



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 9 March 2016

Session 4

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ECONOMY, ENERGY AND TOURISM COMMITTEE

8th Meeting 2016, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)

*Patrick Harvie (Glasgow) (Green)

*Johann Lamont (Glasgow Pollok) (Lab)

*Richard Lyle (Central Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Lewis Macdonald (North East Scotland) (Lab)

Joan McAlpine (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Fiona Hyslop (Cabinet Secretary for Culture, Europe and External Affairs)

John McNairney (Scottish Government)

David Smith (Scottish Enterprise)

Laura Turney (Scottish Government)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament
Economy, Energy and Tourism
Committee

Wednesday 9 March 2016

[The Convener opened the meeting at 10:00]

Decision on Taking Business in
Private

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the eighth and potentially final meeting in 2016 of the Economy, Energy and Tourism Committee. I welcome all members, witnesses and guests in the gallery, and I remind everybody to please turn off or at least turn to silent all mobile phones and other electronic devices so that they do not interfere with the committee's work. We have received apologies from Joan McAlpine, who is at a meeting of the Rural Affairs, Climate Change and Environment Committee but hopes to join us shortly.

We move to agenda item 1. Are members content to take in private item 3, which is discussion of the evidence that we hear during the meeting?

Members *indicated agreement.*

Creative Industries (Economic
Impact)

10:01

The Convener: Agenda item 2 is continuation of our evidence taking on the economic impact of the creative industries. I welcome to the meeting Fiona Hyslop, the Cabinet Secretary for Culture, Europe and External Affairs, who is joined by David Smith, senior director, Scottish Enterprise and, from the Scottish Government, John McNairney, chief planner and Laura Turney, head of culture and historic environment policy.

Cabinet secretary, you will have been following with interest the committee's work on the creative industries, which follows on from our report last year and the recommendations that we set out in it. We wanted to do some follow-up work on how things have developed over the past 12 months, looking in particular at the areas of film, television and computer games.

We have had a letter from you that gives some background with regard to the work that the Scottish Government has been taking forward in this area. Before we get into questions, it would be helpful if you outlined some of the key points in your letter and some of the new developments that have emerged in recent weeks.

The Cabinet Secretary for Culture, Europe and External Affairs (Fiona Hyslop): Thank you, convener. If this is indeed the committee's last meeting, I should thank the committee for its on-going interest in the creative industries and acknowledge the committee's interest in public sector support for screen in Scotland.

My letter to the committee in advance of this meeting was intended to provide useful updates and context. However, I want to restate the position on activity that is under way to deliver a new permanent studio facility for Scotland.

Scotland needs—and the Scottish Government and our public sector partners want—a permanent studio facility, and I am committed to doing all that we can to deliver that studio. It is important to note that we are not procuring a studio; instead, as we have stated from the outset, we welcome proposals for private sector-owned and operated studios that meet the needs of the industries concerned and are financially viable to meet state aid rules.

We want to make that happen, and the film studio delivery group is doing all that it can to find a way through what are sometimes complex challenges. We remain open to other bids from private sector investors. The European Union state aid rules mean that we must act

commercially under the market economy operator principle and not use public funds either to distort or to create an advantage in the market. That means that, as a public sector investor, we need to secure commercially competitive returns to be state aid compliant. We are trying to achieve that by partnering with a private sector investor who is prepared to take an equal risk on a commercial venture.

As Wardpark Studios Ltd will shortly be applying for an extension to its Cumbernauld facility, I can, with the agreement of the private developer, tell the committee now that Wardpark Studios is the developer that the film studio delivery group has been negotiating with. I am happy to elaborate on that work in this evidence session.

The committee will also be aware that the private developer Pentland Studios Ltd has been looking to build on a site in Straiton, with a studio facility as part of the development. That planning application has been recalled, and it is currently with Scottish ministers for appeal. I will try to answer what questions I can, but while the independent reporter is undertaking the assessment and before the recommendation to ministers is made, we are limited in what we can actually say.

In addition, Creative Scotland actively promotes currently available film locations in Scotland and continually brings to the market new options, including temporary studios. We are continuing to invest in Scotland's screen sector in other ways. A record £24.1 million of public sector funding was awarded to support the industry in 2014-15. In order to build on that, we introduced in 2015 an additional £4.75 million of new funds to strengthen the sector. The £24.1 million figure for 2014-15 is a record spend for screen, even without the additional funding in 2015-16, and compares favourably with the £16 million for Scottish Screen back in 2009-10.

I am aware that you are interested in the Scottish Government's work on BBC charter renewal. It is important that we view both the studio work and our ambitions for Scotland as part of a wide-ranging vision for growing and developing Scotland's screen sector. The studio is a key part of that vision, as is a stronger BBC Scotland.

I hope that the information that I have provided in my letter and in these remarks will be helpful in today's discussions.

The Convener: Members are interested in a number of different topics. We are keen to explore the film studio issue a bit more, given that it has been at the top of the agenda with regard to public interest in our inquiry, although we also want to examine other areas covered in our previous

report such as television and video games and to explore the creative industries strategy more generally.

I will start with the film studio. We are aware of the background to the situation with the Pentland film studio and that you are constrained in what you can say about it, given that it is a live planning application. However, one thing has been made very clear to us in the evidence that the committee has received since our last evidence-taking session: there is a lot of frustration in the industry about a lack of progress in establishing anything concrete. The submission that we have received from the Association of Film and Television Practitioners Scotland says:

"The prevarication and dithering by the two public agencies in relation to a purpose built Scottish national film studio, and the low ambition of a make do and mend attitude, has left those working in the Scottish Film and television industry with serious doubts as to their competence in developing the future growth of the Scottish film industry."

Moreover, Independent Producers Scotland has commented:

"The recent announcement by Fiona Hyslop of yet another delay in the Film Studio for Scotland has sent shockwaves and devastation through the industry. The Film Studio Delivery Group simply appears to have failed in its mission. Three years after it was set up we are no closer to having a studio in Scotland. Both nationally and internationally, this lack of a Scottish studio is an embarrassment."

That is pretty damning, is it not, cabinet secretary?

Fiona Hyslop: I have announced today that we will have additional studio space—subject, of course, to planning permission by North Lanarkshire Council—and the six-studio sound stage is a major development for Scotland.

The application itself will be for a 30,000 square foot studio. According to film industry interests, it would be helpful if it could have two sections for smaller productions, if that is required, and it will also be 50 foot high, which is important for capability and access. That will be supported by funding from Scottish Enterprise. It is a major development that ensures that we have that capability and capacity, which is what the industry wants to hear. Moreover, as I have said in my letter, four productions are already filming, albeit in temporary—though effective—space. We want a permanent solution, but it does not have to be one permanent solution; indeed, we think that there is an opportunity for further solutions. You should remember, though, that when you are reliant on a private sector-led proposal, you can go only at the speed of the private sector interest.

In my letter, I have explained that the film studio delivery group has considered other areas, but in

making the project state aid compliant, we have to strike a balance between public spend and commercial risk. I have also pointed out that the studios in the other parts of the UK are private sector-led and private sector-funded and that any public money is provided on a commercial basis—as it must be for them to be state aid compliant. Even the recently announced Belfast proposal is entirely private sector-led.

I share the frustrations that have been expressed, and I have talked to the committee about them. The issue is ensuring that we have spend; we should remember that, over the past year, there has been £45 million of production spend, which makes it a record year. The activity that has taken place has been strong, but people want to see that there is an opportunity to do so much more. That is the frustration. We can deliver and we are delivering on the screen sector—indeed, we are investing record amounts—but the potential created by the tax credit facility, in particular, means that there is a great opportunity to do far more. That is why the demand for studio space in Scotland is very strong, and we will meet that with the opportunity in the development that is being announced today.

This is the first time that we have been able to give you concrete information about an opportunity to have a studio with six sound stages in Scotland. It is good news, although I realise that it does not overcome all the frustrations that people—and I am one of them—have had.

The Convener: The delivery of this new project is welcome news, and I am sure that other members will have questions about the detail. Do we have state aid clearance for Scottish Enterprise support?

Fiona Hyslop: The point of frustration over the past year has been getting a combination of public and private money to ensure that it is state aid compliant. David Smith from Scottish Enterprise might want to answer that question.

David Smith (Scottish Enterprise): We have considered the indicative package of support and the agreement in principle that we have with Wardpark Studios and we have taken advice, so we are comfortable that, subject to Scottish Enterprise board approval, the package of support will be deliverable within European competition rules.

The Convener: Thank you. What is the timescale for delivery?

Fiona Hyslop: That will depend on the private sector developer and the planning process, which will be starting in North Lanarkshire Council.

The Convener: I understand the issues around state aid clearance but, for the record, is it your

understanding that the Pentland Studios proposal was not reliant on any state aid, because it was not asking for any public sector support?

