

19 March 2021

Joint Standing Committee on Migration
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Inquiry into Australia's skilled migration program

To Whom It May Concern,

I am the CEO of the Interactive Games & Entertainment Association, the peak industry association representing the business and public policy interests of companies in the Australian interactive games industry. Our members develop, publish, market and distribute interactive games and entertainment content and related hardware. We proudly represent a whole range of businesses, from the regional arms of the world's largest interactive and video game companies to the many independent and homegrown game development studios currently developing Australian games for domestic consumers and the wider world.

The interactive games sector is the largest and fastest growing entertainment and media industry in the world. Due to this dynamic growth trajectory, access to suitable talent is exceedingly difficult. The Australian video games industry is in fierce competition for senior and niche talent with regions that have established mature ecosystems. Yet, without this kind of talent, Australia will not be in a position to establish its own "AAA" (i.e., big budget) studios – and in the process attract significant foreign investment in the range of hundreds of millions of dollars – nor will it be able to support the continued growth of local game developers and in the process ensure the ongoing employment and training of Australians.

The dynamic and global nature of the industry clashes with static skills lists, long lead times ahead of visa processing, and the added cost of doing business in Australia through the training levy, all factors that put Australia at an international disadvantage.

To address some of these concerns, IGEA lodged a Labour Agreement application in 2020. A solution that helps Australian game studios find the right talent they require with reduced barriers and allowing this talent to stay in Australia permanently will go a long way to helping Australian businesses compete globally and significantly contribute to post-COVID-19 recovery efforts.



If it assists the inquiry, we would be pleased to supply all or part of our Labour Agreement application.

Below we have included contextual information on the state of the global video games industry, how Australia is integrated into it, and how this translates into challenges in terms of attracting suitable talent through a comparatively static and expensive visa system.

Best regards,



Ron Curry

CEO

Context: Video Game Development in Australia and the Rest of the World

Interactive games have the wonderful ability to tell unique and compelling stories that provide a voice for Australian content creators and can provide a key pillar of a modern, digital and creative Australia. At the same time, games represent the perfect intersection of Australia’s technology, information and creative industries and, if supported, they can drive Australia’s economic growth, productivity and competitiveness in the 21st century.

The interactive games sector is one of the largest and fastest growing entertainment and media industries in the world. Estimated to be worth almost AU\$280 billion globally by 2023¹, games are bigger businesses than films, music and books.



Already one of the world’s largest and fastest-growing entertainment industries before COVID-19 hit, gaming has further exploded during the lockdowns. With the ongoing global proliferation of smartphones, new monetisation models, and the refinement of revenue streams such as microtransactions, games are cemented into the mainstream of societies all over the world. Video games have amongst the largest support base of any creative industry with well over 2 billion gamers globally. Not only have the traditional markets of North America and Europe seen accelerated growth rates, but right on Australia’s doorstep is the region of the world where digital games are most popular: The Asia-Pacific region has an estimated 1 billion gamers and already accounts for more than half of all global game revenue.²

Before the global financial crisis, Australia had an exciting development scene with both smaller ‘indie’ studios and larger ‘AAA’ (or blockbuster) studios. With the GFC, many of them moved or closed and never returned.

As a result, our industry slowly reinvented itself, focusing on independent titles and games for mobile, finding success. Video games are among Australia’s most successful creative exports over the past decade, and several Australian games have achieved significant cultural and critical acclaim.

