Culture, Tourism, Europe and External Relations Committee

Scotland's Screen Sector

Written submission from Pact

Introduction

Pact is the trade association that represents the commercial interests of the independent production sector across the UK. Pact has 500 members including around 40 companies, largely small and medium sized businesses, based in Scotland across TV, film, digital, animation and children’s production.

The UK independent television sector is the second largest in the world, with revenues growing over the last ten years to around £2.5 billion in 2016 with international revenues largely driving growth.¹

UK TV exports are also a success story with international revenues from the sale of UK TV programmes and associated activities at £1.3 billion in 2015/16, up an impressive 10% from the previous year.

In 2015, the Scottish original production market was worth approximately £190 million, and has grown by 9% per annum since 2009 (rising from a low base following the introduction of network quotas for the UK Nations by the BBC and, later, Channel 4).² Scotland now has an increasing number of producers able to compete nationally and internationally across a number of genres. Pact modelled that the production market in Scotland could rise to £250m if a number of recommendations in the Pact report ‘Building a sustainable independent sector in Scotland’ were implemented.

Pact is supportive of the Screen Sector Leadership Group (SSLG) report which is a comprehensive analysis and valuable set of recommendations that will enable us to take forward the screen sector in Scotland. In order to deliver the most effective Screen Unit for the sector, it is important that there is regular, sustained and ongoing collaboration and engagement by public agencies and the Scottish Government with the industry in order to achieve this.

Leadership, Strategy and Support

The Committee understands that the Scottish Government and Creative Scotland are working on the development of a Screen Unit for Scotland, which will have overarching responsibility for strategic leadership of the sector. The Committee is keen to understand progress made to date and to feed into the development of the Unit following its inception in the new financial year. To help support the Committee’s understanding in this area, it would be interested in your views, regarding the following areas:

- How can the industry successfully implement the recommendations outlined in the Screen Sector Leadership Group report?

¹ Pact Census Independent Production Sector Financial Census and Survey 2016, by Oliver & Ohlbaum Associates Limited
² Building a Sustainable Independent Production Sector in Scotland, Pact (Nov 2015)
• What is your view of the current leadership of the screen sector through Creative Scotland and other supporting bodies?
• How can we ensure that the Screen Unit has the remit and responsibility for providing the strategic vision and leadership across the sector? What changes to the current arrangements are necessary to achieve this?

Pact is supportive of the Screen Sector Leadership Group (SSLG) report which is a comprehensive analysis and valuable set of recommendations that will enable us to take forward the screen sector in Scotland. A number of Pact members were involved in shaping the report as members of the SSLG or its subcommittees.

Principles that Pact would like to see Creative Scotland follow in setting up the Unit:

Remit: as the SSGL recommended, it is important for the Unit to have wider remit and include all broadcast content (including all drama, factual/entertainment and Gaelic-language) including support for TV, film and digital/interactive production companies. Traditionally support from Creative Scotland has been skewed towards film and scripted (drama and comedy output), Pact would like to see this balanced redressed so that the growth of Scottish based producers in a diverse range of scripted and non-scripted genres is supported and facilitated creatively and economically.

Balanced sector support: Support should be balanced between supporting inward investment and encouraging and facilitating the growth and sustainability of companies based in Scotland. Traditionally support through production funds and via Scottish Enterprise has been skewed towards supporting inward investment rather than companies based in Scotland. Pact would like to see more of a focus on the growth and development of companies and talent based in Scotland.

Industry collaboration: Pact is pleased that Creative Scotland have members of industry on their advisory board for the project and have provided updates to the established TV working group and the SSLG. We are concerned that current industry members of the advisory body are drawn from the drama/scripted side of the industry and more focused in their practice on film than television. It is even more important going forward that there are industry advisers on an ongoing basis that are in a position to given up-to-date insights and expertise into the functioning of the current television market as well as film and able to reflect the interests of TV, film and digital producers. Some Pact members have been provided with updates on the Screen Unit project but Pact would welcome more engagement in the project going forward before any announcements are made and we have been in contact with Creative Scotland in this regard.

Pact is supportive of the SSLG recommendation that the Screen Unit’s remit should have a strong advocacy role. The Unit should have a knowledge of how the sector works and thus be able on its behalf to engage in strategic discussions with broadcasters and government on managing growth.

• What are your views on the availability of funding and support for all content development?
Do you consider the support provided by Scottish Enterprise to be adequate? How might they or other bodies work to provide appropriate support for the industry?

How can we nurture and maintain funding for production companies?

Pact is pleased that an appropriate level of investment is being targeted at the new Screen Unit. We understand around £20m has been allocated based on £10m of new investment and £10m of continuing funding.

