

Position paper

Making Germany the best location for esports

Issues and potential solutions

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Making Germany the best location for esports

Esports has become a mass cultural phenomenon in Germany. Two thirds of Germans have heard of digital sports, and around 11 million regularly watch esports competitions.¹ A whole ecosystem has arisen around esports in recent years, with teams of esports players, leagues and tournaments, media, event organisers and sponsors. Hundreds of millions of people around the globe watch the matches, whether at home on their own screens or in the world's largest stadiums. Germany is home to a number of internationally renowned competitions, including the *ESL One* tournaments in Cologne and Hamburg, the *League of Legends European Championship (LEC)* and the *PUBG Global Invitational*. In that sense, the country already holds an important global role and still has room to expand. Esports sales revenue in Germany rose by an average of 25 per cent annually from 2016 to 2018, and it is expected to increase to over 100 million euros in 2020.² Global sales revenue recently exceeded the billion-dollar mark.³

Esports is part of gaming culture

As these figures demonstrate, esports is an important part of gaming culture and the games industry. The focus of esports is on competition, team spirit and fair play. However, not every player who plays online or in person with other players is participating in esports – gaming does not qualify as esports unless players are part of leagues or participate in other rules-based competitions.⁴ One special aspect of esports is that all players have the chance to compete with each other online at any time, lending esports an incredibly broad appeal – it is for everyone from esports amateurs who play as a hobby, to esports professionals who can live from their gaming salary, competition winnings and sponsorship deals. Only a few gamers manage to play esports at a professional level. Similarly, only a small number of games manage to reach a broad enough community and remain popular for a long enough time to become successful esports titles. Consequently, developers, publishers and event organisers work closely with the community to develop successful esports formats and titles – and to continuously refine them. The most popular esports titles include real-time strategy games and multiplayer online battle arena games (MOBA) like *Dota 2* or *League of Legends*, as well as tactical shooters such as *Counter-Strike: Global Offensive (CS: GO)*. Sports simulations such as *FIFA*, *PES* and *NBA 2K* are also popular, as are racing simulations (SimRacing).

¹ Representative YouGov survey commissioned by game (age 16+, n = 2,000, carried out in 2018).

² Deloitte Insights (2019): Let's Play! The European esports market. Page 6. Online at <https://www2.deloitte.com/de/de/pages/technology-media-and-telecommunications/articles/esports-studie-2019.html>

³ Newzoo (2019): Global Esports Market Report. Online at <https://newzoo.com/insights/trend-reports/newzoo-global-esports-market-report-2019-light-version>

⁴ Esports involves a competition between two or more people playing computer and video games according to fixed rules. The computer and video games must be capable of being played in the context of a competition between human competitors in order to qualify as esports titles. Additionally, all participants must be subject to the same conditions; gameplay must not be impacted by preprogrammed, random mechanics.

Steps towards becoming the best location for esports

Given the major societal, cultural and economic significance of esports, all political players should be keen to create ideal conditions for the whole industry to flourish. The question of whether esports is an actual sport is not a decisive factor here. Despite its many parallels to traditional sport, esports is unique – its execution and organisation are very different from traditional sport, for example. Consequently, this position paper will lay out the steps already taken to make Germany the best location for esports, and explain the steps still required.

A. Current situation

Policymakers are also recognising the importance of esports: in Germany, the federal government's 2018 coalition agreement acknowledges 'the growing importance of the esports landscape in Germany' and pledges to facilitate its growth. Since then, it has become easier for esports players from non-EU countries to come to Germany. In August 2018, the German Federal Foreign Office simplified entry requirements for these esports players, and when the new Employment Regulation went into effect in March 2020, it became even easier for non-EU esports players to access the German market.

Many of the individual German states have also taken the first steps towards promoting esports. The state of Schleswig-Holstein, for example, is supporting the establishment of community esports facilities and has set up a state centre for esports. The state of Saxony-Anhalt offers funding for esports clubs, and the state of North Rhine-Westphalia is a co-initiator and supporter of the esports player foundation.

B. Political demands

A number of important factors are already in place to make Germany into the best location for esports. Nevertheless, there are still reservations about esports, as well as hurdles that will hinder its further development in the country. The priority, however, is to solve the following problems in order to improve the standing of esports in Germany:

- Official acknowledgement of the non-profit status of clubs offering esports
- Creating better conditions for esports at the state and community level
- Promoting talent

I. Official acknowledgement of the non-profit status of clubs offering esports

Official acknowledgement of the non-profit status of esports clubs was promised in the German government's coalition agreement, but has not yet been delivered; it would bolster the overall position of esports. Visa issues primarily affect professional esports players; clubs

offering esports for hobbyists and semi-professional players, on the other hand, need non-profit status. Growing numbers of players are interested in joining a traditional club and are increasingly organising on a local level. The main driving force behind these clubs is a sense of community: the members train together, the clubs develop comprehensive training plans, work with young talent and launch social projects such as media literacy education programmes. In this way, they offer a shared experience and serve as a point of contact for young people and parents, as well as for older players. The clubs take responsibility for their members and for society – by teaching media literacy and social skills, for example. As such, they are not dissimilar to other clubs that have had their non-profit status officially acknowledged. Providing esports clubs with official recognition of their non-profit status would support their valuable work and ensure that they are treated equally to other clubs.