Fiona Hyslop: Yes, that is my understanding. We welcome the opportunity for studio space in Scotland. However, as that particular proposal has been recalled by Scottish ministers at the request of Pentland Studios, I am not in a position to make a comment. I do not want to prejudice things either way.

The Convener: I understand that. Can Scotland support more than one film studio?

Fiona Hyslop: Yes—and I have said so on a number of occasions.

Richard Lyle (Central Scotland) (SNP): I want to come in straight away because Cumbernauld is in my region. We gave Mr Smith a hard time the last time that he was at the committee, and we were very angry. You have just taken my anger away, cabinet secretary, by announcing what I suggest is a major step forward in order to secure a studio. It has taken a long time. I am sure that you have been frustrated, as we have been, but now that you have made the announcement, I hope that it will be done.

The planning application will be lying in a wee council office somewhere. I will contact—as I am sure many of my colleagues in my region will—North Lanarkshire Council in order to facilitate the planning permission, because such things can take some time. I welcome the fact that there are opportunities in Cumbernauld, but I also recognise the opportunities in the Pentland project. The two may complement each other.

The Convener: I am not sure that that was a question, but you can respond if you wish, cabinet secretary.

Fiona Hyslop: As I say in my letter, there are other live interests and we are pursuing them as well. We are not resting with one proposal. I have charged the film studio delivery group with constantly considering different opportunities. However, we want to have permanency, and Wardpark Studios is permanent. “Outlander”, which is clearly very successful, has been filming in the four studios that are currently on site, but it is not just about the studio space. It is important to have the production offices, the backlot and the opportunity for all the creative industries around film production to develop as well. The proposal is not being considered in isolation.

The convener mentioned Independent Producers Scotland. I have met it on a variety of occasions and we have discussed different opportunities and plans, which we have taken forward. The committee should remember that the £4.7 million that is available between 2015 and

2017 is allowing production to take place, and the first production spend for films in Scotland is about to be announced. One million pounds has already been allocated to skills development and there is tax credit funding of £2 million, which will help us to go in the direction that we need to go in. We must make sure that we have a financing mechanism that allows there to be a continual pipeline. The issue is not all about studio space; it is also about the ancillary package that can go along with that.

We need to remember that we are looking at different types of films. Big blockbuster films could quite easily be made here as long as the space and the accommodation are available, but I also go back to my remarks about renewal of the BBC charter. We must make sure that we have more localised production and more small-scale productions from Scotland. We must provide an opportunity for career development in the film sector so that we can produce the big films of the future, but we must also make sure that we reflect Scotland to itself. We must make sure that we have accommodation for that whole range.

10:15

Richard Lyle: Can you tell me when the planning application will be submitted?

Fiona Hyslop: I stress that the application will not be made by ministers. The private developer must make that move, and he has indicated to us that the planning application will be submitted shortly.

Chic Brodie (South Scotland) (SNP): Good morning. Today's news is good news. I am sure that it is no coincidence that it has been announced today, in view of the committee's meeting.

I want to return to the issue of European state aid and the suggestion that we cannot pursue the studio. It is clear that there would be no displacement; if we believe in the growth potential of the studio, I do not see how it would distort or upset the intensity of the market. In your letter, you say:

"Nonetheless, a state aid compliant solution is challenging to achieve because the limited and volatile revenue stream available to studio developers is likely to require substantial public support (which may then exceed regional state aid thresholds)."

Where is the evidence for that? Do we have a financial plan? Has the evidence from Wales and Northern Ireland been looked at? We know about the Valencia situation. As I understand the European state aid rules, whether we are talking about sections 53, 54 or 62, there is nothing to prevent a public entity from developing a studio as long as it operates as a commercial operation.

Why are we attaching so much relevance to the EU state aid rules?

Fiona Hyslop: As you will be aware, the competition rules do not apply only to films and the film market in Scotland—they operate across the UK and the rest of Europe. When it comes to state aid compliance, consideration of whether there would be distortion of the market or competitive advantage applies across Europe.

On the other sites, existing space was used for Titanic Studios, and in Wales an existing state-owned space—a former energy centre—was used. The recently announced North Foreshore project is a completely private sector, new-build development, as is the case with the Pentland Studios plan. In those projects, everything is done on a commercially owned basis.

If a public sector entity was to work on a commercial basis to take over spaces, that would be an opportunity for Scotland, but one of the challenges that we face is that we do not have large, publicly owned vacant spaces that would enable us to operate in that manner. We would have to build something from scratch, and the use of public sector funding to do that would cause an issue, even if private sector leverage was involved in the management of the development or procurement of films et cetera.

Chic Brodie: Forgive me, but is it not the case that, even if a public entity was to use public sector borrowing to build such a facility, as long as it produced a commercial return and was competitive in the European marketplace, there is absolutely no reason to suggest that we could not do that? We are now talking about the finance as opposed to the state aid rules. There is absolutely no reason why we cannot operate a studio with the appropriate commercial returns. Do we have a financial plan that suggests that we do not meet the EU state aid rules or a plan that suggests that we can meet them?

Fiona Hyslop: Today's announcement is certainly state aid compliant. As regards what has been happening not just over a number of months but since the film studio delivery group started looking at sites, if we go back to the report that was commissioned from EKOS and the five bids that came in, every single one was looked at to see whether it could be produced in a way that was state aid compliant.

Scottish Enterprise has been leading on the work in relation to what can and cannot be done. Every single bid has to be looked at individually to see whether the balance between elements of public sector funding relative to private sector funding stacks up. There also has to be an equitable distribution of profits.

David Smith might want to add to that.

David Smith: When the recent legal case in which there was an EU judgment on the Ciudad de la Luz development in Valencia was concluded, information was given about the level of return on investment that was expected for any such development—

Chic Brodie: Yes, but—

David Smith: If I could just finish—

Chic Brodie: I beg your pardon.

David Smith: On the basis of that judgment, we modelled extensively the case for a new build studio project that was directed, owned and developed solely by the public sector and we concluded that the projected return on investment could not meet the levels that were specified in that EU judgment.

We have also modelled the case for converting industrial space based on potentially available buildings or buildings that could be converted and used, but very few potential sites meet the necessary size. Also, based on the analysis and modelling that we have undertaken, the return on investment that would be generated would be insufficient to meet the level in the EU judgment—

Chic Brodie: Forgive me, Mr Smith, but the cabinet secretary has just announced that you are going to build a 30,000 square feet—

Fiona Hyslop: We are not building it. The private sector developer is building it, as was the case in Northern Ireland. You should remember that, in Wales, a Government-owned energy centre was used, and in Yorkshire it was a vacant Royal Air Force site. Again, that was led by private sector development.

That is the key. As is the case in other parts of the UK, the project has to be led by private sector development, by and large. If there is vacant property, that is fine. Perhaps the resilience and success of the Scottish economy means that there are not many vacant sites that we can use. Private sector sites are being used as we speak in order to allow film production to continue, but they are temporary and we want to have permanency. The industry is frustrated because it wants permanent sites rather than just a series of temporary sites.

Chic Brodie: Can I suggest, cabinet secretary, somewhere that is close to your heart and mine? Someone might look at the former Digital Equipment plant, which has been lying empty and which would comply with the required size and height.

Fiona Hyslop: Thank you. There have been a number of suggestions. In fact, probably most members of the Scottish Parliament have suggested possible sites. I reassure you that we have not looked at one site and one site alone; we

have looked at a number of sites on a continuous basis.

Chic Brodie: Thank you.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I have a couple of quick questions about the film studio. The announcement this morning was about a possible planning application for Wardpark Studios, which is a Sony facility for “Outlander”. Will it be a dedicated space for Sony or will it be open to other production companies to use?

Fiona Hyslop: It will be managed by Wardpark. Wardpark has arrangements with Sony for producing “Outlander” that go up to November 2016. The planning process will go on during that period as well. The aim is to make sure that there is a studio facility for Scotland for additional films to be made. I think that a 30,000 square foot, 50ft high production space will be very welcome.

Gordon MacDonald: On the general issue of state aid, the EKOS report that was produced in December highlighted that film spend in the UK is at a record high of £1.5 billion per year and that there has been significant development since 2014. It mentions the Warner Brothers facility at Leavesden studios, the opening of Pinewood in Wales, Pinewood studios doubling in size and further investment in Belfast, Manchester, Bristol and Liverpool. Pinewood studios in Wales is a collaboration between the Welsh Government and Pinewood. Why are we behind the curve?

Fiona Hyslop: We are not. We are spending more on film—in terms of public sector funding—than Wales is. On production levels, I understand that one film has been announced for Pinewood so far, and they want to see more than that. With projects such as “Follow the Money”, the tax credits have created an attractive situation not just for film but for high-end television.

