



GAME DEVELOPERS[®]
ASSOCIATION OF
AUSTRALIA

ANNUAL REPORT

1 July 2003 – 30 June 2004

October 2004

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REPORT FROM THE PRESIDENT

2004 has been a very successful year for the Game Development Industry in Australia. There are now more developers in Australia than in previous years as evidenced by the growth in GDAA membership.

Australian Developers are producing games across all sectors of the games market; we are working with publishers not only in the US but also in Europe, Japan and Korea. Australian talent is recognised and valued.

However, looking ahead, 2005 and onwards will see a fundamental shift in the way games are produced. The signs are already there. Console game development projects are going to get larger and as a result publishers are going to become more selective as to which projects they put into production.

At the high end, console game developers will need to be able to field teams in excess of 100 people to develop a single title and more than likely take a financial position in titles they develop. At the value end publishers will be looking for titles that are fundamentally complete or that will be inexpensive to develop. This puts the pressure on the developer to be more efficient and to self fund a greater percentage of games.

For the smaller developer the opportunity inherent in the growth of the mobile and wireless market comes with its own very real challenges: where to find the development talent to meet the demand for product.

The GDAA's key strategies of Profile Raising, Investment Attraction and Skills and Training are exactly what is necessary for our Australian industry to prepare itself for the future. (Refer the Executive Director's report).

I look forward to working with you in the future to ensure that our industry continues to grow and prosper.

Adam Lancman
President, GDAA

31 October 2004

REPORT FROM THE EXECUTIVE DIRECTOR

OVERVIEW

The following Summary Report provides a review of key priorities and outcomes in relation to GDAA activities in the past year. The report provides a summary of key highlights and achievements and identifies areas for further attention in the coming year. The GDAA has continued to focus on its three core areas:

1. Raise profile, locally and globally;
2. Attract capital and investment; and
3. Attract and maintain skills base.

The following reports against each of these key areas.

RAISING PROFILE

Through the efforts of our association the profile of our industry, both locally and overseas, has never been better.

The Great Aussie BBQ, Game Developers' Conference, San Jose, March 2004

For the first time Australian developers were represented at the Game Developers Conference in San Jose in March. Over 150 people, including many publishers and key industry figures, participated in a networking event held at the Fairmont Hotel. This 'Great Aussie Barbecue' was very well regarded by all who attended and resulted in many valuable contacts and relationships being established.

Electronic Entertainment Expo (E3), Los Angeles, May 2004

Following the success of 2003, the GDAA hosted an Australian stand at E3 2004. This proved to be a bigger and even better show and was made possible through support from nine Government sponsors: Austrade, Business ACT, City of Melbourne, Department of Communications IT and the Arts, Invest Australia, New South Wales Department of State and Regional Development, Queensland Government, Government of South Australia, Victorian Government and the GDAA.

Overall, 34 companies officially attended the show, 25 game developers and 9 service companies. This represented 82 people in total from companies plus the GDAA's Executive Director. Governments also sent representatives, from both Australia and US based offices (total of 9 people)
(Refer www.gdaa.com.au/e3australia for more information).

These numbers were up significantly on last year where we hosted 20 companies with 50 people in total. Overall, we saw more than 50 percent growth in the number of companies attending, including a doubling of the number of game developers (25, up from 13 in 2003), slightly more service companies (9, up from 7 in 2003) and more than 30 additional individuals who made the trip up. Overall, nearly 100 Australians attended E3 in 2004 compared with 60 in 2003.

The Australian stand in West Hall received considerable media coverage both in the US and in Australia. Key media coverage at the show included:

- Television coverage on Sunrise show just prior to E3
- Channel 9 coverage for Midday Show
- Television interviews with Australian companies and the GDAA for a feature of the Australian game industry for Channel 7's weekly computer game show, Control Freaks.
- Interviews with companies by media invited to stand by DatelineMedia, our PR company in the US
- Press coverage (in the US and Australia)
- E3 Radio interview with Adam Lancman, GDAA President
- 32 direct website links.

A post-show survey conducted by the GDAA indicated that companies attending considered attendance at the show was critical to their business activity and that the Australian stand was very important in terms of profiling the industry. To date, over \$A18 million dollars worth of deals have been signed, \$A8.6 million of those signed at the show, and the value of business expected in the next two years as a result of leads generated at E3 is estimated at \$A66.5 million.

