



interactive games & entertainment association

**Submission to Department of Infrastructure, Transport,  
Regional Development, Communications, Sports and  
the Arts**

# **Response to Cost Recovery Implementation Statement for Classification Services**

**July 2025**

**IGEA acknowledges and pays respect to the past and present Traditional Custodians and Elders of this land and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We would like to extend our acknowledgments to the indigenous people from countries overseas and recognise their strength, wisdom and creativity.**

## 1. Introduction

The Interactive Games & Entertainment Association (IGEA) welcomes the opportunity to provide a submission on the *Stakeholder Engagement Paper - Cost Recovery Implementation Statement for Classification Services*, led by the Department of Infrastructure, Transport, Regional Development, Communications, Sports and the Arts (DITRDCA).

We understand that the purpose of this review is to seek feedback on the future design of cost recovery arrangements for classification services in Australia. Given that the current classification fees were set in 2011, along with the significant market changes since then (including in the video games sector) and ongoing classification reforms, we agree that now is an appropriate time to take stock and assess whether the current arrangements remain fit for purpose.

### 1.1 About IGEA

IGEA is the industry association representing and advocating for the video games industry in Australia and New Zealand, including the developers, publishers and distributors of video games, as well as the makers of the most popular game platforms, consoles and devices. IGEA has over a hundred members, from emerging independent studios to some of the largest video game companies in the world.

### 1.2 Overview

Overall, the video games industry recognises the importance of contributing its fair share toward the services it utilises, including those provided for by the Australian Classification Board (ACB) and Branch.<sup>1</sup> Accordingly, the current partial cost-recovery approach along with the current user-charge model is viewed as appropriate, provided the level of recovery remains reasonable and proportionate to the services rendered.

While we appreciate the opportunity to make a submission, we note that this consultation process addresses only high-level principles and approaches. It does not, for example, propose options of specific models or revised fee structures. As further details become available, we would expect DITRDCA to undertake additional consultation with industry. We would also welcome any information on efficiency-related proposals that DITRDCA may be considering to help mitigate the upward pressure on classification fees.

This position is informed by a long-standing and constructive relationship between the industry and the ACB and Branch. Well before the current classification fees were set, IGEA has developed a strong relationship over the past two decades with the ACB and Classification Branch - initially within the Attorney-General's Department and later under the Department of Communications & the Arts (now DITRDCA). Over the past two decades, we have collaborated to support industry compliance, promote effective operation of the National Classification Scheme (NCS), and advocate for appropriate legal

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<sup>1</sup> In this submission, while our comments are primarily directed at the ACB, we acknowledge that relevant work may also be undertaken by the Department, including through the Classification Branch, and our comments should be read as extending to both where applicable.

and policy reform. This history reflects not only a shared commitment to the classification scheme, but also the significant knowledge, expertise, and trust that has developed between key government agencies, industry stakeholders, and the wider community.

Yet, there are outstanding issues arising from the Stevens Review that remain unresolved. We have addressed these in detail in our separate 2024 submission to the DITRDCSA as part of the broader Stage 2 Classification Reforms.<sup>2</sup> These matters have direct implications of the structure and operation of the NCS and, by extension, for this current cost recovery consultation.

For the remainder of this submission, we specifically address the questions raised in the Stakeholder Engagement Paper, having regard to the Government’s objectives. Based on these responses, below is a summary of our recommendations for this latest consultation.

Topic	IGEA Recommendations
Partial cost-recovery	We strongly support a partial cost-recovery model that is reasonable, proportionate, avoids full cost recovery, and is supplemented by government funding to reflect public interest and scale limitations.
User-based fees	Fees should reflect actual usage and costs, be based on sound policy outcomes, pursue efficiency reforms if increases are necessary, and avoid unsustainable hikes that harm market participation and industry sustainability.
Transparency	Transparency should be maintained through detailed reporting of revenue and expenses by function to ensure fairness and accountability.
Administrative efficiency	Expenditure levels should be reassessed and administrative efficiency should be improved in light of declining physical game submissions and sustained spending despite reduced demand.
Cost recovery policy	Cost recovery policies should support broader cultural, economic, and digital reform objectives, including holistic modernisation and alignment with long-term policy goals.
Further consultation	Industry should be engaged further once specific fee models are developed, and clarity on whether efficiency-focused measures are being explored to offset potential classification fee increases.

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<sup>2</sup> IGEA submission to Stage 2 Classification Reforms Consultation Paper, <https://igea.net/2024/05/igea-submission-to-stage-2-classification-reforms-consultation-paper/>.

## 2. Cost recovery considerations

*Question 1: Do you have any views on the current fee structure? For example, should different fees apply to different types or sizes of industry participants or different products that are being classified?*

*Question 3: While understanding broader government policy concerning cost recovery, what factors should be taken into consideration for future cost recovery arrangements for classification services?*

*Question 4: What transitional arrangements would support industry adaption to a revised cost recovery model?*

We have addressed Questions 1, 3 and 4 together, as we consider them to be interrelated. These questions all concern the current classification fee structure, potential changes to how fees are applied, future approaches to cost recovery, and the transitional arrangements that would support these changes.