In Northern Ireland, “Game of Thrones” is a big production but, as I think I told the committee, our understanding is that the production spend of “Outlander” in its first year was more than the production spend of “Game of Thrones” in its first year. That shows the strong economic impact that high-end television can have, but there need to be wider opportunities.

Films are being made in Scotland regularly. The issue is that we do not have a permanent studio available for filming. The reason why there are joint ventures with Pinewood, Sony or whoever else is that the income levels come from the sale of the film and not necessarily from the rental of the space. Therefore, a finely calibrated model is needed to ensure that money is being made out of the studio. There is a private sector interest to make sure that whoever does the work, if it is not

a film studio, can make the model work on a financial basis.

Gordon MacDonald: Do you believe that we are getting a reasonable share of the £1.5 billion spend?

Fiona Hyslop: We should be able to get far more. There is also an issue of capacity, particularly in the London area. That is why the demand exists.

I am not sure that we could have said, prior to the tax credit changes, that there would have been so much expansion. The tax credits have been a catalyst, although they are not the only factor. We should remember that we have skills and we have very talented people, who are operating elsewhere. We want to make sure that we build the industry in Scotland, and my ambition is to do that. I have said that right from the start, and I have pursued it doggedly. I am making sure that the film studio delivery group continues to look at different opportunities and sites.

Today's announcement is great. The fact that Wardpark is proposing to build a studio in Scotland that provides a 30,000 square foot, 50ft high facility is very welcome. However, we also need to continue to look at other opportunities. As we speak, four productions are using temporary filming space effectively, but more can and should be done. We need to drive this forward and not see the project as the only game in town.

Lewis Macdonald (North East Scotland) (Lab): You emphasised that the planning application is being taken forward by the private sector developer. What is the financial commitment of the public sector?

Fiona Hyslop: It is a package that is worth £4 million, which will include a combination of grant and loan—£1.5 million will be grant and the remaining £2.5 million will be loan. Previously, the private developer has invested extensively to get the four sound stages and the development to the stage that they are at. What is there already is strong.

The public sector investment opportunities are subject to final agreement—the developer and Scottish Enterprise are clear about that—but the project is at such a stage that I can let you know about it today and share the information with you. That had to be with the private sector developer's agreement, and it agreed that I could do that.

Lewis Macdonald: Has it agreed that you should also indicate what share of the total investment the £4 million represents?

Fiona Hyslop: I ask David Smith to answer that.

David Smith: The total investment in new studio space that is proposed by the private sector developer is about £5 million, and it will have to put a substantial amount of the working capital into the business. As the cabinet secretary said, our indicative support packages—a grant of £1.5 million and a commercial loan—are secured against the facility assets.

Lewis Macdonald: That is £5 million in total, of which £2.5 million is a loan.

David Smith: The new studio build would be £5 million plus, and Wardpark Studios will have to make substantial additional investment of working capital in the business plan as it goes forward.

Lewis Macdonald: It is helpful to understand that.

We received a letter this week from the Association of Film and Television Practitioners Scotland, which says, among other things:

"While the capital costs of a purpose built studio are greater than those of a reconstructed 'shed' ... The maintenance costs of a reconstructed space are much greater and will be ongoing for many years."

Do you agree? Do you regard the proposal as lying in the territory of new capital build or the reconstruction of an existing shed?

10:30

Fiona Hyslop: There has been extensive conversion at and investment in Wardpark Studios. Back in April, I met a number of Los Angeles TV producers who had visited all the sites including some of those elsewhere in the United Kingdom that I mentioned earlier. They said that the best site that they had seen was the one in Cumbernauld, and that was the existing site, prior to the investment and the development of the additional two stages that will make it a six-sound-stage facility. In comparison, Pinewood has two stages, Dragon has four and Titanic has two. The capital spend that we are discussing is for a permanent studio facility.

However, you are right in relation to permanency, maintenance and on-going issues. The production spaces around the site will allow it to become a hub for additional companies that are involved in the film sector, so that it becomes more than just a place to shoot because it provides more facilities.

Lewis Macdonald: Another issue that has been raised, which was mentioned in passing earlier, is whether the proposal is the only approach or the right approach. We heard about the Pentland Studios proposal. In addition to working on projects where there are state aid implications to be considered, have you taken other initiatives or enabled other proposals that would allow a

development that did not carry any state aid implications?

Fiona Hyslop: Private developers can go through the process, and are doing so. Pentland Studios is going through it. It asked for a recall—for appeal—from the Scottish ministers, which happened around 3 December. Is that correct?

John McNairney (Scottish Government): Yes.

Fiona Hyslop: That application is with ministers. As you all know, once an application is with ministers, we cannot say anything that would prejudice it either way. However, I ask John McNairney to explain where the Pentland project is in the process.

John McNairney: The applicant appealed against non-determination and ministers recalled the appeal. Essentially, that means that ministers will take the final decision rather than the normal process applying, which is for one of the Government's reporters to take the decision. The timescale for a case of this size is usually about four months. However, I see from the current material on the web that Scottish Natural Heritage has a concern about a habitat survey. That needs to be resolved, and the application is back with the reporter. That will lead to a report coming to ministers in either early or late summer.

Lewis Macdonald: Sorry. Although the Pentland project is important, I did not particularly have that in mind. I was simply trying to establish whether there is anything besides the Wardpark Studios project. Has the Government done or is it doing anything to enable or encourage other private sector developers to come forward?

Fiona Hyslop: Yes. We have tried to encourage and invite people with interests in private sector projects to contact us. There have been private sector interests that required, for example, 100 per cent public investment, but that becomes a public sector proposal.

There are potential opportunities with or without private sector involvement, to go back to Chic Brodie's point. Another one that is live would provide central belt facilities, but we are looking at that now and I cannot discuss it. We are trying to encourage interest, but it is quite a challenge commercially to make the profit from the studio itself. The challenge is to ensure that we have a developer that wants to see the project through and will be able to put up enough investment and take on enough risk to allow it to be state aid compliant.

Lewis Macdonald: Do you hope to be able to discuss the project that you said you cannot discuss now later this year?

Fiona Hyslop: We will discuss it at some point if it proceeds. You have not heard about all the

different things that we have looked at along the way because we would rather come to you when something is finalised and we can actually talk to you about it. We are continuously looking at different areas for investment.

Lewis Macdonald: Thank you.

Dennis Robertson (Aberdeenshire West) (SNP): I have a brief supplementary question to follow up on Lewis Macdonald's questions. It seems to be central belt locations that are in the mix. Are there any beyond the central belt? Has there been any consideration of Dundee, for example?

Chic Brodie: What about Ayrshire?

Dennis Robertson: I had better say Prestwick, for Chic's sake.

Infrastructure and other aspects need to be considered, but is there anything outwith the central belt?

Fiona Hyslop: To my knowledge, we have not been approached by any private sector developers from Ayrshire about a studio there. There is an interest in trying to develop something in Dundee, but that is at a fairly early stage. I do not know whether David Smith is familiar with the Dundee project, but there are people looking at an opportunity for Dundee. There are a number of other developments in the creative industries more generally in Dundee, but nothing has come to me as a firm proposition.

Dennis Robertson: We are trying to establish what is going on out there in the way of potential developments. We heard the good news in your announcement today, but we are also hearing that other avenues are being considered. I am trying to tease out a little about where they are.

Fiona Hyslop: If the Economy, Energy and Tourism Committee was talking about life sciences investment or private sector investment in any other sector, I do not think that you would expect the Government to share information with you about development opportunities and private companies. There is a lot of interest in this—it is culture, it is film and it is high profile—and because of that, and given the creative industries' contribution to Scotland's economy, people want me to share information that is not mine to share.

Dennis Robertson: I am not asking for that. I am trying to tease out whether there are interests in other parts of Scotland, even if they are in the early stages.

Fiona Hyslop: I mentioned Dundee. I am not aware of anything in the Aberdeen area, for example—I know that there are members who are interested in that. David Smith could perhaps give some other indication, but again that would be

tentative. It would set hares running, even if we had something at the early stages, because it is not our job to share private information from private companies. It just so happens that it is in the area of film.

Johann Lamont (Glasgow Pollok) (Lab): Forgive me for being sceptical, cabinet secretary, but I think that I will wait until I hear what the industry says about today's announcement before I rejoice.

Can I just clarify that you are saying that, ultimately, you will be putting £1.5 million into the proposal?

Fiona Hyslop: The combination of funding, which the IPS for example welcomed—that loan-facility funding is as important as some of the funding announcements that we have already made—

Johann Lamont: But it is a £1.5 million grant.

Fiona Hyslop: It is a £1.5 million grant and a £2.5 million loan. For a 30,000 square feet studio space with six sound stages, 50 feet high, I think that that is fairly good value for money.

