



The Rt Hon Andy Burnham MP  
Secretary of State for Culture, Media and Sport  
Department for Culture Media and Sport  
2-4 Cockspur Street  
London  
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Your Ref:

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Dear Secretary of State

### **Supporting the Video Games Industry**

We are solicitors representing a wide variety of clients in the media and creative industries, including the games industry. We wish to draw your attention to certain facts concerning the UK games industry and its global competitiveness, matters which become even more pressing as the Budget looms.

Despite the worldwide recession the 2008 to 2009 compound annual growth for the computer games industry is expected to be 9.5%. In contrast, the size of the games development industry in the UK is expected to decline unless immediate and decisive action is taken.

From being the third largest producer of computer and video games in 2006 the UK is, if current conditions persist, in danger of falling to sixth in the global rankings. Additionally, industry commissioned research estimates that the games development community in the UK will contract by 16.5% over five years resulting in the loss of more than £180million in external investment and nearly 1700 jobs. In the past 12 months over 500 UK jobs have been lost with the impact spread across the country, including the closure of Free Radical Design in Nottingham (140), Pivotal Games in Bath (100), Atomic Planet in Middlesbrough (50), Venom in Newcastle (30), NC Soft in Brighton (55 to 90) and Sci Eidos studios (150 estimated). This is at a time when the global games industry booms.

The UK possesses a world-class talent pool and impressive track record but is increasingly being required to compete on an uneven playing field.

In contrast to the UK, the games industry in Quebec has grown by 42% with £1.5billion of inward investment in the last four years. This disparity is a direct result of the Quebec Government offering production tax credits and a range of other incentives. The French Government has also introduced a similar scheme and is already experiencing additional inward investment, including from UK based games publishers.

According to Tiga, the Industry Body representing the interests of UK games developers, 85% of UK developers consider that tax breaks are necessary. According to Games Up, a

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production tax credit similar to that implemented in France (and approved by the EU) would generate an additional investment into the UK of in excess of £220million with 1600 more jobs over five years. This is in our view a conservative estimate. However it illustrates that the difference between a tax credit and no action is 3300 jobs and £400million of inward investment.

These jobs will be created and this investment made (or lost if no action is taken) in town centres throughout the UK where many games developers are located. While it is estimated that a tax credit of 20% of production costs would cost the Exchequer £30million a year over five years, there will be a significant net gain from additional inward and domestic investment. The difference to the Exchequer between implementing a tax relief and not is estimated to be £145million in 2013 alone. In 2008 the games industry is expected to have directly contributed £130million to the Exchequer (equivalent to 20% of the turnover in the UK games development industry) with an additional £420 million in direct and multiplier effects.

Even if the Treasury decides it can do without this additional revenue and does not want to take this opportunity to show how attractive the UK can be as a place to do business, the impact of doing nothing in terms of job losses and damage to the UK's creative and technological skills base will be significant and enduring. The games industry employs some of the most highly skilled workers and almost exclusively funds its own skills development. It also provides a real and attractive career option for those with maths and science qualifications and encourages young people to take a continued interest in those subjects.

The April Budget therefore provides the Government with an opportunity to assist the UK to fulfil its potential to become the global leader in games development. The UK is well positioned to lead the world in a truly mass market media – one that uniquely brings together technology and the arts and provides benefits both locally and nationally.

We would accordingly urge you to consider the case for tax credits for the UK games industry.

In light of the pressing nature of this issue we shall be making this letter public.

Yours faithfully

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