Europe's Video Game Industry and the Telecom Single Market

Executive Summary

The internet is a key driver of growth in the video game industry and facilitates distribution of content, engagement with customers, multiplayer gameplay and provision of crucial software updates to improve gameplay. Our industry has thrived where high-speed internet has become more accessible to consumers as the delivery of video game-related services and the distribution of high-quality video game content often consumes more data than other internet-related activities. Additionally, existing multiplayer gameplay functionality and future cloud-based game products which require technologies to rapidly 'sync' over very long distances are highly sensitive to delays in the time it takes for these synchronisations to take place (these delays are referred to as "latency").

Any steps taken towards further harmonisation of the Telecom Single Market should therefore promote the following principles of Net Neutrality:

(1) driving competition between internet service providers (ISPs);
(2) safeguarding the emergence of dynamic new business models and commercial practices in the video games industry;
(3) encouraging the distribution and free-flow of video game content by ensuring as many European consumers as possible may avail of internet connections with unrestricted or high data caps;
(4) guaranteeing low latency for online multiplayer games to deliver the best possible interactive experience for gamers;
(5) encouraging ISPs to provide reliable, uninterrupted broadband for end-users;
(6) extending broadband at affordable prices to as many European consumers as possible and supporting the ongoing growth of the Europe's fixed and mobile internet infrastructure;
(7) ensuring transparency in the network traffic management practices of ISPs so gamers can make the best possible choice of broadband provider; and
(8) ending "artificial" restrictions on network traffic and the throttling of competing services by ISPs.

We believe that the wide availability of broadband consistent with the principles above is key to maintaining growth in our sector and many others. However, it is also important to appreciate the significance of this topic relative to other on-going issues in Europe such as maintaining a robust system of copyright protection and enforcement, establishing a sensible and proportionate data protection framework and maintaining a practical digital rights regime that reflects commercial reality today.

An Industry "Born Digital"

Games are mainstream and here to stay! 25% of Europe's more than 500 million citizens play video games at least once a week and this demographic reflects a positive gender balance of 55% and 45% of males and females respectively.[1]

We have been at the vanguard in ongoing efforts to bring Europeans closer together and have an established track record of adopting initiatives and commercial practices that further harmonise the single market and create a more connected continent[2]. For instance, the groundbreaking PEGI rating system devised by ISFE member companies has stood the test of time and is now the Pan-European standard for the rating of game content.

Our industry was arguably the first in the creative content sector to react effectively to the emergence and widespread consumer adoption of digital content and transmission by developing new business models and modes of distribution. Internet availability across Europe has enabled ISFE members to develop a range of online services that deliver interactive content to consumers in a variety of new ways under multiple pricing models. The way in which the video game industry delivers engaging experiences to consumers has, as a result, evolved dramatically.

Just 15 years ago industry products consisted primarily of console and PC games that were sold on discs or cartridges and played at home with limited online connectivity. Today however online game delivery and gameplay are becoming more and more popular and provide consumers with additional channels for acquiring game content and expanded options for engaging with other gamers around the world on an ever increasing number of devices. 81% of gamers in Europe opt to play their games online and so a healthy, functioning internet is extremely important for our industry.

The video games industry has consistently high annual growth rates, is a major provider of employment in the high tech and creative sectors in Europe and is also a generator of substantial tax revenues for EU Member States. We blend technology and art to create sophisticated, cultural products that rise above ordinary entertainment and deliver interactive experiences where players can *become* the hero or villain of their story rather than an onlooker at the sidelines. We give our customers the ability to shape and form their own stories and experiences which they can (and often do) express and enjoy with their families at home or across borders with other Europeans via the internet.

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[1] For further information see our **Videogames** in **Europe Consumer Study** available here: http://www.isfe.eu/videogames-europe-2012-consumer-study

[2] http://europa.eu/rapid/press-release_SPEECH-13-741_en.htm

Promoting Competition between Internet Service Providers (ISPs).

As a representative of the largest and fastest growing creative industry in Europe ISFE recognises the crucial role the internet plays in creating an enjoyable experience for gamers. The wide availability of high-quality internet access services throughout Europe, including both mobile and fixed connections, has allowed more consumers than ever to connect and interact with games companies online and so has been one of the key factors in the growth of our industry (and many others) over the past two decades

Gamers are a well-informed and demanding customer base and so video game studios and publishers have to innovate and provide products that stand out in an ever competitive marketplace to reach their target audience. As a result our industry continues to deliver superior games year after year to consumers, whether this is through technological, graphical or gameplay innovation or by pushing creative boundaries in narrative and storytelling. Mass availability of unrestricted high quality broadband is now essential to providing the wide variety of digital interactive experiences contained in our products and so is now more important than ever in ensuring a financial return for game developers and publishers.

ISPs which implement unreasonable traffic management measures such as throttling bandwidth or increasing latency where there is no genuine need to do so do not provide the type of broadband that gamers need to enjoy their games to the full. Competition between ISPs across Europe critically ensures that games companies of all sizes can keep delivering great products and services to gamers without having to increase the cost of games or game related services and compensate for the additional expense of artificially implemented barriers to trade e.g. "tolls" for network access paid by companies where a consumer has already paid for internet access.