¹ Wijman, T. 2020, *The World’s 2.7 Billion Gamers Will Spend \$159.3 Billion on Games in 2020; The Market Will Surpass \$200 Billion by 2023*, Newzoo, viewed 19 October 2020, <<https://newzoo.com/insights/articles/newzoo-games-market-numbers-revenues-and-audience-2020-2023/>>

² Fernandes, G 2019, *Navigating the world’s fastest-growing games market: Insights into Southeast Asia*, NewZoo, viewed 14 February 2021, <<https://newzoo.com/insights/articles/navigating-the-worlds-fastest-growing-games-market-insights-into-southeast-asia/>>

However, despite these successes, Australia's overall contribution to this industry pales in comparison to other regions. In 2020, the Australian game development industry employed around 1245 full-time employees and generated almost AU\$185 million in the 2019-2020 financial year.³ This translates into a disappointing capture of 0.09 per cent of the global market.⁴

Meanwhile, many countries have created strategies to bolster their own games industries. These included Canada's video game tax credits and the UK's Video Game Tax Relief. These aggressive policies led to a loss of Australia's competitiveness as a great place to make games and impacted its ability to compete in the global quest for talent. When the Australian governments considers what can be achieved within our shores, the examples below shine a light for us, but industries of their scale cannot be achieved without planning and support, and skilled migration is a crucial component of this.

Canada

There is sadly no defensible comparison between the scale of Australia's industry and Canada's industry. In November 2019, Canada announced that its games industry supported an estimated 48,000 Full-Time Equivalents of employment and generated AU\$4 billion.⁵ 27,700 people are directory employed across the industry, with the average salary of a full-time worker in Canada's game development industry currently paying AUD \$86,750.⁶ This is more than 22 times larger than the Australian sector.⁷ There are 3,500 workers in one studio alone (Ubisoft Montreal – just one of five studios that Ubisoft has in Canada), almost three times more than in the entire Australian industry. Although it is well known and often joked about within the industry that American and Canadian studios currently employ many Australians and benefit from their talent and creativity, the loss of this talent from our shores is no laughing matter.

³ IGEA 2020, *Australian video game development. An industry snapshot FY 2019-20*, IGEA, viewed 16 March 2021, <<https://igea.net/wp-content/uploads/2021/01/AGD-2020-Infographic-2pp-SQUARE-1.pdf>>

⁴ Reuters 2021, *Report: Game Revenue to top \$159B in 20202*, Reuters, viewed 15 March 2021, <<https://www.reuters.com/article/esports-business-gaming-revenues-idUSFLM8jkJMI#:~:text=According%20to%20a%20recent%20report,billion%20in%20revenue%20in%202023>>

⁵ ESA Canada 2019, *The Canadian video game industry 2019*, ESA Canada, viewed 18 December 2020, <http://theesa.ca/wp-content/uploads/2019/11/CanadianVideoGameSector2019_EN.pdf>

⁶ Ibid.

⁷ Ibid.

United Kingdom

The successes of Canada are likewise echoed in the UK. The UK's video games industry employed 16,836 full-time workers by April 2020 (18,279 workers overall) and contributed nearly AU\$3.9 billion to its economy. The number of jobs indirectly supported by studios rose from 26,241 to 30,781.⁸ As of 2018 there were 2,280 active games companies in the UK⁹, two of which being Rockstar North and Rockstar Games which developed *Grand Theft Auto V*, the most financially successful entertainment product of all time.

United States

Giving a detailed analysis of the US industry in this submission would not provide a helpful comparison to Australia, with the US industry dwarfing even the most significant countries in this list. (By way of example, games developers in the United States, including developers associated with game publishers, employ over 57,500 people¹⁰.) There are a number of reasons why the US games industry has the scale that it does, but like most other countries in this list, tax incentives are a common denominator with close to half of all US states having them. For example, even a state like Georgia, which is far from the most significant US state for video game development but is supported by an attractive game development tax credit, has 160 gaming companies¹¹. One studio in Georgia alone, Hi-Rez, employs over 450 programmers, digital artists and designers – or more than a third of all video game workers in Australia.

Scandinavia

People familiar with the Finnish game development industry will not be surprised that the sector achieved revenues of AU\$3.44 billion and employed 3,200 workers in 2018.¹² With approximately 98 % of its turnover coming from export, the game industry is the top content export industry in Finland. What is more surprising is that they have achieved this with a population of less than a fifth of Australia. The Finnish Government's support for the industry has helped to grow companies like Rovio and Supercell that have created some of the most internationally popular and successful mobile games of the decade.

