

BIU – Bundesverband Interaktive Unterhaltungssoftware e. V.  
Charlottenstr. 62  
10117 Berlin  
Tel: 030 2408779-0  
Fax: 030 2408779-11  
office@biu-online.de  
www.biu-online.de

## **Games industry makes ten demands ahead of the 2017 parliamentary elections in Germany**

December 2016

## **Summary:**

### **1. Introduce systematic government incentives for games**

To systematically promote games as a cultural asset and to halt Germany's progressive loss of significance as a game development centre, the government must fulfil its role and roll out relevant incentives for the games industry. The BIU has submitted a modern model of tax incentives for games companies to this end.

### **2. Finally implement a comprehensive reform of the protection of minors in the media environment**

The legal framework for the protection of minors in Germany is out of date and does not take account of the way in which children and young people consume media today. The German Protection of Young Persons Act (JuSchG) and the Interstate Treaty on the Protection of Minors (JMStV) must be modernised, dovetailed better with one another and made internationally compatible.

### **3. Increase funding for the German Computer Games Awards**

The German Computer Games Awards are the most important awards promoting digital games from Germany. The prize money for the German Computer Games Awards must be increased. However, companies in Germany cannot be expected to contribute more than is financially viable.

### **4. Maintain development opportunities for the digital economy**

New digital business models need scope, so a fair balance of interests must be found between consumers' rights and corporate freedom in the digital world, like elsewhere. Strengthening the empowered consumer must take precedence over new regulation.

### **5. Recognise e-sports as sports**

E-sports have become a mass phenomenon which is rapidly growing in popularity, among both professionals and amateurs. Several steps need to be taken to enable e-sports to develop optimally in Germany, including officially recognising them as sports.

### **6. Speed up the provision of comprehensive high-speed internet coverage**

Comprehensive high-speed internet coverage is of crucial importance for Germany's future prosperity and therefore also for the future of Germany as a game development centre. Low-latency gigabit networks should be available around the country by 2020.

## **7. Strengthen digital education**

Our education system must improve the way it teaches digital skills. Both media expertise and serious games can make a major contribution to this. Greater use must be made of these in teaching.

## **8. Ensure sufficient professionals are available long-term**

The German games industry is lacking in highly specialised, experienced professionals. As there are not enough such professionals in Germany, the training situation must be simplified and it must be made easier for these professionals to move here from abroad.

## **9. Issue clarification to avoid double VAT being charged on digital content**

New, uniform VAT legislation has applied to digital goods and electronic services within the European Union since 1 January 2015. The Federal Ministry of Finance has left many associated questions unanswered to date, to the detriment of games companies in Germany. Clarification is urgently needed here.

## **10. Strengthen international networks and modernise German trade show appearances**

German business support programmes to assist with the penetration of foreign markets need to be tailored better to the specifics of the cultural and creative industries. Trade show programmes need to be modernised and communicated attractively via a single umbrella brand.

### **In detail:**

Computer and video games are the defining medium of the digital society. Games have become a mass medium: half of all Germans play computer and video games. The stories and characters from computer and video games are now formative for several generations and influence both our aesthetics and social discourse. The computer and video games industry is also the fastest-growing media sector, but Germany has only been able to share in this rapid global growth to a limited degree recently. Germany is one of the largest sales markets for games: revenue of approximately 2.8 billion euros was generated with games and games

consoles in the country in 2015. However, Germany is becoming less and less influential as a production hotspot for games, even though it is home to a number of internationally successful flagship developers. Recently, there have been a growing number of reports of redundancies in the industry. This trend is largely attributable to insufficient political incentives in Germany. In the run-up to the 2017 parliamentary elections, we are issuing ten demands to strengthen Germany as a game development centre. Meeting these will enable the sector to keep growing in Germany, like elsewhere, and allow it to act as a powerful innovation driver and mediator between the content industry and the digital economy.

## **1. Introduce systematic government incentives for games**

Computer and video games are a cultural asset and just as worthy of incentivisation as other cultural assets. Computer and video games are a modern, cultural means of expression. Their technologies and interaction mechanisms are now used far beyond the cultural and entertainment industries – for example, in the automotive industry, health care, training and continuing professional development, and journalism. However, political discourse surrounding computer and video games to date has centred on regulating and preventing their consumption, rather than promoting creative diversity and new, high-quality games, which simultaneously promotes the creation of very high-quality jobs. The development of computer and video games is also very cost-intensive; development budgets are increasing around the world. German development studios are facing major challenges in the light of this. They often lack sufficient financial resources to survive internationally. For this reason, the German government must finally fulfil its responsibility to promote cultural diversity with regard to digital media and introduce systematic, sustainable and financially relevant incentives for games. To this end, the BIU has submitted a forward-looking, detailed tax incentive concept for games companies. Alternatively, a different independent programme with sufficient funding must be created at national level to promote the games industry. If action is not taken soon, Germany will miss out on a key market of the future.