Since the last Cost Recovery Implementation Statement in 2018,<sup>3</sup> we have supported the DITRDSCSA's approach of attributing revenue and expenses to discrete classification functions, ensuring that fees are charged fairly and equitably across different content types. This process previously found that the costs and revenue associated with video games classification were largely in balance, whereas the classification of other media such as films incurred significantly higher costs than the revenue recovered from industry.

This review must consider not only the revenue side of classification (such as fees and government funding) but also the expense side. In setting fees, it is critical to assess whether the NCS, including both its legislative framework and the ACB's operational structures, remain sustainable.

We understand that this could be addressed through the objectives for future cost recovery, as presented in the paper, which we support in-principle:

- Reflect the true cost of service delivery;
- Promote equity and fairness;
- Support transparency and accountability;
- Support efficiency; and
- Align with government policy and reforms objectives.

### 2.1 Reflect the true cost of service delivery, and promote equity and fairness

The industry recognises the importance of contributing its fair share toward the services it consumes, especially those provided by the ACB. Accordingly, a partial cost-recovery

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<sup>3</sup> See: <https://www.classification.gov.au/sites/default/files/2019-08/cost-recovery-implementation-statement-classification-fees.pdf>.

approach is viewed as appropriate, provided the level of recovery remains reasonable and proportionate. What constitutes 'reasonable' will require proper scrutiny, including an assessment of whether expenditure areas are being used efficiently.

Our position is not driven by a rigid opposition to fee increases. We acknowledge that rising costs are a normal aspect of operating within a regulated environment. Rather, our concern is grounded in what the industry can realistically absorb without adverse impacts on market participation and investment.

A cost-recovery model that increases fees beyond current levels for video games submissions is unlikely to be sustainable. A more effective approach would reflect the declining volume of games being classified via the ACB, resulting in lower administrative costs, while recognising the shift in the ACB's role toward supporting and overseeing self-classification processes.

We support maintaining the current user-charge model. Charges for each content type should be consistently proportional to the actual costs of classification. This approach recognises that some companies rely heavily on the ACB's services, while others do not, and ensures that fees are applied fairly without imposing undue burden.

For any regulation, there is usually a disproportionate burden placed on smaller companies compared to larger ones. There is also the cumulative effect of introducing a new government cost recovery mechanism in addition to existing regulatory costs, which makes it more difficult to attract investment in Australia compared to other jurisdictions.

We believe a fairer and more sustainable approach to fee-setting would prioritise sound policy considerations over an arbitrary cost split. This includes assessing the impact of fee changes on industry and the community, alongside practical factors such as the actual cost of delivering classification services.

If the government considers that maintaining current fee levels is not fiscally sustainable, we would strongly urge parallel consideration of further reforms aimed at making classification processes more efficient and cost-effective.

## **2.2 Support transparency and accountability**

As noted above, we have been supportive of the transparency provided under the 2018 Cost Recovery Implementation Statement, which itemised revenue and expenses against discrete classification functions to ensure fees were being charged fairly and equitably across content types.

As a matter of good public policy design and best regulatory practice, allowing for an authority to fully cost recover for its activities from service providers raises significant concerns with respect to barriers to access regulatory services, and proportionality and accountability issues, which could lead to unintended and perverse consequences. This raises several questions, including: how will an authority be held accountable to maintain efficient costs and expenditure; and without any government funding, how would

government be incentivised to scrutinise whether the regulator's expenses are being appropriately used in public interests.

Regarding any proposals for full cost recovery, we are not aware of any government-run classification system that is entirely (let alone predominantly) industry-funded. It is important to note that jurisdictions such as North America, Europe and UK operate industry-funded systems, such as the ESRB and PEGI. However, a critical distinction is that in those models, industry also bears responsibility for the operation and efficiency of the system, giving it a clear incentive to maintain low and sustainable costs. This stands in contrast to a government-administered model where cost recovery is imposed without corresponding control or accountability from industry.

In terms of government-run classification fees overseas, Australia's charges remain relatively higher than neighbouring countries such as Singapore and South Korea (in some cases). In Singapore, the cost to classify a game is \$50 SGD (approximately \$60 AUD) for standard processing, or \$200 SGD (approximately \$234 AUD) for priority processing.<sup>4</sup> South Korea's system is more complex, with classification fees ranging from as low as ₩30,000 (approximately \$35 AUD) up to ₩2,376,000 (approximately \$2,800 AUD), depending on the type of game.<sup>5</sup>

### 2.3 Support efficiency

The physical (boxed) video game market has steadily declined over the last decade,<sup>6</sup> increasingly supplanted by the shift to digital titles and classification through multiple avenues (including, but not limited to, the ACB through self-classification). As a result, the ACB has seen a significant drop in video games submissions, indicating ongoing pressure on the profitability of its classification process.

These lead to several key questions:

- Are the ACB's current expenditure levels appropriate?
- Are there any ways to reduce the cost to government of classification, while ensuring that the community continues to be served by classification?
- Could there be administrative efficiencies gained over time, such as streamlining processes and reducing administrative overhead for expenditures? For example, we note that the total costs provided in the paper are projected to remain at the relatively similar levels in the vicinity of \$6 million per year from 2022-23 to 2029-30.