Meanwhile, the Swedish industry grew its revenue to AU\$3.5 billion in 2019, an increase of 24% over 2018. Swedish game companies are on a continued growth trajectory and employ a total of 9,178 FTEs, of which 5,925 are employed nationally.¹³

Poland

The total value of the Polish game development industry reached AU\$783 million in 2019¹⁴. A total of 9710 staff are employed in 440 development studios¹⁵. With *The Witcher* the country's biggest game

⁸ TIGA 2020, *TIGA research reveals UK video games industry has been expanding at fastest rate ever recorded*, TIGA, viewed 15 March 2021 <<https://tiga.org/news/tiga-research-reveals-uk-video-games-industry-has-been-expanding-at-fastest-rate-ever-recorded>>

⁹ Venture Beat 2019, *With record-breaking revenue, the U.K. game industry is blowing up*, Venture Beat, viewed 20 January 2021, <<https://venturebeat.com/2019/03/18/with-record-breaking-revenue-the-u-k-game-industry-is-blowing-up/>>

¹⁰ TEconomy Partners 2020, *Video Games in the 21st Century: The 2020 Economic Impact Report*. The Entertainment Software Association.

¹¹ Digital Entertainment, *State of Georgia USA*, viewed 20 January 2021, <<https://www.georgia.org/industries/film-entertainment/digital-entertainment>>

¹² Neogames 2018, *The Games Industry of Finland*, Neogames Finland, viewed 20 January 2021, <<http://www.neogames.fi/wp-content/uploads/2019/04/FGIR-2018-Report.pdf>>

¹³ Dataspelbraschen 2020, *Swedish Game Developer Index*, Dataspelbraschen, viewed 15 March 2021, <<https://dataspelbraschen.se/game-developer-index>>

¹⁴ Rutkowski E., Marszałkowski J., Biedermann, S., 2020, *The Game Industry of Poland*, Polish Agency for Enterprise Development, viewed 19 October 2020 <http://www.egdf.eu/wp-content/uploads/2020/09/PPE_PL_The-Game-Industry-of-Poland-report-2020v4.pdf>

¹⁵ Ibid.

studio, CD Projekt, employer of 1079 FTEs in 2020¹⁶, created one of the greatest game series of all time. Poland is not even particularly unique in the region, we have included it as a marker of what is happening all across Europe, from Spain and Portugal to Romania and the Czech Republic, where innovative and successful game studios are taking root, often hastened through tax incentives to encourage investment and entrepreneurship.

New Zealand

While New Zealand's industry does not have the scale of most of the economies listed above, it still outperforms Australia on many metrics. New Zealand has more than tripled its industry's revenue between 2017 and 2020, contributing a NZ\$324m to the economy. The country has seen an annual growth rate of 42 per cent, a trend that's continued since 2012¹⁷.

The industry across the Tasman also employed 747 FTEs¹⁸, more than three times as many per capita as Australia. Like Australia, New Zealand game developers have a strong export focus and in 2018, Auckland-based studio Grinding Gear Games was acquired by Tencent for over NZD \$100 million in one of the country's largest ever deals not only in games, but in the whole technology sector. Similar to Australia, New Zealand's game industry has largely operated with limited government support. We are aware of Australian game developers who have moved to New Zealand and should government decide to adopt support mechanisms for the industry, the gap between our industries will increase even further.

¹⁶ CD Projekt 2020, *Management board report on the activities of the CD Projekt Group between 1 January and 30 June 2020*, CD Projekt, viewed 19 October 2020, <<https://www.cdprojekt.com/en/wp-content/uploads-en/2020/09/management-board-report-on-cd-projekt-group-activities-in-h1-2020.pdf>>

¹⁷ NZGDA 2020, *NZ interactive games grew \$120m during COVID-19*, NZGDA, viewed 15 March 2021, <<https://nzgda.com/news/survey2020/>>

¹⁸ Ibid.