The GDAA is planning an Australian presence at E3 in May 2005.

European Games Network Conference, London, September 2004

The GDAA also provided assistance to a number of our members to attend the European Games Network show in London in September. The companies who attended found the show well worthwhile and as a result EGN will become the 4th conference on the GDAA's list of conferences to support, namely: the GDC in San Francisco in March, E3 in LA in May, EGN in London in September and the AGDC in Melbourne in December.

Australian Game Developers' Conference (AGDC), November 2003 and December 2004

The GDAA continued its strong relationship with the AGDC. Held in Melbourne since 2000, this annual conference attracts over 600 delegates from Australia and overseas. In 2003, the GDAA hosted a Government-Industry Roundtable, co-hosted the VIP Cocktail Party in association with Krome Studios, and established

the first Women in Games Lunch, in association with Krome Studios. This networking was hugely successful with over 45 women attending.

In 2004, it will support the following:

- VIP and Executive Cocktail Party (co-hosted with Krome Studios)
- Women in Games Lunch (co-hosted with Krome Studios)
- Pitching Competition
- Pitching to Publishers Day
- US Media Delegation, including a panel session: The DOs and DON'Ts of Obtaining Press Coverage in the US: How to get the best results
- Sony Playstation2 Workshop for developers
- Microsoft X-box Workshop for developers
- A GDAА booth in the expo (which will include the *Australian Game Story* showreel which showcased the Australian game industry at E3).

Government-Industry Roundtables

The GDAА hosted its fourth Government-Industry Roundtable in November 2003 at the AGDC. This was well attended with over 40 people from Government and industry meeting to hear reports on government activities in relation to the game industry and to discuss key challenges for the industry going forward.

The next Roundtable is scheduled for 3 December 2004 at the upcoming Annual Game Developers' Conference. The GDAА will provide a short report on success to date in relation to its strategic priorities. Skills and Training issues will be discussed as a major focus for 2005.

Australian Games Innovation Centre

The Victorian Government provided support to the GDAА to establish and manage the Australian Games Innovation Centre (AGIC).

The centre provides a focal point for the local Australian game industry and houses the GDAА, the Melbourne Campus for the Academy of Interactive Entertainment (AIE) and a national showcase of the Australian electronic game industry, co-located with Atari. The national games showcase will be completed before the Christmas break and has been made possible through hardware and software contributions from Microsoft X-box, Nintendo, Sony Australia and Xenon Systems and game titles and materials from local developers.

Future Activities

Other areas identified for further GDAА attention in 2004-05 include:

- Australian presence at GDC and E3 in 2005
- Review options for an Australian stand at EGN in the UK
- Participation in a trade delegation of game developers to Japan

- Establishing an Industry Database; and
- Collecting and making available market intelligence to industry, Government and educational institutions.

CAPITAL RAISING AND INVESTMENT ATTRACTION

As well as profile raising the GDAA has continued its efforts in relation to attracting investment for project development. Key highlights include:

- The Queensland Government announced the creation of a Pooled Development Fund (PDF) exclusively for financing game development companies.
- The House of Representatives Standing Committee on Communications, Information Technology and the Arts tabled its report, *From Reel to Unreal: Future opportunities for Australia's film, animation, special effects and electronic games industries*. The report supported the GDAA's position presented in our Business Strategy provided to Federal Government in 2003, including changes to 10BA of the Tax Act to specifically include games and establishing 'AusGames' to promote the industry to the US market as is done for film with 'AusFilm.
- The GDAA also facilitated a private initiative by some of its members to establish a cooperative games investment fund.
- The GDAA has continued to lobby for greater investment support for our industry targeting Government and the investment community. This will continue to be a priority in the coming year.

The GDAA has met with most state based film bodies to discuss extension of current programs available to the film sector to game companies. This will be ongoing in 2004-05.

SKILLS AND TRAINING

In direct response to members' wishes, skills and training has taken on the highest priority for the next financial year. Already we have seen a number of successful education roundtables held in Melbourne and Brisbane between industry, Government and the higher education sector. The GDAA has also provided two skills' programs to the industry.

Business and Project Management Program for the Game Development Industry

Recognising the growing importance of the need for training in the areas of business and project management, the GDAA successfully sought funding from AusIndustry, and the Queensland and Victorian governments to deliver a program to the game industry.