This would involve:

- Exemption from corporation tax, exemption from trade tax, exemption from property tax, a reduced sales tax rate of 7 per cent or complete exemption from sales tax.
- Reduction of the tax documentation required: audits to confirm tax-exempt status are generally conducted every three years; without tax-exempt status, a detailed tax declaration must be filed every year.
- Entitlement to EU and German federal government funds for projects in areas such as sport, youth or culture that are allotted for non-profit organisations.
- Ability to receive donations.

Legal requirements for non-profit status:

- Fiscal non-profit status is governed by the Fiscal Code of Germany (AO).
- Clubs that pursue at least one of the 'Public-benefit purposes' as stated in Section 52 (2) of the AO are considered non-profits by the fiscal authorities. There are currently 25 purposes in this list, including the advancement of assistance to young and old people, the advancement of art and culture, the advancement of the protection of animals, the advancement of local heritage or – as stated in list item 21 – 'the advancement of sport (chess shall be considered to be a sport)'.

Consequently, esports should be incorporated into the AO. A new item in the list of purposes ('the advancement of esports') could be created, because despite numerous parallels to traditional sport, esports is still unique – taking into account the way it is executed or organised, for instance. However, sports clubs that refer to purpose 21 ('the advancement of sport') in their charter may risk losing their non-profit status in this scenario if they offer esports alongside their usual programme. For this reason, esports should be included under the 'sports purpose' in the AO without making it equivalent to traditional sports:

- Addendum to Section 52 (2) purpose 21 of the AO to add 'esports' after the parentheses:

'the advancement of sport (chess shall be considered to be a sport) and esports'

II. Creating better conditions for esports at the state and community level

Communities and local economies benefit from league events or tournaments being hosted in cities. Existing events such as *ESL One* in Cologne and Hamburg or the *LEC* league activities in Berlin demonstrate that they can contribute to creating local esports structures that last beyond the events themselves. Important European or global tournaments are particularly interesting for communities in the sense that they have a significant positive impact on local retail and hotels, the same way that other large events do. According to a study conducted by *Riot Games* and the city of Rotterdam, the *Summer Finals* of the 2019 *LEC* in Rotterdam brought in approximately 2.3 million euros.⁵ 83 per cent of spectators who attended the event came from outside of Rotterdam, a number of them even all the way from Asia. On average, attendees spent 52 euros per day in Rotterdam, and the significant international visibility of the event had an effect on the city's marketing that went beyond the event itself: the *Summer Finals* of the 2019 *LEC* achieved a record number of concurrent viewers (864,337), which gave the city a high level of visibility among a target group that is otherwise difficult to reach. Cities with a large number of tournaments and leagues are also a logical place for professional teams to settle long-term. As many of today's teams are as large as some medium-sized companies, the impact this can have on the local economy and the overall attractiveness of the city should not be underestimated.

a) Securing competitive support

Considering the positive effects of esports, local economic promotion agencies should be keen to vie for the opportunity to host esports events in their cities. Depending on the format of the tournaments in question, cities may be competing with other cities around the world. The city of Katowice is a good example of how a close, successful partnership can work: *ESL* has held its *Intel Extreme Masters* event in the Polish city since 2014, and since then, the tournament has become the world's largest esports event, with more than 170,000 attendees from around the world. In cooperation with the event's organisers, the city of Katowice is providing 12.5 million PLN (3.38 million USD) over the course of five years for the two-week event in order to create the best possible conditions for spectators.⁶ As is the case for non-esports events of this size, comparable agreements are made for other tournaments, and local infrastructure (such as venues) is often made available free of charge, or significant support is provided for marketing activities. The attractive nature of these events and the leveraging effect they have on the economy demonstrate that greater involvement from communities and states is a logical proposition.

