Economy, Energy and Tourism Committee

Economic impact of the creative industries

RESPONSE FROM MG ALBA

Remit

“To consider how Scotland can grow sustainable TV and film, and video games industries.”

Introduction to MG ALBA

MG ALBA is short for Meadhanan Gàidhlig Alba (Gaelic Media Scotland). MG ALBA delivers BBC ALBA (the Gaelic language television channel) in partnership with the BBC. BBC ALBA is the first partnership television service to operate under a BBC license.

BBC ALBA is a success: although less than 2% of Scotland’s population speaks, reads, writes or understands Gaelic, BBC ALBA reaches almost ten times that number each week on television, and attracts online programme views of well over 100,000 every week, at least half of those by children.

MG ALBA’s ambition for BBC ALBA is to maintain and increase its success with audiences; and to maintain and grow a sustainable, diversified, internationalised supply sector, with the economic benefits that entails.

MG ALBA’s most recent Economic Impact Assessment (Matthews, 2011) found that the total impact was c. 288 FTE jobs, £7.9 million of employee income and over £12 million GVA. This EIA will be reviewed by Spring 2015, and MG ALBA will also follow up on the HIE-led research, Ar Stòras Gàidhlig/The Economic and Social Value of Gaelic as an Asset. This research estimated the potential economic value of Gaelic as an asset to the Scottish economy as between £81.6m and £148.5m; this figure comprised £16.1m-£29.4m attributable to the Creative Industries. MG ALBA has undertaken to further explore these findings with other partner agencies, focusing specifically on screen and broadcast and internationalisation potential.

MG ALBA’s role in the Scottish broadcast landscape is an important one: in 2013, c. 20% of Scottish spend on content specifically for Scottish viewers (i.e. non-network) was by BBC ALBA (Ofcom, 2014). In 2014, viewing of Gaelic programmes on BBC i-Player is expected to be c. 8 million (MG ALBA, 2014), a 40% increase on 2013.
MG ALBA’s role in Scotland’s broadcast ecology is therefore a key one, and the organisation is ambitious not only for the channel and its audiences, but also for its supply sector. MG ALBA notes that it has not been called to give verbal evidence. Should committee members require expansion on any of the points within this paper we would be happy to oblige.

This paper comments only on the Scotland’s TV industries; it does not comment on film and video games.

**The role of public sector agencies and the effectiveness of the support they provide.**

MG ALBA has recently outlined a development strategy, and is working closely with Highlands and Islands Enterprise (HIE), Scottish Enterprise (SE) and Scottish Development International (SDI) in the development and delivery of it. Such partnership working is designed to ensure maximum strategic fit with government sector growth plans, and to ensure the appropriateness, and effectiveness of any interventions.

MG ALBA’s development strategy has two principal objectives: (i) increasing the capacity of suppliers to co-produce and co-fund Gaelic originations (including other language versions for UK or international markets), thereby extending the impact of the existing public monies going into Gaelic broadcasting and drawing new investment into the sector in Scotland; and (ii) increasing the capacity of the sector to leverage its assets, including intellectual property rights. In this context, leveraging rights includes any use of the content beyond primary broadcast, such as secondary (and tertiary) broadcast, digital (VOD), physical (DVD) and sales of finished programmes in other markets. This latter objective includes internationalisation. This will strengthen the sustainability of the sector.

MG ALBA’s aim in relation to internationalisation, and the precursor to that – the facilitation of a culture of entrepreneurship and creative business leadership – corresponds to the ambitions of the Scottish Government’s Economic Strategy, and to the approach of SE, HIE and SDI. Each of these agencies has a clear internationalisation agenda, and the imperative to facilitate the growth of new markets.

In the context of new market development, MG ALBA specifically notes HIE’s recently published Creative Industries strategy, and welcomes its express references to the potential for cultural goods and services such as Gaelic language TV content to find new markets and therefore increased commercial return. (HIE, 2014)

**The role of private sector investment in supporting the video games and the TV and film sectors.**

BBC ALBA commissions 78% of its content from the independent production sector (MG ALBA Annual Report, 2013/14). As noted above, MG ALBA is closely
involved in the development of its supply sector. This includes working with suppliers to facilitate the acquisition of other customers, both for primary commissions and secondary sales, including finished programmes. This increases the impact of existing public monies, and strengthens the sector both commercially and creatively.

With such development comes growth opportunities, and growth can be leveraged by private investment, including through commercial funding and/or distributor advance. MG ALBA seeks to work with its supply companies such that they are positioned to obtain and increase such private investment. This in turn makes these companies less dependent on public subsidy.

**How the issues that hinder the growth of creative industries can be overcome and how to capitalise on opportunities.**

MG ALBA sets out below issues it considers constrain growth of Scotland’s TV content companies and how these can be overcome:

**Size:** size is a key issue, and is of particular importance in the creative industries. The majority of Scottish independent producers are microbusinesses. Size creates economies of scale and scope, it also improves bargaining position (i.e. bigger firms can become key suppliers to broadcasters); a final important point about size is that it enables companies to spread risk through the creation of a repertoire – enabling hits to be offset against misses. Repertoire is also required for success in other markets: i.e. size is necessary in the sequencing of internationalisation. Note too that the predominant funding model of cost-plus also acts against organic acquisition of scale.

*Possible solutions:* complementary alliances to showcase work collectively in international markets, mitigating need for scale.