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<sup>4</sup> See: <https://www.imda.gov.sg/-/media/imda/files/regulations-and-licensing/regulations/frameworks-and-policies/content-standards-and-classification/standards-and-classification/video-games/vg-fees-and-service-standards.pdf>

<sup>5</sup> See: <https://www.gcrb.or.kr/English/enforcement/Enforcement.aspx>

<sup>6</sup> IGEA, Australian Consumer Video Game Sales 2024 Snapshot, <https://igea.net/2025/07/2024-australian-video-game-consumer-sales-results/>

## 2.4 Align with government policy and reforms objectives

This review should be holistic and not solely focused on internal fees. We encourage the Department to assess whether the ACB's current budget is sustainable and to explore reform options that could enhance the efficiency of the classification process. For instance, given the age of the NCS, are there reforms (such as part of the Stage 2 classification reforms) that could modernise and streamline the system?

When considering cost recovery, it is critical that the following factors are taken into account:

- Potential policy conflict: Could a cost recovery model ultimately undermine Australia's cultural and economic objectives, particularly given bipartisan support for the growth of the local video games industry? The government has acknowledged the sector's potential, and any financial barriers should be weighed against that broader policy intent.
- Impact on smaller developers: Indie studios often operate with limited budgets. Higher classification fees, especially if applied to live updates or re-releases, could be prohibitively expensive. The cumulative burden may deter smaller studios from participating in the market.
- Market distortion risks: A foreseeable but undesirable outcome is that increased costs lead to fewer games being classified, delayed releases in Australia, or even market exit. This could have a chilling effect on global publishers, who may deprioritise Australia due to regulatory friction. This would result in reduced consumer choice, lost revenue for Australian retailers and platforms, and decreased relevance for the ACB.
- Undermining reform objectives: One of the key justifications for self-classification was to streamline and modernise the classification system, in line with the industry trends. A full cost recovery model, particularly if applied to functions already streamlined or devolved, could undermine these goals and reintroduce inefficiencies.

We therefore strongly oppose any move towards full cost recovery, which we believe is contrary to the public interest. Key public policy reasons for this include:

- Protecting children and young people as a shared core responsibility;
- Supporting national cultural policy, where government has a key role;
- Levelling the playing field for smaller studios through subsidised access;
- Recognising shared public-private accountability for classification outcomes; and
- Following best public practices that promote local content and export potential.

Additionally, the volume of applications and economies of scale are crucial considerations. In public services with high volumes, such as IP Australia, the Australian Communications &

Media Authority (ACMA), and the Australian Prudential Regulation Authority (APRA), costs can be more efficiently recovered through industry fees because of fixed costs are spread across a large user base.

In contrast, the ACB operates with relatively low volumes and limited economies of scale. Given this, along with important public interest, cultural policy and equity factors, it is both reasonable and consistent with best practice for the ACB to receive a significant share of its funding from the government, rather than rely solely on industry fees.

### 3. Potential impact of classification fee changes

*Question 2: In what way might potential revised or newly introduced fees impact on your business or choice of classification method?*

As discussed above, a cost-recovery model that increases fees beyond current levels for video games submissions is unlikely to be sustainable.

As a general rule, any increase in costs for classification, especially if they entail materially significant increases could have the following impacts:

- If fees are imposed regardless of whether publishers seek classification through the ACB, video game publishers may be discouraged from introducing as many titles into the Australian market.
- If additional charges are applied exclusively to physical titles classified through the ACB, this may discourage companies from using the ACB and could further reduce the number of physical products released in the Australia market.
- Increased costs to publishers and distributors may not be easily passed on to consumers, as these businesses often operate on tight margins and must remain price competitive in a highly competitive market.
- Additional classification costs will fall on publishers, distributors, and retailers, many of whom may be unable to absorb them. This could result in some games not being released or sold directly in the Australian market.
- Consumers may be adversely affected, with reduced access to video games or a greater likelihood of turning to non-compliant or unclassified products.
- Higher classification costs will have both direct and indirect impacts on the local game development industry, as discussed earlier.
- Increased classification fees may, perhaps counterintuitively, result in lower overall revenue for the ACB, as publishers and distributors reduce their activity or exit the Australian market altogether.
- It has been recognised that the costs of seeking a review of decisions by the Classification Review Board create a barrier for businesses to explore that avenue.

#### 4. Additional comments

*Question 5: Is there any further feedback that you would like to submit in relation to classification fees or cost recovery arrangements as part of this Engagement process?*

We welcome the opportunity to contribute to this consultation. However, we note that the current process is limited to high-level principles and does not set out specific fee models or structures. As the DITRDCSA progresses this work, we encourage further engagement with industry once more concrete proposals are developed. Additionally, we would be keen to understand whether any efficiency-focused measures are being explored to help offset potential increases in classification fees.

Thank you for allowing IGEA to contribute to this consultation. For more information on any issues raised in this submission, please contact us at [policy@igea.net](mailto:policy@igea.net).