Johann Lamont: It does not seem to be a huge amount of money, but it has taken a long time to get to that point.

You made a point about “Outlander” creating more opportunities than “Game of Thrones”, but it is the case that Scotland lost “Game of Thrones”.

Fiona Hyslop: There has been some comment on that, but that would have been under the Administration within which the member was a minister, so I cannot give you information about that.

Johann Lamont: Do you not know why we did not get “Game of Thrones”?

Fiona Hyslop: Well, what I am saying is that I understand that that was at the time of the previous Administration.

Johann Lamont: I am struck by your reluctance to attribute responsibility to somebody other than yourself.

Fiona Hyslop: Fair enough. There has been some speculation, but I have also had industry information that it was the result of investment attractions in other areas rather than anything that was, or was not, done by our Government. I am not going to say that I can give you full information, because I would need to trawl through the records of previous Governments.

Johann Lamont: And that has never happened before. [*Laughter.*]

Has the Scottish Government done an assessment of where Scottish film is compared

with the industry in other parts of the United Kingdom? One of the things that I have raised, and which the committee is concerned about, is that there is an economic issue. It concerns an industry that is absolutely critical to Scotland, and is somehow treated differently from other industries that are part of our economic strategy. The argument that has been put to us is that the frustrations in the sector about the delays are partly about not getting to make films but also about the consequences for competitiveness.

Have you assessed where Scotland now sits? At one of our evidence sessions, there was a suggestion that we may be behind Manchester.

Fiona Hyslop: Part of it is about momentum in the level of production spend. The previous year's figure was £45 million, which is not as much as I want it to be. Yes, Scotland could have a bigger share, but we are we in a competitive position.

Our £24 million of investment in the screen industry compares with £1.4 million from Film Cymru, before the £30 million over a five-year period, which has only been drawn down for one film in Wales. In Northern Ireland, the 2014-15 figure was £10 million. Even if the investment in MG Alba is taken off the figure of £24 million, we are still ahead of Northern Ireland. Investment in Ireland has reduced and is now down at €10 million.

In terms of what the public sector is doing to invest in film, we are in a much better place than we have been—certainly much better than in 2007-08—and are investing more than the £16 million that Scottish Screen invested in 2009-10.

My private assessment of the Scottish film industry and where it stands is that it is the unrealised potential of the private sector that is causing frustration.

We know that we could do more. It is not that what we are doing is not good. We are producing good-quality films. However, if we want the industry to stay and develop in Scotland we need to have the permanent studio as an indication that Scotland is a good place for producing films, not just with tax credits, which can come and go, but on a permanent basis. That is what we are achieving.

We are providing a competitive offer in terms of investment opportunities for films, but we could do, and will do, more. On studio space, depending on planning permissions in a number of areas, we expect to be in a highly competitive place.

Johann Lamont: When will we be in a highly competitive place?

Fiona Hyslop: When the private developers make the decisions for investment and the

autonomous planning authorities have made their decisions.

Johann Lamont: So roughly—

Fiona Hyslop: I cannot make those decisions for them.

Johann Lamont: No, but you will have done an assessment of when you expect to become highly competitive. Would that be in, say, 2017 or 2018?

Fiona Hyslop: We are already in a competitive place. We will be in a better position once the studios are built and more films are produced in Scotland.

Johann Lamont: One of the themes from what you have said is that you are held back by the private sector.

Fiona Hyslop: No. We have to work in partnership.

Johann Lamont: You have to go at their pace, which is fair. There have been discussions with people in Glasgow who have a great deal of expertise and are raring to go. Their description is that you have had conversations and that they have effectively, in my language and not theirs, run into the sand. Are there on-going conversations with Glasgow about developing a facility there? Have the delays and problems been because of the private sector or because of public bodies?

Fiona Hyslop: It is probably the lack of private sector interest in producing something in Glasgow. I know that producers and Film City Glasgow put forward proposals. The requirement for 100 per cent public funding drives us back into the issue that producing and building a new-build facility would take us into the state aid arena and would distort the market. That is the challenge. We are still open for private sector-led developers in Glasgow or elsewhere, if they are interested, to contact us with their proposals.

Johann Lamont: We were told that the strategy for the creative industries was to be published in February. Can you tell us when it will be published?

The committee was much exercised about the apparent inability of Creative Scotland and Scottish Enterprise to work together. We know that they had a memorandum of understanding and were going to produce an addendum to the memorandum that would give more detail about how that relationship would work. When will that be published?

Fiona Hyslop: The memorandum of understanding would have been a fairly simple agreement. I wanted something that was a bit firmer and more detailed. I thought that that was important.

Creative Scotland and Scottish Enterprise have produced a partnership agreement, which has been signed. Further information will be added to that. That will be informed, I understand, by the creative industries strategy that Creative Scotland has already consulted on and is now finalising. That is subject to approval by Creative Scotland's board, which should be coming any time now. The timescale comes from those organisations and my understanding is that the addendum will be informed by the detail of the creative industries strategy.

10:45

Johann Lamont: With respect, cabinet secretary, we saw your and the Deputy First Minister's frustration about the inability of those two organisations to come together. We have been told that there is an addendum to the partnership agreement that will give more detail about how it will work and give people confidence that it is working. Surely it is for you to insist that that addendum be published. Otherwise, we get the sense that the matter is being allowed to drift.

Fiona Hyslop: It will be published once it is ready. As I said, the partnership agreement is far more detailed than a memorandum of understanding—that was the original suggestion—would have been. I am pleased that we have a more detailed partnership agreement. It makes sense that the nitty-gritty detail of operation is consistent with the creative industries strategy, which I understand is being finalised.

Johann Lamont: However, we still do not have clarity on how Creative Scotland and Scottish Enterprise will be encouraged to work together. They have been left to their own devices to produce the detail and we have no idea when it will be produced.

Fiona Hyslop: The partnership agreement has been published. That is what we said that we would do.

Johann Lamont: Our briefing paper says:

“the Partnership Agreement mentions an addendum to the Agreement, which is supposed to provide further detail and which would be updated and refined over time. This addendum has not yet been published.”

Fiona Hyslop: That is more an operating basis. We said that there would be a memorandum of understanding. Something stronger than a memorandum of understanding has been produced. It is a partnership agreement. Clearly, you want to have the operating detail that will be provided in the addendum but the fact is that you have the partnership agreement.

Johann Lamont: With respect, we want confidence that you have ensured that Creative

Scotland and Scottish Enterprise work together and address the frustrations of the industry, which strongly took the view that there was any number of meetings but nothing was happening to fulfil its requests.

Fiona Hyslop: I have heard what the committee said. I have made it clear to Creative Scotland and Scottish Enterprise that they need not only to work together but to give clarity to the industry about how that will operate. There have been improvements. The partnership agreement that has been produced is the basis of that.

The Convener: I want to clarify a couple of things before we move on from the film studio. We had a helpful paper from Creative Scotland giving us national stage comparisons between Scotland, Wales and Northern Ireland. Wales has 51,000 square feet of purpose-built studios. Northern Ireland has 42,000 square feet. Scotland currently has 5,800 square feet. The 30,000 square feet that you are talking about sounds a lot but, if that is a purpose-built studio, it still leaves us a long way behind Wales and Northern Ireland, according to my calculations.

Fiona Hyslop: Not necessarily. I think that it would be 7,000 square feet behind Northern Ireland. It might be worth trying to find out what activity there has been at Dragon Studios in Wales more recently. It would be comparable. Dragon Studios has four sound stages and Titanic Studios has two. It is all subject to planning and I will not prejudice anything, but the Wardpark development, in combination with the converted space beside it, would give us six sound stages. If we compare the total of the purpose-built and full-time studios in Wales or Northern Ireland with the total in Scotland if the development is approved—never mind any other studios that might come on board—we have the prospect of having studio space far in excess of that in the comparisons that you have before you.

The Convener: I am just trying to get the 30,000 square feet into perspective. I understand that the Pentland Studios application is for 230,000 square feet. That includes six sound stages.

Fiona Hyslop: It is not an either/or, but I cannot give any judgment on what ministers' collective view would be on the Pentland application.

The Convener: I know, but I just want to put the 30,000 square feet into context.

Fiona Hyslop: I am not sure that that is all sound stages. However, if we combine the existing 118,000 square feet with 30,000 square feet for Wardpark's refitting, that gives a space of around 150,000 square feet. I think that Pentland has given the committee a briefing on what its space is. That is its complete space, but I do not know

whether it is all studio space—it would be helpful to know that. For the committee's information, my understanding is that phase 1 for Pentland would have a 65,000 square feet sound stage.

I do not think that it is a case of comparing the sizes of the different developments, because they are not too dissimilar. However, the Wardpark development would give a total of 150,000 square feet and phase 1 of the Pentland development would give 65,000 square feet. However, Pentland has ambitions for further developments; I think that the planning application is for around 280,000 square feet. Not all that would be for studios, as there are other aspects to it.