**Networking:** there is evidence that networking is of particular importance in the creative industries; this is especially true in relation to UK network television and the international markets. For reasons of both geography and relatively weak domestic market, these networks are less substantial among Scottish TV producers. Producers of Gaelic television programmes have both the skills and the products to be competitive in the wider market but many are constrained both by the absence of effective UK and international networks and by lack of resource to seriously develop such networks and collaborations. Many television production companies while eminently capable of making outstanding programmes lack in-house business development capability and the expertise to create and exploit IP. This may also be a function of size and the predominance of the cost-plus business model.

*Possible solutions:* market-led focus on creating such networks of both distributors and commissioners. This can be facilitated by partnership working by agencies, e.g. MG ALBA is working closely with other agencies and
organisations to facilitate such strengthening of networks.

**Information:** market intelligence is essential to inform strategic decision-making. Hitherto this has been lacking. This is arguably because of the historically PSB-dominated UK marketplace. This simultaneously enabled suppliers’ survival, but also sheltered them from full market forces (therefore market intelligence was not a priority). Scottish suppliers have focused on UK domestic customers, e.g. BBC ALBA, BBC Scotland, BBC Network. This marketplace served its suppliers satisfactorily until 2008, after which UK primary commissioning funding reduced. Suppliers which had diversified away from UK PSBs survived and prospered; others were more exposed to the downturn in PSB content spending.

**Possible solution:** MG ALBA is working with other agencies to ensure market intelligence is available to its supply sector to ensure evidence-led development of non-Scottish markets. This will enable identification of the opportunities referenced in the question, including European markets and funds such as MEDIA, which hitherto Scotland has had limited success in accessing. MG ALBA is exploring the possibility of European funding-aligned commissioning.

**Commissioning models:** the success of television programmes is generally determined by audience ratings. Due to the changing habits of audiences and the dependence of the product on artistic input many commissioners are unwilling or unable to make long-term commitments to any one programme supplier. This results in short-termism in the production sector and an inherent inability for smaller companies in particular to plan ahead effectively.

**Possible solution:** a greater number of longer term production contracts would give more stability and more planning potential to production companies. MG ALBA, for example, commits almost two thirds of its commissioning budget to 3-year contracts. This allows companies to plan their finances, their staffing and their creative talent to greater effect, thereby also allowing the company to create a repertoire and collaborations with longer time horizons.

**Corporate tax relief:** corporate tax relief is available in the UK to the value of 25% of ‘qualifying expenditure’; this applies to programmes of not less than £1,000,000 per hour. Ireland’s regime is different: its section 481 tax relief enables television drama, animation and creative documentary to benefit up to 28% of qualifying expenditure. There is no qualifying cost per hour; qualification is down to programme type.

**Possible solution:** consider possible corporate tax relief variations to promote growth of key growth genres such as animation, children’s, formats, and programming in minority languages such as Gaelic.

**How to retain in Scotland those with the necessary creative skills.**

The Scottish content market is currently London oriented; by growing the domestic market through pursuing international co-production/co-funding and
other commercial opportunities, the Scottish content market can grow. That will encourage talent retention. It is MG ALBA’s contention that it can have an important role in facilitating such growth. Investment in Gaelic language broadcasting can facilitate the growth of the creative industries. While this growth is apparent throughout Scotland, there is significant cluster activity noticeable in Stornoway, Glasgow and Aberdeen.

**How to support those in the TV and film and video games industries to develop business skills.**

The business skills required by the sector range from strategic to tactical. At a tactical level, training is required in order to create creative business leaders and MG ALBA is actively building this in to its future training plans. In addition to courses, MG ALBA believes that mentoring is very effective, and MG ALBA has facilitated mentoring for six companies in 2014/2015; this includes mentoring by Irish and other non-Scottish companies. Other mentoring programmes to be considered include NESTA’s innovation mentoring.

At a strategic level, the acquisition and application of market intelligence is critical, and the development agencies will have a key role to play in facilitating this. MG ALBA’s aim would be that such information will help inform strategic positioning by its suppliers. A further strategic point is increasing the understanding of the value of intellectual property rights and how they might be more effectively leveraged.

**Examples of successful international strategies for growing these sectors.**

Both Ireland and Wales have successful content markets, international in scale. They are particularly notable from MG ALBA’s perspective because in both cases minority language content is considered an asset capable of facilitating growth. Both have targeted international growth rather than necessarily UK-oriented growth. Welsh independent companies have grown in parallel with S4C. Its companies are ranked in the top 45 of UK independent companies and have significant economic impact, in addition to that of the channel. Ireland’s strategic focus has been on animation and childrens’ programming, to significant international success. For example, Cartoon Saloon is an Oscar nominated animation company producing in both English language and Gaeilge. Similarly, Telegael is an international company based in Galway, multi-Emmy winning and working in animation and live action content, distributing to 140 territories and translated into more than 40 languages.

In addition to the tax regime difference in Ireland as noted above, Ireland’s Broadcasting Authority of Ireland also has a remit for funding high quality programmes on Irish culture, heritage and experience.
Summary

MG ALBA believes that the talent and skills base of the Scottish production sector is capable of significant growth in the UK and international markets and that the Gaelic production sector, with its full range of programme genre for BBC ALBA - is a key enabler in achieving this.

We would be pleased to provide further information and explanation to the Committee, either orally or in written form.

References


MG ALBA, 2014, iPlayer Statistics (Internal Document)


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