The Impact of COVID19

While most non-essential businesses were heavily impacted by COVID-19, more than half of Australian game studios said that they were still confident for the future, buoyed by their ability to work remotely and the world's strong demand and need for games to help communities stay positive and connected.

Video games meet our needs for connection and entertainment during unprecedented lockdowns. Even the World Health Organisation deemed video games a healthy social pastime during the pandemic as they address our basic psychological needs of autonomy, competence, and relatedness.

As a result, video games and hardware have seen a considerable increase in sales:

- In March 2020, video games sales across 50 countries jumped by 63%. This jump was most pronounced in countries that went into early lock-down. Digital sales in France, for example, increased by 180% in one week. In the same timeframe, Australia saw similar results, with physical sales up 278.5%¹⁹.
- Those who already play video games were increasing their playing time, social play, and spend. In the US, 45% were playing more frequently, with 38% of gamers in France saying they were playing more, and the UK with 29%²⁰.
- Hardware sales were likewise impacted, for Week 12 (Monday, March 16 - 22), console sales rose by 155% to 259,169 games machines sold. This was across the board, with significant gains for Nintendo Switch, PlayStation 4 and Xbox One²¹.
- The weekly average download figures for mobile games hit a record 1.2 billion in March as more people turned to gaming for entertainment amid the COVID-19 lockdown. Overall, users downloaded 35% more games in March compared to January²².
- Data on the use of mobile games from February to April highlights that not only people are playing more, but they are also playing for longer. Traffic grew by 46%, from 1.2 billion to 1.75 billion, while global playtime saw a 62% increase from January to the end of March, with peaks of +90 million hours played per day²³.
- Overall, the global video games market has seen an increase of 9.3% from 2019 to 2020.²⁴

This trend is also having an impact on Australian game developers. Australian studios have been able to continue working despite the lockdown measures to create, publish and sell games, with the majority of new game sales being digital. The strongest indicator of the sector's resilience was the finding that 76% of respondents reported stable or increased revenue; the same number of studios were not making any staff redundancies.²⁵

¹⁹ Dring, C. 2020, *What is happening with video game sales during coronavirus*, Games Industry Biz, viewed 4 June, 2020, <<https://www.gamesindustry.biz/articles/2020-03-28-what-is-happening-with-video-game-sales-during-coronavirus>>

²⁰ Valentine, R. 2020, *Gaming hours, spend, digital purchases up as COVID-19 keeps players inside*, Games Industry Biz, viewed 4 June 2020, <<https://www.gamesindustry.biz/articles/2020-04-06-gaming-hours-spend-digital-purchases-up-as-covid-19-keeps-players-inside>>

²¹ Dring, C. 2020, *What is happening with video game sales during coronavirus*, Games Industry Biz, viewed 4 June, 2020, <<https://www.gamesindustry.biz/articles/2020-03-28-what-is-happening-with-video-game-sales-during-coronavirus>>

²² Taylor, H. 2020, *Mobile gaming sees record weekly downloads amid COVID-19 lockdown*, Games Industry Biz, viewed 4 June 2020, <<https://www.gamesindustry.biz/articles/2020-05-28-mobile-gaming-sees-record-weekly-downloads-amid-covid-19-lockdown>>

²³ Hreninciuc, I. 2020, *Top mobile trends (and some surprises) during COVID-19 lockdown*, Games Industry Biz, viewed 4 June 2020, <<https://www.gamesindustry.biz/articles/2020-05-14-top-mobile-trends-and-some-surprises-during-covid-19-lockdown>>

²⁴ Reuters 2021, *Report: Game Revenue to top \$159B in 2020*, Reuters, viewed 15 March 2021, <<https://www.reuters.com/article/esports-business-gaming-revenues-idUSFLM8jkJMI#:~:text=According%20to%20a%20recent%20report,billion%20in%20revenue%20in%202023>>