The Convener: You said that the Wardpark development is not too dissimilar to the Pentland one, but it is half the size of the first stage of the Pentland development. Maybe I have been in this game too long, cabinet secretary, and I am getting a bit cynical, but there seems to have been a lot of heat around this issue. The Government has been under pressure, there is an election coming up in eight weeks' time and you have produced a rabbit from a hat—it is not a very large rabbit, but actually quite a small rabbit.

Fiona Hyslop: Not at all. The announcement is good news for Scotland and for the film industry. On the timescale, I would have liked to have had the heads of agreement with the developer signed a long time ago. However, for a period we had no prospect of any studios but we now have the prospect of not just one but a number of studios, depending on different decisions made by ministers or, indeed, other developers in other areas. I am far more hopeful now than I have ever been that we will have a permanent studio space, and I think that that is good news.

Obviously, we have a limited time before the election period in which to make announcements or contributions. The committee has been looking at the creative industries at the same time that we have been considering all the studio proposals and applications. I welcome the fact that the committee has shown such interest in the issue.

The Convener: Okay. Notwithstanding the rabbits, you still cannot tell us when, or even if, any of the projects will be delivered.

Fiona Hyslop: As I said, they have been private sector led and the timescale is driven by the private sector involvement, as it is in other developments elsewhere.

The Convener: Thank you. We need to go back to the question of partnership, and I will bring in Dennis Robertson on that, then Chic Brodie.

Dennis Robertson: We heard from Highlands and Islands Enterprise, which seems to have a

very positive, energetic, can-do approach. We also heard from Creative Scotland and Scottish Enterprise, but that seemed quite flat. I am not saying that they lack ambition, but it would appear that you have now provided an instruction for them to work together and come up with something. How confident are you that the partnership between Creative Scotland and Scottish Enterprise will deliver?

Fiona Hyslop: The partnership is strong and they have been co-operating in a number of areas, not least with the wider creative industry sector. You referred to Highlands and Islands Enterprise's approach to the creative industries, and I am very impressed by how HIE operates its relationships, its investment, its activity, its vision and its strategy. HIE operates in a different context from Scottish Enterprise, which probably has a different focus provided by Government ministers and has a wider range and volume of activity in terms of where the creative industries are located. However, the creative industries' contribution to the activity of Highlands and Islands Enterprise is probably stronger than their contribution to the interests of Scottish Enterprise.

I expect Creative Scotland and Scottish Enterprise to work together and have been assured that they are doing so. There has been improvement in that regard at both the very senior and the operational levels. However, I want to make sure that support for the creative industries is driven not by the needs and the direction of the public sector but by the relationship with the private sector in terms of what the industries need.

We have just been talking about the film industry, and a lot of skills development and production development—an announcement is due on the production development side—has been driven by the needs of the industry, which is really important. However, I am very pleased with the climate, ambition and range of activities associated with Highlands and Islands Enterprise in relation to the creative industries, which you rightly identified. I think that lessons from Highlands and Islands Enterprise should be learned by other partners in Scotland, and I have made that clear.

Dennis Robertson: How often does the partnership report to you on its progress?

Fiona Hyslop: Scottish Government ministers attend all the partnership meetings. Highlands and Islands Enterprise is part of that, as well as Creative Scotland and Scottish Enterprise, and they report back to me regularly on their cycle of meetings.

Dennis Robertson: Will a strategy be published? Mr Brodie may ask you about that. Are

you confident that a strategy will be in place, perhaps within the next few weeks?

Fiona Hyslop: Just as this might be the last committee meeting in this session of Parliament, we are running into the final stages before purdah, which will affect the announcements that can or cannot be made. On the development of a strategy, it is important that there has been the collaboration and consultation that we would expect with any strategy that is being led by Creative Scotland—it should be shared.

There has been a consultation period and the strategy is now being refined, based on the drafts that were produced and shared with the industry. I think that that is right—it is the correct way to ensure that industry needs are reflected in the strategy. I will need to report back to the committee on the timescale, or ask Creative Scotland to let you know when it will be published.

Dennis Robertson: I want to pursue another area before we move on. The Scottish Affairs Committee made recommendations about the two Governments working together. Is that happening?

Fiona Hyslop: There are areas in which we can and should work together more closely. The digital single market is one such area, although the UK Government agreed that I would lead for the UK at a recent European Council meeting on digital single market areas. Intellectual property is another such area. We have made it quite clear that we want to see better co-operation in relation to the operation of the Intellectual Property Office and how it relates to, and gets views and opinions from, the industry here. I am pleased to say that more sessions on that have been set up.

The biggest challenge at the moment for the Department for Culture, Media and Sport is what it is facing in the area of the BBC charter renewal. I have met John Whittingdale twice, particularly to discuss how the opportunities for independent production in Scotland can be advanced as part of the charter renewal process, as well as to discuss other issues that were in the paper that we produced about that.

There is co-operation, but there can be more. The recommendations from the Scottish Affairs Committee were primarily for the UK Government; there were no recommendations particularly for us, but we look forward to working co-operatively with the UK Government where we can.

Dennis Robertson: Although those were not recommendations to you, cabinet secretary, they were about the two Governments working together.

Fiona Hyslop: Yes.

Dennis Robertson: Have you written to the UK Government with regard to membership of the

Creative Industries Council? I believe that you hope that Creative Scotland can be part of that.

Fiona Hyslop: I have met the UK Creative Industries Council, which wants to work more closely with Scotland. As Scotland previously had observer status, there is an opportunity to make sure that that status becomes full time. That is one of the recommendations in the report, and I hope that it will be favourably received.

Even within that, I think that there is a better way that we can work within Scotland. The Creative Industries Council at UK level was interested in looking at how, rather than dictating to us or driving its agenda from a UK basis to Scotland, we can operate consultative bodies from the industry within Scotland to feed into it—that is on-going.

Dennis Robertson: It provides a framework.

Fiona Hyslop: It does, and I am looking at having a similar framework in Scotland, but I would like to make sure that there is co-ordination between the two. That is subject to on-going work.

Chic Brodie: Cabinet secretary, I have no doubt that you are as eager as anyone to promote the creative industries, and Creative Scotland does a lot to support that. However, you may be very pleased about what is going on, but I, for one, am not. Let me give you one example.

In October, Creative Scotland published its draft creative industries strategy. That has been taken down from the website. It was supposed to produce the strategy by 3 March, and you have just said that you will come back and tell us where we are on the strategy. There will be no action plan and no action unless we know what the strategy is in relation to embracing internationalisation, innovation, investment and so on. Where are we with the strategy document?

Fiona Hyslop: I have already answered that. The reason why the draft strategy was up on the website but is no longer there is because it has been consulted on. It was up on the website so that the industry could be consulted on it. The industry and the sector have fed back on it, and the strategy is now being revised.

Chic Brodie: But it was to be published on 3 March and it is now 9 March.

Fiona Hyslop: Creative Scotland gave you that date. I expect to get the strategy when it is finalised. I understand that it is currently with the Creative Scotland board.

11:00

Chic Brodie: We have the partnership agreement, and I endorse what was said about Highlands and Islands Enterprise. However, as I

asked way back, where does the buck stop? Currently, the buck stops with the partnership agreement. Who is responsible if a strategy document that is agreed by the partners cannot even be produced in six months? A draft was up on the website for consultation, it was taken down, and then Creative Scotland said that it would produce the strategy by 3 March. I know that, politically, you are ultimately responsible, but who takes ownership of the issue on the ground? Who makes sure that when Creative Scotland says that it is going to do things, they are done?

Fiona Hyslop: The chief executive of Creative Scotland has given you a commitment. I was not aware that she had given you a commitment for that date. If she has given you that commitment, she should make sure that it is delivered.

I want to make sure that the strategy is a proper strategy that will deliver for the creative industries. If that means that work has to be done to change and refine it as a result of the feedback, that is the right thing to do. I want to make sure that it is correct.

Chic Brodie: I agree with you, but that refinement should be built in. You should be given enough time to be able to change the strategy or redirect it or what have you. If the chief executive comes here and says that we will get the strategy document on 3 March, one assumes that that will be part of the process.

Fiona Hyslop: I think that it is very unwise for any public sector employee to give indications to committees of dates that they cannot necessarily deliver on.

Chic Brodie: Okay—thank you.

Johann Lamont: Cabinet secretary, have you given a deadline to Creative Scotland to produce the strategy?

Fiona Hyslop: I expected to receive the strategy in the spring. The issue is what can be announced pre or post the purdah period.

Johann Lamont: Yes, but you must appreciate that a strong theme that ran through the inquiry was a sense that Creative Scotland and Scottish Enterprise were not working together, and we wanted the cabinet secretary and the Deputy First Minister to get a grip.