## **2. Finally implement a comprehensive reform of the protection of minors in the media environment**

Media usage by children and young people has changed fundamentally in the last five to ten years. Today, millions of pieces of content are accessible via all sorts of devices any time and anywhere. At present, the legal framework does not reflect these profound changes sufficiently: regulation remains split between online media (where the federal states have sovereignty) and offline media (where government legislation applies). There is a lack of comprehensible, convergent and internationally compatible regulation which addresses the content rather than the transfer medium. The German government and the federal states now need to work together to put in place a modern legal framework for the protection of minors in the media environment. It is absolutely essential to initiate the reform of the German Protection of Young Persons Act (JuSchG) planned for this parliamentary term and design a consistent reform package. Age rating systems which have been introduced successfully and are recognised internationally – such as the International Age Rating

Coalition (IARC) – must be acknowledged in legislation. Better financial support must also be provided for the maintenance and further development of technical programmes for the protection of young people, such as JuSProg.

### **3. Increase funding for the German Computer Games Awards**

The German Computer Games Awards are the best-known accolades for games from Germany and the only government-funded awards for home-grown titles. To take account of the increased relevance of computer and video games, it must be made possible for the German Computer Games Awards to give fledgling development studios in particular a sustained financial boost. The prize money must be increased significantly. The requirement which was passed by the budget committee of the *Bundestag* this year for 50 per cent of the prize money to be provided by businesses must be lifted. When compared with other government awards promoting culture, it makes disproportionate demands of the games industry and is not feasible for the sector. Furthermore, this condition goes against the intention of a monetary award by requiring the very developers it sets out to promote to fund their own award.

### **4. Maintain development opportunities for the digital economy**

The digital revolution goes hand in hand with new revenue models and changes in user behaviour. Films and music are now streamed instead of being bought on CDs. More and more computer and video games are following the logic of content as a service. They are no longer self-contained products with a one-off purchase price: they are constantly evolving and are increasingly funded by micropayment systems such as free-to-play models. Subscription models (including time-limited ones) are also gaining in popularity. Other new business models will emerge in due course. The digital economy – and in particular the games industry – is rightly seen as a model and innovator for other sectors. However, it needs room for manoeuvre so that innovative distribution and business models like these can be developed in Germany. Overly strict regulation hinders the further development of corresponding models. Informed consumers are strong: they are aware of their market power and know how to use it. This is all the more true in the internet era where forums, rating sites and social networks abound. It is only possible for businesses to operate successfully long-term if they maintain a positive dialogue with customers and consumers. Legislators should trust in this too. The regulatory framework in the form of the consumer protection enshrined in the German Civil Code (BGB) and the German Act Against Unfair Competition (UWG), for example, has proved effective. Additional regulation increases the cost of bureaucracy for businesses and makes consumers' rights less clear. It therefore weakens consumers instead of strengthening them. It is also crucial that German legislators support a balanced relationship between consumers' and businesses' interests at European level. At present, this applies in particular to the discussions concerning the Digital Content Directive. It is essential to ensure that all data is not treated the same: the kind of data that is collected for the use or optimisation of a video game is not comparable with personal data in social networks or cloud services.

## **5. Recognise e-sports as sports**

E-sports have become a mass phenomenon in which both traditional sports clubs such as VfL Wolfsburg or FC Schalke 04 and TV channels such as Sky, Pro7 or Sport1 are involved. Numerous talented young players hope to join a professional team; the professionalisation of e-sports is progressing apace. Millions of people around the world follow the major tournaments. The market is constantly growing. It is estimated that e-sports generate global revenue totalling 750 million dollars.<sup>1</sup> In Germany, revenue is expected to grow to 130 million euros by 2020.<sup>2</sup> Germany has the potential to become a major international force in e-sports, both as regards the number of successful players and in terms of consumers and marketers. For the process of professionalisation to continue and e-sports to become more widespread – both in the professional segment and among amateurs – they must be recognised as official sports. At the very least, a possible first step would be to recognise the charitable status of e-sports clubs for tax purposes. In addition to this, the visa facilitation agreements that enable other athletes to take part in tournaments should be extended to e-sports players.

