Game Plan: The Next Level, building on the breakthroughs achieved by the original *Game Plan*, aims to make the industry even stronger by:

1. improving infrastructure;
2. growing local businesses; and
3. developing skills.

"When we decided to extend our development capacity to Asia, placing the regional headquarters in Melbourne was not a difficult decision to make. The culture of our company is imagination and passion, and that is to be seen here. Of all our locations, Melbourne is one of the best, if not the best."

**Bruno Bonnell, International President,
Infogrames**



A Snapshot of Victoria's Industry

- Victoria is home to half of Australia's game development industry.
- There are more than 300 people employed by local game development companies and multinationals.
- More than 200 games developed in Victoria have been sold globally.
- The Australian Game Developers Conference is being held in Melbourne from 2000 to 2002.
- The world's second largest computer game company — Infogrames (France) — has its Asian regional headquarters for publishing and development in Melbourne.
- US publisher Acclaim Entertainment has its Australasian HQ in Melbourne.
- US publisher THQ has its Asia-Pacific headquarters in Melbourne.
- Electronic Arts (USA) and Nintendo Australia (Japan) have distribution, sales and marketing operations in Victoria.
- Successful local companies and internationally recognised game products developed in Victoria include:
 - Beam Software — *KKND; Cricket 97; Dethkarz; GP500*
 - Blue Tongue Software — *AFL Finals Fever; Riding Star — The Ultimate Horse Adventure; Starship Troopers*
 - Complay — *Firefly*
 - Cookie Jar Caveman — *Don't Give Up Your Day Job*
 - Ferraro Design — *The Claw*
 - Hyper Stimulator — *racing car simulators*
 - Infogrames Melbourne House — *Looney Tunes Space Race; Le Mans 24 Hours*
 - Interactive Entertainment Australia — *Equestriad 2001*
 - IR Gurus — *Mary King's Riding Star; Heath Ryan's Riding Star; Willow Brook Stables; Saddle Club; Kevin Sheedy's AFL Coach 2002; Hay Bale Shootout*
 - Pier 57 — *E.N.G.A.G.E.; Autocracy 1 & 2; EliteSports Pack; Big Boss Overtime; Big Boss Jnr Playtime; Lock 'N' Load 1 & 2*
 - Tantalus Interactive — *Manx TT; House of the Dead; South Park Rally; Mary Kate & Ashley's Winning Circle*
 - That Game — *email games*
 - Torus Games — *Carmageddon: TDR 2000; Jackie Chan Adventures; Spiderman; Planet of the Apes*
 - Fantastic Interactive — *Pro Golf; America's Toughest 18*

"Melbourne has a lot to offer in terms of industry. It's the centre of the game development industry in Australia."

Brian Farrell, President and CEO, THQ



Improving Infrastructure

The first issue we are looking at is the infrastructure required by the local industry.

Computer games are developed for both personal computers and game consoles. As the PC market becomes more crowded, the lucrative console market will provide enormous opportunities for emerging as well as established developers. Console platforms include the Microsoft X-Box, Nintendo GameCube and Sony PlayStation 2.

However, many Victorian companies wanting to enter this market have found the cost of developer kits (up to \$50,000) for the next generation of consoles prohibitive. **In *Game Plan*, the Victorian Government said it would introduce measures to increase access to these developer kits.**

The first of these measures is a program being implemented by the Victorian Branch of the Game Developers Association of Australia, with Victorian Government funding, to make Sony PlayStation 2 developer kits available at no cost to approved companies. Both established firms and start-ups headquartered in Victoria will be eligible to take part in the scheme, which will place equal emphasis on disseminating PlayStation 2 know-how and getting new titles published.

The program is a world-first — never before has Sony allowed an industry association to manage access to its developer kits. Affordable access to these kits will give Victorian companies a real edge over their Australian and international competitors. **Recognising this, the Victorian Government will provide \$250,000 to subsidise local companies' access to Sony PlayStation 2 developer kits and operating software. In addition to this funding, we will continue to seek ways of increasing access to developer kits under *Game Plan: The Next Level*.**

Producing a computer game requires innovation and creativity — two of Victoria's strengths. However, original ideas flourish best in a supportive environment. In *Game Plan*, we undertook to **assist the local industry to prepare a business plan for a computer games incubator to help fledgling game developers transform their ideas into marketable products.** The incubator could offer management, legal, accounting and other professional support and house specialist equipment, such as sound-editing suites and graphics studios.