Would it therefore be reasonable to expect that you would have been given a timetable from draft through consultation to publication that involved you signing it off? Have you given a date by which you would reasonably expect to receive the final strategy? The fact that the draft was pulled down from the website without any date being given for when the final strategy would be produced makes me feel as though the process is drifting into the summer.

Fiona Hyslop: I expected to see the strategy in the spring of this year, which is now.

Johann Lamont: But Creative Scotland is an organisation that has been known to drift. Would it therefore not be reasonable to give it a specific date rather than “the spring”, which is rather a moveable feast?

Fiona Hyslop: I did not provide the committee with a date—that was provided by Creative Scotland.

Johann Lamont: No, but would it not be reasonable for you to give Creative Scotland a date by which you expect to see the document, clear it and have it published? It would then be working to your deadline rather than “the spring”, which is flexible and could end up being the end of May.

Fiona Hyslop: If you look at strategies that are produced by any organisation, not even just in this area but in other areas as well, you can fix deadlines and dates but, by and large, organisations tend to have more general deadlines than exact ones. That is because as soon as an organisation has missed one date, as we have heard, people start asking, “Why was it not ready on 3 March?”

Sometimes strategies are not produced to exact dates, so saying that I expected to receive the strategy by the spring was not unreasonable.

Johann Lamont: As a school teacher, I gave people deadlines for their homework. It is entirely reasonable for you to do the same; otherwise things start to drift, which none of us wants to see.

Fiona Hyslop: I appreciate your point.

Chic Brodie: Forgive me—I find that an astonishing explanation of how we drive things. If anybody else did that, whether it was teachers or any business, it would not work. If I were to say to my board, “I might be able to produce the financial budget for next year in the spring sometime,” we would never get the business off the ground.

Fiona Hyslop: We have seen the draft document and we fed back our interests, views and opinions before Christmas. We expect the strategy to be published by the spring, and I understand that it is with the Creative Scotland board. I am not sure exactly when the board meeting is. If you want us to operate with public bodies that have a degree of independence from the Scottish Government, you have to allow them to get on with their business.

I repeat that, when the legislation on Creative Scotland was going through, we were told that there was absolutely no desire for ministers to direct the organisation in a way that would cause

issues in the culture sector or that would affect its independence of decision making.

We expect the strategy. We expected it in spring, but I have not received it yet. I did not give you the date of 3 March.

The Convener: Okay. We have other ground to cover, so we need to move on.

Lewis Macdonald: I want to come back briefly to the partnership agreement. When it was signed in December, the commitment was given that the parties would meet formally every three months to review progress against the published aims. Has the first formal quarterly meeting happened yet?

Fiona Hyslop: David Smith is a party to that agreement, so he can answer.

David Smith: We have met, and we have a workshop involving other members of the Scottish creative industries partnership set up in April, which will look at developing further actions and an action plan around that partnership agreement.

Lewis Macdonald: Forgive me, but that is slightly different. I am talking about the formal meeting in relation to the partnership agreement per se. It was to be a quarterly meeting to review the aims in the partnership agreement. That was not to happen from April; the partnership agreement was signed in December.

David Smith: Sorry for the lack of clarification. Yes, we met and discussed that earlier this quarter. An outcome of that meeting was that we agreed to set up the workshop.

Lewis Macdonald: Is the intention to continue on that basis?

David Smith: Yes.

Lewis Macdonald: That is helpful. Is it possible to have an update on the work that has been done around the television working group and the meetings that have been held under it?

Fiona Hyslop: One of the committee’s recommendations was to set up a film advisory group. The feedback from the industry was that we should make sure that it was a screen group that covered television and film.

John McCormick has agreed to chair that group for 12 months. At its first session, there were about 60 representatives from the industry. It has been taken forward by a smaller team. I think that it met in January and is meeting again in March. I understand that it is looking at trying to identify several immediate and quick hits—the big things that need to be done—and to focus on a few of those and get them delivered. Again, it is a work in progress.

Lewis Macdonald: Thank you very much.

Gordon MacDonald: I want to move on to the TV sector. I understand that the TV working group met in December 2015 to agree terms, which included the development of a clear business and financial strategy for growth. Can you update us on any of that?

Fiona Hyslop: The operation of the screen group has been taken forward, as I have just explained. There are other on-going interests, and I think that the TV working group has been operating particularly with Scottish Enterprise in some of those areas.

There is an awful lot happening in TV, such as the BBC charter renewal and STV's development. The screen group has regular and on-going dialogue, as do its individual members, with the Government and with Scottish Enterprise.

Gordon MacDonald: Can you say anything about what the strategy for growth is? How is the group going to achieve growth?

Fiona Hyslop: That is for the group to comment on, but I will invite Laura Turney to come in on that.

Laura Turney (Scottish Government): We could give the committee a read-out from the last TV working group meeting—not now but in writing after this meeting—if that would be helpful.

Gordon MacDonald: Thanks very much.

I will tell you why I asked that. I was looking at the budget for public sector broadcasters in the UK. The BBC has a TV budget of £2.4 billion, ITV has one of £1.9 billion and Channel 4 has one of £0.6 billion. Between those three, that is a £5 billion TV spend, of which £2.6 billion is on first-run, original TV content. Do you think that we get a fair proportion of the £2.6 billion that is spent in the UK on original programmes?

Fiona Hyslop: No, we do not, and as part of her evidence to the Education and Culture Committee, the BBC's managing director of finance, Anne Bulford, stated that only £35 million of the BBC spend in Scotland is on original content that is commissioned.

As I said in my opening remarks, what is really important is that we look at the support for screen in the wider context. There is a real opportunity to make sure that we get more production spend in Scotland and to ensure that it is used in a strategic way. Last Monday, I had a conversation with Tony Hall, the director general of the BBC. I am not convinced that the BBC, as an organisation, uses its whole spend in a strategic way to help the creative industries as much as it can. The BBC does a lot, and I am not underestimating the amount of activity that it is involved in and the impact that it has, but in Scotland that spend can be used in a far more strategic way.

I talked about the additional development funding that Creative Scotland now has. We need to look at how we can manage that more effectively for the wider independent production sector. We have to make sure that BBC Studios, for example, does not unnecessarily crowd out opportunities in Scotland. We need to give that on-going scrutiny as the white paper proposals develop. The point is also relevant to STV and others in terms of production spend.

As Gordon MacDonald's figures showed, the BBC has the biggest budget. We want to see more decentralisation of the pot of money that is available to spend to make sure that it is spent in a strategic way. I thank the committee for its help in setting out the arguments in relation to the concerns about lift and shift. If the accounting for investment in productions takes place after the event in a tick-box exercise, that does not allow for strategic decision making about what type of work can be done, and by whom, to ensure long-term sustainability.

I think that I am starting to have an impact in making sure that public service broadcasting not only delivers for the audience—that is the number 1 priority—but provides sustainability for the sector so that we can get more value and more production out of it.

Tony Hall has agreed, from the BBC's point of view, that there needs to be far more commissioning control and decision making in Scotland. We have yet to see the shape of that, and it is part of our on-going discussions. That process has been helpfully informed by this committee and the Education and Culture Committee, which took evidence on the charter renewal.

Gordon MacDonald: I have been a big critic of the BBC. This week, I managed to obtain Ofcom's title register for programmes made outside London in 2014. It highlights that nearly 1,300 programmes were made across the UK outside the M25 corridor. I was not necessarily concerned about the BBC in that regard, although I have other concerns about it. It is obvious from the inquiries that we have carried out that Scotland has television production companies that have a wealth of experience and talent, yet Channel 4 produced only 27 programmes in Scotland, Channel 5 produced nine and ITV, with a total television budget of £1.9 billion, made no programmes in Scotland.

How does the Government engage with and encourage commercial broadcasters to increase their spend in Scotland or, in the case of ITV, to spend any money in Scotland?

Fiona Hyslop: The companies will make their decisions on where to spend their funding. It is

quite clear that they are missing out on genres that are reflective of Scotland but also on the opportunity to widen the talent that they use. Diversity is important so that we do not have the same productions by the same producers telling the same stories. In a widening competitive arena, it is important that we have good quality and choice.

The other issue with those numbers—I have obviously not had sight of the numbers that Gordon MacDonald has—is that recurring dramas are important; they are the lifeblood for developing the industry. That is what we want to see more of in Scotland. Again, there is an indication from the BBC that it acknowledges that that needs to happen, regardless of whatever happens with wider commissioning decisions. Recurring game shows provide jobs. Many recurring dramas, game shows and long-running series are centralised. That is where the large numbers of programmes come from. They are often produced in the safe environment of what you know and who you know.