## **6. Speed up the provision of comprehensive high-speed internet coverage**

Today, the availability of a fast internet connection is of crucial importance for business success, innovations, the sharing of knowledge and social inclusion. Germany is still lagging behind international standards and the technical capabilities in the provision of comprehensive high-speed internet coverage. While it is important to avoid widening the provision gap between urban centres and rural areas, this must not be the sole aim of an ambitious broadband strategy. The availability of high-performance, low-latency broadband internet connections is particularly important for the games industry. The division of labour in the development of computer and video games is particularly high. Often, members of the development team are based in different cities, countries or even continents. This means that the availability of a high-speed internet connection is vital for a development hotspot. The focus must be on providing comprehensive high-speed, low-latency internet coverage, not on expanding and promoting a specific technology. Delivering a speed of 1 Gbit/s by 2020 should be the aim.

## **7. Strengthen digital education**

Digitisation has now spread to almost all aspects of our lives and it will continue to permanently change the way we live in the future. Children and young people need to be optimally prepared for living and learning in the digital world to enable them to understand and shape our world both now and in the future. An understanding of digitisation, the ability

---

<sup>1</sup> <http://superdata-research.myshopify.com/products/esports-market-brief-2015>, accessed on 26/5/2016.

<sup>2</sup> *Deloitte study Let's Play! Der deutsche eSports-Markt in der Analyse, November 2016.*

to make critical, self-determined media usage choices and basic programming skills will be of elementary importance and must be taught to children at a young age in schools. To do this, the necessary infrastructure must be put in place and knowledge transfer must also be adapted to meet the new challenges. Media literacy and educational digital games – known as serious games – can make an important contribution here. However, there are currently numerous objections to the use of these specially developed, educational computer and video games in lessons, despite incontrovertible advantages such as higher, long-lasting motivation and the games' ability to convey even very complex subject matter clearly. Pupils' familiarity with the mechanisms and display formats of games – which are already a daily fixture in young people's lives – also increases their acceptance and can help them to learn even more effectively as a result. Targeted steps should therefore be taken to promote the development of serious games and model projects should be rolled out to drive their exemplary use. Serious games must be a fixed part of the digital package announced this year to promote digital education.

## **8. Ensure sufficient professionals are available long-term**

Approximately 13,000 people work in the German computer and video games industry. The proportion of full-time jobs liable for social security contributions is above average for the cultural and creative industries. Staff in the games industry are specialists who are in demand. Professions in the games industry combine top technology with creativity. Over the last few years, numerous new higher education courses have been created with a focus on games. Policymakers should continue to support and drive this trend. Nevertheless, there is a shortage of experienced specialists in the sector due to international competition for top talent. In addition to this, specialists with a computer and video game development background are in high demand in other sectors as well because of ongoing digitisation and Industry 4.0. The legal framework and procedures for bringing these internationally sought-after professionals to Germany must be made more flexible. It needs to be easier for them to move to Germany from abroad and the services provided by the Federal Employment Agency for businesses in this and other sectors must be improved.

## **9. Issue clarification to avoid double VAT being charged on digital content**

New, uniform VAT legislation has applied to digital goods and electronic services within the European Union since 1 January 2015. This new legislation forced businesses in the German computer and video games industry to make far-reaching changes to internal company processes, with some even having to change their price structure. A considerable number of key issues and questions are not covered by the legislation or are only addressed to an insufficient extent. Many companies face a huge degree of legal uncertainty as a result. The industry has been waiting for clarification from the Federal Ministry of Finance for two years now. This situation leads to numerous added costs for companies and makes for considerable uncertainty. Fundamental questions and issues urgently need to be clarified in a circular from the Federal Ministry of Finance. It is crucially important for the German computer and video games industry that the regulations are clear, uniform and utterly consistent. In



particular, clarification is urgently needed as to whether the net or gross approach should be used. If the net approach is to be used, businesses' associated documentation obligations must be set out in a clear, practicable way. In this case, it should be ensured that the documentation obligations are both limited and consistent. Extensive documentation obligations which vary depending on the specific situation are unmanageable for companies due to the sheer mass of individual business transactions and the large number of conceivable sets of circumstances.

## **10. Strengthen international networks and modernise German trade show appearances**

The computer and video games industry is more international than almost any other business sector. International networks are therefore particularly important for the success of the industry in Germany. Small and independent (indie) developers from Germany and representatives of established studios should therefore be incorporated more heavily into the government's accelerator programmes, its foreign trade promotion schemes and trips abroad by government representatives. Germany does not yet have a strong enough international reputation as a creative development hotspot for games. This is partly because the government's trade show appearances to date lack a creative, modern overall image with a strong umbrella brand. In addition to this, the support programmes run by AUMA, the Association of the German Trade Fair Industry, should be modernised. International networking conferences are becoming more important than large exhibition stands. Tickets for such conferences must be added to AUMA's programme.