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House of Lords Communications and Digital Select Committee inquiry: Scaling Up: AI and creative tech

I would like to express my thanks for the opportunity to contribute to the recent Committee session on 'Scaling Up – AI and Creative Tech' on 26 November 2024. It was a real privilege to participate in such a thought-provoking discussion representing Ukie, the trade body for the UK video games industry. The session provided a valuable forum to address the challenges and opportunities currently facing the creative technology sector as it scales. During the inquiry, I raised several key points that I believe are fundamental to the future development of the UK's creative industries, particularly the video games sector. The UK is the 6th largest video games market globally, with over 40 million players, and a long history of success with iconic franchises like *Grand Theft Auto* and *Tomb Raider*. Our diverse talent pool is showcased by studios such as Rare, nDreams, and indie successes like *No Man's Sky* and *PowerWash Simulator*. The industry has grown significantly, contributing £6bn to the economy in 2021, employing 26,600 people directly, and supporting 76,900 jobs across the value chain. Yet, despite this growth, the UK remains one of the most difficult places in the G7 to scale up a games business due to challenges with access to capital and talent.

I believe that the risk-averse nature of the UK investment ecosystem often hinders growth, leading to early exits or the relocation of intellectual property and talent abroad. This, alongside the lack of adaptable financial support mechanisms or state interventions, risks turning the UK into an "IP farm" for companies from countries which have supported their own businesses to scale significantly and where there is often a more favourable risk environment. The introduction of strong tax reliefs combined with world-class universities, and a stable copyright regime has been beneficial in boosting the UK video games industry, but there is a pressing need for more substantial government support to facilitate scalability. The Video Games Expenditure Credit (VGEC), while helpful, has become less competitive over time compared to other countries like France and Canada, which offer more attractive tax relief schemes.

Ukie is currently in the process of creating an economic report which looks at the Return on Investment (ROI) around a possible new rate of VGEC in the hopes to present a clear business case for an improved tax relief regime to help support growth in the industry and the wider economy. We expect this report to be finalised imminently, and we will of course share the report with you and the committee members.

In addition, the importance of addressing the ongoing skills shortages in the sector cannot be understated. Opportunities for skills development, such as rapid prototyping and more flexible apprenticeship models, must be expanded to

meet the increasing demand for talent. The video games sector is also key driver of innovation, particularly in emerging technologies like VR/AR, with applications in industries such as healthcare and automotive design. It is essential that the UK Government supports the mapping of the sector's impact to develop targeted policies and address skills gaps.

Furthermore, while AI has the potential to revolutionise aspects of the creative tech sector, its adoption must be carefully managed to balance innovation with ethical considerations, particularly around content moderation and copyright.

I also emphasised that despite the UK's global recognition for creativity and talent, the industry lacks dedicated public institutions and long-term research that could amplify its economic, social, and cultural impact. The time is right for government to consider investing in the development of a dedicated institution for the video games industry which can look to the long-term development of the sector, co-ordinating its needs amongst stakeholders and creating a long-term evidence base and dedicated research programme. This alongside reforms to VGEC which accommodate modern game development practices, will help give the UK industry the foundations it needs for future growth.

Once again, I extend my thanks to the Committee for the opportunity to engage in this important discussion. I would be more than happy to provide further information and insights to assist in shaping the future of the creative technology sector in the UK.

I look forward to any further conversations and contributing further to the Committee's work.

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