We have to change the level of confidence that commissioners have to commission tried and tested producers in Scotland and to use the new and burgeoning talent that we have. Relocating the commissioning for all those categories, certainly from the BBC's point of view, would allow commissioners to tap into that talent.

As far as the private sector is concerned, when it comes to ITV and Channel 4 and how Ofcom operates, there are already recommendations for quotas and other mechanisms. As part of the process of looking at the sustainability of the creative broadcasting industries, we need to work with Ofcom to make sure that sustainability is meaningful and helps to grow the sector without centralising it. I am not saying that it is a monopoly by any means whereby all the decision making happens within the M25 corridor, but we must try to improve the situation.

I think that the Ofcom aspects of that are going to be very important. We can leverage some of that through the charter changes that are coming through, but some of it will need to be done by regulation. However, that is the balance in terms of what leverage this Government has. We do not have responsibility for broadcasting in our remit. We can try to influence it, but we do not have legislative control. Even without that, you can see the effect that the activities of the Scottish Parliament and the Scottish Government have had in trying to improve the sector.

11:15

Gordon MacDonald: We are looking at a situation in which 57 per cent of all TV jobs are in London and 50 per cent of BBC jobs are in

London. Accommodation costs tend to be much higher in London than they are elsewhere in the UK, and there is London weighting for salaries and so on. Given the budgetary pressures that are on all broadcasters, surely it would be cheaper for production companies to base themselves outside London, and predominantly in Scotland.

What are we doing, when we have these conversations with broadcasters such as ITV and the BBC, to show them that we have a competitive edge, given that they are under those pressures?

Fiona Hyslop: There has been a lot of relocation out of the M25 corridor by the BBC—mostly because of the move to Salford. However, that has not resolved the problem. That is the issue. It has made a major investment in relocating, but it is quite clear that it has not changed the culture of commissioning, which has to be changed as well.

That is why decentralisation of decision making, which this Parliament is agreed on, is really important. Decentralisation of budgets is important, because a lot of this depends on where the money is. If the money is being used in Scotland, that will be an incentive for relocation as well.

However, you are absolutely right about cost provision and the opportunities for value for money in the screen sector more generally. We can be a better offer than what is now looking like quite a crowded space down south.

Dennis Robertson: How proactive are Scottish Enterprise and Creative Scotland in getting out there and trawling for that business? HIE would just snap something up. Are we going out and being proactive in seeking out that business for our skilled workforce in Scotland?

Fiona Hyslop: It is clear that we are, and we see that happening regularly in the film sector. However, with television, it comes down partly to who makes the decisions and where the budgets lie. It can be partly about encouragement, but when it comes to trawling for business, the situation is not quite the same as it is for film. We are proactive when it comes to film—Scotland has an extensive range of possible film locations, and I am sure that you will have seen the VisitScotland publication about film locations and where they are. There have been many productions up in Aberdeenshire and north Scotland. I visited the set of the Guy Ritchie film that is coming up. A lot of filming is taking place in Scotland. The screen commission is very active in that area. We have the locations; it comes back to the point about needing to have the film sets as well.

Television is trickier, because it comes down to commissioning. There is more activity on Government agencies working with

commissioners. For example, the BBC and Creative Scotland are looking to develop a memorandum of understanding on how they can work together better. That is an indication of what is happening. It is potentially more challenging to do that with commercial operators.

Richard Lyle: I will ask about a subject that we have not covered yet and also maybe speak about something that the convener mentioned. I want to talk about the video games industry and the animation industry—there is your Bugs Bunny, convener. I could not resist that one.

The video game industry is a multimillion-pound industry—in fact, it is worth billions. Most children and most adults are going into shops and purchasing video games. In the committee's March 2015 report, we made some suggestions—again, poor Creative Scotland is going to get pelters. We recommended that

“Creative Scotland leads co-ordination of the industry, academia and public bodies to establish a national strategy ... Creative Scotland should lead in working with the video games industry to identify skills gaps, promote job opportunities to young people, and ... commission research into digital media”.

I note that Creative Scotland had a meeting with Scottish Enterprise for both of them to develop a strategy so that neither works against the other. The industry is a major one, and it could be a major industry in Scotland. You have solved the issue of the television industry, I hope. What will you do for the video games industry?

Fiona Hyslop: I have not solved the issue of TV industry; we are working hard on it.

On the work on the animation sector review, I think that we have provided the committee with updates on the actions that it asked for, and I do not necessarily want to repeat what it has already received. An organisation has been appointed to undertake the animation sector review, which the committee asked for. The report is expected to be published in June—I hope that that is specific enough. It will inform Creative Scotland's work with the sector and activities over the next 12 months. I say that advisedly, but that is the indication.

On other funding streams for animation, Ko Lik Films has received funding, and there has been support for international opportunities to showcase at industry events, which the sector has welcomed. A delegation of 15 animation professionals is attending the expo in Burbank, for example. Individual animation production companies are being helped to attend those markets.

Another financing aspect is the tax credit advance facility. Some of the issue is about loan facilities and oiling the wheels for funding,

particularly for smaller companies. There are very successful large companies, but a lot of the industry is new entrants and they need help to develop their involvement. The animation sector can also apply for open funding that is available.

We have provided information on all that to the committee. I do not know what detail you are after, I am happy to provide whatever update we can on the detail.

Richard Lyle: So you believe that Creative Scotland is developing and will enhance the work that has been done. As you have said, a lot of new people are developing games. Some games do not work, but other games—whoosh—suddenly become the most successful games out. What steps are being taken to improve and enhance Scotland's position with regard to video games?

Fiona Hyslop: Obviously, there is an interrelation between animation and video games. They are two discrete sectors, but there is an interplay between them.

Creative Scotland and Scottish Enterprise support for the games industry is very strong. That is hugely important, and you are absolutely right about Scotland's profile, reach and impact.

Probably one of the most important areas of support is that for skills and development and the pipeline of new people coming into the industry. Obviously, there is a challenge regarding people's desire to get into the sector and to study the necessary subjects. A lot of work that we are doing in the science, technology, engineering, art, and mathematics subjects and on encouraging more women into the sector involves trying to encourage more young people to see digital in whatever shape or form as the future.

The idea of creating content is really important in attracting young people into the sector. A lot of it will be about programmers and how games are programmed, but there is an incentive in the wider sphere. The idea of working in a creative sector and creating content is particularly attractive.

One of our biggest challenges is skills development and ensuring that we have the right numbers of people for the future. Scotland is very attractive because of its skill base—not just the level of skills but their volume. We need to maintain that. What is being done to drive that is not just our responsibility but the responsibility of Roseanna Cunningham and Angela Constance in education. That is probably one of the biggest challenges that we have for the digital sector.

Richard Lyle: My next question is about that. What is Creative Scotland doing to work with universities such as Abertay University in order to develop computer game skills?

Fiona Hyslop: A variety of agencies are involved in that area.

In both my ministerial portfolios, I am a keen driver of the sector and I have promoted it in China on different occasions. The work that is being done at Abertay University, in particular, has international reach and attracts students from elsewhere, so the university is becoming a real international hub.

We are seeing dare to be digital grow from what was a very small initiative to something very large, and the Scottish Government has provided funding for that. I did that because I wanted to raise its profile, improve its attractiveness and support its international recognition.

Finland is another place that we are looking at in terms of our competitors in digital gaming activity. We want experts from there and elsewhere to come here to live and work, and we want the brightest and best to stay here.

Going back to the interplay between portfolios, the post-study work visa is a challenge if we want to keep some of the brightest and best, particularly in the digital gaming industry. That is why we are taking forward some of the issues around that with the UK Government. Keeping the brightest and best can make a big difference. They may come here to study but, if they have to leave, we are not going to get the benefits of them.

Richard Lyle: What is Scottish Enterprise doing to encourage job fairs or conferences in order to pull computer firms together?

David Smith: The short answer is: a considerable amount. For example, through the work of talent Scotland, which is an arm of our international work, we are reaching out to other countries in Europe where there is a considerable amount of talent in the digital and creative industries. We are trying to promote the opportunities that exist in Scotland for people to come here to live and work.

We are doing a great deal with the community of ambitious growth companies to bring them together around international opportunities, and an increasing number of companies are going to events such as the game developers conference in San Francisco—we have 33 companies going there this month. A great deal of work is done around such events to bring companies in the industry together to share best practice and to have exchanges around how best to attract and retain talent.

We are doing a lot with Skills Development Scotland, which is leading on the development of the skills investment plans from both an information and communication technology perspective and a digital perspective but also from

a creative industries perspective, to ensure that the industry—particularly the ambitious, faster-growth companies—is heavily engaged in supporting the development and implementation of the skills investment plans. That has led to initiatives such as dare to be digital, which is a big, strong campaign that is trying to increase understanding and the attractiveness of the sector to young people. It also tries to influence parents and others to encourage young people to pursue opportunities in digital aspects of the creative industries and the digital sector more broadly.

