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

1. Introduction

1.1. This submission draws on my background as a professional practitioner in film and television over twenty five years (as an independent producer since 1989 and three years in charge of film project development at Scottish Screen), twelve years in charge of our national centre of excellence in screen skills (Screen Academy Scotland, one of only three UK Higher Education Film Academies accredited by Creative Skillset since 2005 and the only internationally (CILECT) accredited film school in Scotland), seven as Director of the EU Media funded screen talent development programme ENGAGE and four as Director of the Institute for Creative Industries at Edinburgh Napier University working with film, TV and other creative businesses to develop innovative practice and policy. As a Board Member of Creative Scotland since 2010 I chaired the Film Sector Review¹ which I would encourage members to make use of, however this submission is in a personal capacity and does not represent the views of Creative Scotland.

1.2. In this relatively condensed response I will confine my comments in the main to ‘film’ – i.e. single works produced for initial theatrical exhibition (though the majority of film revenues are derived from subsequent exploitation on DVD, online and on television) as this is my principal area of professional and research expertise. However much of what is set out below applies to the wider TV, games and electronic media sector which are part of a wider, shared ecology of talent, skills and infrastructure and, increasingly, convergent business models and technologies.

1.3. As discussion of film and television in Scotland is unusually susceptible to poorly informed, anecdotal commentary (on all sides) wherever possible I have included references to supporting evidence that the Committee may find of value.

1.4. To begin with we need to note that “the structure and economics of film production are not particularly well suited to building sustainable companies wherever one is situated around the world”. ² Moreover it is vital that ‘sustainable’ is defined with particular care as the

¹ http://www.creativescotland.com/resources/our-publications/sector-reviews/film-sector-review
objectives of public policy support for these industries go well beyond direct economic cost/benefit to embrace complex indirect economic (e.g. creative ecology linkages, impact on quality of life of cities/regions/country), social and especially intrinsic cultural benefits which are not achievable without a variety of direct or indirect public subsidy ranging from grant aid and training subsidies to tax incentives or export guarantees. As Olsberg notes we need to distinguish between ‘Investment Ready’ and ‘Maintained Stability’ which are not the same thing – the latter “do not have the financials to meet the ‘investment ready’ definition. However they are able to produce high-quality films on a regular basis, by relying on some level of consistent public subsidy support.”

1.5. Scotland can and does produce successful films and filmmakers – it simply doesn’t do it fast enough or often enough. Looked at over a long enough period the hit-to-miss ratio of Scottish films is comparable with most other countries. However as we make so few films annually the probability of a hit is approximately one every two to three years. (For similar reasons the average age of a first time film director is approaching 40 – much higher than in other countries and indicative of the bottleneck that faces talent in Scotland.)

1.6. That said if Scotland’s screen industries are to grow on a sustainable basis – however defined - we need to treat their complex mix of knowledge, talent, skills, investment and infrastructure needs holistically, reflecting the highly inter-dependent ‘ecology’ nature of the sector. In their report on Building Sustainable Film Businesses Olsberg summaries this as follows:

- A holistic range of initiatives with consistent levels of support
- Project based support that motivates by rewarding success
- Where broadcasters are mandated to invest
- Levies and quotas
- Systems that combine well with those in other countries.

1.7. A CASE IN POINT: A commercial smash hit film like Sunshine on Leith owes a very considerable debt to public support. It wouldn’t

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3 op.cit p9
5 op.cit p22
6 £4.6m at the UK Box office, approx. 700,000 admissions making it the sixth most successful Scottish film of all time.
exist had it not been for a subsidised theatre (Dundee Rep) commissioning a writer (Stephen Greenhorn) whose first steps were facilitated by the Traverse, Lyceum and Byre Theatres (it was originally produced at Dundee Rep who then took the further risk of touring it UK wide). The writer’s first screen credit was achieved via the Scottish Film Production Fund/STV short film scheme ‘Prime Cuts’ before he went on to create River City for BBC Scotland. Black Camel, the Scottish production company that, with London’s DNA Films brought the film to the screen, has benefited from considerable (£1m+) public investment since 2005 from Scottish Screen and its successor Creative Scotland ranging from individual project and ‘slate’ development funding through production investment to support to attend film markets and festivals. The film’s other producer, Andrew MacDonald, made his name in 1994 with Shallow Grave, a film which took over $120m worldwide and owes its existence to the Glasgow Film Fund which in 1994 invested almost its entire £150,000 budget in the film to ensure it was made. The Art Director and First Assistant Editor received training through the New Entrants Training Scheme now housed at Screen Academy Scotland, previously at Scottish Screen. Edinburgh Council’s film locations service supported the production’s filming in the city while studio scenes were shot at Film City Glasgow, previously recipients of a reported £3.5m of public investment from the city, Scottish Enterprise and the ERDF.

