

28 January 2022

The Hon Dan Tehan MP
Minister for Trade, Tourism and Investment
PO Box 6022
Parliament House
Canberra ACT 2600

Via email: dan.tehan.mp@aph.gov.au

Dear Minister,

Reduction to EMDG Funding

The Interactive Games & Entertainment Association (IGEA) is the peak industry association representing and advocating for the video games industry in Australia, including the developers, publishers, and distributors of video games. We also manage The Arcade in South Melbourne, Australia's first, not-for-profit, collaborative workspace created for game developers and creative companies that use game design and technologies. IGEA is also known for organising the Game Connect Asia Pacific (GCAP) conference for Australian game developers, and the Australian Game Developer Awards (AGDAs) celebrating the best Australian games of the year.

We would like to raise a concern regarding the Export Market Development Grant (EMDG). It has come to our attention that the dollar value of the EMDG will be much lower than initially promoted.

The estimated grant to be offered at the highest Tier is \$35,000, which:

- is the lowest in the past 20 years, and likely the lowest in the 42 years of the EMDG scheme;
- it's about half of the lowest paid in any of the past 20 years (lowest was \$67,060); and
- contrasts with exporters having received grant monies of at least \$100,000 in seven of the last ten years.

Tier	1	2	3	Representative Bodies
Government promoted grants up to \$ per annum	\$40,000	\$80,000	\$150,000	\$150,000
Now intend to offer "up to"	\$15,000	\$23,000	\$35,000	\$90,000
Reduced by	62.5%	71.25%	76.67%	40%

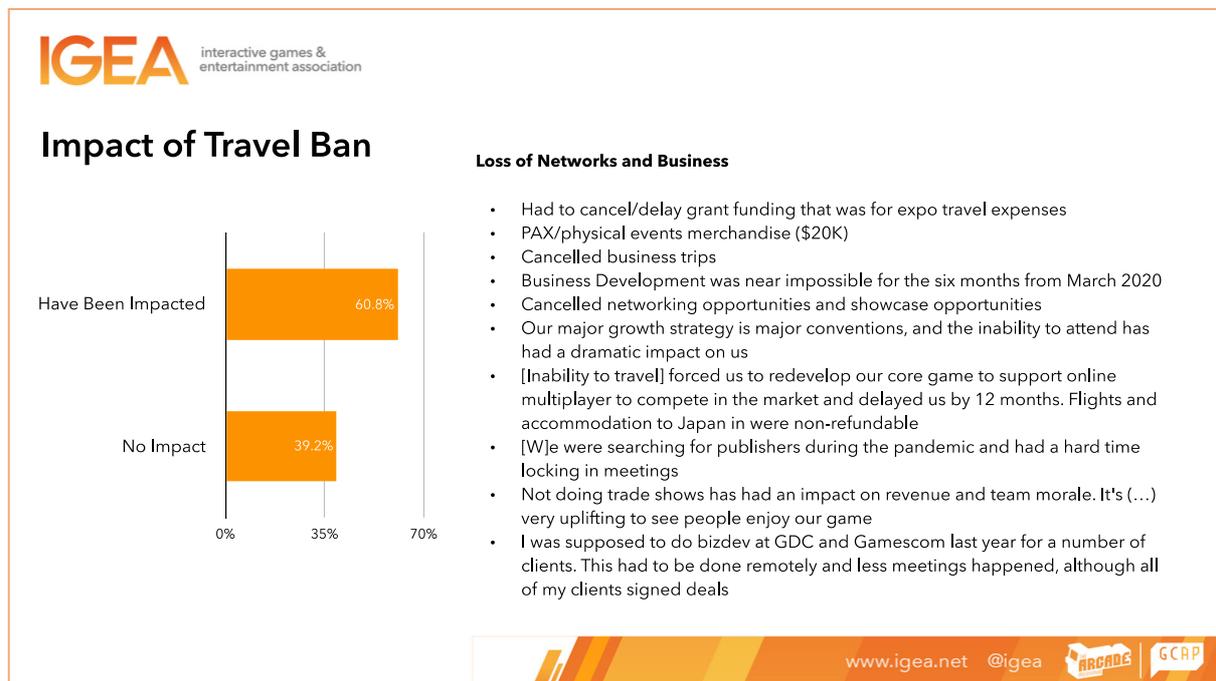
These reductions are despite the recent reforms to the program being lauded as better "support[ing] Australian exporters to succeed on the world stage [and] supporting local jobs and businesses" by the Minister for Trade, Tourism and Investment.¹