It is vital for the sustainability of the Scottish production sector in a competitive UK and international market that development support be made available to enable Scottish producers to meet the expectations of broadcasters. The most sustainable form of funding for any production company is the retained profit it makes on production but developing the ideas, talent and contacts necessary to meet the market opportunities that deliver production commissions is where many small to medium sized producers across the UK struggle.

Pact members in Scotland have long called for development support for television as well as film projects from the public sector. Pact would welcome the delivery of such support provided it is purposeful; meaning development support should be utilised to leverage broadcaster engagement in an idea, project or talent against the Screen Unit’s economic growth goals and broader cultural/social criteria.

We would prefer to see funding channelled as far as possible on supporting practitioners based in Scotland rather than towards either inward investment opportunities that simply displace production from one part of the UK to another or the overhead and staff in the Screen Unit, though we acknowledge the need for improved capacity and expertise in the Screen Unit going forward and we hope that the appropriate balance can be achieved.

There is an important opportunity for the Unit to get business support right to production companies, both from a domestic point of view and access to international markets. Previously, the production sector has experienced gaps in international support because they are not classed as ‘high growth’ by Scottish Enterprise/Scottish Development International (SDI) and miss out on support to international markets as a result. This is an important opportunity to ensure that these gaps are filled. It is evident that the most recent Pact Census shows domestic revenues are static but international revenues are driving growth in the industry. Support for research and development has long been the request of the production community in Scotland but, to date, Scottish Enterprise has not funded R&D in this sector. The new Screen Unit provides an opportunity to change that policy.

How can Ofcom work to support the sector in its new role as regulator?

Ofcom has a key role to play as the BBC regulator particularly around securing competition in the market and a level playing field for Scottish producers seeking opportunities in the Scottish domestic market and the UK network arena. How the BBC invests the licence fee it raises across the UK and, specifically, how it

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commissions original content is a significant influence on the screen sector’s growth and sustainability.

BBC Studios is a significant intervention in the UK content production market. It is in direct competition with small and medium sized companies in Scotland. Ofcom should monitor and ensure that these companies can operate on a level playing field with access to commissioning intelligence and priorities being equal in terms of both timing and quality of contact between Pact members and BBC Studios.

Significantly for producers in Scotland Ofcom must now ensure that the BBC delivers on its Public Purposes in general and specifically on the new Public Purpose contained within the BBC’s Operating Licence that requires the BBC to invest in the creative economies of each of the UK Nations via commissioning and the delivery of output. Pact welcomes this Public Purpose and the wording that Ofcom included within the Statement that accompanied the publication of the new Operating Licence requiring the BBC to spend broadly the same amount on programmes, per head, and make broadly the same volume of commissions, per head, in each of the UK’s four nations4.

We welcome the fact that Ofcom has started informal consultations on the Made out of London guidance and we understand that a formal consultation will follow in early 2018. In order to qualify as a regional production under the current criteria it is necessary that the production company have a “substantive base” in a specific Nation or Region. In some cases, the ‘substantive base’ requirement appears to have been met via a temporary or transitory base in Scotland. While this may meet the current rules, Pact maintains that it is not in line with spirit of the regulations. Pact will be feeding in further evidence to Ofcom to inform their consultations.

What are your views on the state of commissioning for Scottish content?

As stated above, there are significant and new opportunities for independent producers in Scotland over the next few months. Pact made a number of relevant recommendations in the area of commissioning in our report ‘Building a sustainable indie sector in Scotland’ in 2015. We set out in that report that local commissioning in Scotland could be more targeted with commissions that help drive scale and more strategic and commercial network commissioning. We believe that this would help companies drive scale and improve capacity in their business.

A more integrated approach between BBC Scotland and either the BBC network or BBC Alba could also deliver greater value for licence fee payers and more opportunities of scale for Scottish based producers. Building capacity through a mix of commissioning across single films, series and short-run (but high value) series enables companies to graduate from smaller projects – like single documentaries – to the scale and sustainability afforded by longer run and returning series.

We also called for commissioners to be more physically present in Scotland to create relationships and producers should be more active in developing these relationships too. The key to developing a sustainable indie sector in the Scotland in the future, as Pact has raised before, is for companies to secure returning series which will enable them to offer meaningful careers and continuing professional development to

executives at all levels of the business but particularly at Executive Producer level where there has been a perceived lack of talent in the past.

**How might Brexit impact the Scottish screen industry?**

Pact has been working in a constructive way through the Creative Industries Council (CIC) to articulate both the risks and opportunities that Brexit poses for the screen sector and the creative industries more broadly. The risks and opportunities presented by Brexit were well documented in a report to UK Ministers in October 2016 ‘Creating a new world view: priorities for the UK’s creative industries following the decision to leave the EU’.

