Senedd Cymru / Welsh Parliament
Pwyllgor Diwylliant, y Gymraeg a Chyfathrebu / Culture, Welsh Language and Communications
Committee
Ymchwiliad i'r achosion o COVID-19 ac effaith y feirws ar ddiwylliant, y diwydiannau creadigol,
treftadaeth, cyfathrebu a chwaraeon / Inquiry into the COVID-19 outbreak and its impact on culture,
creative industries, heritage, communications and sport
CWLC COV79
Ymateb gan TIGA / Response from TIGA

TIGA responds to the Welsh Parliament's Inquiry into the COVID-19 outbreak, and its impact on culture, creative industries, heritage, communications and sport

TIGA, the trade association representing the video games industry, has collated feedback from members regarding the impact of coronavirus on the video games industry. TIGA's Coronavirus Report, which was released on 21 May 2020, collates feedback from games businesses and outlines the key impacts of covid-19 on the sector.

1) What has been the immediate impact of Covid-19 on the sector?

- Cancellation of trade events

    o Big events have been cancelled as a result of coronavirus, such as Game Developers Conference (GDC), EGX Rezzed and Develop Brighton. This has eliminated the primary method of winning new contracts for hire and raising fresh project capital, through face-to-face meetings.

    o One TIGA member noted that they would have attended the above trade events to secure the next 1-3 years of work.

    o TIGA's Coronavirus Report found that over half (56%) of the respondents expect that their organisation's income will decline during the coronavirus pandemic when compared to the previous financial year.

- Game development capital put at risk

    o Industry professionals are unsure how the global recession will impact their sales, and which product offerings will prove popular in the future, as players' social behaviour changes. Consequently, some angel and venture capital that was scheduled for investment to create new IP has been rescinded until new trends are established.

- Remote teams are now standard

    o It may take 12+ months for safe office working practices to be established. Consequently, game development is now conducted in remote teams as standard. This set-up favours teams who have previously worked remotely, as their production will continue as normal.

    o For those who traditionally work in an office setting, getting used to working remotely could have a negative impact on productivity.

        ▪ Different personality types are having to adjust to the isolation of remote working, which can impact on mental health.

        ▪ Individuals' home situation will vary, where their office normally provides a

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homogenous work environment e.g. a lack of a home office space, young
children in the home, or a lack of equipment and internet infrastructure.

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- Best practice managerial techniques have not been established for remote teams.

- TIGA's Coronavirus Report, based on feedback from their 'COVID-19, have your say' survey, found that the vast majority (82%) of respondents identified remote working as a key challenge because of the associated issues involving the quality of the UK's digital infrastructure and the impact upon productivity.

2) How effectively has the support provided by the Welsh Government, the UK Government and arms-length bodies addressed the sector's needs?

- **Creative Wales' Emergency Digital Development Fund (EDDF):**

  o TIGA members noted that this has helped digital creative businesses who have been impacted by Covid-19.

  o The EDDF will allow work for hire businesses to enter a period of IP development to be retained in Wales during a volatile contracting period. This funding immediately takes the place of private capital that has exited the market, and so helps to mitigate the access to finance issue.

  o The scale of funding (£25k), when matched, can help support projects executed by micro teams over a 12-month period.

- However, TIGA members highlighted that they are unaware of a UK-wide industry body offering project capital specifically to help game development businesses impacted by Covid-19.

- **UK's Coronavirus Business Interruption Loan Scheme:**

  o This gives access to only 25% of the total company turnover in 2019, or twice the annual wage bill.

  o Game developer income has high variance, underpinned by product release cycles, meaning that turnover and wages in 2019 may be unrepresentative of the capital requirements of ongoing business.

  o Development teams are sometimes a combination of employees and international contractors. Developers may also be remunerated with one-off project completion bonuses. Company wages are not representative of the costs for undertaking the development of a game.

  o It is common for a product's entire production budget to be secured before undertaking its development, which this scheme does not provide for.

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3) What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?"

- A lack of industry trade events to seek work for hire contracts and project funding will need to be replaced with an online solution.

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- Remote working best practices for individuals and team managers must be established for teams of all sizes, and training options offered.

4) What lessons can be learnt from how the Welsh Government, the UK Government, arms-length bodies and the sector have dealt with Covid-19?"

- The Creative Wales fund is an ideal solution for micro teams:

  o Recognises that creative work for hire businesses will be immediately impacted by the Covid-19 pandemic.

  o Members welcomed the swift release of the funding, that the amount can be matched to establish a complete project budget, and that it allows businesses to focus on creation and retention of commercial IP.

- However, TIGA members found that the CBILS is not fit for the purpose of supporting *ongoing* game development business during the Covid-19 pandemic.

5) How might the sector evolve after Covid-19, and how can the Welsh Government support such innovation to deal with future challenges?

- Teams may work remotely from now on as standard procedure. To make this work, it will be important to:

  o Find remote working experts for creative teams of differing sizes, and establish best working practices, to be shared amongst creative teams in Wales.

  o Provide mental health services for those impacted by the isolation of remote working.

  o Ensure that FTTC and FTTP[1] internet infrastructure is accessible to all creative professionals working remotely.

- It is likely that more game consumers will enter the market to replace leisure activities precluded by the Covid-19 pandemic:

  o Games may replace a wide range of leisure activities e.g. team sports and social group meetings.

  o It will be important to identify market trends and share knowledge amongst creative teams in Wales so that they can focus their product development on capturing new player populations.

    ▪ e.g. increased demand for single player experiences or multiplayer experiences.

    ▪ e.g. demand for experiences that replace holiday travel and sightseeing.

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[1] FFTP means 'fibre to the premises' - it's also sometimes called FTTH (fibre to the home). FTTP travels directly from your internet provider. Unlike FTTC broadband, FTTP uses all fibre optic, making it the fastest type of fibre on the market. It can reach speeds of up to 1Gbps.

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- e.g. demand for experiences that replace live theatre and sport.

- e.g. the increasing sophistication of players initially classed as casual, demanding deeper games.

- Challenges for micro and small studios:

  - Established developers and publishers will be able to ride out the retraction of investment capital in the market by operating out of reserves and back catalogue sales. However, smaller, newer entities may fail simply from the short-term stagnation in investment capital and work for hire contracts.

  - To retain the digital creative sector in Wales, and take advantage of future increased consumer demand for games, operating capital may need to be accessed in the short term.