²⁵ IGEA 2020, *Australian video game development. An industry snapshot FY 2019-20*, IGEA, viewed 16 March 2021, <<https://igea.net/wp-content/uploads/2021/01/AGD-2020-Infographic-2pp-SQUARE-1.pdf>>

(Senior) Skill Shortages, Skill Lists, and Administrative Effort

One of the key factors in ensuring the growth and benefits outlined above is the continued access to *senior* talent *and* niche skillsets. Access to this talent is crucial on several levels. Video games exist at the intersection of every other art, making them more unique, diverse and impactful than any other creative output. Games create striking visuals like film or TV and deliver narratives like literature and theatre. They convey emotion through sound like recorded and live music and display colour and movement like dance and visual art. And unlike those other artistic mediums, they are deeply interactive and therefore particularly compelling and engaging. As a result, there are no skills-gaps across one particular discipline but across the whole spectrum of game making.



What these openings have in common is that they are predominantly aimed at senior professionals as well as highly-specialised niche roles that exist at the cutting-edge intersection of art, technology, and commerce unique to the video games industry.

Senior talent is crucial to ensure the establishment of “AAA” (i.e., big budget) studios in Australia and a wider ecosystem consisting of developers of various sizes. Games of this magnitude take a range of highly specialised skill sets, a lot of which are currently not present in Australia. Most of the talent departed Australia after Global Financial Crisis forced a restructure of the local video games industry. At the same time, the growth of existing Australian studios is getting to a point where it can only be sustained via the introduction of senior roles. While Australian studios were able to release past titles with local talent, bigger productions and creating new intellectual property translate into an urgent need to recruit more experienced staff.

Member feedback highlights that senior positions have remained open for unexpectedly excessive periods of time; job ads have received 60 to 100+ applications, with over 90 per cent of applicants identified as not qualified with the level of experience required for the seniority of the role. For some roles, often characterised by highly specialised skill sets, not one single person in Australia could be

identified. The limitation of Australian applicants has been largely due to a lack of experience in medium-to-large studios as the Australia games industry is relatively small and consists of a majority of small and start-up like independent studios.

The continued extreme difficulty to find the right candidates in Australia has resulted in high business costs, both significant in actual monetary cost and critical in time investment, resulting in significant project delays and real opportunity loss as consequences of those delays.

Skills lists offer two challenges in this respect:

1. They do not take into account the fast-moving nature of the video games industry; and
2. Most relevant ANZSCO codes for talent working in the games industry are not accommodated by the Medium and Long-term Strategic Skills List (MLTSSL)

The video games industry is characterised by perpetual technological change, it constantly drives and needs to respond to innovation, a fact that is hardly compatible with relatively static skill lists. A change in technology, player preferences, game design, business models or monetisation techniques can easily result in new processes and the specialised skills to drive these are – globally – in high demand. (By way of example, one IGEA's members engages a staff member whose sole role it is to design virtual economies and corresponding monetisation techniques.)

The fact that certain roles on the skills list are not eligible for permanent residency makes hiring senior and niche overseas talent exceedingly difficult as the prospect of having to leave the country after a relatively short amount of time is less than enticing. It is highly likely that workers in senior positions have arrived at a stage in their life where they have started a family and are less flexible in terms of their ability to move between countries. Moving one's family to another continent is a daunting commitment – finding accommodation, finding schools for one's children, finding work for one's partner etc. – and the perspective of undergoing this effort only to be asked to leave the country after two years or four years acts as a disincentive.

The global nature of the video games industry poses additional difficulties in this respect; video game companies around the world are competing fiercely to recruit the best talent internationally for roles which are highly specialised and forward-facing. Australian companies are directly competing with other countries, such as the US, Canada and Europe more generally, all regions that have established sustainable game development ecosystems. This is often experienced as an asymmetrical contest, given the small size of the Australian industry as well as the administrative requirements for Australian businesses seeking to sponsor skilled migrants.