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

2.1. In Scotland the relatively (i.e. compared to similar sized EU countries) restricted level and genre-diversity of television production combined with the chronically low level of feature film production has seriously inhibited the growth of sustainable, diversified production businesses. Lacking sufficient local demand or regular access to UK returning series commissions to achieve credibility or critical mass in the broadcast market or, in the film market, to achieve consistent levels of production across mixed portfolios of projects (thus offsetting the ‘roulette table’ nature of film profitability) Scotland’s film and TV business face significant challenges in generating sufficient profit to reinvest strategically in new IP (i.e. content development), company growth or skills development for what is in any case a predominantly freelance workforce. Given this systemic market failure public agencies have historically, and will continue to play, a key role in supporting investment in these key areas as well as supporting efforts to internationalise, to develop content and skills for new markets/platforms and to engage in cross-sectoral R&D/innovation.

2.2. The constraining effect of a distorted television market (i.e. its structural south east bias) which limits domestic demand and network opportunity combined with a chronically underfunded film production sector has had the knock-on effect of restricting growth opportunities for technical and professional services ranging from studio and post production facilities to legal and business services. The absence of critical mass in production leads to leakage of these business and employment opportunities away from Scotland to London and the South East and, more recently, hot spots in Wales and Northern Ireland.

2.3. As the ‘Sunshine on Leith’ example above demonstrates public sector agencies have a key role to play both in ensuring the underlying seed bed of creative talent, skills and sustaining employment is there for creative producers to be able to marshal into viable, financeable/commissionable projects – an inherently risky business. As in the rest of Europe businesses, employment, innovation and exports in film and television are, and will remain, highly reliant on such strategic public investment to ensure a globally competitive critical mass in skills, infrastructure, innovation and content (e.g. Creative Scotland support for film development, production and distribution support). Such investment is critical to ensuring both indigenous (e.g. ‘Sunshine on Leith’) and incoming productions (e.g. Sony/Starz Outlander series) can be mounted or attracted here and the maximum economic benefit retained within the Scottish economy.

2.4. Fundamental issues regarding the role and resourcing of key agencies which map on to film, TV and games remain unresolved e.g. the enhanced responsibility for economic development in the creative industries (compared to its predecessors) given to Creative Scotland without matching resources to enhance capacity, expertise and deployable budget. Similarly the gap between the support that an agency such as Cultural Enterprise Office can provide and the threshold for support from Scottish Enterprise leaves many companies stranded in a ‘too big/not big enough’ zone.

2.5. Since the early 1980s public support for the film and TV sector in Scotland has improved but it has also become more complicated. Structurally the trend towards consolidation of sector-specific public support into fewer organisations (e.g. five predecessor organisations becoming one – Scottish Screen – in 1997 which in turn merged with the Scottish Arts Council to become Creative Scotland in 2010) has been offset by growing complexity in the interaction between business and public agencies as a whole. For example a production company might in the course of a single year find itself pursuing support from many if not all of the following Scottish agencies (not to mention UK and EU bodies): Scottish Enterprise/HIE; Creative Scotland; Cultural Enterprise Office; Business Gateway; Research Centre for TV and Interactivity; Creative Skillset; Skills Development Scotland; Scottish Funding Council.
2.6. Despite high-level efforts (e.g. SCIP) to coordinate the myriad public sector bodies with a role in creative industries development, the ground level experience of businesses and individuals appears to remain one of highly variable (e.g. depending on geography) levels of knowledge and understanding of their specific needs/opportunities; resource limitations (in part due to the instability of some support bodies); poor signposting/cross agency working; slow response times.

2.7. The experience of other small European countries demonstrates that sustained growth in film and television production can be secured but that it needs a long term commitment of resources deployed in a joined up manner across the entire value chain and policy spectrum. Education, training, fiscal, enterprise and cultural policies all need to work together to address the ‘fuzzy’ logic of encouraging and supporting creativity, talent, innovation and entrepreneurialism.8

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

3.1. Private sector investment has a chequered history of engagement in these sectors in Scotland. Several attempts9 to establish film investment funds since the 1990s have floundered on the absence of sufficiently large businesses and/or ‘bundles’ of projects from different producers to ensure a suitably diverse portfolio can be promoted across which investor risk can be adequately spread.