Safeguarding the emergence of dynamic new business models and commercial practices in the video games industry

The video games industry has a proven track record of pioneering new business models facilitated by software, the key component of games that allows us to innovate in ways unavailable or unfeasible to other creative industries. For example, the Free-to-Play model used in many games allows users to enjoy a substantial part of a game or a game in its entirety for free – should the consumer choose to do so they may enhance their experience of the product through additional purchases of digital goods.

Developing new business models and services for consumers in the video games industry – including much-anticipated cloud-based gaming solutions utilising remote computation or new subscription based services – requires flexible, forward looking regulatory frameworks. In general, non-legislative solutions should always be considered prior to the implementation of any hard or soft regulation. If regulation is deemed necessary it should operate with as little impact as possible to attain its stated aims and should as a matter of

principle minimise any effect on the emergence of new business models and commercial practices.

Encourage the Distribution and free-flow of video game content by ensuring as many European consumers as possible may avail of internet connections with unrestricted or high data caps

The video games industry drives the adoption of new technologies by adapting the products it makes to increasingly sophisticated platforms and hardware as these become commercially available. Whereas two decades ago a game may have fit on a 1 Megabyte floppy disk nowadays most newly released games for consoles and desktop computers are approximately 10 Gigabytes in size and have been known to exceed 40 Gigabytes once downloadable content, system menu updates or game patches have been added or purchased. The practical effect of the adoption of new technologies by our industry is that the size of games has necessarily increased by an order of magnitude.

While physical retail is still essential to the sale of high-quality premium games many gamers opt for the convenience of purchasing their games digitally through a fixed or mobile internet connection on the various platforms and devices available to them. When compared to activities such as streaming music or watching online videos downloading games can be highly data intensive and so the games industry benefits most where as many consumers as possible have access to high or preferably unlimited monthly limits on the transfer of data via their internet connections.

Guarantee Low Latency for Online Multiplayer Games to Deliver the Best Possible Interactive Experience for Gamers

Videogames are an interactive experience and many users choose to share this experience through the internet in "multiplayer" mode with other users from around the world. In order to provide the best online multiplayer experience possible gamers' devices must be able to "sync" and transmit information to other devices over long distances as quickly as possible so that interactions may be processed in real time. The time it takes for this information to travel, as explained above, is referred to as "latency".

While the latency requirements necessary to enjoy a video game vary depending on that particular game's content or genre, enjoyment of the majority of games with online components is heightened by low latency. In some cases, an increase in latency by even tenths of a second can render some games unplayable. Keeping latency as low as possible throughout Europe is therefore vitally important to the games industry.

Encourage ISPs to Provide Reliable, Uninterrupted Broadband for End-Users;

Download speeds are now universally faster than they were in the past so the temporary loss of an internet connection for most consumers when browsing the internet is not as problematic as it may have been before. However, gamers can be disproportionately affected by connectivity issues with undesirable results ranging from lost progress in a game to interrupted multiplayer experiences at crucial points in gameplay. Further harmonisation of the Telecom Single Market should therefore foster the growth of reliable broadband and also uninterrupted connectivity.

Extend Broadband at Affordable Prices to as Many European Consumers as Possible and Support the Ongoing Growth of the Europe's Fixed and Mobile Internet Infrastructure

Every creative content producing industry in Europe benefits from more consumers having access to better broadband, making it easier and more convenient for them to purchase digital content. Long-term investment in Europe's fixed and mobile internet infrastructure should therefore be a key focus in creating a connected continent.

Ensure Transparency in the Network Traffic Management Practices of ISPs so Gamers Can Make the Best Possible Choice of Broadband Provider

Gamers are an educated audience that often have a great deal of technological knowledge. This means they can make informed decisions about their providers of internet access services and purchases of consumer electronics including consoles, smartphones, tablets and desktop computers. Most gamers, given the correct information, will be able to choose the right broadband provider to suit their needs. Europeans should have easy access to any information regarding network traffic management practices implemented by their ISP that may affect the delivery of video game content.

End "Artificial" Restrictions on Network Traffic and Throttling of Competing Services by ISPs

We consider "artificial" restrictions on network traffic to be those implemented where there is no genuine need to curb internet usage e.g. complying with legal orders, network maintenance, preventing piracy, crime and overall network speed degradation or the protection of children online. In countries without clear Net Neutrality rules ISPs have been known to engage in the practice of extracting tolls for the removal of "artificially" imposed network blockages. We oppose any such introduction of additional de-facto levies on businesses in Europe that must ultimately be offloaded to consumers through increased costs of services and products.

A telecom market where ISPs artificially throttle internet services that compete with the "home-grown" services of ISPs, for instance where an ISP runs a video on demand service

and is losing traffic to more popular video streaming services, is inappropriate as this can clearly be prohibitive to the emergence of new online services and business models.

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Brussels
September 2014