The program focused on providing best practice models and tools for the game industry to more effectively plan strategically and to manage a game development studio and game development projects.

The program was delivered by PwC and the first two phases have been completed. Workshops held in both Brisbane and Melbourne focused on strategic and business planning and project management tools. PwC has recently completed one-on-one mentoring with participating companies focusing on key business issues at the enterprise level. An online toolkit is currently being prepared and will be available to GDAA members via the website.

Professional Development Program for Teachers

In October this year the GDAA ran a pilot program aimed at providing specific insight and guidance to tertiary educators delivering content in games related courses and/or subjects. Around 40 teachers participated in the three day forum which included heavy involvement of local industry players and two US guests via internet conferencing. This 'Professional Development Program for Teachers' was very successful and will be rolled out nationally in due course.

Education-Industry Roundtable

An Education-Industry Roundtable was hosted in Queensland with the support of the Information Industries Bureau and QANTM. This forum provided an opportunity for local educational service providers to meet with industry to discuss graduate requirements, challenges for the industry, and ways in which both sectors can work more effectively together going forward.

PlayStation2 Development Kit Program

The GDAA negotiated an agreement with Sony Computer Entertainment Europe (SCEE) to provide development kits and related software to local game developers. Australia is the only jurisdiction in the world in which Sony has agreed to such an arrangement.

Metrowerks, a software middleware provider, provides software licences at no charge to the GDAA.

The program is national and to date has been rolled out in Victoria with the support of Multimedia Victoria. A total of 12 development kits and one performance analyser have been made available to local Victorian companies.

The program is now in its third round with 6 companies receiving 2 kits each.

The GDAA was very pleased to announce the successful signing of the first game concept developed through the program. The game, Heroes of the Pacific, developed by That Game and licensed to IR Gurus, secured a deal with Encore. This was a huge achievement and reflected the intention of the program which

is to provide local developers, especially smaller ones, with the opportunity to develop on this platform.

The GDAA expects to implement the program in Queensland in November 2004. Up to four kits will be made available to Queensland developers.

X-box Development Kit Program

In early October 2003, the GDAA announced a world first partnership with Microsoft and the Victorian Government to provide Xbox development kits to local developers. While launched in Victoria initially, a number of State Governments have indicated interest in potentially extending the program.

In Victoria, 21 development kits and associated software (Visual Studio.Net) have been made available to local developers.

Future Activities

- Development of a national Skills and Training Strategy
- Development and delivery of specific skills and training programs (subject to funding).

CLOSING COMMENTS AND ACKNOWLEDGMENTS

During 2003-2004, the GDAA has continued to work hard to represent the interests of its members. This has been reflected in the range of activities engaged in. Membership has continued to grow to 50 plus members. In the coming year, the GDAA plans to enhance our range of Member services.

The past year has seen the GDAA deliver some significant achievements. However, these would not have been possible without the considerable support of GDAA members and the ongoing commitment and contributions of the GDAA Elective Committee.

In particular, *Adam Lancman* (GDAA President) has continued to give an enormous amount of his time and resources to promoting the interests of the industry. His Executive Assistant, *Camille Wall*, has continued to assist the GDAA. Her ongoing enthusiasm and support is gratefully acknowledged.

We are also grateful to *Greg Siegele* (Vice-President) for his support and important role in promoting the Game Industry Development Strategy to Government.

Our Treasurer, *John De Margheriti*, has also provided invaluable assistance and resources to the association. We are particularly grateful to Micro Forte for providing accounting services to the GDAA.

Our Secretary, *Graham Edelsten*, has provided ongoing support over the past year.

The GDAA has been very fortunate to have received continued support from a number of sponsors. These are gratefully acknowledged and include:

Super Sponsors

Academy of Interactive Entertainment
Victorian Government

Corporate Sponsors

Deacons
Metrowerks

Sponsors

Invest Victoria
Krome Studios
Micro Forte
PwC
Systems by Design

The future presents all of us with many challenges and opportunities. I look forward to continuing to work with the GDAA Elective Committee, GDAA members and our industry stakeholders and supporters to achieve even greater outcomes in the coming year.

Evelyn Richardson

Executive Director, GDAA

31 October 2004