A consortium of Victorian game industry professionals led by Deacons Corporate Consulting was established to develop the business plan for the incubator. The project has four phases: (1) initial scoping and resource allocation, (2) creation of business plan and related operational structures, (3) raising private sector incubator funding, and (4) incubator establishment and operation.

Phases 1 and 2 commenced in the first half of 2001. Phase 3, raising private sector capital, will be implemented over the next six months. Phase 4 will commence toward the end of phase 3, with the appointment of incubator board members, recruitment of incubator support staff, and preliminary sourcing of incubator projects. Indeed, informal steps to source projects for the incubator have already begun, and several strong contenders have been identified. The incubator project will be finalised during the life of *Game Plan: The Next Level*.

Through *Game Plan: The Next Level*, the Victorian Government will provide \$50,000 for the completion of the feasibility study and business plan for a computer games incubator.



Game developers can also take advantage of the new Centre for Innovation and Technology Commercialisation at 257 Collins Street in Melbourne. The centre, which opened in October 2001, is part of the Victorian Government's \$20 million Technology Commercialisation Program. The innovation centre includes a public exhibition space called innovation@257. One of the first major shows at the space will be a history of computer game development in Victoria.

Another issue for game developers, particularly those in rural and regional areas, is the accessibility and cost of bandwidth. **While providing bandwidth is not a State function, the Victorian Government is working with the Commonwealth and the private sector to develop telecommunication strategies and scope opportunities designed to help the computer game industry get the bandwidth it needs.** The government has been working on several fronts since we first made this commitment in *Game Plan* — and the commitment is here renewed.

In order to determine whether Victoria's bandwidth-intensive industries are being restricted by lack of access to affordable broadband services, the Victorian Government commissioned a study to investigate the current state of the broadband market, how it is evolving, and what broadband costs. As part of this study, a questionnaire was distributed to small and medium enterprises in bandwidth-intensive industries (including computer game developers), seeking information about their bandwidth requirements and spending on broadband services. We are currently considering the findings of this study and options for appropriate action.

In the meantime, the Victorian Government is using its own network development initiatives to increase business and community access to bandwidth, particularly in regional Victoria.

For example, the release of *Game Plan* in November last year coincided with the announcement that millions of dollars would be spent expanding the VicOne broadband network. The Victorian Government-owned VicOne network is the largest secure private Internet Protocol network in the southern hemisphere and one of the most advanced switched-data and IP communications networks in the world. VicOne is currently being expanded to make it easier for regional businesses to access faster and more economical telecommunications services.

Infrastructure takes many forms, and one of the most useful things we can do for the computer game industry is encourage activity in similar screen-related fields. In the United States, interactive entertainment companies are migrating from San Francisco (and Silicon Valley) to Los Angeles (and Hollywood). This is partly because more and more computer games tie in with films and television programs. However, it is also because the movie capital offers developers the increasingly sophisticated infrastructure they need as games become more ambitious — sound studios, motion-capture facilities, animation labs, music production facilities, talent agencies and so on.

The Victorian Government is investing \$40 million to establish a high-tech film and television studio at Melbourne Docklands which is expected to create similar synergies here. Moreover, as part of *Game Plan: The Next Level*, the Victorian Government will conduct a feasibility study into industry establishing a motion-capture facility in Melbourne.



Motion-capture facilities are integral to the development of high-quality computer game titles which require lifelike movement of physical figures in the game environment. A motion-capture facility enables human movement to be digitised and utilised to drive the motion of 3D characters. This is done in a studio environment that features infra-red and/or optical cameras and data processing technology. In addition to the development of entertainment titles, a motion-capture facility would also exploit market opportunities in animation, film and television, sports medicine, biomechanics and industrial ergonomics. It would be a major addition to Victoria's knowledge industry infrastructure.