3.2. Television production companies in Scotland were not considered investable until in 2004 they secured the ability to retain significant rights in their programme IP.10 Overseen by OFCOM this change suddenly gave indie companies market value and in the period since nearly all of the larger Scottish companies were bought out by conglomerates, none of them domiciled in Scotland. Private investment in new Scottish companies entering the market or companies seeking to grow is currently constrained by the relative competitive advantage of London/South East companies. With start-ups often spun out of existing businesses by departing executives with established commissioning and talent relationships it will take concerted public sector effort to ‘level the playing field’ for business start-up/company growth in Scotland.

3.3. Private sector investment in film is geared towards lower risk ‘gap’ and tax shelter financing which can in some instances offer a virtually

9 e.g. the Glasgow Film Fund in 2000, McKendrick Film Fund in 2012
guaranteed return, avoiding the high risk equity element of a film’s finance plan – the very part which Scottish – indeed all - producers find hardest to secure. De-risking the equity component of a film’s finance is in part what direct public funding of films does but the wider issue is that there is currently simply insufficient volume of production and likelihood of a ‘hit’ amongst a basket of bets to offer a consistent investment opportunity for equity investors. Until volumes of production and scale of companies can present a sufficiently attractive risk/reward opportunity private investment will gravitate elsewhere. Public investment to de-risk projects, leverage lower risk-appetite private funds and build production levels to the point where there is a realistic prospect of longer term private investment will thus remain critical.

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

4.1. Numerous studies concur that the main issues facing Scotland’s creative industries across multiple sectors are access to capital, particularly to support investment in creative R&D, access new markets, adopt new platforms/business models and upskilling generally. These challenges are in part symptomatic of structural market obstacles (e.g. in film/TV as described above) and in part reflect the overwhelmingly micro to small-scale nature of businesses in the sector.

4.2. The opportunities for growth are on the face of it considerable. Global filmed entertainment revenues are forecast to rise at a compound annual growth rate of 4.5%\(^\text{11}\) and the UK’s at 3.4%\(^\text{12}\) annually between 2014 and 2018. Between 2009 and 2013 TV saw the largest rise (2.8% CAGR) in revenues of any communications sector (telecoms for example dropped 1.5% over the same period).\(^\text{13}\) In Scotland Channel 4’s new ten year licence requires it to increase its ‘nations and regions’ production from 3% of volume and spend to 9% by 2020 and it has made additional voluntary commitments to see this as a base and to do more to develop the skills and genre expertise that will aid growth.\(^\text{14}\) (However it should be noted that over the past five years Scotland’s share of first-run originated programming has only marginally increased, by 1% from £51m to £52m underlining the gap between opportunity and achievement to date.) UK film and


\(^{13}\) http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr14/uk/uk-1.001

\(^{14}\) http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr14/2014_CMR_Scotland.pdf
Video production revenues, real GVA and exports more than doubled between 2002 and 2012. However although 3% of the UK’s film production companies are based in Scotland, in 2013 they generated just 1.5% (£42m) of the £2.7bn film production revenues – less than Wales, North West or South West England and the same level as Yorkshire and the Humber.\textsuperscript{15} Clearly there is considerable opportunity to grow Scotland’s share of the UK market even if it were not growing.

4.3. Scotland’s \textbf{Enterprise, skills and innovation strategies} have historically been optimised to target and support a small number of larger scale, potential ‘high growth’ companies rather than the large volumes of smaller (but often inter-connected) companies even if the potential aggregate growth in employment, revenues and other impacts are comparable. The interconnected ‘ecology’ of film, tv and games with each other and with other creative businesses (e.g. music, theatre, design, audio, publishing) requires a different approach to that historically adopted in traditional sectors, one which can address both their commonalities (e.g. talent, skills) and differences (e.g. the speculative high risk/reward overwhelmingly one-off film nature of production vs the commissioner-driven, series-orientated TV production).

5. \textbf{How to retain in Scotland those with the necessary creative skills.}

5.1. Interviewed for a recent book on European film industries an unnamed Scottish film and TV writer is quoted as saying: \textit{“I feel terrible saying it, as I’m a patriotic Scot. But you maximise your chances as an individual by moving away . . . . There is no good economic and professional reason for being here. You give yourself an extra hurdle. However, as a collective we maximise our chances the opposite way, by keeping talent in Scotland.”}\textsuperscript{16}

5.2. This quote neatly summaries the problem – lack of work and career development opportunities draw talent away, reinforcing the difficulty of building critical mass in the local economy. Increased local demand for those talents and skills is required but that can only come from expanded production volume \textit{together with} higher ‘quality’ opportunities across both film and television. Long running TV series like \textit{River City} or \textit{Waterloo Road} (though this has now been cancelled) provide crucial opportunities for emerging talent in e.g. writing, directing and acting and reliable work for freelance technicians. However the next rungs on the career ladder are much more likely to take individuals out of Scotland and increase the likelihood of their making their main base London. Occasional higher value series such