While the time frame for 482 visa processing for accredited sponsors is generally experienced as acceptable, the amount of lead time makes for an onerous process that puts Australia at an international disadvantage. As mentioned, the skill sets needed for some roles simply do not exist in Australia. Some Australian expats might possess them however, the size of the local industry offers little incentive to return (as there are limited opportunities should the position they moved back to Australia for not work out). In some cases, this makes the requirement to prioritise job opportunities for Australians and engage in labour market testing an exercise in futility and prolongs the process considerably.

It should be pointed out that standard business sponsors expressed concern about the time it took to process an application. Studios who are considering hiring overseas talent have generally spent many months determining if that candidate is the right fit; a processing time of six+ months means that that

future staff member missing out on a whole development cycle (in the case of mobile game production). Another member reported a wait time of over a year, a frustrating process for everyone involved. The person was a key member of the team, i.e., their absence had a highly negative impact on the studio. As a result, the business is cautious about giving timelines for visas when talking to prospective candidates which often results in a lack of confidence in the process why may lead to them pursuing other career opportunities.

In addition, given the seniority of the talent sought and the highly developed niche skills they acquired in overseas video games ecosystems several times the size of Australia's, the training levy is experienced as an extra cost with little benefit. One member remarked how it would be preferable to use the levy to directly educate staff and how the previous requirement – spending >1% of total payroll on training – was more aligned with the intention of investing in staff training and development.

The COVID-19 crisis amplifies these concerns. On one hand, the video games sector is not only resilient but growing, it has the potential to significantly contribute to post-COVID-19 recovery efforts and will help to establish a skilled and flexible workforce that will allow Australia to better weather global economic turmoil. On the other hand, international travel bans and limited flights to Australia make it extremely hard and costly to get international talent into the country.

Additionally, as a relatively young industry which relies on cutting-edge technical talent, games businesses often compete not only with themselves but with the wider technology industry – like the financial technologies sector who are often able to provide higher salaries – to secure top candidates with highly sought-after skills in emerging fields like machine learning and artificial intelligence.

Labour Agreement

While we believe that the organic growth of the Australian video games industry as well as targeted education initiatives will help to address the issues outline above, IGEA's favoured short- to medium-term strategy is to attract overseas talent by means of a Labour Agreement. We lodged an application on behalf of the industry in 2020 and it is under review as of January 2021.

The primary purpose of the agreement is to ensure that Australian studios have a stake in the fierce quest for global talent through guaranteed pathways to permanent residency for senior and specialised niche roles, that talent gaps are filled within a reasonable timeframe, the sustained growth of the Australian video games industry and the wider economy, and the continued employment of Australians. Game developers play a hugely important role for the national economy by adding complexity, talent and skills to an economy that has the export profile of Angola²⁶ as a consequence of which it is likely to experience sub-average growth over the coming decade. Video games represent the perfect antidote to this scenario, they are in an excellent position to correct Australia's "appalling"²⁷ innovation record by adding substantial value to auxiliary tech industries and provide economic growth, and significantly contribute to post-COVID-19 recovery efforts.

A successful Labour Agreement will also ensure that a wider pool of Australians remain employed and trained and that Australia can attract significant foreign investment via big-budget game productions. It is estimated that up to 5000 students per year graduate in video-game related courses

²⁶ Patrick, A 2019 *Australia is rich, dumb and getting dumber*, Australian Financial Review, viewed 19 December 2020, <<https://www.afr.com/policy/economy/australia-is-rich-dumb-and-getting-dumber-20191007-p52y8i>>

²⁷ Ibid.

in Australia²⁸. Without the senior talent to guide and train them, this will only further the ongoing brain drain of skilled junior talent. Our talent is currently needing to move overseas to find work, taking with them not only their skills and creative ideas but also their taxable incomes. If we don't support our industry, we will continue to lose an entire generation of talented Australians to grateful studios in the US, Europe, the UK and Canada.

²⁸ Senate Standing Committees on Environment and Communications 2016, *Future of Australia's video game development industry*, Parliament of Australia, viewed 19 December 2019, <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Video_game_industry/Report/c02>