SUBMISSION FROM PACT

Introduction

1) Pact is the trade association which represents the commercial interests of the independent television, film and digital media production sector in the UK.

2) The UK independent television sector is one of the biggest in the world. Independent television sector revenues have grown from £1.3 billion in 2005 to £3 billion in 2013.¹

3) UK TV exports are also a success story; international revenues from the sale of UK TV programmes and associated activities was £1,284m in 2013/14 a 5% increase from 2012.

4) There is a strong independent production sector in Scotland with estimates suggesting that 1,577 people (both permanent and freelance)² are employed in the production sector (independent and broadcasters).

5) Pact’s vision for an independent sector in Scotland is one that is vibrant, thriving and diverse; leading both Scottish cultural content but also content that is attractive to the UK and a global audience too. TV is a regular provider of work in Scotland and the sector is wider than just the broadcasters.

6) Pact is pleased that the Committee has recognised the creative industries (in particular TV and film) as a key sector for growth potential in Scotland and is pleased to feed into this inquiry.

7) For further information, please contact Pact’s Senior Policy Consultant, Rosina Robson, at rosina@pact.co.uk or on 020 7380 8232.

¹ Pact Census Independent Production Sector Financial Census and Survey 2013, by Oliver & Ohlbaum Associates Limited
² Market Assessment of the Broadcast and Television Production Sector in Scotland 2010/11, EKOS report for Scottish Enterprise (Jan 2012)
Executive Summary

Pact’s vision for the independent production sector in Scotland is one that is vibrant, thriving and diverse; with strong indigenous companies but healthy investment from UK and international companies also. Sustainable growth in the TV broadcasting sector in Scotland will be delivered through the following recommendations:

- Continue to give strategic and funding support through public sector agencies to allow the development of a more sustainable local production sector and maintain the successful creative sector tax credits.

- Move towards setting up the BBC as a publisher-broadcaster opening up the market to greater competition, driving efficiencies and savings within the BBC and offering quality and diverse content to the licence fee payer.

- Retain the important Terms of Trade established under the Communications Act 2003 allowing producers to own and exploit their intellectual property in the UK and overseas.

- Put an end to the ‘Lift and Shift’ approach; push for stricter enforcement of nations and regions quotas and continue to apply pressure on the broadcasters to commission from Scottish producers.

- Build on the positive engagement strategy launched in 2013 between the Indies and the broadcasters (BBC and Channel 4) and develop this into the future.

- Encourage the broadcasters in Scotland to take more risks and develop new commissioning relationships, particularly with smaller companies.

- Support companies to exploit international markets; Pact has a strong offering in this area as an Approved Trade Association (ATO) with UK Trade and Investment (UKTI) providing access to international markets.

- For sustainable development in the film sector, Creative Scotland and BFI should work together on longer term investment into a ‘locked box’ of funds held by the BFI and available to relevant film producers for future investment.

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3 Note: where London companies and productions are relocated to Scotland or culturally where ideas are devised and pitched in London then farmed out to Scottish branch offices

4 Note: 100% of the money that BFI recoups from investment in development into a ‘locked box’ of funds made available to the relevant producer for investment in their future filmmaking activities. This would promote long-term success within the film production sector.
Inquiry remit and questions

‘To consider how Scotland can grow sustainable TV and film and video games industries’

1. The role of public sector agencies at the effectiveness of the support they provide

Pact has a positive working relationship with Scottish Enterprise and Creative Scotland. They have an important role to play in supporting the independent production sector in Scotland. However, to fully achieve this, they should work together more effectively to ensure the TV sector has a clear communication channel to the Government and that the focus on developing the sector does not fall between two organisations. Scottish Enterprise should be tasked as the lead organisation in developing the sector.

Pact was disappointed by the recent Scottish Government decision not to offer grant in aid funding to support a capacity enhancing ‘flexible augmented development’ programme for the TV sector. This funding was recommended by the Television Working Group\(^5\) advising the Scottish Government. The group’s view was that this support would have generated a strong return on investment to the sector.

We would also make the point that national lottery funding is more easily accessed by the film sector compared with the TV sector. Pact is open to working with all relevant agencies to secure further support in the future and is open to sharing its own survey data to inform future strategies.

Pact is in favour of UK and Scottish Government support that incentivises production and the recent economic success of the current tax credits for film, high end TV and animation should be recognised. These reliefs have been highly successful in maintaining the global competitiveness of the industry and bringing in inward investment\(^6\) and should be retained. Pact was pleased to hear the announcement for a children’s live action TV tax credit in the Autumn Statement 2014 after we set out the economic case earlier in the year\(^7\).

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

Private sector investment is important in supporting a sustainable sector in the longer term.