\textsuperscript{16} Quoted in Philip Drake (201) ‘Policy or Practice? Deconstructing the Creative Industries’ in P. Szczepanik & P. Vonderau, Behind The Screen, London: Palgrave Macmillan.
as e.g. Shetland may employ a significant proportion of Scottish based senior crew (e.g. its production designer, one of several editors, costume designer) and talent but a significant part of their development, production, crew and facilities spend will remain in London because of professional contacts and commissioner preferences for ‘familiar faces’, a further catch 22. Incoming high-value productions such as World War Z, Skyfall or Sony/Starz’ Outlander series, about to commence production on its second series, have the potential to employ both large numbers of crew and with higher levels of responsibility because of the scale of the productions. However this depends on there being sufficient available crew with relevant experience at that level to serve this ‘peak’ demand and current ‘baseline’ levels of production are so much lower that the supply of available and skilled crew can quickly be exhausted leading to the familiar ‘importing’ of crew from elsewhere.

5.3. What is required therefore is a package of interventions across film and television to achieve increased total volume of annual production spread evenly across lower, mid and high budget productions. This is the only way to sustain and grow a freelance pool of skilled practitioners and allow steady migration from entry level posts to head of department level and progress towards increasingly higher budget/more complex productions.

5.4. In the critical arena of content development and financing producers’ ability to commission experienced writers, option underlying rights material (books, plays etc.) and attach talent such as directors and cast depends hugely on their having sufficient development resources to ‘stay in the game’ long enough to take a project to production. The availability of properly paid work, in turn, makes it much more likely that e.g. writers will stay in Scotland and/or work with Scottish companies. Lack of development funds are a major obstacle to generating the large quantity and quality of developed projects that, given the statistical fact that all but a tiny proportion will fail to gain traction, are needed to secure an increase in production levels.

5.5. Looking at other countries such as Denmark, which have been able to retain talent, recent research underlines the importance of ensuring not just quantity but quality of opportunities:

5.6. “…the acknowledged quality of the work, and to a certain extent the work process in Danish film exerts a sufficient degree of attraction to maintain the interest and retain the participation of elite cinematic talent that well could establish itself in foreign film industries.”

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

6.1. The business skills required in these sectors are a combination of **generic and specific and increase in complexity** in step with the project/business scale, platform/market diversity and international dimension. Fundamental knowledge and understanding of IPR, product and financial flows and project management are required at entry level but grow in response to business development as individuals move from owner-operator single project based essentially self-employed practitioners in a single marketplace (e.g. factual TV, low budget feature film) to becoming managers of multi-project businesses employing creative, production and professional services staff and operating across multiple genres/markets (e.g. domestic factual or drama television, film co-productions, merchandising of animation/game characters).

6.2. **Further and Higher Education** have and do play a key part in spotting and fostering talent and skills, providing a grounding in all of these areas but **continuing professional development** (CPD) opportunities are critical to ensuring screen industry personnel gain the knowledge that they need close to when it is needed. How to structure a multi-country European coproduction or reorganise a TV business which is transitioning from employing five to twenty-five people can be taught theoretically on a postgraduate degree course but only really makes sense close to the point where such knowledge will actually be of use – usually several years – or decades – into an individual's career. Therefore it is critically important that they have access to appropriate development opportunities (i.e. in time, cost and delivery pattern, tailored to sector specifics) as the vast majority of film/tv businesses are mission driven and established and grown by creatives so do not have the capacity to employ business-trained specialists until they have reached significant scale.

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

7.1. As the table below illustrates in the European context the most successful film and television making countries i.e. those which achieve high levels of domestic market share, critical success and international distribution have in common integrated screen industries policies (across culture and industry) together with high (per capita) levels of public investment. Scotland’s 1.2 euro (or the UK’s 2.27) per head compared to 10.64 in Denmark and 7.96 in Ireland. The

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latter countries produce significantly higher volumes of feature film and have commensurately higher market shares.\textsuperscript{19}

7.2.