The convergence of once disparate forms of entertainment and cultural activity in the digital age gives each of our creative industries the opportunity to leverage off the others. The Docklands studio will be an essential part of that process. A private sector partner will be chosen to design, construct and run the studio early in 2002, and film production should be in full swing by 2003.

"Victoria is equal to the best the US, Japan and Europe have to offer when it comes to cutting-edge game development. There are many reasons for this, but the quality, availability and reliability of the State's technology and education infrastructure is critical — and each new initiative that consolidates Victoria's position as a centre of excellence in the field makes that infrastructure even stronger."

**Adam Lancman, Managing Director and CEO,
Infogrames Melbourne House**



Growing Local Businesses

The Victorian Government's second focus is growing local businesses.

Today's sophisticated computer games are put together by teams of up to 30 or more people and can cost between \$2 million and \$5 million to develop. The scale and complexity of computer games is expected to escalate even further as user expectations rise and the next generation of console platforms becomes established over the next couple of years.

One of the challenges the local industry faces is building and maintaining a critical mass of game developers. It is estimated that 500 people are employed in computer game companies Australia-wide — more than 300 of them in Victoria. To remain a force in the industry, we have to double this number in the next five years. While each company is ultimately responsible for its own growth, there are many things governments can do to help.

For example, small to medium computer game companies sometimes have trouble financing development projects. While we believe the provision of venture capital is an issue best addressed by the market, there is much the government can do to raise awareness of the opportunities that exist and facilitate dialogue between financiers and entrepreneurs.

In *Game Plan*, the Victorian Government undertook to **help build networks linking the venture capital and computer game industries to encourage funding for local game development.** In *Game Plan: The Next Level* we are renewing that commitment, which we have already delivered on in a number of ways.

In March this year the Government released a draft of *Growing Tomorrow's Big Australians: A Framework to Encourage Investment in Tomorrow's Knowledge Businesses* for industry comment. The

framework is designed to educate investors and businesses seeking investment about what is required to establish an internationally competitive venture capital sector in Victoria.

We also organised the highly successful Technology Commercialisation Forum in 2000 and followed it up with the Commercialise 2001 Workshop Series in October this year. The workshops brought innovators from business and the research community together to focus on knowledge creation, technology transfer, approaches to building and financing technology businesses, and how technology commercialisation can be used to revitalise local economies.

The Commercialise 2001 Venture Capital Fair held in Melbourne during November showcased some of Victoria's most promising technology start-up companies, all of which had received assistance through the Victorian Government's Technology Commercialisation Program over the last two years. The fair was designed to stimulate interest and investment in these companies and make the venture capital market aware of the opportunities they offered.

Through *Game Plan: The Next Level*, the Victorian Government commits to working to ensure that this state's computer game industry benefits from these and future venture capital initiatives.

As the local industry continues to grow, more international companies are engaging Victorian companies to develop games for the world market. **While it is important to attract international companies to Victoria, it is equally important to assist local companies to develop their own ideas.** Under *Game Plan: The Next Level*, the Victorian Government will look at ways of **supporting the creation of local computer game content.**



This initiative, coupled with our work on a motion-capture facility, will give the local industry the tools and support to increase the development of its own ideas and games for the world market.

The government will also facilitate investments by multinational companies that take advantage of Victoria's talents and extend its capabilities. The government's investment attraction efforts are already paying off. For example, France's Infogrames has established its Asian headquarters in Melbourne, creating 110 jobs. Infogrames' Victorian operation is designing and, for the first time, publishing games for the Asian market, now also including Japan. Similarly, Los Angeles-based THQ has chosen Melbourne as the launch-pad for its latest push into Asia, the Pacific and Latin America. It will invest \$10 million and employ 45 people. Meanwhile, US software giant Acclaim Entertainment is spending \$4 million in Victoria to develop a new Australian Rules football game for a variety of platforms in partnership with the Australian Football League and local developer IR Gurus.

Gaining exposure for local products on the world stage is essential to promoting Victoria's capabilities to global decision-makers and hooking local companies up with potential partners. **In *Game Plan*, the Victorian Government said it would expand the Trade Fairs and Missions Program.**

Under *Game Plan: The Next Level*, the Victorian Government is recommitting to the highly successful Trade Fairs and Missions Program, with a particular emphasis on the world's leading computer game trade event, E3 in Los Angeles.