Patrick Harvie (Glasgow) (Green): Good morning. Cabinet secretary, I agree strongly with the point that you made about the post-study work visa. I hope that there will be continued support across all political parties for pressure for movement from the UK Government on that.

I am a wee bit unclear about your response to the questions about the committee's specific recommendations on the games sector. Albeit that our hearts might sink if we talk about creating another national strategy, given how long that could take, is it your intention to instruct Creative Scotland and Scottish Enterprise to develop a national strategy for the games sector? Is that happening?

Fiona Hyslop: You should remember the evidence of the sector's concerns that, given the fast evolution of the sector, any strategy could end up being behind where the industry is. There will therefore be a regular, six-monthly survey of the games sector conducted by Scottish Enterprise and the Scottish Games Network, which you took evidence from; indeed, I think that it was the network that said that we should be careful about tying ourselves to a strategy that could be overtaken by rapid movement in the industry.

The first survey opened on 22 January and closed on 8 February, and there were about 200 responses to it. The survey means that there can be a rapid response to the sector's interests and needs—it is almost a time and motion study of the area. That six-monthly survey allows Scottish Enterprise and the Scottish Games Network to keep in touch with exactly what the industry needs and to respond.

Patrick Harvie: In short, your answer is that your intention is not to produce a single document, but to have a rolling, on-going process every six months.

11:30

Fiona Hyslop: In the future, there may be work around a strategy again. The Scottish creative industries strategy will cover the digital sector. We are responding to the interests of the industry. When people from the industry spoke to me—and

they gave similar evidence to the committee—they were not desperate to have a document that could be shared; they were more interested in a rapid response to, and action in respect of, changing needs. The industry moves very quickly, as do the individuals in it. That is what we have responded to.

Patrick Harvie: One of the things that came through very strongly was the lack of clear, objective information about the size and scope of the games sector. There was not only anger from the industry about low estimates in the past, but disagreement among the industry bodies about the overall economic size of the sector. That relates back to Dennis Robertson's comments about co-operation between the Scottish Government and UK Governments, because the figures from the two Governments tend to differ. For example, one estimate might take into account only people working in specific sector companies, whereas other estimates might take into account people doing jobs in other companies that do not show up as part of the games sector or creative industries.

Are we any closer to getting a clear, consistent methodology, not just between the two Governments, but in the industry, for figuring out the size and scale of the industry in order to support it better?

Fiona Hyslop: Yes—on a number of levels. You are right to say that different measurements and categories are used in the different jurisdictions. At the request of the British-Irish Council, we have a new creative workstream, and when we met in the Channel Islands a few months back, I initiated an agreement to look at some common methodology for the creative industries, so it is not just about digital and gaming. That work will look across the UK, and Scotland can make useful comparisons with Ireland, Wales and Northern Ireland. You pinpoint an area where there are particular differences. Sometimes, IT jobs have been classed as digital, whereas we are looking at the creative element. We want to get a handle on the creative aspects and support and develop them. That initiative will be very helpful.

We do not want to create an industry around statistics, but they are helpful in ensuring support for the sector; indeed, they can help to drive both public and other support for it. Scottish Enterprise will be working with a number of companies that meet its criteria; the challenge will be how small start-ups can be supported, given that they might not have the turnover that would be of interest to Scottish Enterprise.

Patrick Harvie: It is about more than just thinking about small start-ups. Even more than film and television, the games industry does not have a clear border between companies that exist and

work that is happening that could lead to stronger results in the future. It may be that some of the most exciting people are not working in a company, but are working for fun, which may lead to a company being established in the future.

The support for the sector needs to think not just about companies that already have a business plan and a formal existence, but about how we create spaces that anyone can access and in which that creative activity can happen. Some of the witnesses in our inquiry talked about the potential for creating a hub, or creative space, that people can access, regardless of whether they are already thinking about things in economic terms or simply creating for the hell of it. Is the porousness of established companies and others being discussed?

Fiona Hyslop: You absolutely pinpoint the challenges of supporting the creative industries. These are not pre-packaged plcs; most artists and musicians are self-employed, and much of the support that they need relates to networking, because networking on different projects is the lifeblood of what they do.

Patrick Harvie: They may not even be self-employed—they may not be employed at all, or they may be employed doing something boring in a supermarket.

Fiona Hyslop: That is right—they may not be employed. How we calibrate and support the very poorest, with people moving in and out of a sector, as you have described, is a challenge.

You will be aware of Wasps—Workshop and Artists Studio Provision—which provides hub spaces for artists. We know that similar operations are happening in Edinburgh in the gaming industry, and they have been very successful. It is a case of, "Build it and they will come." I visited the Biscuit Factory in Leith, which is a real hub for the creative industries. Some of those hubs will be for artists, and some will be for gaming and other areas. There can be a mix: it is not always about putting all the gamers together, as interplay and networking are important.

In animation or digital, for example, every company that you can think of will be producing creative content of some description for websites or Facebook—you name it—and therefore the jobs opportunities are huge. The way in which the industry works, and how people come into it, does not lend itself to traditional business support. Providing support for the creative industries comes down to ensuring that there is a level of support and looking at how we operate it.

On having a co-operative management structure to help with business development, personnel or other elements, I go back to my comments about our work in the area of film. One of the requests

from Independent Producers Scotland was about developing a similar concept for a co-operative hub that could help with support. Such a structure can provide support for the back-room aspects of development, such as advice on personnel issues, as and when it is needed, and businesses can come in and out at different times. IPS has made that request, but it is already happening to a great extent, in the Wasps studios and elsewhere.

The opportunities for developing such a model for digital and gaming are strong. However, I would be careful about promoting the idea that we need to segment industries. Going back to my point about encouraging young people, we need to put the A for arts into STEM to make it STEAM. The creativity of the content is the added value that will make a difference. I am very keen on that agenda, and the provision of public support will follow what the industry needs. As I said, there were 200 responses to the survey, which will help to shape that offer.

Patrick Harvie: That is helpful—thank you.

Finally, I assume that you are able to commit to ensuring that our successor committee gets a six-monthly write-up on the forum process that is under way.

Fiona Hyslop: Obviously, it is up to the committee to decide what is in its legacy paper. When the committee first said that it wanted to look at the creative industries, I told the convener that I was really keen for it to do so. There is so much attention on other sectors, and raising the profile of the creative industries has been very important.

There have been frustrations and challenges in the area; as Patrick Harvie described, the nature of the sector means that it is not as easy for us to provide the necessary business support in the way that we do for other sectors. It is a different area.

Patrick Harvie: All I am asking is whether there will be a report from the Scottish Government on a six-monthly basis as a result of the process.

Fiona Hyslop: I cannot dictate to the committee what it should want, but I would strongly encourage the successor committee to continue to take an interest in the creative industries. From a Scottish Government point of view, I will be happy to share updated information, because the process will move forward regularly.

Dennis Robertson: With regard to support from Creative Scotland and Scottish Enterprise for the gaming sector primarily, I am trying to recall whether there was some discussion about creating a portal on the website of one of those bodies so that people could access information. If they wanted to go down a particular route, or if they needed support to become self-employed or gain

accountancy skills or whatever, the information would be there. Does that portal exist?

Fiona Hyslop: David Smith may want to answer that.

David Smith: Work has certainly been taken forward by us, along with the business gateway and Creative Scotland, in relation to the screen sector in particular, which will result in a portal being created on Creative Scotland's website.

Dennis Robertson: I think that it was one of the things for which the industry asked.

David Smith: We are certainly looking at how we can best present and signpost information for companies across the creative industries and the gaming sector to ensure that they can quickly find information on all the support that is available.

Fiona Hyslop: We will provide an update. The clerk had indicated to me that the committee wanted to focus primarily on film and the BBC rather than on digital, but I am happy to provide you with more information.

Dennis Robertson: That is fine—thank you.

The Convener: That concludes our session. Cabinet secretary, I thank you and your officials for your attendance this morning and for answering our questions. There were two or three issues on which you said you would come back to us in writing—it would be helpful if you could follow up on that in the next couple of weeks.

Before we move into private session, I note that this might be our last meeting in public. I take this opportunity on behalf of the committee to say an enormous thank you to our clerks for all their assistance in the past few years, in diligently helping the committee with all our work and administration to ensure that everything ran smoothly. I thank the official reporters for their diligence and assistance, and I thank the Scottish Parliament information centre—in its various guises—and its officials for coming along and assisting us. On a personal level, I thank all my fellow committee members for their diligence, hard work and co-operation, and general consensual approach over the past number of years. For those of you who are standing for re-election, I wish you success.

Chic Brodie: We thank you too, convener.

The Convener: Thank you.

11:40

Meeting continued in private until 11:53.

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