7.3. An excellent example of a joined up approach is Sweden which in 1963 pioneered a unique cross-party agreement between the State, Exhibitors, Distributors, Producers, Broadcasters and the community film sector.\textsuperscript{20}, the 2006\textsuperscript{21} and 2013 versions of this agreement and the growth of the Swedish film industry demonstrate how joined up working can really produce results. Through it the Swedish Film Institute’s funding has been designed “so as to contribute to the fulfilment of the objectives of this agreement and so as to achieve sound use of the funds.”\textsuperscript{22}

\begin{table}
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\begin{tabular}{|l|c|c|c|c|c|c|c|c|}
\hline
Overall success factors & Aus & Bzl & Can & Fnr & Ger & SthKor & Spn & Swe & UK \\
\hline
Holistic range of consistent, significant, strategic initiatives & & & & & & & & & \\
System that rewards project success & & & & & & & & & \\
Levy on broadcasters or distributors & & & & & & & & & \\
Levy on box office or exhibitors & & & & & & & & & \\
Levy on DVD or digital revenue & & & & & & & & & \\
Broadcasters mandated to invest in film & & & & & & & & & \\
Quotas on cinema and/or television & & & & & & & & & \\
System combines well with other country support (e.g. co-production) & & & & & & & & & \\
\hline
Performance indicators & & & & & & & & & \\
Production volume 2010 (6m) & 292.5 & 137.8 & 374.3 & 1498.0 & 223.0 & 223.0 & 598.7 & 93.7* & 1401.0 \\
Number of films 2010 & 37 & 76 & 74 & 261 & 119 & 152 & 201 & 41* & 119 \\
Average budget 2010 (6m) & 7.9 & 1.8 & 5.1 & 5.7 & 1.9 & 1.5 & 2.9 & 2.3* & 11.8 \\
\hline
\end{tabular}
\caption{Support systems success factors - project based support}
\end{table}

\textsuperscript{19} For the relationship between production volume, hits and market share see MacPherson, Robin (2010) \textit{Is bigger better? Film success in small countries – the case of Scotland, Ireland and Denmark}. In: 16th International Conference of the Association for Cultural Economics International, 9th-12th June 2010, Copenhagen, Denmark available online at http://researchrepository.napier.ac.uk/id/eprint/3752
\textsuperscript{20} See http://www.sfi.se/en-gb/About-SFI/what-we-do/The-Film-Agreement/
\textsuperscript{21} “The 2006 Film Agreement” available at http://www.sfi.se/Documents/Filmavtalet/Filmavtalet/The%202006%20Fil m%20Agreement.pdf
\textsuperscript{22} “The 2013 Film Agreement’ available at http://www.regeringen.se/content/1/c6/20/16/74/111b3287.pdf
7.4. Another good example of small country success at growing its film industry can be found in Finland, which in 2002 set clear, measurable, ambitious goals to raise production levels, audience share and investment. In its 2006 programme it could report an increase from ten to fifteen films and six series per year and more than 20 shorts/documentaries; audience share averaging 19% and a 22% increase in production funding. By 2011 the Finish Film Foundation budget was 24m euro, resulting in 36 feature film releases in 2013 achieving a 23% market share (resulting in a rise from 3m admissions to Danish films in 2004 to 4m in 2013).

7.5. Similarly Denmark’s well publicised success in exporting TV dramas such as The Killing, and Borgen is the result of “a conscious and two-decade-long strategy on behalf of DR’s Drama Division to open up international markets and to win international prizes.” which, most significantly for any consideration of growing Scotland’ TV drama, analysts suggest “partly contradicts existing theories on television economy and transnational television exports”. In other words it is possible for a small country to secure an international TV presence with the cultural and economic benefits that brings but it requires a) a more autonomous domestic television infrastructure/audience and/or at least b) a clear overarching strategy, neither of which currently obtain in Scotland despite the aspirations set out in e.g. the Scottish Broadcasting Commission’s Final Report in 2008 which envisioned “intelligent design of public funding mechanisms and an integrated approach to the development of the digital screen-based industries”.

8. CONCLUSIONS

8.1. Growth is possible but requires increased, sustained investment across the board from talent and skills to location incentives and export assistance

8.2. The deep and complex ecology of the sector needs to borne in mind so that both investment and returns are seen holistically – investment in expressive arts education or professional writing and drama talent are part of the mix, investment in e.g. studio infrastructure without parallel investment in skills development and talent retention would be unbalanced. All of this points to the need for an effective and outcome-orientated screen sector strategy jointly owned by all the agencies AND the industry. The Swedish Film Agreement is an excellent example of this.

23 Target Programme for Finnish Film 2006-10, available at http://tinyurl.com/njqk2ok
24 When Public Service Drama Travels: The Internationalization of Danish Television Drama and the Production Funding Models Involved
Jensen, P. M. & Waade, A. M. 24 Aug 2014
8.3. **Policy needs to be clear, outcome focused and joined up and owned** across public agencies, industry and interest groups.

8.4. **Interventions need to be targeted but remain flexible and responsive** as industry needs can change rapidly and be unpredictable.

8.5. **No one intervention will bring about the step change that is needed and possible**

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