The program gives companies financial and logistical assistance to attend trade fairs such as ECTS in London, Europe's largest entertainment software industry show, and the Milia and Milia Games trade fair in France.

The Victorian Government provided over \$50,000 through the Trade Fairs and Missions Program to support a record eighteen Victorian companies to network at E3 2001. This investment looks set to be returned many times over, with companies expecting more than \$4 million in new business over the next 12 months as a result of their participation. Victoria was the only Australian jurisdiction to have a presence at the fair, giving our companies unique access to E3's 62,000 visitors.

However, the Victorian Government recognises that it is equally important for Victorian companies to network with local and international companies in Australia. The annual Australian Game Developers Conference gives local companies an opportunity to demonstrate their skills, exchange ideas, encourage emerging firms and cultivate international relationships. **The Victorian Government has worked hard to ensure that the Australian Game Developers Conference will be held in Melbourne from 2000 to 2002.** The government is also a major sponsor of the conference. The 2000 conference was attended by over 700 local and international industry decision-makers. This year's event includes keynotes, technical panels and tutorials featuring many of the world leaders in game design, development, publishing and platforms. **As we embark on *Game Plan: The Next Level*, we are looking at ways and means of keeping the conference in Melbourne beyond 2002.**



Equally important is the Game Developers Association of Australia, formed in 1999. In *Game Plan*, we said the Victorian Government would support the growth of the Game Developers Association of Australia in Victoria as a peak representative body for the local computer game industry. After twelve months of successful collaboration with the association, our commitment to that objective is stronger than ever.

Under *Game Plan: The Next Level*, the Victorian Government will provide \$150,000 to the Game Developers Association of Australia to establish its national headquarters in Victoria.

The government is also actively involving the computer game sector in wider ICT industry development initiatives, including the Information and Communications Technologies Advisory Group, on which the Game Developers Association of Australia, Victorian Branch, is represented.

The advisory group is overseeing preparation of the government's ICT Industry Plan. The plan will include measures to support the most innovative, export-focused and value-adding sectors of the Victorian technology industry, including our computer game developers.

"Victoria provides us with a perfect base for our operations in Australia, New Zealand and South-East Asia. Strategically and creatively, this is a very important location for the international game development industry. With the global interactive game sector set to boom over the next three years, Acclaim is putting its money where its mouth is by investing heavily in the local development community and commissioning various projects under our successful Acclaim Sports brand."

**Mike Fegan, Managing Director —
Australasia, Acclaim Entertainment**



Developing Skills

The third issue for the computer game industry is finding enough skilled people to keep pace with the industry's growth.

Computer game companies require people — both men and women — with skills in everything from computer programming and graphic design to animation and applied science. As computer game technologies grow in sophistication, companies will need more and more experts in:

- game design, level design and scriptwriting;
- programming within real-time computing constraints;
- project management;
- simulated physics and particle system dynamics;
- the Internet and large-scale multi-player environments; and
- 3-D modelling and texture development.

The industry's rapid growth has created vacancies for people with one or more of these skills. The Victorian Government, industry and education providers must collaborate to fill these vacancies and help people gain the skills that will be in demand in the future.

This issue was considered by the government's ICT Skills Taskforce, which was established last year to identify how we can build the State's high-tech skills. In *Game Plan*, we said we would **act on recommendations from the ICT Skills Taskforce and work with industry and education providers to develop and evaluate curriculum for the computer game industry.** We have done both of these things, and will continue to do them as part of *Game Plan: The Next Level*.

The government's immediate response to the Taskforce's findings was *Skills x Knowledge = Growth: A Statement from the Victorian Government on ICT Skills* (November 2000). The statement focused on changing perceptions about ICT skills, encouraging entrepreneurship and specialist skills, fostering innovation and industry growth, building an e-learning environment, and developing ICT skills across the entire community. It included \$2 million worth of new initiatives, including an ICT Achievers Program to support skills acquisition in real-world entrepreneurial settings, a secondary school-based ICT Excellence Fellowship Program, an ICT careers pathways system allowing students to map their progression into high-tech careers, and an ICT skills tracking and monitoring system.