By way of a summary, our key areas of focus were maintaining the country of origin framework and the UK as a global media hub, for UK content to classify as European works and continue to be sold across Europe and to retain Creative Europe funding. The report also called for a continuation of freedom of movement. Pact has fed its current views to the recent government consultation to the Migration Advisory Committee (MAC) on EEA nationals in the UK labour market. We called for the Government to minimise any additional burdens on business as far as possible with any new immigration or visa system in the future.

**How do you view the role of broadcasters in supporting the sector?**

There are a number of opportunities for production companies in Scotland in the form of; the new BBC channel for Scotland, the move towards 100% contestability for BBC commissions (both local and network), a BBC service licence that secures 8% network spend from Scotland, the anticipated review of Out of London criteria by Ofcom and a commitment from the BBC to shifting towards proportionally more spend per head of the licence fee raised in Scotland.

There is also the possibility of more Channel 4 investment in Scotland and the other nations and regions as Pact has called for Channel 4 to meet BBC levels of investment out of London to match the BBC at 50%. Pact would also welcome more STV investment in the independent production sector in Scotland and there is always scope for Channel 5, currently at 10% quota for Out of London spend to increase its quotas and spend in Scotland too.

**How might the newly proposed BBC channel help support the industry in Scotland?**

The new channel in Scotland is a welcome and important intervention in Scotland’s broadcast and production ecology. One significant issue that Pact raised in its recent submission to the BBC were concerns around the current level of funding announced for the new channel. We note that Donalda MacKinnon, BBC Director Scotland commented in Holyrood recently that BBC Scotland are still pushing for further funding for the channel.

The new BBC Scotland will be in direct competition with the prime-time schedules of the BBC network and other channels. To win and retain an audience its content must be produced to a prime-time standard. The risk with the new channel for producers is that in order to produce quality content, producers will end up deficit financing content for the BBC in Scotland, producing content at low or no margin in an
unsustainable way. This impacts upon the sustainability of production companies and upon the conditions of those who choose to work within television.

The new channel will be contestable which is important for indies. We welcome transparency on the part of BBC Scotland and further briefings re the opportunities available for independent producers as planning for the new channel develops. We hope that they are in a position to stick to the original timetable of a launch in the autumn 2018.

- How can Scotland become a key destination for UK and international productions?
- Why have film and TV producers selected Scotland in the past as a location for production?
- What is your view on the current network of regional film offices across the country?
- Are you aware of examples of best practice in Scotland, or elsewhere, which the Committee could draw upon?

We would reiterate comments here about the importance of effective funding to support local companies accessing international markets from Scotland. We call for the Screen Unit to achieve an effective balanced between supporting inward investment and the growth and sustainability of domestic production companies.

**Talent Development, Skills and Training**

Sustainable growth in the sector will depend, in part, on Scotland’s ability to nurture and retain domestic talent, in front and behind the camera. To better understand the challenges facing the sector, the Committee would be interested in your views regarding the following areas:

- How can Scotland nurture and retain domestic talent?
- How might the new Screen Unit work across agencies to ensure a coherent approach to the development of talent?
- Are you aware of examples of best practice in Scotland, or elsewhere, which the Committee could draw upon?
- How can development, skills and training keep pace with the ever changing needs of the industry?
- Are there skills deficiencies or gaps which might impede productions choosing to come to Scotland?
- Does Scotland have the requisite level of domestic talent to accommodate an increase in productions coming to the country?
- What infrastructure, support and investment is required to ensure continuing development of talent in Scotland?
- Are there clear pathways from education through training to the workplace that deliver an industry-ready workforce?
- How do we address the problem of inconsistent work for employees in the Scottish screen sector?
- Do you feel there is a lack of diversity amongst employees in the screen industry? And if so, why might this be and what can be done to promote diversity?
• Do you feel enough investment is present for the purposes of training specialist skills?
• Are there ways in which film and TV productions can be encouraged to utilise Scottish cast and crew where appropriate?

The point that Pact has often referred to in the context of Scotland is the perceived lack of senior editorial talent in Scotland. Seniority is gained through experience and there is a need to build sustainable companies of scale in order to sustain meaningful careers and investment in the growth of mid-tier executives from within Scotland.

A balance should be struck between the funding and support of education and training and the development of the sector so that there are sufficient jobs at all levels of production within Scotland to sustain careers. Over investment in training and education alongside a long-term lack of investment in the development of companies, ideas and talent is an issue that requires more consideration.