⁵ Report in *The Esports Observer* from 11 July 2019. Online at <https://esportsobserver.com/riot-tourism-lec-spring-rotterdam>

⁶ Report in *The Esports Observer* from 1 October 2018. Online at <https://esportsobserver.com/iem-katowice-city-council>

b) Openness to all esports tournaments

A successful esports location is open to all esports tournaments, regardless of the genre of games played. Reservations about these tournaments, particularly as regards the protection of minors, are unfounded. Games that are primarily aimed at adults (due to depictions of violence) are as suitable for large events as games that are also targeted at children and teenagers. *ESL One Cologne* at Cologne's LANXESS arena has been one of the world's largest *Counter-Strike* tournaments for years, and it demonstrates that many of the concerns regarding shooters are unjustified: like attendees at all other esports tournaments, the spectators at this event are very peaceable. Across all fan groups, the atmosphere in esports is peaceful and friendly, and the winning teams are honoured and celebrated by everyone present. Naturally, youth protection measures apply to all esports titles. Organisers and local youth protection authorities generally base their decisions on the age ratings of the computer or video games being played. However, when assessing an event, they take the overall concept into account; the age rating of the entire esports event does not necessarily have to be the same as the USK age ratings of the games being played.⁷ Imagery in games that glorifies or downplays the seriousness of violence is prohibited in accordance with Section 131 of the German Criminal Code (StGB). All relevant esports titles have a USK age rating.

c) Availability of event locations and stadiums

The final rounds of league events and tournaments are often held in large event locations or stadiums. The size of the location required varies according to the game, reach and target group in question: capacities of anywhere from a few hundred to tens of thousands may be necessary. Events with a global audience may even necessitate multipurpose arenas with a minimum capacity of 20,000. The final rounds of the *League of Legends World Championship* were held in front of an audience of 40,000 at Beijing National Stadium, for example, and in 2019, the final took place at the AccorHotels Arena in Paris with more than 20,000 fans in attendance. For smaller events, venues that are often owned and operated by community-level authorities can be an ideal option. These smaller event locations must be available to host all types of esports tournaments, as they would for any other events of this size and importance.

d) Transport connections and digital infrastructure

For larger tournaments, good transport connections such as rail links and accessible roads are absolutely vital. Direct flights to and from Asia and the East and West Coasts of the US are also important for global finals. Additionally, broadcasting the tournaments via a live stream requires a fibre-optic internet connection. Event organisers such as *Freaks 4U Gaming* or esports teams rely on having a high-speed internet connection. Comprehensive high-speed

⁷ The USK (Entertainment Software Self-Regulation Body) is the primary point of contact for youth protection issues and provides individual consulting on the age rating of events, taking a range of different factors into account.

internet coverage will have a decisive impact on Germany's future as an attractive location for games.⁸

III. Promoting talent

Esports depends on talented players who perform at a world-class level and have achieved a high degree of fame. These esports players serve as role models and popular representatives of the games industry around the world, in a manner comparable to talented people in other fields such as culture or sport.

a) Representing Germany abroad

Successful esports players and teams are also ambassadors for their home countries. Despite the strong international orientation of esports, many spectators identify with the stars and teams from their homelands, as we can see particularly clearly in places like Asia or North America at the moment. Consequently, it is in Germany's interest to create the best possible conditions for fostering esports talent so that the country can take a leading role in this area and present itself as an attractive location for esports.

b) Creating role models

Another objective of fostering talent is to create role models for millions of gamers. Through comprehensive, professional, value-oriented training, a healthy lifestyle and a responsible approach to gaming, these talented players promote important skills and behaviours to a target group of millions of fans, particularly teen gamers.

In order to fulfil that role, budding players need a professional training environment, conditions that promote physical fitness and a healthy diet, dual-track career planning (playing esports and having a career) and media and social media training, among other things. To that end, initiatives that promote these objectives – such as the esports player foundation – should be supported in Germany. The esports player foundation sets up sponsorship schemes and supports players with the potential to compete internationally. As a non-profit organisation, it takes responsibility for the development of players' individual performance, personality, and educational and career prospects. The support that the German federal government provides to Stiftung Deutsche Sporthilfe (the German Sports Aid Foundation) could serve as a template here.

About game esports

As the association of the German games industry, game is a central point of contact for policymakers, the media, society and industry on all topics to do with games, including

⁸ More on the demand for comprehensive high-speed internet coverage online in '10 Forderungen der Games-Branche': <https://www.game.de/positionen/10-forderungen-der-games-branche>

esports. game esports is a working group for game members who are actively involved with esports. They include a wide range of stakeholders in the esports ecosystem, such as game developers, publishers, event organisers and agencies. game is also a shareholder in the esports player foundation (epf). The epf contributes its expertise from traditional sports sponsorship to esports, fostering both young and established talents in the field by providing financial support, professional training and comprehensive consulting on legal and health issues. The foundation also helps players establish a successful professional life after their esports career. The esports player foundation is financed through commitments from business partners. At the national level, game esports works closely with eSport-Bund Deutschland (ESBD). As a professional sport association, the ESBD represents professional esports teams as well as recreational sport clubs, event organisers and esports players throughout Germany.