The ICT Achievers Program will, in 2002, develop computer game-focused curriculum for years 9 and 10. A number of recipients of the 2001/02 ICT Excellence Fellowships will undertake work placements in game development companies.

However, the *Skills x Knowledge = Growth* statement marked only the first step in an ongoing campaign. For example, the 2001 State Budget included a huge boost to ICT infrastructure in schools.

Central to our efforts are strategies to encourage more young people to learn ICT skills. As we said in *Game Plan*, **this includes actively promoting careers in computer game development to Victorian secondary students.**

To gain a better understanding of the task, the government commissioned *Reality Bytes* (February 2001), the most comprehensive study of young people's attitudes to technology skills and careers ever undertaken in Australia. It found that many young people think focusing on technology skills will limit them to a narrow range of dull and solitary jobs. It also found that many young women think there is no place for them in IT.



The Victorian Government is challenging these and other misconceptions with a two-year, \$1 million communications campaign with the message, "Technology Skills — Increase Your Career Options". The communications campaign is part of the *Skills x Knowledge = Growth* package. **We will deliver that campaign vigorously through the life of *Game Plan: The Next Level*, highlighting careers in the computer game industry.**

As well as increasing awareness, we are also developing the necessary curriculum. ICT-specific education projects are already being pursued under the auspices of both Multimedia Victoria and the Department of Employment, Education and Training (DEET). These projects are complementary and will address several areas of ICT development.

For example, a pilot project has recently been implemented to develop training specifically for the computer game industry in Victoria. DEET has commissioned the Australian Business Development Centre to conduct the pilot, which will involve 15 participants undertaking training for the Advanced Diploma of Multimedia, with a specific emphasis on cutting-edge programming for games, and a minimum two-month work placement with one or more game development companies. The pilot will provide a practical training and workplace experience model to increase the skills required for the growing game development industry.

"Promoting IT skills to school students is an investment in the future of Victoria's IT industry, ensuring there will be computer game developers next year and in ten years' time."

Craig Laughton, Director, IR Gurus



Conclusion

Game Plan: The Next Level has been developed in collaboration with the computer game industry — an industry that is contributing to Victoria's current and future economic prosperity, giving young people careers in an exciting and dynamic field, and generating valuable export revenue for Victoria.

The Victorian Government is committed to working with the computer game industry to improve infrastructure, grow local businesses and develop skills. We made a great start in *Game Plan*. We intend to do even better under *Game Plan: The Next Level*.

We will continue improving infrastructure by:

- providing \$250,000 to support access to Sony PlayStation 2 software development kits for local companies;
- providing \$50,000 for the completion of a feasibility study and business plan for a computer games incubator;
- increasing bandwidth through our own network development activities and by taking Victoria's case to the Commonwealth and private sector providers;
- conducting a feasibility study into industry establishing a motion-capture facility in Melbourne; and
- building a state-of-the-art film and television studio at Melbourne Docklands.

We will continue growing local businesses by:

- promoting dialogue between the venture capital and computer game industries;
- recommitting to the Trade Fairs and Missions Program, with an emphasis on key computer game industry events;
- sponsoring the Australian Game Developers Conference;

- providing \$150,000 to establish the Game Developers Association of Australia National headquarters in Victoria; and
- supporting the creation of local computer game content.

We will continue developing skills by:

- working with the industry and the education sector to develop curriculum for the computer game sector; and
- promoting careers in computer game development to Victorian secondary students as part of a \$1 million communications campaign.

The Victorian Government acknowledges the contribution of the computer game industry and looks forward to helping it grow in the future — along with the whole ICT sector.

"Torus started with four staff in 1994 and now we are one of the largest independent games companies in Australia. Our success locally and in the international arena shows what home-grown Victorian talent and technology can achieve. We owe no small measure of our success to the partnership that has been built up between the games sector and the Victorian Government — on education, on industry strategy, on business development and more. With both sides as committed as ever to innovation through cooperation, there is nothing we can't achieve."

Bill McIntosh, Managing Director, Torus Games



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