In terms of the broadcasters, Pact has long advocated out of London spend that contributes towards the sustained and organic growth of the sector in the nations, including Scotland. We have often raised concerns about the ‘Lift and shift’ model which has not worked, as evidenced most recently by Waterloo Road being discontinued by the BBC and Shed Scotland being closed as a result.

\(^5\) Note: chaired by Jane Muirhead, Pact’s Director of Scotland and Managing Director of Raise the Roof Productions
\(^7\) The economic case for a children’s live action TV tax credit, Communications Chambers (July 2014)
The current quotas for the nations have delivered some progress in spend and investment in Scotland in recent years and should be retained. These quotas should be a ‘floor’ rather than a ‘ceiling’ where possible and Pact would like to see further development into the future; ‘A targeted policy of commissioning from the nations and regions with the aim of establishing a critical mass of Indie supply in those regions for the first time’.

A key debate over the next year will be that of BBC Charter Renewal. Pact has published its own vision for the future through BBC as a publisher-broadcaster. This comes in response to Tony Hall, BBC Director General’s ‘compete and compare’ speech in July 2014 which accepted that the BBC would need to open out its in-house production to competition.

In this report, Pact argues that such a model could bring real benefits in the following ways:

- To the licence fee payer, through quality and diverse programming
- To the BBC, in terms of driving efficiencies, reducing programme costs by £35m per year and allowing commissioners to draw from a wider source of creative ideas
- To the wider TV content industry over the next few years by opening up the market to greater competition

Overall, O&O’s analysis for Pact concluded that a shift by the BBC to open up in-house production could create a value boost to the UK creative economy of £575m over the duration of the next Charter period (2017-2027).

Private distributors are also an important part of the private sector investment picture and due to squeezed tariffs from the broadcasters, producers have become more heavily reliant on advances from distributors to make up the production budget.

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

One of the key issues for the independent production sector over the next eighteen months will be to work through the BBC Charter Renewal debate for 2016. We have already outlined our case for the BBC as a publisher-broadcaster, but it is important to preserve the success of the TV sector over the last ten years by maintaining Terms of Trade under the Communications Act 2013. This structure has allowed producers to successfully exploit their intellectual property in the UK and overseas.

Pact would also like to see these terms of trade extended to digital producers to allow them an opportunity to own and exploit digital content. All too often digital producers, particularly when working with the BBC, are treated in a ‘work for hire’

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8 A new age of UK TV content generation and a new role for the BBC, Pact report prepared by Oliver and Ohibaum Associates Ltd (July 2014)
9 A new age of UK TV content generation and a new role for the BBC, Pact report prepared by Oliver and Ohibaum Associates Ltd (July 2014)
way and not allowed access to their IP rights or to be properly credited for their work. We believe this could open up important growth potential in Scotland e.g. Dundee (video games), Edinburgh (animation).

The potential for international sales growth is important. Pact would like to see more production companies making the most of the support that is available to access international markets overseas. UK TV exports are up 5% to £1,284m in 2013/14 with significant growth potential too in emerging markets, particularly China (+40%).

Pact is calling the UK Government for continued and increased TAP (Tradeshow Access Programme) grant funding that allows small and medium sized businesses an opportunity to meet buyers direct overseas and demonstrates a very strong return on investment. Pact, as a UKTI Approved Trade Association (ATO) has already reduced the number of market delegations to emerging markets due to uncertainty over UKTI funding.

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

Retaining creative talent is linked to creating and supporting a strong indigenous creative community. The ‘Lift and Shift’ model as we have outlined does not boost the long term success of the sector; only sustainable long term investment by the broadcasters in local companies can achieve this.

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

Pact has a positive working relationship with Creative Skillset and we will continue to work together on addressing skills gaps. Companies benefiting from the creative sector tax reliefs buy into a skills levy which they can also use to develop their businesses and invest in training future talent. UK Indies invest £40m on an annual basis in training, skills and diversity. ¹⁰

We are also aware of the effective work of agencies such as TRC in Glasgow that provides strategic and training support specifically tailored to the TV and other creative sectors.

6. Examples of successful international strategies for growing these sectors

Pact has a positive working relationship with Scottish Development International (SDI) but we are aware that there is more work we can do together to engage more effectively and coordinate current international strategies.

Pact offers a package of export support for producers (both members and non members) to help them with their export strategy and get them out to international markets to meet buyers direct.

Pact is keen to help Scottish producers engage more in international opportunities. The current situation may be partly due to the content and the preponderance of

¹⁰Pact and Redshift Diversity and corporate social responsibility study (2014)
factual and documentary programming that may only be attractive to audiences in certain territories. Pact will continue to offer webinars with global buyers (where producers can log in from anywhere in Scotland) along with training and seminars about key territories.

We know that SDI is keen to engage and Pact, as an organisation with industry knowledge and expertise, wants to work together in a more strategic way. We can help target SDI resources in the most appropriate way and offer targeted and flexible support to companies.

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