These reductions in funding are highly problematic for the video games industry for numerous reasons, including the fact that the Australian game development industry is heavily export focussed, with in excess of 82% of its income being generated from overseas markets and investment.²

¹ <https://www.trademinister.gov.au/minister/dan-tehan/media-release/grants-boost-australian-exporters-global-growth>

² <https://igea.net/2021/12/australian-game-development-industry-doubles-revenue-to-226-million-over-the-past-five-years/>

Given this focus on export markets, the federal travel ban has disproportionately affected the industry. According to IGEA’s 2021 COVID survey, almost two-thirds of all respondents (60.8%) have been impacted by an inability to travel and the resulting loss of networks and business:



This translates into an eagerness to connect with international partners and (re-)build networks in 2022, yet this is hampered by waning financial support.

Not only is the timing of the reduction of the value of the EMDG problematic with a view to the above, but also in the context of the growth of the wider industry and the trajectory of the Australian one in particular:

Video games continue to experience record growth globally. Research company Newzoo estimates that in 2020 the market generated \$244.4 billion, up 23.1% year on year, the highest growth since it began tracking revenues in 2012.³ While comprehensive numbers for 2021 are not yet readily available, first reports indicate that the record trend of 2020 continued into last year. Analytics company App Annie reports that worldwide consumer spending on mobile games alone reached close to \$160 billion in 2021.⁴ This figure represents an increase of 15% year-over-year compared to 2020. Globally, the market will continue to grow with a CAGR (2019 to 2024) of +8.7% to reach US\$218.7 billion in 2024, passing the coveted US\$200-billion threshold in 2023.⁵ In Australia, between FY2016 and FY2021, revenue has almost doubled for the local industry. The last three years have seen year on year growth of over 20%.⁶

In Australia, the government’s forward-looking move to commit to a federal tax offset for the local video games industry is expected to fully unlock the potential of the Australian sector and accelerate growth beyond global rates to an AUD\$1 billion industry over the course of the next ten years. The initiative has already enhanced investor confidence: within the short timeframe between its

³ <https://whitepapers.gamesindustry.biz/gibiz-whitepaper-2021-console-market>

⁴ <https://www.gamesindustry.biz/articles/2022-01-11-app-annie-mobile-games-consumer-spending-in-2021-was-usd116b>

⁵ <https://whitepapers.gamesindustry.biz/gibiz-whitepaper-2021-console-market>

⁶ <https://igea.net/wp-content/uploads/2021/12/IGEA-AGD-Survey-Report-2021-22-Final.pdf>

announcement and this submission, Australian studios have attracted publicly disclosed investments of more than AU\$320m and signed contracts with a range of prestigious global publishers which puts them in a great position to stem COVID's profound and lasting impact on Australia's economy.⁷

In short, at a point in time when a heavily export-focused industry is rebuilding its networks to fully take advantage of the opportunities offered to it by generous tax incentives and record growth, the one mechanism that would allow it to offset a considerable proportion of its overseas marketing spend sees a severe reduction in financial backing.

With a view to the above, we ask for EMDG funding to be restored to previous levels allowing it to deliver on the promise of allowing Australian businesses to succeed globally.

Should you wish to discuss this any further, we would welcome the opportunity.

With regards,



Ron Curry
CEO

⁷ <https://www.animocabrands.com/acquires-indie-game-developer-blowfish-studios>
<https://www.businessnewsaustralia.com/articles/nft-technology-company-immutable-locks-in--82m-series-b.html>
<https://www.gamesindustry.biz/articles/2021-11-08-mod-io-raises-usd26m-in-series-a-funding>
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<https://www.gamesindustry.biz/articles/2021-11-02-roblox-devs-splash-raises-usd20-in-series-a>
<https://www.gamesindustry.biz/articles/2022-01-06-team-17-acquires-hell-let-loose-ip-and-indie-publisher-the-label>