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Minutes: Games Development and Digital Growth

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Different points of view on games:

- **Games as culture:** If we want to discuss the future of education and culture, we have to discuss games. Cultural politics cannot ignore games as part of culture no longer, because games are a very important part of culture of young people. The status of a cultural product is crucial for game industry, as game developers are fighting for the same talents and consumers with music and film companies. Yet, those opposing tax credits for game industry claim games to be only computer programs without cultural content. However, in a typical game there is 75% cultural content and 25% more scientific oriented programming.
- **Games as technology and business:** Public support for games is an investment that has to bring something in return. Unfortunately, in the game industry, there is no clear ratio between an investment and a return from it. For example, an initial investment for Angry Birds was about 100 000 euro and that has brought back 15 000 000 euro. Finnish innovation agency Tekes, that has invested 30 million euro in game development, estimates that every euro they have invested has brought back seven euro.
- **In the end, games industry is in the middle of cultural, research and economic policies. For game development, the effect is the same no matter if the funding is cultural or technological.**

The diversity of financing instruments is the best answer to the needs of game industry:

- **The current situation:** Many companies, e.g. Unity, have left Europe, because other regions offer better business environment (e.g. more VC's, tax credits). Often they have even been encouraged to do so by banks they are asking loans from. There are about twenty states in the USA that support their game industry with tax initiatives, but at the moment in Europe the UK, for example, does not support games industry at all. At the same time employment costs in Europe are bigger than anywhere on Earth and other cultural sectors, like films, receive huge subsidies.
- **Publishers are no longer investing:** Moving from retail to online and mobile value chains means that there is no publishers' money in the value chain. In addition to self-financing, public support is needed to fill the gap.
- **Prototype funding:** Prototype money is very important. As game industry is becoming more and more IP driven industry, we should broaden the prototype funding to cover IP creation. In addition to being financially able to keep their IP's in their own hands, the game studios have to find ways to monetize and utilise them.
- **Loans and VC-funding:** Banks do not have competence to invest in game industry. Most of the venture capital (VC's) investors are from the USA and invest mostly there. Games are a very diverse sector with very flexible budgets and it takes a lot of time to understand how it works.
- **Loan guarantees, microcredits and tax breaks:** The Commission is interested in this kind of public funding, as it can be reused and it is considered an effective way of using public money. However, this kind of funding is suitable only for companies in the upper end.

Serious games

- **An opportunity for Europe:** Serious games offer many new opportunities for research and business.
- **A game developer is not the same thing as a serious game developer:** Serious games require a totally different kind of skill set. Asking a game developer to create a serious game is like asking Lars von Trier to direct a corporate film: even if he would be ready to do it, you most probably wouldn't have what you ordered. The problem is that the sectors calling for serious games do not have any idea about games. And if a customer understands the value of games, developers do not know how to sell their services to corporate clients.
- **Games developers have to focus on being forerunners in the field of games not in other sectors:** One can learn to make games only by making them and if one stops doing it, one loses his or her grip quickly. Consequently, the best way for the game industry to contribute to other sectors is to focus on the core of the game industry. Already now game industry has made the most sophisticated 3D navigation and AI solutions.

In the field of games cutting edge research is made in SME's, not in universities:

- **The classic education system, developed for the needs of the Industrial Era, is changing:** The technological research aspect is important for the game industry, as big games studios often spend of 30% of their time on RTD. However, when the universities of Europe are really good, they are five years behind the industry. In Finland, for example, the research has been done in companies. They have been the key to success in Finnish game industry instead of academic research.
- **Games industry needs professionals:** The times when universities could offer what you need are over. Games industry needs skilled labour, e.g. engineers and, in addition, game industry still has problems attracting females to the industry. This means that universities have to do much closer co-operation with the industry in order to react the changes in the industry as fast as possible.
- **European research funding is needed, but not in its current form:** European games industry needs more, smaller and non-collaborative projects that one company can manage from the beginning to the end. Furthermore, at least forty per cent of EU Research funding should go to SME's and the definition of innovation has to be broadened to include also business and content innovations.