As Pact set out in its ‘Building a sustainable indie sector in Scotland’ report, sustainable companies could be achieved in part by securing returning series in Scotland. This would give companies an opportunity to build sustainable businesses and could be achieved by building the capacity of producers in Scotland to graduate from single films to short run series and then long-run and returning series. We welcome and support TRC’s activity in this space to bring together broadcasters/commissioners and companies in the nations and regions to support their ideas development but would reiterate comments made earlier in this submission about the need for development support for production companies based in Scotland.

The Pact report also recommends companies merging to create scale and share expertise in different genres so that we can create businesses of scale. The ideal model would be a cluster of businesses of scale and a continual feed of new entrants, businesses and talent to keep the production base refreshed. Access to investment finance would facilitate such growth.

Pact was delighted to launch its Indie Diversity Scheme in Scotland in 2017 giving diverse and entry level talent in Scotland an opportunity to participate in a paid, 6 month training programme within Scotland Indies which included mentoring and industry standard training. Companies that took part include Raise the Roof Productions, STV productions, IWC, Tern and Lion TV part of All3Media. The scheme highlights our commitment to supporting the creation of sustainable and diverse talent bases in the nations and regions.

Pact has also launched an industry approved university module for universities in Scotland and across the UK. The module was developed by an industry working group, be launched in 2018/19 and kept updated on an annual basis. The aim is to provide graduates with up-to-date industry information about:

• IP and Rights – understanding them and their value;
• Content and funding – understanding co-production structures and new commercial models around TV productions; and
• IP exploitation – understanding distribution, global trading and secondary exploitation.
Infrastructure, Intelligence and Maximising Benefit to Scotland

To support growth, the SSLG highlighted the need for a concerted effort to deliver enhanced studio infrastructure in Scotland. The Committee would therefore be interested in views concerning the following:

- What improvements to the current studio infrastructure are needed? How might this be achieved?
- What kinds of facilities are needed and where?
- How might these kind of facilities be funded?
- How might the public and private sector collaborate to ensure a sustainable approach to the development of such facilities?
- How can we ensure the productions leave a positive legacy after filming?

Pact supports investment in studio infrastructure in Scotland. We should ensure that film and TV companies based in Scotland have access to the facilities they need and that Scotland remains an attractive location for companies outside the UK to film and invest.

To better understand the socio-economic impact of productions in Scotland, the SSLG also proposed that improvements be made to the way in which we gather data. The Committee would therefore be interested in your views regarding the following:

- The need for more reliable data about the sector and how it might be collected.
- How this information could be used to demonstrate the wider value for Scotland at a national and regional level.
- Examples where data could be used to foster improved relationships between different sectors and organisations.
- How can we ensure that the screen sector is seen as one of Scotland’s key economic drivers supporting a wide-range of sustainable creative businesses?

Pact now collates and analyses data from its Annual Financial Census and Survey specifically from the nations and regions including Scotland which it has presented in the report for the last two years. This report is available on our website at www.pact.co.uk. Pact will continue to push for more responses from out of London companies including Scotland in the future in order to allow for more data interrogation and analysis.

We support calls for more “base-line” data to be gathered about the composition of the Scottish broadcast and production sector, the film production capacity of Scotland and the economic impact the screen sector within Scotland.

As previously outlined, Pact published a report in 2015 entitled ‘Building a sustainable indie sector in Scotland’. This report was based on interviews and information from independent production companies based in Scotland and sits as a companion to the subsequent report of the SSLG.
Distribution, Exhibition and Audience Development

As audiences increasingly consume content digitally it is becoming ever more important that consumers have access to content. The Committee is interested in understanding how Scotland can keep pace with digital trends, ensure equitable access to content and develop new audiences. The Committee would therefore welcome views on the following:

- How can Scotland maximise the opportunities associated with proposed roll out of superfast broadband nationally?
- How can we ensure/promote the consumption and production of domestic content in the digital age?
- What measures can be taken to grow audiences and encourage participation in the sector more generally?

The roll out of superfast broadband is vital to production companies based across Scotland but also important to the audience who should have a choice as to how they consume content.

The key point for Pact in the online space is the protection of intellectual property rights for producers. The Terms of Trade framework which has developed a successful independent production sector from a small cottage industry to a global industry in the space of ten years, does not apply to content commissioned for online viewing.

Pact is calling for a fairer deal for online producers and to ensure that, particularly new entrants to the market making content for BBC3, BBC Children’s or All4 online have more control over their own IP in order to exploit this both in the UK and overseas. This will become particularly important as the value in short form content grows as it becomes increasingly commissioned by the broadcasters and platforms. Producer control over their IP, we believe will drive further research, development and innovation into quality content in the future.