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Scotland's digital media potential

With big ambitions and tax incentives Scotland must maintain its top-ranking status in a field in which it excels



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[Stuart Cosgrove](#)

✓ RECOMMEND? (5)

One of the abiding truths of all societies is that if you don't innovate you evaporate.

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The challenge for each successive generation is to re-ignite Scotland's passion for innovation. Digital media is an increasingly important strand in Scottish public life — almost everywhere we look, whether it's politics or tourism, the information we receive and the entertainment we pursue are being shaped by new technology.

To ensure Scotland plays a role in this seismic wave of creativity there has to be a step-change in national ambition. We need more digital-sawvy companies, they need to grow to greater levels of scale, and most of all we need to ensure that many more digital media platforms are owned and managed from Scotland.

The digital media sector already makes an important contribution to the Scottish economy. It employs 42,000 people, with estimated revenues of £3.16 billion. Scottish games companies such as Rockstar North, which co-created Grand Theft Auto IV, provide more than 700 highquality jobs and a turnover of more than £20m a year. Growth in the sector has been robust, with employment and turnover increasing by 6% and 35% respectively between 2000 and 2006. Even against the backdrop of economic recession where advertising and marketing spend has decreased, there has been solid growth in digital media.

Ironically, even if Scotland did nothing other than congratulate itself, its digital media economy would continue to grow. But that would be a missed opportunity and a failure of ambition.

Early in 2009, I agreed to take on the role of chair of the Scottish government's digital industries advisory group, on condition that it could reject the culture of blame, negativity and entitlement that deadens so much of Scottish public life. In short I wanted to champion an industry that is embracing change.

A few hundred yards from Ibrox stadium, at the Hub on Glasgow's Pacific Quay, a team of digital designers have built a 3D interactive model of Mount Rushmore, the epic granite monument to US presidents, which sits majestically in Keystone, South Dakota. The monument is currently undergoing a preservation process, which is aided by Scottish digital design. It's a story I like to promote, embroider and exaggerate. In the past, the Scottish enlightenment provided America with its founding fathers; they shaped its written constitution and forged America's early-day entrepreneurs. Now we are helping them out with their heritage too. Rather than recoil at America's global reputation it's time we got the USA into perspective — poor wee Yanks, they can't even

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preserve their own history without Scotland helping them out.

Media has been both ravaged and reinvented by technology. The profound changes that the internet and hand-held wireless devices have brought about are akin to the arrival of modern art, and the so-called "shock of the new". Every certainty is being undermined and the pace of change can be measured in weeks not years.

Dundee has become a small but significant hive of computer games development. Companies like Cobra Mobile, Digital Goldfish, Dynamo Games and Tag Games, are innovating on mobile devices in an era where consumers expect entertainment on the move. Huzu are a Glasgow company who build, maintain and sub-licence social media platforms at a time when Facebook et al have come from nowhere to become global brands. In Edinburgh, Mobiq offer smart-ticketing technology for concerts, sport and transport, harvesting useful data for entertainers, advertisers and venues, so they can serve audiences more effectively. These mobi-tickets are available in over 40 countries across the globe and have been used for thousands of high-profile events at some of the industry's biggest venues. They currently provide smart-ticketing to the US Baseball league.

None of these new media companies could have existed 10 years ago and all of them are using technologies to enrich and enable the entertainment experience. Scotland needs more companies, we need to shorten their journey to market and increase the value they retain here.

Viewed from a global perspective the new media is changing the geography of our lives too. Dr Richard Florida, one of the most respected academics in the field of "creative cities", has identified Glas-burgh as one of a number of thriving European mega-regions. According to Florida, these are typically cities situated near each other which can draw and capitalise on their mutual strengths. With the addition of Dundee, a triangle of cities in Scotland offers a compelling proposition as an international digital media centre with a vibrant cultural and business life. These three cities are not in competition with each other but with other city regions globally. Disputes or false wars between Scottish cities are a diversion, a waste of time and counterproductive. The competition is increasingly Vancouver, Palo Alto and Bangalore. Grudges against London or ambitions that only stretch the length of the M8 seem like relics from a previous media era.



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NATIONAL GALLERY



Government in all its form has a role to play. Jim Murphy, secretary of state for Scotland, recently announced increased investment in Abertay University, a world centre of computer-based entertainment, and the Harvard of games consoles. The SNP government has placed an excited focus on smart-economics, particularly renewable energy, creating a national narrative that positions wind and wave power as a replacement for oil, as a driver of our energy needs.

Scotland is not short of windy hyperbole when it comes to the new economy. What neither party has done is to offer a tax solution for Scotland's fledgling computer games companies.

Since 1975, Britain has had the third-largest video games industry in the world, behind the United States and Japan. But tax incentives in other countries have seen the UK slip down the rankings behind Canada and South Korea, and possibly France. Richard Wilson, CEO of the games industry body Tiga claims that tax incentives would be a net benefit to Britain. "Our proposals would cost the Treasury £192m over a five-year period ... and generate or safeguard £415m in tax receipts."

Last week, the UK government rejected tax benefits for animation and computer games. The Scottish government has yet to respond but is aware of the advantages to Scotland. Although taxation is notoriously tricky and highly sensitive with an election approaching, effective fiscal stimulation of the games sector in Scotland is achievable.

Income-tax relief — within the variable limits set by the Scotland Act — and other measures such as non-domestic rates relief are possible, and have been used to support Scotland's beleaguered fisheries industry. Although it would be another constitutional bun-fight, I would advocate the creative use of Scotland's existing powers to fund a pilot programme of tax relief for Dundee-based games companies and urge civic leaders and the Scottish cabinet to prioritise the idea.

Some legitimately ask: why just Dundee? My only answer is pragmatism — securing tax benefits in a devolutionary context is devilishly difficult and fraught with many challenges. A small step might just be achievable.

By piloting a tax scheme focused on the games sector, Scotland would be showing leadership in digital media policy in a pan-UK context. This is an area where the Scottish government has the

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available levers of power, and it can and should take action.

Then there is that illusive thing called confidence. Scotland has a remarkable new generation of innovative companies, many of them unfettered by the restraints of previous media eras. An aspiration we have always harboured as a culture has finally come of age — creativity and technology are now more closely aligned than ever before.

It is an opportunity that Scotland cannot fail to exploit and this time there is nobody to blame.

Stuart Cosgrove is Channel 4's director of nations and regions and the chairman of the digital industries advisory group to the Scottish government